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Inspira Health Network, Inc.

Consolidated Financial Statements
and Supplementary Information

December 31, 2020 and 2019

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Independent Auditors' Report

To the Board of Directors of
Inspira Health Network, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Inspira Health Network, Inc. (the Network), which comprise the consolidated balance sheets as of December 31, 2020 and 2019 and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 Inspira Health Network, Inc. as of December 31, 2020 and 2019 and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 35 through 38 is presented for the purposes of additional analysis rather than to present the financial position, results of operations and changes in net assets of the individual entities and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Philadelphia, Pennsylvania
April 8, 2021

Inspira Health Network, Inc.

Consolidated Balance Sheets
December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 179,239,000	$ 101,627,000
Assets limited as to use, externally designated	10,504,000	18,814,000
Patient accounts receivable, net	99,165,000	80,587,000
Supplies	16,221,000	7,555,000
Prepaid expenses and other current assets	21,052,000	21,333,000
Total current assets	326,181,000	229,916,000
Assets Limited as to Use		
Internally designated by Board of Directors	839,711,000	762,639,000
Externally designated by donor	618,000	5,478,000
Externally designated under bond indenture agreements	-	26,245,000
Under interest rate swap agreements	8,915,000	8,007,000
Total assets limited as to use	849,244,000	802,369,000
Property and Equipment, Net	811,431,000	813,382,000
Other Assets		
Pledges receivable, net	6,490,000	8,165,000
Investment in unconsolidated entities	16,520,000	16,938,000
Insurance recoveries receivable	2,415,000	2,085,000
Other assets	1,521,000	2,543,000
Operating lease right-of-use asset	12,567,000	15,240,000
Pension asset	8,221,000	4,334,000
Total other assets	47,734,000	49,305,000
Beneficial Interest in Perpetual and Temporary Trusts	10,823,000	10,502,000
Total assets	$ 2,045,413,000	$ 1,905,474,000

See notes to consolidated financial statements

	2020	2019
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 106,585,000	$ 112,527,000
Construction accounts payable	-	18,058,000
Accrued salaries and payroll taxes	22,825,000	19,898,000
Accrued vacation and other employee benefits	21,822,000	21,916,000
Accrued interest payable	9,994,000	10,282,000
Estimated settlements due to third-party payors	60,779,000	52,591,000
Current portion of operating lease obligations	2,669,000	3,019,000
Advances from third-party payors	27,587,000	-
Current installments of long-term debt	10,045,000	9,656,000
Total current liabilities	262,306,000	247,947,000
Accrued Retirement Benefits	11,976,000	11,054,000
Interest Rate Swap Agreements	8,915,000	8,007,000
Estimated Settlements Due to Third-Party Payors	18,973,000	18,710,000
Operating Lease Obligations	10,292,000	12,560,000
Other Long-Term Liabilities	69,107,000	26,141,000
Long-Term Debt	507,293,000	520,322,000
Total liabilities	888,862,000	844,741,000
Net Assets		
Without donor restrictions	1,141,933,000	1,047,102,000
With donor restrictions	14,618,000	13,631,000
Total net assets	1,156,551,000	1,060,733,000
Total liabilities and net assets	$ 2,045,413,000	$ 1,905,474,000

See notes to consolidated financial statements

Inspira Health Network, Inc.

Consolidated Statements of Operations and Changes in Net Assets
December 31, 2020 and 2019

	2020	2019
Net Assets Without Donor Restrictions		
Revenue:		
Net patient service revenue	$ 809,016,000	$ 818,523,000
Stimulus grant revenue	52,546,000	-
Other revenue	30,510,000	30,748,000
Total revenue	892,072,000	849,271,000
Expenses:		
Salaries and wages	389,813,000	362,555,000
Employee benefits	98,669,000	100,168,000
Physician fees	35,783,000	35,949,000
Supplies and other expenses	252,841,000	232,662,000
Interest	18,418,000	8,392,000
Depreciation and amortization	77,995,000	52,054,000
Loss on disposal	-	3,284,000
Total expenses	873,519,000	795,064,000
Operating income	18,553,000	54,207,000
Nonoperating Gains and Losses		
Interest and dividend income	19,445,000	18,355,000
Change in value of interest rate swap agreements	(908,000)	(1,211,000)
Net realized gains on sale of investments	14,740,000	1,813,000
Change in net unrealized gains and losses on investments	42,358,000	68,931,000
Excess of revenue and gains over expenses	94,188,000	142,095,000

See notes to consolidated financial statements

	2020	2019
Net Assets Without Donor Restrictions (Continued)		
Excess of revenue and gains over expenses (from previous page)	$ 94,188,000	$ 142,095,000
Other changes in net assets without donor restrictions:		
Other	(1,087,000)	(761,000)
Pension liability adjustment	1,002,000	261,000
Net assets released from restriction for property and equipment	728,000	12,638,000
Increase in net assets without donor restrictions	94,831,000	154,233,000
Net Assets With Donor Restrictions		
Contributions	1,003,000	1,820,000
Change in beneficial interest in temporary trust	91,000	518,000
Net assets released from restriction	(870,000)	(12,644,000)
Investment income	130,000	573,000
Other	403,000	(182,000)
Change in beneficial interest in perpetual trusts	230,000	513,000
Decrease in net assets with donor restrictions	987,000	(9,402,000)
Increase in net assets	95,818,000	144,831,000
Net Assets, Beginning	1,060,733,000	915,902,000
Net Assets, Ending	$ 1,156,551,000	$ 1,060,733,000

Inspira Health Network, Inc.

Consolidated Statements of Cash Flows
December 31, 2020 and 2019

	2020	2019
Operating Activities		
Increase in net assets	$ 95,818,000	$ 144,831,000
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Income from unconsolidated entities	(2,956,000)	(2,667,000)
Depreciation and amortization	77,995,000	52,054,000
Accretion of bond premium	(3,183,000)	(3,453,000)
Amortization of underwriter discount	99,000	97,000
Amortization of deferred financing costs	54,000	56,000
Change in right-of-use asset and lease obligation, net	55,000	339,000
Pension liability adjustment	(1,002,000)	(261,000)
Loss on disposal	-	3,284,000
Net realized and unrealized gains on investments	(57,098,000)	(70,744,000)
Change in beneficial interest in perpetual and temporary trusts	(321,000)	(1,031,000)
Change in value of interest rate swap agreements	908,000	1,211,000
Capital campaign pledges	814,000	2,641,000
Changes in certain assets and liabilities:		
Patient accounts receivable	(18,578,000)	(6,113,000)
Supplies	(8,666,000)	(871,000)
Prepaid expenses and other current assets	281,000	(2,552,000)
Insurance recoveries receivable	(330,000)	1,996,000
Accounts payable, accrued expenses and other liabilities	37,894,000	17,466,000
Accrued interest payable	(288,000)	(380,000)
Advances from third-party payors	27,587,000	-
Estimated settlements due to third-party payors	8,451,000	(1,854,000)
Net cash provided by operating activities	157,534,000	134,049,000
Investing Activities		
Additions to property and equipment, net	(93,431,000)	(251,887,000)
Increase in assets limited as to use	(25,653,000)	(27,548,000)
Change in investment in unconsolidated entities	3,374,000	(1,038,000)
Increase in other assets	351,000	862,000
Net cash used in investing activities	(115,359,000)	(279,611,000)
Financing Activities		
Restricted contributions	861,000	1,838,000
Payments of long-term debt	(9,610,000)	(7,720,000)
Proceeds from issuance of long-term debt, net	-	952,000
Net cash used in financing activities	(8,749,000)	(4,930,000)
Decrease in cash and cash equivalents and restricted cash and cash equivalents	33,426,000	(150,492,000)
Cash and Cash Equivalents and Restricted Cash and Restricted Cash Equivalents, Beginning	154,728,000	305,220,000
Cash and Cash Equivalents and Restricted Cash and Restricted Cash Equivalents, Ending	$ 188,154,000	$ 154,728,000
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest, net of amount capitalized	$ 21,736,000	$ 12,072,000
Noncash Investing and Financing Activities		
Construction accounts payable for acquisition of property and equipment	$ -	$ 18,058,000
Reconciliation of Cash and Restricted Cash to Balance Sheets		
Cash and cash equivalents	$ 179,239,000	$ 101,627,000
Externally designated by donor	-	35,000
Externally designated under bond indenture agreements	-	45,059,000
Under interest rate swap agreements	8,915,000	8,007,000
	$ 188,154,000	$ 154,728,000

See notes to consolidated financial statements

1. Organization

Inspira Health Network, Inc. d/b/a Inspira Health Network (the Network) is a tax-exempt health care organization. The Network functions as the parent corporation for the following entities, which are related by common membership and/or ownership.

Inspira Medical Centers, Inc. (IMC) is a tax-exempt health care organization. IMC consists of the following acute care hospitals: Inspira Medical Center Mullica Hill (Mullica Hill) in Gloucester County, New Jersey, Inspira Medical Center Vineland (Vineland) in Cumberland County, New Jersey and Inspira Medical Center Elmer (Elmer) in Salem County, New Jersey. IMC also controls three health centers, the Inspira Health Center Bridgeton, which provides inpatient and outpatient psychiatric services, select outpatient services including a satellite emergency department and administrative services, the Inspira Health Center Vineland, which provides select outpatient services, and the Inspira Health Center Woodbury, which provides select outpatient services, emergency services and psychiatric services.

Woodbury was a tax-exempt acute care hospital providing a complete range of inpatient and outpatient services. Effective December 13, 2019, Woodbury's operations merged with IMC. As a result, a net asset transfer was recorded in 2019 to merge Woodbury's assets, liabilities and net assets into IMC.

Effective January 1, 2020, IMC also functions as the sole corporate member of Inspira Health Network Foundation (the Foundation), which is a tax-exempt organization that supports the Network. The Foundation was previously comprised of Inspira Health Network Foundation Cumberland/Salem, Inc. and Inspira Health Network Foundation Gloucester County, Inc.

Inspira Health Network Urgent Care, P.C. (Urgent Care), incorporated in the state of New Jersey, provides a wide range of medical services for minor or nonlife-threatening conditions.

Oak & Main Surgicenter, LLC (Oak & Main) is an ambulatory surgery center located in Vineland, New Jersey. In May 2011, IMC initially acquired 81 percent of the outstanding ownership interest of Oak & Main, and then acquired another 4 percent of interest in August 2011.

Inspira Health Management Corporation (IHMC) is a for-profit corporation, which engages in activities to enhance and support the mission of the Network and its affiliates, such as the operations of the Center for Health and Fitness, management services organization and building management. Additionally, IHMC is the general partner in Bridgeton Physician Office Center, L.P. (BPOC), which owns and leases a medical office building in Bridgeton, New Jersey. The building is used for physicians' offices. The limited partner of BPOC is the Network. IHMC is also the controlling partner at Inspira SJ Urgent Care Management Company, LLC (SJUC), which manages and operates urgent care service centers in New Jersey. SJUC controls Inspira SJ Urgent Care, P.C. (UCPC).

Inspira Health Network Medical Group, P.C. (IMG) is a not-for-profit (as of January 1, 2020) corporation, which engages in activities to enhance and support the mission of the Network and its affiliates, such as the operations of physician practices in Cumberland, Salem, Gloucester, and Camden Counties.

IMG also controls two non-for-profit corporations, Inspira Health Connections PC (IHC) and Tri-County Cardiovascular Services PC (TCCS) which engage in activities to enhance the mission of the Network and its affiliates, such as physician, cardiology and management services.

Inspira HomeCare & HospiceCare, Inc. (HCHC) is a not-for-profit corporation, which has a noncontrolling interest in a certified home health company that provides skilled nursing, therapy services, home health aides and hospice care to southern New Jersey residents.

Inspira Health Network LIFE, Inc. (LIFE) is a not-for-profit corporation, which engages in activities to enhance and support the mission of the Network and its affiliates, such as the operation of the Program of All-Inclusive Care for the Elderly in Cumberland County.

Juno Assurance, LTD (Juno) is a freestanding corporation through which the Network insures a portion of its professional liability and general liability risk through the single parent captive insurance company.

Red Bank Development Corporation (Red Bank), a for-profit subsidiary, and its wholly owned subsidiary, Woodbury Medical Center Associates, LLP and its controlled affiliate, Gloucester County Surgery Center, LLC (GCSC), provide various healthcare-related services. GCSC ceased operations in 2019.

Inspira Care Connect, LLC (ICC) is a Medicare Shared Savings Program. ICC's mission is to establish a group of coordinated healthcare providers which agree to be accountable for the quality, cost and overall care for an assigned group of Medicare beneficiaries.

Inspira Health Partners, LLC. (IHP) is a physician hospital organization. IHN owns 51 percent of IHP. IHP's mission is to establish a clinically integrated physician-hospital enterprise which is designed to achieve improvement in healthcare quality, efficiency and cost.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Network and the related entities under control or ownership. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash, cash equivalents and restricted cash and cash equivalents include investments purchased with an initial maturity of three months or less.

Patient Accounts Receivable, Net

The Network assesses collectability on patient contracts prior to the recognition of net patient service revenue. Patient accounts receivable, net, are recorded at net realizable value. Accounts are written off when the Network has exhausted all collection efforts and determines accounts are impaired based on changes in credit worthiness.

The Network has not changed its financial assistance policy in 2020 or 2019.

Supplies

Supplies are carried at the lower of cost, determined by the first-in, first-out method or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonable predictable costs of completion, disposal and transportation. Supplies are used in the provision of patient care and are not held for sale.

Assets Limited as to Use, Investment and Investment Income

Assets limited as to use by Board of Directors (the Board) are resources that have been designated by the Board for specific purposes. Assets limited as to use under bond indenture agreements are held by a trustee in a construction fund and debt service fund.

Assets limited as to use under the interest rate swap agreements are Woodbury funds to collateralize the liability of the interest rate swaps in an account held by Morgan Stanley. This is a requirement which began in 2009 because the insurer, Ambac, had their credit rating fall below A3 by Moody's.

Assets limited as to use by donor include assets set aside for specific donor purposes or endowment to provide for specified payments to designated individuals. Assets limited as to use by donor are restricted for permanent investment.

Amounts required to meet current liabilities of the Network have been classified as current assets in the consolidated balance sheets.

All investments with readily determinable fair values are measured at fair value in the consolidated balance sheets. The fair value of debt and equity securities is based upon quoted market prices.

Interest and dividend income from assets limited as to use under bond indenture agreements is included in other revenue. Interest and dividend income from cash and cash equivalents and assets limited as to use under bond indenture agreements was $383,000 and $1,727,000 for the years ended December 31, 2020 and 2019, respectively. Investment income, realized gains and losses, and unrealized gains and losses on assets limited as to use by the Board are recorded as nonoperating gains, net. Realized gains and losses for all investments are determined by the average cost method.

Property and Equipment, Net

Property and equipment, net is recorded at cost. Donated assets are recorded at their market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Network capitalized interest of $8,757,000 during 2019, net of capitalized investment income. No interest was capitalized during 2020.

Gifts of long-lived assets such as land, buildings or equipment are reported as other changes in net assets, unless explicit donor stipulations specify how the donated assets must be used. When applicable, 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 restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

The Network continually evaluates whether later events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, the Network uses an estimate of the related undiscounted operating income over the remaining life of the long-lived asset, or determines the fair market value of the long-lived asset in measuring whether the long-lived asset is recoverable. No revision to the remaining useful lives or write-down of long-lived assets was recorded in 2020 and 2019.

Pledges Receivable and Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as other revenue for operating activities and net assets released from restriction for property and equipment.

During 2017, the Foundation established a capital campaign on behalf of Vineland and Woodbury, primarily to raise funds for a replacement acute-care hospital in Mullica Hill, NJ. Pledges receivable are recorded at the net present value of estimated future cash flows.

Deferred Financing Costs

Costs incurred in connection with the issuance of long-term debt have been deferred and are being amortized under the straight-line method over the remaining term of the related indebtedness, which approximates the effective interest method, and is included in interest expense in the consolidated statements of operations and changes in net assets.

Beneficial Interest in Perpetual and Temporary Trusts

The Network has recorded its portion of the fair value of these trusts. The trusts are either perpetual in nature, and the original corpus cannot be expended, or are temporary in nature and can be released to the Network after a sequence of events takes place. All of the beneficial interest in perpetual and temporary trusts are reported as net assets with donor restriction. Income earned on the trust assets and distributed to the Network is recorded as interest and dividend income in the consolidated statements of operations and changes in net assets unless otherwise restricted by the donor.

Classification of Net Assets

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions - net assets subject to 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. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished; net assets with donor restrictions are reclassified to net assets without donor restrictions.

Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported, including costs associated with litigating or settling claims. Anticipated insurance recoveries associated with reported claims are reported separately in the Network's consolidated balance sheets at net realizable value.

Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which the Network expects to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payers and others and includes variable consideration for retroactive adjustments due to settlements of audits and reviews. Generally, the Network bills patients and third-party payers several days after the services are performed and the patient 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 the network. The Network recognizes net operating revenues in the period in which it satisfies performance obligations under contracts by transferring services to customers. Revenue for performance obligations satisfied over time is recognized based on the actual charges incurred in relation to total expected or actual charges. The Network believes 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. The Network measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods or services are provided and the Network does not believe it is required to provide additional services to the patient.

All of the Network's performance obligations relate to contracts with a duration of less than one year, therefore the Network has elected to apply the optional exemptions provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a) and as a result 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. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Network determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third party payers, discounts provided to uninsured or underinsured patients in accordance with the Network's policy and implicit price concessions provided to patients. The Network determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Network determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as a collective group rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

Consistent with the Network's mission, care is provided to patients regardless of their ability to pay. Therefore, the Network has determined the estimated uncollectible amounts due from patients are generally considered implicit price concessions that are a direct reduction to net operating revenues. The implicit price concessions included in estimating the transaction price represents the difference between amounts billed to patients and the amounts the Network expects to collect based on its collection history.

Patients who meet the Network's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Stimulus Grant Revenue

Stimulus grant revenue is primarily comprised of amounts received from federal and state funding sources related to the COVID-19 pandemic. The Network accounts for this funding in accordance with the FASB ASC 958-605 guidance for conditional contributions and accordingly, revenues are measured and recognized when barriers are substantially met, which occurs when the Network complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund to provide financial support for hospitals and other healthcare providers. The Network received $59,027,000 in the year ended December 31, 2020 related to this funding. In accordance with the terms and conditions in place at December 31, 2020, the Network could apply the funding first against eligible expenses, and then lost revenues, which the Network's methodology for calculating lost revenues was the difference between 2020 budgeted and 2020 actual net patient service revenue.

Noncompliance with the terms and conditions could result in repayment of some or all of the support, which can be subject to government review and interpretation. The Department of Health and Human Services (HHS) has indicated Relief Fund payments are subject to future reporting and audit requirements. These matters could cause reversal or claw-back of amounts previously recognized; however, an estimate of the possible effects cannot be made as of the date these consolidated financial statements were issued. In addition, it's unknown whether there will be further developments in the regulatory guidance.

The Network has incurred lost revenues and eligible expenses in accordance with the terms and conditions of the Provider Relief Fund that were applicable as of December 31, 2020 of $52,546,000, which were recognized and included in stimulus grant revenue in the accompanying consolidated statement of operations for the year ended December 31, 2020. The Network deferred $6,481,000 of Provider Relief Fund payments, which is classified in the current portion of estimated settlements due to third-party payors in the consolidated balance sheet at December 31, 2020.

Advances From Third-Party Payors

The CARES Act included provisions to expand the Centers for Medicare and Medicaid Services Accelerated and Advance Payment Program in order to improve cash flows for providers impacted by the COVID-19 pandemic. In April and September of 2020, the Network received $61,064,000 and $10,381,000, respectively, in advance payments under this program. Repayment of the advances to the government is scheduled to begin one year after receipt of the advances and end 29 months later, at which time the advances are required to be repaid in full or any remaining outstanding amounts will be subject to interest at 4 percent. The Network expects to begin repaying the Medicare advances during April 2021. The repayments are expected to occur automatically through a partial reduction in Medicare payments due to the Network for services rendered to Medicare program beneficiaries. The current portion of the contract liability represents the amount the Network believes will be repaid in 2021 based on an estimate of Medicare claims using historical information. Medicare advanced payments of $27,587,000 are included in current liabilities, and $43,858,000 are included in other long-term liabilities in the consolidated balance sheet at December 31, 2020.

Performance Indicator

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as revenue and expenses within operating income. Other transactions, including interest and dividend income, realized gains and losses on the sale of investments, and change in value of interest rate swap agreements are reported as nonoperating activities. The performance indicator is the excess of revenue and gains over expenses and includes nonoperating activities.

Changes in net assets without donor restrictions that are excluded from the excess of revenue and gains over expenses include permanent transfers of assets to and from affiliates, assets released from restriction for property and equipment, and certain pension liability adjustments.

Income Taxes

The Network, IMC, Foundation, IMG (as of January 2020), HCHC, LIFE, TCCS and IHC are Section 501(c)(3) organizations exempt from federal income taxes under Section 501(a) of the Internal Revenue Code. The Network, IMC, Foundation, IMG, LIFE and HCHC also are exempt from state income taxes. IHMC, Red Bank, Juno, Urgent Care and UCPC are for-profit corporations subject to federal and state income taxes; however, income tax expense is not significant to the Network's consolidated financial statements.

Oak & Main, IHP and SJUC are treated as if they were partnerships for federal and state income tax purposes. Therefore, income earned is passed through to its members and, as such, no income taxes have been incurred or accrued. ICC is a single member limited liability company of the Network and is considered a disregarded entity for tax purposes.

The Network accounts for uncertainty in income taxes using a recognition threshold of more likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2020 or 2019.

3. Charity Care

Certain entities within the Network have a patient acceptance policy, which is based on its mission statement and its charitable purposes. Accordingly, these entities accept all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain financial criteria established by the State of New Jersey and the Network's policy. The Network's charity care policy includes additional financial criteria which were established with the intent of expanding the availability of financial assistance. Because the Network does not believe that accounts which qualify for charity care are likely to be collected, they are not reported as net patient service revenue. The unreimbursed costs for services and supplies furnished to patients eligible for such charity care are based on cost to charge ratios and costs incurred and are as follows:

	2020	2019
In accordance with the:		
State of New Jersey's criteria	$ 5,317,000	$ 6,246,000
Network's additional criteria	11,187,000	12,888,000
Total	$ 16,504,000	$ 19,134,000

The Network also sponsors certain other charitable programs, which provide substantial benefit to the broader community. Such programs include services to needy and elderly populations that require special support, as well as health promotion and education for the general community welfare.

4. State Subsidies

The New Jersey Health Care Reform Act of 1992 established the Health Care Subsidy Fund (HCSF) to provide a mechanism and funding source to compensate certain entities for charity care. The Network received $761,000 and $885,000 in 2020 and 2019, respectively, for charity care that is included in net patient service revenue.

The New Jersey Department of Human Services, Medicaid Program, has established a Hospital Relief and Special Subsidy Fund for Mental Health (the Hospital Relief Fund), and a Delivery System Reform Inventive Plan (DSRIP), to provide statewide funding to certain hospitals. The Network received $8,765,000 and $8,737,000 in 2020 and 2019, respectively, from the Hospital Relief Fund and DSRIP. These amounts are included in net patient service revenue.

The allocations to the Network from HCSF, the Hospital Relief Fund, and DSRIP are subject to change from year to year based on available state budget amounts and allocation methodologies. A proportionate amount is in place through June 30, 2020; however, such amounts are subject to change.

5. Net Patient Service Revenue

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

- **Medicare:** Inpatient acute care, psychiatric and rehabilitation services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic and other factors. In addition, the Network is reimbursed for certain cost reimbursable items at tentative interim rates, with final settlement determined after submission of annual costs reports and audits thereof by the Medicare fiscal intermediary. Provisions for estimated adjustments resulting from audit and final settlements have been recorded. IMC's Medicare cost reports have not been final settled by the fiscal intermediaries for the 2011, 2014, and 2016 through 2020 cost report years.

- **Medicaid:** Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge based on severity of illness. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services are paid at prospectively determined per diem rates. Outpatient services are paid based on a published fee schedule. The Network is reimbursed for costs reimbursable and other items at a tentative rate with final settlements determined after submission of annual cost reports by the Network and audits thereof by the programs' fiscal intermediaries. Provisions for estimated adjustments resulting from audit and final settlements have been recorded. The Network's Medicaid cost report years have not been audited by the fiscal intermediaries for the 2018 through 2020 cost report years.

- **Blue Cross:** Inpatient acute care services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services are paid at prospectively determined per diem rates. Outpatient services are reimbursed based on ambulatory payment classifications.

- **Other:** The Network has also entered into payment arrangements with certain managed care and commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The Network has agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under the agreements, HMOs make capitated and fee-for-service payments to the Network for certain covered services based upon discounted fee schedules.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Network's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Network. In addition, the contracts the Network has with commercial payors also provide for retroactive audit and review of claims. The Network believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations that could have a material adverse effect on its consolidated financial statements. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered 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 with the payor and the Network's historical settlement activity, 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. Estimated settlements are adjusted in future periods as adjustments become known (that is, as new information become available), or as years are settled or no longer subject to such audits, reviews and investigations. In the opinion of management, adequate provision has been made for any adjustment, which may result from the final settlement of cost reports or appeal items. Net settlements and adjustments of prior-year cost reports and appeal items resulted in an increase to the Network's net patient service revenue of $10,909,000 and $21,005,000 for the years ended December 31, 2020 and 2019, respectively.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Network also provides services to uninsured patients, and offers those uninsured or underinsured patients a discount, either by policy or law, from standard charges. The Network estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charges by any contractual adjustment, discounts and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustment to net patient service revenue in the period of the change. For the year ended December 31, 2020, the impact of changes in the estimates of discounts and contractual adjustments for performance obligations satisfied in prior years was insignificant to the consolidated financial statements.

Consistent with the Network's mission, care is provided to patients regardless of their ability to pay. Therefore, the Network has determined it has provided implicit price concessions to uninsured patients and other patient balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Network expects to collect based on its collection history with those patients.

The Network disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Tables providing details of these factors are presented below.

The composition of patient care service revenue by primary payor for the years ended December 31 is as follows:

	2020	2019
Medicare	$ 270,061,000	$ 295,871,000
Blue Cross	191,908,000	159,903,000
Commercial	162,038,000	176,481,000
Medicaid	150,748,000	153,629,000
Other	31,418,000	29,362,000
Self-pay/uninsured	2,843,000	3,277,000
Total	$ 809,016,000	$ 818,523,000

Revenue from patient's deductibles and coinsurance are included in the categories presented above based on the primary payor.

	2020	2019
Inpatient	$ 429,357,000	$ 409,095,000
Outpatient	286,968,000	314,820,000
Physician services	40,910,000	44,821,000
Capitation	29,269,000	28,155,000
Other	22,512,000	21,632,000
Total	$ 809,016,000	$ 818,523,000

The Network has not further disaggregated other revenues as the economic factors affecting the nature, timing, amount and uncertainty of revenue and cash flows do not significantly vary within the revenue category.

6. Fair Value Measurements and Other Financial Instruments

Fair Value Measurements

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

Level 1 - Unadjusted quoted prices in active markets that are accessible to the Network for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs that are observable either directly or indirectly for substantially the full term of the instruments through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

The following table presents financial instruments measured at fair value at December 31, 2020 and 2019, by caption on the consolidated balance sheets:

	December 31, 2020			
	Total	**Level 1**	**Level 2**	**Level 3**
Reported at Fair Value				
Assets:				
Assets limited as to use:				
Internally designated by Board of Directors:				
Mutual funds, equities	$ 259,644,000	$ 259,644,000	$ -	$ -
Mutual funds, fixed income	170,087,000	170,087,000	-	-
Corporate and government bonds	157,060,000	-	157,060,000	-
Government securities	21,423,000	-	21,423,000	-
	608,214,000	429,731,000	178,483,000	-
Externally designated by donor:				
Mutual funds, fixed income	618,000	618,000	-	-
	608,832,000	430,349,000	178,483,000	-
Beneficial interest in trusts	10,823,000	-	-	10,823,000
Total assets in the fair value hierarchy	619,655,000	$ 430,349,000	$ 178,483,000	$ 10,823,000
Assets measured at net asset value (a)	214,187,000			
Assets at fair value	$ 833,842,000			
Liabilities:				
Interest rate swap agreements	$ 8,915,000	$ -	$ -	$ 8,915,000

The following table presents financial instruments measured at fair value at December 31, 2019, by caption on the consolidated balance sheets:

	December 31, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Reported at Fair Value				
Assets:				
Assets limited as to use:				
Internally designated by Board of Directors:				
Mutual funds, equities	$ 274,613,000	$ 274,613,000	$ -	$ -
Mutual funds, fixed income	198,935,000	198,935,000	-	-
Corporate and government bonds	114,969,000	-	114,969,000	-
Government securities	12,328,000	-	12,328,000	-
	600,845,000	473,548,000	127,297,000	-
Externally designated by donor:				
Mutual funds, equities	1,501,000	1,501,000	-	-
Mutual funds, fixed income	3,942,000	3,942,000	-	-
	5,443,000	5,443,000	-	-
Total assets limited as to use, measured at	606,288,000	478,991,000	127,297,000	-
Beneficial interest in trusts	10,502,000	-	-	10,502,000
Total assets in the fair value hierarchy	616,790,000	$ 478,991,000	$ 127,297,000	$ 10,502,000
Assets measured at net asset value (a)	150,707,000			
Assets at fair value	$ 767,497,000			
Liabilities:				
Interest rate swap agreements	$ 8,007,000	$ -	$ -	$ 8,007,000

(a) In accordance with ASU No. 2015-07, certain investments that are measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy.

The assets limited as to use included on the consolidated balance sheets at December 31, 2020 and 2019 are as follows:

	2020	2019
Assets limited as to use, internally designated by Board of Directors: Cash and cash equivalents	$ 17,310,000	$ 11,087,000
Assets limited as to use, internally designated by Board of Directors: Measured in the fair value hierarchy	608,214,000	600,845,000
Assets limited as to use, internally designated by Board of Directors: Measured outside the fair value hierarchy	214,187,000	150,707,000
	$ 839,711,000	$ 762,639,000

	2020	2019
Assets limited as to use, externally designated by donor: Cash and cash equivalents	$ -	$ 35,000
Assets limited as to use, externally designated by donor: Measured in the fair value hierarchy	618,000	5,443,000
	$ 618,000	$ 5,478,000
Assets limited as to use, externally designated under bond indenture agreements: Cash and cash equivalents	$ 10,504,000	$ 45,059,000
Assets limited as to use, under interest rate swap agreements: Cash and cash equivalents	$ 8,915,000	$ 8,007,000
Total assets limited as to use	$ 859,748,000	$ 821,183,000
Less current portion	10,504,000	18,814,000
Assets limited as to use	$ 849,244,000	$ 802,369,000

Valuation Methodologies

Government securities, corporate and government bonds and marketable equity securities are stated at fair value, which are the amounts reported in the consolidated balance sheets in assets limited as to use, based on quoted market prices, if available, or estimated using quoted market prices of similar securities.

Cash and cash equivalents are valued at cost which approximates fair value because of the short maturity of these financial instruments.

Mutual funds are valued at the net asset value (NAV) of shares held by the Network at year-end.

The beneficial interest in perpetual and temporary trusts is valued at fair value which takes into consideration the underlying investments and the Network's interest in the trusts. This approximates the present value of the future distributions expected to be received.

The fair value of the Network's interest rate swaps is estimated based on a model utilizing current interest rates and other factors that would be considered Level 3 inputs in the fair value hierarchy.

Investments that have been excluded from the fair value hierarchy consist of commingled funds and limited partnerships that are valued based on the NAV of the underlying investments (basis for trade) of the funds held at the end of the year.

Commingled funds primarily consist of the Network's investment in the Wellington Trust Company, NA, CTF Research Equity Portfolio (Wellington Fund), the Champlain Small Cap Fund, LLC (Champlain Fund) and The Sanderson International Value Fund (Sanderson Fund). The Wellington Fund's objective is long-term total returns in excess of the S&P 500 Index. The Wellington Fund is managed on a total return basis, and not with an objective of achieving or avoiding any particular tax consequences. At December 31, 2020 and 2019, 51 percent and 58 percent, respectively, of the Network's commingled funds were held in the Wellington Fund. The Network is able to withdrawal or contribute to the Wellington fund on the first of each month, as dictated by the investment agreement. There were no commitments related to the Wellington Fund at December 31, 2020. The Champlain Fund's investment objective is capital appreciation. In order to achieve this objective, the Champlain Fund invests mainly in common stocks of small capitalization companies. The Champlain Fund attempts to identify investments that have strong long-term fundamentals, potential for superior capital appreciation and attractive valuation. At December 31, 2020 and 2019, 11 percent of the Network's commingled funds were held in the Champlain Fund. The Network is able to withdrawal or contribute to the Champlain Fund on the first of each month, as dictated by the investment agreement. There were no commitments related to the Champlain Fund at December 31, 2020. During 2019, the Network made an initial investment in the Sanderson Fund. The Sanderson Fund's objective is long-term growth principally by investing in a diversified portfolio of equity securities of international companies. At December 31, 2020 and 2019, 15 percent and 18 percent of the Network's commingled funds were held in the Sanderson Fund, respectively. The Network is able to withdrawal or contribute to the Sanderson Fund on the first of each month, as dictated by the investment agreement. There were no commitments related to the Sanderson Fund at December 31, 2020.

The Network had no commitment requirements related to other commingled funds at December 31, 2020.

7. Property and Equipment

	2020	2019	Depreciable Life
Land	$ 32,527,000	$ 32,545,000	
Land improvements	31,450,000	24,076,000	5-25 years
Leasehold improvements	11,307,000	8,188,000	10-15 years
Buildings and building improvements	685,431,000	738,820,000	10-40 years
Fixed equipment	193,624,000	77,412,000	10-20 years
Major movable equipment	499,570,000	447,980,000	5-20 years
	1,453,909,000	1,329,021,000	
Less accumulated depreciation	652,424,000	577,965,000	
	801,485,000	751,056,000	
Construction-in-progress	9,946,000	62,326,000	
Total	$ 811,431,000	$ 813,382,000	

In December 2019, the Network commenced operations of Mullica Hill, a new acute care hospital. As a result of the opening of the new hospital, a significant amount of Woodbury's assets were removed from service and a loss on disposal of assets of $3,284,000 was recorded and is included in total expenses on the consolidated statements of operations.

Depreciation on property and equipment for the years ended December 31, 2020 and 2019 amounted to $77,324,000 and $51,828,000, respectively.

8. Long-Term Debt

Series 2016A Refunding Bonds

In June 2016, the New Jersey Health Care Facilities Financing Authority (the Authority) issued, on behalf of IMC, its $177,765,000 aggregate principal amount of Refunding Bonds, Inspira Health Obligated Group Issue (Series 2016A) (the Series 2016A Bonds). Total proceeds of $201,352,000 (including a net original issue premium of $23,587,000) were used by IMC and Woodbury to (i) refinance all of the outstanding Authority Series 2004 Bonds, Series 2006 Bonds and Series 2008 Bonds (Refunded Bonds), (ii) refinance the 2011 Note Payable and (iii) pay for the costs of issuance of the Series 2016A Bonds.

The Series 2016A Bonds consist of $120,015,000 of serial bonds that mature in 2036, and $26,570,000 and $31,180,000 of term bonds that mature in 2041 and 2046, respectively. Annual principal/sinking fund payments range from $4,415,000 to $7,720,000, maturing on July 1 of each year with interest rates ranging from 2.0 percent to 5.0 percent due January 1 and July 1 of each year. The net original issue premium balance was $13,632,000 and $15,428,000 at December 31, 2020 and 2019, respectively.

The Series 2016A Bonds were issued under a Master Trust Indenture (MTI), dated June 1, 2016. As such, the obligations issued pursuant to the MTI are joint and several obligations of IMC (the Obligated Group), and does not include any other affiliates of the Network. All property and equipment, and gross receipts of IMC are pledged to secure payment of interest and principal. The MTI and loan agreement between the Authority and IMC require the compliance with financial covenants, including the requirement that IMC generate funds available for debt service (as defined) equivalent to at least 125 percent of maximum annual debt service, and a cushion rate (as defined) of at least 1.25.

Series 2017 Revenue Bonds

In August 2017, the Authority issued, on behalf of IMC, its $265,000,000 aggregate principal amount of Revenue Bonds, Inspira Health Obligated Group Issue, Series 2017A (the Series 2017A Bonds), and its Revenue Bonds, Inspira Health Obligated Group Issues, Series 2017B (the Series 2017B Bonds), collectively, the 2017 Bonds. Total proceeds of the Series 2017A Bonds (including a net original premium, net of an underwriter's discount, of $20,756,000), were $285,756,000, and total proceeds of the Series 2017B Bonds were $60,000,000. The Series 2017B Bonds were purchased by TD Bank, N.A.

The proceeds from the 2017 Bonds were used by IMC to (i) finance the construction of Mullica Hill, (ii) establish a radiation oncology program at Woodbury, including the purchase of a linear accelerator, (iii) finance the expansion of the Vineland emergency department, (iv) construction of two additional floors to the existing facility to house 36 new inpatient beds and (v) pay for the costs of issuance of the 2017 Bonds.

The Series 2017A Bonds consist of $1,900,000 and $90,035,000 of serial bonds that mature in 2029 and 2037, respectively, and $66,445,000 and $106,620,000 of term bonds that mature in 2042 and 2047, respectively. Annual principal/sinking fund payments range from $500,000 to $28,595,000, maturing on July 1 of each year with interest rates ranging from 3.0 percent to 5.0 percent due January 1 and July 1 of each year. The net original issue premium balance was $17,628,000 and $19,015,000 at December 31, 2020 and 2019, respectively.

The Series 2017B Bonds, which mature in 2042, are due in monthly installments beginning in January 2018. Annual principal payments range from $1,000,000 to $4,800,000. Interest is payable monthly at a variable rate. The interest rate was .74 percent and 1.83 percent at December 31, 2020 and 2019, respectively.

The 2017 Bonds were issued under a Third Supplemental MTI and the bond agreements. The MTI and loan agreement between the Authority and IMC require the compliance with financial covenants, including the requirement that to generate funds available for debt service (as defined) equivalent to at least 125 percent of maximum annual debt service, and a cushion ratio (as defined) of at least 1.25 percent.

Term Loan

The Network has a term loan with a bank for available borrowings up to $14,296,000, with an interest rate adjustable every 30 days based on LIBOR (1.25 percent at December 31, 2020). Interest is payable monthly and principal is due at maturity. In October 2020 the term loan was amended to extend the maturity date to October 2021. The Network has investments which are classified as assets limited as to use by the Board that are held in a separate account, which meet the collateral requirement of approximately $20,000,000. The outstanding balance on the term loan was $14,278,000 at December 31, 2020 and 2019.

Other Long-Term Obligations

During 2011, IMC entered into a loan agreement with the City of Vineland's Urban Enterprise Zone Authority (UEZ) for a total of $4,000,000. This loan is secured by a bank letter of credit and guaranteed by the Network. The term of the loan is 20 years with interest-only payments for the first 36 months through July 2013, and principal and interest payments of $27,000 per month beginning in August 2013. The interest rate on this loan is 5 percent during the interest-only period and 4 percent thereafter. The outstanding obligation was $2,581,000 and $2,798,000 at December 31, 2020 and 2019, respectively.

Long-Term Debt Summary

	2020	2019
Series 2016A Bonds	$ 150,145,000	$ 157,400,000
Series 2017A Bonds	262,830,000	263,730,000
Series 2017B Bonds	57,000,000	58,000,000
Term loan	14,278,000	14,278,000
Other long-term obligations	4,989,000	5,444,000
	489,242,000	498,852,000
Plus original issue premium	31,260,000	34,443,000
Less:		
Current maturities of long-term debt	(10,045,000)	(9,656,000)
Deferred financing costs, net	(1,086,000)	(1,140,000)
Underwriters' discount, net	(2,078,000)	(2,177,000)
Long-term debt	$ 507,293,000	$ 520,322,000

Future Principal Payments

Maturities and principal payments on long-term debt for the next five years and thereafter are as follows:

	2017A Bonds	2017B Bonds	2016 Bonds	Other Long-Term Obligations	Total
2021	$ 1,185,000	$ 2,000,000	$ 6,420,000	$ 440,000	$ 10,045,000
2022	1,525,000	4,000,000	4,520,000	235,000	10,280,000
2023	1,495,000	4,200,000	4,735,000	244,000	10,674,000
2024	1,490,000	4,400,000	4,970,000	254,000	11,114,000
2025	1,495,000	4,600,000	5,230,000	265,000	11,590,000
Thereafter	255,640,000	37,800,000	124,270,000	17,829,000	435,539,000
Total	$ 262,830,000	$ 57,000,000	$ 150,145,000	$ 19,267,000	$ 489,242,000

9. Leases

The Network leases various physician offices. Lease payments are increased based on the terms of each specific lease agreement. The Network assesses renewal options using a reasonably certain threshold, which is understood to be a high threshold and, therefore, certain leases do not include the renewal periods for accounting purposes.

The maturity and future minimum commitments of total operating lease obligations at December 31, 2020 is as follows:

2021	$ 2,954,000
2022	2,571,000
2023	2,505,000
2024	2,338,000
2025	1,865,000
Thereafter	3,265,000
Total lease payments	15,498,000
Less present value discount	(2,537,000)
Total lease obligations	12,961,000
Less current portion	(2,669,000)
Long-term lease obligations	$ 10,292,000

Lease related expenses was $7,274,000 and $5,995,000 for the years ended December 31, 2020 and 2019, respectively.

The following tables include supplemental lease information as of and for the year ended December 31, 2020 and 2019:

Lease Term and Discount Rate	**2020**	**2019**
Weighted-average remaining lease term (years):		
Operating leases	6.4	7.3
Weighted-average discount rate:		
Operating leases	5.75 %	5.75 %

10. Derivative Financial Instruments

IMC has two interest rate swap agreements with Morgan Stanley (Morgan Stanley Swaps I and II) which had been entered into to manage its risk relating to the changes in cash flow associated with its variable rate bonds. These interest rate swaps allowed IMC to effectively swap the variable rate interest on the variable rate bonds to a fixed interest rate (Tranche I of 3.459 percent and Tranche II of 3.760 percent). The interest rate swaps require IMC to exchange quarterly the net difference between the fixed rate and variable rate interest amounts calculated by reference to the notional amounts, which are consistent with the amount of the Tranches outstanding. The fair value of the Morgan Stanley Swaps I and II represented a liability of $8,479,000 and $7,591,000 at December 31, 2020 and 2019, respectively, and is included in total liabilities in the consolidated balance sheets.

IMC has another interest rate swap agreement with Morgan Stanley (Morgan Stanley Swap III) which was entered into to reduce IMC's overall interest expense. Under this interest rate swap, IMC receives payments from Morgan Stanley in the amount of 67 percent of the 5-year LIBOR. In exchange, IMC will pay 67 percent of the 1-month LIBOR. The fair value of the Morgan Stanley Swap III represented a liability of $436,000 and $416,000 at December 31, 2020 and 2019, respectively, and is included in total liabilities in the consolidated balance sheets.

The net expense related to net cash settlements was $1,358,000 and $1,018,000 for the years ended December 31, 2020 and 2019, respectively, and is included in interest expense in the consolidated statements of operations and changes in net assets.

11. Retirement Benefits

Defined Contribution Pension Plans and Supplemental Executive Retirement Plans

IMC sponsors defined contribution plans that are available to substantially all of its employees, should they elect to participate. The plans match a portion of an employee's contribution to a tax-sheltered annuity. The amount of expense related to the plans was $17,579,000 and $16,669,000 for the years ended December 31, 2020 and 2019, respectively.

The Network has a Supplemental Executive Retirement Plan (SERP Plan) that covers a group of management and physician employees designated by the Board. The contributions to the plan are determined annually. The Network recorded expenses of $807,000 and $1,166,000 associated with the SERP Plan for the years ended December 31, 2020 and 2019, respectively. The Network had an outstanding liability related to the SERP Plan of $6,123,000 and $5,670,000 at December 31, 2020 and 2019, respectively, and is included in accrued retirement benefits in the consolidated balance sheets.

During 2017, the Network established a retirement plan for certain management level employees, which is funded strictly by employee deferrals. The outstanding liability related to the employee deferral retirement plan was $5,853,000 and $5,384,000 at December 31, 2020 and 2019, respectively, and is included in accrued retirement benefits in the consolidated balance sheets.

Defined Benefit Pension Plan

IMC has a noncontributory defined benefit pension plan (the Cash Balance Plan) covering all full-time employees who meet prescribed eligibility requirements. The Cash Balance Plan uses a December 31 measurement date. Effective January 1, 2010, the Cash Balance Plan was amended to eliminate service benefit accruals for Plan years after 2009 and to no longer permit new participants into the Cash Balance Plan. The Board approved this action of freezing the Cash Balance Plan.

The following table summarizes information about the Cash Balance Plan at December 31, 2020 and 2019:

	2020	2019
Change in benefit obligation:		
Projected benefit obligation at beginning of year	$ 53,356,000	$ 50,551,000
Interest cost	1,425,000	1,939,000
Actuarial loss	3,400,000	4,663,000
Benefits paid	(4,184,000)	(3,797,000)
Projected benefit obligation at end of year	53,997,000	53,356,000
Change in plan assets:		
Fair value of the plan assets at beginning of year	57,690,000	52,511,000
Actual return on plan assets	7,132,000	7,496,000
Contributions	2,000,000	2,000,000
Benefits and administrative expenses paid	(4,604,000)	(4,317,000)
Fair value of the plan assets at end of year	62,218,000	57,690,000
Funded status	$ 8,221,000	$ 4,334,000
Accumulated benefit obligation	$ 53,997,000	$ 53,356,000
Amounts recognized in the balance sheet consist of:		
Noncurrent asset	$ 8,221,000	$ 4,334,000
Amounts recognized in unrestricted net assets consist of:		
Actuarial loss	$ 25,542,000	$ 26,544,000

		2020		2019
Components of net periodic pension income:				
Interest cost	$	1,425,000	$	1,939,000
Expected return on plan assets		(4,196,000)		(3,839,000)
Recognized actuarial loss		700,000		724,000
Recognized loss due to settlements		1,187,000		1,062,000
Net periodic pension income		(884,000)		(114,000)
Amounts recognized as changes in unrestricted net assets consist of:				
Net actuarial gain		1,002,000		261,000
Total recognized in net periodic pension income and changes in net assets without donor restrictions	$	118,000	$	147,000

During 2020 and 2019, lump sum benefit payments to Cash Balance Plan beneficiaries totaled $2,510,000 and $2,136,000, respectively, and are included in benefits paid. Since the lump sum payments/settlements in 2020 and 2019 exceeded the interest cost of $1,425,000 and $1,939,000, respectively, IMC was required to recognize a loss of $1,187,000 in 2020 and $1,062,000 in 2019 which is included in net periodic pension income.

The estimated net actuarial loss that is expected to be amortized from other changes in net assets without donor restrictions into net periodic pension cost for the year ending December 31, 2021, is $711,000.

Assumptions	2020	2019
Weighted average assumptions used to determine pension obligation: Discount rate	1.92 %	2.87 %
Weighted average assumptions used to determine net periodic pension income:		
Discount rate	2.87	4.05
Expected return on the plan assets	7.50	7.50

Plan Assets	Target Asset Allocation	2020	2019
Equity securities/mutual funds	20 %	12 %	6 %
Debt securities/mutual funds	75	86	86
Alternative investments	5	2	8
		100 %	100 %

The expected long-term rate of return for the Cash Balance Plan's total assets is based on the expected return of each of the above categories, weighted based on the target allocation for each class. Equity securities and alternative investments are expected to return 10 percent to 11 percent over the long-term, while debt securities are expected to return between 4 percent and 6 percent. The Investment Committee expects that the Cash Balance Plan's asset manager will provide a modest (0.5 percent to 1.0 percent per annum) premium to the respective market benchmark indices.

The investment policy, as established by the Investment Committee, is to provide for growth of capital with a moderate level of volatility by investing assets per the target allocations stated above. The asset allocation and the investment policy are reviewed on a semiannual basis, to determine if the policy should be changed.

Expected contributions to the Cash Balance Plan in 2021 are $2,000,000.

Estimated future benefit payments, including future benefit accruals are as follows:

2021	$ 4,067,000
2022	3,875,000
2023	4,314,000
2024	4,162,000
2025	3,444,000

The following fair value hierarchy table presents information about each major category of the Cash Balance Plan's financial assets measured at fair value, on the Market approach valuation technique, on a recurring basis as of December 31, 2020 and 2019:

	December 31, 2020		
	Total Fair Value	Level 1	Level 2
Government bonds	$ 7,348,000	$ -	$ 7,348,000
Mutual funds:			
Fixed income	50,164,000	50,164,000	-
Equity	3,545,000	3,545,000	-
Collective and private equity funds	1,161,000	-	1,161,000
Total assets	$ 62,218,000	$ 53,709,000	$ 8,509,000

	December 31, 2019		
	Total Fair Value	Level 1	Level 2
Government bonds	$ 7,139,000	$ -	$ 7,139,000
Mutual funds:			
Fixed income	42,715,000	42,715,000	-
Equity	3,461,000	3,461,000	-
Collective and private equity funds	4,375,000	-	4,375,000
Total assets	$ 57,690,000	$ 46,176,000	$ 11,514,000

12. Commitments and Contingencies

Malpractice Litigation and Estimated Malpractice Cost

The Network currently maintains claims-made malpractice insurance coverage and occurrence-based reinsurance for excess coverage and has estimated losses for liabilities relating to unasserted malpractice claims incurred but not reported to its malpractice insurance company. This estimate for unreported incidents and losses is based on actuarial estimates which use its own past experience and industry experience data and the unpaid deductibles on open claims. Additionally, under the provisions of the Network's insurance program, the Network was responsible for deductibles up to $150,000 per claim and $750,000 in the annual aggregate for 2005, 2004 and 2003; for 2002 the deductibles were $100,000 per claim and $500,000 in the annual aggregate. The Network records actuarial estimates for this deductible component of its medical malpractice and comprehensive general liability insurance programs. Effective November 1, 2010, the Network's primary malpractice insurance coverage is being provided through Juno, its wholly owned captive insurance company. The total amount recorded for malpractice insurance program liabilities is $22,120,000 and $23,985,000 at December 31, 2020 and 2019, respectively, and is included in other liabilities in the consolidated balance sheets. The Network has recorded a receivable and related claim liability, for anticipated insurance recoveries of $2,415,000 and $2,085,000 at December 31, 2020 and 2019, respectively.

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported, including costs associated with litigating or settling claims. Anticipated insurance recoveries associated with reported claims are reported separately in the Network's consolidated balance sheets at net realizable value.

Various lawsuits and claims arising in the normal course of operations are pending or are in progress against the Network. Such lawsuits and claims are either specifically covered by insurance or are not deemed material. While the outcome of these lawsuits cannot be determined at this time, management believes that any loss which may arise from these actions will not have a material adverse effect on the financial position or results of operations of the Network.

COVID-19

The spread of COVID-19 around the world has caused significant volatility in U.S. and international markets, supply chains, businesses and communities. The Network's evaluation of the effects of these events is ongoing as of the date the accompanying consolidated financial statements were issued. COVID-19 may impact various parts of the Network's 2021 operations and financial performance, including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption or declines in revenue related to decreases in occupancy or volumes of certain revenue streams. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

13. Investments in Unconsolidated Entities

Sprague Dialysis, LLC

Sprague Dialysis, LLC (Sprague) is a partnership that was established in December 2016 between IMC and an independent healthcare provider to provide outpatient dialysis treatments in New Jersey. IMC acquired a 30 percent interest in Sprague. IMC recorded income from Sprague of $1,293,000 and $1,030,000 for the years ended December 31, 2020 and 2019, respectively, which is included in other revenue in the consolidated statements of operations. During 2020 and 2019, IMC received distributions from Sprague of $1,526,000 and $1,030,000, respectively. IMC made a contribution to Sprague of $955,000 in 2019. IMC's investment in Sprague is recorded under the equity method of accounting and totaled $8,617,000 and $8,850,000 at December 31, 2020 and 2019, respectively.

Tri-County Home and Hospice Care, LLC

During 2016, HCHC, IMC and an independent healthcare provider formed Tri-County Home and Hospice Care, LLC (Tri-County). Tri-County is a partnership organized to own and operate home health care and hospice agencies in Gloucestor, Salem and Cumberland counties. HCHC and IMC own 27 percent and 3 percent, respectively, of Tri-County. HCHC and IMC made initial investments in Tri-County of $3,080,000 and $913,000, respectively. HCHC and IMC recorded income from Tri-County of $1,937,000 and $316,000, respectively, for the year ended December 31, 2020, and $1,251,000 and $373,000, respectively, for the year ended December 31, 2019, which is included in other revenue in the consolidated statements of operations. During 2020, HCHC and IMC received distributions of earnings in the amounts of $810,000 and $240,000, respectively. During 2019, HCHC and IMC received distributions of earnings in the amounts of $400,000 and $120,000, respectively. HCHC and IMC's investments in Tri-County are recorded under the equity method of accounting and totaled $4,842,000 and $1,177,000 for HCHC and IMC, respectively, at December 31, 2020 and $3,715,000 and $1,101,000, respectively, at December 31, 2019.

Ellmac Dialysis, LLC

Ellmac Dialysis, LLC (Ellmac) is a partnership that was established in June 2019 between IMC and two independent companies to provide outpatient dialysis treatments in New Jersey. IMC acquired a 30 percent interest in Ellmac and made an initial contribution of $1,154,000 in 2019. IMC contributed an additional $75,000 to Ellmac in 2020. Operations of Ellmac commenced in October 2019. IMC recorded a loss from Ellmac of $386,000 for the year ended December 31, 2020, which is included in other revenue in the consolidated statements of operation. IMC's investment in Ellmac is recorded under the equity method of accounting and totaled $843,000 and $1,154,000 at December 31, 2020 and 2019, respectively.

Claymount Dialysis, LLC

Claymount Dialysis, LLC (Claymount) is a partnership that was established in November 2019 between IMC and three independent companies to provide outpatient dialysis treatments in New Jersey. IMC acquired a 30 percent interest in Claymount and made an initial contribution of $1,012,000 in 2019. Operations of Claymount commenced in April 2020. IMC recorded a loss from Claymount of $204,000 for the year ended December 31, 2020, which is included in other revenue in the consolidated statements of operation. IMC's investment in Claymount is recorded under the equity method of accounting and totaled $808,000 and $1,012,000 at December 31, 2020 and 2019, respectively.

In addition to these investments, the Network has investments in several partnerships, all of which are accounted for under the equity method of accounting.

14. Concentrations of Credit Risk

The Network grants credit without collateral to its patients who are insured under third-party payor agreements. The composition of accounts receivable from payors is as follows:

	2020	2019
Medicare	28 %	28 %
Commercial	23	21
Blue Cross	21	15
Medicaid	12	14
Self-pay/uninsured	7	12
Other	9	10
Total	100 %	100 %

The Network invests its operating cash and cash equivalents with several local banks on a short-term basis. The amounts on deposit exceed the federal insurance deposit limits. In addition, cash and cash equivalents related to assets limited as to use by Board of Directors are invested in certain mutual funds which invest in highly liquid U.S. Government and agency obligations.

15. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following at December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	$ 107,794,000	$ 101,627,000
Patient accounts receivable, net	99,165,000	80,587,000
Assets limited as to use, designated by the Board	839,711,000	762,639,000
Total	$ 1,046,670,000	$ 944,853,000

The Network has cash available related to advances from third-party payors and other assets limited as to use that are externally designated, under bond indenture agreements, under interest rate swap agreements and endowments that have donor-restricted purposes. These assets are not available for general expenditure within the next year and are not reflected in the amounts above.

As part of the Network's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Network invests excess cash in short-term investments.

16. Functional Expenses

The Network provides general health care and related services to residents within its geographic locations. Expenses related to providing these services are as follows:

	2020			
	Program Services	**General and Administrative**	**Fundraising**	**Total**
Salaries and wages	$ 350,444,000	$ 38,562,000	$ 807,000	$ 389,813,000
Employee benefits	88,565,000	9,847,000	257,000	98,669,000
Physician fees	34,754,000	1,029,000	-	35,783,000
Supplies and other expenses	224,156,000	28,183,000	504,000	252,843,000
Interest	16,576,000	1,842,000	-	18,418,000
Depreciation and amortization	70,166,000	7,796,000	33,000	77,995,000
Total	$ 784,661,000	$ 87,259,000	$ 1,601,000	$ 873,521,000

	2019			
	Program Services	**General and Administrative**	**Fundraising**	**Total**
Salaries and wages	$ 325,726,000	$ 36,146,000	$ 683,000	$ 362,555,000
Employee benefits	89,954,000	10,001,000	213,000	100,168,000
Physician fees	34,916,000	1,033,000	-	35,949,000
Supplies and other expenses	205,969,000	25,896,000	797,000	232,662,000
Interest	7,553,000	839,000	-	8,392,000
Depreciation and amortization	46,822,000	5,203,000	29,000	52,054,000
Loss on disposal	3,284,000	-	-	3,284,000
Total	$ 714,224,000	$ 79,118,000	$ 1,722,000	$ 795,064,000

The consolidated financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and amortization, interest and other occupancy costs, are allocated to a function based on a square footage basis.

17. Events Subsequent to December 31, 2020

Subsequent events have been evaluated through April 8, 2021, which is the date the consolidated financial statements were issued.

Inspira Health Network, Inc.

Consolidating Schedule, Balance Sheet
Year Ended December 31, 2020
(In Thousands)

	Inspira Medical Centers, Inc.	Inspira Health Network, Inc.	Inspira Network Foundations	Inspira Health Network Urgent Care, P.C.	Oak and Main Surgicenter, LLC	Inspira Health Management Corporation	Inspira Health Network Medical Group, P.C.	Inspira HomeCare & HospiceCare, Inc.	Inspira Health Network LIFE, Inc.	Inspira Deptford Healthpark, LLC	Juno	Red Bank Development Corporation	Inspira Care Connect, LLC	Inspira Health Partners, LLC	Consolidation Eliminations	Consolidation Consolidated
Assets																
Current Assets																
Cash and cash equivalents	$ 154,165	$ 742	$ 1,288	$ 296	$ 501	$ 1,037	$ 10,685	$ 502	$ 3,252	$ -	$ 5,670	$ 936	$ -	$ 165	$ -	$ 179,239
Assets limited as to use, externally designated	10,504	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,504
Patient accounts receivable, net	88,885	-	-	6,114	42	824	2,837	-	463	-	-	-	-	-	-	99,165
Supplies	16,196	-	-	-	-	25	-	-	-	-	-	-	-	-	-	16,221
Prepaid expenses and other current assets	24,188	51	103	426	20	240	4,765	-	150	-	6,942	196	-	-	(16,029)	21,052
Due from affiliated organizations	71,786	-	-	-	-	78	-	-	-	-	-	-	-	-	(71,864)	-
Total current assets	365,724	793	1,391	6,836	563	2,204	18,287	502	3,865	-	12,612	1,132	-	165	(87,893)	326,181
Assets Limited as to Use																
Internally designated by Board of Directors	670,054	53,704	31,401	-	-	-	-	-	-	-	84,552	-	-	-	-	839,711
Externally designated by donor	-	-	618	-	-	-	-	-	-	-	-	-	-	-	-	618
Under interest rate swap agreements	8,915	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,915
	678,969	53,704	32,019	-	-	-	-	-	-	-	84,552	-	-	-	-	849,244
Investments in Subsidiaries	-	38,552	-	-	-	22	55	-	-	-	-	-	-	-	(38,629)	-
Investments in Partnerships	-	15	-	-	-	-	-	-	-	-	-	-	-	-	(15)	-
Property and Equipment, Net	782,080	4,144	825	5,866	175	1,708	5,297	-	1,593	6,328	-	3,415	-	-	-	811,431
Other Assets																
Pledges receivable, net	-	-	6,490	-	-	-	-	-	-	-	-	-	-	-	-	6,490
Investment in unconsolidated entities	11,678	-	-	-	-	-	-	4,842	-	-	-	-	-	-	-	16,520
Insurance recoveries receivable	23,280	-	-	-	-	-	-	-	-	-	2,415	-	-	-	(23,280)	2,415
Other assets	397	-	-	-	-	264	-	-	-	-	-	-	-	-	860	1,521
Operating lease right-of-use asset	5,200	53	-	3,796	-	43	5,987	-	312	-	-	-	-	-	(2,824)	12,567
Pension asset	8,221	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,221
	48,776	53	6,490	3,796	-	307	5,987	4,842	312	-	2,415	-	-	-	(25,244)	47,734
Beneficial Interest in Perpetual and Temporary Trusts	9,229	-	1,594	-	-	-	-	-	-	-	-	-	-	-	-	10,823
Beneficial Interest in Inspira Health Network Foundations	7,599	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,599)	-
Total assets	$ 1,892,377	$ 97,261	$ 42,319	$ 16,498	$ 738	$ 4,241	$ 29,626	$ 5,344	$ 5,770	$ 6,328	$ 99,579	$ 4,547	$ -	$ 165	$ (159,380)	$ 2,045,413
Liabilities and Net Assets																
Current Liabilities																
Accounts payable and accrued expenses	$ 93,724	$ 332	$ 136	$ 1,770	$ 260	$ 399	$ 6,070	$ -	$ 3,576	$ -	$ 16,003	$ 302	$ -	$ 16	$ (16,003)	$ 106,585
Accrued salaries and payroll taxes	21,922	-	-	177	-	-	726	-	-	-	-	-	-	-	-	22,825
Accrued vacation and other employee benefits	21,546	-	-	276	-	-	-	-	-	-	-	-	-	-	-	21,822
Accrued interest payable	9,986	-	-	-	-	-	-	-	-	-	-	8	-	-	-	9,994
Due to affiliated organizations	-	10	2,056	22,602	1,083	6,230	25,444	-	7,360	6,093	-	534	452	-	(71,864)	-
Estimated settlements due to third-party payors	55,075	-	-	698	204	94	4,506	15	187	-	-	-	-	-	-	60,779
Current portion of operating lease obligations	1,490	53	-	705	-	43	1,104	-	312	-	-	-	-	-	(1,038)	2,669
Advances from third-party payors	25,792	-	-	-	-	-	1,795	-	-	-	-	-	-	-	-	27,587
Current installments of long-term debt	9,880	-	-	-	-	-	-	-	-	-	-	165	-	-	-	10,045
Total current liabilities	239,415	395	2,192	26,228	1,547	6,766	39,645	15	11,435	6,093	16,003	1,009	452	16	(88,905)	262,306
Due to Affiliated Organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued Retirement Benefits	11,976	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,976
Interest Rate Swap Agreements	8,915	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,915
Estimated Settlements Due to Third-Party Payors	18,973	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,973
Operating Lease Obligations	3,924	-	-	3,226	-	-	4,928	-	-	-	-	-	-	-	(1,786)	10,292
Other Long-Term Liabilities	72,579	-	-	-	-	-	1,005	-	-	-	18,803	-	-	-	(23,280)	69,107
Long-Term Debt	490,924	14,278	-	-	-	-	-	-	-	-	-	2,091	-	-	-	507,293
Total liabilities	846,706	14,673	2,192	29,454	1,547	6,766	45,578	15	11,435	6,093	34,806	3,100	452	16	(113,971)	888,862
Net Assets																
Without donor restrictions	1,036,321	82,588	34,859	(12,956)	(809)	(2,525)	(15,952)	5,329	(5,665)	235	64,773	1,447	(452)	149	(45,409)	1,141,933
With donor restrictions	9,350	-	5,268	-	-	-	-	-	-	-	-	-	-	-	-	14,618
Total net assets	1,045,671	82,588	40,127	(12,956)	(809)	(2,525)	(15,952)	5,329	(5,665)	235	64,773	1,447	(452)	149	(45,409)	1,156,551
Total liabilities and net assets	$ 1,892,377	$ 97,261	$ 42,319	$ 16,498	$ 738	$ 4,241	$ 29,626	$ 5,344	$ 5,770	$ 6,328	$ 99,579	$ 4,547	$ -	$ 165	$ (159,380)	$ 2,045,413

Inspira Health Network, Inc.
Consolidating Schedule, Statement of Operations and Changes in Net Assets
Year Ended December 31, 2020
(In Thousands)

	Inspira Medical Centers, Inc.	Inspira Health Network, Inc.	Inspira Network Foundations	Inspira Health Network Urgent Care, P.C.	Oak and Main Surgicenter, LLC	Inspira Health Management Corporation	Inspira Health Network Medical Group, P.C.	Inspira HomeCare & HospiceCare, Inc.	Inspira Health Network LIFE, Inc.	Inspira Deptford Healthpark, LLC	Juno	Red Bank Development Corporation	Inspira Care Connect, LLC	Inspira Health Partners, LLC	Consolidation Eliminations	Consolidated
Net Assets Without Donor Restrictions																
Revenue:																
Net patient service revenue	$ 720,029	$ -	$ -	$ 17,685	$ 1,083	$ 2,174	$ 42,698	$ (3)	$ 29,269	$ -	$ -	$ 41	$ -	$ -	$ (3,960)	$ 809,016
Stimulus grant revenue	51,103	-	-	301	112	37	993	-	-	-	-	-	-	-	-	52,546
Other revenue	24,372	3,262	700	24	(3)	6,066	6,467	1,939	57	-	8,668	998	-	1,810	(23,850)	30,510
Total revenue	795,504	3,262	700	18,010	1,192	8,277	50,158	1,936	29,326	-	8,668	1,039	-	1,810	(27,810)	892,072
Expenses:																
Salaries and wages	325,707	192	807	8,013	629	4,910	43,193	-	6,355	-	-	-	7	-	-	389,813
Employee benefits	85,907	62	257	1,348	148	1,448	7,477	-	2,021	-	-	-	1	-	-	98,669
Physician fees	34,369	-	-	1,610	118	213	2,496	-	386	-	-	-	-	-	(3,409)	35,783
Supplies and other expenses	223,873	853	504	7,770	679	2,288	15,919	1	18,275	33	5,378	587	94	17	(23,430)	252,841
Interest	18,079	238	-	-	-	-	-	-	-	-	-	101	-	-	-	18,418
Depreciation and amortization	74,876	15	33	744	35	335	1,429	-	271	-	-	257	-	-	-	77,995
Total expenses	762,811	1,360	1,601	19,485	1,609	9,194	70,514	1	27,308	33	5,378	945	102	17	(26,839)	873,519
Operating income (loss)	32,693	1,902	(901)	(1,475)	(417)	(917)	(20,356)	1,935	2,018	(33)	3,290	94	(102)	1,793	(971)	18,553
Nonoperating Gains (Losses), Net																
Interest and dividend income	17,317	258	897	-	-	-	-	-	-	-	973	-	-	-	-	19,445
Change in value of interest rate swap agreements	(908)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(908)
Net realized gains (losses) on sale of investments	12,692	111	1,661	-	-	-	(8)	-	-	-	284	-	-	-	-	14,740
Change in net unrealized gains and losses on investments	32,941	3,147	939	-	-	-	-	-	-	-	5,331	-	-	-	-	42,358
Excess (deficiency) of revenue and gains over expenses	94,735	5,418	2,596	(1,475)	(417)	(917)	(20,364)	1,935	2,018	(33)	9,878	94	(102)	1,793	(971)	94,188
Other changes in net assets without donor restrictions:																
Other	(25,789)	1,483	(6,391)	-	-	11,894	15,232	(1,219)	-	-	-	(257)	-	(1,763)	5,723	(1,087)
Pension liability adjustment	1,002	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,002
Net assets released from restriction for property and equipment	349	-	493	-	-	-	-	-	-	-	-	-	-	-	(114)	728
Increase (decrease) in net assets without donor restrictions	70,297	6,901	(3,302)	(1,475)	(417)	10,977	(5,132)	716	2,018	(33)	9,878	(163)	(102)	30	4,638	94,831
Net Assets Without Donor Restrictions																
Contributions	-	-	1,003	-	-	-	-	-	-	-	-	-	-	-	-	1,003
Change in beneficial interest in temporary trust	205	-	-	-	-	-	-	-	-	-	-	-	-	-	(114)	91
Net assets released from restriction	(483)	-	(501)	-	-	-	-	-	-	-	-	-	-	-	114	(870)
Investment income	-	-	130	-	-	-	-	-	-	-	-	-	-	-	-	130
Other	135	-	268	-	-	-	-	-	-	-	-	-	-	-	-	403
Change in beneficial interest in perpetual trusts	393	-	(163)	-	-	-	-	-	-	-	-	-	-	-	-	230
Increase in net assets with donor restrictions	250	-	737	-	-	-	-	-	-	-	-	-	-	-	-	987
Increase (decrease) in net assets	70,547	6,901	(2,565)	(1,475)	(417)	10,977	(5,132)	716	2,018	(33)	9,878	(163)	(102)	30	4,638	95,818
Net Assets (Deficit), Beginning	975,124	75,687	42,692	(11,481)	(392)	(13,502)	(10,820)	4,613	(7,683)	268	54,895	1,610	(350)	119	(50,047)	1,060,733
Net Assets (Deficit), Ending	$ 1,045,671	$ 82,588	$ 40,127	$ (12,956)	$ (809)	$ (2,525)	$ (15,952)	$ 5,329	$ (5,665)	$ 235	$ 64,773	$ 1,447	$ (452)	$ 149	$ (45,409)	$ 1,156,551

Inspira Health Network, Inc.

Consolidating Schedule, Balance Sheet
Year Ended December 31, 2019
(In Thousands)

	Inspira Medical Centers, Inc.	Inspira Health Network, Inc.	Inspira Network Foundations	Inspira Health Network Urgent Care, P.C.	Oak and Main Surgicenter, LLC	Inspira Health Management Corporation	Inspira Health Network Medical Group, P.C.	Inspira HomeCare & HospiceCare, Inc.	Inspira Health Network LIFE, Inc.	Inspira Deptford Healthpark, LLC	Juno	Red Bank Development Corporation	Inspira Care Connect, LLC	Inspira Health Partners, LLC	Consolidation Eliminations	Consolidation Consolidated
Assets																
Current Assets																
Cash and cash equivalents	$ 74,973	$ 413	$ 1,532	$ 1,397	$ 256	$ 769	$ 5,109	$ 912	$ 2,875	$ -	$ 12,441	$ 813	$ -	$ 137	$ -	$ 101,627
Assets limited as to use, externally designated	18,814	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,814
Patient accounts receivable, net	74,361	-	-	2,498	136	360	2,985	-	247	-	-	-	-	-	-	80,587
Supplies	7,390	-	-	-	-	56	-	-	-	-	-	109	-	-	-	7,555
Prepaid expenses and other current assets	21,674	171	101	405	34	355	3,792	-	88	-	2,298	6	-	-	(7,591)	21,333
Due from affiliated organizations	74,063	-	-	-	-	-	-	-	-	-	-	-	-	-	(74,063)	-
Total current assets	271,275	584	1,633	4,300	426	1,540	11,886	912	3,210	-	14,739	928	-	137	(81,654)	229,916
Assets Limited as to Use																
Internally designated by Board of Directors	621,644	48,710	27,040	-	-	-	-	-	-	-	65,245	-	-	-	-	762,639
Externally designated by donor	-	-	5,478	-	-	-	-	-	-	-	-	-	-	-	-	5,478
Externally designated under bond indenture agreements	26,245	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,245
Under interest rate swap agreements	8,007	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,007
	655,896	48,710	32,518	-	-	-	-	-	-	-	65,245	-	-	-	-	802,369
Investments in Subsidiaries	(392)	38,286	-	-	-	-	-	-	-	-	-	-	-	-	(37,894)	-
Investments in Partnerships	-	15	-	-	-	-	-	-	-	-	-	-	-	-	(15)	-
Property and Equipment, Net	785,854	4,159	810	6,489	161	1,933	4,321	-	476	5,495	-	3,684	-	-	-	813,382
Other Assets																
Pledges receivable, net	-	-	8,165	-	-	-	-	-	-	-	-	-	-	-	-	8,165
Investment in unconsolidated entities	13,278	-	-	-	-	-	-	3,715	-	-	-	-	-	-	(55)	16,938
Insurance recoveries receivable	19,260	-	-	-	-	-	-	-	-	-	2,085	-	-	-	(19,260)	2,085
Other assets	1,752	-	-	-	-	263	544	-	-	-	-	-	-	-	(16)	2,543
Operating lease right-of-use asset	6,096	119	-	3,674	-	163	7,155	-	828	-	-	-	-	-	(2,795)	15,240
Pension asset	4,334	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,334
	44,720	119	8,165	3,674	-	426	7,699	3,715	828	-	2,085	-	-	-	(22,126)	49,305
Beneficial Interest in Perpetual and Temporary Trusts	8,745	-	1,757	-	-	-	-	-	-	-	-	-	-	-	-	10,502
Beneficial Interest in Inspira Health Network Foundations	12,134	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,134)	-
Total assets	$ 1,778,232	$ 91,873	$ 44,883	$ 14,463	$ 587	$ 3,899	$ 23,906	$ 4,627	$ 4,514	$ 5,495	$ 82,069	$ 4,612	$ -	$ 137	$ (153,823)	$ 1,905,474
Liabilities and Net Assets																
Current Liabilities																
Accounts payable and accrued expenses	$ 102,599	$ 325	$ 172	$ 1,367	$ 139	$ 365	$ 4,876	$ -	$ 2,564	$ -	$ 7,591	$ 153	$ -	$ 18	$ (7,642)	$ 112,527
Construction accounts payable	18,058	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,058
Accrued salaries and payroll taxes	18,231	-	-	255	-	-	1,412	-	-	-	-	-	-	-	-	19,898
Accrued vacation and other employee benefits	21,621	-	-	295	-	-	-	-	-	-	-	-	-	-	-	21,916
Accrued interest payable	10,282	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,282
Due to affiliated organizations	-	1,463	515	-	-	-	-	-	8,617	5,227	-	435	350	-	(16,607)	-
Estimated settlements due to third-party payors	49,127	-	-	334	51	34	2,844	14	187	-	-	-	-	-	-	52,591
Current portion of operating lease obligations	1,650	67	-	501	-	50	1,198	-	517	-	-	-	-	-	(964)	3,019
Current installments of long-term debt	9,499	-	-	-	-	16	-	-	-	-	-	157	-	-	(16)	9,656
Total current liabilities	231,067	1,855	687	2,752	190	465	10,330	14	11,885	5,227	7,591	745	350	18	(25,229)	247,947
Due to Affiliated Organizations	-	-	1,504	19,934	789	16,820	18,409	-	-	-	-	-	-	-	(57,456)	-
Accrued Retirement Benefits	11,054	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,054
Interest Rate Swap Agreements	8,007	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,007
Estimated Settlements Due to Third-Party Payors	18,710	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,710
Operating Lease Obligations	4,665	53	-	3,258	-	116	5,987	-	312	-	-	-	-	-	(1,831)	12,560
Other Long-Term Liabilities	25,818	-	-	-	-	-	-	-	-	-	19,583	-	-	-	(19,260)	26,141
Long-Term Debt	503,787	14,278	-	-	-	-	-	-	-	-	-	2,257	-	-	-	520,322
Total liabilities	803,108	16,186	2,191	25,944	979	17,401	34,726	14	12,197	5,227	27,174	3,002	350	18	(103,776)	844,741
Net Assets																
Without donor restrictions	966,024	75,687	38,161	(11,481)	(392)	(13,502)	(10,820)	4,613	(7,683)	268	54,895	1,610	(350)	119	(50,047)	1,047,102
With donor restrictions	9,100	-	4,531	-	-	-	-	-	-	-	-	-	-	-	-	13,631
Total net assets	975,124	75,687	42,692	(11,481)	(392)	(13,502)	(10,820)	4,613	(7,683)	268	54,895	1,610	(350)	119	(50,047)	1,060,733
Total liabilities and net assets	$ 1,778,232	$ 91,873	$ 44,883	$ 14,463	$ 587	$ 3,899	$ 23,906	$ 4,627	$ 4,514	$ 5,495	$ 82,069	$ 4,612	$ -	$ 137	$ (153,823)	$ 1,905,474

Inspira Health Network, Inc.

Consolidating Schedule, Statement of Operations and Changes in Net Assets
Year Ended December 31, 2019
(In Thousands)

	Inspira Medical Centers, Inc.	Inspira Health Network, Inc.	Inspira Network Foundations	Inspira Health Network Urgent Care, P.C.	Oak and Main Surgicenter, LLC	Inspira Health Management Corporation	Inspira Health Network Medical Group, P.C.	Inspira HomeCare & HospiceCare, Inc.	Inspira Health Network LIFE, Inc.	Inspira Deptford Healthpark, LLC	Juno	Red Bank Development Corporation	Inspira Care Connect, LLC	Inspira Health Partners, LLC	Consolidation Eliminations	Consolidated
Net Assets Without Donor Restrictions																
Revenue:																
Net patient service revenue	$ 728,112	$ -	$ -	$ 14,581	$ 1,671	$ 1,772	$ 44,992	$ -	$ 28,155	$ -	$ -	$ 3,612	$ -	$ -	$ (4,372)	$ 818,523
Other revenue	23,715	3,226	1,072	51	28	7,671	6,297	1,263	285	409	8,060	1,387	-	2,760	(25,476)	30,748
Total revenue	751,827	3,226	1,072	14,632	1,699	9,443	51,289	1,263	28,440	409	8,060	4,999	-	2,760	(29,848)	849,271
Expenses:																
Salaries and wages	299,143	304	683	8,061	837	5,352	40,634	-	6,535	-	-	1,001	5	-	-	362,555
Employee benefits	87,080	97	213	1,802	171	1,606	6,943	-	2,056	-	-	200	-	-	-	100,168
Physician fees	34,895	-	-	2,263	70	542	1,866	-	290	-	-	56	-	-	(4,033)	35,949
Supplies and other expenses	200,259	999	797	7,247	618	2,407	15,307	-	19,071	49	6,467	3,521	29	18	(24,127)	232,662
Interest	7,839	444	-	-	-	2	-	-	-	-	-	148	-	-	(41)	8,392
Depreciation and amortization	49,687	27	29	791	36	383	635	-	188	-	-	278	-	-	-	52,054
Loss on disposal	3,284	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,284
Total expenses	682,187	1,871	1,722	20,164	1,732	10,292	65,385	-	28,140	49	6,467	5,204	34	18	(28,201)	795,064
Operating income (loss)	69,640	1,355	(650)	(5,532)	(33)	(849)	(14,096)	1,263	300	360	1,593	(205)	(34)	2,742	(1,647)	54,207
Nonoperating Gains (Losses), Net																
Interest and dividend income	16,205	486	575	-	-	-	-	-	-	-	1,091	-	-	-	(2)	18,355
Change in value of interest rate swap agreements	(1,211)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,211)
Net realized gains (losses) on sale of investments	505	-	1,308	-	-	-	-	-	-	-	-	-	-	-	-	1,813
Change in net unrealized gains and losses on investments	52,309	4,776	2,538	-	-	-	-	-	-	-	9,308	-	-	-	-	68,931
Excess (deficiency) of revenue and gains over expenses	137,448	6,617	3,771	(5,532)	(33)	(849)	(14,096)	1,263	300	360	11,992	(205)	(34)	2,742	(1,649)	142,095
Other changes in net assets without donor restrictions:																
Other	(4,833)	1,389	(90)	-	-	(193)	-	-	-	-	-	1,837	-	(2,701)	3,830	(761)
Pension liability adjustment	261	-	-	-	-	-	-	-	-	-	-	-	-	-	-	261
Net assets released from restriction for property and equipment	12,057	-	12,630	-	-	-	-	-	-	-	-	-	-	-	(12,049)	12,638
Net asset transfers	3,464	1,500	(4,698)	-	-	(12,000)	11,922	(1,500)	-	-	-	1,312	-	-	-	-
Increase (decrease) in net assets without donor restrictions	148,397	9,506	11,613	(5,532)	(33)	(13,042)	(2,174)	(237)	300	360	11,992	2,944	(34)	41	(9,868)	154,233
Net Assets Without Donor Restrictions																
Contributions	87	-	1,733	-	-	-	-	-	-	-	-	-	-	-	-	1,820
Change in beneficial interest in temporary trust	229	-	289	-	-	-	-	-	-	-	-	-	-	-	-	518
Net assets released from restriction	(12,063)	-	(12,630)	-	-	-	-	-	-	-	-	-	-	-	12,049	(12,644)
Investment income	-	-	573	-	-	-	-	-	-	-	-	-	-	-	-	573
Other	949	-	(99)	-	-	-	-	-	-	-	-	-	-	-	(1,032)	(182)
Change in beneficial interest in perpetual trusts	451	-	62	-	-	-	-	-	-	-	-	-	-	-	-	513
Increase in net assets with donor restrictions	(10,347)	-	(10,072)	-	-	-	-	-	-	-	-	-	-	-	11,017	(9,402)
Increase (decrease) in net assets	138,050	9,506	1,541	(5,532)	(33)	(13,042)	(2,174)	(237)	300	360	11,992	2,944	(34)	41	1,149	144,831
Net Assets (Deficit), Beginning	837,074	66,181	41,151	(5,949)	(359)	(460)	(8,646)	4,850	(7,983)	(92)	42,903	(1,334)	(316)	78	(51,196)	915,902
Net Assets (Deficit), Ending	$ 975,124	$ 75,687	$ 42,692	$ (11,481)	$ (392)	$ (13,502)	$ (10,820)	$ 4,613	$ (7,683)	$ 268	$ 54,895	$ 1,610	$ (350)	$ 119	$ (50,047)	$ 1,060,733