



THE NEMOURS FOUNDATION AND SUBSIDIARIES

Combined Financial Statements and Schedules

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

THE NEMOURS FOUNDATION AND SUBSIDIARIES

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KPMG LLP
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Independent Auditors' Report

To the Board of Directors
The Nemours Foundation:

We have audited the accompanying combined financial statements of The Nemours Foundation and subsidiaries, which comprise the combined balance sheets as of December 31, 2020 and 2019, and the related combined statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of The Nemours Foundation and subsidiaries as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplementary information in combining schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the combined financial statements as a whole.

KPMG LLP

April 14, 2021

THE NEMOURS FOUNDATION AND SUBSIDIARIES

Combined Balance Sheets

December 31, 2020 and 2019

Assets	2020	2019
Current assets:		
Cash and cash equivalents	\$ 350,727,700	367,976,065
Short-term investments	53,143,450	45,045,534
Patient accounts receivable	151,876,134	166,264,115
Supplies	6,189,118	6,417,363
Prepaid expenses and other current assets	42,034,848	36,163,048
Total current assets	<u>603,971,250</u>	<u>621,866,125</u>
Investments	121,195,731	70,757,063
Assets whose use is limited:		
Internally designated for self-insurance reserves	89,504,574	90,645,283
Internally designated for future Delaware operations	25,585,229	22,655,189
Other designated	78,111,581	69,013,442
	<u>193,201,384</u>	<u>182,313,914</u>
Restricted assets:		
Cash	15,938,276	15,025,659
Investments	247,772,870	231,912,044
Pledges receivable, net	11,454,084	2,881,780
Other assets	214,819	201,325
	<u>275,380,049</u>	<u>250,020,808</u>
Property and equipment:		
Land and land improvements	111,767,518	111,430,451
Buildings and leasehold improvements	968,417,372	938,322,722
Equipment	893,831,224	834,464,119
	<u>1,974,016,114</u>	<u>1,884,217,292</u>
Less accumulated depreciation and amortization	<u>(967,826,274)</u>	<u>(898,855,695)</u>
	1,006,189,840	985,361,597
Construction in progress	<u>73,616,051</u>	<u>80,566,144</u>
Net property and equipment	<u>1,079,805,891</u>	<u>1,065,927,741</u>
Operating lease right-of-use assets	79,435,950	80,882,423
Other assets	4,556,198	12,562,554
Inexhaustible assets	3,386,733	3,386,733
Total assets	\$ <u><u>2,360,933,186</u></u>	\$ <u><u>2,287,717,361</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 50,991,450	60,442,782
Accrued compensation and benefits	181,207,050	142,640,551
Current portion of self-insurance reserves	11,654,000	10,145,500
Current portion of long-term debt	10,740,000	10,115,000
Current portion of obligations under operating leases	16,143,983	13,885,372
Deferred revenue	9,155,237	4,310,428
Total current liabilities	<u>279,891,720</u>	<u>241,539,633</u>
Self-insurance reserves, less current portion	80,771,635	74,647,697
Operating lease liabilities, less current portion	67,541,445	73,292,184
Long-term debt, less current portion	342,978,250	353,676,816
Liabilities for pension benefits	315,352,376	257,538,281
Total liabilities	<u>1,086,535,426</u>	<u>1,000,694,611</u>
Net assets:		
Without donor restrictions	996,647,964	1,034,632,196
With donor restrictions	277,749,796	252,390,554
Total net assets	<u>1,274,397,760</u>	<u>1,287,022,750</u>
Commitments and contingencies		
Total liabilities and net assets	\$ <u><u>2,360,933,186</u></u>	\$ <u><u>2,287,717,361</u></u>

See accompanying notes to combined financial statements.

THE NEMOURS FOUNDATION AND SUBSIDIARIES

Combined Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues and other support:		
Net patient service revenue	\$ 1,094,171,650	1,236,209,093
Distribution from the Alfred I. duPont Charitable Trust	197,655,344	175,812,385
Net assets released from restrictions used for operations	9,643,703	9,470,971
Investment return, net	16,200,162	25,920,184
Contracted services revenue	57,780,724	46,767,400
Grant and contribution revenue	12,065,044	15,052,522
Other income	96,495,786	31,266,274
	<u>1,484,012,413</u>	<u>1,540,498,829</u>
Operating expenses:		
Salaries and benefits	970,225,617	949,653,953
Professional fees	40,126,538	41,988,103
Supplies	151,874,041	163,302,584
Repairs and maintenance	35,981,119	35,272,372
Purchased services	60,490,406	63,302,244
Depreciation and amortization	89,333,239	89,012,814
Rent and lease expense	23,063,963	23,608,263
Utilities and telephone	18,952,744	19,257,462
Insurance	26,397,297	28,778,742
Interest	8,377,357	10,312,577
Advertising	4,742,829	7,606,717
Other	17,404,720	24,569,881
	<u>1,446,969,870</u>	<u>1,456,665,712</u>
Total operating expenses		
Operating income	<u>37,042,543</u>	<u>83,833,117</u>
Nonoperating gains, net:		
Other components of net periodic pension benefit	5,413,883	26,393
	<u>42,456,426</u>	<u>83,859,510</u>
Excess of revenues and gains over expenses		
Net assets released from restrictions used for capital purchases	2,787,320	686,061
Other change in net assets	—	(3,000,000)
Pension-related changes other than net periodic pension cost	(83,227,978)	(61,970,235)
	<u>(83,227,978)</u>	<u>(61,970,235)</u>
(Decrease) increase in net assets without donor restrictions	\$ <u><u>(37,984,232)</u></u>	<u><u>19,575,336</u></u>

See accompanying notes to combined financial statements.

THE NEMOURS FOUNDATION AND SUBSIDIARIES

Combined Statements of Changes in Net Assets

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Excess of revenues and gains over expenses	\$ 42,456,426	83,859,510
Net assets released from restrictions used for capital purchases	2,787,320	686,061
Other change in net assets	—	(3,000,000)
Pension-related changes other than net periodic pension benefit	<u>(83,227,978)</u>	<u>(61,970,235)</u>
(Decrease) increase in net assets without donor restrictions	<u>(37,984,232)</u>	<u>19,575,336</u>
Net assets with donor restrictions:		
Net assets released from restrictions used for operations	(9,643,703)	(9,470,971)
Net assets released from restrictions used for capital purchases	(2,787,320)	(686,061)
Investment return, net	22,483,877	31,460,655
Contributions	<u>15,306,388</u>	<u>8,181,384</u>
Increase in net assets with donor restrictions	<u>25,359,242</u>	<u>29,485,007</u>
(Decrease) increase in net assets	(12,624,990)	49,060,343
Net assets, beginning of year	<u>1,287,022,750</u>	<u>1,237,962,407</u>
Net assets, end of year	\$ <u>1,274,397,760</u>	<u>1,287,022,750</u>

See accompanying notes to combined financial statements.

THE NEMOURS FOUNDATION AND SUBSIDIARIES

Combined Statements of Cash Flows

Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (12,624,990)	49,060,343
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	89,333,239	89,012,814
Debt issue costs amortization	41,434	40,801
Pension-related changes other than net periodic pension cost	83,227,978	61,970,235
Net realized and unrealized gains on investments	(31,397,066)	(43,259,562)
Net loss on disposal of property and equipment	422,840	291,391
Restricted contributions	(15,306,388)	(8,181,384)
Decrease (increase) in patient accounts receivable	14,387,981	(11,038,942)
Decrease (increase) in supplies	228,245	(772,246)
Decrease (increase) in prepaid expenses and other assets	1,785,529	(7,591,598)
(Increase) decrease in restricted pledges receivable, net	(8,572,304)	1,429,337
Increase in prepaid operating leases	(1,707,289)	—
(Decrease) increase in deferred rent	(338,366)	97,608
Increase (decrease) in accounts payable and accrued expenses	4,752,536	(5,926,526)
Increase in accrued compensation and benefits	38,566,499	23,222,143
Increase (decrease) in deferred revenue	4,844,809	(12,396)
Increase in self-insurance reserves	7,632,438	16,033,302
Decrease in liabilities for pension benefits	<u>(25,413,883)</u>	<u>(20,026,393)</u>
Net cash provided by operating activities	<u>149,863,242</u>	<u>144,348,927</u>
Cash flows from investing activities:		
Purchases of property and equipment, net	(117,493,113)	(97,177,630)
Sales of investments	211,807,716	146,875,320
Purchases of investments	(239,760,799)	(163,187,008)
(Increase) decrease in other restricted assets	(13,494)	32,550
Proceeds from sale of property and equipment	<u>4,043</u>	<u>358,228</u>
Net cash used in investing activities	<u>(145,455,647)</u>	<u>(113,098,540)</u>
Cash flows from financing activities:		
Repayments of long-term debt	(10,115,000)	(6,470,000)
Payment of debt issue costs	—	(14,887)
Proceeds from restricted contributions	<u>15,306,388</u>	<u>8,181,384</u>
Net cash provided by financing activities	<u>5,191,388</u>	<u>1,696,497</u>
Net increase in cash, cash equivalents and restricted cash	9,598,983	32,946,884
Cash, cash equivalents and restricted cash at beginning of year	<u>383,001,724</u>	<u>350,054,840</u>
Cash, cash equivalents and restricted cash at end of year	\$ <u>392,600,707</u>	\$ <u>383,001,724</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 8,285,682	9,736,351
Construction in progress in accounts payable	8,039,952	22,243,820
Amortization of operating lease right-of-use asset	14,780,877	13,532,328
Operating lease right-of-use asset noncash additions	11,288,749	18,185,174

See accompanying notes to combined financial statements.

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Notes to Combined Financial Statements

December 31, 2020 and 2019

(1) Organization

The Nemours Foundation (Nemours) was formed in 1936, pursuant to the last will and testament of Alfred I. duPont (the Will), for the primary purpose of providing for the care and treatment of crippled children, but not of incurables, and for the care of the elderly in Delaware, particularly couples. The Will specifically provided for the maintenance of a 300-acre Estate in Delaware (the Estate) and for the construction of a children's hospital, The Alfred I. duPont Hospital for Children (AIDHC), on the Estate.

Nemours primarily operates in the Delaware Valley and Florida.

Nemours Delaware Valley operations include the Estate and the following:

- AIDHC, an operating division of Nemours, is a full-service, 260 licensed bed children's hospital serving the Delaware Valley.
- The Nemours duPont Pediatrics specialty clinics and Nemours New Jersey Physician Practices, P.C. (NJPP) provide services to children suffering from a multitude of crippling but not incurable disorders.
- Nemours SeniorCare provides and supervises care and treatment for the elderly, particularly couples, through its facilities in Delaware. Services provided include dental, ear, and eye care.
- Nemours Value Based Services Organization promotes population health management and focuses on improving health outcomes, quality and accessibility of care, quality of life and reducing overall healthcare costs in Delaware.
- Delaware Children's Health Network (DCHN) creates a pediatric clinically and financially integrated system in order to integrate physicians and other healthcare providers into a clinical provider system.

Nemours Florida operations include the following:

- Nemours Children's Hospital (NCH), an operating division of Nemours, is a full-service, 130 licensed bed children's hospital serving Central Florida.
- The Nemours Children's Specialty Care Clinics in Jacksonville, Orlando, and Pensacola provide services to children suffering from a multitude of crippling but not incurable disorders.
- Pediatric Medical Services of Florida, Inc. (PMSI), a wholly owned subsidiary, was established by Nemours, which is PMSI's sole member. PMSI operates and is the sole member of Nemours Children's Primary Care (NCPC), which provides primary care services to pediatric patients in Central Florida.
- Nemours Home Office, in Jacksonville, Florida, provides management for the multidivisional corporate structure.

Nemours duPont Pediatrics, Nemours New Jersey Physician Practices, P.C., and Nemours Children's Specialty Care Clinics are collectively referred to as the Clinics.

Nemours also includes Dornoch Sutherland Assurance, Ltd. (Dornoch), a wholly owned captive insurance company domiciled in the Cayman Islands. Dornoch provides insurance coverage to Nemours for general and professional liability.

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Nemours also includes Cruden Bay Risk Retention Group, Inc. (Cruden), a wholly owned subsidiary domiciled in the State of Vermont. Cruden provides insurance coverage to Nemours physicians and certain other healthcare providers practicing in Pennsylvania, New Jersey and Florida.

As provided in the Will, Nemours receives income from the Alfred I. duPont Charitable Trust (the Trust) for use in the performance of the above-described activities. The trustees of the Trust are the Members of Nemours. During 2020 and 2019, Nemours received distributions from the Trust amounting to \$197,655,344 and \$175,812,385, respectively, which Nemours recognized as revenues and other support without donor restrictions in the accompanying combined statements of operations and changes in net assets without donor restrictions. Additionally, the Trust provides investment management services with respect to the highly diversified Nemours investment portfolio.

(2) Significant Accounting Policies

(a) Principles of Combination

The accompanying combined financial statements include the accounts of Nemours, its operating divisions, and wholly owned subsidiaries. The assets and liabilities of the Trust are not included in these combined financial statements. Significant transactions between operating divisions and subsidiaries have been eliminated.

(b) Basis of Presentation

These combined financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on Nemours as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Nemours and changes therein are classified as follows:

- Without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of resources generated from operations and philanthropic support without restrictions.

Board designated net assets are net assets without donor restrictions and are reflected on the combined balance sheets as assets whose use is limited. Nemours may not change the purpose of any board designated funds without the consent of the Board of Directors (the Board).

- With donor restrictions – Net assets subject to donor-imposed restrictions that Nemours will meet through actions or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, pledges, and investment returns on endowment funds. Expiration of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions maintained permanently by Nemours. This includes gifts wherein the donors stipulate that the corpus of the gift is to be held in perpetuity and that only income be made available for program operations or capital uses.

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Nemours reports gifts of equipment or other long-lived assets as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor-restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Nemours reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(c) Use of Estimates

The preparation of combined financial statements, in conformity with U.S. generally accepted accounting principles (GAAP), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(d) Cash, Cash Equivalents and Restricted Cash

Nemours considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Federal Depository Insurance Corporation (FDIC) insures amounts on deposit with financial institutions up to limits prescribed by law. Nemours holds funds with various financial institutions in excess of the FDIC insured amounts. These financial institutions have not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the combined balance sheets to the total shown in the combined statements of cash flows.

	2020	2019
Current assets:		
Cash and cash equivalents	\$ 350,727,700	367,976,065
Assets whose use is limited:		
Internally designated for self-insurance reserves	32,823	—
Internally designated for future Delaware operations	25,585,229	—
Other designated	316,679	—
Restricted assets:		
Restricted cash	15,938,276	15,025,659
	\$ 392,600,707	383,001,724

Amounts included in restricted cash represent gifts with donor-imposed restrictions that have not been met in the year of receipt. Cash equivalents classified as assets whose use is limited and held within Nemours' investments portfolios are excluded from cash and cash equivalents in the combined statements of cash flows as these funds are not used for operations.

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Notes to Combined Financial Statements

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(e) Investments

Investments are measured at fair value in the accompanying combined balance sheets. Investments in securities listed on a national securities exchange or securities traded in the over-the-counter market are stated at the last reported sale or bid prices.

Nonmarketable securities are those for which there is no public market. Nonmarketable securities, primarily partnerships, are reported using the estimated net asset value (NAV) as a practical expedient as determined by the general partner of the partnership using the latest available information at the valuation date. Factors considered in valuing individual securities include the financial condition and operating results of the portfolio companies, prices of recent significant private placements of securities of the same issuer, the nature and duration of restriction on disposition of the securities, changes in the circumstances and prospects of the issuer, and any other factors which the general partner considers to be relevant. Due to the inherent uncertainty of valuing these types of securities, the general partners' estimates of fair value may differ significantly from the values that would have been used had a ready market existed for the securities, and the difference could be material.

Nemours investments include various types of investment securities in several companies within multiple markets. Investment securities are exposed to several risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the amounts reported in Nemours combined financial statements.

Investment return (including realized and unrealized gains and losses on investments, interest, and dividends) is included in operating income unless such earnings are subject to donor-imposed restrictions or restricted by law. Nemours reports investment return restricted by donor stipulations as a change in net assets with donor restrictions.

(f) Supplies

Supplies are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis.

(g) Assets Whose Use is Limited

Assets whose use is limited include designated assets set aside by the Board. These assets consist of cash and cash equivalents and investments as described in Note 4.

(h) Debt Issue Costs

Debt issue costs, net of accumulated amortization of approximately \$283,000 and \$242,000, were approximately \$807,000 and \$848,000 at December 31, 2020 and 2019, respectively, and are included as a direct deduction from the carrying amount of debt liabilities. Debt issue costs are being amortized using the straight-line method over the life of the related debt, which approximates the effective-interest method. Amortization of debt issue costs is included in interest expense in the combined statements of operations and changes in net assets without donor restrictions.

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(i) *Property and Equipment*

Property and equipment have been recorded at historical cost at the date of acquisition or fair value at the date of donation. Major asset classifications and useful lives are generally in accordance with those recommended by the American Hospital Association and range from 3 to 40 years. The straight-line method of computing depreciation is used for all depreciable assets. Depreciation expense was approximately \$88,984,000 and \$89,013,000 as of December 31, 2020 and 2019, respectively, and is included in depreciation and amortization expense in the accompanying combined statements of operations and changes in net assets without donor restrictions.

(j) *Leases*

Nemours is a lessee of noncancellable operating leases, primarily for office space and equipment.

Nemours accounts for operating leases in accordance with Accounting Standards Codification (ASC) Topic 842, *Leases* (ASC 842) (see Note 13). Nemours determines if an arrangement is or contains a lease at contract inception. Nemours recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date.

Key estimates and judgments include how Nemours determines the (1) discount rate it uses to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments.

- ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, Nemours cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, Nemours generally uses its incremental borrowing rate, updated quarterly, as the discount rate for the lease. Nemours' incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms.
- The lease term for all of Nemours leases includes the noncancellable period of the lease plus any additional periods covered by either Nemours option to extend (or not to terminate) the lease that Nemours is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.
- Lease payments included in the measurement of the lease liability generally comprise the following:
 - Fixed payments, including in-substance fixed payments, owed over the lease term (which includes termination penalties Nemours would owe if the lease term assumes Nemours exercise of a termination option); and
 - The exercise price of Nemours' option to purchase the underlying asset if Nemours is reasonably certain to exercise the option.

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The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

ROU assets for operating leases are periodically reduced by impairment losses. Nemours uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment – Overall*, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize (see Note 2(r)).

Nemours monitors for events or changes in circumstances that require a reassessment of its leases. When a reassessment results in the re-measurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded as an operating gain in the combined statements of operations and changes in net assets without donor restrictions.

Nemours has elected not to recognize ROU assets and lease liabilities for short-term leases of office space and equipment that have a lease term of 12 months or less. Nemours recognizes the lease payments associated with its short-term building and equipment leases as an expense on a straight-line basis over the lease term.

Nemours has made the election to exclude the non-lease components from ROU assets and liabilities. Nemours' lease contracts generally include both base rent and non-lease components such as equipment maintenance, property taxes or common area maintenance. The non-lease components are separately identified in the contracts.

(k) Inexhaustible Assets

Inexhaustible assets consist of the Nemours Mansion, located on the Estate in Delaware, and contents that are primarily paintings and antiques stated at cost if purchased or the appraised value, if determinable, as of the date of donation. These assets are not subject to depreciation.

(l) Grant and Contribution Revenue

Grants for basic research and other sponsored programs are generally subject to restrictions and conditions that must be met before Nemours is entitled to funding. Accordingly, advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. Nemours recognizes revenues on grants for basic research and other sponsored programs as the awards for such programs are expended, since expenditures in accordance with award terms typically result in the simultaneous release of restrictions and conditions imposed by the grantor. Revenue from exchange contracts for applied research is recognized as Nemours' contractual performance obligations are substantially met. Indirect cost recovery by Nemours on U.S. government

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grants and contracts is based upon a predetermined negotiated rate and is recorded as grant and contribution revenue.

Philanthropic support from donors is considered to be available without restrictions, unless specifically restricted by the donor. Amounts received and designated for future periods or that are restricted by the donor for specific purposes are reported on the combined statements of changes in net assets.

(m) Contracted Services Revenue

Nemours contracts to provide certain medical services to other healthcare providers. The reimbursement for these services is classified as contracted services revenue in the combined statements of operations and changes in net assets without donor restrictions, and is recognized when earned.

(n) Other Income

Other income comes from multiple sources. Nemours received approximately \$62,280,000 in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding for the year ended December 31, 2020 (see Note 15(e)). Amounts are recognized as revenue when there is reasonable assurance that the terms and conditions associated with the distributions have been met.

(o) Performance Indicator

The performance indicator is the excess of revenues and gains over expenses.

(p) Community Benefit

Nemours has a long history of providing community benefits and has quantified these benefits into the following categories: financial assistance, community health improvement services, education for healthcare professionals, unreimbursed Medicaid, research, and donations.

Nemours has policies related to providing financial assistance to patients requiring care but who have limited or no means to pay for that care. These policies provide free or discounted health and health-related services to patients who qualify under certain income and asset criteria. Because Nemours does not pursue collection of amounts determined to qualify for financial assistance, they are not reported as net patient service revenue. Nemours maintains records to identify and monitor levels of financial assistance it provides.

In addition to providing financial assistance, Nemours also provides other benefits for the community, the cost of which can exceed the revenue sources available. Examples of these community benefits include the following:

- Community health improvement services focused on leadership and programs dealing with not just healthcare, but also children's health promotion and disease prevention.
- Education for healthcare professionals centered on training the next generation of pediatric specialists as well as supporting continuing medical education.
- Research services to improve children's lives through the power of discovery. Nemours continues to integrate research findings at the bedside and exam room where they have the greatest impact on children.

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Nemours community benefits at cost for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Charity care:		
Financial assistance	\$ 12,302,333	3,168,918
Unreimbursed Medicaid	<u>162,414,958</u>	<u>129,076,030</u>
Net unreimbursed financial assistance	<u>174,717,291</u>	<u>132,244,948</u>
Other community benefits:		
Community health improvement services	18,895,892	19,474,869
Education for healthcare professionals	2,281,445	4,299,252
Research	26,965,238	25,193,494
Donations	<u>1,172,641</u>	<u>1,746,505</u>
Total other benefits	<u>49,315,216</u>	<u>50,714,120</u>
Total community benefits	\$ <u>224,032,507</u>	\$ <u>182,959,068</u>

The cost of net unreimbursed financial assistance provided was determined by applying Nemours overall patient care cost to charge ratio to total charges. Cost of the other community benefits represents actual expenses incurred net of any related revenue earned for providing such services. During 2020, Nemours further modified the methodology for calculating charity care, which now includes the impact of charity care adjustments based on a post-visit analysis of guarantor income limits. In 2019, Nemours modified the methodology for calculating charity care, which now excludes amounts for uninsured patients who exceed certain income limits.

(q) Income Taxes

Nemours, NJPP, PMSI, DCHN, and Cruden are exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), and are also exempt from state income taxes. Dornoch is exempted through 2022 from all local income, profit or capital gains taxes under the Cayman Islands Tax Concessions Law. Management believes that the unrelated business income generated by Nemours is not material to the combined financial statements.

(r) Impairment of Long-Lived Assets

Management regularly evaluates whether events or changes in circumstances have occurred that could indicate impairment of the value of long-lived assets. In accordance with the provisions of Financial Accounting Standards Board (FASB) ASC Topic 360, *Property, Plant, and Equipment*, if there is an indication that the carrying amount of an asset is not recoverable, Nemours estimates the projected undiscounted cash flows, excluding interest, to determine if an impairment loss should be recognized. The amount of impairment loss, if any, is determined by comparing the historical carrying value of the asset to its estimated fair value. Nemours did not record any impairment losses for the years ended December 31, 2020 and 2019.

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In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the estimated remaining useful lives of its long-lived assets. If management revises estimates, the carrying value of affected assets is depreciated or amortized over the newly determined remaining lives. Nemours evaluated the estimated useful lives of its long-lived assets and determined no adjustment was needed for the years ended December 31, 2020 and 2019.

(s) Pledges Receivable

Nemours reports unconditional promises to give as contributions. Pledges expected to be collected in less than one year are recorded at the estimated amount to be ultimately realized. Pledges to be paid to Nemours over a period of years are recorded at the present value of their estimated cash flows using the fair value as of the date of the donation. Amortization of discounts is included in contribution revenue. The allowance for uncollectible pledges receivable is determined based on management's evaluation of the collectability of individual promises. Pledges that remain uncollected more than one year after their due date are written off unless the donors indicate that payment is merely postponed.

(t) Fair Value Measurements

Nemours applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, for fair value measurements and disclosures of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis.

FASB ASC Topic 820 defines fair value as the exit price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements requiring investments to be grouped into three categories based on certain criteria as noted below:

- Level 1: Fair value is determined by using quoted prices for identical assets or liabilities in active markets.
- Level 2: Fair value is determined by using other than quoted prices that are observable for the asset (e.g., quoted prices for identical assets in inactive markets, quoted prices for similar assets in active markets, observable inputs other than quoted prices, and inputs derived principally from or corroborated by observable market data by correlation or other means).
- Level 3: Fair value is determined by using inputs based on management assumptions that are not directly observable.

Investments for which fair value is measured using net asset value as a practical expedient have not been categorized within the fair value hierarchy.

The carrying amounts of all applicable financial instruments (excluding long-term debt) reported in the accompanying combined balance sheets approximate their estimated fair values at December 31, 2020 and 2019.

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(u) Goodwill

Goodwill has resulted from the acquisition of various healthcare businesses. Goodwill, net of accumulated amortization of approximately \$359,000 and \$10,000, was approximately \$3,138,000 and \$3,470,000 at December 31, 2020 and 2019, respectively, and is included in other assets in the combined balance sheets. Goodwill is being amortized using the straight-line method. Amortization of goodwill is included in depreciation and amortization expense in the combined statements of operations and changes in net assets without donor restrictions. Nemours reviews goodwill for impairment at least annually or whenever events or circumstances indicate that the carrying value may not be recoverable in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 350, *Accounting for Intangibles – Goodwill and Other*. The annual impairment test was completed, and it was determined that no impairment existed at December 31, 2020.

(v) New Accounting Pronouncements

Effective in future years

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. Disclosure requirements removed as a result of Subtopic 715-20 include: the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year; the amount and timing of plan assets expected to be returned to the employer; and for nonpublic entities, the reconciliation of the opening balances to the closing balances of plan assets measured on a recurring basis in Level 3 of the fair value hierarchy. However, nonpublic entities will be required to disclose separately the amounts of transfers into and out of Level 3 of the fair value hierarchy and purchases of Level 3 plan assets.

ASU 2018-14 is effective for Nemours for its annual period ending after December 15, 2021, and will be applied prospectively. Early adoption is permitted. Nemours does not expect the adoption of ASU 2018-14 to have a material effect on its combined financial statements.

(w) Reclassifications

Certain reclassifications are reflected in the 2019 combined financial statements to conform to the 2020 presentation.

(3) Net Patient Service Revenue

Nemours uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for hospital and physician services. Based on historical collection trends and other analyses, Nemours believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

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Nemours' initial estimate of the transaction price for services provided to patients subject to revenue recognition is determined by reducing the total standard charges related to the patient services provided by various elements of variable consideration, including contractual adjustments, discounts, implicit price concessions, and other reductions to Nemours standard charges. Nemours determines the transaction price associated with services provided to patients who have third-party payor coverage on the basis of contractual or formula-driven rates for the services rendered (see description of third-party payor payment programs below). The estimates for contractual allowances and discounts are based on contractual agreements, Nemours discount policies and historical experience. For uninsured and underinsured patients who do not qualify for charity care, Nemours determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on Nemours historical collection experience for applicable patient portfolios. Under Nemours' charity care policy, patients who meet the criteria are provided care without charge or at amounts substantially less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Generally, Nemours bills patients and third-party payors several days after the services are performed and/or the patient is discharged. Net patient service revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by Nemours. Net patient service revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. Nemours believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligations based on the services needed to satisfy the obligations. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services. Nemours measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or the completion of the outpatient visit.

As substantially all of its performance obligations relate to contracts with a duration of less than one year, Nemours has elected to apply the optional exemption provided in ASU 2014-09, *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period for patients who remain admitted at that time (in-house patients). The performance obligations for in-house patients are generally completed when the patients are discharged, which for the majority of Nemours' in-house patients occurs within days or weeks after the end of the reporting period.

Nemours records subsequent changes to the estimate of the transaction price as adjustments to net patient service revenue in the period of the change. For the years ended December 31, 2020 and 2019, changes in Nemours estimates of expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated annually based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2020 and 2019 was not significant.

Nemours determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors, lines of business and timing of when revenue is recognized. The tables below provide details of these factors.

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The 2020 and 2019 net patient service revenue comprises the following:

	<u>2020</u>	<u>2019</u>
Payor:		
Managed care	\$ 550,909,508	611,762,740
Medicaid – managed care	438,503,189	509,051,576
Medicaid – traditional	53,301,184	50,750,179
Other	<u>51,457,769</u>	<u>64,644,598</u>
Total	\$ <u>1,094,171,650</u>	<u>1,236,209,093</u>

The 2020 and 2019 net patient service revenue, disaggregated by region, line of business and timing comprises the following:

	<u>2020</u>		
	<u>Total</u>	<u>Delaware Valley</u>	<u>Florida</u>
Service lines:			
Hospital	\$ 692,837,443	521,749,557	171,087,886
Physician services	396,711,510	213,316,305	183,395,205
Research	2,972,107	2,972,107	—
Senior care	545,668	545,668	—
Other	<u>1,104,922</u>	<u>546,560</u>	<u>558,362</u>
Total	\$ <u>1,094,171,650</u>	<u>739,130,197</u>	<u>355,041,453</u>
Timing of revenue recognition:			
Date of service	\$ 1,094,171,650	739,130,197	355,041,453

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	2019		
	Total	Delaware Valley	Florida
Service lines:			
Hospital	\$ 786,932,503	599,593,576	187,338,927
Physician services	445,841,569	245,357,817	200,483,752
Research	2,302,775	2,302,775	—
Senior care	834,690	834,690	—
Other	297,556	206,144	91,412
Total	\$ 1,236,209,093	848,295,002	387,914,091
Timing of revenue recognition:			
Date of service	\$ 1,236,209,093	848,295,002	387,914,091

The 2020 and 2019 net patient service revenue, disaggregated by Nemours subsidiary comprises the following:

	2020		
	Total	Delaware Valley	Florida
The Nemours Foundation (including PMSI)	\$ 24,645,627	3,518,667	21,126,960
Alfred I. duPont Hospital for Children	521,749,557	521,749,557	—
Nemours Children's Clinics	376,142,912	213,316,305	162,826,607
Nemours SeniorCare	545,668	545,668	—
Nemours Children's Hospital	171,087,886	—	171,087,886
Total	\$ 1,094,171,650	739,130,197	355,041,453
	2019		
	Total	Delaware Valley	Florida
The Nemours Foundation (including PMSI)	\$ 23,566,998	2,508,919	21,058,079
Alfred I. duPont Hospital for Children	599,593,576	599,593,576	—
Nemours Children's Clinics	424,874,902	245,357,817	179,517,085
Nemours SeniorCare	834,690	834,690	—
Nemours Children's Hospital	187,338,927	—	187,338,927
Total	\$ 1,236,209,093	848,295,002	387,914,091

Nemours does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to Nemours' expectation that the period of time between the service being provided and billing will be one year or less. However, Nemours does, in certain

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instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed significant to the contract. As of December 31, 2020 and 2019, patient accounts receivable were approximately \$151,876,000 and \$166,264,000, respectively.

Nemours considers settlements with third-party payors (see description of third-party payor payment programs below) for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and Nemours historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant for the years ended December 31, 2020 and 2019.

Nemours has agreements with third-party payors that typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third party-payors follows:

Medicaid

Nemours, specifically AIDHC, serves patients from different states, mainly due to its location and proximity to multiple states. AIDHC's main sources of Medicaid revenue are Delaware, Pennsylvania and New Jersey. Inpatient services rendered to Delaware Medicaid program beneficiaries are reimbursed for services based on a case rate while outpatient services are reimbursed, for the most part, on a fee schedule. Pennsylvania and New Jersey Medicaid reimburse for inpatient services based on a diagnosis-related group and outpatient services are paid based on a fee schedule. The reimbursable cost in the Medicaid cost report is not directly used to determine reimbursement for services in Delaware, Pennsylvania and New Jersey. Rather, the information in the cost report is used to update certain factors and to determine if AIDHC is eligible for Disproportionate Share Payments (DSH). Currently, AIDHC is eligible for Pennsylvania Medicaid DSH payments. The states of Delaware and New Jersey each have a DSH program; however, AIDHC is not eligible for Delaware or New Jersey DSH payments.

Medicaid is a significant payor for NCH. Florida Medicaid reimburses for inpatient services based on APR-DRG groupings and outpatient services based on the Enhanced Ambulatory Patient Group (EAPG) system. This EAPG classification system was developed by 3M and financially customized for the state of Florida. This is a prospective payment system.

Medicaid reimburses for physician services (Clinics and NCPC) primarily based on a fee schedule. The Clinics and NCPC are not required to file Medicaid cost reports in any state.

The classification of patients and the appropriateness of their admission are subject to review by the fiscal intermediaries administering the Medicaid programs. Laws and regulations governing the Medicaid programs are complex and subject to interpretation. As a result, a possibility exists that recorded estimates associated with these programs will change by a material amount in the near term. Nemours believes it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations may be

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subject to future governmental review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicaid programs.

Other Payors

Nemours has also entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these arrangements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates. Some of these arrangements provide for review of paid claims for compliance with the terms of the contract and result in retroactive settlement with third parties. Retroactive adjustments for other third-party claims are recorded in the period when final settlement is determined.

(4) Investments, Assets Whose Use is Limited, and Restricted Investments

Nemours accounts for investments, excluding assets whose use is limited, based on the concept of pooling. In pooling, assets with similar time horizons are merged into a single pool for investment purposes and are managed under various asset diversification strategies depending upon the specific pool's objectives.

Investments are designated as current or noncurrent assets based upon the pool in which they are invested. Nemours has established three pools as follows:

- Short-term pool – composed of cash and money market securities and expected to be consumed within the next year.
- Intermediate pool – composed of fixed-income securities with an expected use in greater than one year but less than five years.
- Long-term pool – composed of equity, fixed-income securities, partnerships, hedge funds, and real assets with an expected use that exceeds five years.

Nemours summarized unrestricted investments, assets whose use is limited (AWUL) and restricted investments, at December 31, 2020 and 2019 as follows:

	2020			
	Total	Unrestricted	AWUL	Restricted
Cash and cash equivalents	\$ 57,519,177	1,499,009	48,317,789	7,702,379
Mutual funds	39,920,138	—	39,920,138	—
Equity securities	134,957,659	9,137,238	28,728,569	97,091,852
Fixed income	244,510,393	163,084,098	57,667,361	23,758,934
Hedge funds	62,354,527	—	8,330,933	54,023,594
Partnerships	20,775,482	—	2,775,727	17,999,755
Private equity	33,102,102	—	4,422,636	28,679,466
Real assets	21,299,235	—	2,845,704	18,453,531
Interest receivable	874,722	618,836	192,527	63,359
	<u>\$ 615,313,435</u>	<u>174,339,181</u>	<u>193,201,384</u>	<u>247,772,870</u>

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	2019			
	<u>Total</u>	<u>Unrestricted</u>	<u>AWUL</u>	<u>Restricted</u>
Cash and cash equivalents	\$ 40,806,055	1,845,710	32,509,074	6,451,271
Mutual funds	32,606,208	—	32,606,208	—
Equity securities	121,146,896	355,840	29,501,631	91,289,425
Fixed income	204,328,937	113,012,398	69,666,691	21,649,848
Hedge funds	69,896,674	—	9,486,314	60,410,360
Partnerships	20,219,729	—	2,744,204	17,475,525
Private equity	21,562,888	—	2,926,496	18,636,392
Real assets	18,313,515	—	2,485,494	15,828,021
Interest receivable	1,147,653	588,649	387,802	171,202
	<u>\$ 530,028,555</u>	<u>115,802,597</u>	<u>182,313,914</u>	<u>231,912,044</u>

Investment return on assets whose use is limited, cash and cash equivalents, and investments comprise the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Investment return:		
Interest and dividend income	\$ 6,448,721	12,443,636
Realized gains on sales of securities	4,771,231	570,377
Net unrealized gains on investments	5,363,249	13,299,559
Less investment related expenses	<u>(383,039)</u>	<u>(393,388)</u>
	<u>\$ 16,200,162</u>	<u>25,920,184</u>
Net assets with donor restrictions:		
Investment return:		
Interest and dividend income	\$ 1,396,456	2,276,717
Realized gains (losses) on sales of securities	8,022,833	(791)
Net unrealized gains on investments	13,239,753	29,390,417
Less investment related expenses	<u>(175,165)</u>	<u>(205,688)</u>
	<u>\$ 22,483,877</u>	<u>31,460,655</u>

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(5) Fair Value Measurements

The tables below summarize the fair values of Nemours' investments, assets whose use is limited and restricted investments as of December 31, 2020 and 2019:

	Fair value measurements at reporting date using				
	2020	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Investments measured at NAV
Cash and cash equivalents	\$ 57,519,177	57,519,177	—	—	—
Mutual funds:					
U.S. equity index	19,450,797	19,450,797	—	—	—
International equity index	8,548,034	8,548,034	—	—	—
Fixed income	11,921,307	11,921,307	—	—	—
Equity securities:					
Emerging markets	20,342,083	—	—	—	20,342,083
Large cap	91,415,243	13,342,495	55,370,065	—	22,702,683
Small cap	22,560,508	17,183,772	—	—	5,376,736
Preferred stock	639,825	639,825	—	—	—
Fixed income:					
U.S. Treasury bills, notes, and bonds	43,947,555	—	43,947,555	—	—
U.S. government agencies	3,076,044	—	3,076,044	—	—
Municipal bonds and notes	995,078	—	995,078	—	—
Asset-backed securities	7,460,694	—	7,460,694	—	—
Corporate bonds and notes	65,795,098	—	65,795,098	—	—
U.S. government mortgage obligations	68,922,954	—	68,922,954	—	—
Emerging market debt funds	54,312,970	—	—	—	54,312,970
Hedge funds (absolute return):					
Equity long/short	30,467,465	—	—	—	30,467,465
Global opportunities	4,384,397	—	—	—	4,384,397
Multistrategy	27,502,665	—	—	—	27,502,665
Partnership:					
Distressed debt and specialty finance	16,450,751	—	—	—	16,450,751
Private real assets	4,324,731	—	—	—	4,324,731
Private equity	33,102,102	42,163	—	—	33,059,939
Real assets:					
Energy	6,909,947	2,457,955	—	—	4,451,992
Natural resources	6,275,763	4,861,654	—	—	1,414,109
Real estate	8,113,525	—	—	—	8,113,525
Interest receivable	874,722	874,722	—	—	—
Total	\$ 615,313,435	136,841,901	245,567,488	—	232,904,046

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	Fair value measurements at reporting date using				
	2019	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Investments measured at NAV
Cash and cash equivalents	\$ 40,806,055	40,806,055	—	—	—
Mutual funds:					
U.S. equity index	18,619,172	18,619,172	—	—	—
International equity index	6,536,670	6,536,670	—	—	—
Fixed income	7,450,366	7,450,366	—	—	—
Equity securities:					
Emerging markets	20,614,282	—	—	—	20,614,282
Large cap	89,880,362	15,166,339	60,757,215	—	13,956,808
Small cap	10,028,142	10,028,142	—	—	—
Preferred stock	624,110	624,110	—	—	—
Fixed income:					
U.S. Treasury bills, notes, and bonds	43,012,058	—	43,012,058	—	—
U.S. government agencies	3,440,505	—	3,440,505	—	—
Municipal bonds and notes	1,106,511	—	1,106,511	—	—
Asset-backed securities	7,951,134	—	7,951,134	—	—
Corporate bonds and notes	63,916,338	—	63,916,338	—	—
U.S. government mortgage obligations	84,902,391	—	84,902,391	—	—
Hedge funds (absolute return):					
Equity long/short	11,860,455	—	—	—	11,860,455
Global opportunities	7,573,327	—	—	—	7,573,327
Multistrategy	50,462,892	—	—	—	50,462,892
Partnerships:					
Distressed debt and specialty finance	15,630,457	—	—	—	15,630,457
Private real assets	4,589,272	—	—	—	4,589,272
Private equity	21,562,888	125,728	—	—	21,437,160
Real assets:					
Energy	7,013,748	5,815,552	—	—	1,198,196
Natural resources	5,081,878	3,922,169	—	—	1,159,709
Real estate	6,217,889	—	—	—	6,217,889
Interest receivable	1,147,653	1,147,653	—	—	—
Total	\$ 530,028,555	110,241,956	265,086,152	—	154,700,447

Level 1 assets include cash and cash equivalents, mutual funds, investments in equity securities, private equity, real assets, and interest receivable and are valued at the quoted market prices.

Level 2 assets include investments in equity securities, investments in Treasury bills, notes and bonds, government agencies, municipal bonds and notes, asset-backed securities, corporate bonds and notes, and government mortgage obligations, with fair values modeled by external pricing vendors.

Nemours had no Level 3 assets as of December 31, 2020 and 2019.

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Nonmarketable securities are reported using the estimated net asset value (NAV) as a practical expedient for fair value.

Estimates of fair values are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could affect the estimates.

Nemours estimated the fair values of the following investments using the net asset value per share of the investments as a practical expedient for fair value as of December 31, 2020:

	Strategy	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period	Redemption restrictions
Commingled funds	Global equities funds, primarily long only and emerging market debt	\$ 102,734,472	1,350,000	Range from monthly to annually	Range from 10 to 90 days	6% by value (3 funds) are locked up as of December 31, 2020. No other redemption restrictions.
Hedge funds	Global equities and fixed income fund in market neutral strategies	62,354,527	1,722,116	Range from quarterly to annually	Range from 60 to 90 days	1% by value (1 fund) is a Private structure fund and not eligible for redemption.
Private equity	Venture capital and buyout in the United States and international	33,059,939	27,907,149	Not eligible for redemption	Not eligible for redemption	Not eligible for redemption
Real assets	Real estate, energy, natural resources, commodities, and timberland in the United States and international	18,304,357	12,059,618	Quarterly	Range from 30 to 60 days	24% by value are locked up as of December 31, 2020. Private structure funds not eligible for redemption.
Distressed and specialty finance	Distressed asset funds, middle market debt, royalties, and equity investments	16,450,751	2,095,876	Range from quarterly to annually	Range from 90 to 180 days	1% by value are locked up as of December 31, 2020. Private structure funds not eligible for redemption.
		\$ 232,904,046	45,134,759			

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Nemours estimated the fair values of the following investments using the net asset value per share of the investments as a practical expedient for fair value as of December 31, 2019:

	<u>Strategy</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>	<u>Redemption restrictions</u>
Commingled funds	Global equities funds, primarily long only and emerging market debt	\$ 34,571,090	—	Ranges from monthly to quarterly	Ranges from 10 to 90 days	No redemption restrictions
Hedge funds	Global equities and fixed income fund in market neutral strategies	69,896,674	4,000,000	Ranges from monthly to annually	Ranges from 15 to 90 days	18% by value (3 funds) are locked up as of December 31, 2019. The lockup periods for these range from 1 to 3 years.
Private equity	Venture capital and buyout in the United States and international	21,437,160	21,168,608	Not eligible for redemption	Not eligible for redemption	Not eligible for redemption
Real assets	Real estate, energy, natural resources, commodities, and timberland in the United States and international	13,165,066	9,609,589	83% by value are in private structures, with no redemption ability. For the rest, terms are quarterly.	60 days	Private structure funds are not eligible for redemption.
Distressed and specialty finance	Distressed asset funds, middle market debt, royalties, and equity investments	15,630,457	3,842,359	25% by value are in private structures, with no redemption ability. For the rest, terms are quarterly.	Ranges from 90 to 180 days	Private structure funds are not eligible for redemption.
		<u>\$ 154,700,447</u>	<u>38,620,556</u>			

(6) Long-Term Debt

On October 15, 2009, the Orange County Health Facilities Authority (Florida Authority) issued \$100,000,000 in tax-exempt, variable-rate demand bonds (Series 2009B bonds), \$25,555,000 in tax-exempt, variable-rate demand bonds (Series 2009C1 bonds), and \$24,445,000 in tax-exempt, variable-rate demand bonds (Series 2009C2 bonds), collectively referred to as the Series 2009 bonds. The Series 2009 bonds were issued for the purpose of providing funds, which, together with other available funds, were used (a) to finance a portion of the cost of the acquisition, construction, installation, and

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equipping of NCH and the outpatient clinic to be owned and operated by Nemours, and related facilities, equipment, fixtures, and furnishings, to be located in Orange County, Florida; (b) with respect to the Series 2009C2 bonds, to refund Jacksonville Health Facilities Authority Series 2007 Bonds issued for the benefit of Nemours; and (c) to pay certain expenses of issuing the Series 2009 bonds.

The Series 2009B bonds mature in various years beginning January 1, 2013 through January 1, 2039. Interest rates reset weekly. The interest rate was 0.09% and 1.49% at December 31, 2020 and 2019, respectively. The Series 2009B bonds are supported by an irrevocable direct pay letter of credit issued by The Northern Trust Company to provide security for the payment of the principal amount, and premium, if any, plus accrued unpaid interest through May 31, 2024.

The Series 2009C1 bonds mature in various years beginning January 1, 2013 through January 1, 2039. Interest rates reset weekly. The interest rate was 0.09% and 1.50% at December 31, 2020 and 2019, respectively.

The Series 2009C2 bonds mature in various years beginning January 1, 2010 through January 1, 2037. Interest rates reset weekly. The interest rate at December 31, 2020 and 2019 was 0.09% and 1.50%, respectively.

The Series 2009C1 and 2009C2 bonds are supported by an irrevocable direct pay letter of credit issued by TD Bank, N.A. to provide security for the payment of the principal amount, and premium, if any, plus accrued unpaid interest through August 7, 2026.

On June 10, 2015, Nemours executed a Master Loan Agreement with Century Bank and Trust for a \$44,000,000 Loan Note Series 2015-1 (Series 2015-1 note). Proceeds from the Series 2015-1 note were used to finance various capital and improvement projects. Amounts outstanding under the Series 2015-1 note bear a variable interest rate of LIBOR plus 50 basis points (0.65% and 2.21% as of December 31, 2020 and 2019, respectively). The notes are payable in equal annual installments, commencing January 1, 2036 through January 1, 2045.

On June 10, 2015, Nemours executed a Master Loan Agreement with Bank of America, N.A. for a \$56,000,000 Loan Note Series 2015-2 (Series 2015-2 note). Proceeds from the Series 2015-2 note were used to finance various capital and improvement projects. Amounts outstanding under the Series 2015-2 note bear a fixed interest rate of 3.45%. The notes are payable in annual installments, commencing January 1, 2016 through January 1, 2027, with the remaining outstanding principal due June 9, 2027.

On October 5, 2018, Nemours entered into a legal defeasance of the Florida Authority Series 2009A bonds in the amount of \$151,080,000. At the same time, the Florida Authority issued \$152,105,000 in tax-exempt, fixed rate revenue bonds (Series 2018 bonds). The proceeds from the Series 2018 bonds along with a deposit from Nemours of \$4,702,618 were placed into a separate irrevocable trust fund to provide for future debt service payments of the defeased debt. Accordingly, the trust account asset and liability of the defeased bonds are not included in the accompanying combined financial statements.

The Series 2018 bonds were issued at a fixed rate of 3.19% and mature in various years beginning January 1, 2020 through January 1, 2039.

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The principal and interest payments for the Series 2009 bonds, Series 2015-1 note, Series 2015-2 note and Series 2018 bonds are unsecured general obligations of Nemours. The master trust agreements and related documents for the 2009 Bonds, Series 2015-1 note, Series 2015-2 notes and Series 2018 bonds contain certain covenants and restrictions with which Nemours is required to comply.

Long-term debt consists of the following at December 31, 2020 and 2019:

	2020	2019
Orange County Health Facilities Authority Revenue Bonds:		
The Nemours Foundation Project, Series 2009B	\$ 72,500,000	76,380,000
The Nemours Foundation Project, Series 2009C1	18,435,000	19,445,000
The Nemours Foundation Project, Series 2009C2	20,415,000	20,895,000
The Nemours Foundation Project, Series 2018	148,630,000	152,105,000
Century Bank and Trust, Series 2015-1 Note	44,000,000	44,000,000
Bank of America, N.A., Series 2015-2 Note	50,545,000	51,815,000
	354,525,000	364,640,000
Less debt issue costs	(806,750)	(848,184)
	353,718,250	363,791,816
Less current portion of long-term debt	(10,740,000)	(10,115,000)
Long-term debt less current portion	\$ 342,978,250	353,676,816

Scheduled principal repayments of long-term debt as of December 31, 2020 are as follows:

2021	\$ 10,740,000
2022	10,930,000
2023	11,500,000
2024	11,810,000
2025	12,275,000
Thereafter	297,270,000
	\$ 354,525,000

(7) Construction in Progress

Construction in progress of approximately \$73,616,000, at December 31, 2020, primarily represents construction at AIDHC for infrastructure improvements.

At December 31, 2020, the remaining commitment under contract for the various on-going capital projects was approximately \$18,344,000.

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(8) Net Assets with Donor Restrictions

Edward Ball, in his last will and testament, instructed his personal representatives, who were also directors of Nemours, to transfer all stock in his estate, not otherwise bequeathed in his will, to Nemours at their discretion at any time during the probate of the estate. He further directed his personal representatives to transfer the remainder of the estate to Nemours upon the completion of probate. All of the related net assets at December 31, 2020 and 2019 are restricted to the care and treatment of physically handicapped children in Florida and are considered assets with donor restrictions for financial reporting purposes. The following is a summarization of the Edward Ball fund activity since inception:

Contributions received	\$ 160,574,729
Net assets released from restrictions	(556,135,400)
Investment earnings	576,642,129
Unrealized gains on investments	56,740,021
Grant	<u>(600,000)</u>
Balance at December 31, 2020	\$ <u>237,221,479</u>

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Available for release from restrictions:		
Edward Ball Fund	\$ 237,221,479	222,040,732
Capital	2,191,956	3,361,282
Education and scholarships	2,302,980	952,066
Health – clinical operations	3,243,194	3,320,154
Operational support	4,136,664	4,320,357
Research	<u>4,105,782</u>	<u>3,289,673</u>
Total available for release from restrictions	<u>253,202,055</u>	<u>237,284,264</u>
Endowments, including accumulated earnings:		
Education and scholarships	1,309,542	1,105,543
Health – clinical operations	5,208,317	4,807,968
Operational support	1,537,989	1,384,351
Research	<u>2,668,063</u>	<u>2,556,902</u>
Total endowments, including accumulated earnings	<u>10,723,911</u>	<u>9,854,764</u>

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	2020	2019
Inexhaustible assets:		
The Estate	\$ 2,369,746	2,369,746
Pledged:		
Available for future release from restrictions:		
Capital	7,222,031	611,871
Education and scholarships	156,743	151,593
Health – clinical operations	496,215	503,945
Operational support	341,124	488,746
Research	2,924,742	727,493
Endowment:		
Health – clinical operations	311,969	395,653
Research	1,260	2,479
Total pledged	11,454,084	2,881,780
Total net assets with donor restrictions	\$ 277,749,796	252,390,554

In 2019, Nemours determined that it would be unable to meet the requirements of a donor and returned the donor's contributions of \$3,000,000. The returned contribution has been reflected in the accompanying 2019 combined statement of operations and changes in net assets without donor restrictions as other change in net assets.

(9) Endowments

Nemours' net assets with donor restrictions include donor-restricted endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Relevant Law

Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the governing board has the discretion to determine how much to appropriate of a donor-restricted endowment fund in accordance with a robust set of guidelines about what constitutes prudent spending. UPMIFA permits Nemours to appropriate or accumulate so much of an endowment fund as Nemours determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Seven criteria are to be used to guide Nemours in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of Nemours and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of Nemours; and 7) the investment policy of Nemours.

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UPMIFA broadens and clarifies the latitude of institutions to manage overall endowment returns without specifically isolating those particular endowments that, because of the timing of the gift and market conditions, are deemed underwater. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the endowment is below historic dollar value. Although UPMIFA offers short term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. There is an expectation that, over time, the historic dollar value will remain intact.

(b) Endowment Classifications

The principal of a donor-restricted endowment is: (a) the original value of initial and subsequent gifts, net of fees, restricted to the endowment, (b) accumulation or additions stipulated by the applicable donor gift instrument to be added to principal and (c) for perpetual endowments only, accumulations stipulated by UPMIFA, if any, to be held in perpetuity. The appreciation of donor-restricted endowment is: (a) accumulated net investment gains and losses net of fees and (b) amounts appropriated for spending by the Board. The fair value of a donor-restricted endowment is the combination of principal and appreciation.

A donor-restricted endowment is classified as either perpetual (donor stipulates investment in perpetuity of certain net assets) or term (donor stipulates investment for a specific time period for certain net assets). Unless stipulated by the donor as a term endowment, all donor-restricted endowment funds are classified as perpetual. As of December 31, 2020 and 2019, all Nemours endowments are perpetual.

A board designated quasi-endowment is created when the Board (not the donor) authorizes investment of net assets into an endowment pool. Board-designated quasi-endowments are created primarily from net assets without donor restriction; however, the Board may designate unexpended net assets with donor restrictions to be invested in an endowment pool until expended per the donor's restrictions. As of December 31, 2020 and 2019, Nemours did not have any quasi-endowments.

(c) Endowment Spending Policy

The Endowment Funds policy governs the rate at which funds are made available for use. Nemours must hold endowment gifts a minimum of twenty-four full months prior to the release for spending. Nemours uses a disciplined spending rule of 5% of endowment market value. Year-to-year fluctuations due to changes in endowment value are moderated by a smoothing rule, which uses an eight quarter moving average of portfolio market value. The amount available for spending will be determined after the last quarter of the calendar year preceding the fiscal year in which the funds are made available. Nemours makes every effort to fully spend the funds made available within the same year they are granted to ensure Nemours is meeting the donors' wishes in accordance with Nemours fiduciary duties.

(d) Endowment Financial Position

As discussed in note 4, Nemours has established investment pools. The donor-restricted endowments are a part of the long-term pool and have a target allocation of approximately 54% equity, 19% absolute return investments (primarily hedge funds), 15% fixed income, and 12% real assets.

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(e) Endowment Changes in Net Assets

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 9,854,764	8,649,619
Changes in endowment net assets with donor restrictions:		
Contributions	135,301	239,908
Investment return, net	994,626	1,230,521
Release from restrictions	<u>(260,780)</u>	<u>(265,284)</u>
	<u>869,147</u>	<u>1,205,145</u>
Endowment net assets, end of year	\$ <u>10,723,911</u>	<u>9,854,764</u>

(10) Liquidity and Availability

Nemours regularly monitors liquidity required to meet its operating needs, liabilities and other obligations as they become due. As of December 31, 2020 and 2019, Nemours has ample cash, cash equivalents and investments to cover operating expenses. The following financial assets could be readily made available within one year of the combined balance sheet dates to meet cash needs for general expenditures.

	<u>2020</u>	<u>2019</u>
Financial assets:		
Current assets:		
Cash and cash equivalents	\$ 350,727,700	367,976,065
Short-term investments	53,143,450	45,045,534
Patient accounts receivable	151,876,134	166,264,115
Prepaid expenses and other current assets	42,034,848	36,163,048
Investments	121,195,731	70,757,063
Assets whose use is limited	193,201,384	182,313,914
Restricted assets:		
Cash	15,938,276	15,025,659
Less those unavailable for general expenditures within one year due to:		
Prepaid expenses	(17,180,731)	(15,234,907)
Assets whose use is limited	(193,201,384)	(182,313,914)
Restricted by donor with time or purpose restriction	<u>(15,938,276)</u>	<u>(15,025,659)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>701,797,132</u>	<u>670,970,918</u>

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The Board has designated a portion of its net assets without donor restrictions for endowment and other purposes. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.

(11) Pension Plans

(a) *Defined-Contribution Plan*

Nemours sponsors a 403(b) defined-contribution plan (403(b) Plan), which covers substantially all employees and includes base contributions and employer match provisions. Certain employees became eligible for base contributions and employer match provisions in the 403(b) plan in 2018 as a result of Nemours' noncontributory defined-benefit plan (see Note 11(b)) being frozen effective January 1, 2018. Nemours' contributions to the 403(b) Plan were approximately \$46,063,000 and \$44,071,000 in 2020 and 2019, respectively, which are included in salaries and benefits expense in the accompanying combined statements of operations and changes in net assets without donor restrictions.

PMSI sponsors a 401(k) defined-contribution plan (401(k) Plan) for NCPC employees. Nemours' contributions to the 401(k) Plan were approximately \$570,000 and \$523,000 in 2020 and 2019, respectively, which are included in salaries and benefits expense in the accompanying combined statements of operations and changes in net assets without donor restrictions.

(b) *Noncontributory Defined-Benefit Plan*

Nemours also sponsors a noncontributory defined-benefit pension plan (the Plan). Effective January 1, 2010, Nemours closed the Plan to new participants. On January 1, 2018, Nemours froze the Plan ceasing all pension accruals. Benefits under the Plan are based on years of service and the employee's compensation as described below. Nemours funds amounts required to meet or exceed minimum Employee Retirement Income Security Act requirements.

The Plan permits early retirement at reduced retirement benefits to participants who have attained age 55 and have completed at least 10 years of credited service. In addition, the Plan allows full retirement without reduced retirement benefits to eligible participants whose attained age plus completed years of credited service equaled or exceeded 80 prior to January 1, 2011.

The Plan provides annual benefits equal to 1.5% of the average annual earnings (represents the average of the employee's highest compensation for five consecutive years out of the last 10 years of service) for the first 10 years of credited service plus 2.0% of the average annual earnings for years of credited service greater than 10 years. Early retirement benefits are the accrued benefits as of the early retirement date reduced by one-half of 1.0% for each full month prior to the participant reaching age 65.

Effective January 1, 2011, the definition of average annual earnings changed and will be phased in for nongrandfathered participants. Nongrandfathered participants are active participants as of January 1, 2011, who have not attained the age of 55 or whose age and years of vesting service, when added together, total less than 60. For these participants, average earnings will be calculated using the 10 consecutive years of the participant's last 15 years of service, which produce the highest average.

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The following are deferred pension costs that have not yet been recognized in periodic pension expense but instead are accrued in net assets without donor restrictions, as of December 31, 2020 and 2019. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investing experience. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the average remaining assumed service period for active employees:

	Amounts recognized in net assets without donor restrictions at December 31	
	<u>2020</u>	<u>2019</u>
Net actuarial loss	\$ 375,414,302	292,186,324

Nemours contributed \$20,000,000 to the Plan for both the years ended December 31, 2020 and 2019. Management has not yet determined its contribution to the Plan for the year ending December 31, 2021. Management will consider the Plan's funded status and will make additional contributions in excess of the minimum required contributions. The funding decisions are made based on the actuarial studies performed by consulting actuaries as of January 1 and the disclosures are based on a measurement date of December 31.

The projected benefit obligation is the actuarial present value of that portion of the projected benefits attributable to employee service rendered to date and includes assumptions about future compensation levels. Benefit cost includes the actuarial present value of the portion of the projected benefits attributable to employee service rendered during the year and the interest cost on the benefit obligation. The effect of freezing the Plan as of January 1, 2018 resulted in a reduction of the projected benefit obligation to the amount of the Plan's accumulated benefit obligation.

The accumulated benefit obligation is the actuarial present value of benefits attributable to employee service rendered to date, which does not include assumptions about future compensation levels. The accumulated benefit obligation for the Plan was \$993,309,811 and \$883,581,054 at December 31, 2020 and 2019, respectively.

The benefits expected to be paid out of the Plan in each year for the years ending December 31, 2021 through December 31, 2025 and the aggregate benefits expected to be paid in the five years from 2026 through 2030 are approximately as follows:

2021	\$ 32,371,000
2022	34,574,000
2023	36,795,000
2024	38,903,000
2025	40,974,000
2026 through 2030	228,956,000

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The expected benefits to be paid are based on the same assumptions used to measure the benefit obligation at December 31, 2020.

Weighted average assumptions used to determine the benefit obligation at December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	3.05 %	3.65 %

Weighted average assumptions used to determine the net periodic pension benefit for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	3.65 %	4.35 %
Expected return on plan assets	7.25	7.25

The assumption for the discount rate and expected long-term rate of return on assets is an estimate based on the current short-term interest rate environment and historical returns for portfolios heavily weighted toward long-term investments, such as long-term bonds and equity securities. The calculation of these pension benefits is dependent on the significant assumptions listed above. Any changes in the significant assumptions can materially affect the calculation. Nemours measured benefit obligations using the most recent Pri-2012 mortality tables and MP-2020 mortality improvement scale in selecting mortality.

The change in projected benefit obligation for the Plan for the years ended December 31, 2020 and 2019 included the following components:

	<u>2020</u>	<u>2019</u>
Projected benefit obligation, beginning of year	\$ 883,581,054	769,855,509
Interest cost	32,042,314	34,007,686
Benefit payments – annuity	(28,794,205)	(25,731,209)
Actuarial loss	<u>106,480,648</u>	<u>105,449,068</u>
Projected benefit obligation, end of year	\$ <u><u>993,309,811</u></u>	<u><u>883,581,054</u></u>

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The actuarially computed net periodic pension benefit for the Plan for the years ended December 31, 2020 and 2019 included the following components:

	<u>2020</u>	<u>2019</u>
Interest cost on projected benefit obligation	\$ 32,042,314	34,007,686
Expected return on plan assets	(45,017,799)	(39,985,637)
Amortization of actuarial loss	<u>7,561,602</u>	<u>5,951,558</u>
Other components of net periodic pension benefit	\$ <u>(5,413,883)</u>	<u>(26,393)</u>

The change in plan assets for the Plan for the years ended December 31, 2020 and 2019 included the following components:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets at beginning of year	\$ 626,042,773	554,261,070
Employer contributions	20,000,000	20,000,000
Benefit payments – annuity	(28,794,205)	(25,731,209)
Administrative expenses	(3,999,155)	(3,910,411)
Actual return on plan assets	65,322,129	81,423,323
Other adjustment	<u>(614,107)</u>	<u>—</u>
Fair value of plan assets at end of year	\$ <u>677,957,435</u>	<u>626,042,773</u>

The following table summarizes the components of the funded status of the Plan as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Projected benefit obligation	\$ (993,309,811)	(883,581,054)
Fair value of plan assets	<u>677,957,435</u>	<u>626,042,773</u>
Funded status	\$ <u>(315,352,376)</u>	<u>(257,538,281)</u>

Plan assets for the pension plan consist principally of money market funds, government securities, asset-backed securities, corporate bonds, common stocks, and marketable debt and equity securities, which are managed by professional investment managers in accordance with an investment policy under the supervision of an independent pension investment committee. The plan assets are long term in nature and are intended to generate returns while preserving capital. The target allocation for investments is approximately 44% global equity, 8% real assets, 18% absolute return (primarily, hedge funds), and 30% fixed income, with a small portion of the assets held as cash to meet participant payment requirements.

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Weighted average asset allocations by asset category as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	6 %	12 %
Mutual funds	1	3
Equities	40	38
Fixed income	26	19
Hedge funds	15	14
Real assets	8	8
Distressed debt and specialty finance	4	6
Total	<u>100 %</u>	<u>100 %</u>

The table below summarizes the fair values of plan assets as of December 31, 2020:

	<u>Fair value measurements at reporting date using</u>				
	<u>2020</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	<u>Investments measured at NAV</u>
Cash and cash equivalents	\$ 43,033,796	43,033,796	—	—	—
Mutual funds:					
U.S. equity index	7,834,175	7,834,175	—	—	—
Equity securities:					
Global small cap	(a) 27,808,793	10,687,932	—	—	17,120,861
Global large cap	(b) 197,162,590	1,740,330	134,869,718	—	60,552,542
Emerging markets	(c) 43,331,472	—	—	—	43,331,472
Fixed-income securities:					
U.S. Treasury bills, notes, and bonds	67,269,001	—	67,269,001	—	—
U.S. government agencies	2,594,184	—	2,594,184	—	—
Municipal bonds and notes	1,212,508	—	1,212,508	—	—
Asset-backed securities	3,318,999	—	3,318,999	—	—
Corporate bonds and notes	30,054,575	623,010	29,431,565	—	—
U.S. government mortgage obligations	26,974,167	—	26,974,167	—	—
Emerging market debt funds	(l) 43,249,217	—	—	—	43,249,217
Hedge funds (absolute return):					
Equity long/short	(d) 23,866,410	—	—	—	23,866,410
Event driven	(e) 38,882,716	—	—	—	38,882,716
Global opportunities	(f) 2,745,108	—	—	—	2,745,108
Multistrategy	(g) 36,913,150	—	—	—	36,913,150

THE NEMOURS FOUNDATION AND SUBSIDIARIES

Notes to Combined Financial Statements

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Fair value measurements at reporting date using					
Quoted prices					
		in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Investments measured at NAV
	2020				
Partnerships:					
Private real asset funds	(h) \$ 23,637,687	—	—	—	23,637,687
Distressed and specialty finance debt funds	(i) 29,740,332	—	—	—	29,740,332
Public real asset funds	(j) 10,561,678	—	—	—	10,561,678
Real estate	(k) 17,317,989	—	—	—	17,317,989
Receivables	448,888	448,888	—	—	—
Total	\$ 677,957,435	64,368,131	265,670,142	—	347,919,162

The table below summarizes the fair values of plan assets as of December 31, 2019:

Fair value measurements at reporting date using					
Quoted prices					
		in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Investments measured at NAV
	2019				
Cash and cash equivalents	\$ 73,881,946	73,881,946	—	—	—
Mutual funds:					
U.S. equity index	23,670,489	23,670,489	—	—	—
Equity securities:					
Global small cap	(a) 197,380	109,865	—	—	87,515
Global large cap	(b) 184,989,718	—	150,849,718	—	34,140,000
Emerging markets	(c) 50,067,774	—	—	—	50,067,774
Fixed-income securities:					
U.S. Treasury bills, notes, and bonds	66,493,312	—	66,493,312	—	—
U.S. government agencies	2,613,962	—	2,613,962	—	—
Municipal bonds and notes	1,295,594	—	1,295,594	—	—
Asset-backed securities	3,542,085	—	3,542,085	—	—
Corporate bonds and notes	23,421,046	607,708	22,813,338	—	—
U.S. government mortgage obligations	21,957,530	—	21,957,530	—	—

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		Fair value measurements at reporting date using				
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Investments measured at NAV	
		2019				
Hedge funds (absolute return):						
Equity long/short	(d) \$	17,963,134	—	—	—	17,963,134
Event driven	(e)	31,388,726	—	—	—	31,388,726
Global opportunities	(f)	7,207,985	—	—	—	7,207,985
Multistrategy	(g)	28,637,468	—	—	—	28,637,468
Partnerships:						
Private real asset funds	(h)	29,440,168	—	—	—	29,440,168
Distressed and specialty finance debt funds	(i)	40,035,850	—	—	—	40,035,850
Public real asset funds	(j)	2,281,028	—	—	—	2,281,028
Real estate	(k)	16,342,130	—	—	—	16,342,130
Receivables		615,448	615,448	—	—	—
Total		<u>\$ 626,042,773</u>	<u>98,885,456</u>	<u>269,565,539</u>	<u>—</u>	<u>257,591,778</u>

- (a) This asset class invests in global securities of companies with market capitalizations of \$5 billion or less.
- (b) This class invests worldwide in stocks of companies with greater than \$10 billion market capitalization.
- (c) This class invests in equities of emerging economies or developing countries with the objective of capitalizing on market inefficiencies.
- (d) This class invests long and short primarily in common stocks and fixed income.
- (e) This class comprises strategies that invest long and short in equities and credit, dependent upon some catalyzing event or situation.
- (f) This class comprises strategies that invest in equities, fixed income, interest rates, and currencies to capitalize on opportunities relating to broad economic themes.
- (g) This class invests in multiple strategies to diversify risk and reduce volatility including arbitrage, distressed debt, event-driven, and private equity strategies.
- (h) This class invests in energy, natural resources/commodities and infrastructure with the objective of generating long-term absolute returns, hedging against unanticipated inflation, and increasing overall diversification.
- (i) This class invests in distressed asset funds, middle market debt, royalties, and equity investments.

THE NEMOURS FOUNDATION AND SUBSIDIARIES

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- (j) This class invests in energy and natural resources with the objective of generating long-term absolute returns, hedging against unanticipated inflation, and increasing overall diversification.
- (k) This class comprises strategies of purchasing or developing a property across multiple property sectors, security types and geographic markets to deliver a balanced mix of capital gains and cash yield with moderate downside risk by building a diversified portfolio.
- (l) This class invests in short duration debt securities and money market instruments issued in emerging markets countries.

The fair value of the following plan assets have been estimated using the net asset value per share of the investments as a practical expedient for fair value as of December 31, 2020:

	Strategy	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period	Redemption restrictions
Commingled funds	Global equities funds, primarily long only and emerging market debt	\$ 164,254,092	—	Ranges from monthly to annually	Ranges from 10 to 90 days	13% by value (2 funds) are locked up as of December 31, 2020. No other redemption restrictions.
Hedge funds	Global equities and fixed income fund in market neutral strategies	102,407,384	4,490,723	1% by value are in private structures, with no redemption ability. For the rest, terms range from monthly to annually.	Ranges from 60 to 90 days	Private structure funds not eligible for redemption. 9% by value (2 funds) are locked up as of December 31, 2020
Real assets	Real estate, energy, natural resources, commodities, and timberland in the United States and international	51,517,354	9,610,835	71% by value are in private structures, with no redemption ability. For the rest, redemptions are quarterly.	Ranges from 30 to 90 days	Private structure funds not eligible for redemption. 92% by value are locked up as of December 31, 2020

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	<u>Strategy</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>	<u>Redemption restrictions</u>
Distressed and specialty finance	Distressed asset funds, middle market debt, royalties and equity investments	\$ 29,740,332	7,464,674	59% by value are in private structures, with no redemption ability. For the rest, terms range from quarterly to annually.	Ranges from 90 to 180 days	Private structure funds not eligible for redemption. 61% by value are locked up as of December 31, 2020
		<u>\$ 347,919,162</u>	<u>21,566,232</u>			

The fair values of the following plan assets have been estimated using the net asset value per share of the investments as a practical expedient for fair value as of December 31, 2019:

	<u>Strategy</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>	<u>Redemption restrictions</u>
Commingled funds	Global equities funds, primarily long only and emerging market debt	\$ 84,295,289	675,000	Ranges from monthly to annually	Ranges from 10 to 90 days	No redemption restrictions
Hedge funds	Global equities and fixed income fund in market neutral strategies	85,197,313	8,882,901	2% by value are in private structures, with no redemption ability. For the rest, terms range from monthly to annually.	Ranges from 15 days to annually	Private structure funds not eligible for redemption. 17% by value (1 fund) is locked up as of December 31, 2019
Real assets	Real estate, energy, natural resources, commodities, and timberland in the United States and international	48,063,326	11,201,951	86% by value are in private structures, with no redemption ability. For the rest, redemptions are quarterly.	Ranges from 30 to 90 days	Private structure funds not eligible for redemption.

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	<u>Strategy</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>	<u>Redemption restrictions</u>
Distressed and specialty finance	Distressed asset funds, middle market debt, royalties and equity investments	\$ 40,035,850	2,606,587	65% by value are in private structures, with no redemption ability. For the rest, terms range from quarterly to annually.	Ranges from 90 to 180 days	Private structure funds not eligible for redemption.
		<u>\$ 257,591,778</u>	<u>23,366,439</u>			

(12) Concentrations of Credit Risk

Nemours grants credit without collateral to its patients, most of whom are local patients, and are insured under third-party payor agreements. The percentage of receivables from patients and third-party payors at December 31, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Managed care	39 %	34 %
Medicaid – managed care	40	44
Medicaid – traditional	8	6
Other	13	16
	<u>100 %</u>	<u>100 %</u>

Management does not believe any other significant concentrations of credit risk exist as of December 31, 2020 or 2019.

(13) Leases

Nemours has non-cancellable operating leases, primarily for office equipment and office space that expire over the next ten years. The office space leases generally contain renewal options for periods ranging from one to five years while the office equipment leases contain a month to month renewal option. Based upon historical renewal experience, if available, Nemours will establish appropriate exercise renewal options in determining the lease term. Associated potential option payments are excluded from lease payments. Nemours' leases generally exclude termination options for either party to the lease or restrictive financial or other covenants.

Payments due under the lease contracts include fixed payments as leases relate to fixed square footage of office space or specific equipment. Nemours has not entered into any variable lease payment contracts.

Nemours is not a party to lease contracts that include residual value guarantees.

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Nemours has elected to separate lease components from non-lease components. The ROU assets and lease liabilities only include lease components like base rent and exclude non-lease components like common area maintenance and property taxes.

The components of lease cost, included in the combined statements of operations and changes in net assets without donor restrictions, for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Operating lease cost	\$ 19,630,037	18,545,102
Short-term lease cost	<u>1,256,731</u>	<u>2,832,128</u>
Total lease cost	\$ <u>20,886,768</u>	<u>21,377,230</u>

Other information related to operating leases as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Weighted average remaining lease terms	6.50 years	7.46 years
Weighted average discount rates	3.44 %	3.63 %

Maturities of operating lease liabilities under noncancellable leases as of December 31, 2020 are as follows:

2021	\$ 18,588,895
2022	17,029,309
2023	13,735,097
2024	12,279,027
2025	10,112,983
Thereafter	<u>21,839,054</u>
Total undiscounted lease payments	93,584,365
Less imputed interest	<u>(9,898,937)</u>
Total lease liabilities	\$ <u>83,685,428</u>

In 2019, Nemours entered into two office space leases that pre-date the rent commencement. Nemours received control of office space in Milford, DE for buildout purposes in October 2019 and began seeing patients at this location on November 10, 2020. Nemours also received control of office space in Kissimmee, FL for buildout purposes in May 2019 and began seeing patients at this location on August 28, 2020.

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(14) Functional Expenses

Nemours has summarized the costs of program and supporting activities in the combined statements of operations and changes in net assets without donor restrictions. The expense analysis in the tables below present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The combined financial statements report certain categories of expenses that are attributable to more than one program or support function. The expenses that are allocated include salaries and benefits which are allocated based upon department and job classification and management and general tasks. Expenses associated with occupying and maintaining Nemours facilities have been allocated to the respective functional area based on the square footage of space occupied by each program and supporting service. Other costs are classified in each functional category based on the underlying purpose of each transaction.

Functional expenses for the year ended December 31, 2020 are summarized as follows:

	Total	Program activities			Supporting activities	
		Health services	Research	Education	Fundraising	Management and general
Salaries and benefits	\$ 970,225,617	774,404,053	39,548,956	17,740,853	3,489,510	135,042,245
Professional fees	40,126,538	12,225,468	1,014,922	7,910,764	95,486	18,879,898
Supplies	151,874,041	135,969,734	2,331,436	1,364,202	89,428	12,119,241
Repairs and maintenance	35,981,119	16,047,584	172,473	113,496	14,729	19,632,837
Purchased services	60,490,406	47,630,682	1,748,756	307,889	112,888	10,690,191
Depreciation and amortization	89,333,239	66,206,262	3,697,800	1,236,756	217,083	17,975,338
Rent and lease	23,063,963	17,315,149	2,611,687	204,472	1,573	2,931,082
Utilities and telephone	18,952,744	13,295,126	564,006	191,017	45,311	4,857,284
Insurance	26,397,297	26,007,294	5,348	16,499	—	368,156
Interest	8,377,357	5,555,400	35,375	111,962	10,870	2,663,750
Advertising	4,742,829	4,300,742	—	2,055	71,840	368,192
Other	17,404,720	13,901,442	350,106	372,762	297,541	2,482,869
Total expenses	\$ 1,446,969,870	1,132,858,936	52,080,865	29,572,727	4,446,259	228,011,083

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Functional expenses for the year ended December 31, 2019 are summarized as follows:

	Total	Program activities			Supporting activities	
		Health services	Research	Education	Fundraising	Management and general
Salaries and benefits	\$ 949,653,953	705,777,784	26,291,795	9,920,346	3,149,214	204,514,814
Professional fees	41,988,103	15,527,711	991,087	7,909,678	92,852	17,466,775
Supplies	163,302,584	147,230,305	1,960,052	1,179,743	44,347	12,888,137
Repairs and maintenance	35,272,372	17,139,268	561,579	62,428	30,105	17,478,992
Purchased services	63,302,244	46,613,970	3,013,063	400,230	109,632	13,165,349
Depreciation and amortization	89,012,814	47,864,674	4,377,920	1,223,695	163,335	35,383,190
Rent and lease	23,608,263	17,160,102	2,976,852	197,686	190,497	3,083,126
Utilities and telephone	19,257,462	9,506,415	710,601	233,708	40,905	8,765,833
Insurance	28,778,742	28,371,015	7,025	6,941	695	393,066
Interest	10,312,577	4,659,270	19,093	6,531	—	5,627,683
Advertising	7,606,717	4,332,163	6,000	13,281	126,862	3,128,411
Other	24,569,881	16,453,173	665,354	1,008,013	676,422	5,766,919
Total expenses	\$ <u>1,456,665,712</u>	<u>1,060,635,850</u>	<u>41,580,421</u>	<u>22,162,280</u>	<u>4,624,866</u>	<u>327,662,295</u>

(15) Contingencies

(a) Self-Insurance Reserves

Effective February 22, 1993, Nemours established a self-insurance trust fund to provide for losses sustained on general, professional, and patient care liability claims reported and incurred but not reported during the period subsequent to the effective date. The self-insurance trust fund is administered by a trustee and provides for the first layer of coverage of professional and patient care claims for Nemours healthcare operations. Professional insurance consultants have been utilized to determine funding requirements for this first layer. The self-insurance trust fund is reported as assets whose use is limited. Nemours has purchased a policy to cover claims occurring prior to but reported subsequent to February 22, 1993.

Excess policy coverage has been purchased for losses exceeding the self-insurance trust fund's retention and for claims occurring prior to February 18, 2002, from an unrelated insurance company. With the establishment of Dornoch, effective February 18, 2002, Nemours excess policy coverage for losses exceeding the self-insurance trust fund's retention has been secured through Dornoch and other unrelated insurance companies. Nemours funds Dornoch as required by the laws and regulations of the Cayman Islands.

The estimated reserves for general, professional, and patient care liabilities presented in the accompanying combined balance sheets amounted to approximately \$75,100,000 and \$67,828,000 at December 31, 2020 and 2019, respectively. Reserves are estimated using an actuarial study that calculates the estimated liability for self-insured general, professional, and patient care liabilities. This study provides for estimates of losses from reported claims and incidents incurred but not reported at December 31, 2020 and 2019.

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Insurance expense for general, professional, and patient care liabilities recognized for the years ended December 31, 2020 and 2019 was approximately \$24,573,000 and \$27,042,000, respectively, and is reflected in the accompanying combined statements of operations and changes in net assets without donor restrictions.

Self-insurance liabilities for workers' compensation were approximately \$6,987,000 and \$7,037,000 as of December 31, 2020 and 2019, respectively, and are included in the accompanying combined balance sheets.

Self-insurance liabilities for health insurance were approximately \$9,776,000 and \$9,684,000 as of December 31, 2020 and 2019, respectively, and are included in the accompanying combined balance sheets.

Self-insurance liabilities for short-term disability was approximately \$278,000 and \$244,000 as of December 31, 2020 and 2019, respectively, and are included in the accompanying combined balance sheets.

Self-insurance liabilities for dental insurance was approximately \$285,000 as of December 31, 2020 and are included in the accompanying combined balance sheets. Nemours did not have a self-insurance liability for dental insurance as of December 31, 2019.

(b) Litigation

Nemours is involved in litigation arising from the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters will be resolved without a material adverse effect to Nemours financial position.

(c) Conditional Asset Retirement Obligation

AIDHC has buildings that were constructed with certain asbestos products that, based on regulations, may require special handling and disposal if AIDHC undergoes major renovations. An asset retirement obligation has not been recorded as the fair value cannot be reasonably estimated. No activity requiring special treatment has occurred in the current year and no such activity is currently planned in future periods.

(d) Healthcare Industry

The healthcare industry is highly regulated, and no assurance exists that the regulatory environment in which Nemours operates will not change significantly and adversely impact Nemours in the future. In general, regulation of healthcare providers and companies is increasing.

Federal and state laws regulate the healthcare industry, the relationship between hospitals and physicians, and the relationship among physicians and other providers of healthcare services.

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(e) Novel Coronavirus (COVID-19)

The current COVID-19 pandemic has had numerous and varied medical, economic, and social impacts, all of which have adversely affected Nemours' business and financial results.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act is an economic stimulus bill passed on March 27, 2020 providing among other provisions, financial relief to hospitals and healthcare providers affected by the pandemic. Nemours received approximately \$62,280,000 in CARES Act funding which has been included in other income in the accompanying combined statements of operations and changes in net assets without donor restrictions for the year ended December 31, 2020. There is some risk that Nemours may not be fully eligible for all the funds received and recognized as other income based on continually evolving requirements issued by the U.S. Department of Health and Human Services. If not deemed eligible after required reporting is submitted and results reviewed, repayment would be required.

The CARES Act permits employers to defer the payment of the employer's portion of social security taxes incurred between March 27, 2020 and December 31, 2020. Half of the deferred payments is required to be paid by December 31, 2021 and the other half is required to be paid by December 31, 2022. The total deferred payroll tax payment is approximately \$22,683,000 as of December 31, 2020 and is included within accrued compensation and benefits on the accompanying combined balance sheets.

Nemours received approximately \$880,000 from the Medicare Advanced Payment Program provided under the CARES Act. The amount is included in deferred revenue within total current liabilities on the accompanying combined balance sheets. Based on the Continuing Appropriations Act, 2021 and Other Extensions Act passed in October 2020, repayment will begin one year after the receipt of the advance payments. Medicare beneficiaries' claims will be applied against the advance payment balance and unapplied payment amounts must be paid within 29 months of receipt.

(16) Subsequent Events

Nemours evaluated events and transactions subsequent to December 31, 2020 as of April 14, 2021 the date on which the combined financial statements were issued. Nemours determined that no disclosures or adjustments were required.

COMBINING INFORMATION

THE NEMOURS FOUNDATION AND SUBSIDIARIES

Combining Schedule 1 – Balance Sheet Information

December 31, 2020

Assets	The Nemours Foundation	Alfred I. duPont Hospital For Children	Nemours Children's Clinics	Nemours Senior Care	Nemours Value Based Services Organization	Nemours Children's Hospital	Eliminations	Total
Current assets:								
Cash and cash equivalents	\$ 350,703,315	2,550	18,710	550	—	2,575	—	350,727,700
Short-term investments	53,143,450	—	—	—	—	—	—	53,143,450
Patient accounts receivable	(860,263)	101,107,513	28,087,929	40,010	—	23,500,945	—	151,876,134
Supplies	—	4,417,766	28,929	—	—	1,742,423	—	6,189,118
Due from affiliates	—	11,072,353	17,488,198	56,241	203,134	5,011,030	(33,830,956)	—
Prepaid expenses and other current assets	26,034,352	3,109,284	8,313,024	—	2,230,067	2,348,121	—	42,034,848
Total current assets	429,020,854	119,709,466	53,936,790	96,801	2,433,201	32,605,094	(33,830,956)	603,971,250
Investments	121,195,731	—	—	—	—	—	—	121,195,731
Assets whose use is limited	167,616,155	25,585,229	—	—	—	—	—	193,201,384
Restricted assets	266,852,916	117,944	7,957,451	—	—	451,738	—	275,380,049
Property and equipment:								
Land and land improvements	32,573,885	16,471,361	9,381,926	—	—	53,340,346	—	111,767,518
Buildings and leasehold improvements	53,562,656	507,007,487	85,548,398	2,218	—	322,296,613	—	968,417,372
Equipment	158,344,115	520,897,203	68,162,808	1,866,164	51,626	144,509,308	—	893,831,224
	244,480,656	1,044,376,051	163,093,132	1,868,382	51,626	520,146,267	—	1,974,016,114
Less accumulated depreciation and amortization	(158,331,647)	(550,636,894)	(98,612,634)	(1,525,152)	(8,737)	(158,711,210)	—	(967,826,274)
	86,149,009	493,739,157	64,480,498	343,230	42,889	361,435,057	—	1,006,189,840
Construction in progress	3,443,677	68,485,381	1,457,094	—	—	229,899	—	73,616,051
Net property and equipment	89,592,686	562,224,538	65,937,592	343,230	42,889	361,664,956	—	1,079,805,891
Operating lease right-of-use assets	21,468,138	15,089,614	40,542,563	—	—	2,335,635	—	79,435,950
Other assets	1,775,856	—	2,432,904	—	—	347,438	—	4,556,198
Inexhaustible assets	3,386,733	—	—	—	—	—	—	3,386,733
Total assets	\$ 1,100,909,069	722,726,791	170,807,300	440,031	2,476,090	397,404,861	(33,830,956)	2,360,933,186
Liabilities and Net Assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 13,129,887	19,094,255	6,243,609	109,778	103,010	12,310,911	—	50,991,450
Accrued compensation and benefits	86,315,404	21,627,672	63,980,722	160,276	676,852	8,446,124	—	181,207,050
Current portion of self-insurance reserves	11,654,000	—	—	—	—	—	—	11,654,000
Current portion of long-term debt	1,790,000	—	—	—	—	8,950,000	—	10,740,000
Current portion of obligations under operating leases	4,171,671	3,176,984	7,529,170	—	—	1,266,158	—	16,143,983
Deferred revenue	6,304,058	1,327,717	1,439,523	—	25,000	58,939	—	9,155,237
Due to affiliates	33,830,956	—	—	—	—	—	(33,830,956)	—
Total current liabilities	157,195,976	45,226,628	79,193,024	270,054	804,862	31,032,132	(33,830,956)	279,891,720
Self-insurance reserves, less current portion	80,771,635	—	—	—	—	—	—	80,771,635
Operating lease liabilities, less current portion	18,767,929	12,749,701	34,668,328	—	—	1,355,487	—	67,541,445
Long-term debt, less current portion	112,971,876	—	—	—	—	230,006,374	—	342,978,250
Liabilities for pension benefits	315,352,376	—	—	—	—	—	—	315,352,376
Total liabilities	685,059,792	57,976,329	113,861,352	270,054	804,862	262,393,993	(33,830,956)	1,086,535,426
Net assets:								
Without donor restrictions	166,239,510	659,869,796	37,486,420	169,977	1,666,228	131,216,033	—	996,647,964
With donor restrictions	249,609,767	4,880,666	19,459,528	—	5,000	3,794,835	—	277,749,796
Total net assets	415,849,277	664,750,462	56,945,948	169,977	1,671,228	135,010,868	—	1,274,397,760
Total liabilities and net assets	\$ 1,100,909,069	722,726,791	170,807,300	440,031	2,476,090	397,404,861	(33,830,956)	2,360,933,186

See accompanying independent auditors' report.

THE NEMOURS FOUNDATION AND SUBSIDIARIES

Combining Schedule 1 – Balance Sheet Information

December 31, 2019

Assets	The Nemours Foundation	Alfred I. duPont Hospital For Children	Nemours Children's Clinics	Nemours Senior Care	Nemours Value Based Services Organization	Nemours Children's Hospital	Eliminations	Total
Current assets:								
Cash and cash equivalents	\$ 367,951,880	2,550	18,610	550	—	2,475	—	367,976,065
Short-term investments	45,045,534	—	—	—	—	—	—	45,045,534
Patient accounts receivable	5,689,644	99,425,278	34,102,968	53,867	—	26,992,358	—	166,264,115
Supplies	—	4,552,448	18,067	—	—	1,846,848	—	6,417,363
Due from affiliates	—	13,918,363	37,389,680	69,883	280,494	15,285,863	(66,944,283)	—
Prepaid expenses and other current assets	21,482,888	3,633,536	7,464,279	—	1,440,988	2,141,357	—	36,163,048
Total current assets	440,169,946	121,532,175	78,993,604	124,300	1,721,482	46,268,901	(66,944,283)	621,866,125
Investments	70,757,063	—	—	—	—	—	—	70,757,063
Assets whose use is limited	159,658,725	22,655,189	—	—	—	—	—	182,313,914
Restricted assets	247,887,950	150,973	1,292,418	—	—	689,467	—	250,020,808
Property and equipment:								
Land and land improvements	32,461,365	16,437,561	9,339,896	—	—	53,191,629	—	111,430,451
Buildings and leasehold improvements	51,997,756	493,880,541	77,493,240	319,128	—	314,632,057	—	938,322,722
Equipment	146,204,246	494,255,993	60,706,864	1,910,179	1,819	131,385,018	—	834,464,119
	230,663,367	1,004,574,095	147,540,000	2,229,307	1,819	499,208,704	—	1,884,217,292
Less accumulated depreciation and amortization	(145,208,727)	(519,168,772)	(92,183,650)	(1,920,649)	(1,819)	(140,372,078)	—	(898,855,695)
	85,454,640	485,405,323	55,356,350	308,658	—	358,836,626	—	985,361,597
Construction in progress	2,250,792	69,443,410	2,516,851	—	32,735	6,322,356	—	80,566,144
Net property and equipment	87,705,432	554,848,733	57,873,201	308,658	32,735	365,158,982	—	1,065,927,741
Operating lease right-of-use assets	22,789,920	12,728,931	42,566,918	89,746	—	2,706,908	—	80,882,423
Other assets	9,424,759	—	2,790,357	—	—	347,438	—	12,562,554
Inexhaustible assets	3,386,733	—	—	—	—	—	—	3,386,733
Total assets	\$ 1,041,780,528	711,916,001	183,516,498	522,704	1,754,217	415,171,696	(66,944,283)	2,287,717,361
Liabilities and Net Assets								
Current liabilities:								
Accounts payable and accrued expenses	\$ 13,729,762	24,567,795	6,888,398	132,377	74,509	15,049,941	—	60,442,782
Accrued compensation and benefits	53,933,190	19,686,477	60,844,073	192,732	536,137	7,447,942	—	142,640,551
Current portion of self-insurance reserves	10,145,500	—	—	—	—	—	—	10,145,500
Current portion of long-term debt	1,750,000	—	—	—	—	8,365,000	—	10,115,000
Current portion of obligations under operating leases	3,648,575	2,109,518	6,910,109	73,722	—	1,143,448	—	13,885,372
Deferred revenue	3,207,004	67,640	892,246	—	9,994	133,544	—	4,310,428
Due to affiliates	66,944,283	—	—	—	—	—	(66,944,283)	—
Total current liabilities	153,358,314	46,431,430	75,534,826	398,831	620,640	32,139,875	(66,944,283)	241,539,633
Self-insurance reserves, less current portion	74,647,697	—	—	—	—	—	—	74,647,697
Operating lease liabilities, less current portion	21,054,481	11,848,347	38,177,407	16,814	—	2,195,135	—	73,292,184
Long-term debt, less current portion	114,752,978	—	—	—	—	238,923,838	—	353,676,816
Liabilities for pension benefits	257,538,281	—	—	—	—	—	—	257,538,281
Total liabilities	621,351,751	58,279,777	113,712,233	415,645	620,640	273,258,848	(66,944,283)	1,000,694,611
Net assets:								
Without donor restrictions	189,130,519	649,953,052	56,763,019	107,059	1,133,577	137,544,970	—	1,034,632,196
With donor restrictions	231,298,258	3,683,172	13,041,246	—	—	4,367,878	—	252,390,554
Total net assets	420,428,777	653,636,224	69,804,265	107,059	1,133,577	141,912,848	—	1,287,022,750
Total liabilities and net assets	\$ 1,041,780,528	711,916,001	183,516,498	522,704	1,754,217	415,171,696	(66,944,283)	2,287,717,361

See accompanying independent auditors' report.

THE NEMOURS FOUNDATION AND SUBSIDIARIES

Combining Schedule 2 – Revenue and Expense Information

Year ended December 31, 2020

	The Nemours Foundation	Alfred I. duPont Hospital For Children	Nemours Children's Clinics	Nemours Senior Care	Nemours Value Based Services Organization	Nemours Children's Hospital	Eliminations	Total
Revenues and other support:								
Net patient service revenue	\$ 24,645,627	521,749,557	376,142,912	545,668	—	171,087,886	—	1,094,171,650
Distribution from the Alfred I. duPont Charitable Trust	197,655,344	—	—	—	—	—	—	197,655,344
Net assets released from restrictions used for operations	7,136,749	524,883	1,663,428	—	—	318,643	—	9,643,703
Contributions from The Nemours Foundation	—	—	150,253,642	4,047,355	878,740	16,566,532	(171,746,269)	—
Investment return, net	16,200,162	—	—	—	—	—	—	16,200,162
Contracted services revenue	370,425	6,485,892	43,485,144	—	6,987,154	452,109	—	57,780,724
Grant and contribution revenue	8,114,400	494,318	935,883	—	69,443	2,451,000	—	12,065,044
Other income	18,897,900	51,571,165	13,563,966	6,444	896,531	14,783,662	(3,223,882)	96,495,786
Total revenues and other support	273,020,607	580,825,815	586,044,975	4,599,467	8,831,868	205,659,832	(174,970,151)	1,484,012,413
Operating expenses:								
Salaries and benefits	77,694,632	269,904,290	490,154,392	2,694,560	7,024,424	122,753,319	—	970,225,617
Professional fees	3,359,803	17,823,024	16,012,752	860,945	366,268	4,382,468	(2,678,722)	40,126,538
Supplies	10,441,549	81,332,320	24,820,961	361,758	259,651	34,657,802	—	151,874,041
Repairs and maintenance	2,928,472	16,735,622	9,997,964	82,627	156,706	6,079,728	—	35,981,119
Purchased services	7,346,022	28,816,889	8,180,885	118,386	51,360	15,976,864	—	60,490,406
Depreciation and amortization	6,063,489	45,985,551	14,685,091	141,637	84,970	22,372,501	—	89,333,239
Rent and lease expense	5,385,868	3,564,014	11,765,011	184,907	178,189	2,531,134	(545,160)	23,063,963
Utilities and telephone	846,945	10,016,678	3,908,461	29,005	41,553	4,110,102	—	18,952,744
Insurance	772,776	2,280,813	21,365,005	60,081	9,801	1,908,821	—	26,397,297
Interest	174,441	825,338	1,106,756	9,827	16,366	6,244,629	—	8,377,357
Advertising	198,548	2,271,096	879,724	1,777	4,465	1,387,219	—	4,742,829
Other	4,314,690	3,680,178	3,742,161	10,209	104,360	5,553,122	—	17,404,720
Distributions to Nemours Children's Clinics	150,253,641	—	—	—	—	—	(150,253,641)	—
Distributions to Nemours Health & Prevention Services	878,740	—	—	—	—	—	(878,740)	—
Distributions to Nemours SeniorCare	4,047,355	—	—	—	—	—	(4,047,355)	—
Distributions to NCH	16,566,533	—	—	—	—	—	(16,566,533)	—
Total operating expenses	291,273,504	483,235,813	606,619,163	4,555,719	8,298,113	227,957,709	(174,970,151)	1,446,969,870
Operating (loss) income	(18,252,897)	97,590,002	(20,574,188)	43,748	533,755	(22,297,877)	—	37,042,543
Nonoperating gains, net:								
Other components of net periodic pension benefit	1,200,142	1,591,355	2,467,265	19,170	31,449	104,502	—	5,413,883
(Deficit) excess of revenues and gains over expenses	(17,052,755)	99,181,357	(18,106,923)	62,918	565,204	(22,193,375)	—	42,456,426
Net assets released from restrictions used for capital purchases	114,649	113,668	1,601,985	—	—	957,018	—	2,787,320
Pension-related changes other than net periodic pension cost	(83,227,978)	—	—	—	—	—	—	(83,227,978)
Distributions from (to) The Nemours Foundation for capital	77,275,075	(89,378,281)	(2,771,661)	—	(32,553)	14,907,420	—	—
(Decrease) increase in net assets without donor restrictions	\$ (22,891,009)	9,916,744	(19,276,599)	62,918	532,651	(6,328,937)	—	(37,984,232)

See accompanying independent auditors' report.

THE NEMOURS FOUNDATION AND SUBSIDIARIES

Combining Schedule 2 – Revenue and Expense Information

Year ended December 31, 2019

	The Nemours Foundation	Alfred I. duPont Hospital For Children	Nemours Children's Clinics	Nemours Senior Care	Nemours Value Based Services Organization	Nemours Children's Hospital	Eliminations	Total
Revenues and other support:								
Net patient service revenue	\$ 23,566,999	599,593,576	424,874,901	834,690	—	187,338,927	—	1,236,209,093
Distribution from the Alfred I. duPont Charitable Trust	175,812,385	—	—	—	—	—	—	175,812,385
Net assets released from restrictions used for operations	6,935,020	291,381	1,000,671	130	—	1,243,769	—	9,470,971
Contributions from The Nemours Foundation	—	—	112,151,230	4,394,742	3,282,323	13,015,748	(132,844,043)	—
Investment return, net	25,920,184	—	—	—	—	—	—	25,920,184
Contracted services revenue	720,674	5,636,579	35,237,287	—	3,670,431	1,502,429	—	46,767,400
Grant and contribution revenue	11,289,006	434,031	1,521,771	—	—	1,807,714	—	15,052,522
Other income	18,313,806	6,053,082	11,597,438	6,978	795,692	2,294,739	(7,795,461)	31,266,274
Total revenues and other support	262,558,074	612,008,649	586,383,298	5,236,540	7,748,446	207,203,326	(140,639,504)	1,540,498,829
Operating expenses:								
Salaries and benefits	72,682,458	265,191,235	481,865,995	3,022,196	6,433,201	120,458,868	—	949,653,953
Professional fees	2,773,722	23,562,793	16,961,969	1,288,265	355,222	4,296,433	(7,250,301)	41,988,103
Supplies	9,136,983	85,644,310	24,742,887	524,565	166,151	43,087,688	—	163,302,584
Repairs and maintenance	2,669,427	16,623,317	9,666,813	94,585	89,836	6,128,394	—	35,272,372
Purchased services	10,228,300	26,233,976	9,324,418	62,095	244,916	17,208,539	—	63,302,244
Depreciation and amortization	5,613,888	48,704,257	13,403,546	144,759	58,206	21,088,158	—	89,012,814
Rent and lease expense	5,754,399	3,970,345	12,093,172	166,897	176,214	1,992,396	(545,160)	23,608,263
Utilities and telephone	892,516	10,411,800	3,976,725	32,408	38,039	3,905,974	—	19,257,462
Insurance	808,579	2,710,751	22,809,347	66,993	8,406	2,374,666	—	28,778,742
Interest	317,604	1,126,700	1,432,401	13,518	18,083	7,404,271	—	10,312,577
Advertising	536,223	3,693,002	3,154,609	4,431	15,895	202,557	—	7,606,717
Other	6,889,948	4,553,348	6,757,037	12,129	111,435	6,245,984	—	24,569,881
Distributions to Nemours Children's Clinics	112,151,230	—	—	—	—	—	(112,151,230)	—
Distributions to Nemours Health & Prevention Services	3,282,323	—	—	—	—	—	(3,282,323)	—
Distributions to Nemours SeniorCare	4,394,742	—	—	—	—	—	(4,394,742)	—
Distributions to NCH	13,015,748	—	—	—	—	—	(13,015,748)	—
Total operating expenses	251,148,090	492,425,834	606,188,919	5,432,841	7,715,604	234,393,928	(140,639,504)	1,456,665,712
Operating income (loss)	11,409,984	119,582,815	(19,805,621)	(196,301)	32,842	(27,190,602)	—	83,833,117
Nonoperating gains, net:								
Other components of net periodic pension benefit	5,851	7,758	12,028	93	153	510	—	26,393
Excess (deficit) of revenues and gains over expenses	11,415,835	119,590,573	(19,793,593)	(196,208)	32,995	(27,190,092)	—	83,859,510
Net assets released from restrictions used for capital purchases	13,666	394,146	249,774	—	—	28,475	—	686,061
Other change in net assets	—	(3,000,000)	—	—	—	—	—	(3,000,000)
Pension-related changes other than net periodic pension cost	(61,970,235)	—	—	—	—	—	—	(61,970,235)
Distributions from (to) The Nemours Foundation for capital	43,852,085	(83,836,062)	15,035,125	—	280,494	24,668,358	—	—
Increase (decrease) in net assets without donor restrictions	\$ (6,688,649)	33,148,657	(4,508,694)	(196,208)	313,489	(2,493,259)	—	19,575,336

See accompanying independent auditors' report.