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Lori A. Weaver
Interim Commissioner

Joseph E. Ribsam, Jr.
Director

STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION FOR CHILDREN, YOUTH & FAMILIES

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May 14, 2023

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Authorize the Department of Health and Human Services, Division for Children, Youth and Families, to enter into an amendment to an existing contract with Catholic Medical Center (VC#177240R003) Manchester, NH to provide laboratory services for the John H. Sununu Youth Services Center, by extending the completion date from June 30, 2023 to June 30, 2025, effective June 30, 2023, upon Governor and Council approval, with no change to the price limitation of \$270,000.

The original contract was approved by Governor and Council on June 5, 2013, item #81. It was subsequently amended on April 22, 2015, item #12, amended on June 21, 2017, item #23, amended on June 19, 2019, item #68 and most recently amended on June 2, 2021, #16.

EXPLANATION

The Sununu Youth Services Center (SYSC) provides comprehensive 24/7 care to its residents. The Contractor consistently charges lower rates for phlebotomy and commonly used laboratory tests ordered by the physician, psychiatrist, and dentist at SYSC. The Contractor is uniquely qualified to deliver these services to a specific population such as SYSC. With the legislative and executive branches actively considering relocation of the Youth Services Center, it would not be efficient for the Department to go out to bid for services at this time.

The purpose of this request is to allow the Contractor to continue providing laboratory services to the youth who reside at the SYSC, by utilizing existing State Fiscal Year 2023 funding that will be carried forward to State Fiscal Years 2024 and 2025. The Contractor provides technical laboratory personnel who collect specimens, at the request of the Department, from youth residents at SYSC. The collection of specimens onsite creates value for the Department because it eliminates the need to transport youth residents to an offsite location, saving resources such as staff hours and state vehicle usage costs.

These services apply to approximately 18 committed or detained residents annually who require laboratory services at SYSC.

The Contractor collects and analyzes specimens, as ordered by medical staff at SYSC. The specimens are collected onsite at SYSC and transported to a laboratory for testing. Laboratory results are reported to the Department for each sample tested. Specimen treating reports include, but are not limited to:

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
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- Date and time of specimen collection.
- Technician's initials.
- Pathologist's review of testing results.

The Department will monitor contracted services by ensuring the Contractor:

- Provides phlebotomy services at SYSC once weekly.
- Collects 100% of specimens ordered by doctors for youths at SYSC.
- Provide a Specimen Collection Assurance Report to the Department no less than once each fiscal quarter.
- Notifies the Department within one (1) working day of any laboratory findings that indicate a reportable disease.
- Delivers test results to the Department within twenty-four hours of specimen collection.

Should the Governor and Council not authorize this request, staff members at SYSC will need to transport youth residents at SYSC to an outside lab facility to collect specimens for testing. This would increase the cost of specimen collection and testing, as well as increase risk to staff and youth residents. In addition, it may cause delays in the collection of specimens for laboratory testing.

Area served: Residents at SYSC Manchester.

Respectfully submitted,



Lori A. Weaver
Interim Commissioner

**State of New Hampshire
Department of Health and Human Services
Amendment #5**

This Amendment to the Laboratory Services for the John H. Sununu Youth Services Center contract is by and between the State of New Hampshire, Department of Health and Human Services ("State" or "Department") and Catholic Medical Center ("the Contractor").

WHEREAS, pursuant to an agreement (the "Contract") approved by the Governor and Executive Council on June 5, 2013, (Item #81), as amended on April 22, 2015, (Item #12), as amended on June 21, 2017, (Item #23), as amended on June 19, 2019, item #68 and most recently amended on June 2, 2021, #16, the Contractor agreed to perform certain services based upon the terms and conditions specified in the Contract and in consideration of certain sums specified; and

WHEREAS, pursuant to Form P-37, General Provisions, Paragraph 18, the Contract may be amended upon written agreement of the parties and approval from the Governor and Executive Council; and

WHEREAS, the parties agree to extend the term of the agreement to support continued delivery of these services; and

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and conditions contained in the Contract and set forth herein, the parties hereto agree to amend as follows:

1. Form P-37 General Provisions, Block 1.7, Completion Date, to read:
June 30, 2025.
2. Modify Exhibit A, Scope of Services, Contract Period, to read:
July 1, 2013 to June 30, 2025.
3. Modify Exhibit B, Method Schedule, and Conditions Precedent to Payment, Program Period, to read:
July, 1, 2013 to June 30, 2025.

All terms and conditions of the Contract and prior amendments not modified by this Amendment #5 remain in full force and effect. This Amendment shall be effective June 30, 2023, upon Governor and Executive Council approval.

IN WITNESS WHEREOF, the parties have set their hands as of the date written below,

State of New Hampshire
Department of Health and Human Services

5/15/2023
Date

DocuSigned by:
Joseph E. Ribsam, Jr.
Name: Joseph E. Ribsam, Jr.
Title: Director

Catholic Medical Center

5/15/2023
Date

DocuSigned by:
Alex Walker
Name: Alex Walker
Title: President & CEO

The preceding Amendment, having been reviewed by this office, is approved as to form, substance, and execution.

OFFICE OF THE ATTORNEY GENERAL

5/16/2023

Date

DocuSigned by:
Robyn Guarino

Name: Robyn Guarino

Title: Attorney

I hereby certify that the foregoing Amendment was approved by the Governor and Executive Council of the State of New Hampshire at the Meeting on: _____ (date of meeting)

OFFICE OF THE SECRETARY OF STATE

Date

Name:

Title:

State of New Hampshire

Department of State

CERTIFICATE

I, David M. Scanlan, Secretary of State of the State of New Hampshire, do hereby certify that CATHOLIC MEDICAL CENTER is a New Hampshire Nonprofit Corporation registered to transact business in New Hampshire on November 07, 1974. I further certify that all fees and documents required by the Secretary of State's office have been received and is in good standing as far as this office is concerned.

Business ID: 62116

Certificate Number: 0006185444



IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed
the Seal of the State of New Hampshire,
this 30th day of March A.D. 2023.

A handwritten signature in black ink, appearing to read "D. Scanlan", written over a circular embossed area.

David M. Scanlan
Secretary of State

CERTIFICATE OF AUTHORITY

I, Matthew Kloury, do hereby certify that:

1. I am the duly elected Secretary of Catholic Medical Center, a New Hampshire voluntary corporation ("CMC");
2. Alexander J. Walker, is the duly elected President & CEO of CMC;
3. The attached Exhibit A is a true copy of resolutions duly adopted by written unanimous consent on January 26, 2023;
4. The foregoing resolutions have not been amended or revoked and remain in full force and effect as of the 21 day of April, 2023 and this authority remains valid for thirty (30) days from the date of this Certificate of Authority; and
5. I further certify that it is understood that the State of New Hampshire will rely on this certificate as evidence from CMC that I am the Secretary of CMC and that Mr. Walker has the authority to bind CMC. To the extent that there are any limits on the authority of Mr. Walker or myself to bind CMC in contracts with the State of New Hampshire, all such limitations are expressly stated herein.

I have hereunto set my hand as the Secretary of CMC this 21 day of April 2023.

A handwritten signature in black ink, appearing to read "Matthew Kloury", is written over a circular stamp or seal that is mostly obscured by the ink.

Matthew Kloury, Secretary

Exhibit A

RESOLUTIONS

OF THE

BOARD OF TRUSTEES

OF CATHOLIC MEDICAL CENTER ("CMC")

Authorizing CMC to enter into Contracts with the State of New Hampshire

January 26, 2023

RESOLVED: That CMC be authorize to enter into contracts, amendments, renewals, revisions or modifications thereto, with the State of New Hampshire, including any of its agencies or departments.

RESOLVED: That Alexander J. Walker, as President & CEO of CMC, is hereby authorized on behalf of CMC to enter into contracts with the State and to execute any and all documents, agreements, and other instruments; and any amendments, revisions, or modifications thereto, as he may deem necessary, desirable, or appropriate.



Catholic Medical Center's Strategy2020

CMC Healthcare System (CMCHS) is guided by its mission, vision and values in delivering exceptional care and well-being to our patients and community. Aggressively pursuing our mission and vision is fundamental in both shaping our future and evaluating our progress. Additionally, our strength of Catholic Identity and relationship with the Diocese, affirmed by our values and incorporated in our language, symbols and behaviors, is integral to fulfilling CMC's direction to deliver health, healing and hope to those we serve.

Mission

The heart of Catholic Medical Center is to provide health, healing, and hope in a manner that offers innovative high quality services, compassion, and respect for the human dignity of every individual who seeks or needs our care as part of Christ's healing ministry through the Catholic Church.

Vision

Guided by our mission and values, we are committed to becoming the finest customer experience, lowest cost, best outcome provider in the region.

Values

- Treat others with **Compassion** and to promote social justice and equality
- Understand and believe **Human Dignity** with respect to the sanctity of human life from conception to natural death
- Continually strive for **Excellence** in what we do in regards to quality, patient safety, continuum of health, palliative care, hospice, etc.
- **Respect** patients, family and each other
- Promote **Patient Centered** Care with special attention to the poor, underserved and vulnerable

CMC's strategy is to be an independently governed, Catholic health system with outstanding programs and strong partnerships that contribute to our ability to improve the health of our community and surrounding areas throughout the entire continuum of health.

We will do this by...

**BAKER
NEWMAN
NOYES**

CMC Healthcare System, Inc.

**Audited Consolidated Financial Statements
and Other Financial Information**

*Years Ended September 30, 2022 and 2021
With Independent Auditors' Report*

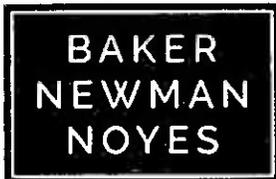
CMC HEALTHCARE SYSTEM, INC.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

Years Ended September 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
CMC Healthcare System, Inc.

Opinion

We have audited the consolidated financial statements of CMC Healthcare System, Inc. (the System), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the System as of September 30, 2022 and 2021, and the results of its operations, changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Financial Statements section of our report. We are required to be independent of the System 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 Financial Statements

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

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

Board of Trustees
CMC Healthcare System, Inc.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 the System's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's 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.

Baker Newman & Noyes LLC

Manchester, New Hampshire
February 23, 2023

CMC HEALTHCARE SYSTEM, INC.
CONSOLIDATED BALANCE SHEETS

September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 48,137,435	\$110,979,667
Short-term investments	3,603,910	3,582,157
Accounts receivable	71,670,095	71,559,507
Inventories	3,816,582	3,912,718
Other current assets	<u>14,877,493</u>	<u>18,861,756</u>
Total current assets	142,105,515	208,895,805
Property, plant and equipment, net	147,163,130	144,872,110
Other assets:		
Intangible assets and other	17,259,975	18,557,706
Assets whose use is limited:		
Pension and insurance obligations	20,598,446	24,811,739
Board designated and donor restricted investments and restricted grants	147,238,360	168,473,103
Held by trustee under revenue bond agreements	<u>1,119,341</u>	<u>1,250,410</u>
	<u>168,956,147</u>	<u>194,535,252</u>
Total assets	<u>\$475,484,767</u>	<u>\$566,860,873</u>

CMC HEALTHCARE SYSTEM, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Patient service revenues	\$ 485,629,986	\$ 455,963,619
Other revenue	38,750,311	40,909,118
Disproportionate share funding	<u>21,383,859</u>	<u>21,483,694</u>
Total operating revenues	545,764,156	518,356,431
Operating expenses:		
Salaries, wages and fringe benefits	324,681,384	281,520,814
Supplies and other	195,348,186	192,476,393
New Hampshire Medicaid enhancement tax	22,288,821	19,248,461
Depreciation and amortization	13,267,183	13,005,133
Interest	<u>5,126,170</u>	<u>5,007,696</u>
Total operating expenses	<u>560,711,744</u>	<u>511,258,497</u>
(Loss) income from operations	(14,947,588)	7,097,934
Nonoperating (losses) gains:		
Investment (loss) income, net	(23,254,605)	26,082,136
Net periodic pension cost, other than service cost	(1,368,472)	(903,813)
Contributions without donor restrictions	295,134	551,406
Development costs	(697,147)	(577,663)
Forgiveness of PPP loan	-	618,500
Other nonoperating expenses and losses	<u>(3,153,518)</u>	<u>(10,449,058)</u>
Total nonoperating (losses) gains, net	<u>(28,178,608)</u>	<u>15,321,508</u>
(Deficiency) excess of revenues and (losses) gains over expenses	(43,126,196)	22,419,442
Unrealized depreciation on investments	(24,002)	(4,872)
Change in fair value of interest rate swap agreement	540,490	204,639
Assets released from restriction used for capital	495,416	70,304
Pension-related changes other than net periodic pension cost	<u>34,287,805</u>	<u>50,168,380</u>
Change in net assets without donor restrictions	(7,826,487)	72,857,893
Net assets without donor restrictions at beginning of year	<u>112,328,045</u>	<u>39,470,152</u>
Net assets without donor restrictions at end of year	<u>\$ 104,501,558</u>	<u>\$ 112,328,045</u>

See accompanying notes.

CMC HEALTHCARE SYSTEM, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years Ended September 30, 2022 and 2021

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	Total <u>Net Assets</u>
Balances at September 30, 2020	\$ 39,470,152	\$26,995,958	\$ 66,466,110
Excess of revenues and gains over expenses	22,419,442	-	22,419,442
Restricted investment income	-	542,188	542,188
Changes in interest in perpetual trust	-	1,546,976	1,546,976
Donor restricted contributions	-	2,854,022	2,854,022
Unrealized depreciation on investments	(4,872)	(254,325)	(259,197)
Change in fair value of interest rate swap agreement	204,639	-	204,639
Assets released from restriction used for operations	-	(1,046,594)	(1,046,594)
Assets released from restriction used for capital	70,304	(70,304)	-
Pension-related changes other than net periodic pension cost	<u>50,168,380</u>	<u>-</u>	<u>50,168,380</u>
	<u>72,857,893</u>	<u>3,571,963</u>	<u>76,429,856</u>
Balances at September 30, 2021	112,328,045	30,567,921	142,895,966
Deficiency of revenues and losses over expenses	(43,126,196)	-	(43,126,196)
Restricted investment income	-	55,047	55,047
Changes in interest in perpetual trust	-	(1,965,979)	(1,965,979)
Donor restricted contributions	-	1,981,812	1,981,812
Unrealized depreciation on investments	(24,002)	(328,700)	(352,702)
Change in fair value of interest rate swap agreement	540,490	-	540,490
Assets released from restriction used for operations	-	(720,929)	(720,929)
Assets released from restriction used for capital	495,416	(495,416)	-
Pension-related changes other than net periodic pension cost	<u>34,287,805</u>	<u>-</u>	<u>34,287,805</u>
	<u>(7,826,487)</u>	<u>(1,474,165)</u>	<u>(9,300,652)</u>
Balances at September 30, 2022	<u>\$104,501,558</u>	<u>\$29,093,756</u>	<u>\$133,595,314</u>

See accompanying notes.

CMC HEALTHCARE SYSTEM, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities:		
Change in net assets	\$ (9,300,652)	\$ 76,429,856
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	13,267,183	13,005,133
Pension-related changes other than net periodic pension cost	(34,287,805)	(50,168,380)
Restricted gifts and investment income	(2,036,859)	(3,396,210)
Net realized and unrealized losses (gains) on investments	27,295,072	(23,060,105)
Forgiveness of PPP loan	-	(618,500)
Change in interest in perpetual trust	1,965,979	(1,546,976)
Change in fair value of interest rate swap agreement	(540,490)	(204,639)
Bond discount/premium and issuance cost amortization	(228,187)	(238,116)
Changes in operating assets and liabilities:		
Accounts receivable	(110,588)	(8,767,931)
Inventories	96,136	924,157
Other current assets	4,970,308	3,240,997
Other assets	1,297,731	(1,438,941)
Accounts payable and accrued expenses	(615,822)	(20,921,857)
Accrued salaries, wages and related accounts	431,276	1,326,112
Amounts payable to third-party payors	(40,760,143)	31,126,220
Accrued pension and other liabilities	<u>(10,332,217)</u>	<u>(47,190,175)</u>
Net cash used by operating activities	(48,889,078)	(31,499,355)
Investing activities:		
Purchases of property, plant and equipment	(14,135,480)	(8,482,503)
Net change in assets held by trustee under revenue bond agreements	131,069	94,602
Proceeds from sales of investments	12,086,715	114,881,518
Purchases of investments	<u>(16,399,928)</u>	<u>(116,623,848)</u>
Net cash used by investing activities	(18,317,624)	(10,130,231)
Financing activities:		
Payments on long-term debt	(2,998,405)	(2,672,713)
Proceeds from issuance of long-term debt	6,258,900	1,727,235
Payments on capital leases	(425,284)	(223,098)
Restricted gifts and investment income	<u>1,529,259</u>	<u>2,226,560</u>
Net cash provided by financing activities	<u>4,364,470</u>	<u>1,057,984</u>
Decrease in cash and cash equivalents	(62,842,232)	(40,571,602)
Cash and cash equivalents at beginning of year	<u>110,979,667</u>	<u>151,551,269</u>
Cash and cash equivalents at end of year	<u>\$ 48,137,435</u>	<u>\$ 110,979,667</u>

Supplemental disclosure:

During 2022 and 2021, the System entered into capital lease obligations to finance certain equipment totaling \$1,409,797 and \$1,739,803, respectively.

See accompanying notes.

CMC HEALTHCARE SYSTEM, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years Ended September 30, 2022 and 2021

1. Organization

CMC Healthcare System, Inc. (the System) is a New Hampshire voluntary corporation. The System is recognized as a Section 501(c)(3) tax-exempt organization formed effective July 1, 2001. The System functioned as the parent company and sole member of Catholic Medical Center (the Medical Center) (until December 31, 2016, as discussed below), Catholic Medical Center Physician Practice Associates, Inc. (PPA), Alliance Enterprises, Inc. (Enterprises), Alliance Resources, Inc. (Resources), Alliance Ambulatory Services, Inc. (AAS), Alliance Health Services, Inc. (AHS) and St. Peter's Home, Inc. (SPH).

On December 30, 2016, the System became affiliated with Huggins Hospital (HH), a 25-bed critical access hospital in Wolfeboro, New Hampshire, and Monadnock Community Hospital (MCH), a 25-bed critical access hospital in Peterborough, New Hampshire, through the formation of a common parent, GraniteOne Health (GraniteOne). GraniteOne is a New Hampshire voluntary corporation that is recognized as being a Section 501(c)(3) tax-exempt and "supporting organization" within the meaning of Section 509(a)(3) of the Internal Revenue Code of 1986, as amended (the Code). GraniteOne serves as the sole member of HH and MCH and co-member of the Medical Center, along with the System. GraniteOne is governed by a thirteen-member Board of Trustees appointed by each of the respective hospitals within the GraniteOne system. The GraniteOne Board of Trustees governs the GraniteOne system through the existence and execution of reserved powers to approve certain actions by the Boards of Trustees of each of the hospitals. Through GraniteOne, this more integrated healthcare system enhances the affiliated hospitals' ability to coordinate the delivery of patient care, implement best practices, eliminate inefficiencies and collaborate on regional healthcare planning. These efforts strengthen the hospitals' ability to meet the healthcare needs of their respective communities and provide for a more seamless patient experience across the continuum of care. The accompanying consolidated financial statements for the years ended September 30, 2022 and 2021 do not include the accounts and activity of GraniteOne, HH and MCH.

On September 30, 2019, GraniteOne, the Medical Center, the System, certain subsidiaries of the System, HH and MCH entered into a Combination Agreement (the Agreement) with Dartmouth-Hitchcock Health (D-HH) to combine GraniteOne and D-HH and its members into a more fully integrated healthcare delivery system. The combining parties began the state and federal regulatory review process with the filing of a Joint Notice of Change of Control to the New Hampshire Attorney General (AG), Director of Charitable Trusts pursuant to New Hampshire RSA 7:19-b on December 30, 2019. On May 13, 2022, the New Hampshire Attorney General's office issued its report objecting to the proposed combination. On May 31, 2022, GraniteOne, the Medical Center, the System, certain subsidiaries of the System, HH, MCH and D-HH entered into an Agreement to Mutually Terminate the Combination Agreement ending the efforts to combine the two healthcare systems. The System incurred approximately \$1.6 million and \$5.9 million in combination costs for the years ended September 30, 2022 and 2021, respectively, which amounts are reflected within non-operating (losses) gains in the accompanying consolidated statements of operations.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

1. Organization (Continued)

Pursuant to the Affiliation Agreement that formed GraniteOne, the Medical Center, HH and MCH each had a right, after two years of GraniteOne, to evaluate whether they would continue participation in the system. The time period on this limited right to withdraw had been extended a number of times while the proposed combination with D-HH was under review. Upon the termination of the combination efforts with D-HH, the Medical Center, MCH and HH each assessed their continued participation in GraniteOne and after a six-month review process, each concluded it was best to withdraw from GraniteOne and subsequently provided the required notice on October 28, 2022. The parties mutually agreed to work together over several months to seek the necessary regulatory approvals and wind down GraniteOne. The parties intend to continue their clinical collaborations after the withdrawal and wind down of GraniteOne. The parties anticipate completing these processes within the 2023 fiscal year.

2. Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting.

Principles of Consolidation

The consolidated financial statements include the accounts of the Medical Center, PPA, Enterprises, Resources, AAS, AHS and SPH. Significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Income Taxes

The System and all related entities, with the exception of Enterprises, are not-for-profit corporations as described in Section 501(c)(3) of the Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Management evaluated the System's tax positions and concluded the System has maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment to the consolidated financial statements.

Enterprises is a for-profit organization and, in accordance with federal and state tax laws, files income tax returns, as applicable. There was no significant provision for income taxes for the years ended September 30, 2022 and 2021. There are no significant deferred tax assets or liabilities. Enterprises has concluded there are no significant uncertain tax positions requiring disclosure and there is no material liability for unrecognized tax benefits. It is the policy of Enterprises to recognize interest related to unrecognized tax benefits in interest expense and penalties in income tax expense.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

2. Significant Accounting Policies (Continued)

Charity Care and Community Benefits

The System has a formal charity care policy under which patient care is provided to patients who meet certain criteria without charge or at amounts less than its established rates. The System does not pursue collection of amounts determined to qualify as charity care; therefore, they are not reported as revenues.

Of the System's \$560,711,744 total expenses reported for the year ended September 30, 2022, an estimated \$5,000,000 arose from providing services to charity patients. Of the System's \$511,258,497 total expenses reported for the year ended September 30, 2021, an estimated \$5,400,000 arose from providing services to charity patients. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the System's total expenses divided by gross patient service revenue.

Concentration of Credit Risk

Financial instruments which subject the System to credit risk consist primarily of cash equivalents, accounts receivable and investments. The risk with respect to cash equivalents is minimized by the System's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The System's accounts receivable are primarily due from third-party payors and amounts are presented net of expected explicit and implicit price concessions, including estimated implicit price concessions from uninsured patients. The System's investment portfolio consists of diversified investments, which are subject to market risk. Investments that exceeded 10% of investments include the Fidelity 500 Index Fund as of September 30, 2022 and 2021.

Cash and Cash Equivalents

Cash and cash equivalents include certificates of deposit with maturities of three months or less when purchased and investments in overnight deposits at various banks. Cash and cash equivalents exclude amounts whose use is limited by board designation and amounts held by trustees under revenue bond and other agreements. The System maintains approximately \$43,000,000 and \$106,000,000 at September 30, 2022 and 2021, respectively, of its cash and cash equivalent accounts with a single institution. The System has not experienced any losses associated with deposits at this institution.

Accounts Receivable

Patient accounts receivable for which the unconditional right to payment exists are receivables if the right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. Accounts receivable at September 30, 2022 and 2021 reflect the fact that any estimated uncollectible amounts are generally considered implicit price concessions that are a direct reduction to accounts receivable rather than allowance for doubtful accounts. At September 30, 2022 and 2021, estimated implicit price concessions of \$22,938,402 and \$23,128,679, respectively, have been recorded as reductions to accounts receivable balances to enable the System to record revenues and accounts receivable at the estimated amounts expected to be collected.

Accounts receivable as of September 30, 2022, 2021 and 2020 are \$71,670,095, \$71,559,507 and \$62,791,576, respectively.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

2. **Significant Accounting Policies (Continued)**

Inventories

Inventories of supplies are stated at the lower of cost (determined by the first-in, first-out method) or net realizable value.

Related Party Activity

The Medical Center has engaged in various transactions with GraniteOne, HH and MCH. The Medical Center recognized approximately \$3.0 million and \$3.1 million in revenue from these related parties for the years ended September 30, 2022 and 2021, respectively, which is reflected within other revenues in the accompanying consolidated statements of operations. The Medical Center also incurred expenses to these related parties of approximately \$1.9 million and \$6.5 million for the years ended September 30, 2022 and 2021, respectively, of which \$300,000 and \$600,000, respectively, is reflected within operating expenses. Additionally, approximately \$1.6 million and \$5.9 million for the years ended September 30, 2022 and 2021, respectively, is reflected within nonoperating (losses) gains in the accompanying consolidated statements of operations. As of September 30, 2022, the Medical Center had a net amount due from these related parties of approximately \$2.0 million, which is reflected within other current assets in the accompanying 2022 consolidated balance sheet. As of September 30, 2021, the Medical Center had a net amount due from these related parties of approximately \$1.3 million, of which \$1.8 million is reflected within other current assets and \$500,000 is reflected within accounts payable and accrued expenses in the accompanying 2021 consolidated balance sheet. See also Note 1.

Property, Plant and Equipment

Property, plant and equipment is stated at cost at time of purchase or fair value at the time of donation, less accumulated depreciation. The System's policy is to capitalize expenditures for major improvements and charge maintenance and repairs currently for expenditures which do not extend the lives of the related assets. The provisions for depreciation and amortization have been determined using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives. See also Note 5. Assets which have been purchased but not yet placed in service are included in construction in progress and no depreciation expense is recorded.

Conditional Asset Retirement Obligations

The System recognizes the fair value of a liability for legal obligations associated with asset retirements in the year in which the obligation is incurred, in accordance with Accounting Standards Codification (ASC) 410-20, *Accounting for Asset Retirement Obligations*. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long lived asset. The liability is accreted to its present value each year, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of operations.

As of September 30, 2022 and 2021, \$1,021,362 and \$1,010,847, respectively, of conditional asset retirement obligations are included within accrued pension and other liabilities in the accompanying consolidated balance sheets.

CMC HEALTHCARE SYSTEM, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years Ended September 30, 2022 and 2021

2. Significant Accounting Policies (Continued)**Goodwill**

The System reviews its goodwill and other long-lived assets annually to determine whether the carrying amount of such assets is impaired. Upon determination that an impairment has occurred, these assets are reduced to fair value. The net carrying value of goodwill is \$4,490,154 at September 30, 2022 and 2021, and is reflected within intangible assets and other in the accompanying consolidated balance sheets. There were no impairments recorded for the years ended September 30, 2022 or 2021.

Patient Service Revenues

Revenues generally relate to contracts with patients in which the System's performance obligations are to provide health care services to patients. Revenues are recorded during the period obligations to provide health care services are satisfied. Performance obligations for inpatient services are generally satisfied over a period of days. Performance obligations for outpatient services are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payor (Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) and the transaction prices for the services provided are dependent upon the terms provided by Medicare and Medicaid or negotiated with managed care health plans and commercial insurance companies, the third-party payors. The payment arrangements with third-party payors for the services provided to related patients typically specify payments at amounts less than standard charges. Medicare generally pays for inpatient and outpatient services at prospectively determined rates based on clinical, diagnostic and other factors. Services provided to patients having Medicaid coverage are generally paid at prospectively determined rates per discharge, per identified service or per covered member. Agreements with commercial insurance carriers, managed care and preferred provider organizations generally provide for payments based upon predetermined rates per diagnosis, per diem rates or discounted fee-for-service rates. Management continually reviews the revenue recognition process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals.

The collection of outstanding receivables for Medicare, Medicaid, managed care payers, other third-party payors and patients is the System's primary source of cash and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the aging of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed. The estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections at facilities that represent a majority of hospital revenues and accounts receivable (the "hindsight analysis") as a primary source of information in estimating the collectability of accounts receivable. Management performs the hindsight analysis regularly, utilizing rolling twelve-month accounts receivable collection and write-off data. Management believes its regular updates to the estimated implicit price concession amounts provide reasonable estimates of revenues and valuations of accounts receivable. These routine, regular changes in estimates have not resulted in material adjustments to the valuations of accounts receivable or period-to-period comparisons of operations.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

2. Significant Accounting Policies (Continued)

Retirement Benefits

The Catholic Medical Center Pension Plan (the Plan) provides retirement benefits for certain employees of the Medical Center and PPA who have attained age twenty-one and work at least 1,000 hours per year. The Plan consists of a benefit accrued to July 1, 1985, plus 2% of plan year earnings (to legislative maximums) per year. The System's funding policy is to contribute amounts to the Plan sufficient to meet minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as may be determined to be appropriate from time to time. The Plan is intended to constitute a plan described in Section 414(k) of the Code, under which benefits derived from employer contributions are based on the separate account balances of participants in addition to the defined benefits under the Plan.

Effective January 1, 2008 the Medical Center decided to close participation in the Plan to new participants. As of January 1, 2008, current participants continued to participate in the Plan while new employees receive a higher matching contribution to the tax-sheltered annuity benefit program discussed below.

During 2011, the Board of Trustees voted to freeze the accrual of benefits under the Plan effective December 31, 2011.

The Plan was amended effective as of May 1, 2016 to provide a limited opportunity for certain terminated vested participants to elect an immediate lump sum or annuity distribution option.

The System also maintains tax-sheltered annuity benefit programs in which it matches one half of employee contributions up to 3% of their annual salary, depending on date of hire, plus an additional 0% - 2% based on tenure. The System made matching contributions under the program of \$4,068,003 and \$4,349,946 for the years ended September 30, 2022 and 2021, respectively.

During 2007, the Medical Center created a nonqualified deferred compensation plan covering certain employees under Section 457(b) of the Code. Under the plan, a participant may elect to defer a portion of their compensation to be held until payment in the future to the participant or his or her beneficiary. Consistent with the requirements of the Code, all amounts of deferred compensation, including but not limited to any investments held and all income attributable to such amounts, property, and rights will remain subject to the claims of the Medical Center's creditors, without being restricted to the payment of deferred compensation, until payment is made to the participant or their beneficiary. No contributions were made by the System for the years ended September 30, 2022 or 2021.

The System also provides a noncontributory supplemental executive retirement plan covering certain former executives of the Medical Center, as defined. The System's policy is to accrue costs under this plan using the "Projected Unit Credit Actuarial Cost Method" and to amortize past service costs over a fifteen year period. Benefits under this plan are based on the participant's final average salary, social security benefit, retirement income plan benefit, and total years of service. Certain investments have been designated for payment of benefits under this plan and are included in assets whose use is limited—pension and insurance obligations.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

2. Significant Accounting Policies (Continued)

During 2007, the System created a supplemental executive retirement plan covering certain executives of the Medical Center under Section 457(f) of the Code. The System recorded compensation expense of \$577,252 and \$1,002,235 for the years ended September 30, 2022 and 2021, respectively, related to this plan.

Employee Fringe Benefits

The System has an "earned time" plan. Under this plan, each qualifying employee "earns" hours of paid leave for each pay period worked. These hours of paid leave may be used for vacations, holidays, or illness. Hours earned but not used are vested with the employee and are paid to the employee upon termination. The System expenses the cost of these benefits as they are earned by the employees.

Debt Issuance Costs/Original Issue Discount or Premium

The debt issuance costs incurred to obtain financing for the System's construction and renovation programs and refinancing of prior bonds and the original issue discount or premium are amortized to interest expense using the effective interest method over the repayment period of the bonds. The original issue discount or premium and debt issuance costs are presented as a reduction of long-term debt.

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include assets held by trustees under indenture agreements, pension and insurance obligations, designated assets set aside by the Board of Trustees, over which the Board retains control and may, at its discretion, subsequently use for other purposes, and donor-restricted investments.

Net Assets With Donor Restrictions

Gifts are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. Donated investments, supplies and equipment are reported at fair value at the date of receipt. Unconditional promises to give cash and other assets are reported at fair value at the date of the receipt of the promise. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of operations as either net assets released from restrictions (for noncapital related items) or as net assets released from restrictions used for capital purchases (capital related items). Some net assets with donor restrictions have been restricted by donors to be maintained by the System in perpetuity.

Except for contributions related to capital purchases, donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions within net assets without donor restrictions in the accompanying consolidated financial statements.

CMC HEALTHCARE SYSTEM, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years Ended September 30, 2022 and 2021

2. Significant Accounting Policies (Continued)**Pledges Receivable**

Pledges receivable are recognized as revenue when the unconditional promise to give is made. Pledges expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows is measured utilizing risk-free rates of return adjusted for market and credit risk established at the time a contribution is received.

Investments and Investment (Loss) Income

Investments are carried at fair value in the accompanying consolidated balance sheets. See Note 8 for further discussion regarding fair value measurements. Investment (loss) income (including realized gains and losses on investments, interest and dividends) and the net change in unrealized gains and losses on equity securities are included in the (deficiency) excess of revenues and (losses) gains over expenses in the accompanying consolidated statements of operations, unless the income or loss is restricted by donor or law. The change in net unrealized gains and losses on debt securities is reported as a separate component of the change in net assets without donor restrictions, except declines that are determined by management to be other than temporary, which are reported as an impairment charge (included in the (deficiency) excess of revenues and (losses) gains over expenses). No such losses were recorded in 2022 or 2021.

Derivative Instruments

Derivatives are recognized as either assets or liabilities in the consolidated balance sheets at fair value, regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivatives are recognized either in the (deficiency) excess of revenues and (losses) gains over expenses or net assets, depending on whether the derivative is speculative or being used to hedge changes in fair value or cash flows. See also Note 6.

Beneficial Interest in Perpetual Trust

The System is the beneficiary of trust funds administered by trustees or other third parties. Trusts wherein the System has the irrevocable right to receive the income earned on the trust assets in perpetuity are recorded as net assets with donor restrictions at the fair value of the trust at the date of receipt. Income distributions from the trusts are reported as investment income that increase net assets without donor restrictions, unless restricted by the donor. Annual changes in the fair value of the trusts are recorded as increases or decreases to net assets with donor restrictions.

Endowment, Investment and Spending Policies

In accordance with the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), the System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the fund; (b) the purpose of the organization and the donor-restricted endowment fund; (c) general economic conditions; (d) the possible effect of inflation and deflation; (e) the expected total return from income and the appreciation of investments; (f) other resources of the organization; and (g) the investment policies of the organization.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

2. Significant Accounting Policies (Continued)

Spending policies may be adopted by the System, from time to time, to provide a stream of funding for the support of key programs. The spending policies are structured in a manner to ensure that the purchasing power of the assets is maintained while providing the desired level of annual funding to the programs. The System currently has a policy allowing interest and dividend income earned on investments to be used for operations with the goal of keeping principal, including its appreciation, intact.

The System's investment policies provide guidance for the prudent and skillful management of invested assets with the objective of preserving capital and maximizing returns. The invested assets include endowment, specific purpose and board designated funds.

Endowment funds are identified as perpetual in nature, intended to provide support for current or future operations and other purposes identified by the donor. These funds are managed with disciplined longer-term investment objectives and strategies designed to accommodate relevant, reasonable, or probable events.

Specific purpose funds are temporary in nature, restricted as to time or purpose as identified by the donor or grantor. These funds have various intermediate/long-term time horizons associated with specific identified spending objectives.

Board designated funds have various intermediate/long-term time horizons associated with specific spending objectives as determined by the Board of Trustees.

Management of these assets is designed to maximize total return while preserving the capital values of the funds, protecting the funds from inflation and providing liquidity as needed. The objective is to provide a real rate of return that meets inflation, plus 4% to 5%, over a long-term time horizon.

The System targets a diversified asset allocation that places emphasis on achieving its long-term return objectives within prudent risk constraints.

Performance Indicator

(Deficiency) excess of revenues and (losses) gains over expenses is comprised of operating revenues and expenses and nonoperating gains and losses. For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains or losses, which include contributions without donor restrictions, development costs, net investment income or loss (including realized gains and losses on the sales of investments and unrealized gains and losses on equity investments), net periodic pension costs (other than service cost), forgiveness of Paycheck Protection Program (PPP) loan, other nonoperating expenses and losses, and contributions to community agencies.

Federal Grant Revenue and Expenditures

Revenues and expenses under federal grant programs are recognized as the related expenditure is incurred.

CMC HEALTHCARE SYSTEM, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years Ended September 30, 2022 and 2021

2. Significant Accounting Policies (Continued)**Malpractice Loss Contingencies**

The System has a claims-made basis policy for its malpractice insurance coverage. A claims-made basis policy provides specific coverage for claims reported during the policy term. The System has established a reserve to cover professional liability exposure, which may not be covered by insurance. The possibility exists, as a normal risk of doing business, that malpractice claims in excess of insurance coverage may be asserted against the System. In the event a loss contingency should occur, the System would give it appropriate recognition in its consolidated financial statements in conformity with accounting standards. The System expects to be able to obtain renewal or other coverage in future years.

In accordance with Accounting Standards Update (ASU) No. 2010-24, "Health Care Entities" (Topic 954): *Presentation of Insurance Claims and Related Insurance Recoveries*, at September 30, 2022 and 2021, the System recorded a liability of \$14,397,448 and \$15,491,857, respectively, related to estimated professional liability losses covered under this policy. At September 30, 2022 and 2021, the System also recorded a receivable of \$10,429,948 and \$11,402,607, respectively, related to estimated recoveries under insurance coverage for recoveries of the potential losses. These amounts are included in accrued pension and other liabilities, and intangible assets and other, respectively, on the consolidated balance sheets.

Workers' Compensation

The System maintains workers' compensation insurance under a self-insured plan. The plan offers, among other provisions, certain specific and aggregate stop-loss coverage to protect the System against excessive losses. The System has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued workers' compensation losses of \$2,370,808 and \$2,493,406 at September 30, 2022 and 2021, respectively, have been discounted at 1.25% and, in management's opinion, provide an adequate reserve for loss contingencies. At September 30, 2022, \$1,050,109 and \$1,320,699 is recorded within accounts payable and accrued expenses and accrued pension and other liabilities, respectively, in the accompanying consolidated balance sheet. The System has also recorded \$148,287 and \$255,402 within other current assets and intangible assets and other, respectively, in the accompanying consolidated balance sheet to limit the accrued losses to the retention amount at September 30, 2022. At September 30, 2021, \$1,088,072 and \$1,405,334 is recorded within accounts payable and accrued expenses and accrued pension and other liabilities, respectively, in the accompanying consolidated balance sheet. The System has also recorded \$147,120 and \$266,633 within other current assets and intangible assets and other, respectively, in the accompanying consolidated balance sheet to limit the accrued losses to the retention amount at September 30, 2021.

Health Insurance

The System has a self-funded health insurance plan. The plan is administered by an insurance company and the System has employed independent actuaries to estimate unpaid claims, and those claims incurred but not reported at fiscal year end. The System was insured above a stop-loss amount of approximately \$1.1 million and \$903,000 at September 30, 2022 and 2021, respectively, on individual claims. Estimated unpaid claims, and those claims incurred but not reported, at September 30, 2022 and 2021 of \$3,079,700 and \$2,511,000, respectively, are reflected in the accompanying consolidated balance sheets within accounts payable and accrued expenses.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

2. **Significant Accounting Policies (Continued)**

Functional Expense Allocation

The costs of providing program services and other activities have been summarized on a functional basis in Note 11. Accordingly, costs have been allocated among program services and supporting services benefitted.

Advertising Costs

The System expenses advertising costs as incurred, and such costs totaled approximately \$1,203,000 and \$947,000 for the years ended September 30, 2022 and 2021, respectively.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. ASU 2016-02 is effective for the System on October 1, 2022. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. Management expects the adoption of this ASU to result in the recognition of a liability and offsetting right-of-use asset totaling approximately \$25 million.

In August 2018, FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Topic 715)* (ASU 2018-14). Under ASU 2018-14, the disclosure requirements for employers that sponsor defined benefit pension and other postretirement plans are modified. ASU 2018-14 was effective for the System for the year ended September 30, 2022. The adoption of this ASU did not have a significant impact on the System's consolidated financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 enhances the presentation of disclosure requirements for contributed nonfinancial assets. ASU 2020-07 requires entities to present contributed nonfinancial assets as a separate line item in the statement of operations and disclose the amount of contributed nonfinancial assets recognized within the statement of operations by category that depicts the type of contributed nonfinancial assets, as well as a description of any donor-imposed restrictions associated with the contributed nonfinancial assets and the valuation techniques used to arrive at a fair value measure at initial recognition. ASU 2020-07 was effective for the System beginning October 1, 2021. The adoption of this ASU did not have a significant impact on the System's consolidated financial statements.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

2. Significant Accounting Policies (Continued)

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The COVID-19 pandemic has significantly affected employees, patients, systems, communities and business operations, as well as the U.S. economy and financial markets. While some restrictions have been eased across the U.S. and the State of New Hampshire has lifted limitations on non-emergent procedures, some restrictions remain in place. Consolidated patient volumes and revenues experienced gradual improvement beginning in the latter part of April 2020, and continuing, but at times impacted through fiscal year 2022, however uncertainty still exists as the future is unpredictable. The System's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The System has taken precautionary steps to enhance its operational and financial flexibility, and react to the risks the COVID-19 pandemic presents in its operations.

Since the declaration of the pandemic, the System received approximately \$49.0 million of accelerated Medicare payments (Note 4) as provided for under the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act).

During 2022, the System received approximately \$2.2 million of *American Rescue Plan Act* (ARPA) rural payments, approximately \$11.9 million of Provider Relief Funds (PRF) (under the CARES Act) and approximately \$1.0 million from the Governor's Office of Emergency Relief and Recovery (GOFERR) (under the CARES Act). Distributions from ARPA, PRF and GOFERR are not subject to repayment provided the System is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. Such payments are accounted for as government grants, and are recognized on a systematic and rational basis as other income once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met. Based on an analysis of the compliance and reporting requirements of the funding, the System recognized approximately \$15.1 million of the funding in 2022, and these payments are recorded within other revenue in the accompanying consolidated statement of operations for the year ended September 30, 2022. The System also received PRF and GOFERR funding in 2021 and recognized approximately \$17.6 million related to these funds, which was recorded within other revenue in the accompanying consolidated statement of operations for the year ended September 30, 2021.

The CARES Act also provides for a deferral of payments of the employer portion of payroll tax incurred during the pandemic, allowing half of such payroll taxes to be deferred until December 2021, and the remaining half until December 2022. At September 30, 2022 and 2021, the System had deferred approximately \$3.7 million and \$7.2 million, respectively, of payroll taxes, of which approximately \$3.7 million are recorded within accrued salaries, wages and related accounts in the accompanying 2022 and 2021 consolidated balance sheets. Further, approximately \$3.5 million of deferred payroll taxes were recorded within accrued pension and other liabilities in the accompanying 2021 consolidated balance sheet.

Subsequent Events

Management of the System evaluated events occurring between the end of the System's fiscal year and February 23, 2023, the date the consolidated financial statements were available to be issued. See also Note 6.

CMC HEALTHCARE SYSTEM, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years Ended September 30, 2022 and 2021

3. Financial Assets and Liquidity Resources

Financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs, consisted of the following at September 30, 2022:

Cash and cash equivalents	\$ 48,137,435
Short-term investments	3,603,910
Accounts receivable	<u>71,670,095</u>
	<u>\$123,411,440</u>

To manage liquidity, the System maintains sufficient cash and cash equivalent balances to support daily operations throughout the year. Cash and cash equivalents include bank deposits, money market funds, and other similar vehicles that generate a return on cash and provide daily liquidity to the System. In addition, the System has board-designated assets that can be utilized at the discretion of management to help fund both operational needs and/or capital projects. As of September 30, 2022, the balance in board-designated assets was approximately \$119 million.

4. Patient Service Revenues

The System maintains contracts with the Social Security Administration ("Medicare") and the State of New Hampshire Department of Health and Human Services ("Medicaid"). The System is paid a prospectively determined fixed price for each Medicare and Medicaid inpatient acute care service, depending on the type of illness or the patient's diagnosis related group classification. Capital costs and certain Medicare and Medicaid outpatient services are also reimbursed on a prospectively determined fixed price. The System receives payment for other Medicaid outpatient services on a reasonable cost basis which are settled with retroactive adjustments upon completion and audit of related cost finding reports. The percentage of patient service revenues earned from the Medicare and Medicaid programs was 37% and 4%, respectively, for the year ended September 30, 2022 and 31% and 4%, respectively, for the year ended September 30, 2021.

Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in patient service revenues in the year that such amounts become known. Such differences decreased patient service revenues by approximately \$36,000 for the year ended September 30, 2022. Such differences increased patient service revenues by approximately \$3.5 million for the year ended September 30, 2021. Settlements for the Medical Center have been finalized through 2018 and 2017 for Medicare and Medicaid, respectively.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The System believes that it is in compliance with all applicable laws and regulations; compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs (Note 15).

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

4. Patient Service Revenues (Continued)

As discussed in Note 2, during fiscal year 2020, the System requested accelerated Medicare payments as provided for in the CARES Act, which allowed for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. One year from the date of receipt of the advance payments (beginning April 2021) 25% of the advances were recouped in the first eleven months. An additional 25% of the advances were recouped in the next six months, with the entire amount repayable in 29 months. Any outstanding balance after 29 months is repayable at a 4% interest rate. During the third quarter of fiscal 2020, the System received approximately \$49.0 million from these accelerated Medicare payment requests. At September 30, 2021, the current portion due within a year, totaling approximately \$35.7 million, was recorded under the caption "amounts payable to third-party payors" in the accompanying 2021 consolidated balance sheet. The remaining amount was repaid in full during fiscal year 2022, and there is no remaining liability as of September 30, 2022.

The System also maintains contracts with certain commercial carriers, health maintenance organizations, preferred provider organizations and state and federal agencies. The basis for payment under these agreements includes prospectively determined rates per discharge and per day, discounts from established charges and fee schedules. The System does not currently hold reimbursement contracts which contain financial risk components.

An estimated breakdown of patient service revenues by major payor sources is as follows for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Private payor (includes coinsurance and deductibles)	\$ 276,393,439	\$ 286,410,684
Medicaid	20,162,881	17,882,234
Medicare	181,435,250	141,890,218
Self-pay	<u>7,638,416</u>	<u>9,780,483</u>
	<u>\$ 485,629,986</u>	<u>\$ 455,963,619</u>

Medicaid Enhancement Tax and Disproportionate Share Payment

Under the State of New Hampshire's (the State) tax code, the State imposes a Medicaid Enhancement Tax (MET) equal to 5.40% of the Medical Center's patient service revenues with certain exclusions. The amount of tax incurred by the Medical Center for the years ended September 30, 2022 and 2021 was \$22,288,821 and \$19,248,461, respectively.

In the fall of 2010, in order to remain in compliance with stated federal regulations, the State of New Hampshire adopted a new approach related to Medicaid disproportionate share funding (DSH) retroactive to July 1, 2010. Unlike the former funding method, the State's approach led to a payment that was not directly based on, and did not equate to, the level of tax imposed. As a result, the legislation created some level of losses at certain New Hampshire hospitals, while other hospitals realized gains. DSH payments from the State are recorded in operating revenues and amounted to \$21,383,859 and \$21,483,694 for the years ended September 30, 2022 and 2021, respectively, net of reserves referenced below.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

4. Patient Service Revenues (Continued)

The Centers for Medicare and Medicaid Services (CMS) has completed audits of the State's program and the disproportionate share payments made by the State from 2011 through 2019, the first years that those payments reflected the amount of uncompensated care provided by New Hampshire hospitals. It is possible that subsequent years will also be audited by CMS. The System has recorded reserves to address its potential exposure based on the audit results to date or any future redistributions.

5. Property, Plant and Equipment

The major categories of property, plant and equipment are as follows at September 30:

	<u>2022</u>	<u>2021</u>
Land and land improvements	\$ 4,706,700	\$ 4,273,200
Buildings and improvements	143,581,379	141,431,111
Fixed equipment	45,685,309	45,171,614
Movable equipment	135,055,783	134,588,059
Construction in progress	<u>24,957,824</u>	<u>18,264,701</u>
	353,986,995	343,728,685
Less accumulated depreciation and amortization	<u>(206,823,865)</u>	<u>(198,856,575)</u>
Net property, plant and equipment	\$ <u>147,163,130</u>	\$ <u>144,872,110</u>

In 2021, the System engaged an independent third party to assist in reassigning the useful lives of certain property, plant and equipment as of October 1, 2020. The impact of changes to estimated useful lives of certain property, plant and equipment of the System was reported as a change in accounting estimate on a prospective basis to more accurately reflect estimated asset lives based on use. Depreciation expense before this change in estimate for the year ended September 30, 2021 was \$14,721,483. As a result of this change in estimate, depreciation expense for 2021 was reduced by \$1,728,743 to \$12,992,740.

The cost of equipment under capital leases was \$9,110,999 and \$9,551,202 at September 30, 2022 and 2021, respectively. Accumulated amortization of the leased equipment at September 30, 2022 and 2021 was \$6,313,502 and \$7,837,413, respectively. Amortization of assets under capital leases is included in depreciation and amortization expense.

As of September 30, 2022, construction in progress primarily consists of the cost related to expand the Medical Center adjacent to the current hospital building. As of the date of these consolidated financial statements, the Medical Center had no significant purchase commitments related to this project.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

6. Long-Term Debt and Notes Payable

Long-term debt consists of the following at September 30:

	<u>2022</u>	<u>2021</u>
New Hampshire Health and Education Facilities Authority (the Authority) Revenue Bonds:		
Series 2012 Bonds with interest ranging from 4.00% to 5.00% per year and principal payable in annual installments ranging from \$1,125,000 to \$1,665,000 through July 2032	\$ 13,900,000	\$ 15,500,000
Series 2015A Bonds with interest at a fixed rate of 2.27% per year and principal payable in annual installments ranging from \$185,000 to \$1,655,000 through July 2040	19,750,000	20,400,000
Series 2015B Bonds with variable interest subject to interest rate swap described below and principal payable in annual installments ranging from \$435,000 to \$665,000 through July 2036	7,420,000	7,640,000
Series 2017 Bonds with interest ranging from 3.38% to 5.00% per year and principal payable in annual installments ranging from \$2,900,000 to \$7,545,000 beginning in July 2033 through July 2044	<u>61,115,000</u>	<u>61,115,000</u>
	102,185,000	104,655,000
Construction loans – see below	18,531,163	12,566,668
MOB LLC note payable – see below	7,096,500	7,330,500
Term loan – see below	35,000,000	35,000,000
Capitalized lease obligations	2,672,981	1,688,468
Unamortized original issue premiums/discounts	4,005,529	4,339,925
Unamortized debt issuance costs	<u>(1,179,319)</u>	<u>(1,285,528)</u>
	168,311,854	164,295,033
Less current portion	<u>(4,412,597)</u>	<u>(3,422,609)</u>
	<u>\$163,899,257</u>	<u>\$160,872,424</u>

The Authority Revenue Bonds

In December 2012, the Medical Center, in connection with the Authority, issued \$35,275,000 of tax-exempt fixed rate revenue bonds (Series 2012). Under the terms of the loan agreements, the Medical Center has granted the Authority a first collateralized interest in all gross receipts and a mortgage lien on existing and future property, plant and equipment. The proceeds of the Series 2012 bond issue were used to advance refund the remaining 2002A Bonds, advance refund certain 2002B Bonds, pay off a short term CAN note and fund certain capital purchases.

CMC HEALTHCARE SYSTEM, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years Ended September 30, 2022 and 2021

6. Long-Term Debt and Notes Payable (Continued)

On September 3, 2015, the Authority issued \$32,720,000 of Revenue Bonds, Catholic Medical Center Issue, Series 2015, consisting of the \$24,070,000 aggregate principal amount Series 2015A Bonds and the \$8,650,000 aggregate principal amount Series 2015B Bonds sold via direct placement to a financial institution. Although the Series 2015B Bonds were issued, they were not drawn on until July 1, 2016, as discussed below. Under the terms of the loan agreements, the Medical Center has granted the Authority a first collateralized interest in all gross receipts and a mortgage lien on existing and future property, plant and equipment. The Series 2015A Bonds were issued to provide funds for the purpose of (i) advance refunding a portion of the outstanding 2006 Bonds in an amount of \$20,655,000 to the first call date of July 1, 2016, (ii) funding certain construction projects and equipment purchases in an amount of approximately \$3,824,000, and (iii) paying the costs of issuance related to the Series 2015 Bonds. The Series 2015B Bonds were structured as drawdown bonds. On July 1, 2016, the full amount available under the Series 2015B Bonds totaling \$8,650,000 was drawn upon and the proceeds in combination with cash contributed by the Medical Center totaling \$555,000 were used to currently refund the remaining balance of the Series 2006 Bonds totaling \$9,205,000. Subsequent to year end, the Medical Center entered into a commitment letter with TD Bank, N.A. (TD Bank) to extend the tenor of the Series 2015A and Series 2015B Bonds. The Series 2015A Bonds will continue to be amortized in line with the existing schedule, with a final maturity of July 1, 2040, subject to a mandatory tender seven years from the date of closing on the new commitment. The interest rate will be a 7-year fixed rate equal to TD Bank's 7/17 Open Cost of Funds (COF) rate plus 0.65%, multiplied by 81.5%. The Series 2015B Bonds will continue to be amortized in line with the existing schedule, with a final maturity of July 1, 2036, subject to a mandatory tender seven years from the date of closing on the new commitment. The interest rate will be a variable rate equal to the Term SOFR rate plus 1.35%, multiplied by 81.5%, adjusted monthly.

On September 1, 2017, the Authority issued \$61,115,000 of Revenue Bonds, Catholic Medical Center Issue, Series 2017. The Series 2017 Bonds were issued to fund various construction projects and equipment purchases, as well as pay certain costs of issuance related to the Series 2017 Bonds. Under the terms of the loan agreements, the Medical Center has granted the Authority a first collateralized interest in all gross receipts and a mortgage lien on existing and future property, plant and equipment.

The Medical Center has an agreement with the Authority, which provides for the establishment of various funds, the use of which is generally restricted to the payment of debt, as well as a construction fund related to the Series 2017 Bonds. These funds are administered by a trustee, and income earned on certain of these funds is similarly restricted.

Construction Loans

On July 1, 2019, the Medical Center established a nonrevolving line of credit up to \$10,000,000 with a bank in order to fund the expansion of the Medical Center. The line of credit bore interest at the LIBOR lending rate plus 0.75%. Advances from the line of credit were available through July 1, 2021, at which time the then outstanding line of credit balance automatically converted to a term loan. Upon conversion, the Medical Center began making monthly payments of principal and interest, assuming a 30-year level monthly principal and interest payment schedule, with a final maturity of July 1, 2029. The bank computed the schedule of principal payments based on the interest rate applicable on the conversion date (0.85%). Payments of interest only were due on a monthly basis until the conversion date. The Medical Center has pledged gross receipts as collateral. As of September 30, 2022 and 2021, the balance outstanding under the converted term loan is \$9,656,857 and \$9,951,192, respectively.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

6. Long-Term Debt and Notes Payable (Continued)

On March 20, 2020, the Medical Center established a second nonrevolving line of credit up to \$10,000,000 with a bank in order to further fund certain costs related to the expansion of the Medical Center. The line of credit bears interest at the LIBOR lending rate plus 0.75% (3.31% at September 30, 2022). Advances from the line of credit were available through March 20, 2022, at which time the then outstanding line of credit balance will automatically convert to a term loan. During 2022, the conversion date was extended through December 31, 2022. Upon conversion, the Medical Center began making monthly payments of principal and interest, assuming a 30-year level monthly principal and interest payment schedule, with a final maturity of March 20, 2030. The bank shall compute the schedule of principal payments based on the interest rate applicable on the conversion date. Payments of interest only are due on a monthly basis until the conversion date. The Medical Center has pledged gross receipts as collateral. As of September 30, 2022 and 2021, the Medical Center has drawn \$8,874,306 and \$2,615,476, respectively, on this line of credit. In December 2022, the outstanding balance of the line of credit at the date of conversion totaling \$9,207,005 was converted to a term loan with an interest rate of 5.12%.

MOB LLC Note Payable

On March 27, 2018, the MOB LLC (a subsidiary of Enterprises) refinanced an existing note payable to a term loan totaling \$8,130,000. Interest is fixed at 3.71% and is payable monthly. Principal payments of \$19,500 are due in monthly installments beginning May 1, 2018, and continuing until March 27, 2028, at which time the remaining unpaid principal and interest shall be due in full. During 2021, the fixed interest rate on this note payable was modified to a fixed rate of 4.52%. All other payment terms remained the same. Under the terms of the loan agreement, the Medical Center and MOB LLC (the Obligated Group) has granted the bank a first collateralized interest in all gross receipts and a mortgage lien on existing and future property, plant and equipment. The Medical Center and the System also guarantee the note payable.

Term Loan

On August 21, 2020, the Medical Center entered into a term loan with TD Bank totaling \$35,000,000 with the proceeds to be used for general working capital and liquidity purposes, as well as to pay the costs of issuance related to the term loan. Interest is fixed at 2.11%, and payments of interest only are due on a monthly basis through August 21, 2023, at which time the full principal amount outstanding is due, along with any accrued and unpaid interest. The Medical Center has pledged gross receipts as collateral, and the term loan is further secured by a mortgage until such time the aforementioned Authority bonds are no longer outstanding.

Subsequent to year end, the Medical Center entered into a commitment letter with TD Bank to extend the tenor of the term loan. The new term is a 7-year term with amortization based on a 20-year schedule, with a final maturity in 2030. The interest rate is a fixed rate equal to the bank's 7-year COF rate, plus 0.95%.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

6. Long-Term Debt and Notes Payable (Continued)Payroll Protection Program (PPP) Loan

On May 5, 2020, SPH entered into a promissory note for an unsecured loan in the amount of \$618,500 through the PPP established by the CARES Act and administered by the U.S. Small Business Administration (SBA). The PPP provides loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loan and accrued interest had original terms that were forgivable after eight weeks as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels. The amount of loan forgiveness would be reduced if the borrower terminated employees or reduced salaries during the eight-week period. Certain modifications to PPP loan terms were signed into law in June 2020 that changed the forgiveness, covered period and forgiveness periods. The PPP loan was made for the purpose of securing funding for salaries and wages of employees that may have otherwise been displaced by the outbreak of COVID-19, and the resulting detrimental impact on SPH's operations.

When the proceeds were received in 2020, SPH accounted for the PPP loan in accordance with FASB ASC Topic 470 and included the full \$618,500 as debt in the consolidated balance sheet as of September 30, 2020. In February 2021, SPH received notification of forgiveness from the SBA. Upon such notification, SPH recognized \$618,500 as revenue related to the forgiveness in the accompanying 2021 consolidated statement of operations.

The aggregate principal payments due on the revenue bonds, capital lease obligations and other debt obligations for each of the five years ending September 30 and thereafter are as follows (including the term extensions provided by the TD Bank commitment letter received subsequent to year end, as previously discussed):

2023	\$ 4,412,597
2024	5,699,826
2025	5,998,360
2026	6,203,709
2027	6,417,725
Thereafter	<u>136,753,424</u>
	<u>\$165,485,641</u>

Interest paid by the System totaled \$5,370,357 for the year ended September 30, 2022 and \$5,314,458 (including capitalized interest of \$53,202) for the year ended September 30, 2021.

The fair value of the System's long-term debt is estimated using discounted cash flow analysis, based on the System's current incremental borrowing rate for similar types of borrowing arrangements. The fair value of the System's long-term debt, excluding capitalized lease obligations and the PPP loan, was approximately \$162,000,000 and \$175,000,000 at September 30, 2022 and 2021, respectively.

CMC HEALTHCARE SYSTEM, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years Ended September 30, 2022 and 2021

6. Long-Term Debt and Notes Payable (Continued)**Debt Covenants**

In conjunction with the revenue bonds, construction loans and term loan outlined above, the Medical Center is required to maintain a minimum debt service coverage ratio of 1.20 and a cash to debt requirement of 0.60. The Medical Center, as well as the Obligated Group for the MOB LLC note payable, was in compliance with all required debt covenants as of September 30, 2022 and 2021. Subsequent to year end, in conjunction with the TD Bank commitment letter previously discussed for the Series 2015A and Series 2015B Bonds and the term loan, certain debt covenants were modified.

Derivatives

The Medical Center uses derivative financial instruments principally to manage interest rate risk. In January 2016, the Medical Center entered into an interest rate swap agreement with an initial notional amount of \$8,650,000 in connection with its Series 2015B Bond issuance. The swap agreement hedges the Medical Center's interest exposure by effectively converting interest payments from variable rates to a fixed rate. The swap agreement is designated as a cash flow hedge of the underlying variable rate interest payments, and changes in the fair value of the swap agreement are reported as a change in net assets without donor restrictions. Under this agreement, the Medical Center pays a fixed rate equal to 1.482%, and receives a variable rate of 69.75% of the one-month LIBOR rate (1.79% at September 30, 2022). Payments under the swap agreement began August 1, 2016 and the agreement will terminate August 1, 2025.

The fair value of the Medical Center's interest rate swap agreement amounted to an asset (liability) of \$263,468 and \$(277,022) as of September 30, 2022 and 2021, respectively, which amount has been recorded within intangible assets and other and accrued pension and other liabilities in the accompanying consolidated balance sheets, respectively. The change in the fair value of this derivative of \$540,490 and \$204,639, respectively, has been included within the consolidated statements of changes in net assets as a change in net assets without donor restrictions for the years ended September 30, 2022 and 2021. Subsequent to year end, and in connection with the new TD Bank commitment letter on the Series 2015B Bonds discussed above, the interest rate on the above swap agreement was converted from LIBOR to SOFR. Further, the Medical Center was provided with the option to extend the swap agreement maturity to match the new tenor of the Series 2015B Bonds. At the date of these consolidated financial statements, management of the Medical Center had not exercised this option.

7. Operating Leases

The System has various noncancelable agreements to lease various pieces of medical equipment. The System also has noncancelable leases for office space and its physician practices. Rental expense under all leases for the years ended September 30, 2022 and 2021 was \$5,490,951 and \$5,274,755, respectively.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

7. Operating Leases (Continued)

Estimated future minimum lease payments under noncancelable operating leases are as follows:

2023	\$ 4,134,352
2024	3,531,176
2025	3,175,034
2026	2,061,557
2027	718,943
Thereafter	<u>561,132</u>
	<u>\$14,182,194</u>

8. Investments and Assets Whose Use is Limited

Short-term investments and assets whose use is limited (including pledges receivable) are comprised of the following at September 30:

	<u>2022</u>		<u>2021</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 27,178,175	\$ 27,178,175	\$ 22,295,314	\$ 22,295,314
U.S. federal treasury obligations	2,476,435	2,595,002	2,907,898	2,888,131
Marketable equity securities	96,725,936	106,124,416	119,288,386	104,799,969
Fixed income securities	38,156,929	42,683,533	42,681,215	42,421,235
Private investment funds	7,179,211	4,527,110	9,828,460	4,549,812
Pledges receivable	<u>1,829,416</u>	<u>1,829,416</u>	<u>6,791,741</u>	<u>6,791,741</u>
	<u>\$173,546,102</u>	<u>\$184,937,652</u>	<u>\$203,793,014</u>	<u>\$183,746,202</u>

Pledges receivable are due as follows at September 30:

	<u>2022</u>	<u>2021</u>
In one year or less (included in other current assets)	\$ 986,045	\$ 5,675,605
Between one and five years	<u>860,179</u>	<u>1,161,246</u>
	1,846,224	6,836,851
Less unamortized discount	<u>(16,808)</u>	<u>(45,110)</u>
	<u>\$1,829,416</u>	<u>\$6,791,741</u>

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In determining fair value, the use of various valuation approaches, including market, income and cost approaches, is permitted.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

8. Investments and Assets Whose Use is Limited (Continued)

A fair value hierarchy has been established based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the System for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 — Observable inputs such as quoted prices in active markets;

Level 2 — Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 — Unobservable inputs in which there is little or no market data.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- *Market approach* — Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost approach* — Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- *Income approach* — Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques).

In determining the appropriate levels, the System performs a detailed analysis of the assets and liabilities. There have been no changes in the methodologies used at September 30, 2022 and 2021.

The following are descriptions of the valuation methodologies used:

U.S. Federal Treasury Obligations and Fixed Income Securities

The fair value is determined by using broker or dealer quotations, external pricing providers, or alternative pricing sources with reasonable levels of price transparency. The System holds fixed income mutual funds and exchange traded funds, governmental and federal agency debt instruments, municipal bonds, corporate bonds, and foreign bonds which are primarily classified as Level 1 within the fair value hierarchy.

CMC HEALTHCARE SYSTEM, INC.

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Years Ended September 30, 2022 and 2021

8. Investments and Assets Whose Use is Limited (Continued)Marketable Equity Securities

Marketable equity securities are valued based on stated market prices and at the net asset value of shares held by the System at year end, which generally results in classification as Level 1 within the fair value hierarchy.

Private Investment Funds

The System invests in private investment funds that consist primarily of limited partnership interests in investment funds, which, in turn, invest in diversified portfolios predominantly comprised of equity and fixed income securities, as well as options, futures contracts, and some other less liquid investments. Management has approved procedures pursuant to the methods in which the System values these investments, which ordinarily will be the amount equal to the pro-rata interest in the net assets of the limited partnership, as such value is supplied by, or on behalf of, each investment manager from time to time, usually monthly and/or quarterly.

System management is responsible for the fair value measurements of investments reported in the consolidated financial statements. Such amounts are generally determined using audited financial statements of the funds and/or recently settled transactions. Because of inherent uncertainty of valuation of certain private investment funds, the estimate of the fund manager or general partner may differ from actual values, and differences could be significant. Management believes that reported fair values of its private investment funds at the consolidated balance sheet dates are reasonable.

Fair Value on a Recurring Basis

The following table presents information about the System's assets and liabilities measured at fair value on a recurring basis based upon the lowest level of significant input to the valuations at September 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 27,178,175	\$ -	\$ -	\$ 27,178,175
U.S. federal treasury obligations	2,476,435	-	-	2,476,435
Marketable equity securities	96,725,936	-	-	96,725,936
Fixed income securities	<u>38,156,929</u>	<u>-</u>	<u>-</u>	<u>38,156,929</u>
	<u>\$164,537,475</u>	<u>\$ -</u>	<u>\$ -</u>	164,537,475
Investments measured at net asset value:				
Private investment funds				<u>7,179,211</u>
Total investments at fair value				171,716,686
Interest rate swap agreement	\$ <u>-</u>	\$ <u>-</u>	\$ <u>263,468</u>	<u>263,468</u>
Total assets at fair value				<u>\$171,980,154</u>

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

8. Investments and Assets Whose Use is Limited (Continued)

Total investments, excluding pledges receivable, net, included the following as of September 30, 2022:

Short-term investments	\$ 3,603,910
Assets whose use is limited	<u>168,112,776</u>
	<u>\$171,716,686</u>

The following table presents information about the System's assets and liabilities measured at fair value on a recurring basis based upon the lowest level of significant input to the valuations at September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 22,295,314	\$ -	\$ -	\$ 22,295,314
U.S. federal treasury obligations	2,907,898	-	-	2,907,898
Marketable equity securities	119,288,386	-	-	119,288,386
Fixed income securities	<u>42,681,215</u>	<u>-</u>	<u>-</u>	<u>42,681,215</u>
	<u>\$187,172,813</u>	<u>\$ -</u>	<u>\$ -</u>	187,172,813
Investments measured at net asset value:				
Private investment funds				<u>9,828,460</u>
Total investments at fair value				<u>\$197,001,273</u>
<u>Liabilities</u>				
Interest rate swap agreement	<u>\$ -</u>	<u>\$ -</u>	<u>\$277,022</u>	<u>\$ 277,022</u>

Total investments, excluding pledges receivable, net, included the following as of September 30, 2021:

Short-term investments	\$ 3,582,157
Assets whose use is limited	<u>193,419,116</u>
	<u>\$197,001,273</u>

There were no significant purchases, issues or transfers into or out of Level 3 for the years ended September 30, 2022 or 2021.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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8. Investments and Assets Whose Use is Limited (Continued)Net Asset Value Per Share

The following table discloses the fair value and redemption frequency of those assets whose fair value is estimated using the net asset value per share practical expedient at September 30:

<u>Category</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Notice Period</u>
2022				
Private investment funds	\$ 7,179,211	\$ -	Monthly	5 day notice
2021				
Private investment funds	\$ 9,828,460	\$ -	Monthly	5 day notice

Investment StrategiesU.S. Federal Treasury Obligations and Fixed Income Securities

The primary purpose of these investments is to provide a highly predictable and dependable source of income, preserve capital, reduce the volatility of the total portfolio, and hedge against the risk of deflation or protracted economic contraction.

Marketable Equity Securities

The primary purpose of equity investments is to provide appreciation of principal and growth of income with the recognition that this requires the assumption of greater market volatility and risk of loss. The total equity portion of the portfolio will be broadly diversified according to economic sector, industry, number of holdings and other characteristics, including style and capitalization. The System may employ multiple equity investment managers, each of whom may have distinct investment styles. Accordingly, while each manager's portfolio may not be fully diversified, it is expected that the combined equity portfolio will be broadly diversified.

Private Investment Funds

The primary purpose of private investment funds is to provide further portfolio diversification and to reduce overall portfolio volatility by investing in strategies that are less correlated with traditional equity and fixed income investments. Private investment funds may provide access to strategies otherwise not accessible through traditional equities and fixed income such as derivative instruments, real estate, distressed debt and private equity and debt.

Fair Value of Other Financial Instruments

Other financial instruments consist of accounts receivable, pledges receivable, accounts payable and accrued expenses, amounts payable to third-party payors and long-term debt. The fair value of all financial instruments other than long-term debt approximates their relative book values as these financial instruments have short-term maturities or are recorded at amounts that approximate fair value. See Note 6 for disclosure of the fair value of long-term debt.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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9. Retirement Benefits

A reconciliation of the changes in the Catholic Medical Center Pension Plan, the Medical Center's Supplemental Executive Retirement Plan and the New Hampshire Medical Laboratories Retirement Income Plan projected benefit obligations and the fair value of assets for the years ended September 30, 2022 and 2021, and a statement of funded status of the plans for both years are as follows:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan		New Hampshire Medical Laboratories Retirement Income Plan	
	2022	2021	2022	2021	2022	2021
Changes in benefit obligations:						
Projected benefit obligations at beginning of year	\$ (333,300,327)	\$ (351,365,307)	\$ (3,404,278)	\$ (4,046,357)	\$ (2,819,916)	\$ (3,143,346)
Service cost	(1,600,000)	(1,500,000)	-	-	(30,000)	(20,000)
Interest cost	(9,442,623)	(8,807,235)	(69,258)	(67,304)	(70,760)	(65,014)
Benefits paid	10,516,182	10,561,754	248,345	406,705	173,488	185,024
Actuarial gain	81,777,574	16,230,510	928,082	302,678	536,341	219,711
Expenses paid	<u>1,708,691</u>	<u>1,579,951</u>	<u>-</u>	<u>-</u>	<u>22,174</u>	<u>3,709</u>
Projected benefit obligations at end of year	(250,340,503)	(333,300,327)	(2,297,109)	(3,404,278)	(2,188,673)	(2,819,916)
Changes in plan assets:						
Fair value of plan assets at beginning of year	230,969,065	193,634,925	-	-	3,094,944	2,163,783
Actual (loss) return on plan assets	(40,221,086)	40,943,728	-	-	(523,921)	507,494
Employer contributions	5,782,460	8,532,117	248,345	406,705	-	612,399
Benefits paid	(10,516,182)	(10,561,754)	(248,345)	(406,705)	(173,488)	(185,024)
Expenses paid	<u>(1,708,691)</u>	<u>(1,579,951)</u>	<u>-</u>	<u>-</u>	<u>(22,174)</u>	<u>(3,709)</u>
Fair value of plan assets at end of year	<u>184,305,566</u>	<u>230,969,065</u>	<u>-</u>	<u>-</u>	<u>2,375,361</u>	<u>3,094,943</u>
Funded status of plan at September 30	\$ <u>(66,034,937)</u>	\$ <u>(102,331,262)</u>	\$ <u>(2,297,109)</u>	\$ <u>(3,404,278)</u>	\$ <u>186,688</u>	\$ <u>275,027</u>
Amounts recognized in the balance sheets consist of:						
Current liability	\$ -	\$ -	\$ (278,033)	\$ (331,563)	\$ -	\$ -
Noncurrent asset (liability)	<u>(66,034,937)</u>	<u>(102,331,262)</u>	<u>(2,019,076)</u>	<u>(3,072,715)</u>	<u>186,688</u>	<u>275,027</u>
	\$ <u>(66,034,937)</u>	\$ <u>(102,331,262)</u>	\$ <u>(2,297,109)</u>	\$ <u>(3,404,278)</u>	\$ <u>186,688</u>	\$ <u>275,027</u>

The current portion of accrued pension costs included in the above amounts for the System amounted to \$278,033 and \$331,563 at September 30, 2022 and 2021, respectively, and has been included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

The amounts recognized in net assets without donor restrictions for the years ended September 30 consist of:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan		New Hampshire Medical Laboratories Retirement Income Plan	
	2022	2021	2022	2021	2022	2021
Amounts recognized in the balance sheets – total plan:						
Net assets without donor restrictions:						
Net loss	\$ <u>(101,879,882)</u>	\$ <u>(135,195,854)</u>	\$ <u>(758,834)</u>	\$ <u>(1,814,229)</u>	\$ <u>(1,362,239)</u>	\$ <u>(1,271,576)</u>
Net amount recognized	\$ <u>(101,879,882)</u>	\$ <u>(135,195,854)</u>	\$ <u>(758,834)</u>	\$ <u>(1,814,229)</u>	\$ <u>(1,352,239)</u>	\$ <u>(1,271,576)</u>

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

9. Retirement Benefits (Continued)

Net periodic pension cost includes the following components for the years ended September 30:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan		New Hampshire Medical Laboratories Retirement Income Plan	
	2022	2021	2022	2021	2022	2021
Service cost	\$ 1,600,000	\$ 1,500,000	\$ -	\$ -	\$ 30,000	\$ 20,000
Interest cost	9,442,623	8,807,235	69,258	67,304	70,760	65,014
Expected return on plan assets	(13,219,077)	(13,523,452)	-	-	(174,310)	(166,550)
Amortization of actuarial loss	<u>4,980,228</u>	<u>5,408,409</u>	<u>127,763</u>	<u>166,900</u>	<u>71,227</u>	<u>78,951</u>
Net periodic pension cost	\$ <u>2,803,774</u>	\$ <u>2,192,192</u>	\$ <u>197,021</u>	\$ <u>234,204</u>	\$ <u>(2,323)</u>	\$ <u>(2,585)</u>

Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions for the years ended September 30, 2022 and 2021 consist of:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan		New Hampshire Medical Laboratories Retirement Income Plan	
	2022	2021	2022	2021	2022	2021
Net (gain) loss	\$ (28,342,395)	\$ (43,650,786)	\$ (928,082)	\$ (302,678)	\$ 161,890	\$ (560,656)
Amortization of actuarial loss	<u>(4,980,228)</u>	<u>(5,408,409)</u>	<u>(127,763)</u>	<u>(166,900)</u>	<u>(71,227)</u>	<u>(78,951)</u>
Net amount recognized	\$ <u>(33,322,623)</u>	\$ <u>(49,059,195)</u>	\$ <u>(1,055,845)</u>	\$ <u>(469,578)</u>	\$ <u>90,663</u>	\$ <u>(639,607)</u>

The investments of the plans are comprised of the following at September 30:

	Target Allocation		Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan		New Hampshire Medical Laboratories Retirement Income Plan	
	2022	2021	2022	2021	2022	2021	2022	2021
Cash and cash equivalents	0.0%	0.0%	2.3%	1.3%	0.0%	0.0%	2.3%	1.3%
Equity securities	70.0	70.0	61.8	66.4	0.0	0.0	61.8	66.4
Fixed income securities	20.0	20.0	30.5	26.4	0.0	0.0	30.5	26.4
Other	<u>10.0</u>	<u>10.0</u>	<u>5.4</u>	<u>5.9</u>	<u>0.0</u>	<u>0.0</u>	<u>5.4</u>	<u>5.9</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The assumption for the long-term rate of return on plan assets has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

The weighted-average assumptions used to determine the defined benefit pension plan obligations at September 30 are as follows:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan		New Hampshire Medical Laboratories Retirement Income Plan	
	2022	2021	2022	2021	2022	2021
Discount rate	5.39%	2.81%	5.18%	2.13%	5.32%	2.55%
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

9. Retirement Benefits (Continued)

The weighted-average assumptions used to determine the defined benefit pension plan net periodic benefit costs for the years ended September 30 are as follows:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan		New Hampshire Medical Laboratories Retirement Income Plan	
	2022	2021	2022	2021	2022	2021
Discount rate	2.81%	2.57%	2.13%	1.77%	2.55%	2.22%
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A
Expected long-term return on plan assets	6.30%	6.90%	N/A	N/A	6.30%	6.90%

The System does not expect to make any significant employer contributions to the Catholic Medical Center Pension Plan, Pre-1987 Supplemental Executive Retirement Plan or New Hampshire Medical Laboratories Retirement Income Plan for the fiscal year ending September 30, 2023.

The benefits, which reflect expected future service, as appropriate, expected to be paid for the years ending September 30 are as follows:

	Catholic Medical Center Pension Plan	Pre-1987 Supplemental Executive Retirement Plan	New Hampshire Medical Laboratories Retirement Income Plan
2023	\$11,832,493	\$285,143	\$188,594
2024	12,624,595	274,285	187,425
2025	13,553,384	262,535	187,578
2026	14,235,877	249,926	186,079
2027	15,049,976	236,506	183,077
2028 - 2032	83,857,865	959,866	862,458

The System contributed \$5,782,460 and \$248,345 to the Catholic Medical Center Pension Plan and the Pre-1987 Supplemental Executive Retirement Plan, respectively, for the year ended September 30, 2022. No contributions were made to the New Hampshire Medical Laboratories Retirement Income Plan for the year ended September 30, 2022. The System contributed \$8,532,117, \$406,705 and \$612,399 to the Catholic Medical Center Pension Plan, the Pre-1987 Supplemental Executive Retirement Plan and New Hampshire Medical Laboratories Retirement Income Plan, respectively, for the year ended September 30, 2021. The System plans to make any necessary contributions during the upcoming fiscal 2023 year to ensure the plans continue to be adequately funded given the current market conditions.

During fiscal year 2022, the New Hampshire Medical Laboratories Retirement Income Plan was amended to provide a limited opportunity for certain terminated vested participants to elect an immediate lump sum distribution option of an immediate annuity distribution option. This election commenced August 1, 2022 and ended on September 30, 2022.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

9. Retirement Benefits (Continued)

The following fair value hierarchy table presents information about the financial assets of the above plans measured at fair value on a recurring basis based upon the lowest level of significant input valuation as of September 30:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2022				
Cash and cash equivalents	\$ 4,366,905	\$ -	\$ -	\$ 4,366,905
Marketable equity securities	115,436,173	-	-	115,436,173
Fixed income securities	<u>56,839,258</u>	-	-	<u>56,839,258</u>
	<u>\$176,642,336</u>	<u>\$ -</u>	<u>\$ -</u>	176,642,336
Investments measured at net asset value:				
Private investment funds				<u>10,038,591</u>
Total investments at fair value				<u>\$186,680,927</u>
2021				
Cash and cash equivalents	\$ 3,257,450	\$ -	\$ -	\$ 3,257,450
Marketable equity securities	155,315,426	-	-	155,315,426
Fixed income securities	<u>61,727,057</u>	-	-	<u>61,727,057</u>
	<u>\$220,299,933</u>	<u>\$ -</u>	<u>\$ -</u>	220,299,933
Investments measured at net asset value:				
Private investment funds				<u>13,764,075</u>
Total investments at fair value				<u>\$234,064,008</u>

10. Charity Care and Community Benefits

The System rendered charity care in accordance with its formal charity care policy, which, at established charges, amounted to \$14,981,481 and \$16,560,450 for the years ended September 30, 2022 and 2021, respectively. Also, the System provides community service programs, without charge, such as the Medication Assistance Program, Community Education and Wellness, Patient Transport, and the Parish Nurse Program. The costs of providing these programs amounted to \$876,500 and \$837,489 for the years ended September 30, 2022 and 2021, respectively.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

11. Functional Expenses

The System provides general health care services to residents within its geographic location including inpatient, outpatient and emergency care. Expenses related to providing these services are as follows at September 30:

	<u>Healthcare Services</u>	<u>General and Administrative</u>	<u>Total</u>
2022			
Salaries, wages and fringe benefits	\$282,214,354	\$42,467,030	\$324,681,384
Supplies and other	157,788,260	37,559,926	195,348,186
New Hampshire Medicaid enhancement tax	22,288,821	-	22,288,821
Depreciation and amortization	7,122,925	6,144,258	13,267,183
Interest	<u>4,028,867</u>	<u>1,097,303</u>	<u>5,126,170</u>
	<u>\$473,443,227</u>	<u>\$87,268,517</u>	<u>\$560,711,744</u>
2021			
Salaries, wages and fringe benefits	\$242,888,323	\$38,632,491	\$281,520,814
Supplies and other	155,847,809	36,628,584	192,476,393
New Hampshire Medicaid enhancement tax	19,248,461	-	19,248,461
Depreciation and amortization	7,038,102	5,967,031	13,005,133
Interest	<u>3,873,113</u>	<u>1,134,583</u>	<u>5,007,696</u>
	<u>\$428,895,808</u>	<u>\$82,362,689</u>	<u>\$511,258,497</u>

The consolidated financial statements report certain expense categories that are attributable to more than one healthcare service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, such as depreciation and interest, are allocated to a function based on square footage. Supporting activities that are not directly identifiable with one or more healthcare programs are classified as general and administrative. If it is impossible or impractical to make a direct identification, allocation of the expenses were made according to management's estimates. Employee benefits are allocated in accordance with the ratio of salaries and wages of the functional classes. Specifically identifiable costs are assigned to the function which they are identified to.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

12. Concentration of Credit Risk

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows at September 30:

	<u>2022</u>	<u>2021</u>
Medicare	40%	39%
Medicaid	13	14
Commercial insurance and other	19	21
Patients (self pay)	8	7
Anthem Blue Cross	<u>20</u>	<u>19</u>
	<u>100%</u>	<u>100%</u>

13. Endowments and Net Assets With Donor Restrictions

Endowments

In July 2008, the State of New Hampshire enacted a version of UPMIFA (the Act). The new law, which had an effective date of July 1, 2008, eliminates the historical dollar threshold and establishes prudent spending guidelines that consider both the duration and preservation of the fund. As a result of this enactment, subject to the donor's intent as expressed in a gift agreement or similar document, a New Hampshire charitable organization may now spend the principal and income of an endowment fund, even from an underwater fund, after considering the factors listed in the Act.

Endowment net assets consist of the following at September 30:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
2022			
Board-designated endowment funds	\$118,740,653	\$ —	\$118,740,653
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	—	9,745,238	9,745,238
Accumulated investment gains	<u>—</u>	<u>602,774</u>	<u>602,774</u>
Total endowment net assets	<u>\$118,740,653</u>	<u>\$10,348,012</u>	<u>\$129,088,665</u>

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

13. Endowments and Net Assets With Donor Restrictions (Continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
2021			
Board-designated endowment funds	\$141,793,361	\$ -	\$141,793,361
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	8,680,900	8,680,900
Accumulated investment gains	<u>-</u>	<u>4,058,751</u>	<u>4,058,751</u>
Total endowment net assets	<u>\$141,793,361</u>	<u>\$12,739,651</u>	<u>\$154,533,012</u>

Changes in endowment net assets consisted of the following for the years ended September 30:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at September 30, 2020	\$117,950,965	\$10,683,541	\$128,634,506
Investment return, net	23,772,092	1,834,839	25,606,931
Contributions	-	1,338,169	1,338,169
Appropriation for operations	-	(1,046,594)	(1,046,594)
Appropriation for capital	<u>70,304</u>	<u>(70,304)</u>	<u>-</u>
Balance at September 30, 2021	141,793,361	12,739,651	154,533,012
Investment loss, net	(23,548,124)	(2,239,632)	(25,787,756)
Contributions	-	1,064,338	1,064,338
Appropriation for operations	-	(720,929)	(720,929)
Appropriation for capital	<u>495,416</u>	<u>(495,416)</u>	<u>-</u>
Balance at September 30, 2022	<u>\$118,740,653</u>	<u>\$10,348,012</u>	<u>\$129,088,665</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Medical Center to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2022 or 2021.

CMC HEALTHCARE SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

13. Endowments and Net Assets With Donor Restrictions (Continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at September 30:

	<u>2022</u>	<u>2021</u>
Funds subject to use or time restrictions:		
Capital acquisitions	\$17,336,612	\$11,143,157
Healthcare services	1,143,769	1,270,257
Indigent care	676,640	801,323
Pledges receivable	<u>1,829,416</u>	<u>6,791,741</u>
	20,986,437	20,006,478
Funds of perpetual duration	<u>8,107,319</u>	<u>10,561,443</u>
	<u>\$29,093,756</u>	<u>\$30,567,921</u>

14. Investments in Joint Ventures

AAS has a 44% ownership interest in the Bedford Ambulatory Surgical Center. AAS accounts for its investment in this joint venture under the equity method.

AAS has a 50% ownership interest in the Alliance Urgent Care Services, LLC. AAS accounts for its investment in this joint venture under the equity method.

Selected financial information relating to the above entities for the years ended September 30, 2022 and 2021 is not shown as such amounts are not significant to the consolidated financial statements.

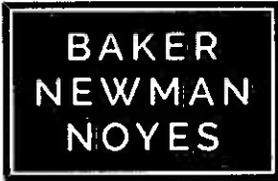
15. Commitments and Contingencies

Litigation

Various legal claims, generally incidental to the conduct of normal business, are pending or have been threatened against the System. The System intends to defend vigorously against these claims. While ultimate liability, if any, arising from any such claim is presently indeterminable, it is management's opinion that the ultimate resolution of these claims will not have a material adverse effect on the financial condition of the System.

Regulatory

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Government activity continues with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Compliance with such laws and regulations are subject to government review and interpretations as well as regulatory actions unknown or unasserted at this time.



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**INDEPENDENT AUDITORS' REPORT
ON OTHER FINANCIAL INFORMATION**

Board of Trustees
CMC Healthcare System, Inc.

We have audited the consolidated financial statements of CMC Healthcare System, Inc. (the System) as of and for the years ended September 30, 2022 and 2021, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Newman & Noyes LLC

Manchester, New Hampshire
February 23, 2023

CMC HEALTHCARE SYSTEM, INC.
CONSOLIDATING BALANCE SHEET

September 30, 2022

	<u>ASSETS</u>								
	<u>Catholic Medical Center</u>	<u>Physician Practice Associates</u>	<u>Alliance Enterprises</u>	<u>Alliance Resources</u>	<u>Alliance Ambu- latory Services</u>	<u>Alliance Health Services</u>	<u>Saint Peter's Home</u>	<u>Elimi- nations</u>	<u>Consolidated</u>
Current assets:									
Cash and cash equivalents	\$ 41,793,666	\$ 105,860	\$ 1,690,571	\$ 1,427,657	\$ 318,643	\$1,485,359	\$ 1,315,679	\$ -	\$ 48,137,435
Short-term investments	3,603,910	-	-	-	-	-	-	-	3,603,910
Accounts receivable	70,378,411	-	(10,041)	-	-	1,301,725	-	-	71,670,095
Inventories	3,816,582	-	-	-	-	-	-	-	3,816,582
Other current assets	<u>13,370,992</u>	<u>(217)</u>	<u>27,883</u>	<u>48,360</u>	<u>134,167</u>	<u>1,258,170</u>	<u>38,138</u>	<u>-</u>	<u>14,877,493</u>
Total current assets	132,963,561	105,643	1,708,413	1,476,017	452,810	4,045,254	1,353,817	-	142,105,515
Property, plant and equipment, net	125,421,215	-	7,813,213	13,150,377	-	8,823	769,502	-	147,163,130
Other assets:									
Intangible assets and other	11,082,819	-	186,688	-	5,990,468	-	-	-	17,259,975
Assets whose use is limited:									
Pension and insurance obligations	20,598,446	-	-	-	-	-	-	-	20,598,446
Board designated and donor restricted investments and restricted grants	139,270,604	4,214	-	-	-	-	7,963,542	-	147,238,360
Held by trustee under revenue bond agreements	<u>1,119,341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,119,341</u>
	<u>160,988,391</u>	<u>4,214</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,963,542</u>	<u>-</u>	<u>168,956,147</u>
Total assets	<u>\$ 430,455,986</u>	<u>\$ 109,857</u>	<u>\$ 9,708,314</u>	<u>\$14,626,394</u>	<u>\$6,443,278</u>	<u>\$4,054,077</u>	<u>\$10,086,861</u>	<u>\$ -</u>	<u>\$475,484,767</u>

LIABILITIES AND NET ASSETS

	<u>Catholic Medical Center</u>	<u>Physician Practice Associates</u>	<u>Alliance Enterprises</u>	<u>Alliance Resources</u>	<u>Alliance Ambu- latory Services</u>	<u>Alliance Health Services</u>	<u>Saint Peter's Home</u>	<u>Elimi- nations</u>	<u>Consolidated</u>
Current liabilities:									
Accounts payable and accrued expenses	\$ 31,425,157	\$ 123,480	\$ 314,357	\$ 38,711	\$ -	\$3,774,400	\$ 138,392	\$ -	\$ 35,814,497
Accrued salaries, wages and related accounts	19,909,349	6,173,892	-	-	-	-	223,866	-	26,307,107
Amounts payable to third-party payors	11,525,383	-	-	-	-	-	-	-	11,525,383
Due to (from) affiliates	1,234,110	(1,163,925)	27,419	(117,838)	-	4,972	15,262	-	-
Current portion of long-term debt	<u>4,178,597</u>	<u>-</u>	<u>234,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,412,597</u>
Total current liabilities	68,272,596	5,133,447	575,776	(79,127)	-	3,779,372	377,520	-	78,059,584
Accrued pension and other liabilities, less current portion	94,321,024	5,283,414	17,405	71,606	-	237,163	-	-	99,930,612
Long-term debt, less current portion	<u>157,102,822</u>	<u>-</u>	<u>6,796,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,899,257</u>
Total liabilities	319,696,442	10,416,861	7,389,616	(7,521)	-	4,016,535	377,520	-	341,889,453
Net assets (deficit):									
Without donor restrictions	81,934,391	(10,307,004)	2,318,698	14,633,915	6,443,278	37,542	9,440,738	-	104,501,558
With donor restrictions	<u>28,825,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,603</u>	<u>-</u>	<u>29,093,756</u>
Total net assets (deficit)	<u>110,759,544</u>	<u>(10,307,004)</u>	<u>2,318,698</u>	<u>14,633,915</u>	<u>6,443,278</u>	<u>37,542</u>	<u>9,709,341</u>	<u>-</u>	<u>133,595,314</u>
Total liabilities and net assets	<u>\$ 430,455,986</u>	<u>\$ 109,857</u>	<u>\$ 9,708,314</u>	<u>\$ 14,626,394</u>	<u>\$ 6,443,278</u>	<u>\$ 4,054,077</u>	<u>\$ 10,086,861</u>	<u>\$ -</u>	<u>\$ 475,484,767</u>

CMC HEALTHCARE SYSTEM, INC.
CONSOLIDATING STATEMENT OF OPERATIONS

Year Ended September 30, 2022

	Catholic Medical Center	Physician Practice Associates	Alliance Enterprises	Alliance Resources	Alliance Ambu- latory Services	Alliance Health Services	Saint Peter's Home	Elimi- nations	Consolidated
Operating revenues:									
Patient service revenues	\$ 470,371,106	\$ -	\$ -	\$ -	\$ -	\$15,258,880	\$ -	\$ -	\$485,629,986
Other revenue	31,521,767	22,155,539	2,055,200	1,736,292	1,600,198	789,727	4,253,889	(25,362,301)	38,750,311
Disproportionate share funding	<u>21,383,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,383,859</u>
Total operating revenues	523,276,732	22,155,539	2,055,200	1,736,292	1,600,198	16,048,607	4,253,889	(25,362,301)	545,764,156
Operating expenses:									
Salaries, wages and fringe benefits	264,139,413	62,641,707	26,667	-	-	16,181,675	3,449,939	(21,758,017)	324,681,384
Supplies and other	186,550,034	3,498,281	1,007,997	1,181,386	-	6,405,107	309,665	(3,604,284)	195,348,186
New Hampshire Medicaid enhancement tax	22,288,821	-	-	-	-	-	-	-	22,288,821
Depreciation and amortization	12,335,408	-	262,543	523,395	-	7,705	138,132	-	13,267,183
Interest	<u>4,783,146</u>	<u>-</u>	<u>343,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,126,170</u>
Total operating expenses	<u>490,096,822</u>	<u>66,139,988</u>	<u>1,640,231</u>	<u>1,704,781</u>	<u>-</u>	<u>22,594,487</u>	<u>3,897,736</u>	<u>(25,362,301)</u>	<u>560,711,744</u>
Income (loss) from operations	33,179,910	(43,984,449)	414,969	31,511	1,600,198	(6,545,880)	356,153	-	(14,947,588)
Nonoperating (losses) gains:									
Investment (loss) income, net	(21,778,151)	-	-	-	472	-	(1,476,926)	-	(23,254,605)
Net periodic pension cost, other than service cost	(1,302,959)	(96,169)	30,656	-	-	-	-	-	(1,368,472)
Contributions without donor restrictions	295,134	-	-	-	-	-	-	-	295,134
Development costs	(697,147)	-	-	-	-	-	-	-	(697,147)
Other nonoperating expenses and losses	<u>(3,153,518)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,153,518)</u>
Total nonoperating (losses) gains, net	<u>(26,636,641)</u>	<u>(96,169)</u>	<u>30,656</u>	<u>-</u>	<u>472</u>	<u>-</u>	<u>(1,476,926)</u>	<u>-</u>	<u>(28,178,608)</u>
Excess (deficiency) of revenues over expenses	6,543,269	(44,080,618)	445,625	31,511	1,600,670	(6,545,880)	(1,120,773)	-	(43,126,196)
Unrealized depreciation on investments	(24,002)	-	-	-	-	-	-	-	(24,002)
Change in fair value of interest rate swap agreement	540,490	-	-	-	-	-	-	-	540,490
Assets released from restriction used for capital	495,416	-	-	-	-	-	-	-	495,416
Pension-related changes other than net periodic pension cost	31,252,260	3,127,875	(92,330)	-	-	-	-	-	34,287,805
Net transfers (to) from affiliates	<u>(44,788,093)</u>	<u>44,318,093</u>	<u>(2,200,000)</u>	<u>(1,000,000)</u>	<u>(2,100,000)</u>	<u>5,770,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets without donor restrictions	<u>\$ (5,980,660)</u>	<u>\$ 3,365,350</u>	<u>\$ (1,846,705)</u>	<u>\$ (968,489)</u>	<u>\$ (499,330)</u>	<u>\$ (775,880)</u>	<u>\$ (1,120,773)</u>	<u>\$ -</u>	<u>\$ (7,826,487)</u>

CMC HEALTHCARE SYSTEM, INC.

CONSOLIDATING BALANCE SHEET

September 30, 2021

ASSETS

	<u>Catholic Medical Center</u>	<u>Physician Practice Associates</u>	<u>Alliance Enterprises</u>	<u>Alliance Resources</u>	<u>Alliance Ambu- latory Services</u>	<u>Alliance Health Services</u>	<u>Saint Peter's Home</u>	<u>Elimi- nations</u>	<u>Consolidated</u>
Current assets:									
Cash and cash equivalents	\$ 104,311,091	\$ 81,403	\$ 3,332,797	\$ 1,876,493	\$ 250,207	\$ 283,542	\$ 844,134	\$ -	\$110,979,667
Short-term investments	3,582,157	-	-	-	-	-	-	-	3,582,157
Accounts receivable	70,239,991	-	(11,946)	-	-	1,331,462	-	-	71,559,507
Inventories	3,912,718	-	-	-	-	-	-	-	3,912,718
Other current assets	<u>17,204,497</u>	<u>(217)</u>	<u>22,945</u>	<u>48,969</u>	<u>212,963</u>	<u>1,313,988</u>	<u>58,611</u>	<u>-</u>	<u>18,861,756</u>
Total current assets	199,250,454	81,186	3,343,796	1,925,462	463,170	2,928,992	902,745	-	208,895,805
Property, plant and equipment, net	122,341,467	-	8,075,756	13,656,453	-	16,528	781,906	-	144,872,110
Other assets:									
Intangible assets and other	11,803,240	-	275,028	-	6,479,438	-	-	-	18,557,706
Assets whose use is limited:									
Pension and insurance obligations	24,811,739	-	-	-	-	-	-	-	24,811,739
Board designated and donor restricted investments and restricted grants	159,294,609	4,131	-	-	-	-	9,174,363	-	168,473,103
Held by trustee under revenue bond agreements	<u>1,250,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,250,410</u>
	<u>185,356,758</u>	<u>4,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,174,363</u>	<u>-</u>	<u>194,535,252</u>
Total assets	<u>\$ 518,751,919</u>	<u>\$ 85,317</u>	<u>\$11,694,580</u>	<u>\$15,581,915</u>	<u>\$6,942,608</u>	<u>\$2,945,520</u>	<u>\$10,859,014</u>	<u>\$ -</u>	<u>\$566,860,873</u>

LIABILITIES AND NET ASSETS

	<u>Catholic Medical Center</u>	<u>Physician Practice Associates</u>	<u>Alliance Enterprises</u>	<u>Alliance Resources</u>	<u>Alliance Ambu- latory Services</u>	<u>Alliance Health Services</u>	<u>Saint Peter's Home</u>	<u>Elimi- nations</u>	<u>Consolidated</u>
Current liabilities:									
Accounts payable and accrued expenses	\$ 33,828,878	362,636	232,564	22,985	-	1,852,822	130,434	\$ -	\$ 36,430,319
Accrued salaries, wages and related accounts	20,240,317	5,483,707	-	-	-	-	151,807	-	25,875,831
Amounts payable to third-party payors	52,285,526	-	-	-	-	-	-	-	52,285,526
Due to (from) affiliates	715,592	(635,053)	26,785	(115,080)	-	(7,506)	15,262	-	-
Current portion of long-term debt	<u>3,188,609</u>	<u>-</u>	<u>234,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,422,609</u>
Total current liabilities	110,258,922	5,211,290	493,349	(92,095)	-	1,845,316	297,503	-	118,014,285
Accrued pension and other liabilities, less current portion	136,156,024	8,546,381	17,405	71,606	-	286,782	-	-	145,078,198
Long-term debt, less current portion	<u>153,854,001</u>	<u>-</u>	<u>7,018,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,872,424</u>
Total liabilities	400,268,947	13,757,671	7,529,177	(20,489)	-	2,132,098	297,503	-	423,964,907
Net assets (deficit):									
Without donor restrictions	87,915,051	(13,672,354)	4,165,403	15,602,404	6,942,608	813,422	10,561,511	-	112,328,045
With donor restrictions	<u>30,567,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,567,921</u>
Total net assets (deficit)	<u>118,482,972</u>	<u>(13,672,354)</u>	<u>4,165,403</u>	<u>15,602,404</u>	<u>6,942,608</u>	<u>813,422</u>	<u>10,561,511</u>	<u>-</u>	<u>142,895,966</u>
Total liabilities and net assets	\$ <u>518,751,919</u>	\$ <u>85,317</u>	\$ <u>11,694,580</u>	\$ <u>15,581,915</u>	\$ <u>6,942,608</u>	\$ <u>2,945,520</u>	\$ <u>10,859,014</u>	\$ <u>-</u>	\$ <u>566,860,873</u>

CMC HEALTHCARE SYSTEM, INC.
CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended September 30, 2021

	Catholic Medical Center	Physician Practice Associates	Alliance Enterprises	Alliance Resources	Alliance Ambu- latory Services	Alliance Health Services	Saint Peter's Home	Elimi- nations	Consolidated
Operating revenues:									
Patient service revenues	\$ 439,948,002	\$ -	\$ -	\$ -	\$ -	\$16,015,617	\$ -	\$ -	\$455,963,619
Other revenue	32,181,226	16,272,810	1,912,834	1,700,609	4,156,106	629,767	3,415,658	(19,359,892)	40,909,118
Disproportionate share funding	<u>21,483,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,483,694</u>
Total operating revenues	493,612,922	16,272,810	1,912,834	1,700,609	4,156,106	16,645,384	3,415,658	(19,359,892)	518,356,431
Operating expenses:									
Salaries, wages and fringe benefits	218,908,177	59,558,620	20,000	-	-	15,936,143	3,102,599	(16,004,725)	281,520,814
Supplies and other	183,801,624	2,959,344	1,000,148	1,122,569	-	6,643,458	304,417	(3,355,167)	192,476,393
New Hampshire Medicaid enhancement tax	19,248,461	-	-	-	-	-	-	-	19,248,461
Depreciation and amortization	12,067,385	-	262,542	495,568	-	29,565	150,073	-	13,005,133
Interest	4,659,054	-	348,642	-	-	-	-	-	5,007,696
Total operating expenses	<u>438,684,701</u>	<u>62,517,964</u>	<u>1,631,332</u>	<u>1,618,137</u>	<u>-</u>	<u>22,609,166</u>	<u>3,557,089</u>	<u>(19,359,892)</u>	<u>511,258,497</u>
Income (loss) from operations	54,928,221	(46,245,154)	281,502	82,472	4,156,106	(5,963,782)	(141,431)	-	7,097,934
Nonoperating gains (losses):									
Investment income	24,527,566	153	-	-	389	-	1,554,028	-	26,082,136
Net periodic pension cost, other than service cost	(871,021)	(55,377)	22,585	-	-	-	-	-	(903,813)
Contributions without donor restrictions	551,406	-	-	-	-	-	-	-	551,406
Development costs	(577,663)	-	-	-	-	-	-	-	(577,663)
Forgiveness of PPP loan	-	-	-	-	-	-	618,500	-	618,500
Other nonoperating expenses and losses	<u>(10,451,058)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>(10,449,058)</u>
Total nonoperating gains, net	<u>13,179,230</u>	<u>(55,224)</u>	<u>22,585</u>	<u>-</u>	<u>389</u>	<u>-</u>	<u>2,174,528</u>	<u>-</u>	<u>15,321,508</u>
Excess (deficiency) of revenues over expenses	68,107,451	(46,300,378)	304,087	82,472	4,156,495	(5,963,782)	2,033,097	-	22,419,442
Unrealized depreciation on investments	(4,872)	-	-	-	-	-	-	-	(4,872)
Change in fair value of interest rate swap agreement	204,639	-	-	-	-	-	-	-	204,639
Assets released from restriction used for capital	70,304	-	-	-	-	-	-	-	70,304
Pension-related changes other than net periodic pension cost	45,394,659	4,134,114	639,607	-	-	-	-	-	50,168,380
Net transfers (to) from affiliates	<u>(47,240,399)</u>	<u>44,732,000</u>	<u>612,399</u>	<u>-</u>	<u>(4,064,000)</u>	<u>5,960,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets without donor restrictions	<u>\$ 66,531,782</u>	<u>\$ 2,565,736</u>	<u>\$ 1,556,093</u>	<u>\$ 82,472</u>	<u>\$ 92,495</u>	<u>\$ (3,782)</u>	<u>\$ 2,033,097</u>	<u>\$ -</u>	<u>\$ 72,857,893</u>

2023
Catholic Medical Center
Board of Trustees

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Kristy Merrill
New Hampshire Bankers Association

Grace Tung
Volunteer & Entrepreneur

Roger Jean
Retired

Carrie Perry, Sr. Executive Assistant / Board Liaison
603-663-6552 / carrie.perry@cmc-nh.org

Lorrie Woodward, MBA, MT(ASCP)

Summary of Qualifications:

Performance-oriented Leadership Team Member with 20+ years of experience in progressive Leadership roles. Reputation for leading by example and setting high standards in accuracy, organization, and efficiency. Proficient and familiar with the following:

- Leadership
- Billing Compliance
- Ancillary Services Operations
- Lean/ Six Sigma Training
- Strategic Planning
- OIG regulations and Audits
- CMS regulations payment policy
- Procedure Development and Review

Experience:

Catholic Medical Center, Manchester, NH

Executive Director:

Radiology, Laboratory, Respiratory and Neurophysiology Services (June 2020-current)

Oversee Operations of departments. Prepare Budgets, Strategic Plans, Quality and Compliance Programs. Responsible for approximately 250 employees with the assistance of Directors, Managers, and Supervisors.

Director, Laboratory (2016-June 2020)

Direct the laboratory to include and process prior to testing and any process after testing. Manage approximately 120 employees, with 2 managers, 9 supervisors directly reporting. This position encompasses LIS, Billing, Revenue Cycle, Outpatient Phlebotomy Services, Compliance, and Customer Service department oversight.

Support Operations Manager, Laboratory (2013-current)

Manage the support functions of the laboratory to include and process prior to testing and any process after testing. Manage approximately 30 employees, with 3 supervisors directly reporting. This position encompasses LIS, Billing, Revenue Cycle, Outpatient Phlebotomy Services, Compliance, and Customer Service department oversight.

- Audit laboratory testing, volumes, cpt coding, and billing practices
- Monitor revenue and create financial analysis to lead business operations
- Create Quality reports for clients to meet their individualized needs
- Set, Monitor, and Implement department goals to maintain movement towards Laboratory Vision/ Hospital Goals

- Oversee operations for the LIS, Outreach, Billing, and Outpatient Phlebotomy teams
- Active role in Revenue Cycle, Compliance, Appraisal task force
- Manage project scope, timelines, assignment distribution

Microbiology Technical Section Supervisor, Laboratory (2008-2013)

Monitor and Improve daily operations of the Microbiology Laboratory while adhering to current regulations, promoting team collaboration, and reducing cost while increasing revenue.

- Associate Professor with UNH Medical Technology Program teaching Clinical Microbiology
- Participate actively on Infection Control Committee by providing Antibiotic Susceptibility Trending reports and update hospital antibiotic formularies
- Review and update procedures/ manuals while making certain to comply with all CAP, JAHCO, and CLSI standards
- Perform Supervisory duties, including but not limited to: research and implementation of new tests and instrumentation, hosting monthly department meetings, work review and competency assessment, scheduling shifts to reduce overtime, promoting lab morale, and employee evaluations
- Analyze revenue and statistics, test volume, and CPT allowances to maximize department revenue
- Collect and Evaluate data for the laboratory quality improvement and quality assurance program
- Evaluate safety issues in the Microbiology lab and maintain current MSDS and chemical inventory
- Project Based analysis of workflow efficiency and analysis of time and space utilization

Dartmouth Hitchcock Medical Center, Lebanon, NH

Medical Technologist

CLS IV Microbiology, Dept. of Pathology (2006-2008)

CLS III Microbiology (2005-2006)

CLS II Microbiology (2003-2005)

Process, interpret, and analyze clinical specimens and data accurately and efficiently in a collaborative and cohesive team based environment while simultaneously serving as Clinical Instructor of Microbiology and performing the duties of team leader and safety officer.

- Instruct UNH Medical Technology Program students in their fast paced work intensive Microbiology Course
- Assist in coordinating of Clinical Rotations through Clinical Microbiology Lab for residents and interns
- Review and update procedures/ manuals while making certain to comply with all CAP, JAHCO, and CLSI standards
- Perform Team leader duties, including but not limited to: creating competency assessment tools, coordinating lectures and events for Continuing Education Credits, assessing laboratory training needs and suggesting strategies to complete training, evaluating workflow/staffing ratio to ensure adequate coverage, promoting lab morale
- Read and interpret clinical cultures following appropriate procedures approved by the medical director
- Assess daily laboratory needs and schedule staff accordingly with other team members
- Evaluate safety issues in the Microbiology lab and maintain current MSDS and chemical inventory
- Project Based analysis of workflow efficiency and analysis of time and space utilization

Laboratory Specialist, Dept. of Laboratory Central Receiving
Fletcher Allen Healthcare, Burlington, VT

(2000-2003)

Sharpened my skills as a phlebotomist while learning the fine points of blood collection and technique in a fast-paced hospital environment catering to a clientele composed of pediatrics, geriatrics, oncology, and walk-in patients.

- Collected proper blood specimens for clinical and research testing using sterile collection technique
- Responded to STAT and emergency blood drawing in a timely manner
- Provided quality service to a variety of patients and personalities
- Accessioned, prepared, and aliquotted laboratory specimens for each department
- Prepared, ordered, and packaged specimens for special mail-out testing

Education & Honors

- MBA Health Care Administration
- Franklin Pierce University
- College of Graduate and Professional Studies Program
-
- *Bachelors of Science, (Cum Laude)*
- University of Vermont, Burlington, VT
- College of Nursing and Allied Health
- Departmental Honors Program

Other Accomplishments/Leadership

CLMA (Clinical Laboratory Management Association) NH/VT Chapter (2015-current)

- General Board member 2015-2016
- President Elect 2016-2017
- President 2017-2019
- Past President 2019-current

Leadership Academy, Laboratory, Catholic Medical Center
(2013)

- Participated in a 9 month focused workgroup to improve managerial skills and complete a lean based project.

Team project: MA workflow at Willowbend Family Practice
Management Boot Camp, Laboratory, Catholic Medical Center
(2010)

- Participated in 8 workshops designed to improve communication, time management, team building, and organizational skills
- Implemented new metrics of quality collaboratively with my department level team based on class learning

Lab Education Committee, Laboratory, Catholic Medical Center (2009-2015)

- Create continuing education opportunities for all laboratory staff allowing for recertification
- Organize quarterly meetings to involve laboratory staff in credentialing process and lecture scheduling

Lab Safety Committee, Laboratory, Catholic Medical Center (2009-current)

Lab Safety Committee, Department of Pathology, Dartmouth Hitchcock Medical Center
2008)

(2006-

- Ensure laboratory compliance with JAHCO and CAP standards
- Maintain Microbiology MSDS sheets and orient new employees to Microbiology Specific safety policies

Jane M. Steckowych

EDUCATION

September 1984-May 1987 Boston University School of Public Health, Boston, MA.
Master of Public Health
Environmental Health Studies

August 1980-May 1981 Mary Hitchcock Memorial Hospital
Hanover, N.H. Clinical Internship
Medical Technology Certification

September 1977-May 1981 University of New Hampshire
Durham, N.H.; Bachelor of Science
Magna Cum Laude G.P.A. 3.55

EXPERIENCE

April 2015-present Catholic Medical Center
Manchester, NH
Laboratory Operations Manager

April 2008-April 2015 Elliot Hospital
Manchester, NH
Generalist: Medical Technologist

2002-2007 Lab Corp/Path Labs
Manchester, NH
Generalist: Medical Technologist

July 1994-April 2008 New Hampshire Medical Labs
Manchester, New Hampshire
Medical Technologist

August 1993-June 1994 Cooley Dickinson Hospital
Northampton, MA.
Medical Technologist
Generalist, All Departments, All Shifts
Supervisor, Blood Bank

April 1992-May 1992 National Louis University
Evanston, IL.
Hematology Instructor

July 1991-June 1993 Evanston Hospital, Evanston, IL.
Manager-Hematology, Coagulation,
And Clinical Microscopy.
Duties include scheduling, budgets,
Quality Assurance, personnel issues,
CLIA implementation and technical
Proficiency. The Special Coagulation

Lab and Cancer Center Lab were also my Responsibilities.

- January 1990-July 1991 Evanston Hospital, Evanston, Il.
Assistant Manager-Hematology Dept.
Supplies and Inventory, Coordinate
Daily workload and duties, Preparing
Timecards, Troubleshooting equipment
And Acting as Manager when needed.
- June 1989-January 1990 Evanston Hospital, Evanston, Il.
Staff Medical Technologist
Hematology, Clinical Microscopy, Bone
Marrows and Coagulation.
- October 1988-May 1989 New Hampshire Medical Laboratories
Manchester, N.H.
Hematology Supervisor
Responsibilities include coordinate
Daily workload and duties, liaison to
Hospital departments and physicians,
Instrument troubleshooting,
Quality control assessment, schedules,
Coordinate phlebotomy practices,
Communication Task Force, Quality
Circle member, working up new policies
And procedures, and bench work.
- March 1987-October 1988 New Hampshire Medical Laboratories
Manchester, N.H.
Medical Technologist, Assistant
Supervisor Evening Shift
Duties include rotation through all
areas of the Lab, scheduling,
Maintenance and troubleshooting.
- June 1981-March 1987 Catholic Medical Center
Manchester, N.H.
Medical Technologist, ASCP
Duties similar to employment at
New Hampshire Medical Laboratories.
- April 1983-September 1983 Baker, Pappas and Dastin Advertising
Manchester, N.H. Salesperson

ORGANIZATIONS/HONORS

The American Society of Clinical Pathologists, Chicago Metropolitan Hematology Society, Alpha Epsilon Delta Premedical Honor Society, Who's Who in American Students, Medical Technology Merit Award.

**STEPHANIE R. PAYEUR, MBA,
MT(ASCP)**

Healthcare Experience

Laboratory Information Systems/Billing Supervisor **2020-present**
Catholic Medical Center, Manchester NH
Responsible for the overall functionality of multiple LIS modules (SoftLab,Path,A/R,Mic/BB) to include clinical, anatomic, financial and compliance. Interacting extensively with all sections of the laboratory and external departments as well to include IT, Finance, Revenue Cycle Management and HIMS.

Director-Laboratory, Respiratory, Neurodiagnostics & Sleep Lab **2012 – 2020**
Hospital Corporation of America (HCA) Parkland Medical Center - Derry, New Hampshire

- Director for the Laboratory, Respiratory, Neurodiagnostics and Sleep Lab Services, totaling 44 FTEs
- Graduate of HCA Capital Division Leadership Institute Academy-- July 2019
- Responsible for the on-time opening of 2 new Laboratory operations at new medical office building at 31 Stiles Rd, Salem NH. One Laboratory servicing the Urgent Care, second one servicing the Oncology clinic.
- Initiated new program for Direct Access Laboratory testing in 2015 for patients without insurance. Cash only program generating ~30K per year in cash revenue.
- Project Team member to assist in opening of new Eating Disorders Unit (PMC) and Teleneurology-Telestroke projects (PMC) 2018
- Interim Lab Director at Portsmouth Regional Hospital (77 FTEs), NH **5/2018-7/2019**
 - o Stabilized lab operations
 - o Opened new Free Standing ER in Dover, NH – April 2019
 - o Successful CAP Inspections at Seabrook FSED and Main Lab
 - o Microbiology Consolidation Project between Parkland and Portsmouth Labs
- Frist Humanitarian Award Recipient 2016

Manager-Laboratory, Dartmouth Hitchcock Medical Center, Lebanon, NH **2010-2012**
Led the laboratory through a new EMR conversion from a homegrown system to the Epic EMR. Extensive project management experience and strong leadership skills. Lab Information Systems management is integral to all lab operations and I have the keen ability to use technology and my thorough understanding of lab operations to improve, streamline, and economize operations. Additional duties include management of the Inpatient and Outpatient Phlebotomy teams to include 5 Patient Service Centers and 40 FTEs.

Supervisor-Laboratory, Concord Hospital, Concord, NH **1995-2010**
Responsible for the overall functionality of multiple LIS modules (SoftLab,Path,A/R,Mic/BB) to include clinical, anatomic, financial and compliance. Interacting extensively with all sections of the laboratory and external departments as well to include IT, Finance, Revenue Cycle Management and HIMS. I have implemented many new policies and procedures to increase the efficiency of all systems, to meet compliance and regulatory requirements, as well as enhance the productivity of all users. I have extensive knowledge of all aspects of laboratory operations. Strong skills in automation integration and project management, and recent experience with a CPOE implementation. Served as Evening/Night Shift Supervisor as well. Directly supervised 30 FTEs.

Education

Master of Business Administration, University of New Hampshire - May 2010

Bachelor of Science, Medical Laboratory Science University of New Hampshire - May 1995

Community & Leadership

Southern New Hampshire Leadership Academy- Salem NH Chamber of Commerce	Feb-June 2018
Henniker Rotary Club	2017-present
Chairperson, Budget Advisory Committee- Town of Henniker NH	2016-2019
Chairperson, Economic Development Committee-Town of Henniker NH	2016-2019
President, NH-VT Clinical Laboratory Management Association	2010-2012

RENEE JACKSON

CAREER OBJECTIVE

Hardworking Phlebotomy Coordinator with an organized and detail-oriented approach to keeping the department running smoothly and efficiently on a daily basis. Knowledgeable about related procedures and administrative requirements. Offering 14 plus years of progressive healthcare experience.

CORE COMPETENCIES

- Customer Service
- Cost Efficient
- Detailed and organized
- Multidisciplinary team collaboration

PROFESSIONAL EXPERIENCE

CATHOLIC MEDICAL CENTER – MANCHESTER, NH

Phlebotomy/Registration Supervisor, August 2020 – present

- Work across departments to complete complex tasks
- Get PSCs ready for yearly State Inspections and licensure
- Attend interdepartmental meetings
- Attend continuing education classes
- Create education improvement plans
- Based on policies; create disciplinary action and/or education plans
- Participate in Zoom calls when needed
- Create and update schedules for all PSC staff
- Assist Phlebotomy Coordinator in performing yearly competency
- Perform patient registrations for outreach clients as needed
- Update staff on changes in registration procedures
- Order supplies and send Invoices to Accounts Payable
- Receive instructions from Phlebotomy Supervisor
- Communicate via phone, email, and fax
- Prepared and sent weekly Variance Reports
- Prepared and sent monthly Wait Reports and Patient Volume Spreadsheets
- Prepared Quarterly Quality Assurance Reports
- Collect blood samples using vacutainer tubes, tourniquets, butterfly needles, and straight needles.
- Resolved unusual test orders by contacting physicians, nurses, or reference laboratories.
- Work collaboratively with other departments.

CATHOLIC MEDICAL CENTER – MANCHESTER, NH

Phlebotomy Coordinator, February 2017 – present

- Assist team members with completing complex tasks.
- Maintain training and competency records for lab staff and hospital staff.
- Performed yearly competencies.
- Made the schedules for the Out Patient Service Centers.

- Performed patient registration and ordered test in Soft Lab system.
- Verified Diagnosis codes
- Trained new staff on how to perform procedures, adhere to compliance requirements, and maximize productivity.
- Collect blood samples using vacutainer tubes, tourniquets, butterfly needles, and straight needles.
- Resolved unusual test orders by contacting physicians, nurses, or reference laboratories.
- Handled insurance verification tasks utilizing All Scripts and Relay Health Clearance to validate patient insurance information.
- Spoke with patient to gather information for lab records, reduce fear or anxiety, and optimize cooperation.
- Accurately labeled vacutainer tubes in the presence of the patient with patient's name, date of birth, date and time of collection, and my initials.
- Order supplies and send Invoices to Accounts Payable
- Receive instructions from Phlebotomy Supervisor
- Communicate via phone, email, and fax
- Acted as Interim PSC/Phlebotomy Supervisor
- Prepared and sent weekly Variance Reports
- Prepared and sent monthly Wait Reports and Patient Volume Spreadsheets
- Prepared Quarterly Quality Assurance Reports
- Interviewed potential new hires
- Performed weekly Exceptional Query Reporting to include documentation
- Work collaboratively with other departments

CATHOLIC MEDICAL CENTER – MANCHESTER, NH
Phlebotomist III/CLA III January 2008 – February 2017

- Draw blood proficiently and in a timely manner.
- Communicates with patients, physicians, nurses, and fellow phlebotomists.
- Train new staff in Specimen Procurement and Specimen Processing.
- Pull manifest
- Works well with others
- Participates in group projects
- Communicate via phone, email, and fax

EDUCATION
SAINT ANSELM COLLEGE, MANCHESTER, NH
Bachelor of Art in Humanities May 2000

ADDITIONAL SKILLS

- Proficient in patient confidentiality
- Multidisciplinary team collaboration
- Time management

Megan Elkin

Skills

- Phlebotomy
- Registration
- I have excellent customer service skills
- Always on time

Experience

September 2019 - PRESENT

Catholic Medical Center, Manchester, NH - *Phlebotomy Coordinator*

- Did yearly competencies
- Trained all new hires
- Set up schedules to have the new hires start training
- Coordinated with the Main Lab to transfer the trainees
- Registration
- Follow up with phlebotomy discrepancies

September 2019 - 2021

Catholic Medical Center, Manchester, NH - *Phlebotomist III*

- Registration
- Drawing Patients
- Went to offsites to draw
- Helped Training new hires
- Worked with phlebotomy Coordinator to implement a training program

January 2018 -September 2019

Exeter Hospital, Exeter, NH - *LNA/ Phlebotomist*

- LNA - EKGS
- Helped with bathing and feeding
- Phlebotomist- Inpatient/Outpatient
- Worked in an oncology department

MONTH 2017 - MONTH 2018

Elliot Hospital, Manchester, NH - *LNA*

- Helped patients with DLS

- Float pool
- Sat with 1:1's

Education

July 2021 - July 2024

ASCP, Concord, NH - *Phlebotomy Technician*

July 2015 - July 2016

LNA Health Careers, Manchester, NH - *Licensed Nursing Assistant*

January 2010 - June 2014

Pinkerton Academy, Derry, NH - *High School Degree*

CONTRACTOR NAMEKey Personnel

Name	Job Title	Salary	% Paid from this Contract	Amount Paid from this Contract
Lorrie Woodward	Executive Director, Laboratory	\$156,000.00	0.1%	\$156.00
Jane Steckowych	Manager, Laboratory	\$106,741.43	0.1%	\$106.74
Stephanie Payeur	Supervisor, Client Services	\$102,515.00	1.0%	\$1025.15
Renee Jackson	Supervisor, Phlebotomy	\$66,414.40	1.0%	\$664.14
Megan Elkin	Phlebotomy Coordinator	\$42,640.00	5.0%	\$2,132.00

CMC Laboratory Response:

All costs related to this Laboratory Services project involving personnel for the phlebotomy, transportation/courier and testing services are included in the cost of the test as noted in the Rate Table. There are no personnel that will be directly charged to the contract.

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION FOR CHILDREN, YOUTH & FAMILIES**

Lori A. Shibanette
Commissioner

Joseph E. Ribsam, Jr.
Director

129 PLEASANT STREET, CONCORD, NH 03301-3857
603-271-4451 1-800-852-3345 Ext. 4451
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April 19, 2021

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Authorize the Department of Health and Human Services, Division for Children, Youth and Families, to enter into a **Sole Source** amendment to an existing contract with Catholic Medical Center (VC#177240R003) Manchester, NH to provide laboratory services for the John H. Sununu Youth Services Center (SYSC), by increasing the price limitation by \$54,000 from \$216,000 to \$270,000 and extending the completion date from June 30, 2021 to June 30, 2023 effective upon Governor and Council approval. 100% General Funds.

The original contract was approved by Governor and Council on June 5, 2013, item #81. It was subsequently amended with Governor and Council approval on April 22, 2015, item #12, amended with Governor and Council approval on June 21, 2017, item #23, and most recently amended with Governor and Council approval on June 19, 2019, item #68.

Funds are anticipated to be available in the following accounts for State Fiscal Years 2022 and 2023, upon the availability and continued appropriation of funds in the future operating budget, with the authority to adjust budget line items within the price limitation and encumbrances between state fiscal years through the Budget Office, if needed and justified.

05-95-42-421010-7915 HEALTH AND SOCIAL SERVICES, DEPT OF HEALTH AND HUMAN SVS, HHS: HUMAN SERVICES, SUNUNU YOUTH SERVICE CENTER, HEALTH SERVICES

State Fiscal Year	Class / Account	Class Title	Job Number	Current Budget	Increased (Decreased) Amount	Revised Budget
2014	101-500729	Medical Payments to Providers	42151501	\$27,000	\$0	\$27,000
2015	101-500729	Medical Payments to Providers	42151501	\$27,000	\$0	\$27,000

2016	101-500729	Medical Payments to Providers	42151501	\$27,000	\$0	\$27,000
2017	101-500729	Medical Payments to Providers	42151501	\$27,000	\$0	\$27,000
2018	101-500729	Medical Payments to Providers	42151501	\$27,000	\$0	\$27,000
2019	101-500729	Medical Payments to Providers	42151501	\$27,000	\$0	\$27,000
2020	101-500729	Medical Payments to Providers	42151501	\$27,000	\$0	\$27,000
2021	101-500729	Medical Payments to Providers	42151501	\$27,000	\$0	\$27,000
2022	101-500729	Medical Payments to Providers	42151501	\$0	\$27,000	\$27,000
2023	101-500729	Medical Payments to Providers	42151501	\$0	\$27,000	\$27,000
			Total	\$216,000	\$54,000	\$270,000

EXPLANATION

This request is **Sole Source** because the Department is requesting to extend the contract beyond the original completion date and there are no renewal options remaining. The Sununu Youth Services Center (SYSC) provides comprehensive 24/7 care to its residents. The current provider of laboratory services, Catholic Medical Center (CMC), consistently charges lower rates for phlebotomy and commonly used laboratory tests ordered by the physician, psychiatrist, and dentist at SYSC. The Contractor is uniquely qualified to deliver these services to a specific population such as SYSC. The contractor will continue to provide these services to SYSC based on their ability to support the center with consistently lower rates.

The purpose of this request is to allow the Contractor to continue providing laboratory services to the youth who reside at the SYSC. The Contractor provides technical laboratory personnel who collect specimens, at the request of the Department, from youth residents at SYSC. Collecting specimens onsite creates value for the Department because it eliminates the need to transport youth residents to an offsite location, which saves resources such as staff hours and state vehicle usage costs.

These services apply to committed or detained residents at SYSC which serves approximately 70 individual youth per year. Approximately 75 to 100 specimens will be collected and tested between July 1, 2021 and June 30, 2023.

The Contractor collects and analyzes specimens, as ordered by medical staff at SYSC. The specimens are collected onsite at SYSC and transported to a laboratory for testing. Laboratory results are reported to the Department for each sample tested. Specimen treating reports include, but are not limited to:

- Date and time of specimen collection.
- Technician's initials.
- Pathologist's review of testing results.

The Department will monitor contracted services by ensuring the Contractor:

- Provides phlebotomy services at SYSC once weekly.
- Collects 100% of specimens ordered by doctors for youths at SYSC.
- Provide a Specimen Collection Assurance Report to the Department no less than once each fiscal quarter.
- Notifies the Department within one (1) working day of any laboratory findings that indicate a reportable disease.
- Delivers test results to the Department within twenty-four hours of specimen collection.

Should the Governor and Council not authorize this request, staff members at SYSC will need to transport youth residents at SYSC to an outside lab facility to collect specimens for testing. This would increase the cost of specimen collection and testing, as well as increase risk to staff and youth residents. In addition, it may cause delays in the collection of specimens for laboratory testing.

Area served: Residents at SYSC in Manchester.

Source of Funds: 100% General Funds.

Respectfully submitted,



Lori A. Shibinette
Commissioner

**State of New Hampshire
Department of Health and Human Services
Amendment #4**

This Amendment to the Laboratory Services for the John H. Sununu Youth Services Center contract is by and between the State of New Hampshire, Department of Health and Human Services ("State" or "Department") and Catholic Medical Center ("the Contractor").

WHEREAS, pursuant to an agreement (the "Contract") approved by the Governor and Executive Council on June 5, 2013, (Item #81), as amended on April 22, 2015, (Item #12), as amended on June 21, 2017, (Item #23), and as amended on June 19, 2019, (Item #68) the Contractor agreed to perform certain services based upon the terms and conditions specified in the Contract and in consideration of certain sums specified; and

WHEREAS, pursuant to Form P-37, General Provisions, Paragraph 18, the Contract may be amended upon written agreement of the parties and approval from the Governor and Executive Council; and

WHEREAS, the parties agree to extend the term of the agreement, increase the price limitation, or modify the scope of services to support continued delivery of these services; and

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and conditions contained in the Contract and set forth herein, the parties hereto agree to amend as follows:

1. Form P-37 General Provisions, Block 1.7, Completion Date, to read:
June 30, 2023.
2. Form P-37, General Provisions, Block 1.8, Price Limitation, to read:
\$270,000.
3. Modify Exhibit A, Scope of Services, Contract Period, to read:
July 1, 2013 to June 30, 2023.
4. Modify Exhibit B, Method Schedule, and Conditions Precedent to Payment, Program Period, to read:
July, 1, 2013 to June 30, 2023.

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All terms and conditions of the Contract and prior amendments not modified by this Amendment #4 remain in full force and effect. This Amendment shall be effective upon the date of Governor and Executive Council approval.

IN WITNESS WHEREOF, the parties have set their hands as of the date written below,

State of New Hampshire
Department of Health and Human Services

5/3/2021

Date

DocuSigned by:
Joseph E. Ribsam, Jr.
Name: Joseph E. Ribsam, Jr.
Title: Director

Catholic Medical Center

4/27/2021

Date

DocuSigned by:
Alex Walker
Name: Alex Walker
Title: chief operating officer

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STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION FOR CHILDREN, YOUTH & FAMILIES

Jeffrey A. Meyers
Commissioner

Joseph E. Ribsam, Jr.
Director

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May 31, 2019

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Authorize the Department of Health and Human Services, Division for Children, Youth and Families, to enter into a sole source amendment to an existing agreement with Catholic Medical Center Laboratory (Vendor # 177240R003), 100 McGregor St. Manchester, NH 03102, to provide laboratory services for the John H. Sununu Youth Services Center (SYSC) by increasing the price limitation by \$54,000 from \$162,000 to \$216,000, and by extending the contract completion date from June 30, 2019 to June 30, 2021, effective upon approval from the Governor and Executive Council. 100% General Funds.

This agreement was originally approved by the Governor and Executive Council on June 5, 2013 (Item #81), and subsequently amended on April 22, 2015 (Item #12), and on June 21, 2017 (Item #23).

Funds are available in the following account for State Fiscal Years (SFY) 2020 and 2021:
05-95-42-4220010-7922-421010-7915 HEALTH AND SOCIAL SERVICES, DEPT OF HEALTH AND HUMAN SVS, HHS: HUMAN SERVICES, MEDICAL PAYMENTS TO PROVIDERS

SFY	Class / Account	Class Title	Job Number	Current Modified Budget	Increased (Decreased) Amount	Revised Modified Budget
2014	101-500729	Medical Payments to Providers	42151501	\$27,000	\$0	\$27,000
2015	101-500729	Medical Payments to Providers	42151501	\$27,000	\$0	\$27,000
2016	101-500729	Medical Payments to Providers	42151501	\$27,000	\$0	\$27,000
2017	101-500729	Medical Payments to Providers	42151501	\$27,000	\$0	\$27,000
2018	101-500729	Medical Payments to Providers	42151501	\$27,000	\$0	\$27,000
2019	101-500729	Medical Payments	42151501	\$27,000	\$0	\$27,000

		to Providers				
2020	101-500729	Medical Payments to Providers	42151501	\$0	\$27,000	\$27,000
2021	101-500729	Medical Payments to Providers	42151501	\$0	\$27,000	\$27,000
			Total	\$162,000	\$54,000	\$216,000

EXPLANATION

This request is **sole source** because the increase in funding exceeds 10% of the original contract price limitation and the Department is extending the completion date with no renewals available. The Department is satisfied with the services that the Contractor has provided to youth at the SYSC under this contract over the past six (6) years.

The purpose of this request is to allow the Contractor to continue providing laboratory services to the youth who reside at the SYSC. The Contractor provides technical laboratory personnel who collect specimens, at the request of the Department, from youth residents at SYSC. Collecting specimens onsite creates value for the Department because it eliminates the need to transport youth residents to an offsite location, which saves resources such as staff hours and state vehicle usage costs.

These services apply to thirty (30) committed or detained residents at SYSC. Approximately 100 to 150 specimens will be collected and tested from July 1, 2019 through June 30, 2021.

The Contractor collects and analyzes specimens, as ordered by medical staff at SYSC. The specimens are collected onsite at SYSC and transported to a laboratory for testing. Laboratory results are reported to the Department for each sample tested. Specimen treating reports include, but are not limited to:

- Date and time of specimen collection.
- Technician's initials.
- Pathologist's review of testing results.

The Contractor's effectiveness in delivering services will be measured through monitoring of the following performance measures the effectiveness of the amendment agreement:

- The Contractor will provide phlebotomy services at SYSC once weekly.
- The Contractor will collect 100% of specimens ordered by doctors for youths at SYSC.
- The Contractor will provide a Specimen Collection Assurance Report to the Department no less than once each fiscal quarter.
- The Contractor will notify the Department within one (1) working day of any laboratory findings that indicate a reportable disease.
- Test results are delivered to the Department within twenty-four hours of specimen collection.

Should the Governor and Executive Council not authorize this request, staff members at SYSC will need to transport youth residents at SYSC to an outside lab facility to collect

specimens for testing. This would increase the cost of specimen collection and testing, as well as increase risk to staff and youth residents. In addition, it may cause delays in the collection of specimens for laboratory testing.

Area served: Residents at SYSC in Manchester.

Source of Funds: 100% General Funds.

Respectfully submitted,



Jeffrey A. Meyers
Commissioner

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STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF HUMAN SERVICES
DIVISION FOR CHILDREN, YOUTH & FAMILIES

Jeffrey A. Meyers
Commissioner
Maureen U. Ryan
Interim Director

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FAX: 603-271-4729 TDD Access: 1-800-735-2954 www.dhhs.nh.gov

May 11, 2017

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Authorize the Department of Health and Human Services, Division for Children, Youth and Families to amend an agreement with Catholic Medical Center Laboratory, (Vendor #177240 R003), for the provision of laboratory services for the John H. Sununu Youth Services Center, by increasing the price limitation by \$54,000 from \$108,000 to \$162,000 and extending the contract completion date from June 30, 2017 to June 30, 2019, effective July 1, 2017 or upon Governor and Executive Council approval, whichever is later. Governor and Executive Council approved the original agreement on June 5, 2013 (Item #51) and an amendment on April 22, 2015 (Item #12). 100% General Funds.

Funds to support this request are anticipated to be available in the following account for State Fiscal Year 2018 and 2019 upon the availability and continued appropriation of funds in the future operating budget, with the ability to adjust encumbrances between state fiscal years through the Budget Office without Governor and Executive Council approval, if needed and justified.

05-95-42-421510-79150000 HEALTH AND SOCIAL SERVICES, DEPT OF HEALTH AND HUMAN SVCS, HHS: HUMAN SERVICES, SUNUNU YOUTH SERVICE CENTER, HEALTH SERVICES

State Fiscal Year	Class/ Object	Title	Activity Code	Current Modified Budget	Increase/ Decrease	Revised Modified Budget
2014	101-500729	Health Services	42151501	\$27,000	\$0	\$27,000
2015	101-500729	Health Services	42151501	\$27,000	\$0	\$27,000
2016	101-500729	Health Services	42151501	\$27,000	\$0	\$27,000
2017	101-500729	Health Services	42151501	\$27,000	\$0	\$27,000
2018	101-500729	Health Services	42151501		\$27,000	\$27,000
2019	101-500729	Health Services	42151501		\$27,000	\$27,000
Total:				\$108,000	\$54,000	\$162,000

EXPLANATION

The purpose of this amendment is to continue the provision of laboratory services for the youth currently residing in the John H. Sununu Youth Services Center. The Division provides medical services through a 24/7 nursing coverage, staff psychiatrist, and a contract primary physician for the Center residents. Laboratory services include a qualified technical that comes to the John H. Sununu Youth Center to collect specimens.

This contract not only reduces the demand on Sununu Youth Services Center staff having to transport residents to a location outside the Center for the collection of specimens, transporting youth to an outside facility could result in a significant increase in costs to the Department. In order to ensure compliance with the child/staff ratio requirements, there would be a need for extra staffing outside of the facility. The need for staff remaining at the Center as well as staff accompanying the youth would increase.

This Contract was competitively bid.

The Department is satisfied with the services Catholic Medical Center has provided to the youth at the Center. Catholic Medical Center is a major health facility in the City of Manchester, and has served the community with state-of-the-art laboratory needs since 2006.

This Contract contains language which allows for the option to renew for two additional years. Due to the impeccable services provided since 2013, the Department would like to extend the contract for two additional years.

Should the Governor and Executive Council not approve this request, staff at the John H. Sununu Youth Services Center will need to transport the youth to an outside lab facility which will increase staffing needs. Therefore, increasing costs to the Department.

Area Served: John. H. Sununu Youth Services Center, Manchester, NH

Source of Funds: 100% General Funds

In the event that General Funds become no longer available, Other Funds will not be requested to support this program.

Respectfully submitted,



Maureen U. Ryan
Interim Director



Approved by: Jeffrey A. Meyers
Commissioner



Nicholas A. Toumpas
Commissioner

Lorraine Bartlett
Director

STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF HUMAN SERVICES
DIVISION FOR CHILDREN, YOUTH & FAMILIES

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April 7, 2015

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Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Authorize the Department of Health and Human Services, Division for Children, Youth and Families to enter into an amendment to exercise the renewal option in the contract with Catholic Medical Center (Vendor # 177240 R003), 100 McGregor Street, Manchester, New Hampshire, for the provision of laboratory services to the John H. Sununu Youth Services Center, by increasing the price limitation by \$54,000 from \$54,000 to an amount not to exceed \$108,000 and extending the end date of the agreement from June 30, 2015 to June 30, 2017, effective July 1, 2015 or date of Governor and Executive Council approval, whichever is later. Governor and Executive Council approved the original agreement on June 5, 2013 (Item # 81). 100% General Funds.

Funds to support this request are available in the following account for State Fiscal Year 2015, and are anticipated to be available in State Fiscal Year 2016 and State Fiscal Year 2017 upon availability and continued appropriation of funds in the future operating budget, with the ability to adjust encumbrances between State Fiscal Year through the Budget Office without Governor and Executive Council approval, if needed and justified.

05-95-42-421510-79150000 HEALTH AND SOCIAL SERVICES, DEPT OF HEALTH AND HUMAN SVCS, HHS: HUMAN SERVICES, SUNUNU YOUTH SERVICE CENTER, HEALTH SERVICES

<u>State Fiscal Year</u>	<u>Class/ Object</u>	<u>Title</u>	<u>Activity Code</u>	<u>Current Modified Budget</u>	<u>Increase/ Decrease</u>	<u>Revised Modified Budget</u>
2014	101-500729	Health Services	42151501	\$27,000	\$0	\$27,000
2015	101-500729	Health Services	42151501	\$27,000	\$0	\$27,000
2016	101-500729	Health Services	42151501	0	\$27,000	\$27,000
2017	101-500729	Health Services	42151501	0	\$27,000	\$27,000
Total:				\$54,000	\$54,000	\$108,000

EXPLANATION

The purpose of this amendment is to continue the provision of laboratory services for the youth currently residing in the John H. Sununu Youth Services Center. The Division provides medical services through 24/7 nursing coverage, a staff psychiatrist, and a contract primary care physician for the Center residents. Laboratory services include a qualified technician that comes to the John H. Sununu Youth Center to collect specimens. This reduces the demand on Sununu Youth Service Center staff to transport residents to a location outside the Center for the collection of specimens.

The original contract was competitively bid.

Catholic Medical Center has provided these services well; they are a major health facility in the city of Manchester, and have served the community with state-of-the-art laboratory needs since 2006.

Should Governor and Executive Council not approve this request, the laboratory services needed for the youth at the John H. Sununu Youth Services Center will continue to be provided by the Division by utilizing staff and State vehicles which is costly and requires higher staffing ratios due to transporting the youth off campus to a lab facility. Having the vendor come to the John H. Sununu Youth Services Center is more efficient and considerably less expensive.

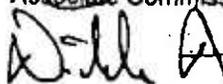
Geographic area served: John H. Sununu Youth Services Center, Manchester, NH

Source of funds: 100% General funds

Respectfully submitted,


Mary Ann Cooney
Associate Commissioner

Approved by:


Nicholas A. Toumpas
Commissioner

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STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION FOR CHILDREN, YOUTH & FAMILIES

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FAX: 603-271-4729 TDD Access: 1-800-733-2964

Nicholas A. Tompase
Commissioner

Maggie Bishop
Director

6/5/13 #81

April 19, 2013

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council
State House
Concord, NH 03301

100% general

REQUESTED ACTION

Authorize the Department of Health and Human Services, Divisions for Children, Youth and Families to enter into an agreement with Catholic Medical Center Laboratory, 100 McGregor Street, Manchester, NH 03102 (Vendor #177240 R003), for the provision of providing laboratory services to the John H. Sununu Youth Services Center, effective July 1, 2013 or date of Governor and Executive Council approval, whichever comes later, through June 30, 2015, in an amount not to exceed \$54,000.00. Funds are anticipated to be available in State Fiscal Years 2014 and 2015 upon the availability and continued appropriation of funds in the future operating budgets, with authority to adjust amounts, if needed and justified, between State Fiscal Years:

05-95-42-421510-79150000 HEALTH AND SOCIAL SERVICES, HEALTH AND HUMAN SVCS DEPT OF, HHS: HUMAN SERVICES, SUNUNU YOUTH SERVICE CENTER, HEALTH SERVICES

<u>Class/Object</u>	<u>Title</u>	<u>Activity Code</u>	<u>SFY 2014</u>	<u>SFY 2015</u>	<u>TOTAL</u>
101-500729	Health Services	41111130	\$27,000.00	\$27,000.00	\$54,000.00

EXPLANATION

The above action is requested for the provision of providing laboratory services to the youth at the John H. Sununu Youth Services Center. The Division provides medical services through a 24/7 nursing coverage, staff psychiatrist, and a contract primary physician to Center residents. Currently, when laboratory services are ordered staff at the Center transport the residents to a location outside the Center for the specimen collection. Generally, two staff are required for each transport. With up to fifteen (15) residents each month requiring transport to the collection site it becomes costly and negatively impacts staffing levels. This is a burdensome process for the Division. To improve efficient use of Center staff the Division is seeking laboratory services to include a qualified technician acceptable to the Division that will come to the Center to collect specimens. The mission of this initiative is to reduce the demand on Center staffing to transport residents to a location outside the Center for the collection of specimens.

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council
April 19, 2013
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Competitive Bidding Process

On August 1, 2012, the Division issued a Request for Proposals for this program. The Request for Proposals was published on the Department of Health and Human Services website. There was no response to this initial RFP. The Division reissued the RFP on October 3, 2012 and the Division also announced the release of the Request for Proposals via a letter sent to major medical facilities in the area.

The Request for Proposals included evaluation criteria and a description of factors that the Division would utilize in assessing the effectiveness of proposals received. The Division formed an Evaluation Committee comprised of Division staff from the John H. Sununu Youth Services Center and the Division's Financial Analyst and Contract Specialist. Committee members individually reviewed Catholic Medical Center's proposal; out of 100 possible points the agency's proposal scored an average of 93 points. As a result, the Committee recommended awarding an agreement to Catholic Medical Center to serve the youth at the Sununu Youth Services Center.

Catholic Medical Center is a major health facility in the city of Manchester and has served the community for with state-of-the-art laboratory needs since 2006.

In the event that this contract is not approved by the Governor and Executive Council, the laboratory services needed for the youth at the Sununu Youth Services Center will continue to be provided by the Division by utilizing staff and State vehicles which is costly and requires higher staffing ratios due to transporting the youth off campus to a lab facility.

Agreement Terms

The agreement calls for the provision of these services for two years and reserves the Division's right to renew them for up to four additional years based on the satisfactory delivery of services, continued availability of supporting funds, and Governor and Council approval.

Geographic area served: John H. Sununu Youth Services Center, Manchester, NH

Source of funds: 100% General funds

Respectfully submitted,

Maggie Bishop (LCS)

Maggie Bishop
Director

Approved by:

Nicholas A. Toumpas
Nicholas A. Toumpas
Commissioner