



## **THE NEMOURS FOUNDATION AND SUBSIDIARIES**

Combined Financial Statements and Supplementary Information  
and Reports Required by Title 2 U.S. Code of Federal Regulations  
Part 200, *Uniform Administrative Requirements, Cost Principles and  
Audit Requirements for Federal Awards*

December 31, 2021

(With Independent Auditors' Reports Thereon)

## THE NEMOURS FOUNDATION AND SUBSIDIARIES

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## Independent Auditors' Report

The Board of Directors  
The Nemours Foundation:

### *Opinion*

We have audited the combined financial statements of The Nemours Foundation and its subsidiaries (Nemours), which comprise the combined balance sheets as of December 31, 2021 and 2020, and the related combined statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of Nemours as of December 31, 2021 and 2020, and the results of its operations, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of Nemours and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Combined Financial Statements*

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

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

### *Auditors' Responsibilities for the Audit of the Combined Financial Statements*

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



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Nemours' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nemours' ability to continue as a going concern for a reasonable period of time.

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

*Supplementary Information*

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

*KPMG LLP*

Jacksonville, Florida  
April 14, 2022

**THE NEMOURS FOUNDATION AND SUBSIDIARIES**

Combined Balance Sheets

December 31, 2021 and 2020

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current assets:		
Cash and cash equivalents	\$ 432,491,150	350,727,700
Short-term investments	43,541,480	53,143,450
Patient accounts receivable	258,522,439	151,876,134
Supplies	7,897,708	6,189,118
Prepaid expenses and other current assets	<u>46,357,663</u>	<u>42,034,848</u>
Total current assets	<u>788,810,440</u>	<u>603,971,250</u>
Investments	175,879,230	121,195,731
Assets whose use is limited:		
Internally designated for self-insurance reserves	95,790,277	89,504,574
Internally designated for future Delaware operations	34,627,401	25,585,229
Other designated	<u>93,401,511</u>	<u>78,111,581</u>
	<u>223,819,189</u>	<u>193,201,384</u>
Restricted assets:		
Cash	15,836,170	15,938,276
Investments	277,728,506	247,772,870
Pledges receivable, net	13,384,710	11,454,084
Other assets	<u>217,319</u>	<u>214,819</u>
	<u>307,166,705</u>	<u>275,380,049</u>
Property and equipment:		
Land and land improvements	110,635,515	111,767,518
Buildings and leasehold improvements	924,976,055	968,417,372
Equipment	<u>955,077,928</u>	<u>893,831,224</u>
	1,990,689,498	1,974,016,114
Less accumulated depreciation and amortization	<u>(959,225,255)</u>	<u>(967,826,274)</u>
	1,031,464,243	1,006,189,840
Construction in progress	<u>12,298,416</u>	<u>73,616,051</u>
Net property and equipment	<u>1,043,762,659</u>	<u>1,079,805,891</u>
Operating lease right-of-use assets	71,315,502	79,435,950
Other assets	4,262,030	4,556,198
Inexhaustible assets	<u>3,386,733</u>	<u>3,386,733</u>
Total assets	<u>\$ 2,618,402,488</u>	<u>2,360,933,186</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 81,680,641	50,991,450
Accrued compensation and benefits	194,568,625	181,207,050
Current portion of self-insurance reserves	10,283,390	11,654,000
Current portion of long-term debt	10,930,000	10,740,000
Current portion of obligations under operating leases	16,485,907	16,143,983
Deferred revenue	<u>8,376,023</u>	<u>9,155,237</u>
Total current liabilities	322,324,586	279,891,720
Self-insurance reserves, less current portion	86,010,416	80,771,635
Operating lease liabilities, less current portion	58,177,308	67,541,445
Long-term debt, less current portion	332,089,684	342,978,250
Liabilities for pension benefits	<u>259,796,339</u>	<u>315,352,376</u>
Total liabilities	<u>1,058,398,333</u>	<u>1,086,535,426</u>
Net assets:		
Without donor restrictions	1,250,467,703	996,647,964
With donor restrictions	<u>309,536,452</u>	<u>277,749,796</u>
Total net assets	1,560,004,155	1,274,397,760
Commitments and contingencies		
Total liabilities and net assets	<u>\$ 2,618,402,488</u>	<u>2,360,933,186</u>

See accompanying notes to combined financial statements.

**THE NEMOURS FOUNDATION AND SUBSIDIARIES**

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

Years ended December 31, 2021 and 2020

	<b>2021</b>	<b>2020</b>
Revenues and other support:		
Net patient service revenue	\$ 1,365,416,781	1,094,171,650
Distribution from the Alfred I. duPont Charitable Trust	245,073,702	197,655,344
Net assets released from restrictions used for operations	10,430,918	9,643,703
Investment return, net	8,128,168	16,200,162
Contracted services revenue	58,599,573	57,780,724
Grant and contribution revenue	14,968,454	12,065,044
Other income	36,696,577	96,495,786
Total revenues and other support	1,739,314,173	1,484,012,413
Operating expenses:		
Salaries and benefits	988,764,414	970,225,617
Professional fees	42,451,921	40,126,538
Supplies	165,885,409	151,874,041
Repairs and maintenance	37,015,456	35,981,119
Purchased services	67,498,104	60,490,406
Depreciation and amortization	97,100,601	89,333,239
Rent and lease expense	24,024,032	23,063,963
Utilities and telephone	18,802,111	18,952,744
Insurance	25,202,452	26,397,297
Interest	7,305,610	8,377,357
Advertising	9,807,676	4,742,829
Other	40,061,955	17,404,720
Total operating expenses	1,523,919,741	1,446,969,870
Operating income	215,394,432	37,042,543
Nonoperating gains, net:		
Other components of net periodic pension benefit	8,470,617	5,413,883
Excess of revenues and gains over expenses	223,865,049	42,456,426
Net assets released from restrictions used for capital purchases	2,869,270	2,787,320
Pension-related changes other than net periodic pension benefit	27,085,420	(83,227,978)
Change in net assets without donor restrictions	\$ 253,819,739	(37,984,232)

See accompanying notes to combined financial statements.

**THE NEMOURS FOUNDATION AND SUBSIDIARIES**

Combined Statements of Changes in Net Assets

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Excess of revenues and gains over expenses	\$ 223,865,049	42,456,426
Net assets released from restrictions used for capital purchases	2,869,270	2,787,320
Pension-related changes other than net periodic pension benefit	<u>27,085,420</u>	<u>(83,227,978)</u>
Change in net assets without donor restrictions	<u>253,819,739</u>	<u>(37,984,232)</u>
Net assets with donor restrictions:		
Net assets released from restrictions used for operations	(10,430,918)	(9,643,703)
Net assets released from restrictions used for capital purchases	(2,869,270)	(2,787,320)
Investment return, net	35,895,071	22,483,877
Contributions	<u>9,191,773</u>	<u>15,306,388</u>
Increase net assets with donor restrictions	<u>31,786,656</u>	<u>25,359,242</u>
Change in net assets	285,606,395	(12,624,990)
Net assets, beginning of year	<u>1,274,397,760</u>	<u>1,287,022,750</u>
Net assets, end of year	\$ <u>1,560,004,155</u>	\$ <u>1,274,397,760</u>

See accompanying notes to combined financial statements.

**THE NEMOURS FOUNDATION AND SUBSIDIARIES**

Combined Statements of Cash Flows

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 285,606,395	(12,624,990)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	97,100,601	89,333,239
Debt issue costs amortization	41,434	41,434
Pension-related changes other than net periodic pension cost	(27,085,420)	83,227,978
Net realized and unrealized gains on investments	(38,259,543)	(31,397,066)
Net loss on disposal of property and equipment	2,024,317	422,840
Restricted contributions	(9,191,773)	(15,306,388)
(Increase) decrease in patient accounts receivable	(106,646,305)	14,387,981
(Increase) decrease in supplies	(1,708,590)	228,245
(Increase) decrease in prepaid expenses and other assets	(4,028,647)	1,785,529
Increase in restricted pledges receivable, net	(1,930,626)	(8,572,304)
Decrease (increase) in prepaid operating leases	12,451	(1,707,289)
Decrease in deferred rent	(914,216)	(338,366)
Increase in accounts payable and accrued expenses	30,005,182	4,752,536
Increase in accrued compensation and benefits	13,361,575	38,566,499
(Decrease) increase in deferred revenue	(779,214)	4,844,809
Increase in self-insurance reserves	3,868,171	7,632,438
Decrease in liabilities for pension benefits	<u>(28,470,617)</u>	<u>(25,413,883)</u>
Net cash provided by operating activities	<u>213,005,175</u>	<u>149,863,242</u>
Cash flows from investing activities:		
Purchases of property and equipment, net	(62,455,528)	(117,493,113)
Sales of investments	238,037,370	211,807,716
Purchases of investments	(296,220,568)	(239,760,799)
Increase in other restricted assets	(2,500)	(13,494)
Proceeds from sale of property and equipment	<u>57,851</u>	<u>4,043</u>
Net cash used in investing activities	<u>(120,583,375)</u>	<u>(145,455,647)</u>
Cash flows from financing activities:		
Repayments of long-term debt	(10,740,000)	(10,115,000)
Proceeds from restricted contributions	<u>9,191,773</u>	<u>15,306,388</u>
Net cash (used in) provided by financing activities	<u>(1,548,227)</u>	<u>5,191,388</u>
Net increase in cash, cash equivalents and restricted cash	90,873,573	9,598,983
Cash, cash equivalents and restricted cash at beginning of year	<u>392,600,707</u>	<u>383,001,724</u>
Cash, cash equivalents and restricted cash at end of year	\$ <u>483,474,280</u>	\$ <u>392,600,707</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 6,768,015	8,285,682
Construction in progress in accounts payable	8,723,961	8,039,952
Amortization of operating lease right-of-use asset	15,920,519	14,780,877
Operating lease right-of-use asset noncash additions	6,898,306	11,288,749

See accompanying notes to combined financial statements.

## THE NEMOURS FOUNDATION AND SUBSIDIARIES

Notes to Combined Financial Statements

December 31, 2021 and 2020

### (1) Organization

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

Nemours primarily operates in the Delaware Valley and Florida.

Nemours Delaware Valley operations include the Estate and the following:

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

Nemours Florida operations include the following:

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

Nemours Children's Health, Delaware Valley, Nemours Children's Health, Florida and Nemours New Jersey Physician Practices, P.C. are collectively referred to as the Clinics.

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

## THE NEMOURS FOUNDATION AND SUBSIDIARIES

Notes to Combined Financial Statements

December 31, 2021 and 2020

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

As provided in the Will, Nemours receives income from the Alfred I. duPont Charitable Trust (the Trust) for use in the performance of the above-described activities. The trustees of the Trust are the Members of Nemours. During 2021 and 2020, Nemours received distributions from the Trust amounting to \$245,073,702 and \$197,655,344, respectively, which Nemours recognized as revenues and other support without donor restrictions in the accompanying combined statements of operations and changes in net assets without donor restrictions. Additionally, the Trust provides investment management services with respect to the highly diversified Nemours investment portfolio.

### (2) Significant Accounting Policies

#### (a) Principles of Combination

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

#### (b) Basis of Presentation

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

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

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

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

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

## THE NEMOURS FOUNDATION AND SUBSIDIARIES

Notes to Combined Financial Statements

December 31, 2021 and 2020

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

### **(c) Use of Estimates**

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

### **(d) Cash, Cash Equivalents and Restricted Cash**

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

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

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

	<b>2021</b>	<b>2020</b>
Current assets:		
Cash and cash equivalents	\$ 432,491,150	350,727,700
Assets whose use is limited:		
Internally designated for self-insurance reserves	88,065	32,823
Internally designated for future Delaware operations	34,627,401	25,585,229
Other designated	431,494	316,679
Restricted assets:		
Restricted cash	15,836,170	15,938,276
	\$ 483,474,280	392,600,707

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

## THE NEMOURS FOUNDATION AND SUBSIDIARIES

Notes to Combined Financial Statements

December 31, 2021 and 2020

### **(e) Investments**

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

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

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

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

### **(f) Supplies**

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

### **(g) Assets Whose Use is Limited**

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

### **(h) Debt Issue Costs**

Debt issue costs, net of accumulated amortization of approximately \$324,000 and \$283,000, were approximately \$766,000 and \$807,000 at December 31, 2021 and 2020, respectively, and are included as a direct deduction from the carrying amount of debt liabilities. Debt issue costs are being amortized using the straight-line method over the life of the related debt, which approximates the effective-interest method. Amortization of debt issue costs is included in interest expense in the combined statements of operations and changes in net assets without donor restrictions.

## THE NEMOURS FOUNDATION AND SUBSIDIARIES

Notes to Combined Financial Statements

December 31, 2021 and 2020

### **(i) Property and Equipment**

Property and equipment have been recorded at historical cost at the date of acquisition or fair value at the date of donation. Major asset classifications and useful lives are generally in accordance with those recommended by the American Hospital Association and range from 3 to 40 years. The straight-line method of computing depreciation is used for all depreciable assets. Depreciation expense was approximately \$96,749,000 and \$88,984,000 for the years ended December 31, 2021 and 2020, respectively, and is included in depreciation and amortization expense in the accompanying combined statements of operations and changes in net assets without donor restrictions.

### **(j) Leases**

Nemours accounts for leases in accordance with Accounting Standards Codification (ASC) Topic 842, *Leases* (ASC 842) (see Note 13).

Nemours is a lessee of noncancellable operating leases, primarily for office space and equipment. Nemours determines if an arrangement is a lease at the inception of a contract and determines the lease term by assuming exercise of renewal options that are reasonably certain. The implicit interest rate or incremental borrowing rate for the related term is used to discount the lease payments based on information available at lease commencement. Generally, Nemours uses the incremental borrowing rate, updated quarterly, as the discount rate for the lease. Nemours recognizes a right of use (ROU) asset and a lease liability at commencement using the present value of lease payments.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received. For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight line basis over the lease term.

Nemours has elected to not recognize ROU assets and lease liabilities for short term leases. Nemours recognizes short term lease payments on a straight line basis over the lease term.

Nemours has elected to exclude the non lease components from ROU assets and liabilities. Nemours' lease contracts generally include both base rent and non lease components such as equipment maintenance, property taxes or common area maintenance.

### **(k) Inexhaustible Assets**

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

### **(l) Grant and Contribution Revenue**

Grants for basic research and other sponsored programs are generally subject to restrictions and conditions that must be met before Nemours is entitled to funding. Accordingly, advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. Nemours recognizes revenues on grants for basic research and other sponsored programs

## THE NEMOURS FOUNDATION AND SUBSIDIARIES

Notes to Combined Financial Statements

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as the awards for such programs are expended, since expenditures in accordance with award terms typically result in the simultaneous release of restrictions and conditions imposed by the grantor. Revenue from exchange contracts for applied research is recognized as Nemours' contractual performance obligations are substantially met. Indirect cost recovery by Nemours on U.S. government grants and contracts is based upon a predetermined negotiated rate and is recorded as grant and contribution revenue.

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

### ***(m) Contracted Services Revenue***

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

### ***(n) Other Income***

Other income comes from multiple sources. Nemours received approximately \$62,280,000 in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding for the year ended December 31, 2020. No additional CARES Act funding was received for the year ended December 31, 2021 (see Note 15(e)). Amounts are recognized as revenue when there is reasonable assurance that the terms and conditions associated with the distributions have been met.

### ***(o) Performance Indicator***

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

### ***(p) Community Benefit***

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

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

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

- Community health improvement services focused on leadership and programs dealing with not just healthcare, but also children's health promotion and disease prevention.

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- Education for healthcare professionals centered on training the next generation of pediatric specialists as well as supporting continuing medical education.
- Research services to improve children's lives through the power of discovery. Nemours continues to integrate research findings at the bedside and exam room where they have the greatest impact on children.

Nemours community benefits at cost for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Charity care:		
Financial assistance	\$ 17,973,509	12,302,333
Unreimbursed Medicaid	97,624,187	162,414,958
Net unreimbursed financial assistance	115,597,696	174,717,291
Other community benefits:		
Community health improvement services	19,048,760	18,895,892
Education for healthcare professionals	2,820,878	2,281,445
Research	29,278,249	26,965,238
Donations	2,099,435	1,172,641
Total other benefits	53,247,322	49,315,216
Total community benefits	\$ 168,845,018	224,032,507

The cost of net unreimbursed financial assistance provided was determined by applying Nemours overall patient care cost to charge ratio to total charges. Cost of the other community benefits represents actual expenses incurred net of any related revenue earned for providing such services. The methodology for calculating charity care includes the impact of charity care adjustments based on a post-visit analysis of guarantor income limits.

#### **(q) Income Taxes**

Nemours, NJPP, PMSI, DCHN, and Cruden are exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), and are also exempt from state income taxes. Dornoch is exempted through 2042 from all local income, profit or capital gains taxes under the Cayman Islands Tax Concessions Law. Management believes that the unrelated business income generated by Nemours is not material to the combined financial statements.

#### **(r) Impairment of Long-Lived Assets**

Management regularly evaluates whether events or changes in circumstances have occurred that could indicate impairment of the value of long-lived assets. In accordance with the provisions of Financial Accounting Standards Board (FASB) ASC Topic 360, *Property, Plant, and Equipment*, if there is an indication that the carrying amount of an asset is not recoverable, Nemours estimates the projected undiscounted cash flows, excluding interest, to determine if an impairment loss should be

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recognized. The amount of impairment loss, if any, is determined by comparing the historical carrying value of the asset to its estimated fair value. Nemours did not record any impairment losses for the years ended December 31, 2021 and 2020.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the estimated remaining useful lives of its long-lived assets. If management revises estimates, the carrying value of affected assets is depreciated or amortized over the newly determined remaining lives. Nemours evaluated the estimated useful lives of its long-lived assets and determined no adjustment was needed for the years ended December 31, 2021 and 2020.

#### **(s) Pledges Receivable**

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

#### **(t) Fair Value Measurements**

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

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

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

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

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The carrying amounts of all applicable financial instruments (excluding long-term debt) reported in the accompanying combined balance sheets approximate their estimated fair values at December 31, 2021 and 2020.

#### **(u) Goodwill**

Goodwill has resulted from the acquisition of various healthcare businesses. Goodwill, net of accumulated amortization of approximately \$711,000 and \$359,000, was approximately \$2,841,000 and \$3,138,000 at December 31, 2021 and 2020, respectively, and is included in other assets in the combined balance sheets. Goodwill is being amortized using the straight-line method. Amortization of goodwill is included in depreciation and amortization expense in the combined statements of operations and changes in net assets without donor restrictions. Nemours reviews goodwill for impairment at least annually or whenever events or circumstances indicate that the carrying value may not be recoverable in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 350, *Accounting for Intangibles – Goodwill and Other*. The annual impairment test was completed, and it was determined that no impairment existed at December 31, 2021.

#### **(v) New Accounting Pronouncements**

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

ASU 2018-14 was effective for Nemours for its annual period ending December 31, 2021. The adoption of ASU 2018-14 did not have a material effect on its combined financial statements.

#### **(w) Reclassifications**

Certain reclassifications are reflected in the 2020 combined financial statements to conform to the 2021 presentation.

### **(3) Net Patient Service Revenue**

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

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

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

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

Nemours records subsequent changes to the estimate of the transaction price as adjustments to net patient service revenue in the period of the change. For the years ended December 31, 2021 and 2020, changes in Nemours estimates of expected payments for performance obligations satisfied in prior years were not significant. Portfolio collection estimates are updated annually based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay (determined on a portfolio basis when applicable) are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2021 and 2020 was not significant.

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

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The 2021 and 2020 net patient service revenue disaggregated by payor comprises the following:

	<b>2021</b>	<b>2020</b>
Payor:		
Managed care	\$ 657,474,212	550,909,508
Medicaid – managed care	588,536,015	438,503,189
Medicaid – traditional	55,311,914	53,301,184
Other	64,094,640	51,457,769
Total	\$ 1,365,416,781	1,094,171,650

The 2021 and 2020 net patient service revenue, disaggregated by region, line of business and timing comprises the following:

	<b>2021</b>		
	<b>Total</b>	<b>Delaware Valley</b>	<b>Florida</b>
Service lines:			
Hospital	\$ 877,345,522	630,087,987	247,257,535
Physician services	482,397,929	252,670,543	229,727,386
Research	3,381,777	3,381,777	—
Senior care	592,440	592,440	—
Other	1,699,113	1,123,811	575,302
Total	\$ 1,365,416,781	887,856,558	477,560,223

Timing of revenue recognition:

Date of service	\$ 1,365,416,781	887,856,558	477,560,223
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	<b>2020</b>		
	<b>Total</b>	<b>Delaware Valley</b>	<b>Florida</b>
Service lines:			
Hospital	\$ 692,837,443	521,749,557	171,087,886
Physician services	396,711,510	213,316,305	183,395,205
Research	2,972,107	2,972,107	—
Senior care	545,668	545,668	—
Other	1,104,922	546,560	558,362
Total	\$ 1,094,171,650	739,130,197	355,041,453

Timing of revenue recognition:

Date of service	\$ 1,094,171,650	739,130,197	355,041,453
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### Notes to Combined Financial Statements

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The 2021 and 2020 net patient service revenue, disaggregated by Nemours subsidiary comprises the following:

	<b>2021</b>		
	<b>Total</b>	<b>Delaware Valley</b>	<b>Florida</b>
The Nemours Foundation (including PMSI)	\$ 31,526,469	4,505,588	27,020,881
Nemours Children's Hospital, Delaware	630,087,987	630,087,987	—
Nemours Children's Clinics	455,952,350	252,670,543	203,281,807
Nemours SeniorCare	592,440	592,440	—
Nemours Children's Hospital, Florida	247,257,535	—	247,257,535
<b>Total</b>	<b>\$ 1,365,416,781</b>	<b>887,856,558</b>	<b>477,560,223</b>

  

	<b>2020</b>		
	<b>Total</b>	<b>Delaware Valley</b>	<b>Florida</b>
The Nemours Foundation (including PMSI)	\$ 24,645,627	3,518,667	21,126,960
Nemours Children's Hospital, Delaware	521,749,557	521,749,557	—
Nemours Children's Clinics	376,142,912	213,316,305	162,826,607
Nemours SeniorCare	545,668	545,668	—
Nemours Children's Hospital, Florida	171,087,886	—	171,087,886
<b>Total</b>	<b>\$ 1,094,171,650</b>	<b>739,130,197</b>	<b>355,041,453</b>

Nemours does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to Nemours' expectation that the period of time between the service being provided and billing will be one year or less. However, Nemours does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed significant to the contract. As of December 31, 2021 and 2020, patient accounts receivable was approximately \$258,522,000 and \$151,876,000, respectively.

Nemours considers settlements with third-party payors (see description of third-party payor payment programs below) for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and Nemours historical settlement activity (for example, cost report final settlements or repayments related to recovery audits), including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are determined through an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are

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settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant for the years ended December 31, 2021 and 2020.

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

#### *Medicaid*

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

Medicaid is a significant payor for NCH-FL. Florida Medicaid reimburses for inpatient services based on APR-DRG groupings and outpatient services based on the Enhanced Ambulatory Patient Group (EAPG) system. This EAPG classification system was developed by 3M and financially customized for the state of Florida. This is a prospective payment system. NCH-FL receives Florida Medicaid DSH payments. These payments are largely based on Medicaid inpatient utilization. The Florida Medicaid DSH payment calculation does not utilize the reimbursable costs in the cost report. Agency for Health Care Administration (AHCA) prepares an annual calculation for DSH relating to the Specialty Children's Hospitals which allocates total DSH allotted to those combined hospitals to each of the three Specialty Children's Hospitals in the State of Florida.

Nemours, specifically NCH-FL, participated in the Directed Payment Program, a new Medicaid program enhancing payments to hospital providers and recognized approximately \$54,298,000 which has been included in patient accounts receivable and net patient service revenue and a mitigation payment liability of approximately \$14,374,000 which is included in accounts payable and accrued expenses and other operating expenses in the accompanying combined balance sheets and statements of operations and changes in net assets without donor restrictions as of and for the year ended December 31, 2021. To participate in the program, NCH-FL was also required to pay a tax of approximately \$3,953,000 during the year ended December 31, 2021 which was recorded as an other operating expense.

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

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

## THE NEMOURS FOUNDATION AND SUBSIDIARIES

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

### *Other Payors*

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

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

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

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

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

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Nemours summarized unrestricted investments, assets whose use is limited (AWUL) and restricted investments, at December 31, 2021 and 2020 as follows:

		<b>2021</b>			
		<u>Total</u>	<u>Unrestricted</u>	<u>AWUL</u>	<u>Restricted</u>
Cash and cash equivalents	\$	65,571,313	1,789,846	52,837,592	10,943,875
Mutual funds		51,332,054	—	51,332,054	—
Fixed income		196,058,851	116,153,070	64,765,471	15,140,310
Equity securities		34,334,562	357,120	19,003,671	14,973,771
Commingled funds		224,898,256	100,610,370	16,362,076	107,925,810
Hedge funds		55,460,894	—	7,301,237	48,159,657
Private equity		51,345,832	—	6,759,504	44,586,328
Real assets		22,492,606	—	2,961,075	19,531,531
Distressed debt and specialty finance		18,879,390	—	2,485,407	16,393,983
Interest receivable		594,647	510,304	11,102	73,241
	\$	<u>720,968,405</u>	<u>219,420,710</u>	<u>223,819,189</u>	<u>277,728,506</u>

		<b>2020</b>			
		<u>Total</u>	<u>Unrestricted</u>	<u>AWUL</u>	<u>Restricted</u>
Cash and cash equivalents	\$	57,519,177	1,499,009	48,317,789	7,702,379
Mutual funds		39,920,138	—	39,920,138	—
Fixed income		190,197,423	117,823,290	56,457,939	15,916,194
Equity securities		38,527,864	9,137,238	15,844,979	13,545,647
Commingled Funds		158,104,537	45,260,808	15,076,589	97,767,140
Hedge funds		62,354,527	—	8,330,933	54,023,594
Private equity		33,059,939	—	4,417,003	28,642,936
Real assets		18,304,357	—	2,445,570	15,858,787
Distressed debt and specialty finance		16,450,751	—	2,197,917	14,252,834
Interest receivable		874,722	618,836	192,527	63,359
	\$	<u>615,313,435</u>	<u>174,339,181</u>	<u>193,201,384</u>	<u>247,772,870</u>

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Investment return on assets whose use is limited, cash and cash equivalents, and investments comprise the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Investment return:		
Interest and dividend income	\$ 4,681,613	6,448,721
Realized gains on sales of securities	2,762,493	4,771,231
Net unrealized gains on investments	1,069,716	5,363,249
Less investment related expenses	<u>(385,654)</u>	<u>(383,039)</u>
	<u>\$ 8,128,168</u>	<u>16,200,162</u>
Net assets with donor restrictions:		
Investment return:		
Interest and dividend income	\$ 1,673,284	1,396,456
Realized gains on sales of securities	19,479,158	8,022,833
Net unrealized gains on investments	14,948,176	13,239,753
Less investment related expenses	<u>(205,547)</u>	<u>(175,165)</u>
	<u>\$ 35,895,071</u>	<u>22,483,877</u>

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**(5) Fair Value Measurements**

The tables below summarize the fair values of Nemours' investments, assets whose use is limited and restricted investments as of December 31, 2021 and 2020:

	Fair value measurements at reporting date using				
	2021	Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Investments measured at NAV
Cash and cash equivalents	\$ 65,571,313	65,571,313	—	—	—
Mutual funds	51,332,054	51,332,054	—	—	—
Investments in securities:					
Fixed income:					
U.S. Treasury bills, notes, and bonds	74,535,895	—	74,535,895	—	—
U.S. government agencies	2,277,422	—	2,277,422	—	—
Municipal bonds and notes	794,062	—	794,062	—	—
Asset-backed securities	7,162,384	—	7,162,384	—	—
Corporate bonds and notes	62,187,247	—	62,187,247	—	—
U.S. government mortgage obligations	49,101,841	—	49,101,841	—	—
Equity securities	34,334,562	34,334,562	—	—	—
Investments in Partnerships:					
Commingled funds	224,898,256	—	62,948,620	—	161,949,636
Hedge funds (absolute return)	55,460,894	—	—	—	55,460,894
Private equity	51,345,832	—	—	—	51,345,832
Real asset	22,492,606	—	—	—	22,492,606
Distressed debt and specialty finance	18,879,390	—	—	—	18,879,390
Interest receivable	594,647	594,647	—	—	—
<b>Total</b>	<b>\$ 720,968,405</b>	<b>151,832,576</b>	<b>259,007,471</b>	<b>—</b>	<b>310,128,358</b>

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	Fair value measurements at reporting date using				
	2020	Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Investments measured at NAV
Cash and cash equivalents	\$ 57,519,177	57,519,177	—	—	—
Mutual funds	39,920,138	39,920,138	—	—	—
Investments in securities:					
Fixed income:					
U.S. Treasury bills, notes, and bonds	43,947,555	—	43,947,555	—	—
U.S. government agencies	3,076,044	—	3,076,044	—	—
Municipal bonds and notes	995,078	—	995,078	—	—
Asset-backed securities	7,460,694	—	7,460,694	—	—
Corporate bonds and notes	65,795,098	—	65,795,098	—	—
U.S. government mortgage obligations	68,922,954	—	68,922,954	—	—
Equity securities	38,527,864	38,527,864	—	—	—
Investments in Partnerships:					
Commingled funds	158,104,537	—	55,370,065	—	102,734,472
Hedge funds (absolute return)	62,354,527	—	—	—	62,354,527
Private equity	33,059,939	—	—	—	33,059,939
Real asset	18,304,357	—	—	—	18,304,357
Distressed debt and specialty finance	16,450,751	—	—	—	16,450,751
Interest receivable	874,722	874,722	—	—	—
<b>Total</b>	<b>\$ 615,313,435</b>	<b>136,841,901</b>	<b>245,567,488</b>	<b>—</b>	<b>232,904,046</b>

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

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

Nemours had no Level 3 assets as of December 31, 2021 and 2020.

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

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

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Nemours estimated the fair values of the following investments using the net asset value per share of the investments as a practical expedient for fair value as of December 31, 2021:

	<u>Strategy</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>	<u>Redemption restrictions</u>
Commingled funds	Global equities funds, primarily long only and emerging market debt	\$ 161,949,636	3,350,000	Range from monthly to annually	Range from 4 to 90 days	3% by value (4 funds) are locked up as of December 31, 2021. No other redemption restrictions.
Hedge funds	Global equities and fixed income fund in market neutral strategies	55,460,894	1,650,776	Range from quarterly to annually	Range from 60 to 90 days	11% by value (2 funds) is a Private structure fund and not eligible for redemption. 6% by value (1 fund) is locked up as December 31, 2021.
Private equity	Venture capital and buyout in the United States and international	51,345,832	27,443,163	Not eligible for redemption	Not eligible for redemption	Not eligible for redemption.
Real assets	Real estate, energy, natural resources/ commodities, and timberland in the United States and international	22,492,606	14,231,356	Quarterly	Range from 45 to 60 days	63% by value are private structure funds not eligible for redemption.
Distressed debt and specialty finance	Distressed asset funds, middle market debt, royalties, and equity investments	18,879,390	4,365,511	Range from quarterly to annually	Range from 90 to 180 days	46% by value are private structure funds not eligible for redemption.
		<u>\$ 310,128,358</u>	<u>51,040,806</u>			

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

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

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#### (6) Long-Term Debt

On October 15, 2009, the Orange County Health Facilities Authority (Florida Authority) issued \$167,035,000 in tax exempt, fixed-rate bonds (Series 2009A bonds), \$100,000,000 in tax-exempt, variable-rate demand bonds (Series 2009B bonds), \$25,555,000 in tax-exempt, variable-rate demand bonds (Series 2009C1 bonds), and \$24,445,000 in tax-exempt, variable-rate demand bonds (Series 2009C2 bonds), collectively referred to as the Series 2009 bonds. The Series 2009 bonds were issued for the purpose of providing funds, which, together with other available funds, were used (a) to finance a portion of the cost of the acquisition, construction, installation, and equipping of NCH-FL and the outpatient clinic to be owned and operated by Nemours, and related facilities, equipment, fixtures, and furnishings, to be located in Orange County, Florida; (b) with respect to the Series 2009C2 bonds, to refund Jacksonville Health Facilities Authority Series 2007 Bonds issued for the benefit of Nemours; and (c) to pay certain expenses of issuing the Series 2009 bonds.

The Series 2009B bonds mature in various years beginning January 1, 2013 through January 1, 2039. Interest rates reset weekly. The interest rate was 0.09% at both December 31, 2021 and 2020. The Series 2009B bonds are supported by an irrevocable direct pay letter of credit issued by The Northern Trust Company to provide security for the payment of the principal amount, and premium, if any, plus accrued unpaid interest through May 31, 2024.

The Series 2009C1 bonds mature in various years beginning January 1, 2013 through January 1, 2039. Interest rates reset weekly. The interest rate was 0.09% at both December 31, 2021 and 2020.

The Series 2009C2 bonds mature in various years beginning January 1, 2010 through January 1, 2037. Interest rates reset weekly. The interest rate was 0.09% at both December 31, 2021 and 2020.

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

On June 10, 2015, Nemours executed a Master Loan Agreement with Century Bank and Trust for a \$44,000,000 Loan Note Series 2015-1 (Series 2015-1 note). Proceeds from the Series 2015-1 note were used to finance various capital and improvement projects. Amounts outstanding under the Series 2015-1 note bear a variable interest rate of LIBOR plus 50 basis points (0.60% and 0.65% as of December 31, 2021 and 2020, respectively). The notes are payable in equal annual installments, commencing January 1, 2036 through January 1, 2045.

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

On October 5, 2018, Nemours entered into a legal defeasance of the Florida Authority Series 2009A bonds in the amount of \$151,080,000. At the same time, the Florida Authority issued \$152,105,000 in tax-exempt, fixed rate revenue bonds (Series 2018 bonds). The proceeds from the Series 2018 bonds along with a deposit from Nemours of \$4,702,618 were placed into a separate irrevocable trust fund to provide for future

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debt service payments of the defeased debt. Accordingly, the trust account asset and liability of the defeased bonds are not included in the accompanying combined financial statements.

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

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

Long-term debt consists of the following at December 31, 2021 and 2020:

	2021	2020
Orange County Health Facilities Authority Revenue Bonds:		
The Nemours Foundation Project, Series 2009B	\$ 68,380,000	72,500,000
The Nemours Foundation Project, Series 2009C1	17,365,000	18,435,000
The Nemours Foundation Project, Series 2009C2	19,935,000	20,415,000
The Nemours Foundation Project, Series 2018	144,870,000	148,630,000
Century Bank and Trust, Series 2015-1 Note	44,000,000	44,000,000
Bank of America, N.A., Series 2015-2 Note	49,235,000	50,545,000
	343,785,000	354,525,000
Less unamortized debt issue costs	(765,316)	(806,750)
	343,019,684	353,718,250
Less current portion of long-term debt	(10,930,000)	(10,740,000)
Long-term debt less current portion	\$ 332,089,684	342,978,250

Scheduled principal repayments of long-term debt as of December 31, 2021 are as follows:

2022	\$	10,930,000
2023		11,500,000
2024		11,810,000
2025		12,275,000
2026		12,710,000
Thereafter		284,560,000
	\$	343,785,000

#### (7) Construction in Progress

Construction in progress of approximately \$12,298,000, at December 31, 2021, primarily represents construction at the Estate and NCH-DE for infrastructure improvements.

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At December 31, 2021, the remaining commitment under contract for the various on-going capital projects was approximately \$18,103,000.

**(8) Net Assets with Donor Restrictions**

Edward Ball, in his last will and testament, instructed his personal representatives, who were also directors of Nemours, to transfer all stock in his estate, not otherwise bequeathed in his will, to Nemours at their discretion at any time during the probate of the estate. He further directed his personal representatives to transfer the remainder of the estate to Nemours upon the completion of probate. All of the related net assets at December 31, 2021 and 2020 are restricted to the care and treatment of physically handicapped children in Florida and are considered assets with donor restrictions for financial reporting purposes. The following is a summarization of the Edward Ball fund activity since inception:

Contributions received	\$	160,574,729
Net assets released from restrictions		(562,457,240)
Investment earnings		596,675,765
Unrealized gains on investments		71,044,995
Grant		<u>(600,000)</u>
Balance at December 31, 2021	\$	<u><u>265,238,249</u></u>

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Available for release from restrictions:		
Edward Ball Fund	\$ 265,238,249	237,221,479
Capital	2,316,643	2,191,956
Education and scholarships	1,646,352	2,302,980
Health – clinical operations	3,153,146	3,243,194
Operational support	4,099,207	4,136,664
Research	<u>4,798,650</u>	<u>4,105,782</u>
Total available for release from restrictions	<u>281,252,247</u>	<u>253,202,055</u>
Endowments, including accumulated earnings:		
Education and scholarships	1,635,012	1,309,542
Health – clinical operations	6,291,274	5,208,317

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	<b>2021</b>	<b>2020</b>
Operational support	\$ 1,478,970	1,537,989
Research	3,124,493	2,668,063
Total endowments, including accumulated earnings	12,529,749	10,723,911
Inexhaustible assets:		
The Estate	2,369,746	2,369,746
Pledged:		
Available for future release from restrictions:		
Capital	821,862	7,222,031
Education and scholarships	4,610,905	156,743
Health – clinical operations	2,481,036	496,215
Operational support	356,322	341,124
Research	4,299,496	2,924,742
Endowment:		
Health – clinical operations	633,476	311,969
Research	—	1,260
Education and scholarships	181,613	—
Total pledged	13,384,710	11,454,084
Total net assets with donor restrictions	\$ 309,536,452	277,749,796

**(9) Endowments**

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

**(a) Relevant Law**

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

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

#### **(b) Endowment Classifications**

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

A donor-restricted endowment is classified as either perpetual (donor stipulates investment in perpetuity of certain net assets) or term (donor stipulates investment for a specific time period for certain net assets). Unless stipulated by the donor as a term endowment, all donor-restricted endowment funds are classified as perpetual. As of December 31, 2021 and 2020, all Nemours endowments are perpetual.

A board designated quasi-endowment is created when the Board (not the donor) authorizes investment of net assets into an endowment pool. Board-designated quasi-endowments are created primarily from net assets without donor restriction; however, the Board may designate unexpended net assets with donor restrictions to be invested in an endowment pool until expended per the donor's restrictions. As of December 31, 2021 and 2020, Nemours did not have any quasi-endowments.

#### **(c) Endowment Spending Policy**

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

#### **(d) Endowment Financial Position**

As discussed in note 4, Nemours has established investment pools. The donor-restricted endowments are a part of the long-term pool and have a target allocation of approximately 58% equity, 16% absolute return investments (primarily hedge funds), 15% fixed income, and 11% real assets.

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**(e) Endowment Changes in Net Assets**

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 10,723,911	9,854,764
Changes in endowment net assets with donor restrictions:		
Contributions	384,901	135,301
Investment return, net	1,556,464	994,626
Release from restrictions	<u>(135,527)</u>	<u>(260,780)</u>
	<u>1,805,838</u>	<u>869,147</u>
Endowment net assets, end of year	\$ <u>12,529,749</u>	<u>10,723,911</u>

**(10) Liquidity and Availability**

Nemours regularly monitors liquidity required to meet its operating needs, liabilities and other obligations as they become due. As of December 31, 2021 and 2020, Nemours has ample cash, cash equivalents and investments to cover operating expenses. The following financial assets could be readily made available within one year of the combined balance sheet dates to meet cash needs for general expenditures.

	<u>2021</u>	<u>2020</u>
Financial assets:		
Current assets:		
Cash and cash equivalents	\$ 432,491,150	350,727,700
Short-term investments	43,541,480	53,143,450
Patient accounts receivable	258,522,439	151,876,134
Prepaid expenses and other current assets	46,357,663	42,034,848
Investments	175,879,230	121,195,731
Assets whose use is limited	223,819,189	193,201,384
Restricted assets:		
Cash	15,836,170	15,938,276
Less those unavailable for general expenditures within one year due to:		
Prepaid expenses	(23,262,281)	(17,180,731)
Assets whose use is limited	(223,819,189)	(193,201,384)
Restricted by donor with time or purpose restriction	<u>(15,836,170)</u>	<u>(15,938,276)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>933,529,681</u>	<u>701,797,132</u>

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### (11) Pension Plans

#### (a) *Defined-Contribution Plan*

Nemours sponsors a 403(b) defined-contribution plan (403(b) Plan), which covers substantially all employees and includes base contributions and employer match provisions. Certain employees became eligible for base contributions and employer match provisions in the 403(b) plan in 2018 as a result of Nemours' noncontributory defined-benefit plan (see Note 11(b)) being frozen effective January 1, 2018. Nemours' contributions to the 403(b) Plan were approximately \$46,199,000 and \$46,063,000 in 2021 and 2020, respectively, which are included in salaries and benefits expense in the accompanying combined statements of operations and changes in net assets without donor restrictions.

PMSI sponsors a 401(k) defined-contribution plan (401(k) Plan) for NCPC employees. Nemours' contributions to the 401(k) Plan were approximately \$794,000 and \$570,000 in 2021 and 2020, respectively, which are included in salaries and benefits expense in the accompanying combined statements of operations and changes in net assets without donor restrictions.

#### (b) *Noncontributory Defined-Benefit Plan*

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

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

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

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

The following are deferred pension costs that have not yet been recognized in periodic pension expense but instead are accrued in net assets without donor restrictions, as of December 31, 2021 and 2020. Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investing experience. Unrecognized prior service cost is the impact of changes in plan benefits applied

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retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the average remaining assumed service period for active employees:

	<b>Amounts recognized in net assets without donor restrictions at December 31</b>	
	<u>2021</u>	<u>2020</u>
Net actuarial loss	\$ 348,328,882	375,414,302

Nemours contributed \$20,000,000 to the Plan during each of the years ended December 31, 2021 and 2020. Management has not yet determined its contribution to the Plan for the year ending December 31, 2022. Management will consider the Plan's funded status and will make additional contributions that will meet or exceed the minimum required contributions. The funding decisions are made based on the actuarial studies performed by consulting actuaries as of January 1 and the disclosures are based on a measurement date of December 31.

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

The accumulated benefit obligation is the actuarial present value of benefits attributable to employee service rendered to date, which does not include assumptions about future compensation levels. The accumulated benefit obligation for the Plan was \$984,431,218 and \$993,309,811 at December 31, 2021 and 2020, respectively.

The benefits expected to be paid out of the Plan in each year for the years ending December 31, 2022 through December 31, 2026 and the aggregate benefits expected to be paid in the five years from 2027 through 2031 are approximately as follows:

2022	\$ 34,765,000
2023	36,998,000
2024	39,060,000
2025	41,185,000
2026	43,120,000
2027 through 2031	237,853,000

The expected benefits to be paid are based on the same assumptions used to measure the benefit obligation at December 31, 2021.

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Weighted average assumptions used to determine the benefit obligation at December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	3.15 %	3.05 %

Weighted average assumptions used to determine the net periodic pension benefit for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	3.05 %	3.65 %
Expected return on plan assets	7.25	7.25

The assumption for the discount rate and expected long-term rate of return on assets is an estimate based on the current short-term interest rate environment and historical returns for portfolios heavily weighted toward long-term investments, such as long-term bonds and equity securities. The calculation of these pension benefits is dependent on the significant assumptions listed above.

Under ASU 2018-14, an explanation for significant impacts related to the changes in the benefits obligations is required. Below is a summary of items which Nemours deemed significant.

- The actual return on the fair value of plan assets since the prior measurement date was greater than assumed, which improved the funded pension.
- Contributions to the plan during the prior year improved the funded status.
- The discount rate increased 10 basis points compared to the prior year, which decreased the obligation by approximately \$14.6 million and caused the funded position to increase.
- The mortality assumption has been updated from the scale MP-2020 tables to the scale MP-2021 tables which increased the obligation by approximately \$3.2 million and deteriorated the funded position.

The change in projected benefit obligation for the Plan for the years ended December 31, 2021 and 2020 included the following components:

	<u>2021</u>	<u>2020</u>
Projected benefit obligation, beginning of year	\$ 993,309,811	883,581,054
Interest cost	29,940,060	32,042,314
Benefit payments – annuity	(31,632,552)	(28,794,205)
Actuarial loss/(gain)	<u>(7,186,101)</u>	<u>106,480,648</u>
Projected benefit obligation, end of year	\$ <u>984,431,218</u>	<u>993,309,811</u>

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The actuarially computed net periodic pension benefit for the Plan for the years ended December 31, 2021 and 2020 included the following components:

	<u>2021</u>	<u>2020</u>
Interest cost on projected benefit obligation	\$ 29,940,060	32,042,314
Expected return on plan assets	(48,726,257)	(45,017,799)
Amortization of actuarial loss	<u>10,315,580</u>	<u>7,561,602</u>
Other components of net periodic pension benefit	\$ <u>(8,470,617)</u>	<u>(5,413,883)</u>

The change in plan assets for the Plan for the years ended December 31, 2021 and 2020 included the following components:

	<u>2021</u>	<u>2020</u>
Fair value of plan assets at beginning of year	\$ 677,957,435	626,042,773
Employer contributions	20,000,000	20,000,000
Benefit payments – annuity	(31,632,552)	(28,794,205)
Administrative expenses	(4,071,857)	(3,999,155)
Actual return on plan assets	62,381,853	65,322,129
Other adjustment	<u>—</u>	<u>(614,107)</u>
Fair value of plan assets at end of year	\$ <u>724,634,879</u>	<u>677,957,435</u>

The following table summarizes the components of the funded status of the Plan as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Projected benefit obligation	\$ (984,431,218)	(993,309,811)
Fair value of plan assets	<u>724,634,879</u>	<u>677,957,435</u>
Funded status	\$ <u>(259,796,339)</u>	<u>(315,352,376)</u>

Plan assets for the pension plan consist principally of money market funds, government securities, asset-backed securities, corporate bonds, common stocks, and marketable debt and equity securities, which are managed by professional investment managers in accordance with an investment policy under the supervision of an independent pension investment committee. The plan assets are long term in nature and are intended to generate returns while preserving capital. The target allocation for investments is approximately 46% global equity, 8% real assets, 16% absolute return (primarily, hedge funds), and 30% fixed income, with a small portion of the assets held as cash to meet participant payment requirements.

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Weighted average asset allocations by asset category as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	3 %	6 %
Mutual funds	—	1
Equities	44	40
Fixed income	25	26
Hedge funds	16	15
Real assets	7	8
Distressed debt and specialty finance	5	4
Total	<u>100 %</u>	<u>100 %</u>

The table below summarizes the fair values of plan assets as of December 31, 2021:

	Fair value measurements at reporting date using				
	<u>2021</u>	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Investments measured at NAV
Cash and cash equivalents	\$ 22,718,632	22,718,632	—	—	—
Investments in securities:					
Fixed income:					
U.S. Treasury bills, notes, and bonds	67,518,878	—	67,518,878	—	—
U.S. government agencies	1,307,340	—	1,307,340	—	—
Municipal bonds and notes	957,079	—	957,079	—	—
Asset-backed securities	3,762,237	—	3,762,237	—	—
Corporate bonds and notes	20,038,764	—	20,038,764	—	—
U.S. government mortgage obligations	20,505,623	—	20,505,623	—	—
Equity securities (a)	8,123,648	8,123,648	—	—	—
Investments in Partnerships:					
Commingled funds (b)	372,684,202	—	185,700,015	—	186,984,187
Hedge funds (absolute return) (c)	121,168,436	—	—	—	121,168,436
Real asset (d)	52,392,464	—	—	—	52,392,464
Distressed debt and specialty finance (e)	33,251,983	—	—	—	33,251,983
Interest receivable	205,593	205,593	—	—	—
Total	\$ <u>724,634,879</u>	<u>31,047,873</u>	<u>299,789,936</u>	<u>—</u>	<u>393,797,070</u>

## THE NEMOURS FOUNDATION AND SUBSIDIARIES

### Notes to Combined Financial Statements

December 31, 2021 and 2020

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

	Fair value measurements at reporting date using				
	2020	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Investments measured at NAV
Cash and cash equivalents	\$ 43,033,796	43,033,796	—	—	—
Investments in securities:					
Fixed income:					
U.S. Treasury bills, notes, and bonds	67,269,001	—	67,269,001	—	—
U.S. government agencies	2,594,184	—	2,594,184	—	—
Municipal bonds and notes	1,212,508	—	1,212,508	—	—
Asset-backed securities	3,318,999	—	3,318,999	—	—
Corporate bonds and notes	29,431,565	—	29,431,565	—	—
U.S. government mortgage obligations	26,974,167	—	26,974,167	—	—
Equity securities (a)	20,885,447	20,885,447	—	—	—
Investments in Partnerships:					
Commingled funds (b)	299,123,810	—	134,869,718	—	164,254,092
Hedge funds (absolute return) (c)	102,407,384	—	—	—	102,407,384
Real assets (d)	51,517,354	—	—	—	51,517,354
Distressed debt and specialty finance (e)	29,740,332	—	—	—	29,740,332
Interest receivable	448,888	448,888	—	—	—
Total	<u>\$ 677,957,435</u>	<u>64,368,131</u>	<u>265,670,142</u>	<u>—</u>	<u>347,919,162</u>

- (a) This class invests in publicly traded ownership of companies across regions, market cap sizes, and sectors.
- (b) This class invests in funds which pool capital from several investors and primarily invest in long only global equities and debt securities.
- (c) This class invests principally in publicly traded assets, such as stocks, bonds, currencies, commodities, and derivatives. Funds may use leverage or trading strategies that generate returns with substantially different risk and return exposures than those found in traditional investment pools.
- (d) This class invests in real estate, natural resources, and infrastructure with the objective of generating long term absolute returns, hedging against unanticipated inflation and increasing overall diversification.
- (e) This class invests in distressed asset funds, middle market debt, royalties and equity investments.

**THE NEMOURS FOUNDATION AND SUBSIDIARIES**

Notes to Combined Financial Statements

December 31, 2021 and 2020

The fair value of the following plan assets have been estimated using the net asset value per share of the investments as a practical expedient for fair value as of December 31, 2021:

	<u>Strategy</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>	<u>Redemption restrictions</u>
Commingled funds	Global equities funds, primarily long only and emerging market debt	\$ 186,984,187	5,000,000	Ranges from monthly to semi-annually	Ranges from 4 days to 6 months	13% by value (2 funds) are locked up as of December 31, 2021. No other redemption restrictions.
Hedge funds	Global equities and fixed income fund in market neutral strategies	121,168,436	2,824,709	1% by value are in private structures, with no redemption ability. For the rest, terms range from monthly to annually.	Ranges from 60 to 90 days	Private structure funds not eligible for redemption. 12% by value (2 funds) are locked up as of December 31, 2021.
Real assets	Real estate, energy, natural resources/ commodities, and infrastructure in the United States and international	52,392,464	8,312,835	66% by value are in private structures, with no redemption ability. For the rest, redemptions are quarterly.	Ranges from 45 to 60 days	Private structure funds not eligible for redemption. No lock ups as of December 31, 2021.
Distressed debt and specialty finance	Distressed asset funds, middle market debt, royalties and equity investments	33,251,983	2,216,010	53% by value are in private structures, with no redemption ability. For the rest, terms range from quarterly to annually.	Ranges from 90 to 180 days	Private structure funds not eligible for redemption. No lock up as of December 31, 2021.
		<u>\$ 393,797,070</u>	<u>18,353,554</u>			

**THE NEMOURS FOUNDATION AND SUBSIDIARIES**

Notes to Combined Financial Statements

December 31, 2021 and 2020

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

	<u>Strategy</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>	<u>Redemption restrictions</u>
Commingled funds	Global equities funds, primarily long only and emerging market debt	\$ 164,254,092	—	Ranges from monthly to annually	Ranges from 10 to 90 days	13% by value (2 funds) are locked up as of December 31, 2020. No other redemption restrictions.
Hedge funds	Global equities and fixed income fund in market neutral strategies	102,407,384	4,490,723	1% by value are in private structures, with no redemption ability. For the rest, terms range from monthly to annually.	Ranges from 60 to 90 days	Private structure funds not eligible for redemption. 9% by value (2 funds) are locked up as of December 31, 2020
Real assets	Real estate, energy, natural resources, commodities, and timberland in the United States and international	51,517,354	9,610,835	71% by value are in private structures, with no redemption ability. For the rest, redemptions are quarterly.	Ranges from 30 to 90 days	Private structure funds not eligible for redemption. 92% by value are locked up as of December 31, 2020
Distressed debt and specialty finance	Distressed asset funds, middle market debt, royalties and equity investments	29,740,332	7,464,674	59% by value are in private structures, with no redemption ability. For the rest, terms range from quarterly to annually.	Ranges from 90 to 180 days	Private structure funds not eligible for redemption. 61% by value are locked up as of December 31, 2020
		<u>\$ 347,919,162</u>	<u>21,566,232</u>			

**THE NEMOURS FOUNDATION AND SUBSIDIARIES**

Notes to Combined Financial Statements

December 31, 2021 and 2020

**(12) Concentrations of Credit Risk**

Nemours grants credit without collateral to its patients, most of whom are local patients, and are insured under third-party payor agreements. The percentage of receivables from patients and third-party payors at December 31, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Managed care	28 %	39 %
Medicaid – managed care	46	40
Medicaid – traditional	12	8
Other	<u>14</u>	<u>13</u>
	<u>100 %</u>	<u>100 %</u>

Management does not believe any other significant concentrations of credit risk exist as of December 31, 2021 or 2020.

**(13) Leases**

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

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

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

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

The components of lease cost, included in rent and lease expense in the combined statements of operations and changes in net assets without donor restrictions, for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Operating lease cost	\$ 21,280,749	19,630,037
Short-term lease cost	<u>860,877</u>	<u>1,256,731</u>
Total lease cost	<u>\$ 22,141,626</u>	<u>20,886,768</u>

**THE NEMOURS FOUNDATION AND SUBSIDIARIES**

Notes to Combined Financial Statements

December 31, 2021 and 2020

Other information related to operating leases as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Weighted average remaining lease terms	5.83 years	6.50 years
Weighted average discount rates	3.19 %	3.44 %

Maturities of operating lease liabilities under noncancellable leases as of December 31, 2021 are as follows:

2022	\$ 16,995,648
2023	15,227,238
2024	13,575,713
2025	11,202,819
2026	8,904,443
Thereafter	<u>25,089,800</u>
Total undiscounted lease payments	90,995,661
Less imputed interest	<u>(16,332,446)</u>
Total lease liabilities	\$ <u><u>74,663,215</u></u>

In 2021, Nemours entered into an office space lease that pre-dates the rent commencement. Nemours has not received control of the office space in Malvern, PA which remains with the landlord for building construction purposes through March 2023 when Nemours takes possession, with an estimated occupancy date of March 2024.

**(14) Functional Expenses**

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

Functional expenses for the year ended December 31, 2021 are summarized as follows:

## THE NEMOURS FOUNDATION AND SUBSIDIARIES

### Notes to Combined Financial Statements

December 31, 2021 and 2020

	Total	Program activities			Supporting activities	
		Health services	Research	Education	Fundraising	Management and general
Salaries and benefits	\$ 988,764,414	779,139,439	39,562,487	21,151,723	4,866,797	144,043,968
Professional fees	42,451,921	13,271,535	1,001,566	8,423,194	1,970,558	17,785,068
Supplies	165,885,409	148,076,815	2,794,336	1,438,952	299,698	13,275,608
Repairs and maintenance	37,015,456	16,643,202	272,498	108,827	554	19,990,375
Purchased services	67,498,104	51,383,977	1,920,905	323,690	180,037	13,689,495
Depreciation and amortization	97,100,601	69,122,563	7,436,195	893,936	44,319	19,603,588
Rent and lease	24,024,032	17,942,977	2,862,055	207,926	14,798	2,996,276
Utilities and telephone	18,802,111	12,870,279	1,191,977	109,016	32,074	4,598,765
Insurance	25,202,452	24,345,204	5,292	21,566	465	829,925
Interest	7,305,610	4,677,642	94,399	76,734	—	2,456,835
Advertising	9,807,676	8,843,025	7,130	800	548,771	407,950
Other	40,061,955	36,318,203	349,584	849,224	725,586	1,819,358
<b>Total expenses</b>	<b>\$ 1,523,919,741</b>	<b>1,182,634,861</b>	<b>57,498,424</b>	<b>33,605,588</b>	<b>8,683,657</b>	<b>241,497,211</b>

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

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

### (15) Contingencies

#### (a) Self-Insurance Reserves

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

Excess policy coverage has been purchased for losses exceeding the self-insurance trust fund's retention and for claims occurring prior to February 18, 2002, from an unrelated insurance company.

## THE NEMOURS FOUNDATION AND SUBSIDIARIES

### Notes to Combined Financial Statements

December 31, 2021 and 2020

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

The estimated reserves for general, professional, and patient care liabilities presented in the accompanying combined balance sheets amounted to approximately \$77,505,000 and \$75,100,000 at December 31, 2021 and 2020, respectively. Reserves are estimated using an actuarial study that calculates the estimated liability for self-insured general, professional, and patient care liabilities. This study provides for estimates of losses from reported claims and incidents incurred but not reported at December 31, 2021 and 2020.

Insurance expense for general, professional, and patient care liabilities recognized for the years ended December 31, 2021 and 2020 was approximately \$22,528,000 and \$24,573,000, respectively, and is reflected in the accompanying combined statements of operations and changes in net assets without donor restrictions.

Self-insurance liabilities for workers' compensation were approximately \$8,250,000 and \$6,987,000 as of December 31, 2021 and 2020, respectively, and are included in the accompanying combined balance sheets.

Self-insurance liabilities for health insurance were approximately \$10,005,000 and \$9,776,000 as of December 31, 2021 and 2020, respectively, and are included in the accompanying combined balance sheets.

Self-insurance liabilities for short-term disability was approximately \$278,000 as of December 31, 2021 and 2020 and are included in the accompanying combined balance sheets.

Self-insurance liabilities for dental insurance was approximately \$256,000 and \$285,000 as of December 31, 2021 and 2020, respectively, and are included in the accompanying combined balance sheets.

#### **(b) Litigation**

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

#### **(c) Conditional Asset Retirement Obligation**

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

## THE NEMOURS FOUNDATION AND SUBSIDIARIES

Notes to Combined Financial Statements

December 31, 2021 and 2020

### **(d) Healthcare Industry**

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

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

### **(e) Novel Coronavirus (COVID-19)**

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

The Coronavirus Aid, Relief, and Economic Security (CARES) Act is an economic stimulus bill passed on March 27, 2020 providing among other provisions, financial relief to hospitals and healthcare providers affected by the pandemic. Nemours received approximately \$62,280,000 in CARES Act funding which has been included in other income in the accompanying combined statements of operations and changes in net assets without donor restrictions for the year ended December 31, 2020. No additional CARES Act funding was received for the year ended December 31, 2021.

The CARES Act permits employers to defer the payment of the employer's portion of social security taxes incurred between March 27, 2020 and December 31, 2020. Half of the deferred payments were paid by December 31, 2021 and the other half is required to be paid by December 31, 2022. The total remaining deferred payroll tax payment is approximately \$11,341,000 and \$22,683,00 as of December 31, 2021 and 2020 and is included within accrued compensation and benefits on the accompanying combined balance sheets.

Nemours received approximately \$880,000 from the Medicare Advanced Payment Program provided under the CARES Act for the year ended December 31, 2020. Repayment began in April 2021 and the total remaining Medicare Advanced Payment is approximately \$456,000 and \$880,000 as of December 31, 2021 and 2020, respectively. The amount is included in deferred revenue within total current liabilities on the accompanying combined balance sheets. Medicare beneficiaries' claims will be applied against the advance payment balance and unapplied payment amounts must be paid within 29 months of receipt.

### **(16) Subsequent Events**

Nemours evaluated events and transactions subsequent to December 31, 2021 as of April 14, 2022 the date on which the combined financial statements were available to be issued. Nemours determined that no disclosures or adjustments were required.

## **COMBINING INFORMATION**

THE NEMOURS FOUNDATION AND SUBSIDIARIES

Combining Schedule 1 – Balance Sheet Information

December 31, 2021

Assets	The Nemours Foundation	Nemours Children's Hospital, Delaware	Nemours Children's Clinics	Nemours Senior Care	Nemours Value Based Services Organization	Nemours Children's Hospital, Florida	Eliminations	Total
Current assets:								
Cash and cash equivalents	\$ 432,466,463	2,550	18,812	550	—	2,775	—	432,491,150
Short-term investments	43,541,480	—	—	—	—	—	—	43,541,480
Patient accounts receivable	1,752,244	135,534,712	36,883,713	28,663	—	84,323,107	—	258,522,439
Supplies	—	5,302,508	35,378	—	—	2,559,822	—	7,897,708
Due from affiliates	—	2,508,917	27,342,692	44,937	605,290	4,749,033	(35,250,869)	—
Prepaid expenses and other current assets	33,119,768	2,695,211	5,379,174	—	2,797,132	2,366,378	—	46,357,663
Total current assets	510,879,955	146,043,898	69,659,769	74,150	3,402,422	94,001,115	(35,250,869)	788,810,440
Investments	175,879,230	—	—	—	—	—	—	175,879,230
Assets whose use is limited	189,191,788	34,627,401	—	—	—	—	—	223,819,189
Restricted assets	298,539,149	63,390	6,438,557	—	—	2,125,609	—	307,166,705
Property and equipment:								
Land and land improvements	32,584,404	15,032,170	9,578,354	—	—	53,440,587	—	110,635,515
Buildings and leasehold improvements	53,577,405	463,811,750	86,466,226	2,218	—	321,118,456	—	924,976,055
Equipment	151,502,756	586,003,082	70,005,830	2,018,620	177,106	145,370,534	—	955,077,928
	237,664,565	1,064,847,002	166,050,410	2,020,838	177,106	519,929,577	—	1,990,689,498
Less accumulated depreciation and amortization	(155,384,655)	(521,258,401)	(106,230,070)	(1,614,768)	(146,751)	(174,590,610)	—	(959,225,255)
	82,279,910	543,588,601	59,820,340	406,070	30,355	345,338,967	—	1,031,464,243
Construction in progress	5,511,519	5,772,190	851,125	—	—	163,582	—	12,298,416
Net property and equipment	87,791,429	549,360,791	60,671,465	406,070	30,355	345,502,549	—	1,043,762,659
Operating lease right-of-use assets	18,711,495	11,804,300	39,115,158	—	—	1,684,549	—	71,315,502
Other assets	1,745,162	—	2,169,430	—	—	347,438	—	4,262,030
Inexhaustible assets	3,386,733	—	—	—	—	—	—	3,386,733
Total assets	\$ 1,286,124,941	741,899,780	178,054,379	480,220	3,432,777	443,661,260	(35,250,869)	2,618,402,488
<b>Liabilities and Net Assets</b>								
Current liabilities:								
Accounts payable and accrued expenses	\$ 17,106,933	22,109,527	5,498,466	128,132	602,893	36,234,690	—	81,680,641
Accrued compensation and benefits	87,978,053	23,039,785	74,763,964	147,839	845,883	7,793,101	—	194,568,625
Current portion of self-insurance reserves	10,283,390	—	—	—	—	—	—	10,283,390
Current portion of long-term debt	1,910,000	—	—	—	—	9,020,000	—	10,930,000
Current portion of obligations under operating leases	4,053,323	2,680,325	8,970,060	—	—	782,199	—	16,485,907
Deferred revenue	5,958,812	1,024,695	1,189,916	—	—	202,600	—	8,376,023
Due to affiliates	35,250,869	—	—	—	—	—	(35,250,869)	—
Total current liabilities	162,541,380	48,854,332	90,422,406	275,971	1,448,776	54,032,590	(35,250,869)	322,324,586
Self-insurance reserves, less current portion	86,010,416	—	—	—	—	—	—	86,010,416
Operating lease liabilities, less current portion	15,968,928	9,656,257	31,673,147	—	—	878,976	—	58,177,308
Long-term debt, less current portion	111,070,775	—	—	—	—	221,018,909	—	332,089,684
Liabilities for pension benefits	259,796,339	—	—	—	—	—	—	259,796,339
Total liabilities	635,387,838	58,510,589	122,095,553	275,971	1,448,776	275,930,475	(35,250,869)	1,058,398,333
Net assets:								
Without donor restrictions	370,087,642	678,867,486	36,355,158	204,249	1,846,808	163,106,360	—	1,250,467,703
With donor restrictions	280,649,461	4,521,705	19,603,668	—	137,193	4,624,425	—	309,536,452
Total net assets	650,737,103	683,389,191	55,958,826	204,249	1,984,001	167,730,785	—	1,560,004,155
Total liabilities and net assets	\$ 1,286,124,941	741,899,780	178,054,379	480,220	3,432,777	443,661,260	(35,250,869)	2,618,402,488

See accompanying independent auditors' report.

THE NEMOURS FOUNDATION AND SUBSIDIARIES

Combining Schedule 1 – Balance Sheet Information

December 31, 2020

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

See accompanying independent auditors' report.

**THE NEMOURS FOUNDATION AND SUBSIDIARIES**

Combining Schedule 2 – Revenue and Expense Information

Year ended December 31, 2021

	<b>The Nemours Foundation</b>	<b>Nemours Children's Hospital, Delaware</b>	<b>Nemours Children's Clinics</b>	<b>Nemours Senior Care</b>	<b>Nemours Value Based Services Organization</b>	<b>Nemours Children's Hospital, Florida</b>	<b>Eliminations</b>	<b>Total</b>
Revenues and other support:								
Net patient service revenue	\$ 31,526,469	630,087,987	455,952,350	592,440	—	247,257,535	—	1,365,416,781
Distribution from Alfred I. duPont Charitable Trust	245,073,702	—	—	—	—	—	—	245,073,702
Net assets released from restrictions used for operations	7,165,536	462,425	2,152,095	—	—	650,862	—	10,430,918
Contributions from The Nemours Foundation	—	—	89,363,448	4,300,431	1,925,168	13,921,521	(109,510,568)	—
Investment return, net	8,128,168	—	—	—	—	—	—	8,128,168
Contracted services revenue	5,676,969	5,910,677	42,641,500	—	3,872,811	497,616	—	58,599,573
Grant and contribution revenue	9,285,217	763,075	1,211,980	—	—	3,708,182	—	14,968,454
Other income	15,355,093	6,555,991	7,385,716	6,084	5,003,416	5,288,365	(2,898,088)	36,696,577
<b>Total revenues and other support</b>	<b>322,211,154</b>	<b>643,780,155</b>	<b>598,707,089</b>	<b>4,898,955</b>	<b>10,801,395</b>	<b>271,324,081</b>	<b>(112,408,656)</b>	<b>1,739,314,173</b>
Operating expenses:								
Salaries and benefits	81,731,135	280,494,157	498,040,744	2,707,662	8,736,020	117,054,696	—	988,764,414
Professional fees	2,718,116	18,718,723	17,046,934	1,012,484	1,020,292	4,288,300	(2,352,928)	42,451,921
Supplies	12,147,498	84,315,434	26,827,446	404,769	410,961	41,779,301	—	165,885,409
Repairs and maintenance	4,478,754	16,632,632	9,650,654	107,400	187,575	5,958,441	—	37,015,456
Purchased services	8,681,850	29,109,019	9,655,969	102,692	81,750	19,866,824	—	67,498,104
Depreciation and amortization	6,665,601	51,829,714	15,827,082	143,339	134,801	22,500,064	—	97,100,601
Rent and lease expense	6,016,311	3,870,585	12,145,026	282,374	183,771	2,071,125	(545,160)	24,024,032
Utilities and telephone	910,439	9,877,165	3,799,380	35,366	48,675	4,131,086	—	18,802,111
Insurance	1,234,521	3,973,637	17,370,198	69,699	57,162	2,497,235	—	25,202,452
Interest	182,963	683,647	909,011	8,303	18,257	5,503,429	—	7,305,610
Advertising	385,774	5,275,761	863,817	3,383	7,686	3,271,255	—	9,807,676
Other	5,686,820	5,084,179	4,126,016	17,214	53,022	25,094,704	—	40,061,955
Distributions to Nemours Children's Clinics	89,363,448	—	—	—	—	—	(89,363,448)	—
Distributions to Nemours Health & Prevention Services	1,925,168	—	—	—	—	—	(1,925,168)	—
Distributions to Nemours SeniorCare	4,300,431	—	—	—	—	—	(4,300,431)	—
Distributions to NCH-FL	13,921,521	—	—	—	—	—	(13,921,521)	—
<b>Total operating expenses</b>	<b>240,350,350</b>	<b>509,864,653</b>	<b>616,262,277</b>	<b>4,894,685</b>	<b>10,939,972</b>	<b>254,016,460</b>	<b>(112,408,656)</b>	<b>1,523,919,741</b>
<b>Operating (loss) income</b>	<b>81,860,804</b>	<b>133,915,502</b>	<b>(17,555,188)</b>	<b>4,270</b>	<b>(138,577)</b>	<b>17,307,621</b>	<b>—</b>	<b>215,394,432</b>
Nonoperating gains, net:								
Other components of net periodic pension benefit	1,877,754	2,489,851	3,860,308	29,994	49,205	163,505	—	8,470,617
(Deficit) excess of revenues and gains over expenses	83,738,558	136,405,353	(13,694,880)	34,264	(89,372)	17,471,126	—	223,865,049
Net assets released from restrictions used for capital purchases	(2,629)	901,771	1,712,861	—	—	257,267	—	2,869,270
Pension-related changes excess (deficit) than net periodic pension cost	27,085,420	—	—	—	—	—	—	27,085,420
Distributions from (to) The Nemours Foundation for capital	93,026,794	(118,309,434)	10,850,742	—	269,964	14,161,934	—	—
<b>Change in net assets without donor restrictions</b>	<b>\$ 203,848,143</b>	<b>18,997,690</b>	<b>(1,131,277)</b>	<b>34,264</b>	<b>180,592</b>	<b>31,890,327</b>	<b>—</b>	<b>253,819,739</b>

See accompanying independent auditors' report.

**THE NEMOURS FOUNDATION AND SUBSIDIARIES**

Combining Schedule 2 – Revenue and Expense Information

Year ended December 31, 2020

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

See accompanying independent auditors' report.



KPMG LLP  
Suite 500  
501 Riverside Avenue  
Jacksonville, FL 32202

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

The Board of Directors  
The Nemours Foundation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the combined financial statements of The Nemours Foundation and subsidiaries (Nemours), which comprise the combined balance sheet as of December 31, 2021, and the related combined statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated April 14, 2022.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered Nemours' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nemours' internal control. Accordingly, we do not express an opinion on the effectiveness of Nemours' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control described in the accompanying schedule of findings and questioned costs as finding 2021-001 that we consider to be a significant deficiency.

### **Report on Compliance and Other Matters**

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



### **Nemours' Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on Nemours' response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Nemours' response was not subjected to the other auditing procedures applied in the audit of the combined financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

**KPMG LLP**

Jacksonville, Florida  
April 14, 2022



KPMG LLP  
Suite 500  
501 Riverside Avenue  
Jacksonville, FL 32202

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

The Board of Directors of  
The Nemours Foundation:

**Report on Compliance for Each Major Federal Program**

*Opinion on Each Major Federal Program*

We have audited The Nemours Foundation and subsidiaries' (Nemours) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Nemours' major federal programs for the year ended December 31, 2021. Nemours' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Nemours complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

*Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

*Responsibilities of Management for Compliance*

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

*Auditors' Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Nemours' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The



risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Nemours' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Nemours' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Nemours' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Nemours' internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



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

We have audited the combined financial statements of Nemours as of and for the year ended December 31, 2021, and have issued our report thereon dated April 14, 2022, which contained an unmodified opinion on those combined financial statements. Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the combined financial statements as a whole.

*KPMG LLP*

Jacksonville, Florida  
September 1, 2022

**THE NEMOURS FOUNDATION AND SUBSIDIARIES**

Schedule of Expenditures of Federal Awards

Year ended December 31, 2021

Federal grantor/contract name/program or cluster title	ALN number	Contract number	Pass-through entity	Passed through to subrecipients	Federal expenditures
Research and development awards:					
U.S. Department of Health and Human Services:					
Direct financial assistance:					
Health Resources and Services Administration/Maternal and Child Health Bureau	93.110	5 H17MC31602-03-00		\$ —	298
Agency for Healthcare Research and Quality	93.266	1R18HS027399-01		23,607	34,953
Agency for Healthcare Research and Quality	93.266	5R18HS027399-02		116,078	258,053
ALN No. 93.266 subtotal				<u>139,685</u>	<u>293,006</u>
National Institutes of Health/National Institute of Biology Image/Bioengineer	93.286	1R21EB032025-01		—	60,298
National Institutes of Health/Office of the Director	93.310	2UG1OD024958-03		16,982	439,026
National Institutes of Health/Office of the Director	93.310	5UG1OD024958-04		—	148,190
ALN No. 93.310 subtotal				<u>16,982</u>	<u>587,216</u>
National Institutes of Health/National Cancer Institute	93.393	1RC03CA235002-01		—	44,623
National Institutes of Health/National Cancer Institute	93.399	2UG1CA189958-06		43,151	496,909
National Institutes of Health/National Cancer Institute	93.399	5UG1CA189958-08		35,621	272,210
ALN No. 93.399 subtotal				<u>78,772</u>	<u>769,119</u>
Health Resources and Services Administration/Bureau of Health Workforce	93.732	5M01HP31317-04-00		—	208,910
Health Resources and Services Administration/Bureau of Health Workforce	93.732	2 M01HP31317-05		—	39,736
ALN No. 93.732 subtotal				<u>—</u>	<u>248,646</u>
National Institutes of Health/National Heart, Lung, and Blood Institute	93.838	1R01HL136945-01A1		352,326	416,870
National Institutes of Health/National Heart, Lung, and Blood Institute	93.838	1K08HL151760-01		—	159,112
National Institutes of Health/National Heart, Lung, and Blood Institute	93.838	5R01HL136945		—	39,340
ALN No. 93.838 subtotal				<u>352,326</u>	<u>615,322</u>
National Institutes of Health/National Institute of Diabetes and Digestive and Kidney Disease	93.847	1DP3KD113235-01		—	167,599
National Institutes of Health/National Institute of Diabetes and Digestive and Kidney Disease	93.847	1K23DK125666-01		—	121,412
National Institutes of Health/National Institute of Diabetes and Digestive and Kidney Disease	93.847	7R01DK118514-02		173,995	275,801
National Institutes of Health/National Institute of Diabetes and Digestive and Kidney Disease	93.847	1R01DK127493-01		131,453	451,516
National Institutes of Health/National Institute of Diabetes and Digestive and Kidney Disease	93.847	R01DK128862		41,280	74,165
ALN No. 93.847 subtotal				<u>346,728</u>	<u>1,090,493</u>
National Institutes of Health/National Institute of Neurological Disorders and Stroke	93.853	7K22NS104230-05		—	167
National Institutes of Health/National Institute of Allergy and Infectious Disease	93.855	1R21AI149243		—	119,367
National Institutes of Health/National Institute of Allergy and Infectious Disease	93.855	A14295		—	10,900
ALN No. 93.855 subtotal				<u>—</u>	<u>130,267</u>
National Institutes of Health/National Institute of General Medical Sciences	93.859	5P20GM109021-05		17,653	176,655
National Institutes of Health/National Institute of General Medical Sciences	93.859	5P30GM114736-05		(49,252)	6,297
National Institutes of Health/National Institute of General Medical Sciences	93.859	2P20GM109021-06		18,431	449,683
ALN No. 93.859 subtotal				<u>(13,168)</u>	<u>632,635</u>
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	5K23HD083439-02		—	94,204
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	5R01HD078463-04		32,952	59,543
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	R44HD102242-01		—	41,279

**THE NEMOURS FOUNDATION AND SUBSIDIARIES**

Schedule of Expenditures of Federal Awards

Year ended December 31, 2021

Federal grantor/contract name/program or cluster title	ALN number	Contract number	Pass-through entity	Passed through to subrecipients	Federal expenditures
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	1R01HD102967-01A1		\$ —	36,486
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	1R01HD102545		—	177,987
ALN No. 93.865 subtotal				<u>32,952</u>	<u>409,499</u>
Total direct financial assistance				<u>954,277</u>	<u>4,881,589</u>
Pass-through assistance:					
Centers for Disease Control and Prevention/National Center on Birth Defects and Developmental Disabilities	93.080	ATHN2020CDC-IVS-01	Hemophilia of Georgia, Inc.	—	24,178
Centers for Disease Control and Prevention/National Center on Birth Defects and Developmental Disabilities	93.080	ATHN2020CDC-IVS-02	Hemophilia of Georgia, Inc.	—	2,847
Centers for Disease Control and Prevention/National Center on Birth Defects and Developmental Disabilities	93.080	GRT-00000783	Children's Hospital of Philadelphia	—	4,000
ALN No. 93.080 subtotal				<u>—</u>	<u>31,025</u>
Centers for Disease Control and Prevention/National Center for Immunization and Respiratory Distress	93.083	S270141-30	Eastern Virginia Medical School	—	1,221
Food and Drug Administration/Food and Drug Administration Research	93.103	GRT-00000248	Children's Hospital of Philadelphia	—	15,258
Food and Drug Administration/Food and Drug Administration Research	93.103	GRT-00000249	Children's Hospital of Philadelphia	—	5,278
Food and Drug Administration/Food and Drug Administration Research	93.103	234691/240919	Duke University	—	3,200
ALN No. 93.103 subtotal				<u>—</u>	<u>23,736</u>
Health Resources and Services Administration/Maternal and Child Health Bureau	93.110	3209610521	Children's Hospital of Philadelphia	—	6,599
Health Resources and Services Administration/Maternal and Child Health Bureau	93.110	5 H30MC24046-09-00	Hemophilia of Georgia, Inc.	—	8,882
Health Resources and Services Administration/Maternal and Child Health Bureau	93.110	5H30MC24046-10	Hemophilia of Georgia, Inc.	—	3,992
Health Resources and Services Administration/Maternal and Child Health Bureau	93.110	50355	The University of Delaware	—	10,478
Health Resources and Services Administration/Maternal and Child Health Bureau	93.110	UDR0000023	The University of Delaware	—	9,608
ALN No. 93.110 subtotal				<u>—</u>	<u>39,559</u>
National Institutes of Health/National Institute of Environmental Health Sciences	93.113	112176-5111488	President and Fellows of Harvard College on behalf of Harvard T.H. Chan School of Public Health	—	37,861
National Institutes of Health/National Institute of Dental and Craniofacial Research	93.121	5113296	The University of North Carolina Chapel Hill	—	126,672
Centers for Disease Control and Prevention/Office of Grants Services	93.136	1 NH28CE003283-01-00	Camden Coalition of Healthcare	—	25,000
National Institutes of Health/National Human Genome Research Institute	93.172	SUB00002445	The University of Florida	—	35,106
National Institutes of Health/National Human Genome Research Institute	93.172	SUB00002447	The University of Florida	—	88,396
National Institutes of Health/National Human Genome Research Institute	93.172	U01HG007269	The University of Florida	—	113,845
ALN No. 93.172 subtotal				<u>—</u>	<u>237,347</u>
National Institutes of Health/National Institute on Deafness and Other Communication Disorders	93.173	55475	The University of Delaware	—	62,774
Agency for Healthcare Research and Quality	93.225	3201350919	Children's Hospital of Philadelphia	—	(5,516)
National Institutes of Health/Agency for Healthcare Research and Quality	93.225	3201350921	Children's Hospital of Philadelphia	—	79,612
ALN No. 93.225 subtotal				<u>—</u>	<u>74,096</u>
Substance Abuse and Mental Health Services Administration	93.243	3014062007	Children's Hospital of Philadelphia	—	6,000
Substance Abuse and Mental Health Services Administration	93.243	3201450921	Children's Hospital of Philadelphia	—	145,307
Substance Abuse and Mental Health Services Administration	93.243	3201450922	Children's Hospital of Philadelphia	—	51,458
ALN No. 93.243 subtotal				<u>—</u>	<u>202,765</u>
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.310	1R61HD105591-01	Johns Hopkins University	—	3,117
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.310	54005-COVID	The University of Arkansas for Medical Sciences	—	13,686
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.310	54005-IAM HEALTHY	The University of Arkansas for Medical Sciences	—	106,249

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Schedule of Expenditures of Federal Awards

Year ended December 31, 2021

Federal grantor/contract name/program or cluster title	ALN number	Contract number	Pass-through entity	Passed through to subrecipients	Federal expenditures
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.310	NA	The University of Arkansas for Medical Sciences	\$ —	58,809
ALN No. 93.310 subtotal				—	181,861
National Institutes of Health/National Cancer Institute	93.393	FP00021944_A1_SUB69_01	Children's Hospital of Philadelphia	—	2,000
National Institutes of Health/National Cancer Institute	93.394	FP25672_SUB23_01	Children's Hospital of Philadelphia	—	(1,250)
National Institutes of Health/National Cancer Institute	93.394	WU-17-276;WU17-276-MOD-2	The University of Washington	—	30,520
ALN No. 93.394 subtotal				—	29,270
National Institutes of Health/National Cancer Institute	93.395	FP00023693_SUB80_01	Children's Hospital of Philadelphia	—	26,200
National Institutes of Health/National Cancer Institute	93.395	FP00023693_SUB81_01	Children's Hospital of Philadelphia	—	10,200
National Institutes of Health/National Cancer Institute	93.395	FP00023693_SUB93_01	Children's Hospital of Philadelphia	—	2,700
National Institutes of Health/National Cancer Institute	93.395	FP00025505_SUB81_01	Children's Hospital of Philadelphia	—	800
National Institutes of Health/National Cancer Institute	93.395	FP00029451_SUB18-01	Children's Hospital of Philadelphia	—	2,000
National Institutes of Health/National Cancer Institute	93.395	FP00030519_SUB40_01	Children's Hospital of Philadelphia	—	2,838
National Institutes of Health/National Cancer Institute	93.395	20183360	Children's Hospital of Philadelphia	—	(3,942)
National Institutes of Health/National Cancer Institute	93.395	20190877	Children's Hospital of Philadelphia	—	6,165
National Institutes of Health/National Cancer Institute	93.395	20199251	Children's Hospital of Philadelphia	—	1,456
National Institutes of Health/National Cancer Institute	93.395	8952_NF (CR)	Trustees of Indiana University	—	1,326
National Institutes of Health/National Cancer Institute	93.395	3001097559	MD Anderson Cancer Center	—	20,310
ALN No. 93.395 subtotal				—	70,053
Centers for Disease Control and Prevention/Office for State, Tribal, Local and Territorial Support	93.421	PI-CD33-PCOR	Task Force for Global Health	—	41,993
National Institutes of Health/National Heart, Lung, and Blood Institute	93.837	3201630222	Children's Hospital of Philadelphia	—	800
National Institutes of Health/National Heart, Lung, and Blood Institute	93.837	962232-RSUB; 27007-3200170321	Children's Hospital of Philadelphia	—	17,900
National Institutes of Health/National Heart, Lung, and Blood Institute	93.837	R44HL117340	Etiometry Inc	—	11,864
ALN No. 93.837 subtotal				—	30,564
National Institutes of Health/National Heart, Lung, and Blood Institute	93.838	ALA-ACRC MATCH	American Lung Association	—	4,815
National Institutes of Health/National Heart, Lung, and Blood Institute	93.838	CNVA00052835 (129102-1)	The University of Pittsburgh	—	852
National Institutes of Health/National Heart, Lung, and Blood Institute	93.838	576946	The University of Pennsylvania	—	1,000
ALN No. 93.838 subtotal				—	6,667
National Institutes of Health/National Heart, Lung, and Blood Institute	93.839	000524452-SC017	The University of Alabama	—	1,202
National Institutes of Health/National Heart, Lung, and Blood Institute	93.839	000524452-017	The University of Alabama	—	5,571
ALN No. 93.839 subtotal				—	6,773
National Institutes of Health/National Institute of Arthritis and Musculoskeletal and Skin Diseases	93.846	6075	Rutgers, The State University of New Jersey	—	2,678
National Institutes of Health/National Institute of Diabetes and Digestive and Kidney Disease	93.847	3301820719	Children's Hospital of Philadelphia	—	242
National Institutes of Health/National Institute of Diabetes and Digestive and Kidney Disease	93.847	3200950821	Children's Hospital of Philadelphia	—	13,750
National Institutes of Health/National Institute of Diabetes and Digestive and Kidney Disease	93.847	1UC4DK108612	Jaeb Center for Health Research, Inc.	—	144,937
National Institutes of Health/National Institute of Diabetes and Digestive and Kidney Disease	93.847	GR13984/ZAP00000	University of Kansas Medical Center	—	20,826
National Institutes of Health/National Institute of Diabetes and Digestive and Kidney Disease	93.847	VUMC85806	Vanderbilt University Medical Center	—	49,786
ALN No. 93.847 subtotal				—	229,541
National Institutes of Health/National Institute of Neurological Disorders and Stroke	93.853	S001187-02	The University of Iowa	—	14,528
National Institutes of Health/National Institute of Neurological Disorders and Stroke	93.853	S01187-03	The University of Iowa	—	2,982
National Institutes of Health/National Institute of Neurological Disorders and Stroke	93.853	OS0000340	The University of Miami	—	2,416
ALN No. 93.853 subtotal				—	19,926
National Institute of Allergy/Infectious Disease	93.855	GENFD0002041540	Boston Children's Hospital	—	4,250
National Institutes of Health/National Institute of General Medical Sciences	93.859	57878	The University of Delaware	—	553,769
National Institutes of Health/National Institute of General Medical Sciences	93.859	57170	The University of Delaware	—	128,000
National Institutes of Health/National Institute of General Medical Sciences	93.859	59301	The University of Delaware	—	75,495
National Institutes of Health/National Institute of General Medical Sciences	93.859	59216	The University of Delaware	—	27,162
National Institutes of Health/National Institute of General Medical Sciences	93.859	59459	The University of Delaware	—	315,281

**THE NEMOURS FOUNDATION AND SUBSIDIARIES**

Schedule of Expenditures of Federal Awards

Year ended December 31, 2021

Federal grantor/contract name/program or cluster title	ALN number	Contract number	Pass-through entity	Passed through to subrecipients	Federal expenditures
National Institutes of Health/National Institute of General Medical Sciences	93.859	59449	The University of Delaware	\$ —	41,864
National Institutes of Health/National Institute of General Medical Sciences	93.859	12-303G-NEM	West Virginia University	—	132,496
ALN No. 93.859 subtotal				—	1,274,067
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	None	Baebies, Inc.	—	(18,214)
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	232379	Duke University	—	3,825
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	257758	Duke University	—	101,649
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	243797	Duke University	—	100
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	60055120 AIDHC	Northwestern University	—	3,850
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	61969036-126775	Stanford University	3,836	248,370
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	080-05001-S34401	Thomas Jefferson University	—	3,696
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	080-21000-S39002	Thomas Jefferson University	—	27,365
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	363751	The University of Arizona	—	3,853
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	51460 - VDORA	The University of Arkansas for Medical Sciences	—	(8,295)
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	54005-VDORA	The University of Arkansas for Medical Sciences	—	22,967
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	51460	The University of Arkansas for Medical Sciences	—	40,618
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	FY22.928.001 AMD4	The University of Colorado	—	179,232
National Institutes of Health/Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	AWD00001006 (133278-4)	The University of Pittsburgh	—	8,460
ALN No. 93.865 subtotal				3,836	617,476
National Institutes of Health/National Institute of General Medical Sciences	93.866	58719	The University of Delaware	—	20,593
National Institutes of Health/National Eye Institute	93.867	U10EY11751	Jaeb Center for Health Research, Inc.	—	2,834
National Institutes of Health/National Eye Institute	93.867	UG1EY011751	Jaeb Center for Health Research, Inc.	—	3,976
ALN No. 93.867 subtotal				—	6,810
Centers for Disease Control and Prevention/Office of Financial Resources	93.945	U01DP006369-02-00	Improve Care Now, Inc.	—	1,050
Total pass-through assistance				3,836	3,407,628
Total U.S. Department of Health and Human Services				958,113	8,289,217
U.S. Department of Defense:					
Office of the Assistant Secretary of Defense	12.420	GENFD0002054102	Boston Children's Hospital	—	1,411
Office of the Assistant Secretary of Defense	12.420	GENFD0001825935	Boston Children's Hospital	—	6,400
Total U.S. Department of Defense				—	7,811
U.S. Department of Education:					
Institute of Education Science	84.305	R305H190067		88,827	139,778
National Science Foundation:					
Computer and Information Science and Engineering/Division of Information and Intelligent Systems	47.070	1816726		—	4,666
Total research and development awards				1,046,940	8,441,472

**THE NEMOURS FOUNDATION AND SUBSIDIARIES**

Schedule of Expenditures of Federal Awards

Year ended December 31, 2021

Federal grantor/contract name/program or cluster title	ALN number	Contract number	Pass-through entity	Passed through to subrecipients	Federal expenditures
Other Awards:					
U.S. Department of Health and Human Services:					
Direct financial assistance:					
Health Resources and Services Administration/Maternal and Child Health Federal Consolidated Programs	93.110	1 U7EMC42155-01-00		\$ —	201
Strengthening Public Health Systems and Services through National Partnerships to improve and Protect the Nation's Health	93.421	CDC-RFA-OT18-1802		1,413,581	2,536,757
COVID-19 Provider Relief Fund	93.498	NA		—	62,279,602
Total direct financial assistance				<u>1,413,581</u>	<u>64,816,560</u>
Pass-through assistance:					
Community Programs to Improve Minority Health Grant Program	93.137	320105	Delaware Technical and Community College	—	(24,643)
Coordinated Services and Access to Research for Women, Infants, Children and Youth	93.153	OA221	Florida Department of Health	—	34,540
National Bioterrorism Preparedness Program	93.889	20-029	Delaware Department of Health and Social Services, Division of Public Health	—	19,995
Maternal and Child Health Services Block Grant to States	93.994	COQVZ	Florida Department of Health	—	94,032
Maternal and Child Health Services Block Grant to States	93.994	B04MC32533-01-00	Florida Department of Health	—	227,900
ALN No. 93.994 subtotal				<u>—</u>	<u>321,932</u>
Total pass-through assistance				<u>—</u>	<u>351,824</u>
Total U.S. Department of Health and Human Services				<u>1,413,581</u>	<u>65,168,384</u>
U.S. Department of Agriculture:					
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	21-125	Delaware Department of Health and Social Services, Division of Public Health	—	73,056
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	22-176	Delaware Department of Health and Social Services, Division of Public Health	—	25,496
Total U.S. Department of Agriculture				<u>—</u>	<u>98,552</u>
U.S. Department of Justice:					
Crime Victim Assistance	16.575	2020-VF-PASSTHRU-2035	Delaware Criminal Justice Council	—	17,906
Crime Victim Assistance	16.575	2020-VF-PASSTHRU-2049	Delaware Criminal Justice Council	—	44,884
Crime Victim Assistance	16.575	2021 VF-PASSTHRU 19-2639	Delaware Criminal Justice Council	—	52,751
Crime Victim Assistance	16.575	2016-VF-PASSTHRU-1768	Delaware Criminal Justice Council	—	(1,991)
Crime Victim Assistance	16.575	2021-VF-PASSTHRU-2639	Delaware Criminal Justice Council	—	87,487
Total U.S. Department of Justice				<u>—</u>	<u>201,037</u>
Department of Homeland Security:					
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	148550	Delaware Emergency Management Agency	—	1,563,927
Department of the Treasury:					
COVID-19 – Coronavirus Relief Fund	21.019	NA	Delaware Department of Health and Social Services	—	1,311,321
COVID-19 – Coronavirus Relief Fund	21.019	NA	New Castle County	—	73,219
ALN No. 21.019 subtotal				<u>—</u>	<u>1,384,540</u>
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	NA	State of Delaware	—	2,134,063
Total Department of the Treasury				<u>—</u>	<u>3,518,603</u>
U.S. Department of Education:					
Education, Research, Development and Dissemination	84.305	60071710	Ohio State University	—	28,908
Education, Research, Development and Dissemination	84.305	SPC-1000003959/GR115805	Ohio State University	—	13,119
Total U.S. Department of Education				<u>—</u>	<u>42,027</u>
Total other awards				<u>1,413,581</u>	<u>70,592,530</u>
Total expenditures of federal awards				<u>\$ 2,460,521</u>	<u>79,034,002</u>

See accompanying notes to the schedule of expenditures of federal awards.

## THE NEMOURS FOUNDATION AND SUBSIDIARIES

### Notes to Schedule of Expenditures of Federal Awards

December 31, 2021

#### **(1) General**

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal programs administered by The Nemours Foundation and subsidiaries (Nemours). Awards received directly from federal agencies, as well as those passed through other nonfederal agencies, are included on the Schedule. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented may differ from amounts presented in, or used in the preparation of, the combined financial statements.

#### **(2) Basis of Accounting**

Federal programs administered by Nemours are accounted for within Nemours' operating funds. The accompanying Schedule has been prepared on the same basis of accrual accounting as the combined financial statements.

#### **(3) Relationships to Financial Statements**

Federal awards are reported in Nemours' combined financial statements as grant and contribution revenue.

#### **(4) Contingencies**

Grant monies received and disbursed by Nemours are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, Nemours does not believe that such disallowances, if any, would have a material effect on the combined financial position, results of operations, or cash flows of Nemours. Management is not aware of any material questioned or disallowed costs as a result of grant audits in process or completed.

#### **(5) Indirect Cost Rate Election**

Nemours received a negotiated indirect cost rate for federal awards; therefore, Nemours did not elect to charge the de minimus rate of 10% for determining indirect cost amounts.

#### **(6) Provider Relief Fund (ALN #93.498)**

As required by the granting agency, the Provider Relief Fund (PRF) amounts presented in the Schedule represent lost revenues as reported to the U.S Department of Health and Human Services for the PRF Portal Reporting time periods of July 1, 2021 to September 30, 2021 and January 1, 2022 to March 31, 2022.

## THE NEMOURS FOUNDATION AND SUBSIDIARIES

### Schedule of Findings and Questioned Costs

Year ended December 31, 2021

#### (1) Summary of Auditors' Results

- a. Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- b. Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
  - Material weaknesses: **No**
  - Significant deficiencies: **Yes, see finding 2021-001.**
- c. Noncompliance material to the financial statements: **No**
- d. Internal control deficiencies over major programs disclosed by the audit:
  - Material weaknesses: **No**
  - Significant deficiencies: **None reported**
- e. Type of report issued on compliance for major programs: **Unmodified**
- f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- g. Major programs:
  - Research and Development Cluster – various ALN Listing numbers
  - Provider Relief Funds – ALN 93.498
  - Disaster Grants – Public Assistance (Presidentially Declared Disasters) – ALN 97.036
- h. Dollar threshold used to distinguish between Type A and Type B programs: \$2,371,020
- i. Auditee qualified as a low risk auditee: **No**

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

##### Finding 2021-001

###### *Criteria*

Management is responsible for establishing a system of internal controls that is designed to ensure that financial statements are prepared in accordance with U.S. generally accepted accounting principles.

###### *Condition*

An audit misstatement was identified related to the untimely transfer of construction in progress to property and equipment and the related impact on depreciation expense for the year ended December 31, 2021.

## THE NEMOURS FOUNDATION AND SUBSIDIARIES

### Schedule of Findings and Questioned Costs

Year ended December 31, 2021

#### *Cause*

There were no formal controls in place to monitor the status of construction in progress projects. Consequently, management failed to timely transfer these projects to property and equipment that resulted in misstatements related to the completeness and accuracy of property and equipment and depreciation expense for the year ended December 31, 2021 and previous years.

#### *Recommendation*

We recommend Nemours implement a formal process by which project managers communicate to accounting the status of construction related projects and the point at which construction is completed and the related assets are placed in service.

#### *View of Responsible Officials*

Management agrees with the finding and will establish a quarterly meeting with project managers to review open projects included in construction in process to identify projects that have been recently completed so that such projects can be transferred to property and equipment on a timely basis and ensuring that depreciation expense is recorded in the proper period.

### **(3) Findings and Questioned Costs Relating to Federal Awards**

None



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

<b>Finding Reference</b>	<b>Finding</b>	<b>Status of Finding</b>	<b>Comments</b>	<b>Contact Person</b>
2019-001	<b>Equipment and Real Property Management:</b> Asset disposals were not performed timely and policy did not outline procedures to be performed in regards to the evaluation of the fair market value of the equipment and/or determining the need to contact the granting agency prior to the disposal after review of the agreement.	Corrected	N/A	Mario Carranza, Administrator-Research and Dino Carbone, Administrative Director-Materials Management
2019-002	<b>Subrecipient Monitoring:</b> Lack of documentation to substantiate adequate monitoring.	Corrected	N/A	Mario Carranza, Administrator, Research
2019-003	<b>Procurement and Suspension and Debarment:</b> Lack of evidence to support proper procurement methods were followed, in addition to an incomplete procurement policy.	Corrected	N/A	Mario Carranza, Administrator-Research and Dino Carbone, Administrative Director-Materials Management
2020-001	<b>Equipment and Real Property Management:</b> Lack of management review to ensure that disaggregated equipment listing distributed for the physical inventory count included all federally funded assets.	Corrected	N/A	Mario Carranza, Administrator-Research and Dino Carbone, Administrative Director-Materials Management
2020-002	<b>Subrecipient Monitoring:</b> Lack of documentation to substantiate adequate monitoring.	Corrected	N/A	Mario Carranza, Administrator, Research



The Nemours Foundation  
10140 Centurion Parkway North  
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<b>Finding No.</b>	<b>Names of Responsible Officials</b>	<b>Description of Corrective Action</b>	<b>Anticipated Completion Date</b>
<p>2021-001 Untimely Transfer of Construction in Progress to Property and Equipment.</p>	<p>Melanie Peterson, Financial Reporting Manager and Abby Rice, Senior Director of Accounting/ERP</p>	<p>Nemours will establish quarterly meetings with project managers to review open projects included in construction in process to identify projects that have been completed so that such projects can be transferred to property and equipment on a timely basis, ensuring depreciation expense is recorded in the proper period.</p>	<p>Corrective action will be complete by fourth quarter of 2022.</p>