



Consolidated Financial Statements  
September 30, 2020 and 2019

# St. Francis Health Services of Morris, Inc. and Subsidiaries

# St. Francis Health Services of Morris, Inc. and Subsidiaries

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September 30, 2020 and 2019

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## Independent Auditor's Report

The Board of Directors  
St. Francis Health Services of Morris, Inc. and Subsidiaries  
Morris, Minnesota

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of St. Francis Health Services of Morris, Inc. and Subsidiaries (St. Francis), which comprise the consolidated balance sheets as of September 30, 2020 and 2019, and the related consolidated statements of operations and changes in net assets, and cash flows for the year ended September 30, 2020, and fifteen months ended September 30, 2019, and the related notes to the consolidated financial statements.

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

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Francis as of September 30, 2020 and 2019, and the results of its operations, changes in net assets, and cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Note 1 to the consolidated financial statements, St. Francis has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Accordingly, the September 30, 2019, consolidated statement of cash flows has been adjusted to adopt this standard. Our opinion is not modified with respect to this matter.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Minneapolis, Minnesota  
January 25, 2021

# St. Francis Health Services of Morris, Inc. and Subsidiaries

Consolidated Balance Sheets  
September 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 36,743,926	\$ 26,637,247
Assets limited as to use	2,897,433	1,466,336
Receivables		
Trade	12,754,649	13,201,933
Other	672,999	321,118
Prepaid expenses	327,540	397,935
Total current assets	53,396,547	42,024,569
Assets Limited as to Use		
Resident trust funds and tenant security deposits	406,205	389,660
Under loan and deferred compensation agreements	1,565,708	1,252,662
Total assets limited as to use	1,971,913	1,642,322
Property and Equipment		
Land and improvements	5,895,830	5,728,714
Buildings	176,053,334	169,045,756
Equipment	11,042,412	10,650,954
Automobiles	3,158,958	3,103,428
Construction in progress	197,662	5,079,969
	196,348,196	193,608,821
Accumulated depreciation	(80,537,869)	(74,816,409)
Net property and equipment	115,810,327	118,792,412
Other Assets		
Investment in MHCA	255,365	257,877
Worker's compensation insurance receivable	867,103	-
Total other assets	1,122,468	257,877
Total assets	\$ 172,301,255	\$ 162,717,180

St. Francis Health Services of Morris, Inc. and Subsidiaries

Consolidated Balance Sheets  
September 30, 2020 and 2019

	2020	2019
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 4,369,781	\$ 4,389,811
Accounts payable		
Trade	1,740,189	1,370,271
Construction	-	939,555
Accrued expenses		
Compensation	6,806,240	5,746,063
Other	3,867,444	2,589,942
Refundable advances	2,485,828	-
Total current liabilities	19,269,482	15,035,642
Deferred Compensation Payable	268,637	345,599
Workers' Compensation Insurance Payable	867,103	-
Resident Trust Funds and Tenant Security Deposits Payable	406,205	389,660
Long-Term Debt, Less Current Maturities and Unamortized Debt Issuance Costs	84,542,182	80,657,214
Total liabilities	105,353,609	96,428,115
Net Assets - Without Donor Restrictions	66,947,646	66,289,065
Total liabilities and net assets	\$ 172,301,255	\$ 162,717,180

St. Francis Health Services of Morris, Inc. and Subsidiaries  
Consolidated Statements of Operations and Changes in Net Assets  
Year Ended September 30, 2020 and Fifteen Months Ended September 30, 2019

	2020	2019
Revenues, Gains, and Other Support Without Donor Restrictions		
Resident service and other revenue	\$ 117,188,489	\$ 140,660,541
Provider relief funds contribution	3,854,522	-
Total revenues, gains, and other support without donor restrictions	121,043,011	140,660,541
Expenses		
Resident care	56,736,435	65,646,212
Other care	2,780,802	3,369,436
Dietary	8,748,491	10,294,267
Laundry	884,779	1,191,010
Housekeeping	2,078,741	2,618,357
Maintenance	5,659,678	6,933,788
Property costs		
Depreciation	6,853,276	8,219,762
Interest	3,447,384	3,453,632
Lease	301,754	373,665
Property insurance	387,330	495,686
Special assessments	2,977,631	3,660,928
Administrative	13,011,628	14,518,656
Fringe benefits	16,999,407	20,487,946
Total expenses	120,867,336	141,263,345
Operating Income (Loss)	175,675	(602,804)
Other Income		
Interest income	105,059	111,736
Equity in earnings (loss) of investment in MHCA	(2,512)	111,088
Gain on disposal of property and equipment	250,902	117,834
Donations and other	129,457	219,313
Total other income	482,906	559,971
Revenues in Excess of (Less Than) Expenses and Change in Net Assets Without Donor Restrictions	658,581	(42,833)
Net Assets, Beginning of Period	66,289,065	66,331,898
Net Assets, End of Period	\$ 66,947,646	\$ 66,289,065

St. Francis Health Services of Morris, Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
Year Ended September 30, 2020 and Fifteen Months Ended September 30, 2019

	2020	2019 (Restated)
Operating Activities		
Change in net assets	\$ 658,581	\$ (42,833)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	6,853,276	8,219,762
Interest expense attributable to amortization of debt issuance costs	233,653	279,376
Gain on disposal of property and equipment	(250,902)	(117,834)
Unrealized loss (gain) on MHCA investment	2,512	(111,088)
Changes in assets and liabilities		
Receivables	95,403	241,217
Prepaid expenses	70,395	128,381
Accounts payable	369,918	(177,303)
Accrued expenses	2,260,717	160,031
Refundable advance	2,485,828	-
Resident trust funds and tenant security deposits liability	16,545	29,315
Net Cash from Operating Activities	12,795,926	8,609,024
Investing Activities		
Construction of building improvements and purchase of property and equipment	(4,439,299)	(12,648,841)
Proceeds from sale of property and equipment	399,131	227,099
Net Cash used for Investing Activities	(4,040,168)	(12,421,742)
Financing Activities		
Proceeds from issuance of long-term debt	14,155,000	30,276,000
Repayment of long-term debt	(10,673,634)	(13,198,930)
Payment of debt issuance costs	(369,757)	(651,984)
Net Cash from Financing Activities	3,111,609	16,425,086
Net Change in Cash, Cash Equivalents, and Restricted Cash	11,867,367	12,612,368
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	29,745,905	17,133,537
Cash, Cash Equivalents, and Restricted Cash, End of Period	\$ 41,613,272	\$ 29,745,905



St. Francis Health Services of Morris, Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
Year Ended September 30, 2020 and Fifteen Months Ended September 30, 2019

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	2020	2019 (Restated)
Reconciliation of Cash, Cash Equivalents, and Restricted Cash to the Consolidated Balance Sheets		
Cash and cash equivalents	\$ 36,743,926	\$ 26,637,247
Cash and cash equivalents included in assets limited as to use	4,869,346	3,108,658
Total cash, cash equivalents and restricted cash	\$ 41,613,272	\$ 29,745,905
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	\$ 3,213,731	\$ 3,174,256
Supplemental Disclosure of Noncash Investing and Financing Activities		
Accounts payable for construction	\$ -	\$ 865,520
Property and equipment financed through capital lease	\$ 519,676	\$ 462,677

**Note 1 - Organization and Significant Accounting Policies**

**Organization**

St. Francis Health Services of Morris, Inc. and Subsidiaries (St. Francis), located in Morris, Minnesota, is organized for, and operates exclusively, to promote the health, religious, and general social welfare of physically and mentally disadvantaged persons, including the elderly. St. Francis is managed by a Board of Directors selected by certain members of the Diocese of St. Cloud and Assumption Church in Morris, Minnesota.

**Principles of Consolidation**

The consolidated financial statements include the accounts of St. Francis Health Services of Morris, Inc. and the following controlled nonprofit entities:

Skilled Nursing Facilities

Aitkin Health Services (AHS)  
Browns Valley Health Center (BVHC)  
Chisholm Health Center (CHC)  
Duluth Health Services (DHS)\*  
Farmington Health Services (FHS)\*  
Franciscan Health Center (FHC)  
Guardian Angels Health and Rehab (GAHRC)  
Koochiching Health Services (KHS)\*  
Little Falls Health Services (LFHS)\*  
Morris Health Services (MHS)\*  
Pennington Health Services (PHS)  
Renville Health Services (RHS)\*  
Zumbrota Health Services (ZHS)\*

Behavioral Services

Prairie Community Services, Inc. (PCS)

\*Also provides housing with services

All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

The skilled nursing facilities are Medicare and Medicaid certified providing quality nursing services including restorative, wound care, specialized Alzheimer's care, and post-surgical care.

PCS provides homes and services to people with developmental and delayed disability, mental illness, and other health-related needs wherever identified in communities throughout Minnesota.

### **Income Taxes**

St. Francis is organized as a Minnesota not-for-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). St. Francis is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, St. Francis is subject to income tax on any net income that is derived from business activities that are unrelated to their exempt purpose. St. Francis files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

St. Francis believes that it has appropriate support for any tax positions taken affecting its filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. St. Francis would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense, if such interest and penalties are incurred.

### **Use of Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use, long-term investments, and short-term investments. For purposes of the statements of cash flows, the Corporation considers all cash, including restricted cash, with an original maturity of three months or less as cash and cash equivalents.

### **Trade Receivables**

Trade receivables are uncollateralized customer and third-party payor obligations. St. Francis does not charge interest on its trade receivables. Payments of trade receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of trade receivables is adjusted by a valuation allowance that reflects management's estimate of amounts that will not be collected from residents and third-party payors. At September 30, 2020 and 2019, management recorded an allowance of \$545,000 and \$0, respectively.

### **Resident Trust Funds and Tenant Security Deposits**

The skilled nursing facilities act as custodians for the funds of the residents and holds tenant security deposits.

# St. Francis Health Services of Morris, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

## Assets Limited as to Use

Assets limited as to use include assets limited under loan and deferred compensation agreements, assets limited by the Board of Directors for health insurance claims, funds held for residents, and tenant security deposits. Assets limited as to use that are available for obligations classified as current liabilities are reported as current assets.

## Property and Equipment

Property and equipment acquisitions in excess of \$1,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Buildings and equipment under capital lease obligations is amortized on the straight-line method based on the lease criteria. Amortization is included in depreciation in the consolidated financial statements. The accumulated depreciation and estimated useful lives of property and equipment are as follows:

	Accumulated Depreciation		Estimated Useful Lives
	2020	2019	
Land improvements	\$ 1,111,428	\$ 1,053,328	10-20 years
Buildings	68,842,406	63,442,575	5-40 years
Equipment	8,355,002	7,924,050	3-20 years
Automobiles	2,229,033	2,396,456	3-5 years
	<u>\$ 80,537,869</u>	<u>\$ 74,816,409</u>	

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

St. Francis considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the periods ended September 30, 2020 and 2019.

## Investment in MHCA

St. Francis has an equity interest in Minnesota Health Care Association (MHCA) which is reported originally at cost and adjusted for changes in the equity interest and for any other transactions such as a return of capital. Equity earnings (losses) from MHCA are included in other income.

### **Self-Funded Health Insurance**

St. Francis provides for self-insurance reserves for estimated incurred but not reported claims for its employee health plan insurance program. These reserves, which are included in accrued expenses on the consolidated balance sheets, are estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in the operating results in the period in which the change in estimate is identified.

### **Debt Issuance Costs**

Debt issuance costs associated with the issuance of long-term debt are amortized over the term of the related debt using the straight-line method, which is a reasonable estimate of the effective interest method. Debt issuance costs are included within long-term debt on the consolidated balance sheet. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements.

### **Net Assets with Donor Restrictions**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At September 30, 2020 and 2019, St. Francis did not have any net assets with donor restrictions.

### **Revenues**

Revenues are reported at the amount that reflects the consideration to which St. Francis expects to be entitled in exchange for providing care. These amounts are due from residents, third-party payors (including health insurers and government programs), and others. Generally, St. Francis bills the resident and third-party payors several days after the services are performed and/or the resident is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by St. Francis. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. St. Francis believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the facilities receiving skilled nursing care services, assisted living services and behavioral services. St. Francis measures the performance obligation from residents receiving these services from the beginning of the performance period, generally admission or the beginning of the month, to the sooner of completion of services to that resident, discharge or the end of the month. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and St. Francis does not believe it is required to provide additional goods or services to the resident.

St. Francis determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors and discounts provided to uninsured residents in accordance with St. Francis' policy, if applicable. St. Francis determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience.

Routine services rendered to nursing home residents, who are beneficiaries of the Medicaid program or who pay from private resources, are paid according to a schedule of prospectively determined daily rates determined by Minnesota's Medicaid program. A rate is assigned to each nursing home resident based on the residents' ability to perform certain activities of daily living and on certain other clinical factors. By Minnesota statute, a nursing facility may not charge private paying residents in multiple occupancy rooms a rate in excess of the Medicaid rate for similar services. The operating component of the payment rate is determined on a cost-related basis subject to certain limitations. The property component of the payment rate is increased by an annual inflationary adjustment. Additional services may be paid on a fee-for-service basis.

The skilled nursing facilities participate in the Medicare program for which payment for services is made on a prospectively determined per diem rate that varies based on a case-mix adjusted resident classification system. The differences between charges and payments are accounted for as contractual adjustments. PCS reports revenue for homes reimbursed under the waived program at negotiated rates with the respective counties or the Medicaid program. Revenues for home care and senior housing are reported at established billing rates or at a prospectively determined rate determined by third-party payors. Revenue from the Medicare and Medicaid programs accounted for approximately 7% and 57% of St. Francis' revenue for the year ended September 30, 2020, and 9% and 60% for the fifteen months ended September 30, 2019.

The nature, amount, timing, and uncertainty of revenue and cash flows are affected by several factors that St. Francis considers in its recognition of revenue. Following are some of the factors considered:

- Payors (for example, Medicare, Medicaid, or other insurance, resident) have different reimbursement/payment methodologies.
- Length of the resident's service/episode of care.
- Type of service provided (for example, room and board, therapy, supplies and medications, etc.).
- St. Francis' line of businesses that provided the service (for example, nursing home, assisted living, behavioral, etc.).

For the periods ended September 30, 2020 and 2019, substantially all revenue is recognized from services and goods provided over time.

#### **Performance Indicator**

Revenues in excess of (less than) expenses is the performance indicator and excludes transfers of assets to and from related parties for other than goods and services, and contributions of long-lived assets, including assets acquired using contributions which were restricted by donors.

### **Donor-Restricted Gifts**

St. Francis reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of operations and changes in net assets as net assets released from restrictions.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

### **Advertising Costs**

Costs incurred for producing and distributing advertising are expensed as incurred. St. Francis incurred approximately \$256,000 and \$316,000 in advertising costs for the periods ended September 30, 2020 and 2019.

### **Functional Allocation of Expense**

The costs of program and supporting services activities have been summarized on a functional basis in Note 9, which presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited.

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Cost not directly attributable to a specific function are allocated based on a square-footage basis.

### **Financial Instruments and Credit Risk**

Deposit concentration risk is managed by placing cash, money market accounts, and investments with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments. To date, St. Francis has not experienced losses in any of these accounts. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

## Adoption of New Accounting Pronouncements

### *Restricted Cash*

As of October 1, 2019, St. Francis adopted the provisions of Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents, by including amounts generally described as restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows. Retrospective application of the amendment is required. St. Francis has adopted this standard as management believes this presentation eliminates a diversity in practice in the presentation of restricted cash and restricted cash equivalents in the consolidated statement of cash flows. The adjustment resulting from the change in accounting policy is disclosed in Note 12.

### Subsequent Events

St. Francis has evaluated subsequent events through January 25, 2021, the date which the consolidated financial statements were issued.

## Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 36,743,926	\$ 26,637,247
Assets limited as to use	2,897,433	1,466,336
Receivables		
Trade	12,754,649	13,201,933
Other	299,140	321,118
	<u>\$ 52,695,148</u>	<u>\$ 41,626,634</u>

Assets limited as to use that are considered available for general expenditure consist of assets held under the bond indenture agreements for principal and interest payments within one year of the balance sheet date and funds designated by the Board for health insurance claims.



St. Francis Health Services of Morris, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

**Note 3 - Investments**

**Assets Limited as to Use**

The composition of assets limited as to use at September 30, 2020 and 2019, is shown in the following table. Investments are stated at historical cost plus accrued interest:

	<u>2020</u>	<u>2019</u>
By Board for health insurance claims, shown as current		
Cash and cash equivalents	\$ 2,644,942	\$ 1,374,309
Under loan and deferred compensation agreements		
Cash and short-term investments	\$ 1,818,199	\$ 1,344,689
Less amount shown as current	(252,491)	(92,027)
	<u>\$ 1,565,708</u>	<u>\$ 1,252,662</u>
Resident trust funds and tenant security deposits		
Cash and cash equivalents	\$ 406,205	\$ 389,660

**Investment in MHCA**

Investment in MHCA includes the following at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Equity share in Minnesota Health Care Association (MHCA)	\$ 255,365	\$ 257,877

## St. Francis Health Services of Morris, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

### Note 4 - Leases

St. Francis leases certain property and equipment under a long-term lease obligation. Certain leases have been recorded as capitalized leases and others as operating leases. Total lease expense for the year ended September 30, 2020 and fifteen months ended September 30, 2019, for all operating leases was \$301,754 and \$373,665. The capitalized leased assets consist of:

	2020	2019
Land	\$ 15,000	\$ 15,000
Buildings	2,121,000	2,121,000
Equipment	90,000	90,000
Automobiles	1,344,627	824,951
	3,570,627	3,050,951
Less accumulated amortization (included as depreciation on the accompanying consolidated financial statements)	(1,089,723)	(727,564)
	\$ 2,480,904	\$ 2,323,387

Minimum future lease payments for the capital leases are as follows:

Years Ending September 30,	Capital Lease
2021	\$ 359,996
2022	365,429
2023	381,142
2024	284,637
2025	109,857
	1,501,062
Less interest	(190,022)
Present value of minimum lease payments (Note 5)	\$ 1,311,040

St. Francis Health Services of Morris, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

**Note 5 - Long-Term Debt**

Long-term debt consists of the following at September 30, 2020 and 2019:

	2020	2019
1.64% Health Care Facilities Revenue Note (CHC/SFHS), Series 1999A (St. Francis Project)	\$ -	\$ 90,842
4.6% Health Care Facility Revenue Note (CHC), Series 2002B, due in monthly installments of \$2,686 including interest, to December 2022, secured by CHC/PCS property and equipment, effective interest rate of 4.7%.	68,726	97,088
Debt issuance costs, net of accumulated amortization of \$52,052 in 2020 and \$49,126 in 2019.	(6,464)	(9,390)
4.49% Health Care Facilities Revenue Note (PCS), Series 2002C, due in monthly installments of \$3,320 including interest, to May 2022, secured by property and equipment from various SFHS entities, effective interest rate of 4.97%.	60,481	96,715
Debt issuance costs, net of accumulated amortization of \$53,861 in 2020 and \$50,941 in 2019.	(4,538)	(7,458)
4.46% Health Care Facility Revenue Note (DHS), Series 2003	-	73,428
Debt issuance costs, net of accumulated amortization of \$120,882 in 2019.	-	(29,881)
1.64% Health Care Facility Revenue Note (ZHS), Series 2003A, due in monthly installments of \$8,216 including interest, to December 2023, secured by ZHS property and equipment, effective interest rate of 2.35%.	184,398	237,222
Debt issuance costs, net of accumulated amortization of \$45,065 in 2020 and \$41,152 in 2019.	(9,389)	(13,302)
1.64% Health Care Facility Revenue Note (ZHS), Series 2003B, due in monthly installments of \$6,636 including interest, to December 2023, secured by ZHS property and equipment, effective interest rate of 2.35%.	148,944	191,612
Debt issuance costs, net of accumulated amortization of \$35,557 in 2020 and \$33,811 in 2019.	(8,998)	(10,744)

## St. Francis Health Services of Morris, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

	2020	2019
4.00% Health Care Facilities Revenue Note (PCS), Series 2004A (Prairie Community Services project), due in monthly installments of \$12,656 including interest, to October 2024, secured by PCS property and equipment, effective interest rate of 4.54%.	\$ 557,674	\$ 684,776
Debt issuance costs, net of accumulated amortization of \$100,176 in 2020 and \$93,930 in 2019.	(26,164)	(32,410)
3.65% Health Care Facilities Revenue Note (CHC), Series 2009A, due in monthly installments of \$7,059 including interest, to October 2029, secured by CHC property and equipment, effective interest rate of 4.07%.	610,046	672,277
Debt issuance costs, net of accumulated amortization of \$33,096 in 2020 and \$30,087 in 2019.	(27,800)	(30,809)
2.85% Health Care Facilities Note (BVHC), Series 2009A, due in monthly installments of \$11,940 including interest, to December 2029, secured by BVHC property and equipment, effective interest rate of 2.97%.	979,103	1,092,012
Debt issuance costs, net of accumulated amortization of \$17,025 in 2020 and \$15,454 in 2019.	(13,526)	(15,097)
2.85% Health Care Facilities Revenue Note (RHS), Series 2009C, due in monthly installments of \$15,102 including interest, to December 2029, secured by RHS property and equipment, effective interest rate of 2.98%.	1,237,593	1,380,443
Debt issuance costs, net of accumulated amortization of \$22,245 in 2020 and \$19,755 in 2019.	(22,299)	(24,789)
2.85% Health Care Facilities Revenue Note (RHS), Series 2009B, due in monthly installments of \$31,902 including interest, to December 2029, secured by RHS property and equipment, effective interest rate of 3.02%.	2,641,266	2,941,143
Debt issuance costs, net of accumulated amortization of \$45,704 in 2020 and \$41,970 in 2019.	(48,939)	(52,673)
4.0% Health Care and Senior Housing Revenue Note (ZHS), Series 2010, due in monthly installments of \$11,751 including interest, to November 2030, secured by ZHS property and equipment, effective interest rate of 4.12%.	1,176,693	1,268,256
Debt issuance costs, net of accumulated amortization of \$17,447 in 2020 and \$15,593 in 2019.	(40,593)	(42,447)

## St. Francis Health Services of Morris, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

	2020	2019
3.9% SFHS Loan, due in monthly installments of \$27,116 including interest, to July 2036, secured by SFHS/PCS property and equipment, effective interest rate of 4.13%.	\$ 3,824,196	\$ 3,994,294
Debt issuance costs, net of accumulated amortization of \$70,693 in 2020 and \$63,051 in 2019.	(120,368)	(128,010)
4.0% Health Care Facilities Revenue Note (AHS), Series 2011, due in monthly installments of \$35,571 including interest, to July 2031, secured by AHS/PCS property and equipment, effective interest rate of 4.25%.	3,750,309	4,021,261
Debt issuance costs, net of accumulated amortization of \$78,498 in 2020 and \$67,374 in 2019.	(114,845)	(125,969)
2.69% Health Care Facilities Revenue Note (GAHRC/PCS), Series 2012, due in monthly installments of \$51,861 including interest, to November 2032, secured by GAHR, effective interest rate of 3.61%.	6,516,920	6,937,958
Debt issuance costs, net of accumulated amortization of \$54,606 in 2020 and \$47,635 in 2019.	(84,812)	(91,783)
3.14% Health Care Facilities Revenue Note (PHS), Series 2012, due in monthly installments of \$38,531 including interest, to October 2042, secured by PHS, effective interest rate of 3.58%.	8,058,292	8,336,571
Debt issuance costs, net of accumulated amortization of \$39,054 in 2020 and \$34,143 in 2019.	(108,640)	(113,560)
2.43% Health Care Facilities Revenue Note (DHS), Series 2012B	-	4,614,127
Debt issuance costs, net of accumulated amortization of \$24,565 in 2019.	-	(59,180)
2.43% Health Care Facilities Revenue Note (MHS), Series 2012A, due in monthly installments of \$18,956 including interest, to December 2032, secured by MHS, effective interest rate of 2.52%.	2,438,653	2,595,378
Debt issuance costs, net of accumulated amortization of \$20,235 in 2020 and \$17,624 in 2019.	(31,986)	(34,597)
2.75% Health Care Revenue Note (FHC), Series 2014A, due in monthly installments of \$11,498 including interest, to July 2034, secured by FHC, effective interest rate of 2.87%.	1,587,085	1,679,128
Debt issuance costs, net of accumulated amortization of \$13,845 in 2020 and \$11,603 in 2019.	(33,253)	(35,495)

## St. Francis Health Services of Morris, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

	2020	2019
2.75% Health Care Revenue Note (FHC), Series 2014A, due in monthly installments of \$10,826 including interest, to July 2034, secured by FHC, effective interest rate of 2.87%.	\$ 1,493,742	\$ 1,580,868
Debt issuance costs, net of accumulated amortization of \$12,993 in 2020 and \$10,883 in 2019.	(31,351)	(33,461)
2.75% Health Care Revenue Note (PCS), Series 2014A, due in monthly installments of \$9,407 including interest, to July 2024, secured by various PCS homes, effective interest rate of 3.09%.	410,316	510,284
Debt issuance costs, net of accumulated amortization of \$40,914 in 2020 and \$38,395 in 2019.	(9,464)	(11,983)
2.75% Health Care Revenue Note (LFHS), Series 2014A, due in monthly installments of \$22,187 including interest, to July 2039, secured by LFHS, effective interest rate of 2.83%.	3,911,091	4,066,453
Debt issuance costs, net of accumulated amortization of \$21,723 in 2020 and \$18,200 in 2019.	(83,954)	(87,477)
0.0% Auto Loan (SFHS)	-	1,476
0.0% Auto Loan (PCS)	-	7,315
2.901% Health Care Revenue Note (CHC), Series 2015A, due in monthly installments of \$10,523 including interest, to December 2035 secured by CHC/PCS, effective interest rate of 3.87%.	1,543,723	1,623,845
Debt issuance costs, net of accumulated amortization of \$8,889 in 2020 and \$7,017 in 2019.	(28,539)	(30,411)
3.99% Auto Loan (PCS), due in monthly installments of \$1,551, to April 2022, secured by automobiles.	28,271	45,415
2.901% Health Care Revenue Note (ZHS), Series 2015B, due in monthly installments of \$32,499 including interest, to December 2035, secured by CHC/PCS, effective interest rate of 3.00%.	4,801,079	5,047,537
Debt issuance costs, net of accumulated amortization of \$26,634 in 2020 and \$21,027 in 2019.	(85,508)	(91,115)
2.901% Health Care Revenue Note (DHS), Series 2015	-	1,822,485
Debt issuance costs, net of accumulated amortization of \$5,249 in 2019.	-	(34,120)

## St. Francis Health Services of Morris, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

	2020	2019
4.16% Health Care Facilities Revenue Note (LFHS), Series 2018, due in monthly installments of \$29,857 including interest, to November 2043, secured by LFHS, effective interest rate of 4.21%.	\$ 5,319,003	\$ 5,456,664
Debt issuance costs, net of accumulated amortization of \$5,608 in 2020 and \$2,804 in 2019.	(78,502)	(81,306)
4.16% Health Care Facilities Revenue Note (LFHS), Series 2018, due in monthly installments of \$29,530 including interest, to November 2043, secured by LFHS, effective interest rate of 4.21%.	5,260,646	5,396,809
Debt issuance costs, net of accumulated amortization of \$5,544 in 2020 and \$2,772 in 2019.	(77,628)	(80,400)
Health Care Facilities Revenue Refunding Bonds (FHS), Series 2019, due in semi-annual payments of principal and interest, serial term bonds at 2.55% to 3.5% to 2029 and term bonds at 3.65% to 4.2% to 2049 secured by FHS, effective interest rate of 4.06%	18,900,000	19,215,000
Debt issuance costs, net of accumulated amortization of \$17,503 in 2020 and \$1,346 in 2019.	(467,199)	(483,356)
Health Care Facilities Revenue Refunding Bonds (DHS), Series 2020, due in semi-annual payments of principal and interest, serial term bonds at 2.35% to 3.15% to 2030 and term bonds at 3.45% to 3.95% to 2050. Secured by DHS, effective interest rate of 3.67%	14,020,000	-
Debt issuance costs, net of accumulated amortization of \$7,189 in 2020.	(362,568)	-
Capital lease obligations - See Note 4	1,311,040	1,059,566
Less current maturities	88,911,963 (4,369,781)	85,047,025 (4,389,811)
Long-term debt, less current maturities and unamortized debt issuance costs	\$ 84,542,182	\$ 80,657,214

# St. Francis Health Services of Morris, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

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Long-term debt maturities are as follows:

Years Ending September 30,	Amount
2021	\$ 4,369,781
2022	4,509,192
2023	4,617,203
2024	4,577,437
2025	4,281,517
Thereafter	68,484,160
Unamortized debt issuance costs	(1,927,327)
Total	\$ 88,911,963

Under the terms of the Health Care Facilities Revenue Refunding Bonds, Series 2019 and Series 2020 (Bonds), St. Francis is required to maintain deposits with a trustee. Such deposits are included in assets limited as to use in the consolidated financial statements (Note 3). The Bonds and various revenue note agreements also requires St. Francis to satisfy certain measures of financial performance.

## **Note 6 - Self-Insurance**

St. Francis has a self-insured health plan that is administered by a third-party administrator who recommends current funding under the health plan. The terms of the plan call for the reimbursements to the plan administrator for all claims paid, up to a maximum amount of \$125,000 per covered participant per year with a \$5.5 million aggregate deductible and a \$1,000,000 reimbursement maximum. At September 30, 2020 and 2019, St. Francis has estimated a liability of \$943,000 and \$510,000, respectively, for incurred but unreported claims, which is included in other accrued expenses on the consolidated balance sheets. St. Francis recognized approximately \$6,768,000 and \$7,829,000, respectively, in employer health insurance expense for the year ended September 30, 2020 and fifteen months ended September 30, 2019.

## **Note 7 - Retirement Plans**

The various entities controlled or owned by St. Francis have defined contribution retirement plans where employees may elect to become participants upon reaching age 21 and completing one year of service (defined by the various plans). Employer contribution limits vary between the different plans and are either based on a percentage of the participant's annual compensation or an amount per hour worked by the participant. St. Francis' total retirement plan expense for the year ended September 30, 2020 and fifteen months ended September 30, 2019, was approximately \$2,105,000 and \$2,237,000.

St. Francis also has a deferred compensation plan for its former chief executive officer. The remaining liability of \$268,637 and \$345,599 at September 30, 2020 and 2019, will be payable in future years in accordance with the plan.



## St. Francis Health Services of Morris, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

### Note 8 - Concentrations of Credit Risk

St. Francis grants credit without collateral to its residents, most of whom are insured under third-party payor agreements. The mix of receivables from residents and third-party payors at September 30, 2020 and 2019, was as follows:

	2020	2019
Medicaid	48%	48%
Medicare	13%	10%
Residents and insurance	39%	42%
	100%	100%

### Note 9 - Functional Expenses

St. Francis provides health care services to residents within their geographic locations. Expenses related to providing these services by functional class for the year ended September 30, 2020, are as follows:

	Health Care Services		General and administrative	Total
	Resident services	Behavioral services		
Salaries and benefits	\$ 54,096,582	\$ 18,023,593	\$ 10,579,465	\$ 82,699,640
Depreciation	5,831,857	870,595	150,824	6,853,276
Interest	3,144,389	290,812	12,183	3,447,384
Lease	238,726	30,053	32,975	301,754
Property insurance	280,054	102,273	5,003	387,330
Maintenance and repairs	1,187,548	449,016	24,292	1,660,856
Utilities	2,345,009	437,406	24,140	2,806,555
Special assessments	2,844,111	120,570	12,950	2,977,631
Purchased services, supplies, and other	14,623,124	1,684,624	3,425,162	19,732,910
	\$ 84,591,400	\$ 22,008,942	\$ 14,266,994	\$ 120,867,336

## St. Francis Health Services of Morris, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

Expenses related to providing these services by functional class for the fifteen months ended September 30, 2019, are as follows:

	Health Care Services		General and administrative	Total
	Resident services	Behavioral services		
Salaries and benefits	\$ 63,555,554	\$ 22,129,117	\$ 11,923,827	\$ 97,608,498
Depreciation	6,947,430	1,081,508	190,824	8,219,762
Interest	3,049,413	390,723	13,496	3,453,632
Lease	279,557	35,203	42,420	357,180
Property insurance	293,927	196,474	5,287	495,688
Maintenance and repairs	1,547,818	494,445	35,212	2,077,475
Utilities	2,887,780	552,417	31,166	3,471,363
Special assessments	3,430,667	211,109	19,152	3,660,928
Purchased services, supplies, and other	15,589,088	2,151,020	4,178,711	21,918,819
	<u>\$ 97,581,234</u>	<u>\$ 27,242,016</u>	<u>\$ 16,440,095</u>	<u>\$ 141,263,345</u>

### Note 10 - Commitments and Contingencies

#### Construction in Progress

Construction in progress of \$198,000 at September 30, 2020, includes a remodeling project which is expected to be completed in fiscal year 2022. Construction costs of approximately \$10,719,000 will be financed initially with internal funds. St. Francis is pursuing tax-exempt bond financing to finance the cost of the project.

#### Professional Liability Insurance

St. Francis has professional liability insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1.5 million per claim and an annual aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

#### Workers' Compensation Insurance

St. Francis has workers' compensation insurance coverage to provide protection for workers' compensation. St. Francis has accrued workers' compensation losses of \$1,240,962 at September 30, 2020, of which \$373,859 is included in other accrued expenses and \$867,103 which is reported in long-term liabilities. As of September 30, 2020, receivables of \$373,859 have been reported in current other receivables and \$867,103 have been reported in other assets for expected insurance recoveries related to the workers' compensation claims.

### **Litigation, Claims, and Disputes**

St. Francis is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. Management assesses the ultimate settlement of any litigation, claims, and disputes in process in determining whether a liability should be recorded or a disclosure should be presented.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity with respect to investigations and allegations concerning possible violations by health care providers of regulations, could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from resident services.

### **COVID-19 Pandemic**

During 2020, the world-wide coronavirus pandemic impacted national and global economies. St. Francis is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these consolidated financial statements, the current and future full impact to St. Francis is not known.

### **Note 11 - Provider Relief Funds**

St. Francis received \$6,340,348 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS) during the year ended September 30, 2020. The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has a deadline to incur eligible expenses of June 30, 2021. Unspent funds will be expected to be repaid.

These funds are recorded as a refundable advance when received and are recognized as revenues in the accompanying consolidated statements of operations as all terms and conditions are considered met. The terms and conditions are subject to interpretation and future clarification. In addition, this program may be subject to oversight, monitoring and audit. Failure by a provider that received a payment from the Provider Relief Fund to comply with any term or condition can subject the provider to recoupment of some or all of the payment. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

At September 30, 2020, St. Francis had refundable advances of \$2,485,827 from CARES Act funds, which is included in current liabilities on the accompanying consolidated balance sheet. During the year ended September 30, 2020, St. Francis recognized \$3,854,522 as revenue, included as operating revenue on the consolidated statements of operations and changes in net assets.

# St. Francis Health Services of Morris, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

## Note 12 - Adjustment Resulting from Change in Accounting Policy

As disclosed in Note 1, St. Francis adopted the provisions of Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* as of October 1, 2019. Accordingly, the September 30, 2019, consolidated statement of cash flows has been restated to adopt this standard. Following is a summary of the effects of the change in accounting policy in St. Francis' September 30, 2019, consolidated statement of cash flows:

	As Previously Reported	Change in Accounting Principle	As Restated
Operating Activities			
Resident trust funds and tenant security deposits liability	\$ -	\$ 29,315	\$ 29,315
Net Cash from Operating Activities	8,579,709	29,315	8,609,024
Investing Activities			
Decrease (increase) in assets limited as to use	(858,468)	858,468	-
Net Cash used for Investing Activities	(13,280,210)	858,468	(12,421,742)
Net Change in Cash, Cash Equivalents, and Restricted Cash	11,724,585	887,783	12,612,368
Cash, Cash Equivalents, and Restricted Cash, Beginning of period	14,912,662	2,220,875	17,133,537
Cash, Cash Equivalents, and Restricted Cash, End of period	26,637,247	3,108,658	29,745,905



Consolidating Information  
September 30, 2020 and 2019

# St. Francis Health Services of Morris, Inc. and Subsidiaries



## Independent Auditor's Report on Consolidating Information

The Board of Directors  
St. Francis Health Services of Morris, Inc. and Subsidiaries  
Morris, Minnesota

We have audited the consolidated financial statements of St. Francis Health Services of Morris, Inc. and Subsidiaries (St. Francis) as of and for the year ended September 30, 2020, and fifteen months ended September 30, 2019, and our report thereon dated January 25, 2021, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 28 through 39 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and changes in net assets of the individual companies and is not a required part of the consolidated financial statements. Such consolidating information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Minneapolis, Minnesota  
January 25, 2021

**St. Francis Health Services of Morris, Inc. and Subsidiaries**  
**Consolidating Balance Sheets – Assets**  
**September 30, 2020**

	Aitkin Health Services	Browns Valley Health Center	Chisholm Health Center	Farmington Health Services	Franciscan Health Center	Guardian Angels Health & Rehab	Koochiching Health Services	Little Falls Health Services	Pennington Health Services
<b>Assets</b>									
<b>Current Assets</b>									
Cash and cash equivalents	\$ 451,813	\$ 341,994	\$ 1,457,865	\$ 621,647	\$ 1,168,885	\$ 1,376,416	\$ 444,819	\$ 525,689	\$ 1,037,474
Assets limited as to use	-	-	-	187,131	-	-	-	-	-
Receivables									
Trade	575,274	338,860	879,560	1,136,458	429,327	1,276,965	548,695	822,959	531,571
Related parties	-	-	-	-	-	-	-	-	-
Other	18,189	1,040	35,060	20,095	12,348	38,803	49,445	45,388	32,431
Prepaid expenses	15,547	14,945	7,790	20,670	9,510	23,028	9,394	5,445	22,426
<b>Total current assets</b>	<b>1,060,823</b>	<b>696,839</b>	<b>2,380,275</b>	<b>1,986,001</b>	<b>1,620,070</b>	<b>2,715,212</b>	<b>1,052,353</b>	<b>1,399,481</b>	<b>1,623,902</b>
<b>Assets Limited as to Use</b>									
Resident trust funds and tenant security deposits	8,182	14,388	9,090	158,853	20,068	13,042	23,306	28,572	6,448
Under loan and deferred compensation agreements	-	-	-	555,006	-	-	-	-	-
<b>Total assets limited as to use</b>	<b>8,182</b>	<b>14,388</b>	<b>9,090</b>	<b>713,859</b>	<b>20,068</b>	<b>13,042</b>	<b>23,306</b>	<b>28,572</b>	<b>6,448</b>
<b>Property and Equipment</b>									
Land and improvements	41,370	47,077	11,200	321,476	63,030	317,865	15,000	872,515	956,890
Buildings	7,101,874	4,606,179	8,329,992	23,881,882	6,014,017	18,850,553	2,886,421	19,708,058	12,355,669
Equipment	338,107	742,806	400,748	1,620,209	583,161	792,002	285,385	543,058	420,103
Automobiles	47,696	48,437	-	-	42,825	-	9,944	-	48,444
Construction in progress	35,904	-	104,391	-	-	-	-	42,116	-
	7,564,951	5,444,499	8,846,331	25,823,567	6,703,033	19,960,420	3,196,750	21,165,747	13,781,106
Accumulated depreciation	(3,095,721)	(4,420,204)	(5,306,362)	(6,983,488)	(3,974,554)	(9,296,157)	(1,004,121)	(3,399,213)	(3,183,615)
<b>Net property and equipment</b>	<b>4,469,230</b>	<b>1,024,295</b>	<b>3,539,969</b>	<b>18,840,079</b>	<b>2,728,479</b>	<b>10,664,263</b>	<b>2,192,629</b>	<b>17,766,534</b>	<b>10,597,491</b>
<b>Other Assets</b>									
Investment in MHCA	-	-	-	-	-	-	-	-	-
Workers' compensation insurance receivable	3,109	882	11,811	33,136	21,680	66,122	83,792	45,605	59,696
Notes receivable, related parties	-	-	-	-	-	-	-	-	-
<b>Total other assets</b>	<b>3,109</b>	<b>882</b>	<b>11,811</b>	<b>33,136</b>	<b>21,680</b>	<b>66,122</b>	<b>83,792</b>	<b>45,605</b>	<b>59,696</b>
<b>Total assets</b>	<b>\$ 5,541,344</b>	<b>\$ 1,736,404</b>	<b>\$ 5,941,145</b>	<b>\$ 21,573,075</b>	<b>\$ 4,390,297</b>	<b>\$ 13,458,639</b>	<b>\$ 3,352,080</b>	<b>\$ 19,240,192</b>	<b>\$ 12,287,537</b>

**St. Francis Health Services of Morris, Inc. and Subsidiaries**  
**Consolidating Balance Sheets – Assets**  
**September 30, 2020**

	Prairie Community Services, Inc.	Renville Health Services	St. Francis Health Services of Morris, Inc.	Duluth Health Services	Morris Health Services	Zumbrota Health Services	Total	Eliminations	Consolidated
<b>Assets</b>									
<b>Current Assets</b>									
Cash and cash equivalents	\$ 3,133,182	\$ 744,636	\$ 22,545,530	\$ 1,665,140	\$ 993,689	\$ 235,147	\$ 36,743,926	\$ -	\$ 36,743,926
Assets limited as to use	-	-	2,644,942	65,360	-	-	2,897,433	-	2,897,433
Receivables									
Trade	2,434,130	531,867	-	1,283,473	1,335,996	629,514	12,754,649	-	12,754,649
Related parties	-	-	6,648,433	-	55,714	-	6,704,147	(6,704,147)	-
Other	33,950	34,022	63,066	88,668	190,001	10,493	672,999	-	672,999
Prepaid expenses	86,817	24,441	12,565	19,022	33,808	22,132	327,540	-	327,540
<b>Total current assets</b>	<b>5,688,079</b>	<b>1,334,966</b>	<b>31,914,536</b>	<b>3,121,663</b>	<b>2,609,208</b>	<b>897,286</b>	<b>60,100,694</b>	<b>(6,704,147)</b>	<b>53,396,547</b>
<b>Assets Limited as to Use</b>									
Resident trust funds and tenant security deposits	33	48,411	-	45,768	7,553	22,491	406,205	-	406,205
Under loan and deferred compensation agreements	2,063	-	618,637	390,002	-	-	1,565,708	-	1,565,708
<b>Total assets limited as to use</b>	<b>2,096</b>	<b>48,411</b>	<b>618,637</b>	<b>435,770</b>	<b>7,553</b>	<b>22,491</b>	<b>1,971,913</b>	<b>-</b>	<b>1,971,913</b>
<b>Property and Equipment</b>									
Land and improvements	1,855,528	298,275	147,410	390,694	304,758	252,742	5,895,830	-	5,895,830
Buildings	14,892,067	10,548,487	826,886	23,552,730	12,773,414	9,725,105	176,053,334	-	176,053,334
Equipment	1,013,559	721,901	716,570	884,257	1,383,506	597,040	11,042,412	-	11,042,412
Automobiles	2,506,087	48,437	329,777	19,108	58,203	-	3,158,958	-	3,158,958
Construction in progress	5,746	-	-	-	9,505	-	197,662	-	197,662
	20,272,987	11,617,100	2,020,643	24,846,789	14,529,386	10,574,887	196,348,196	-	196,348,196
Accumulated depreciation	(12,541,189)	(4,848,039)	(1,319,094)	(9,061,750)	(7,920,544)	(4,183,818)	(80,537,869)	-	(80,537,869)
<b>Net property and equipment</b>	<b>7,731,798</b>	<b>6,769,061</b>	<b>701,549</b>	<b>15,785,039</b>	<b>6,608,842</b>	<b>6,391,069</b>	<b>115,810,327</b>	<b>-</b>	<b>115,810,327</b>
<b>Other Assets</b>									
Investment in MHCA	-	-	255,365	-	-	-	255,365	-	255,365
Workers' compensation insurance receivable	51,998	39,220	34,788	165,557	233,947	15,760	867,103	-	867,103
Notes receivable, related parties	-	-	24,802,097	-	-	-	24,802,097	(24,802,097)	-
<b>Total other assets</b>	<b>51,998</b>	<b>39,220</b>	<b>25,092,250</b>	<b>165,557</b>	<b>233,947</b>	<b>15,760</b>	<b>25,924,565</b>	<b>(24,802,097)</b>	<b>1,122,468</b>
<b>Total assets</b>	<b>\$ 13,473,971</b>	<b>\$ 8,191,658</b>	<b>\$ 58,326,972</b>	<b>\$ 19,508,029</b>	<b>\$ 9,459,550</b>	<b>\$ 7,326,606</b>	<b>\$ 203,807,499</b>	<b>\$ (31,506,244)</b>	<b>\$ 172,301,255</b>



**St. Francis Health Services of Morris, Inc. and Subsidiaries**  
**Consolidating Balance Sheets – Liabilities and Net Assets**  
**September 30, 2020**

	Aitkin Health Services	Browns Valley Health Center	Chisholm Health Center	Farmington Health Services	Franciscan Health Center	Guardian Angels Health & Rehab	Koochiching Health Services	Little Falls Health Services	Pennington Health Services
<b>Liabilities and Net Assets</b>									
<b>Current Liabilities</b>									
Current maturities of long-term debt	\$ 293,641	\$ 213,258	\$ 201,956	\$ 395,881	\$ 199,105	\$ 682,035	\$ 159,042	\$ 557,064	\$ 306,747
Accounts payable									
Trade	104,771	47,577	122,587	154,002	40,377	111,606	75,647	92,180	87,578
Related parties	984,170	784,943	31,397	853,312	20,414	37,473	803,363	1,639,470	31,914
Accrued expenses									
Compensation	261,649	137,360	302,841	581,550	196,039	315,962	169,802	225,579	234,958
Other	117,300	103,804	161,123	550,560	86,447	248,677	146,851	182,002	171,516
Refundable advances	216,756	65,679	337,123	274,165	120,556	184,523	170,138	247,171	111,058
<b>Total current liabilities</b>	<b>1,978,287</b>	<b>1,352,621</b>	<b>1,157,027</b>	<b>2,809,470</b>	<b>662,938</b>	<b>1,580,276</b>	<b>1,524,843</b>	<b>2,943,466</b>	<b>943,771</b>
Deferred Compensation Payable	-	-	-	-	-	-	-	-	-
Workers' Compensation Insurance Liability	3,109	882	11,811	33,136	21,680	66,122	83,792	45,605	59,696
Resident Trust Funds and Tenant Security Deposits Payable	8,182	14,388	9,090	158,853	20,068	13,042	23,306	28,572	6,448
Long-Term Debt, Less Current Maturities and Unamortized Debt Issuance Costs	3,374,424	1,123,389	2,433,127	18,933,791	3,145,396	10,238,352	380,205	18,747,181	8,940,116
<b>Total liabilities</b>	<b>5,364,002</b>	<b>2,491,280</b>	<b>3,611,055</b>	<b>21,935,250</b>	<b>3,850,082</b>	<b>11,897,792</b>	<b>2,012,146</b>	<b>21,764,824</b>	<b>9,950,031</b>
Net Assets Without Donor Restrictions	177,342	(754,876)	2,330,090	(362,175)	540,215	1,560,847	1,339,934	(2,524,632)	2,337,506
<b>Total liabilities and net assets</b>	<b>\$ 5,541,344</b>	<b>\$ 1,736,404</b>	<b>\$ 5,941,145</b>	<b>\$ 21,573,075</b>	<b>\$ 4,390,297</b>	<b>\$ 13,458,639</b>	<b>\$ 3,352,080</b>	<b>\$ 19,240,192</b>	<b>\$ 12,287,537</b>

**St. Francis Health Services of Morris, Inc. and Subsidiaries**  
**Consolidating Balance Sheets – Liabilities and Net Assets**  
**September 30, 2020**

	Prairie Community Services, Inc.	Renville Health Services	St. Francis Health Services of Morris, Inc.	Duluth Health Services	Morris Health Services	Zumbrota Health Services	Total	Eliminations	Consolidated
<b>Liabilities and Net Assets</b>									
<b>Current Liabilities</b>									
Current maturities of long-term debt	\$ 776,303	\$ 548,908	\$ 42,768	\$ 464,429	\$ 411,813	\$ 448,733	\$ 5,701,683	\$ (1,331,902)	\$ 4,369,781
Accounts payable									
Trade	280,801	118,407	55,731	133,542	209,288	106,095	1,740,189	-	1,740,189
Related parties	89,415	27,909	-	45,862	194,860	1,159,647	6,704,149	(6,704,149)	-
Accrued expenses									
Compensation	2,231,666	383,506	611,868	411,139	534,999	207,322	6,806,240	-	6,806,240
Other	820,102	250,296	193,663	355,863	333,704	145,536	3,867,444	-	3,867,444
Refundable advances	284,675	76,439	-	183,913	131,132	82,500	2,485,828	-	2,485,828
<b>Total current liabilities</b>	<b>4,482,962</b>	<b>1,405,465</b>	<b>904,030</b>	<b>1,594,748</b>	<b>1,815,796</b>	<b>2,149,833</b>	<b>27,305,533</b>	<b>(8,036,051)</b>	<b>19,269,482</b>
Deferred Compensation Payable	-	-	268,637	-	-	-	268,637	-	268,637
Workers' Compensation Insurance Liability	51,998	39,220	34,788	165,557	233,947	15,760	867,103	-	867,103
Resident Trust Funds and Tenant Security Deposits Payable	33	48,411	-	45,768	7,553	22,491	406,205	-	406,205
Long-Term Debt, Less Current Maturities and Unamortized Debt Issuance Costs	4,758,069	5,202,953	134,756	16,896,833	7,985,889	5,717,894	108,012,375	(23,470,193)	84,542,182
<b>Total liabilities</b>	<b>9,293,062</b>	<b>6,696,049</b>	<b>1,342,211</b>	<b>18,702,906</b>	<b>10,043,185</b>	<b>7,905,978</b>	<b>136,859,853</b>	<b>(31,506,244)</b>	<b>105,353,609</b>
Net Assets Without Donor Restrictions	4,180,909	1,495,609	56,984,761	805,123	(583,635)	(579,372)	66,947,646	-	66,947,646
<b>Total liabilities and net assets</b>	<b>\$ 13,473,971</b>	<b>\$ 8,191,658</b>	<b>\$ 58,326,972</b>	<b>\$ 19,508,029</b>	<b>\$ 9,459,550</b>	<b>\$ 7,326,606</b>	<b>\$ 203,807,499</b>	<b>\$ (31,506,244)</b>	<b>\$ 172,301,255</b>

**St. Francis Health Services of Morris, Inc. and Subsidiaries**  
**Consolidating Statement of Operations and Changes in Net Assets**  
**Year Ended September 30, 2020**

	Aitkin Health Services	Browns Valley Health Center	Chisholm Health Center	Farmington Health Services	Franciscan Health Center	Guardian Angels Health & Rehab	Koochiching Health Services	Little Falls Health Services	Pennington Health Services
Revenues, Gains, and Other Support Without Donor Restrictions									
Resident service and other revenue	\$ 4,947,144	\$ 3,162,266	\$ 7,654,127	\$ 10,306,946	\$ 4,954,767	\$ 9,066,919	\$ 4,230,296	\$ 7,134,108	\$ 6,635,532
Provider relief funds contribution	118,661	181,960	140,261	291,432	221,346	418,408	167,771	184,414	361,752
Total revenues, gains, and other support without donor restrictions	<u>5,065,805</u>	<u>3,344,226</u>	<u>7,794,388</u>	<u>10,598,378</u>	<u>5,176,113</u>	<u>9,485,327</u>	<u>4,398,067</u>	<u>7,318,522</u>	<u>6,997,284</u>
Expenses									
Resident care	2,211,317	1,324,551	3,737,908	5,293,778	2,003,221	3,826,513	1,868,120	2,836,873	3,335,682
Other care	114,926	75,515	246,959	326,772	156,011	315,246	136,965	197,653	184,906
Dietary	403,383	375,454	552,096	817,062	396,026	734,596	413,959	627,032	583,390
Laundry	69,524	55,295	93,559	56,577	103,022	93,422	70,635	47,482	88,999
Housekeeping	95,199	74,325	162,338	216,430	102,006	199,195	119,042	138,323	140,743
Maintenance	245,195	180,960	293,905	545,266	144,519	377,844	259,562	372,359	323,428
Property costs									
Depreciation	234,488	214,153	312,104	848,506	202,914	701,966	234,945	688,577	336,774
Interest	168,220	47,689	95,339	796,516	103,828	383,045	17,624	816,075	267,825
Lease	10,644	6,919	14,209	21,571	14,044	9,625	13,980	28,035	14,464
Property insurance	22,488	7,059	15,458	30,199	8,275	23,785	9,905	26,609	16,515
Special assessments	128,663	115,834	213,357	308,734	137,423	262,983	143,713	223,407	204,689
Administrative	486,430	367,636	615,512	1,137,844	493,174	808,927	456,103	835,027	623,136
Fringe benefits	702,572	582,068	1,039,650	1,690,948	672,445	1,178,655	672,927	962,306	803,400
Total expenses	<u>4,893,049</u>	<u>3,427,458</u>	<u>7,392,394</u>	<u>12,090,203</u>	<u>4,536,908</u>	<u>8,915,802</u>	<u>4,417,480</u>	<u>7,799,758</u>	<u>6,923,951</u>
Operating Income (Loss)	<u>172,756</u>	<u>(83,232)</u>	<u>401,994</u>	<u>(1,491,825)</u>	<u>639,205</u>	<u>569,525</u>	<u>(19,413)</u>	<u>(481,236)</u>	<u>73,333</u>
Other Income									
Interest income	4,909	26	3,087	5,582	36	279	88	19	3,700
Equity in earnings of investment in MHCA	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of property and equipment	-	-	-	-	(182)	-	-	-	-
Donations and other	7,436	5,044	864	26,328	3,286	5,496	26,527	5,093	827
Total other income	<u>12,345</u>	<u>5,070</u>	<u>3,951</u>	<u>31,910</u>	<u>3,140</u>	<u>5,775</u>	<u>26,615</u>	<u>5,112</u>	<u>4,527</u>
Revenues in Excess of (Less Than) Expenses	<u>185,101</u>	<u>(78,162)</u>	<u>405,945</u>	<u>(1,459,915)</u>	<u>642,345</u>	<u>575,300</u>	<u>7,202</u>	<u>(476,124)</u>	<u>77,860</u>
Transfers (to) from Related Parties	<u>(61,673)</u>	<u>(62,160)</u>	<u>(79,699)</u>	<u>(117,840)</u>	<u>(429,194)</u>	<u>(477,397)</u>	<u>(56,867)</u>	<u>(75,009)</u>	<u>(61,613)</u>
Change in Net Assets Without Donor Restrictions	<u>123,428</u>	<u>(140,322)</u>	<u>326,246</u>	<u>(1,577,755)</u>	<u>213,151</u>	<u>97,903</u>	<u>(49,665)</u>	<u>(551,133)</u>	<u>16,247</u>
Net Assets, Beginning of Period	<u>53,914</u>	<u>(614,554)</u>	<u>2,003,844</u>	<u>1,215,580</u>	<u>327,064</u>	<u>1,462,944</u>	<u>1,389,599</u>	<u>(1,973,499)</u>	<u>2,321,259</u>
Net Assets, End of Period	<u>\$ 177,342</u>	<u>\$ (754,876)</u>	<u>\$ 2,330,090</u>	<u>\$ (362,175)</u>	<u>\$ 540,215</u>	<u>\$ 1,560,847</u>	<u>\$ 1,339,934</u>	<u>\$ (2,524,632)</u>	<u>\$ 2,337,506</u>

**St. Francis Health Services of Morris, Inc. and Subsidiaries**  
**Consolidating Statement of Operations and Changes in Net Assets**  
**Year Ended September 30, 2020**

	Prairie Community Services, Inc.	Renville Health Services	St. Francis Health Services of Morris, Inc.	Duluth Health Services	Morris Health Services	Zumbrota Health Services	Total	Eliminations	Consolidated
<b>Revenues, Gains, and Other Support Without Donor Restrictions</b>									
Resident service and other revenue	\$ 27,626,579	\$ 6,877,314	\$ 3,537,000	\$ 11,258,890	\$ 9,484,326	\$ 5,706,947	122,583,161	\$ (5,394,672)	\$ 117,188,489
Provider relief funds contribution	246,223	354,128	-	463,940	417,080	287,146	3,854,522	-	3,854,522
<b>Total revenues, gains, and other support without donor restrictions</b>	<b>27,872,802</b>	<b>7,231,442</b>	<b>3,537,000</b>	<b>11,722,830</b>	<b>9,901,406</b>	<b>5,994,093</b>	<b>126,437,683</b>	<b>(5,394,672)</b>	<b>121,043,011</b>
<b>Expenses</b>									
Resident care	15,082,408	2,575,796	-	5,530,505	4,414,350	2,695,413	56,736,435	-	56,736,435
Other care	91,953	212,243	(17)	283,685	309,508	128,477	2,780,802	-	2,780,802
Dietary	877,629	717,306	822	916,700	829,565	503,471	8,748,491	-	8,748,491
Laundry	11,989	37,636	-	84,684	30,074	41,881	884,779	-	884,779
Housekeeping	105,524	153,702	13,956	237,970	176,029	143,959	2,078,741	-	2,078,741
Maintenance	1,276,818	455,904	48,432	488,379	388,699	258,408	5,659,678	-	5,659,678
Property costs									
Depreciation	870,595	459,677	150,824	707,936	485,314	404,503	6,853,276	-	6,853,276
Interest	290,812	200,286	12,183	704,239	274,900	219,795	4,398,376	(950,992)	3,447,384
Lease	30,053	26,718	32,975	31,211	30,883	16,423	301,754	-	301,754
Property insurance	102,273	24,719	5,003	29,644	39,045	26,353	387,330	-	387,330
Special assessments	120,570	307,808	12,950	373,391	254,482	169,627	2,977,631	-	2,977,631
Administrative	5,595,527	859,155	3,123,547	1,199,875	1,096,342	708,065	18,406,300	(5,394,672)	13,011,628
Fringe benefits	3,425,334	1,018,199	564,665	1,512,328	1,306,377	867,533	16,999,407	-	16,999,407
<b>Total expenses</b>	<b>27,881,485</b>	<b>7,049,149</b>	<b>3,965,340</b>	<b>12,100,547</b>	<b>9,635,568</b>	<b>6,183,908</b>	<b>127,213,000</b>	<b>(6,345,664)</b>	<b>120,867,336</b>
<b>Operating Income (Loss)</b>	<b>(8,683)</b>	<b>182,293</b>	<b>(428,340)</b>	<b>(377,717)</b>	<b>265,838</b>	<b>(189,815)</b>	<b>(775,317)</b>	<b>950,992</b>	<b>175,675</b>
<b>Other Income</b>									
Interest income	5,292	356	1,029,576	1,457	1,110	534	1,056,051	(950,992)	105,059
Equity in earnings of investment in MHCA	-	-	(2,512)	-	-	-	(2,512)	-	(2,512)
Gain (loss) on disposal of property and equipment	161,058	-	98,319	(12,139)	2,850	996	250,902	-	250,902
Donations and other	(40,275)	17,248	1,075	2,632	11,533	56,343	129,457	-	129,457
<b>Total other income</b>	<b>126,075</b>	<b>17,604</b>	<b>1,126,458</b>	<b>(8,050)</b>	<b>15,493</b>	<b>57,873</b>	<b>1,433,898</b>	<b>(950,992)</b>	<b>482,906</b>
<b>Revenues in Excess of (Less Than) Expenses</b>	<b>117,392</b>	<b>199,897</b>	<b>698,118</b>	<b>(385,767)</b>	<b>281,331</b>	<b>(131,942)</b>	<b>658,581</b>	<b>-</b>	<b>658,581</b>
<b>Transfers (to) from Related Parties</b>	<b>(273,720)</b>	<b>(87,957)</b>	<b>2,013,693</b>	<b>(53,513)</b>	<b>(100,526)</b>	<b>(76,525)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>(156,328)</b>	<b>111,940</b>	<b>2,711,811</b>	<b>(439,280)</b>	<b>180,805</b>	<b>(208,467)</b>	<b>658,581</b>	<b>-</b>	<b>658,581</b>
<b>Net Assets, Beginning of Period</b>	<b>4,337,237</b>	<b>1,383,669</b>	<b>54,272,950</b>	<b>1,244,403</b>	<b>(764,440)</b>	<b>(370,905)</b>	<b>66,289,065</b>	<b>-</b>	<b>66,289,065</b>
<b>Net Assets, End of Period</b>	<b>\$ 4,180,909</b>	<b>\$ 1,495,609</b>	<b>\$ 56,984,761</b>	<b>\$ 805,123</b>	<b>\$ (583,635)</b>	<b>\$ (579,372)</b>	<b>\$ 66,947,646</b>	<b>\$ -</b>	<b>\$ 66,947,646</b>

**St. Francis Health Services of Morris, Inc. and Subsidiaries**  
**Consolidating Balance Sheets – Assets**  
**September 30, 2019**

	Aitkin Health Services	Browns Valley Health Center	Chisholm Health Center	Farmington Health Services	Franciscan Health Center	Guardian Angels Health & Rehab	Koochiching Health Services	Little Falls Health Services	Pennington Health Services
<b>Assets</b>									
<b>Current Assets</b>									
Cash and cash equivalents	\$ 594,853	\$ 149,056	\$ 656,095	\$ 149,272	\$ 846,826	\$ 1,301,948	152,890	\$ 271,165	\$ 724,159
Assets limited as to use	-	-	-	92,027	-	-	-	-	-
Receivables									
Trade	396,201	319,825	965,915	1,657,749	389,852	963,453	438,558	841,898	768,103
Related parties	-	-	-	-	-	-	-	-	-
Other	6,832	-	13,447	28,427	4,225	9,015	11,044	12,407	4,501
Prepaid expenses	(478)	8,790	27,357	30,581	21,901	34,602	13,364	15,453	(7,105)
<b>Total current assets</b>	<b>997,408</b>	<b>477,671</b>	<b>1,662,814</b>	<b>1,958,056</b>	<b>1,262,804</b>	<b>2,309,018</b>	<b>615,856</b>	<b>1,140,923</b>	<b>1,489,658</b>
<b>Assets Limited as to Use</b>									
Resident trusts funds and tenant security deposits	6,719	14,381	7,058	165,440	13,085	9,397	22,852	26,872	5,331
Under loan and deferred compensation agreements	-	-	-	555,000	-	-	-	-	-
<b>Total assets limited as to use</b>	<b>6,719</b>	<b>14,381</b>	<b>7,058</b>	<b>720,440</b>	<b>13,085</b>	<b>9,397</b>	<b>22,852</b>	<b>26,872</b>	<b>5,331</b>
<b>Property and Equipment</b>									
Land and improvements	41,370	35,975	11,200	321,476	63,030	317,865	15,000	872,515	869,257
Buildings	7,080,796	4,606,179	8,329,485	23,768,803	6,040,599	18,841,747	2,878,972	19,688,762	12,338,960
Equipment	328,568	731,822	411,715	1,521,196	584,167	750,812	258,791	512,596	403,927
Automobiles	47,696	-	-	34,830	-	-	9,944	-	48,444
Construction in progress	13,304	-	26,035	-	-	-	-	35,976	50,827
	7,511,734	5,373,976	8,778,435	25,646,305	6,687,796	19,910,424	3,162,707	21,109,849	13,711,415
Accumulated depreciation	(2,861,234)	(4,157,613)	(5,040,520)	(6,169,813)	(3,786,674)	(8,594,190)	(769,176)	(2,710,636)	(2,846,841)
<b>Net property and equipment</b>	<b>4,650,500</b>	<b>1,216,363</b>	<b>3,737,915</b>	<b>19,476,492</b>	<b>2,901,122</b>	<b>11,316,234</b>	<b>2,393,531</b>	<b>18,399,213</b>	<b>10,864,574</b>
<b>Other Assets</b>									
Investment in MHCA	-	-	-	-	-	-	-	-	-
Notes receivable, related parties	-	-	-	-	-	-	-	-	-
<b>Total other assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 5,654,627</b>	<b>\$ 1,708,415</b>	<b>\$ 5,407,787</b>	<b>\$ 22,154,988</b>	<b>\$ 4,177,011</b>	<b>\$ 13,634,649</b>	<b>\$ 3,032,239</b>	<b>\$ 19,567,008</b>	<b>\$ 12,359,563</b>

**St. Francis Health Services of Morris, Inc. and Subsidiaries**  
**Consolidating Balance Sheets – Assets**  
**September 30, 2019**

	Prairie Community Services, Inc.	Renville Health Services	St. Francis Health Services of Morris, Inc.	Duluth Health Services	Morris Health Services	Zumbrota Health Services	Total	Eliminations	Consolidated
<b>Assets</b>									
<b>Current Assets</b>									
Cash and cash equivalents	\$ 2,570,349	\$ 492,586	\$ 17,219,721	\$ 663,942	\$ 614,916	\$ 229,469	\$ 26,637,247	\$ -	\$ 26,637,247
Assets limited as to use	-	-	1,374,309	-	-	-	1,466,336	-	1,466,336
Receivables									
Trade	2,438,098	589,770	-	1,765,609	1,004,976	661,926	13,201,933	-	13,201,933
Related parties	-	-	9,078,643	-	-	-	9,078,643	(9,078,643)	-
Other	53,648	2,812	44,425	1,138	119,366	9,831	321,118	-	321,118
Prepaid expenses	72,349	11,279	8,625	41,565	110,931	8,721	397,935	-	397,935
<b>Total current assets</b>	<b>5,134,444</b>	<b>1,096,447</b>	<b>27,725,723</b>	<b>2,472,254</b>	<b>1,850,189</b>	<b>909,947</b>	<b>51,103,212</b>	<b>(9,078,643)</b>	<b>42,024,569</b>
<b>Assets Limited as to Use</b>									
Resident trusts funds and tenant security deposits	33	36,680	-	44,151	6,657	31,004	389,660	-	389,660
Under loan and deferred compensation agreements	2,063	-	695,599	-	-	-	1,252,662	-	1,252,662
<b>Total assets limited as to use</b>	<b>2,096</b>	<b>36,680</b>	<b>695,599</b>	<b>44,151</b>	<b>6,657</b>	<b>31,004</b>	<b>1,642,322</b>	<b>-</b>	<b>1,642,322</b>
<b>Property and Equipment</b>									
Land and improvements	1,849,709	298,275	147,410	324,167	309,758	251,707	5,728,714	-	5,728,714
Buildings	14,915,301	10,472,705	826,886	16,577,521	12,976,908	9,702,132	169,045,756	-	169,045,756
Equipment	1,012,528	681,380	676,496	824,397	1,364,483	588,076	10,650,954	-	10,650,954
Automobiles	2,533,456	48,437	292,414	59,529	28,678	-	3,103,428	-	3,103,428
Construction in progress	31,669	-	-	4,883,996	24,817	13,345	5,079,969	-	5,079,969
	20,342,663	11,500,797	1,943,206	22,669,610	14,704,644	10,555,260	193,608,821	-	193,608,821
Accumulated depreciation	(12,342,026)	(4,441,037)	(1,219,476)	(8,547,091)	(7,542,177)	(3,787,905)	(74,816,409)	-	(74,816,409)
<b>Net property and equipment</b>	<b>8,000,637</b>	<b>7,059,760</b>	<b>723,730</b>	<b>14,122,519</b>	<b>7,162,467</b>	<b>6,767,355</b>	<b>118,792,412</b>	<b>-</b>	<b>118,792,412</b>
<b>Other Assets</b>									
Investment in MHCA	-	-	257,877	-	-	-	257,877	-	257,877
Notes receivable, related parties	-	-	26,085,460	-	-	-	26,085,460	(26,085,460)	-
<b>Total other assets</b>	<b>-</b>	<b>-</b>	<b>26,343,337</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,343,337</b>	<b>(26,085,460)</b>	<b>257,877</b>
<b>Total assets</b>	<b>\$ 13,137,177</b>	<b>\$ 8,192,887</b>	<b>\$ 55,488,389</b>	<b>\$ 16,638,924</b>	<b>\$ 9,019,313</b>	<b>\$ 7,708,306</b>	<b>\$ 197,881,283</b>	<b>\$ (35,164,103)</b>	<b>\$ 162,717,180</b>

**St. Francis Health Services of Morris, Inc. and Subsidiaries**  
**Consolidating Balance Sheets – Liabilities and Net Assets**  
**September 30, 2019**

	Aitkin Health Services	Browns Valley Health Center	Chisholm Health Center	Farmington Health Services	Franciscan Health Center	Guardian Angels Health & Rehab	Koochiching Health Services	Little Falls Health Services	Pennington Health Services
<b>Liabilities and Net Assets</b>									
<b>Current Liabilities</b>									
Current maturities of long-term debt	\$ 284,222	\$ 206,921	\$ 272,055	\$ 370,832	\$ 193,559	\$ 659,773	\$ 151,714	\$ 535,210	\$ 296,835
Accounts payable									
Trade	62,889	39,098	80,556	(754,255)	21,710	145,456	71,855	3,388	109,549
Construction	-	-	-	939,555	-	-	-	-	-
Related parties	1,290,572	509,210	25,781	222,512	17,296	30,285	600,382	1,406,545	25,403
Accrued expenses									
Compensation	203,468	127,233	264,033	422,176	180,493	243,796	160,713	195,742	225,415
Other	95,883	91,779	126,245	290,465	83,548	170,288	95,877	69,953	107,861
Total current liabilities	1,937,034	974,241	768,670	1,491,285	496,606	1,249,598	1,080,541	2,210,838	765,063
Deferred Compensation Payable	-	-	-	-	-	-	-	-	-
Resident Trust Funds and Tenant Security Deposits Payable	6,719	14,381	7,058	165,440	13,085	9,397	22,852	26,872	5,331
Long-Term Debt, Less Current Maturities and Unamortized Debt Issuance Costs	3,656,960	1,334,347	2,628,215	19,282,683	3,340,256	10,912,710	539,247	19,302,797	9,267,910
Total liabilities	5,600,713	2,322,969	3,403,943	20,939,408	3,849,947	12,171,705	1,642,640	21,540,507	10,038,304
Net Assets Without Donor Restrictions	53,914	(614,554)	2,003,844	1,215,580	327,064	1,462,944	1,389,599	(1,973,499)	2,321,259
Total liabilities and net assets	<u>\$ 5,654,627</u>	<u>\$ 1,708,415</u>	<u>\$ 5,407,787</u>	<u>\$ 22,154,988</u>	<u>\$ 4,177,011</u>	<u>\$ 13,634,649</u>	<u>\$ 3,032,239</u>	<u>\$ 19,567,008</u>	<u>\$ 12,359,563</u>

**St. Francis Health Services of Morris, Inc. and Subsidiaries**  
**Consolidating Balance Sheets – Liabilities and Net Assets**  
**September 30, 2019**

	Prairie Community Services, Inc.	Renville Health Services	St. Francis Health Services of Morris, Inc.	Duluth Health Services	Morris Health Services	Zumbrota Health Services	Total	Eliminations	Consolidated
<b>Liabilities and Net Assets</b>									
<b>Current Liabilities</b>									
Current maturities of long-term debt	\$ 685,978	\$ 535,889	\$ 85,279	\$ 556,736	\$ 402,574	\$ 434,315	\$ 5,671,892	\$ (1,282,081)	\$ 4,389,811
Accounts payable									
Trade	203,018	2,619	93,034	1,024,929	85,274	181,151	1,370,271	-	1,370,271
Construction	-	-	-	-	-	-	939,555	-	939,555
Related parties	80,554	23,782	-	3,553,570	288,406	1,004,344	9,078,642	(9,078,642)	-
Accrued expenses									
Compensation	2,004,604	316,121	483,723	312,083	439,419	167,044	5,746,063	-	5,746,063
Other	673,325	152,449	150,864	206,646	166,117	108,642	2,589,942	-	2,589,942
Total current liabilities	3,647,479	1,030,860	812,900	5,653,964	1,381,790	1,895,496	25,396,365	(10,360,723)	15,035,642
Deferred Compensation Payable	-	-	345,599	-	-	-	345,599	-	345,599
Resident Trust Funds and Tenant Security Deposits Payable	33	36,680	-	44,151	6,657	31,004	389,660	-	389,660
Long-Term Debt, Less Current Maturities and Unamortized Debt Issuance Costs	5,152,428	5,741,678	56,940	9,696,406	8,395,306	6,152,711	105,460,594	(24,803,380)	80,657,214
Total liabilities	8,799,940	6,809,218	1,215,439	15,394,521	9,783,753	8,079,211	131,592,218	(35,164,103)	96,428,115
Net Assets Without Donor Restrictions	4,337,237	1,383,669	54,272,950	1,244,403	(764,440)	(370,905)	66,289,065	-	66,289,065
Total liabilities and net assets	<u>\$ 13,137,177</u>	<u>\$ 8,192,887</u>	<u>\$ 55,488,389</u>	<u>\$ 16,638,924</u>	<u>\$ 9,019,313</u>	<u>\$ 7,708,306</u>	<u>\$ 197,881,283</u>	<u>\$ (35,164,103)</u>	<u>\$ 162,717,180</u>



**St. Francis Health Services of Morris, Inc. and Subsidiaries**  
**Consolidating Statement of Operations and Changes in Net Assets**  
**Fifteen Months Ended September 30, 2019**

	Aitkin Health Services	Browns Valley Health Center	Chisholm Health Center	Farmington Health Services	Franciscan Health Center	Guardian Angels Health & Rehab	Koochiching Health Services	Little Falls Health Services	Pennington Health Services
Revenues, Gains, and Other Support Without Donor Restrictions	\$ 5,891,958	\$ 4,413,674	\$ 8,647,589	\$ 10,460,433	\$ 6,025,597	\$ 11,357,976	\$ 5,093,257	\$ 7,436,195	\$ 8,533,293
Expenses									
Resident care	2,436,546	1,896,971	3,937,918	4,968,727	2,474,539	4,519,281	2,277,746	2,641,000	3,996,665
Other care	125,539	109,331	300,302	335,244	204,945	373,853	184,650	169,786	245,840
Dietary	478,881	485,010	647,041	895,655	447,699	868,696	508,822	652,929	686,016
Laundry	71,117	84,498	112,591	78,738	124,399	94,769	87,184	49,503	108,689
Housekeeping	112,143	123,724	176,688	238,335	120,969	273,874	146,904	154,318	196,365
Maintenance	301,699	253,780	382,398	546,266	171,851	440,724	320,869	457,158	383,987
Property costs:									
Depreciation	311,705	292,267	393,708	646,826	265,038	891,421	278,973	861,242	428,506
Interest	226,486	67,502	137,105	440,916	134,725	508,711	28,077	901,002	386,811
Lease	12,325	10,706	15,574	27,648	24,272	11,914	18,093	27,075	3,721
Property insurance	22,273	8,717	16,437	32,023	9,012	25,257	10,448	28,165	17,540
Special assessments	160,829	149,812	265,370	325,344	171,532	332,412	178,748	315,767	256,053
Administrative	507,277	445,281	759,926	1,167,397	546,595	949,883	523,982	961,600	863,705
Fringe benefits	890,880	816,927	1,165,064	1,571,963	835,161	1,445,828	924,913	905,337	1,045,897
Total expenses	5,657,700	4,744,526	8,310,122	11,275,082	5,530,737	10,736,623	5,489,409	8,124,882	8,619,795
Operating Income (Loss)	234,258	(330,852)	337,467	(814,649)	494,860	621,353	(396,152)	(688,687)	(86,502)
Other Income (Expenses)									
Interest income	2,503	26	1,690	2,676	3,305	449	798	-	-
Equity in earnings of investment in MHCA	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of property and equipment	-	1,650	-	-	-	-	-	9,326	-
Donations and other	2,017	9,265	5,075	26,559	7,957	7,920	(181)	16,798	17,854
Total other income, net	4,520	10,941	6,765	29,235	11,262	8,369	617	26,124	17,854
Revenues in Excess of (Less Than) Expenses	238,778	(319,911)	344,232	(785,414)	506,122	629,722	(395,535)	(662,563)	(68,648)
Transfers (to) from Related Parties	(27,687)	(228,548)	(484,918)	(507,380)	(529,184)	(970,938)	(366,984)	125,502	(537,775)
Change in Net Assets Without Donor Restrictions	211,091	(548,459)	(140,686)	(1,292,794)	(23,062)	(341,216)	(762,519)	(537,061)	(606,423)
Net Assets, Beginning of Period	(157,177)	(66,095)	2,144,530	2,508,374	350,126	1,804,160	2,152,118	(1,436,438)	2,927,682
Net Assets, End of Period	\$ 53,914	\$ (614,554)	\$ 2,003,844	\$ 1,215,580	\$ 327,064	\$ 1,462,944	\$ 1,389,599	\$ (1,973,499)	\$ 2,321,259

**St. Francis Health Services of Morris, Inc. and Subsidiaries**  
**Consolidating Statement of Operations and Changes in Net Assets**  
**Fifteen Months Ended September 30, 2019**

	Prairie Community Services, Inc.	Renville Health Services	St. Francis Health Services of Morris, Inc.	Duluth Health Services	Morris Health Services	Zumbrota Health Services	Total	Eliminations	Consolidated
Revenues, Gains, and Other Support Without Donor Restrictions	\$ 35,065,889	\$ 8,530,260	\$ 4,306,545	\$ 13,425,159	\$ 11,978,308	\$ 7,020,576	\$ 148,186,709	\$ (7,526,168)	\$ 140,660,541
Expenses									
Resident care	18,741,036	3,027,040	-	5,933,972	5,566,721	3,228,050	65,646,212	-	65,646,212
Other care	107,565	251,417	-	385,027	415,914	160,023	3,369,436	-	3,369,436
Dietary	1,052,270	753,708	164	1,129,886	1,058,223	629,267	10,294,267	-	10,294,267
Laundry	21,115	44,005	-	209,701	48,903	55,798	1,191,010	-	1,191,010
Housekeeping	121,948	186,346	20,514	354,850	207,118	184,261	2,618,357	-	2,618,357
Maintenance	1,536,425	609,104	66,378	565,059	577,202	320,888	6,933,788	-	6,933,788
Property costs:									
Depreciation	1,081,508	571,599	190,824	850,235	650,625	505,285	8,219,762	-	8,219,762
Interest	390,723	269,270	13,496	513,981	361,588	288,966	4,669,359	(1,215,727)	3,453,632
Lease	35,203	25,639	42,420	50,253	47,510	21,312	373,665	-	373,665
Property insurance	196,472	26,241	5,287	31,441	38,237	28,136	495,686	-	495,686
Special assessments	211,109	294,464	19,152	461,730	311,918	206,688	3,660,928	-	3,660,928
Administrative	7,696,136	974,735	3,371,594	1,313,686	1,190,069	772,958	22,044,824	(7,526,168)	14,518,656
Fringe benefits	4,041,848	1,209,838	517,133	1,986,719	2,105,357	1,025,081	20,487,946	-	20,487,946
Total expenses	35,233,358	8,243,406	4,246,962	13,786,540	12,579,385	7,426,713	150,005,240	(8,741,895)	141,263,345
Operating Income (Loss)	(167,469)	286,854	59,583	(361,381)	(601,077)	(406,137)	(1,818,531)	1,215,727	(602,804)
Other Income (Expenses)									
Interest income	15,977	541	1,290,578	4,254	4,156	510	1,327,463	(1,215,727)	111,736
Equity in earnings of investment in MHCA	-	-	111,088	-	-	-	111,088	-	111,088
Gain (loss) on disposal of property and equipment	104,889	-	3,700	(1,776)	-	45	117,834	-	117,834
Donations and other	10,619	21,233	795	3,531	23,878	65,993	219,313	-	219,313
Total other income, net	131,485	21,774	1,406,161	6,009	28,034	66,548	1,775,698	(1,215,727)	559,971
Revenues in Excess of (Less Than) Expenses	(35,984)	308,628	1,465,744	(355,372)	(573,043)	(339,589)	(42,833)	-	(42,833)
Transfers (to) from Related Parties	627,191	(331,261)	3,970,122	(452,855)	(86,879)	(198,406)	-	-	-
Change in Net Assets Without Donor Restrictions	591,207	(22,633)	5,435,866	(808,227)	(659,922)	(537,995)	(42,833)	-	(42,833)
Net Assets, Beginning of Period	3,746,030	1,406,302	48,837,084	2,052,630	(104,518)	167,090	66,331,898	-	66,331,898
Net Assets, End of Period	\$ 4,337,237	\$ 1,383,669	\$ 54,272,950	\$ 1,244,403	\$ (764,440)	\$ (370,905)	\$ 66,289,065	\$ -	\$ 66,289,065