



Date: May 19, 2021
Subject: Health Care Facilities Revenue Bonds, Series 2018 (Essentia Health Obligated Group) quarterly financial statements

Attached are Essentia Health's ("Essentia") quarterly Financial Statements and Medical Campus Project update as described in Section 3(c) of the Continuing Disclosure Undertaking dated November 1, 2018. The below summary is made on a voluntary basis. Essentia undertakes no obligation to update this voluntary disclosure in the future.

The United States Congress passed economic stimulus packages in response to the coronavirus disease (COVID-19) including the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Essentia received funds under the CARES Act Provider Relief Fund to cover healthcare related expenses or lost revenue due to COVID-19. During the nine months ended March 31, 2021, Essentia recognized approximately \$60 million of COVID-19 related state and federal funding. These funds are not subject to repayment provided Essentia is able to attest to and comply with terms and conditions of the funding.

In fiscal year 2020, Essentia received approximately \$203 million in advance payments for future Medicare services as part of the Medicare Accelerated and Advance Payments Program. Any amount of the advance outstanding after the repayment period will be subject to 4% interest. The advances are being recovered through claims recoupment that began April 1, 2021. Essentia expects to repay the remaining advance by the end of fiscal year 2023 and does not anticipate any interest will be incurred.



Essentia Health

Financial Statements

Unaudited For the Period and Fiscal Year-to-Date

March 31, 2021



Essentia Health

Unaudited Consolidating Balance Sheet

(In Thousands)

	March 31, 2021				March 31, 2020			
	Obligated Group	Non Obligated Group	Eliminations	Consolidated	Obligated Group	Non Obligated Group	Eliminations	Consolidated
Assets								
Current assets:								
Cash and cash equivalents	\$ 56,623	\$ 15,208	\$ 0	\$ 71,831	\$ 47,071	\$ 12,163	0	\$ 59,234
Short-term investments	125,319	1,274	-	126,593	30,281	604	-	30,886
Current portion of assets whose use is limited	110	14,911	-	15,021	3,982	17,805	-	21,787
Patient accounts receivable, net	180,524	34,659	-	215,183	184,879	33,060	-	217,939
Due from affiliates	816	-	(816)	-	2,110	-	(2,110)	0
Prepaid expenses and other receivables	55,395	7,146	(151)	62,390	51,139	7,738	(151)	58,725
Inventories	57,766	8,265	-	66,031	50,707	6,550	-	57,256
Total current assets	476,553	81,463	(968)	557,049	370,169	77,919	(2,262)	445,827
Assets whose use is limited, less current portion:								
Funds designated by Board	1,298,817	146,394	-	1,445,211	824,813	64,294	-	889,107
Funds held by trustee	420,016	588	-	420,604	547,509	439	-	547,948
Funds held under self-insurance program	-	74,499	-	74,499	-	46,170	-	46,170
Funds held for deferred compensation and other	115,518	30,762	-	146,280	95,056	25,541	-	120,597
Total assets whose use is limited long-term	1,834,352	252,243	-	2,086,594	1,467,378	136,445	-	1,603,822
Property and equipment, net	855,219	99,087	-	954,306	703,494	86,699	-	790,193
Other noncurrent assets, net	150,809	21,291	(3,330)	168,770	155,890	24,489	(3,481)	176,897
Total assets	\$ 3,316,933	\$ 454,084	\$ (4,298)	\$ 3,766,719	\$ 2,696,930	\$ 325,552	\$ (5,743)	\$ 3,016,740
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	\$ 43,484	\$ 3,640	\$ 0	\$ 47,124	\$ 33,000	\$ 4,296	\$ (1,191)	\$ 36,105
Payable to third-party payors	103,289	19,298	-	122,586	5,695	1,099	-	6,794
Accrued salaries, wages and benefits	185,442	12,985	-	198,427	146,981	13,473	-	160,454
Accrued interest	5,972	319	-	6,291	5,911	312	-	6,223
Due to affiliates	-	816	(816)	-	-	919	(919)	(0)
Current portion of long-term debt	21,375	3,234	(151)	24,457	20,874	2,075	(151)	22,798
Other	18,061	22,299	-	40,360	18,474	16,028	-	34,502
Total current liabilities	377,623	62,590	(968)	439,246	230,936	38,203	(2,262)	266,877
Long-term debt	1,171,429	74,926	(3,330)	1,243,025	1,122,343	29,363	(3,481)	1,148,225
Employee benefit plan and deferred compensation liabilities	217,812	1,498	-	219,310	178,419	1,299	-	179,718
Self-insurance program liabilities	31,766	13,903	-	45,669	32,183	17,517	-	49,700
Other noncurrent liabilities	158,579	43,115	-	201,694	80,720	44,797	-	125,517
Total liabilities	1,957,209	196,032	(4,298)	2,148,944	1,644,600	131,179	(5,743)	1,770,036
Net assets:								
Without donor restrictions	1,359,620	244,842	0	1,604,462	1,052,296	181,894	0	1,234,190
With donor restrictions	104	13,210	-	13,314	34	12,480	-	12,514
Total net assets	1,359,724	258,051	0	1,617,775	1,052,330	194,374	0	1,246,703
Total liabilities and net assets	\$ 3,316,933	\$ 454,084	\$ (4,298)	\$ 3,766,719	\$ 2,696,930	\$ 325,552	\$ (5,743)	\$ 3,016,740



Essentia Health

Unaudited Consolidating Statement of Revenues and Expenses (In Thousands)

	Nine Months Ended March 31, 2021				Nine Months Ended March 31, 2020			
	Non Obligated			Consolidated	Non Obligated			Consolidated
	Obligated Group	Group	Eliminations		Obligated Group	Group	Eliminations	
Unrestricted revenue:								
Patient service revenue	\$ 1,457,420	\$ 221,110	\$ -	\$ 1,678,530	\$ 1,412,058	\$ 213,090	\$ -	\$ 1,625,148
Other operating revenue	155,966	18,191	(44,938)	129,219	76,055	25,443	(46,611)	54,887
Total unrestricted revenue	1,613,385	239,301	(44,938)	1,807,749	1,488,114	238,533	(46,611)	1,680,035
Expenses:								
Salaries, wages and related benefits	\$ 926,309	\$ 119,405	\$ (17,433)	\$ 1,028,281	\$ 938,637	\$ 132,494	\$ (15,183)	\$ 1,055,949
Supplies	302,462	37,303	0	339,764	264,039	30,981	0	295,020
Purchased services and professional fees	56,341	36,951	(15,049)	78,243	43,705	38,511	(18,258)	63,958
Utilities and maintenance	53,396	6,183	(189)	59,390	51,651	5,819	(186)	57,285
Professional liability and general insurance	14,231	5,636	(11,219)	8,647	14,601	8,091	(11,643)	11,048
Provider and other taxes	23,462	3,758	-	27,220	22,870	3,666	-	26,536
Other expenses	40,718	13,271	(1,047)	52,941	49,140	16,977	(1,342)	64,775
Total expenses before interest, depreciation and amortization	1,416,919	222,505	(44,938)	1,594,487	1,384,643	236,540	(46,611)	1,574,572
Earnings before interest, depreciation and amortization (EBIDA)	196,466	16,796	-	213,262	103,470	1,993	-	105,464
Margin	12.2%	7.0%	0.0%	11.8%	7.0%	0.8%	0.0%	6.3%
Depreciation and amortization	\$ 63,357	\$ 8,925	\$ -	\$ 72,282	\$ 65,418	\$ 7,973	\$ -	\$ 73,391
Interest	14,083	1,760	-	15,843	17,685	1,190	-	18,875
Total interest, depreciation and amortization	77,441	10,685	-	88,126	83,102	9,164	-	92,266
Total Expenses	1,494,360	233,190	(44,938)	1,682,613	1,467,746	245,704	(46,611)	1,666,838
Income (loss) from operations	119,025	6,111	-	125,136	20,368	(7,171)	-	13,198
Margin	7.4%	2.6%	0.0%	6.9%	1.4%	-3.0%	0.0%	0.8%
Non-operating gains (losses), net:								
Investment income on funds designated by board	\$ 8,618	\$ 1,692	-	10,311	\$ 12,010	\$ 1,452	\$ -	13,462
Net realized gains (losses)	71,733	25,005	-	96,739	31,627	3,619	-	35,246
Net change in unrealized gains & losses on trading securities	46,985	2,004	-	48,988	(128,699)	(19,771)	-	(148,470)
Gain (loss) on swap agreements	6,271	-	-	6,271	(9,532)	-	-	(9,532)
Other, net	860	1,123	-	1,984	(3,572)	(1,408)	-	(4,980)
Total non-operating gains (loss), net	134,468	29,825	-	164,292	(98,166)	(16,107)	-	(114,274)
Excess (deficit) of revenue and gains over expenses	\$ 253,493	\$ 35,936	\$ -	\$ 289,429	\$ (77,798)	\$ (23,278)	\$ -	\$ (101,076)
Margin	14.5%	13.4%	0.0%	14.7%	-5.6%	-10.5%	0.0%	-6.5%



Essentia Health

Unaudited Consolidating Statement of Revenues and Expenses

(In Thousands)

	Quarter-To-Date Ended March 31, 2021				Quarter-To-Date Ended March 31, 2020			
	Non Obligated			Consolidated	Non Obligated			Consolidated
	Obligated Group	Group	Eliminations		Obligated Group	Group	Eliminations	
Unrestricted revenue:								
Patient service revenue	\$ 485,241	\$ 74,831	\$ -	\$ 560,073	\$ 448,223	\$ 69,214	\$ -	\$ 517,438
Other operating revenue	55,933	8,278	(15,244)	48,967	25,123	8,595	(15,563)	18,155
Total unrestricted revenue	541,174	83,109	(15,244)	609,039	473,346	77,810	(15,563)	535,593
Expenses:								
Salaries, wages and related benefits	\$ 314,412	\$ 41,796	\$ (6,032)	\$ 350,176	\$ 316,843	\$ 44,936	\$ (5,101)	\$ 356,677
Supplies	99,418	11,863	0	111,281	87,435	11,534	0	98,969
Purchased services and professional fees	21,203	12,500	(5,078)	28,626	17,178	13,315	(6,010)	24,482
Utilities and maintenance	18,160	2,418	(63)	20,515	19,161	2,294	(62)	21,393
Professional liability and general insurance	4,816	1,197	(3,740)	2,273	4,957	3,251	(3,881)	4,327
Provider and other taxes	7,018	1,178	-	8,196	6,893	1,293	-	8,185
Other expenses	13,850	4,810	(331)	18,329	18,172	5,523	(509)	23,186
Total expenses before interest, depreciation and amortization	478,878	75,762	(15,244)	539,396	470,639	82,146	(15,563)	537,221
Earnings before interest, depreciation and amortization (EBIDA)	62,297	7,347	-	69,644	2,708	(4,336)	-	(1,628)
Margin	11.5%	8.8%	0.0%	11.4%	0.6%	-5.6%	0.0%	-0.3%
Depreciation and amortization	\$ 20,911	\$ 3,191	\$ -	\$ 24,101	\$ 21,761	\$ 2,675	\$ -	\$ 24,436
Interest	4,620	602	-	5,222	5,391	392	-	5,784
Total interest, depreciation and amortization	25,530	3,792	-	29,323	27,152	3,067	-	30,219
Total Expenses	504,408	79,554	(15,244)	568,719	497,791	85,212	(15,563)	567,440
Income (loss) from operations	36,766	3,555	-	40,321	(24,445)	(7,403)	-	(31,847)
Margin	6.8%	4.3%	0.0%	6.6%	-5.2%	-9.5%	0.0%	-5.9%
Non-operating gains (losses), net:								
Investment income on funds designated by board	2,890	779	-	3,669	3,919	322	-	4,241
Net realized gains (losses)	37,089	11,603	-	48,692	9,471	835	-	10,306
Net change in unrealized gains & losses on trading securities	(30,098)	(11,732)	-	(41,829)	(145,776)	(24,785)	-	(170,561)
Gain (loss) on swap agreements	4,363	-	-	4,363	(8,159)	-	-	(8,159)
Other, net	1,146	738	-	1,884	(3,688)	(1,262)	-	(4,950)
Total non-operating gains (loss), net	15,390	1,389	-	16,779	(144,234)	(24,890)	-	(169,124)
Excess (deficit) of revenue and gains over expenses	\$ 52,156	\$ 4,944	\$ -	\$ 57,100	\$ (168,679)	\$ (32,292)	\$ -	\$ (200,971)
Margin	9.4%	5.9%	0.0%	9.1%	-51.3%	-61.0%	0.0%	-54.8%



Essentia Health

Unaudited Consolidating Statement of Net Assets (In Thousands)

	Nine Months Ended March 31, 2021				Nine Months Ended March 31, 2020			
	Non Obligated		Eliminations	Consolidated	Non Obligated		Eliminations	Consolidated
	Obligated Group	Group			Obligated Group	Group		
Net assets without donor restrictions:								
Excess of revenue and gains over expenses and losses	\$ 253,493	\$ 35,936	\$ -	\$ 289,429	\$ (77,798)	\$ (23,278)	\$ -	\$ (101,076)
Change in minimum pension liability	-	-	-	-	-	-	-	-
Other, net	6,361	145	-	6,506	(3,048)	4,100	-	1,053
Increase (decrease) in net assets without donor restrictions	259,854	36,080	-	295,935	(80,846)	(19,177)	-	(100,023)
Net assets with donor restrictions:								
Contributions	\$ 6,056	\$ 2,175	\$ -	\$ 8,231	\$ 211	\$ 1,999	\$ -	\$ 2,210
Other, net	(5,986)	(1,304)	-	(7,291)	(211)	(2,343)	-	(2,554)
Increase (decrease) in net assets with donor restrictions	70	871	-	941	-	(344)	-	(344)
Total Increase (decrease) in net assets	259,924	36,951	-	296,875	(80,846)	(19,521)	-	(100,367)
Net assets at beginning of year	1,099,800	221,100	0	1,320,900	1,133,176	213,895	0	1,347,071
Net assets to date	\$ 1,359,724	\$ 258,051	\$ 0	\$ 1,617,775	\$ 1,052,330	\$ 194,374	\$ 0	\$ 1,246,703



Essentia Health

Unaudited Consolidating Statement of Statistics

	Nine Months Ended March 31, 2021				Nine Months Ended March 31, 2020			
	Non Obligated			Consolidated	Non Obligated			Consolidated
	Obligated Group	Group	Eliminations		Obligated Group	Group	Eliminations	
Outpatient Statistics:								
Relative value units	3,689,065	356,972	-	4,046,037	3,807,969	374,763	-	4,182,731
Face to face encounters	887,358	109,907	-	997,265	1,124,176	174,106	-	1,298,282
Virtual encounters	170,542	16,946	-	187,488	-	-	-	-
Face to face outpatient visits	433,248	153,347	-	586,595	387,572	134,357	-	521,929
Virtual outpatient visits	10,605	561	-	11,166	-	-	-	-
Hospital emergency room visits	81,354	22,187	-	103,541	96,682	27,335	-	124,017
Hospital outpatient surgeries	17,135	4,808	-	21,943	17,123	2,709	-	19,832
Inpatient Statistics:								
Hospital patient discharges	24,963	2,180	-	27,143	26,746	2,977	-	29,723
Hospital patient days	132,817	10,304	-	143,121	129,011	10,552	-	139,563
Hospital inpatient surgeries	8,326	480	-	8,806	9,226	450	-	9,676
Hospital average daily census	485	38	-	522	469	38	-	506
Hospital average length of stay	5.3	4.7	-	5.3	4.8	3.5	-	4.7
Long-term care resident days	23,036	38,417	-	61,453	22,651	45,437	-	68,088
Full time equivalents (FTE's):								
Physicians	692	61	-	754	673	81	-	754
APs	828	139	-	967	836	139	-	975
Staff	7,939	1,291	-	9,230	8,528	1,553	-	10,081
Total FTE's	9,459	1,492	-	10,951	10,036	1,774	-	11,810
Beds:								
Licensed beds - Hospital	980	241	-	1,221	980	264	-	1,244
Licensed beds - Long-term care	94	232	-	326	94	232	-	326
Available beds - Hospital	862	166	-	1,028	862	189	-	1,051
Available beds - Long-term care	94	232	-	326	94	232	-	326
Hospital bed days available	236,188	45,484	-	281,672	237,050	51,975	-	289,025
Occupancy rate (%) - available beds	56.2%	22.7%	0.0%	50.8%	54.4%	20.3%	0.0%	48.3%

Quarterly Medical Campus Project Update

Essentia Health has undertaken the “*Medical Campus Project*” (as such term is defined in the Official Statement) to improve access to care in Essentia’s East market, achieve and sustain targeted levels of operational efficiencies and performance, build and operate modern medical facilities with advanced technologies to meet patient demands, build an environment that allows the System (as such term is defined in the Official Statement) to recruit and retain industry leading professionals and grow its operating revenues with a strategic focus on practice areas where the System is or can become the market leader.

1) Expected Medical Campus Project completion date.

As previously reported, Essentia expects a construction completion date for the Medical Campus Project in the first half of calendar year 2023 with a projected move-in and start of operations date in the third quarter of calendar year 2023. Construction is proceeding in compliance with this schedule.

2) Description of the parties to and material compensation provided in the general construction contract entered into with respect to the Medical Campus Project.

As previously reported, the parties to the general construction contract and architectural and engineering contracts remain as stated. The final Guaranteed Maximum Price Amendment (“Final GMP”) was executed in June 2020 with McGough Construction as the Construction Manager (“CM”).

3) A description of any material changes in construction, engineering or labor conditions impacting the schedule for or costs of the Medical Campus Project.

Permits from the City of Duluth and other governmental agencies that are presently required have been received and future permitting processes are consistent with the overall project schedule. The System and Medical Campus Project team have jointly developed detailed coronavirus disease 2019 (“COVID-19”) response protocols and implemented them with respect to the Medical Campus Project. At the time of this update, the Medical Campus Project has experienced no significant delays, work stoppages or supply chain interruptions related to COVID-19. The System and Medical Campus Project team are closely monitoring any potential effects of COVID-19 on the Medical Campus Project and are continuing to refine and implement certain additional contingency plans to mitigate potential impacts to schedule and cost.

4) A description of any material variances from the Medical Campus Project budget or description from that contained in the Official Statement.

All material variances from budget or description as previously contained in the Official Statement have been previously reported and are unchanged. The Master Project Budget remains, as previously reported, at \$759 million.