

Care New England Health System and Affiliates

**Reports on Federal Awards in Accordance with
the Uniform Guidance**

September 30, 2021

EIN 05-0490997

Care New England Health System and Affiliates

Index

September 30, 2021

	Page(s)
Part I – Consolidated Financial Statements and Schedule of Expenditures of Federal Awards	
Report of Independent Auditors	1–3
Financial Statements	4–7
Notes to Consolidated Financial Statements	8–57
Supplemental Consolidating Information	58–62
Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards	63–79
Part II – Reports on Internal Controls and Compliance	
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	80–81
Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance	82–83
Part III - Audit Findings and Questioned Costs	
Schedule of Findings and Questioned Costs	84 - 86
Summary Schedule of Prior Audit Findings and Status	87
Part IV – Management’s Views and Corrective Action Plan	
Management’s Views and Corrective Action Plan	88

Part I
Consolidated Financial Statements and
Schedule of Expenditures of Federal Awards



Report of Independent Auditors

To the Board of Directors
Care New England Health System

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Care New England Health System and its affiliates ("Care New England"), which comprise the consolidated balance sheets as of September 30, 2021 and 2020, and the related consolidated statements of operations, of changes in net assets and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

The PricewaterhouseCoopers affiliated firm in the Cayman Islands performed audit procedures for the Women & Infants Indemnity, Ltd and Kent County Memorial Hospital Toll Gate Indemnity, Ltd., comprising approximately 17% and 17% of total assets of Care New England for the years ended September 30, 2021 and 2020, respectively. Personnel of this firm, excluding United States personnel, do not participate in a continuing education program that fully satisfies the requirement set forth in Chapter 4, paragraph 4.16 of *Government Auditing Standards*. However, this firm does participate in continuing education programs applicable in the Cayman Islands.



Further, the PricewaterhouseCoopers affiliated firm in the Cayman Islands does not have an external quality review by an unaffiliated audit organization as required by Chapter 5, paragraph 5.60 of *Government Auditing Standards*, since no such program is offered by professional organizations in the country. However, this office participates in the PricewaterhouseCoopers worldwide internal control review program, which requires the office to be periodically subjected to an extensive quality control review by partners and managers from other PricewaterhouseCoopers affiliated firms.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Care New England and its affiliates as of September 30, 2021 and 2020, and their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations, changes in net assets and cash flows of the individual companies.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended September 30, 2021 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the consolidated financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021 on our consideration of Care New England's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended September 30, 2021. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Care New England's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

Boston, Massachusetts
December 20, 2021

Care New England Health System and Affiliates

Consolidated Balance Sheets

September 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 18,717,659	\$ 133,131,336
Short-term investments	100,229,300	-
Patient accounts receivable	108,447,566	99,992,705
Other receivables	35,602,720	27,138,352
Pledges receivable, net	1,052,371	331,527
Other current assets	17,349,509	17,669,555
Current portion of assets whose use is limited	2,092,713	2,095,686
Total current assets	<u>283,491,838</u>	<u>280,359,161</u>
Assets whose use is limited or restricted as to use		
Endowment funds	83,737,351	71,723,926
Board-designated funds	156,322,996	132,384,151
Trustee-held funds	213,047,469	184,312,110
Deferred compensation funds	1,889,016	1,509,048
Total assets limited as to use	<u>454,996,832</u>	<u>389,929,235</u>
Less: Amounts required to meet current obligations	<u>(2,092,713)</u>	<u>(2,095,686)</u>
Noncurrent assets limited as to use	452,904,119	387,833,549
Goodwill	24,345,364	24,488,975
Property, plant and equipment, net	230,532,088	240,319,309
Finance lease right-of-use assets, net	6,143,187	3,403,774
Operating lease right-of-use assets, net	91,675,112	93,227,506
Long-term pledges receivable, net	1,673,466	119,328
Insurance receivable	3,988,763	2,842,648
Other assets	6,866,728	6,197,215
Total assets	<u>\$ 1,101,620,665</u>	<u>\$ 1,038,791,465</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 144,273,716	\$ 123,293,247
Current portion of estimated third-party payor settlements and advances	31,433,643	41,738,331
Current portion of long-term debt	7,582,585	6,996,255
Current portion of finance lease liability	1,857,954	1,248,883
Current portion of operating lease liability	9,129,999	7,881,816
Self-insurance reserves	8,849,801	9,511,970
Pension liability	28,153,495	33,522,339
Other current liabilities	3,111,925	3,618,860
Total current liabilities	<u>234,393,118</u>	<u>227,811,701</u>
Long-term liabilities		
Self-insurance reserves	166,651,451	156,017,913
Long-term portion of estimated third-party payor settlements and advances	26,984,710	31,183,618
Long-term debt	150,666,537	154,972,390
Long-term finance lease liability	4,045,905	1,950,647
Long-term operating lease liability	88,934,655	90,949,257
Pension liability	73,420,544	131,513,347
Postretirement liability	892,314	977,835
Other liabilities	14,958,781	21,798,755
Total liabilities	<u>760,948,015</u>	<u>817,175,463</u>
Net assets		
Without donor restrictions	233,005,263	130,942,624
With donor restrictions	107,667,387	90,673,378
Total net assets	<u>340,672,650</u>	<u>221,616,002</u>
Total liabilities and net assets	<u>\$ 1,101,620,665</u>	<u>\$ 1,038,791,465</u>

The accompanying notes are an integral part of these consolidated financial statements.

Care New England Health System and Affiliates

Consolidated Statements of Operations

Years Ended September 30, 2021 and 2020

	2021	2020
Operating revenues, gains, and other support		
Net patient service revenue	\$ 984,355,909	\$ 910,540,662
Research revenue	35,525,786	34,604,298
Grant revenue - relief funding	77,452,640	62,426,906
Other revenue	147,952,296	113,396,762
Net assets released from restrictions and used for operations	3,042,283	2,876,302
Total operating revenues, gains, and other support	<u>1,248,328,914</u>	<u>1,123,844,930</u>
Operating expenses		
Salaries and benefits	731,325,156	691,085,608
Supplies and other expenses	353,199,162	314,185,631
Research expenses	30,930,396	31,416,471
Depreciation and amortization	31,181,265	29,640,134
Insurance	38,996,523	32,259,120
Licensure fee	38,340,710	45,254,839
Interest	7,724,938	7,679,342
Restructuring costs - Memorial Hospital	424,612	376,096
Total operating expenses	<u>1,232,122,762</u>	<u>1,151,897,241</u>
Income (loss) from operations	<u>16,206,152</u>	<u>(28,052,311)</u>
Nonoperating gains (losses)		
Investment income and realized gains on assets limited as to use, net	14,654,434	11,655,285
Contributions	1,701,277	411,338
Change in net unrealized gains on investments	30,266,415	7,768,798
Other components of current period pension	(1,730,715)	(3,618,931)
Pension settlement	(9,356,441)	-
Other, net	<u>(1,456,697)</u>	<u>(1,406,036)</u>
Net nonoperating gains	<u>34,078,273</u>	<u>14,810,454</u>
Excess (deficiency) of revenues, gains, and other support over expenses and losses	50,284,425	(13,241,857)
Other changes in net assets without donor restrictions		
Pension and postretirement adjustments	51,175,952	(18,192,967)
Net assets released from restrictions used for purchase of property, plant and equipment	1,164,334	1,929,102
Transfer to net assets with donor restrictions	<u>(562,072)</u>	<u>(75,683)</u>
Increase (decrease) in net assets without donor restrictions	<u>\$ 102,062,639</u>	<u>\$ (29,581,405)</u>

The accompanying notes are an integral part of these consolidated financial statements.

Care New England Health System and Affiliates

Consolidated Statements of Changes in Net Assets

Years Ended September 30, 2021 and 2020

	2021	2020
Net assets without donor restrictions		
Excess (deficiency) of revenues, gains, and other support over expenses and losses	\$ 50,284,425	\$ (13,241,857)
Other changes in net assets without donor restrictions		
Pension and postretirement adjustments	51,175,952	(18,192,967)
Net assets released from restrictions used for purchase of property, plant and equipment	1,164,334	1,929,102
Transfer to net assets with donor restrictions	(562,072)	(75,683)
Increase (decrease) in net assets without donor restrictions	<u>102,062,639</u>	<u>(29,581,405)</u>
Net assets with donor restrictions		
Contributions	7,713,892	4,662,446
Income from investments	373,526	472,830
Net realized and unrealized gains from investments	8,397,851	2,197,786
Changes in beneficial interest in assets held at community foundation	373,368	30,606
Changes in beneficial interest in perpetual trusts	4,231,008	1,355,912
Net assets released from restrictions	(4,657,708)	(5,247,965)
Transfers from net assets without donor restrictions	562,072	75,683
Increase in net assets with donor restrictions	<u>16,994,009</u>	<u>3,547,298</u>
Increase (decrease) in net assets	<u>119,056,648</u>	<u>(26,034,107)</u>
Net assets		
Beginning of year	<u>221,616,002</u>	<u>247,650,109</u>
End of year	<u>\$ 340,672,650</u>	<u>\$ 221,616,002</u>

The accompanying notes are an integral part of these consolidated financial statements.

Care New England Health System and Affiliates

Consolidated Statements of Cash Flows

Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 119,056,648	\$ (26,034,107)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in beneficial interest in perpetual trusts	(4,231,008)	(1,355,912)
Change in beneficial interest in assets held at community foundation	(373,368)	(30,606)
Gain on disposals of property, plant and equipment	(4,376,432)	(391,227)
Pension and postretirement adjustments	(51,175,952)	18,192,967
Pension settlement	9,356,441	-
Depreciation and amortization	29,690,689	28,891,455
Amortization of finance lease right-of-use assets	1,490,576	748,679
Depreciation and amortization - assets with donor restrictions	118,846	118,846
Amortization of debt issuance costs	154,962	154,962
Bond premium amortization	(650,448)	(650,448)
Bond discount amortization	56,467	56,467
Realized gains on short-term investments and assets limited as to use	(13,761,334)	(7,843,306)
Net unrealized gains on short-term investments and assets limited as to use	(35,964,601)	(9,102,770)
Distributions received from equity method investments	-	577,000
Restricted contributions and investment income	(20,575)	(7,025)
Changes in		
Patient accounts receivable	(8,454,861)	(3,137,075)
Other current and long-term assets	(9,965,080)	(118,247)
Intangibles	-	1,080,000
Goodwill	143,611	-
Accounts payable and accrued expenses	20,905,345	6,354,684
Estimated third-party payor settlements	(14,503,596)	40,123,061
Other liabilities	(3,991,496)	16,608,939
Net pension liability	(21,727,657)	3,541,694
Self-insurance reserves	8,825,254	10,533,388
Net cash provided by operating activities	<u>20,602,431</u>	<u>78,311,419</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,347,136)	(25,928,609)
Additions to asset retirement obligations	-	(33,335)
Proceeds from the sale of property, plant and equipment	2,332,908	2,181,467
Distributions received from equity method investments	-	335,000
Change in trustee held funds	-	509
Purchase of investments	(256,039,909)	(160,400,155)
Proceeds from the sale of investments	154,135,099	170,315,457
Net cash used in investing activities	<u>(120,919,038)</u>	<u>(13,529,666)</u>
Cash flows from financing activities		
Proceeds from the issuance of long-term debt	3,261,664	3,493,907
Payments on long-term debt	(6,780,504)	(6,388,983)
Repayments of obligations under a financing lease	(1,537,029)	(885,295)
Restricted contributions to be used for long-term investments and investment income	20,575	7,025
Net cash used in financing activities	<u>(5,035,294)</u>	<u>(3,773,346)</u>
Net (decrease) increase in cash and cash equivalents and restricted cash	(105,351,901)	61,008,407
Cash, cash equivalents and restricted cash		
Beginning of year	147,425,566	86,417,159
End of year	<u>\$ 42,073,665</u>	<u>\$ 147,425,566</u>
Supplemental cash flow information		
Cash paid for interest	\$ 7,762,047	\$ 7,655,059
Purchases of property and equipment included in accounts payable and accrued expenses	723,152	393,361
Assets acquired under finance leases	4,229,990	3,144,220
Assets acquired under operating leases	9,078,421	5,803,465
Reconciliation of cash, cash equivalents and restricted cash reported in the consolidated balance sheets		
Cash and cash equivalents	\$ 18,717,659	\$ 133,131,336
Cash reported in assets whose use is limited or restricted as to use	<u>23,356,006</u>	<u>14,294,230</u>
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u>\$ 42,073,665</u>	<u>\$ 147,425,566</u>

The accompanying notes are an integral part of these consolidated financial statements.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

1. Description of Organization

Corporate Structure

Care New England Health System (“CNE”, “Care New England”, “Health System”, or the “System”), a Rhode Island not-for-profit corporation, was formed on November 7, 1995 as the holding company for the development of an integrated delivery network under the name Enterprise Health System. On January 29, 1996, the name was changed to Care New England Health System.

The accompanying consolidated financial statements include the accounts of Care New England and its affiliates, over which Care New England has corporate governance:

- Butler Hospital (“Butler”) and its affiliates, Butler Hospital Foundation, Carriage House, LLC (“Carriage”), and Butler Hospital Allied Medical Services, LLC.
- Kent County Memorial Hospital (“Kent”) and its affiliates, Kent Hospital Foundation, Kent Ancillary Services, LLC, Affinity Physicians, LLC d/b/a Care New England Medical Group, LLC (“CNEMG”), Toll Gate Indemnity, Ltd. (“Toll Gate”), and Care New England Pharmacy, LLC (the “CNE Pharmacy”).
- Women & Infants Corporation (“WIC”) and its affiliates, Women & Infants Development Foundation, Women & Infants Hospital of Rhode Island (“WIH”), WIH Faculty Physicians, Inc., Women & Infants Ancillary Services, LLC, Women & Infants Health Care Alliance, LLC, and W&I Indemnity, Ltd. (“W&I Indemnity”).
- Kent County Visiting Nurse Association, d/b/a VNA of Care New England (the “VNA”), and its affiliates, Healthtouch, Inc., Blackstone Health, Inc. (“BHI”) and VNA of Care New England Foundation (together, the “Agency”).
- Integra Community Care Network, LLC. (“Integra”)
- Southeastern Healthcare System, Inc. (“SHS”) and its affiliates, Memorial Hospital, Primary Care Centers of New England, Inc. (“PCCNE”), MHRI Ancillary Services, LLC, and The Memorial Hospital Foundation. Memorial is the sole corporate member of SHS Ventures, Inc. (“Ventures”).
- The Providence Center, Inc. (the “Center” or “TPC”) and its affiliates, Grandview Realty Corporation (“Grandview Realty”), Grandview Second Corporation (“Grandview Second”), Nashua Street Corporation (“Nashua”), Wilson Street Apartments, Inc. (“Wilson”), Standard Realty, Inc. (“Standard”), TPC Social Ventures, Inc. (“TPC Social”), and Continuum Behavioral Health, Inc. (“Continuum”).
- Care New England Ambulatory Surgery Center, which was formed in July of 2020 for the purposes of submitting a Certificate of Need (“CoN”) Application for a new Providence-based ambulatory surgery center in Rhode Island. The entity is currently inactive. The CoN Application was approved by the Rhode Island Department of Health on August 5, 2021, but an interested competing facility filed an appeal of the decision, and the appeal is still pending before a Hearing Officer of the Rhode Island Department of Administration.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Care New England Health System, Butler, Kent, Kent County Visiting Nurse Association, SHS, The Memorial Hospital (prior to December 22, 2017), TPC, WIC and WIH, are collectively, the Obligated Group. The Obligated Group are parties to a Master Trust Indenture dated as of September 1, 2016.

In October 2017, the Board of Directors (the "Boards") of Memorial Hospital, its parent corporation, SHS and Care New England voted to discontinue the operations of Memorial Hospital as a licensed hospital. On December 1, 2017, Memorial Hospital, with the approval of the Rhode Island Department of Health, closed both inpatient and surgical services. Emergency services were closed on January 1, 2018. On May 1, 2018, the Rhode Island Department of Health formally deactivated the Memorial Hospital licenses.

In December 2017, the Boards of the Obligated Group, determined that Memorial Hospital withdraw from the Obligated Group, and on December 22, 2017, the Master Trustee approved the release of Memorial Hospital from the Obligated Group.

Mission and Nature of Business

Care New England's mission is to provide exceptional care with kindness and compassion and is dedicated to building an exemplary health care system. Care New England oversees the three Hospitals (Butler, Kent, and WIH), CNEMG, the VNA, the Center and other affiliated organizations.

Butler is a 143-bed, not-for-profit psychiatric teaching hospital, affiliated with The Warren Alpert Medical School of Brown University, providing services for the care of patients from Rhode Island and nearby Massachusetts. As a complement to its role in service and education, Butler actively supports research by members of its staff. Butler is accredited by The Joint Commission ("TJC").

Kent is a 359-bed, not-for-profit general hospital providing a full range of services for the acute care of patients principally from Kent County, Rhode Island. Kent is affiliated with, and provides clinical training to, the students of the University of New England College of Osteopathic Medicine and currently operates an Accreditation Council of Graduate Medical Education approved residency program in emergency medicine, and a fellowship program in hyperbaric medicine and gastroenterology. In addition, Kent is a major teaching affiliate of The Warren Alpert Medical School of Brown University in primary care medicine and the major teaching affiliate of The Warren Alpert Medical School of Brown University in family medicine. Kent is accredited by TJC and the Commission on Accreditation of Rehabilitation Facilities. Toll Gate, a wholly owned subsidiary of Kent, insures primary and excess hospital professional and general (primary only) liability risks for Kent and its employees on an occurrence basis, as well as primary professional and general liability risks for the VNA and the Care New England Health System. As of October 1, 2017, Toll Gate insures primary hospital professional and general liability for the System, excluding WIH and CNEMG obstetric related employed physicians. Toll Gate insures Kent's contractual liability arising from employed physicians' professional liability on both a claims-made and occurrence basis. Toll Gate also insures Kent's contractual liability (pursuant to certain Indemnification Agreements) arising from community physicians' professional liability on both a claims-made and occurrence basis.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

WIH is a 247-bed, not-for-profit regional center for women and infants' care in Rhode Island and southern New England. Among other university affiliations, Women & Infants is the major affiliated teaching hospital of The Warren Alpert Medical School of Brown University for activities unique to women and newborns. As a complement to its role in service and education, WIH actively supports research by members of its staff. WIH is accredited by TJC. W&I Indemnity is a wholly owned subsidiary of WIH. W&I Indemnity insures primary and excess hospital professional and general (primary only) liability risks for WIH and its employees on an occurrence basis, and excess hospital professional liability risks for Butler. W&I Indemnity insures WIH's contractual liability arising from employed physicians' (as of October 1, 2017, including CNEMG obstetric related employed physicians) and residents' medical malpractice liability on an occurrence basis. W&I Indemnity also insures WIH's contractual liability (pursuant to certain Indemnification Agreements) arising from community physicians' medical malpractice liability on both a claims-made and occurrence basis.

As of October 1, 2017, both Toll Gate and W&I Indemnity, on a pro-rata basis, provide excess coverage through self-insurance and reinsurance for the System.

The VNA is a not-for-profit corporation, providing a comprehensive, multi-disciplinary, therapeutic, hospice and public health nursing program to the residents of Rhode Island and nearby Massachusetts. BHI receives and administers certain grant funds and provides services to elderly and disabled residents in the local area.

Integra, a partnership of CNE and its employed physicians, participating affiliated independent community physicians, Rhode Island Primary Care Physician Corporation and South County Health System, is a certified Medicare Accountable Care Organization which has been operational since 2014.

The Center is the largest community-based behavioral healthcare organization in Rhode Island, providing a continuum of counseling and supportive services to meet community mental health and substance use disorder needs since 1969. These services include, but are not limited to, recovery supports and centers, integrated primary care, permanent supportive housing, medication-assisted treatment, educational and vocational counseling, wellness services and treatment to individuals involved in the justice system. The following corporations - Grandview Realty, Grandview Second, Nashua, and Wilson own and operate rental apartments for individuals with mental illness. TPC Social provides Center clients with on-the-job training opportunities at Promail, a mailing and fulfillment business. Prior to March 1, 2018, Continuum provided therapy and psychiatry services to youth and adults. Such services are now provided through CNEMG and Butler Hospital.

2. Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The assets of members of the consolidated group may not be available to meet the obligations of another member of the group.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

of revenues and expenses during the reporting period. Significant estimates are made in the areas of accounts receivable price concessions, third-party payor settlements, incurred but not reported liabilities for medical, dental, workers' compensation, and medical malpractice insurance, pension and other post retirement costs and valuation of investments. Actual results could differ from those estimates.

Cash and Cash Equivalents

Care New England considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At September 30, 2021 and 2020, \$18,349,089 and \$16,064,856, respectively, of cash received with donor-imposed restrictions, that is available for current use, is included in cash and cash equivalents.

The System maintains approximately 53% and 90% at September 30, 2021 and 2020, respectively, of its cash balance with one institution.

Short-Term Investments

Short-term investments are investment vehicles that can be readily converted to cash and are intended to be converted or sold within a one-year time period. Short-term investments include mutual funds that invest primarily in investment grade debt obligations and are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the excess (deficiency) of revenues, gains and other support over expenses and losses.

Investments - Assets Whose Use Is Limited or Restricted as to Use

Investments in equity securities with readily determinable fair values and all investments in fixed income securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, other-than-temporary impairments in the value of securities, interest, and dividends) is included in the excess (deficiency) of revenues, gains, and other support over expenses and losses unless the income or loss is restricted by donor or law.

Butler, Kent, WIH, SHS and the Agency follow the practice of pooling resources of assets with and without donor restrictions for long-term investment purposes. The investment pool is operated on the market value method whereby each participating fund is assigned a number of units based on the percentage of the pool it owns at the time of entry. Income, gains, and losses of the pool are allocated to the funds based on their respective participation in the pool.

Investments at net asset value ("NAV") (nontraditional, not readily marketable holdings) include limited partnership interests and commingled funds. Investments at NAV generally are structured such that the System holds an interest in the respective fund. The System's ownership structure does not provide for control over the related investees, and the System's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitments. There was an outstanding unfunded commitment for investments at NAV of \$4,458,996 and \$4,406,482 at September 30, 2021 and 2020, respectively.

Individual investment holdings within the investments at NAV include nonmarketable and market-traded debt and equity securities, and interests in other investments at NAV. The System may be exposed indirectly to securities lending, short sales of securities, and trading in futures and forward contracts, options, private equity holdings, and other derivative products. Investments at NAV often have liquidity restrictions under which the System's capital may be divested only at specified times. Liquidity restrictions may apply to all or portions of a particular invested amount.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Financial information used by the System to evaluate its investments at NAV is provided by the investment manager or general partner, and includes fair value valuations (quoted market prices and values determined through other means) of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the investee companies are audited annually by independent auditors, although the timing for reporting the results of such audits does not always coincide with the System's annual financial statement reporting.

There is uncertainty in the valuation for investments at NAV arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings, and time lags associated with reporting by investee companies. As a result, there is at least a reasonable possibility that estimates will change in the near term.

Investments also include life insurance policies which are valued at the lesser of discounted value or cash surrender value.

Income and realized net gains (losses) on investments of endowments and specific purpose funds are reported as follows:

- Increases (decreases) in net assets with donor restrictions if the terms of the gift require that they be added to the principal of net assets with donor restrictions;
- Increases (decreases) in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income or the income has not yet been appropriated; or
- Increases (decreases) in net assets without donor restrictions in all other cases.

Other Receivables

Other receivables include federal and other grants receivable, indemnity programs' premiums receivable and other miscellaneous receivables.

Assets Whose Use is Limited or Restricted as to Use

Assets whose use is limited primarily include endowment funds, assets held by trustees under indenture agreements and insurance programs, deferred compensation arrangements, a representative payee account maintained by the Center for clients receiving social security income, designated assets maintained by the Center and required by Housing and Urban Development ("HUD") for property maintenance, and designated assets set aside by one or more of the Boards, over which the Boards retain control and may, at their discretion, subsequently use for other purposes. Amounts required to meet current obligations have been reclassified to current assets.

Inventories

Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out) or net realizable value. Inventories of \$9,330,442 and \$9,915,384 at September 30, 2021 and 2020, respectively, are included in other current assets in the consolidated balance sheets.

Goodwill and Intangibles

Care New England has goodwill and had indefinite lived intangible assets that resulted from the previous acquisitions of SHS and TPC. Goodwill totaled \$24,345,364 and \$24,488,975 as of September 30, 2021 and 2020, respectively. The System performs an impairment assessment of goodwill annually at the reporting unit level (the consolidated System) by comparing the estimated fair value of the reporting unit to the carrying value of goodwill. There was no impairment charge

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

on goodwill for the years ended September 30, 2021 and 2020. During the year ended September 30, 2020, the System recorded a \$1,080,000 loss on intangible assets in supplies and other expenses in the consolidated statements of operations.

Property, Plant and Equipment

Property, plant and equipment acquisitions are recorded at cost. Donated property and equipment is recorded at fair value at the date of receipt. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Depreciation is recorded using the straight-line method based on the estimated useful life of each class of depreciable asset, as recommended by the American Hospital Association as follows:

Buildings and improvements	5 – 40 Years
Fixed and moveable equipment	3 – 20 Years

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

Upon retirement or sale of assets, the cost of assets disposed of and the related accumulated depreciation are eliminated and the related gains or losses are recognized in other revenue in the consolidated statements of operations.

Care New England evaluates the potential impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value of a group of assets may not be recoverable. There was no impairment charge on property, plant and equipment for the years ended September 30, 2021 and 2020.

Deferred Financing Costs

Expenses related to issuance of bonds are deferred and amortized on a straight-line basis, which approximates the effective interest rate method, over the period during which the bonds are expected to be outstanding. Deferred financing costs are recorded as reductions to the appropriate current and long-term portions of long-term debt on the consolidated balance sheets.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Self-Insurance Reserves

The reserves for self-insured programs are estimated based on actuarial studies and the Hospitals' and industry experience. The reserves include estimates of the ultimate cost for both reported claims and claims incurred but not yet reported. The Hospitals have established separate indemnification companies and trust funds for payment of certain self-insured claims including medical malpractice and general liability.

CNE and its affiliated entities with employees are self-insured for losses arising from workers' compensation claims. Loss reserves are estimated based on actuarial studies, and the System's and industry experience.

For the employees of CNE, Butler, Kent, WIC, SHS, the Agency, and the Center, Care New England is self-insured for losses arising from health insurance claims. This program covers the health insurance claims for all CNE's, Butler's, Kent's, WIC's, SHS', the Agency's and the Center's employees. Self-insured losses for both reported claims and claims incurred but not yet reported are estimated based on actuarial studies and the System's actual experience.

For the employees of CNE, Butler, Kent, WIC, SHS, the Agency, and the Center, Care New England is self-insured for losses arising from dental insurance claims. This program covers the dental insurance claims for all CNE's, Butler's, Kent's, WIC's, SHS', the Agency's and the Center's employees. Self-insured losses for both reported claims and claims incurred but not yet reported are estimated based on actuarial studies and the System's actual experience.

Net Assets Without Donor Restrictions

Net assets without donor restrictions include undesignated amounts as well as designated assets maintained by the Center and required by HUD for property maintenance, and designated assets set aside by one or more of the Boards over which the Boards retain control and may, at their discretion, subsequently use for other purposes.

Net Assets With Donor Restrictions

Net assets with donor restrictions include those whose use is limited by donor-imposed stipulations, including some that can be fulfilled by actions of the System pursuant to those stipulations. Additionally, net assets with donor restrictions include funds whose use is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by the actions of the System. Investment earnings from net assets with donor restrictions may be donor restricted for capital or operating needs depending on the original intent of the donor.

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions and used for operations are recorded in net assets released from restriction. Net assets released from restriction and used for capital purposes are recorded as change in net assets without donor restrictions in the consolidated statements of changes in net assets.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Excess (Deficiency) of Revenues, Gains, and Other Support Over Expenses and Losses

The consolidated statements of operations and changes in net assets include excess (deficiency) of revenues, gains, and other support over expenses and losses. Changes in net assets without donor restrictions, which are excluded from excess (deficiency) of revenues, gains, and other support over expenses and losses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), changes in the pension and postretirement liability, and transfers to net assets with donor restrictions.

Net Patient Service Revenue

The Hospitals, the Agency, and the Center have individual agreements with many third-party payors that provide payments at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, per episode of care, discounted charges, per-diem, and fee for service payments.

Net patient service revenue is reported at the transaction price estimated to reflect the total consideration due from patients, third-party payors, and others for services rendered. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known, or as years are no longer subject to such adjustments.

Research Revenue

Research revenue includes revenue from federal, state and other sources for the purposes of funding research activities.

The System receives sponsored research support from governmental and private sources. Certain sponsored arrangements are considered exchange arrangements, and revenue under these agreements is recognized based on the System's fulfillment of the contract, which is typically based on costs incurred or the achievement of milestones. Other sponsored support is considered contribution revenue in accordance with ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions*, which is recognized when any donor-imposed conditions (if any) have been met.

Other Revenue

Other revenue includes shared savings from surpluses on at-risk arrangements, accountable entity participation agreement milestone revenues, contract and retail pharmacy revenues, rental income, cafeteria sales, laboratory services provided to nonpatients, sales of home medical equipment, various services provided to physicians and other organizations, grant revenues including housing subsidies, and gains upon the retirement or sale of assets. Revenue from these transactions is recognized when obligations under the terms of the respective contract are satisfied. Revenue from these transactions is measured as the amount of consideration the System expects to receive from those goods or services. The System recognizes rental income over the lease term in accordance with Accounting Standards Codifications (ASC) Topic 842, *Leases*. See Note 11.

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2021 and 2020

The composition of other revenue is as follows for the years ended September 30:

	2021	2020
Professional services agreement practice revenues	\$ 20,113,843	\$ 18,657,309
Laboratory services to non-patients	15,318,028	15,307,694
Grant revenue	24,010,731	12,735,889
Accountable care organization revenues	21,849,216	17,599,524
Contract pharmacy	19,668,507	14,930,928
Retail pharmacy	9,429,788	587,063
Professional services agreements	8,375,894	8,352,650
Home medical equipment sales	3,705,125	3,920,998
Cafeteria sales	2,229,656	2,359,422
Rental income	2,886,861	2,860,366
In-kind revenue	2,461,081	2,485,253
Gain on disposal of property, plant and equipment	4,376,432	391,227
Vendor rebates	964,602	1,353,891
Other miscellaneous income	12,562,532	11,854,548
Total other revenue	<u>\$ 147,952,296</u>	<u>\$ 113,396,762</u>

Charity Care

The System provides care to patients who meet certain criteria under their charity care policies without charge or at amounts less than established rates. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

Contributions and Pledges Receivable

Contributions and pledges include revenues from unconditional nonexchange agreements with private sources and foundations. Unconditional contributions and pledges are recognized as revenue in the period received and reported as increases in the appropriate net asset category based on the presence or absence of donor-imposed restrictions. The System has elected the simultaneous release option for unconditional nonexchange transactions that are also subject to purpose restrictions. Under this option, net assets without donor restrictions will include the donor-restricted gifts and pledges whose purpose restrictions are met in the same reporting year as the revenue is recognized.

Nonexchange agreements are considered conditional if the terms of the agreement include both a right of return of assets received/promised and a barrier to entitlement. Conditional agreements are not recognized until the conditions and barriers on which they depend are met.

Pledges receivable after one year are discounted to their present value using an interest rate for the year in which the promise was received and considers market and credit risk as applicable. Allowance is made for uncollectible pledges receivable based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Income Tax Status

Care New England, Butler, Kent, WIH, the Agency, Women & Infants Faculty Physicians, Inc., WIC, Women & Infants Development Foundation, Butler Hospital Foundation, Kent Hospital Foundation, The Memorial Hospital Foundation, SHS, Memorial, Ventures, BHI, the Center, Grandview Realty, Grandview Second, Nashua, Wilson, Standard, and TPC Social are not-for-profit corporations, and have been recognized as tax exempt on related income pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code). Those organizations are, therefore, exempt from federal taxes on related income pursuant to Section 501(a) of the Code. W&I Indemnity, Ltd. and Toll Gate Indemnity, Ltd. are foreign corporations with no material tax liability. PCCNE and Continuum are organized as for-profit corporations and are, therefore, subject to tax. The provision for income taxes on the earnings of PCCNE and Continuum is immaterial to the consolidated financial statements. Other affiliates are single - member limited liability companies which are treated as part of their sole member for tax purposes.

Recently Adopted Accounting Standards

In August 2018, the FASB issued ASU 2018-13 – *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”). The standard modified the disclosure requirements for fair value measurements, including the consideration of costs and benefits. The following disclosures were removed from fair value measurement: (1) amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; (2) the policy of timing between levels; and (3) the valuation process for Level 3 fair value measurements. In addition, the following disclosures are required: (1) changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and (2) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The adoption of ASU 2018-13 did not have a material impact on the System’s consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14 – *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans* (“ASU 2018-14”). The amendments in ASU 2018-14 modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. ASU 2018-14 added requirements for an entity to disclose the following: (1) the weighted-average interest crediting rates used in the entity’s defined benefit plans; (2) a narrative description of the reasons for significant gains and losses affecting the benefit obligation for the period; (3) an explanation of any other significant changes in the benefit obligation or plan assets. The adoption of ASU 2018-14 did not have a material impact on the System’s consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13 – *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and issued subsequent amendments to the initial guidance (collectively, Topic 326). Topic 326 replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. Receivables that result from revenue transactions under ASC 606, *Revenue from Contracts with Customers*, are subject to the current expected credit loss model. The ASU is effective for fiscal years beginning after December 15, 2020, or fiscal year 2022 for the System. Early adoption is permitted. The System does not expect the adoption to have a material impact on the System’s consolidated financial statements.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

In January 2017, the Financial Accounting Standards Board (“FASB”) issued ASU 2017-04 – *Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”). ASU 2017-04 simplifies the test for goodwill impairment by removing Step 2 from the goodwill impairment test. Entities will now perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value not to exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The ASU is effective for fiscal years beginning after December 15, 2020, or fiscal year 2022 for the System. Early adoption is permitted. The System does not expect the adoption to have a material impact on the System’s consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07 – *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This amendment requires the System to report contributed nonfinancial assets as a separate line item within the statement of activities and expanded reporting requirements for contributed nonfinancial assets, such as donor-imposed restrictions, fair value measurement, and qualitative information if the contributed nonfinancial assets were utilized or sold. The ASU is effective for fiscal years beginning after June 15, 2021, or fiscal year 2022 for the System. Early adoption is permitted. The System is currently evaluating the impact the adoption will have on the consolidated financial statements.

3. COVID-19

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic and the United States federal government declared COVID-19 a national emergency. Consistent with the State of Rhode Island and the Centers for Medicare and Medicaid Services (“CMS”) guidance, the System temporarily postponed all inpatient and outpatient elective and non-essential surgical and procedural cases, non-urgent and routine provider appointments, and some time sensitive surgeries. The System did so to preserve personal protective equipment (“PPE”), ICU beds, ventilators, and other needed supplies to be better positioned for a potential surge in COVID-19 patients. Additionally, the System implemented cost reduction initiatives including, but not limited to, placing a hold on filling all nonessential open faculty and staff positions, reducing salaries for senior leadership, furloughing certain staff, and temporarily pausing nonessential non-salary expenditures including new capital spending.

In May 2020, after COVID-19 cases dropped significantly in the State and restrictions on elective surgeries and procedures were lifted, Care New England embarked on a concerted effort to bring patients back into the health care system to receive their care. With a focus on patient and provider safety, education and the importance of receiving care, a weekly steering committee was formed to drive initiatives and action plans aimed at increasing volume safely. This initiative was very effective and as of September 30, 2021, patient volume returned to pre-COVID levels in most areas.

Rhode Island regulations require that healthcare providers and healthcare workers have received a complete series of COVID-19 vaccine by October 1, 2021. As of September 30, 2021, 99% of Care New England’s workforce is fully vaccinated.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") to provide economic assistance to a wide array of industries to ease the financial impact of COVID-19. As part of the CARES Act, CMS expanded its Accelerated and Advance Payment Program which allows participants to receive expedited payments during periods of national emergencies.

The System has received approximately \$77.5 million and \$62.4 million in 2021 and 2020, respectively, in governmental assistance including funding under the CARES Act. This includes recognition of approximately \$37.7 million and \$23.2 million in 2021 and 2020, respectively, of grant revenue – relief funding in the statements of operations as a result of satisfying the conditions of general grant funding under the Provider Relief Fund established by the CARES Act. The CARES Act also designated aid for state governments to support COVID-19 efforts. A portion of that funding was used to provide financial assistance to support the operations of hospitals in Rhode Island through the establishment of the Rhode Island Hospital Assistance Partnership Program ("HAPP"). The System recognized approximately \$39.8 million and \$39.2 million in 2021 and 2020, respectively, of grant revenue – relief funding in the statements of operations as a result of satisfying the conditions of grant funding under HAPP. The System recognized operating revenue related to the CARES Act provider relief funding based on information contained in laws and regulations, as well as interpretations issued by the Department of Health and Human Services (HHS), governing the funding that was publicly available at September 30, 2021 and 2020, respectively. In 2020, the System recorded \$30.0 million attributable to the Medicare Accelerated and Advance Payment Program (the "Advances") representing working capital financing to be repaid through the provision of future services. In 2021, approximately \$11.4 million of the Advances were recouped. The Advances of \$18.6 million and \$30.0 million as of September 30, 2021 and 2020, respectively, are recorded in current portion of estimated third-party payor settlements and advances in the consolidated balance sheets, as a payment received before performing services.

Additionally, the CARES Act provides for payroll tax relief, including the deferral of all employer Social Security tax payments to help employers in the face of economic hardship related to the COVID-19 pandemic. The System deferred approximately \$7.0 million and \$14.5 million in 2021 and 2020, respectively, attributable the employer portion of Social Security wage taxes. The CARES Act established the Employee Retention Credit as a fully refundable tax credit for employers equal to fifty percent of qualified wages paid by eligible employers to their employees. In 2021, the System recognized approximately \$3.3 million of other revenue in the consolidated statements of operations as of result of the Employee Retention Credit. Furthermore, under the CARES Act, the due date for a plan sponsor's required minimum contributions to a single employer defined benefit plan for the 2020 calendar plan year was extended to January 1, 2021. A plan sponsor that took advantage of this extension must include interest at the plan's interest rate calculated from the date the minimum required contribution was due to January 1, 2021. As of September 30, 2020, the System had deferred \$3.5 million of contributions to the Care New England Pension Plan and \$4.1 million of contributions to the Memorial Hospital Pension Plan for purposes of the 2020 calendar plan year. These contribution deferrals were paid by December 31, 2020 with no interest due.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

4. Memorial Hospital Closure

Memorial Hospital had income from operations of \$3,148,167 for fiscal year 2021 and a loss from operations of \$2,425,032 for fiscal year 2020.

A summary of the financial results of Memorial Hospital included in the consolidated statements of operations for the years ended September 30 is as follows:

	2021	2020
Total operating revenues	\$ 7,104,997	\$ 1,555,156
Total operating expenses	<u>(3,956,830)</u>	<u>(3,980,188)</u>
Income (Loss) from operations	3,148,167	(2,425,032)
Net nonoperating gains	<u>1,116,147</u>	<u>327</u>
Excess (Deficiency) of revenues, gains and other support over expenses and losses	4,264,314	(2,424,705)
Transfer	<u>(1,115,996)</u>	<u>2,750,000</u>
Increase in net assets without donor restrictions	<u>\$ 3,148,318</u>	<u>\$ 325,295</u>

In fiscal year 2021 and 2020, Memorial recorded operating revenues related to changes in estimates related to Disproportionate Share program payments under the State of Rhode Island's Medicaid program, the wind-down of research activities, a gain on disposal of property, plant and equipment, professional services agreement revenues, and rental income from related parties that is eliminated in consolidation.

During fiscal year 2021 and 2020, the System incurred \$424,612 and \$376,096 of restructuring costs related to the closure of Memorial Hospital including legal and purchased services expenses, respectively.

5. Net Patient Service Revenue

Patient care service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the System bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in our hospital(s) receiving inpatient acute care services or patients receiving services in our outpatient centers or in their homes (home care). The System measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

provided to our patients and customers in a retail setting (for example, pharmaceuticals and medical equipment), the System does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the optional exemption provided in FASB ACS 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to previously are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The System determines the transaction price based on standard charges for goods and service provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the System's policy, and implicit price concessions provided to uninsured patients. The System determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The System determines its estimate of implicit price concessions based on its historical collection experience.

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

- Medicare: Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic, and other factors. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.
- Medicaid: Reimbursements for Medicaid services are general paid at prospectively determined rates per discharge, or per occasion of service.
- Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

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

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payors, correspondence from the payors, and the System's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. For the years ended September 30, 2021 and 2020, additional revenue of \$5,598,557 and \$0, respectively, was recognized due to changes in estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The System also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The System estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience, and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as an adjustment to patient service revenue in the period of the change.

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

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

The System has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by payor source. The composition of patient care service revenue by primary payer for the years ended September 30 is as follows:

	2021	2020
Medicare and Medicare Managed Care	31 %	30 %
Medicaid and Medicaid Managed Care	29	30
Blue Cross	22	21
Managed Care	6	8
Self-pay	1	1
Other	11	10
	<u>100 %</u>	<u>100 %</u>

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

6. Charity Care and Community Services

The System maintains records to identify and monitor the level of charity care and community services it provides, including the amount of charges forgone for services and the estimated cost incurred to provide those services. The revenues forgone and estimated costs and expenses incurred to provide charity care for the years ended September 30 are as follows:

	2021	2020
Revenues forgone, based on established rates	\$ 12,325,058	\$ 12,229,479
Expenses and costs incurred	5,320,876	5,588,236

Of the System's total expenses reported \$1,232,122,762 and \$1,151,897,241 in 2021 and 2020, respectively, an estimated \$5,320,876 and \$5,588,236 arose during 2021 and 2020, respectively, 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 patients who qualify for charity care. The ratio of cost to charges is calculated based on total expenses divided by gross patient service revenue. The System did not receive significant contributions that were restricted for the care of indigent patients during 2021 and 2020.

In addition to the above-mentioned medical care rendered, the System provides numerous other services free of charge to the community. These services include such things as volunteer services to other not-for-profit agencies, emergency and disaster relief services, various health, educational, research and teaching programs, healthcare screening services, therapeutic patient services, and provision of direct services to patients with multiple psychosocial needs. The amounts associated with these services are as follows:

	2021	2020
Approximated revenues forgone, or cost of the services provided to the community	\$ 44,764,723	\$ 45,769,892

The System also provides services to other indigent patients under the Medicaid/Rite Care Program, which reimburses healthcare providers at amounts which are less than the cost of services provided to the recipients.

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2021 and 2020

7. Pledges Receivable

Unconditional promises to give are recorded at present value as current and long-term assets based on expected time of collection. Future expected collections of these pledges as of September 30 are as follows:

	2021	2020
Within one year	\$ 1,131,942	\$ 556,054
One to five years	1,673,931	119,328
Beyond five years	14,308	-
	<u>2,820,181</u>	<u>675,382</u>
Less: Allowance for uncollectibles	<u>(94,344)</u>	<u>(234,527)</u>
Pledges receivable, net	<u>\$ 2,725,837</u>	<u>\$ 440,855</u>

A review of pledges is periodically made with regard to collectability. As a result, the allowance for pledges that may not be collected is adjusted, and some pledges have been cancelled and are no longer recorded in the financial statements. The U.S. Treasury Bill rate adjusted for credit risk is used to discount pledges receivable. The discount was calculated using a rate of 0.25% for the years ending September 30, 2021 and 2020.

As of September 30, 2021 and 2020, the System had \$34,889,694 and \$33,092,860, respectively, in funding awarded but not yet expended related to conditional contributions from sponsored support where the condition has not yet been met. Included in deferred revenue at September 30, 2021 and 2020 are \$713,990 and \$395,867, respectively, of sponsored receipts, that have not been expended and cannot yet be recognized as revenue due to having a barrier and right of return under ASU 2018-08.

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2021 and 2020

8. Summary of Investments

Investments at September 30 are summarized as follows:

	2021	2020
Short-Term Investments		
Mutual funds	\$ 100,229,300	\$ -
	<u>100,229,300</u>	<u>-</u>
Endowment and board designated funds		
Cash	215,636	166,778
Short-term investments	7,939,990	14,075,280
Fixed income securities	21,080,575	12,354,360
Equity securities	23,429,593	18,522,012
Mutual funds	86,840,117	67,795,046
Investments at NAV	42,676,261	37,920,802
Assets held under split - interest agreements	35,281,825	30,677,449
Cash surrender value of life insurance	22,596,350	22,596,350
	<u>240,060,347</u>	<u>204,108,077</u>
Trustee-held funds		
Cash	23,140,370	14,087,452
Short-term investments	16,467,656	15,041,723
Fixed income securities	46,051,358	47,379,710
Equity securities	43,213,463	32,866,965
Mutual funds	57,904,946	54,556,501
Investments at NAV	26,269,676	20,379,759
	<u>213,047,469</u>	<u>184,312,110</u>
Deferred compensation funds		
Cash	-	40,000
Mutual funds	1,889,016	1,469,048
	<u>1,889,016</u>	<u>1,509,048</u>
Total short-term investments and assets limited as to use	<u>\$ 555,226,132</u>	<u>\$ 389,929,235</u>

The cash surrender value of life insurance is included in Board-designated funds.

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2021 and 2020

Investment income and gains for the years ended September 30 consisted of the following:

	2021	2020
Investment return on net assets without donor restrictions		
Interest and dividend income	\$ 3,622,551	\$ 3,896,684
Net realized gains on sales of investments	11,355,032	7,750,755
Net change in unrealized gains	30,164,020	7,768,798
	<u>45,141,603</u>	<u>19,416,237</u>
Included in operating revenue	(8,546)	(7,846)
Included in nonoperating revenue	<u>45,150,149</u>	<u>19,424,083</u>
	<u>45,141,603</u>	<u>19,416,237</u>
Changes in net assets with donor restrictions		
Interest and dividend income	373,526	472,830
Net realized gains on sales of investments	2,664,920	878,591
Net change in unrealized gains	5,732,931	1,319,195
Changes in beneficial interest in assets held at community foundation	373,368	30,606
Changes in beneficial interest in perpetual trusts	<u>4,231,007</u>	<u>1,355,912</u>
	<u>13,375,752</u>	<u>4,057,134</u>
	<u>\$ 58,517,355</u>	<u>\$ 23,473,371</u>

The cost and estimated fair value of securities, which excludes beneficial interest in perpetual trusts of \$35,281,825 and \$30,677,449, as of September 30, 2021 and 2020, respectively, and excludes cash surrender value of life insurance of \$22,596,350, as of September 30, 2021 and 2020, and includes long-term investments as follows:

	2021		
	Cost	Gross Unrealized Gains	Estimated Fair Value
Short-term investments			
Mutual Funds	\$ 100,126,905	\$ 102,395	\$ 100,229,300
	<u>\$ 100,126,905</u>	<u>\$ 102,395</u>	<u>\$ 100,229,300</u>
Endowment and board designated funds			
Cash	\$ 215,636	\$ -	\$ 215,636
Short-term investments	7,939,990	-	7,939,990
Fixed income securities	21,022,266	58,309	21,080,575
Equity securities	18,229,005	5,200,588	23,429,593
Mutual funds	59,491,507	27,348,610	86,840,117
Investments at NAV	28,754,850	13,921,411	42,676,261
	<u>\$ 135,653,254</u>	<u>\$ 46,528,918</u>	<u>\$ 182,182,172</u>
Trustee-held funds			
Cash	\$ 23,140,370	\$ -	\$ 23,140,370
Short-term investments	16,467,656	-	16,467,656
Fixed income securities	45,140,711	910,647	46,051,358
Equity securities	27,510,460	15,703,003	43,213,463
Mutual funds	47,332,050	10,572,896	57,904,946
Investments at NAV	18,031,203	8,238,473	26,269,676
	<u>\$ 177,622,450</u>	<u>\$ 35,425,019</u>	<u>\$ 213,047,469</u>
Deferred compensation funds			
Mutual funds	1,765,964	123,052	1,889,016
	<u>\$ 1,765,964</u>	<u>\$ 123,052</u>	<u>\$ 1,889,016</u>

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2021 and 2020

		2020	
	Cost	Gross Unrealized Gains	Estimated Fair Value
Endowment and board designated funds			
Cash	\$ 166,778	\$ -	\$ 166,778
Short-term investments	14,075,280	-	14,075,280
Fixed income securities	11,978,060	376,300	12,354,360
Equity securities	17,015,633	1,506,379	18,522,012
Mutual funds	51,744,600	16,050,446	67,795,046
Investments at NAV	31,060,742	6,860,060	37,920,802
	<u>\$ 126,041,093</u>	<u>\$ 24,793,185</u>	<u>\$ 150,834,278</u>
Trustee-held funds			
Cash	\$ 14,087,452	\$ -	\$ 14,087,452
Short-term investments	15,041,723	-	15,041,723
Fixed income securities	45,461,776	1,917,934	47,379,710
Equity securities	23,832,975	9,033,990	32,866,965
Mutual funds	47,315,845	7,240,656	54,556,501
Investments at NAV	17,860,977	2,518,782	20,379,759
	<u>\$ 163,600,748</u>	<u>\$ 20,711,362</u>	<u>\$ 184,312,110</u>
Deferred compensation funds			
Cash	\$ 40,000	\$ -	\$ 40,000
Mutual funds	1,458,837	10,211	1,469,048
	<u>\$ 1,498,837</u>	<u>\$ 10,211</u>	<u>\$ 1,509,048</u>

The System reviews its investments to identify those for which fair value is below cost. The System then makes a determination as to whether the investment should be considered other than-temporarily impaired. During 2021 and 2020, there were no significant losses related to declines in value that were considered other-than-temporary in nature.

9. Liquidity and Funds Available for General Expenditure

As part of the System's liquidity management strategy, the System structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The System regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the System considers all expenditures related to its ongoing mission-related activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The following reflects the System's financial assets as of September 30, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions or internal designations within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in board-designated funds that could be drawn upon if the Board of Directors approves the action. However, amounts already appropriated from donor restricted endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2021 and 2020

	2021	2020
Financial assets at September 30		
Cash and cash equivalents	\$ 18,717,659	\$ 133,131,336
Short-term investments	100,229,300	-
Patient accounts receivable	108,447,566	99,992,705
Other receivables	35,602,720	27,138,352
Pledges receivable, net	2,725,837	450,855
Endowment funds	83,737,351	71,723,926
Board-designated funds	156,322,996	132,384,151
Trustee-held funds	213,047,469	184,312,110
Deferred compensation funds	1,889,016	1,509,048
Total financial assets	<u>720,719,914</u>	<u>650,642,483</u>
Less amounts not available		
Donor restricted funds	18,349,089	16,064,856
Other receivables	10,727,196	11,692,504
Pledges receivable, net	1,673,466	119,328
Endowment funds	83,203,729	71,213,630
Board-designated funds	156,322,996	132,384,151
Trustee-held funds	213,047,469	184,312,110
Deferred compensation funds	1,889,016	1,509,048
Financial assets not available to be used within one year	<u>485,212,961</u>	<u>417,295,627</u>
Financial assets available to meet general expenditures within one year	<u>\$ 235,506,953</u>	<u>\$ 233,346,856</u>

CNE, Butler, Kent, SHS, WIC, Integra, the Agency, and as of January 1, 2019, the Center routinely invest their surplus operating funds in various overnight repurchase agreements, money market funds, and fixed income U.S. agency bonds, which are classified as cash and cash equivalents. Additionally, in 2021, CNE invested surplus operating funds in mutual funds that invest primarily in investment grade debt obligations that can be readily converted to cash. These funds are included in short-term investments in the consolidated balance sheet as of September 30, 2021. Investment decisions are made based on anticipated liquidity needs, such that financial assets are available for general expenditures, liabilities, and other obligations come due.

10. Property, Plant and Equipment

A summary of property, plant and equipment at September 30 follows:

	2021	2020
Land	\$ 6,475,602	\$ 7,162,575
Land improvements	10,239,251	10,812,937
Buildings and improvements	471,576,661	469,759,693
Moveable equipment	291,600,194	280,781,078
Total property, plant and equipment	779,891,708	768,516,283
Less: Accumulated depreciation and amortization	<u>(555,541,969)</u>	<u>(535,215,821)</u>
	224,349,739	233,300,462
Construction and projects in progress	6,182,349	7,018,847
Property, plant and equipment, net	<u>\$ 230,532,088</u>	<u>\$ 240,319,309</u>

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Depreciation and amortization expense amounted to \$31,181,265 and \$29,640,134 for the years ended September 30, 2021 and 2020, respectively, which includes \$29,690,689 and \$28,891,455 depreciation expense of property, plant and equipment, and \$1,490,576 and \$748,679 amortization expense of finance lease right-of-use assets, respectively. Depreciation and amortization expense of property, plant and equipment, with donor restrictions, amounted to \$118,846 for the years ended September 30, 2021 and 2020.

Care New England had property, plant and equipment disposals of \$11,105,037 and \$2,592,839 with accumulated depreciation of \$9,483,387 and \$2,442,465 for the years ended September 30, 2021 and 2020, respectively.

As of September 30, 2021, the System estimated the total cost of completion of construction and projects in progress to be approximately \$11,055,122. The funding to complete these projects will come from philanthropic donations, operating cash and cash equivalents and short-term investments.

Butler owns approximately 110 acres of land, which was purchased with donated funds in the mid-19th century. This land has a book value of one dollar.

In the late 1940s, Kent acquired 57 acres of land, which is recorded at the acquisition price of \$90,165.

Conditional asset retirement obligations are recorded at \$2,959,145 and \$6,011,745 as of September 30, 2021 and 2020, respectively. These obligations are recorded in other noncurrent liabilities in the consolidated balance sheets. There are no assets that are legally restricted for purposes of settling asset retirement obligations. During 2021, there were \$3,226,003 retirement obligations relieved when a portion of the main campus of Memorial Hospital was sold. During 2020, there were no significant retirement obligations incurred or settled. Accretion expense of \$173,403 and \$248,161 was recorded during the years ended September 30, 2021 and 2020, respectively.

11. Lease Commitments

In February 2016, the FASB issued ASU 2016-02 (Topic 842) *Leases*. Topic 842 supersedes the lease requirements in Accounting Standards Codification Topic 840, *Leases*. Under Topic 842, lessees are required to recognize assets and liabilities on the balance sheets for most leases and provide enhanced disclosures. Leases will be classified as either finance or operating.

The System adopted Topic 842 effective October 1, 2019. The System applied Topic 842 to all leases as of October 1, 2019. We have elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. With the exception of leases that include the purchase of consumables, we have also elected the policy exemption that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes.

The System determines if an arrangement is or contains a lease at inception of the contract. Our right-of-use assets represent our right to use the underlying assets for the lease term and our lease liabilities represent our obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. We use the implicit rate noted within the contract. If not

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2021 and 2020

readily available, we use our estimated incremental borrowing rate, which is derived using a collateralized borrowing rate for the same currency and term as the associated lease. The leases standard requires us to record a right-of-use asset and a lease liability for all leases with a lease term longer than 12 months. We have elected not to record leases with a term of 12 months or less on the balance sheets.

Our operating leases are primarily for real estate, including certain acute care facilities, off-campus outpatient facilities, medical office buildings, and corporate and other administrative offices, and medical equipment. Our real estate lease agreements typically have initial terms of three to twenty-five years. These real estate leases may include one or more options to renew, with renewals that can extend the lease term from one to ten years. The exercise of lease renewal options is at our sole discretion. When determining the lease term, we included options to extend or terminate the lease when it is reasonably certain at commencement that we will exercise that option.

The components of lease expense for the year ended September 30 are as follows:

	2021	2020
Operating lease cost	\$ 13,911,418	\$ 14,380,049
Variable and short-term lease cost	974,209	1,368,971
Total lease cost	<u>\$ 14,885,627</u>	<u>\$ 15,749,020</u>
Finance lease cost		
Amortization of finance lease right-of-use assets	\$ 1,490,576	\$ 748,679
Interest on finance lease liabilities	157,535	102,398
Total finance lease cost	<u>\$ 1,648,111</u>	<u>\$ 851,077</u>

Supplemental cash flow information related to leases for the year ended September 30 is as follows:

	2021	2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 13,124,906	\$ 12,905,715
Operating cash flows from finance leases	146,168	73,062
Financing cash flows from finance leases	1,537,029	885,295
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	\$ 101,431,893	\$ 103,465,424
Finance leases	8,981,934	4,764,798

Included in the \$103,465,424 of right-of-use assets obtained in exchange for operating lease obligations is \$5,803,465 of new and modified operating leases entered into during the year ended September 30, 2020. Included in the \$4,764,798 of right-of-use assets obtained in exchange for finance lease obligations is \$3,144,220 of new and modified finance leases entered into during the year ended September 30, 2020.

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2021 and 2020

Supplemental balance sheet information related to leases as of September 30 is as follows:

	2021	2020
Operating Leases		
Operating lease right-of-use assets	\$ 101,431,893	\$ 103,465,424
Asset lease expense	9,756,781	10,237,918
Operating lease right-of-use assets, net	<u>\$ 91,675,112</u>	<u>\$ 93,227,506</u>
Current portion of operating lease liabilities	\$ 9,129,999	\$ 7,881,816
Long-term operating lease liabilities	88,934,655	90,949,257
Total operating lease liabilities	<u>\$ 98,064,654</u>	<u>\$ 98,831,073</u>
Finance Leases		
Finance lease right-of-use assets	\$ 8,981,934	\$ 4,764,798
Accumulated amortization	2,838,747	1,361,024
Finance lease right-of-use assets, net	<u>\$ 6,143,187</u>	<u>\$ 3,403,774</u>
Current portion of finance lease liabilities	\$ 1,857,954	\$ 1,248,883
Long-term finance lease liabilities	4,045,905	1,950,647
Total finance lease liabilities	<u>\$ 5,903,859</u>	<u>\$ 3,199,530</u>
Weighted Average remaining lease term		
Operating leases	13.52 years	14.60 years
Finance leases	3.83 years	2.99 years
Weighted Average discount rate		
Operating leases	4.24 %	4.24 %
Finance leases	3.46 %	3.42 %

Future maturities of lease liabilities as of September 30, 2021 are as follows:

	Operating Leases	Finance Leases
2022	\$ 13,032,389	\$ 2,027,502
2023	11,599,430	1,670,532
2024	10,185,830	1,150,751
2025	9,620,208	957,479
2026	8,103,341	314,450
Later years	79,445,502	186,535
Total lease payments	<u>131,986,700</u>	<u>6,307,249</u>
Less: Imputed interest	<u>33,922,046</u>	<u>403,390</u>
	<u>\$ 98,064,654</u>	<u>\$ 5,903,859</u>

Topic 842 also addresses accounting for leases of lessors. The System has entered into ground leases for land on the campus of Butler and Kent. The ground lease agreements have initial terms of fifty-two to sixty years. One of these leases includes two options to renew, with renewals that extend the lease term by ten years. There are no options for the lessee to purchase the underlying asset at the end of the lease term. There are no variable lease payments. The book value of land at Butler and Kent is not material. Refer to Note 10 for details on book value of land. These leases are classified as operating leases and the related income is recorded in other operating revenue.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

The System also leases a small amount of excess office and medical space to outside organizations. These leases are classified as operating leases and the related income is recorded in other operating revenue.

Future maturities of lease payments, showing the undiscounted cash flows to be received on an annual basis as of September 30, 2021 are as follows:

	2021
2022	\$ 2,128,267
2023	1,908,133
2024	1,833,101
2025	1,660,600
2026	1,674,142
Later years	44,640,813
Total lease payments	<u>\$ 53,845,056</u>

Total rental income for operating leases for the years ended September 30, 2021 and 2020 amounted to \$2,886,861 and \$2,860,366, respectively.

12. Long-Term Debt

A summary of long-term debt at September 30 is as follows:

	2021	2020
Fixed rate \$138,265,000 RIHEBC 2016 Series B Bonds, final maturity in 2036	\$ 120,125,000	\$ 125,750,000
Fixed rate \$21,610,000 RIHEBC 2016 Series C Taxable Notes, final maturity in 2046	21,610,000	21,610,000
Term, \$445,400 U.S. Dept of Housing and Urban Development (HUD) mortgage note, final maturity in 2023	79,803	112,994
Term, \$4,000,000 Time Insurance Company mortgage note, final maturity in 2027	2,462,021	2,617,678
Term, \$1,600,000 Seavest Healthcare Properties, LLC note, final maturity in 2030	1,097,806	1,197,866
Term, \$3,493,907 US Bank loan, final maturity in 2024	2,094,052	2,737,379
Term, \$3,500,000 101 Plain, LLC, final maturity in 2031	3,276,731	-
Unamortized premium	9,756,728	10,407,176
Unamortized discount	(282,334)	(338,801)
Unamortized debt issuance costs	(1,970,685)	(2,125,647)
Total long-term debt	158,249,122	161,968,645
Less: Current portion of long-term debt	(7,582,585)	(6,996,255)
Long-term debt excluding current portion	<u>\$ 150,666,537</u>	<u>\$ 154,972,390</u>

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Rhode Island Health and Educational Building Corporation (RIHEBC) Bonds

In 2016, the System issued RIHEBC 2016 Series B fixed rate bonds of \$138,265,000 (excluding a premium of \$13,008,969). The bonds have annual mandatory sinking fund redemptions ranging from \$5,905,000 in 2022 to \$7,180,000 in 2026, a payment of \$41,660,000 in 2031, and a final payment of \$45,825,000 in 2036. The bonds bear interest at a fixed rate of 5.0%. A debt service reserve fund of \$11,916,261 is included in trustee-held funds in the consolidated balance sheet at September 30, 2021. CNE, Butler, Kent, VNA, SHS, The Memorial Hospital (prior to December 22, 2017), TPC, WIC, WIH, collectively, the Obligated Group, are jointly and severally liable for repayment. The Obligated Group is required to comply with certain debt covenants under the bond agreements, including a minimum debt service coverage ratio of 1.1 to 1, effective in fiscal 2018 and all subsequent fiscal years, and days cash on hand of 30, effective in fiscal 2017 and all subsequent fiscal years. As of September 30, 2021, the System is in compliance with the bond covenants. As of September 30, 2020, the System obtained a suspension of the debt service coverage ratio requirement for fiscal 2020. The System was in compliance with bond covenants as of September 30, 2020.

The proceeds from the CNE 2016 Series B Bonds were used to (i) refund the outstanding CNE 2010 Bonds, and (ii) refund a portion of the outstanding CNE 2013 A Bonds, and (iii) refund a portion of the outstanding CNE 2014 A Bonds, and (iv) refund the outstanding CNE 2016 A Bonds, and (v) refund the outstanding TPC 2013 Bonds, and (vi) pay certain expenses related to the issuance of the 2016 Series B Bonds.

In 2016, the System issued RIHEBC 2016 Series C fixed rate taxable notes of \$21,610,000 (excluding a discount of \$564,669). The notes have mandatory interest-only payments of \$594,275 every March and September from 2019 through 2026, and a final principal payment of \$21,610,000 in 2026. The notes bear interest at a fixed rate of 5.5%. The Obligated Group is jointly and severally liable for repayment. The Obligated Group is required to comply with certain debt covenants under the bond agreements, including a minimum debt service coverage ratio of 1.1 to 1, effective in fiscal 2018 and all subsequent fiscal years, and days cash on hand of 30, effective in fiscal 2017 and all subsequent fiscal years. As of September 30, 2021, the System is in compliance with the bond covenants. As of September 30, 2020, the System obtained a suspension of the debt service coverage ratio requirement for fiscal 2020. The System was in compliance with bond covenants as of September 30, 2020.

The proceeds from the CNE 2016 Series C Taxable Notes were used to (i) refund a portion of the outstanding CNE 2013 A Bonds, and (ii) refund a portion of the outstanding CNE 2014 A Bonds, and (iii) refund certain outstanding taxable indebtedness incurred by TPC, and (iv) pay certain expenses related to the issuance of the 2016 Series C Bonds.

Bank Mortgage and Other Notes

In 2007, the System entered into a \$4,000,000 mortgage note with Time Insurance Company due October 2007 through September 2027. Interest and principal installments of \$25,261 are due monthly, with a final payment of \$1,338,527 due September 2027, at a fixed interest rate of 5.79%. The note is collateralized by the real estate purchased.

In 2015, Kent entered into a lease amendment with Seavest Healthcare Partners, LLC ("Seavest"). The 2015 amendment to the December 17, 2010 Tenant Space Lease agreement between the landlord, Seavest, and Kent for medical space located on Kent's campus, includes a \$1,600,000 note, due March 2016 through February 2030. Funds from this note were received by Kent in February and April 2016. Interest and principal installments of \$13,582 are due monthly at an imputed interest rate of 5.46%.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

In 2020, CNE entered into a \$3,493,907 loan agreement with US Bank due April 2020 through April 2024. Interest and principal installments of \$756,529 are due annually, at a fixed interest rate of 4.14%. The loan is collateralized by the medical equipment purchased.

In 2021, WIH entered into a lease amendment with 101 Plain, LLC ("101 Plain"). The 2021 amendment to the February 11, 2010 lease agreement between the landlord, 101 Plain, and WIH for medical space located nearby to WIH's campus, includes a \$3,500,000 note, due November 2020 through October 2030. Funds from this note of \$3,261,664 were received by WIH during 2021. The remaining funds from this note of \$238,336 will be used in 2022 for (i) the reimbursement of additional project expenditures and (ii) unused funds will be applied towards the principal balance of the note. Interest and principal installments of \$41,546 are due monthly at an imputed interest rate of 7.50%.

Scheduled principal repayments on long-term debt are as follows for the years ended September 30:

2022	\$ 7,143,565
2023	7,505,817
2024	7,851,786
2025	7,487,993
2026	29,482,041
Thereafter	91,274,211
	<u>150,745,413</u>
Plus: Unamortized premium on bonds	9,756,728
Less: Unamortized discount on bonds	(282,334)
Less: Unamortized debt issuance costs	<u>(1,970,685)</u>
	<u>\$ 158,249,122</u>

13. Net Assets

Net assets without donor restriction of \$233,055,263 and \$130,942,624 as of September 30, 2021 and 2020, respectively, include board-designated funds and are held at the direction of the Board of Directors once an action for spending is approved. The remaining funds are not restricted in nature and can be used for operations.

Board-designated funds at September 30 are summarized as follows:

	2021	2020
Board designated funds		
General purposes	\$ 126,681,167	\$ 103,908,743
Cash surrender value of life insurance	22,596,350	22,596,350
Plant replacement and expansion	5,439,572	4,475,916
Healthcare research	1,144,555	941,790
Other	461,352	461,352
Total board designated funds	<u>\$ 156,322,996</u>	<u>\$ 132,384,151</u>

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2021 and 2020

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

	2021	2020
Subject to expenditure for specified purpose		
Healthcare services	\$ 4,928,834	\$ 3,913,941
Healthcare research	4,098,651	3,405,379
General purposes	9,326,283	7,732,924
Health education	3,910,573	3,404,939
Plant replacement and expansion	35,723,031	28,934,707
Other	8,709,518	8,109,491
	<u>66,696,890</u>	<u>55,501,381</u>
Subject to the Health System's policy and appropriation		
Investment in perpetuity, the income of which is expendable to support		
Healthcare services	6,528,009	5,533,288
Healthcare research	929,294	787,725
General purposes	19,797,890	16,714,631
Indigent care	8,947,525	7,583,653
Health education	2,216,454	1,882,529
	<u>38,419,172</u>	<u>32,501,826</u>
Not subject to appropriation or expenditure		
Residential buildings to provide housing for low-income individuals with chronic mental illness	2,551,325	2,670,171
	<u>2,551,325</u>	<u>2,670,171</u>
Total net assets with donor restrictions	\$ 107,667,387	\$ 90,673,378

The System follows the requirements of the Rhode Island enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 as they relate to its donor restricted endowment funds. The System's endowments consist of numerous individual funds established for a variety of purposes. Its endowments consist solely of donor restricted endowment funds. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The System classifies restricted donor funds in accordance with the laws of the State of Rhode Island and generally accepted accounting principles. The System classifies as donor restricted endowment funds of perpetual durations (1) the original value of the contributions made to the endowment, (2) the original value of subsequent contributions made to the endowment, and (3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Specific purpose restricted funds, include any donor restricted endowments that are not perpetual in nature, are appropriated in accordance with donor intent. The System considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the System and the donor restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the System, and (7) the investment policies of the System.

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2021 and 2020

The System's endowment net asset composition by fund type is as follows:

	2021	2020
Donor restricted endowment funds		
Original donor restricted gift amount and amounts to be maintained in perpetuity by donor	\$ 13,212,267	\$ 13,191,691
Accumulated investment gains	35,243,259	27,854,786
	<u>48,455,526</u>	<u>41,046,477</u>
Assets held under split-interest agreements	35,281,825	30,677,449
Total donor restricted endowment funds	<u>83,737,351</u>	<u>71,723,926</u>
Specific purpose restricted funds	21,378,711	16,279,281
Specific purpose restricted funds - property, plant and equipment	2,551,325	2,670,171
Total specific purpose restricted funds	<u>23,930,036</u>	<u>18,949,452</u>
Total funds	<u>\$ 107,667,387</u>	<u>\$ 90,673,378</u>

For the year ended September 30, the System had the following changes in the endowment net assets:

	2021	2020
Endowment net assets at beginning of year	\$ 41,046,477	\$ 39,662,058
Investment return, net	8,771,377	2,670,616
Contributions	20,575	6,700
Transfer to net assets without donor restrictions	-	75,683
Appropriation of endowment assets for expenditure	<u>(1,382,903)</u>	<u>(1,368,580)</u>
Endowment net assets at end of year	<u>\$ 48,455,526</u>	<u>\$ 41,046,477</u>

The System's net assets with donor restrictions consist of endowments managed by the System. Unless otherwise directed by the donor, gifts received for endowments are invested in accordance with the System's investment policy. In order to preserve the real value of a donor's gift and to sustain funding consistent with donor intent, the annual appropriation rate is set to strike a reasonable balance between long-term objectives of preserving and growing each endowment fund for the future of providing stable, annual appropriations. The annual appropriation rate for Butler, Kent, Kent Hospital Foundation and WIH was 4% for the years ending September 30, 2021 and 2020. There were no appropriations made from Memorial for the years ending September 30, 2021 and 2020.

The System has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return with a balanced growth emphasis based on the endowment's target allocation applied to the appropriate individual benchmarks.

It is the policy of the System that any appropriations from the appreciation in endowment funds are periodically requested of and approved by the Board of Directors.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

The Board of Directors has responsibility for formulating investment policies. The investment policy is to invest in a conservative asset portfolio with minimal investment risk. Certain funds are included in a consolidated long-term investment pool and invested in accordance with the investment strategy, authorized by the Board of Directors.

In addition to donor restricted endowments, Kent, Memorial Hospital and WIH are income beneficiaries of various trusts. On September 30, 2021 and 2020, the market value of Kent's, WIH's and Memorial Hospital's trust assets totaled \$33,345,740 and \$29,114,732, respectively. In addition to donor restricted endowments, the Center is the income beneficiary of various assets held at a community foundation. On September 30, 2021 and 2020, the market value of the Center's assets held at the community foundation totaled \$1,936,085 and \$1,562,717, respectively. Distributions of income are made at the discretion of the Board.

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 System to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in net assets with donor restrictions are immaterial as of September 30, 2021 and 2020. These deficiencies resulted from unfavorable market fluctuations. The individual donor restricted endowment funds with deficiencies will retain future income and appreciation to restore the required fair value of the assets.

During fiscal 2021 and 2020, net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

	2021	2020
Purpose restrictions accomplished		
Healthcare services	\$ 765,073	\$ 694,404
Healthcare research	626,632	375,143
Other	978,434	1,126,699
Health education	48,713	70,484
Indigent care	640	-
	<u>2,419,492</u>	<u>2,266,730</u>
Property, plant and equipment acquired and placed in service	1,164,334	1,929,102
Release of appropriated endowment amounts with purpose restrictions	<u>1,073,882</u>	<u>1,052,133</u>
Total restrictions released	<u>\$ 4,657,708</u>	<u>\$ 5,247,965</u>

U.S. Department of Housing and Urban Development

Wilson received funding from HUD of \$1,152,335 for the purchase and renovation of Wilson Street apartments. The agreement states that repayment is not required provided that the property funded remains available only to qualified clients for a period of not less than 40 years, maturing in 2047. If at any time during the restricted use period Wilson is unable to meet the provisions of the agreement, at the option of the funding source, the entire amount of the above noted funding shall become due and payable upon default.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Grandview Second received funding from HUD of \$1,173,200 for the renovation of Grandview Second apartments. The agreement states that repayment is not required provided that the property funded remains available only to qualified clients for a period of not less than 40 years, maturing in 2035. If at any time during the restricted use period Grandview Second is unable to meet the provisions of the agreement, at the option of the funding source, the entire amount of the above noted funding shall become due and payable upon default.

Nashua received funding from HUD of \$834,200 for the renovation of Nashua Street apartments. The agreement states that repayment is not required provided that the property funded remains available only to qualified clients for a period of not less than 40 years, maturing in 2040. If at any time during the restricted use period Nashua is unable to meet the provisions of the agreement, at the option of the funding source, the entire amount of the above noted funding shall become due and payable upon default.

State Bond Funds

Wilson received \$670,413 in funding from the Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island Housing") for the purchase and renovation of the Wilson Street apartments. Under the terms of the agreement, if Wilson Street apartments should cease to be utilized as a facility to be rented by qualified clients before 2047 (40 years after the first rental unit to a client or two years from the date of the grant), Rhode Island Housing would be entitled to recover either the amount expended under the agreement or a prorated portion of the fair market value of the building, whichever is greater. Management intends to use the facility for the stated purpose and duration of the agreement.

Wilson received \$240,000 in funding from the State of Rhode Island Housing Resources Commission Neighborhood Opportunities Program for 10 units of permanent supportive housing. The terms of the agreement state that no repayment of the funding is required provided Wilson operates the facility in compliance with the terms of the agreement for a period of 20 years. If Wilson does not operate in compliance with the affordability provision in accordance with the terms of the contract for a minimum of 20 years following the date of initial occupancy, the entire amount of the funds disbursed must be repaid. For each year after year 10, Wilson's repayment amount will be reduced by 10% per year in which the units have been used for the project. Management intends to use the facility for the stated purpose and duration of the agreement.

14. Retirement Plans

The System has two separate Defined Benefit pension plans. One plan covers the employees of CNE, Butler, Kent, WIC, and the Agency, with the exception of the unionized employees of WIH (who are covered under a multiemployer union plan), and certain employed physicians. The second plan covers substantially all of the employees of Memorial. The System had a third Defined Benefit pension plan, the Kent County Visiting Nurse Association Pension Plan, which covered the employees of the Agency, but merged the assets of the Agency's plan into the Care New England Pension Plan as of December 31, 2016.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Care New England Pension Plan

The Care New England Pension Plan (the "Plan"), established on October 1, 1998, is a defined benefit cash balance plan that covers all of the employees of CNE, and all of the employees of Butler, Kent, WIC, and the Agency, with the exception of the unionized employees at WIH and certain employed physicians. The benefits for the unionized employees at Butler are computed under a separate formula that was in effect when the Butler plan was a standalone noncontributory defined benefit plan. Butler, Kent, WIC and the Agency incur and fund their respective pension plan expenses within the guidelines established by the Employee Retirement Income Security Act of 1974.

The Care New England Board of Directors voted, on September 23, 2010, to freeze the Plan effective December 31, 2010 for all employees with the exception of the Butler unionized employees. Effective December 31, 2010, compensation paid to a participant shall be disregarded for plan purposes, except for purposes related to determining benefits for the unionized employees at Butler. In addition, a participant's cash balance account will only increase annually for interest credit. In connection with the Plan freeze, the System enhanced contributions to the Care New England 403(b) Match and Savings Plan.

Included in cumulative changes in net assets without donor restrictions at September 30, 2021 and 2020 that has not yet been recognized in net periodic pension cost is an actuarial loss of \$51,466,811 and \$94,114,207, respectively.

The actuarial loss included as cumulative changes in net assets without donor restrictions and expected to be recognized in net periodic pension cost during the fiscal year ended September 30, 2021 is \$993,507.

Net periodic pension cost includes the following components at September 30:

	2021	2020
Service cost	\$ 4,333,906	\$ 3,358,731
Interest cost	6,191,428	6,554,935
Expected return on plan assets	(8,436,731)	(7,155,720)
Amortization of loss	2,430,363	2,038,853
Net periodic pension expense	<u>\$ 4,518,966</u>	<u>\$ 4,796,799</u>

The assumptions used to determine net periodic benefit cost for the years ended September 30 are as follows:

	2021	2020
Discount rate	2.76 %	3.13 %
Expected return on assets	6.00	6.00
Rate of compensation increase	3.00	3.00
Weighted-average interest crediting rate	4.00	4.00

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

The following table presents a reconciliation of the beginning and ending balances of the plan projected benefit obligations, fair value of plan assets, funded status, and amounts recognized in net assets without donor restrictions of the plan as of September 30:

	2021	2020
Changes in benefit obligations		
Projected benefit obligations at beginning of year	\$ 232,293,041	\$ 218,020,122
Service cost	4,333,906	3,358,731
Interest cost	6,191,428	6,554,935
Actuarial (gain) loss	(7,512,797)	16,604,076
Benefits and expenses paid	(6,259,983)	(12,244,823)
Settlements	(35,233,808)	-
Projected benefit obligations at end of year	193,811,787	232,293,041
Changes in plan assets		
Fair value of plan assets at beginning of year	176,933,381	167,228,457
Actual return on plan assets	31,784,526	10,249,747
Employer contributions	8,100,000	11,700,000
Benefits and expenses paid	(6,259,983)	(12,244,823)
Settlements	(35,233,808)	-
Fair value of plan assets at end of year	175,324,116	176,933,381
Funded status		
Total long-term pension liability	\$ 18,487,671	\$ 55,359,660
Accumulated benefit obligation	\$ 190,554,708	\$ 229,108,439
Amounts recognized in net assets without donor restrictions		
Net assets without donor restrictions at beginning of year	\$ 94,114,207	\$ 82,643,011
Amounts amortized during the year		
Net loss	(2,430,363)	(2,038,853)
Amounts occurring during the year		
Net (gain) loss	(30,860,592)	13,510,049
Amounts recognized due to curtailment/settlement		
Net loss	(9,356,441)	-
Net assets without donor restrictions at end of year	\$ 51,466,811	\$ 94,114,207

During 2021, the System purchased annuities for a subset of retirees and beneficiaries, in the Care New England Pension Plan, with small monthly benefit amounts, therefore removing their benefit obligation from the Plan and triggering a settlement event. The Plan settlement incorporated both an annuity purchase settling approximately 800 retirees as well as regular lump sums paid out over the fiscal year. Approximately \$27 million in projected benefit obligation was settled from the annuity purchase and approximately \$8 million was settled via regular lump sums paid out. As a result of these actions, a settlement charge of approximately \$9.3 million was incurred. This equates to approximately 15% of the pre-settlement accumulated other comprehensive income recognized immediately through pension expense.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

The assumptions used to develop the projected benefit obligation as of September 30 are as follows:

	2021	2020
Discount rate	2.95 %	2.76 %
Rate of compensation increase	3.00	3.00
Weighted-average interest crediting rate	4.00	4.00

Plan Assets

The Plan's investment objectives are to achieve long-term growth in excess of inflation, and to provide a rate of return that meets or exceeds the actuarial expected long-term rate of return on plan assets. In order to minimize risk, the Plan attempts to minimize the variability in yearly returns. The Plan diversifies its holdings among sectors, industries, and companies. No more than 6% of the Plan's portfolio (measured on market value) may be held in an individual company's stocks or bonds.

To develop the expected long-term rate of return on plan assets assumption, the System considered the historical return and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

The System's pension plan asset allocations (based on market value) at September 30, by asset category, are as follows:

	Target Allocation	Actual 2021	Actual 2020
Asset category			
Cash and cash equivalents	0 %	2 %	3 %
Investments at NAV	45	45	44
Fixed income securities	35	34	28
Equity securities	20	19	25
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Refer to Note 24 for details on assets held by the Plan.

Contributions

The System contributed \$8,100,000 and \$11,700,000 to the Plan in 2021 and 2020, respectively. The System expects to contribute \$4,600,000 to the Plan in 2022.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Fiscal Year	Pension Benefits
2022	\$ 13,142,195
2023	13,820,877
2024	13,698,026
2025	12,870,766
2026	12,395,219
Years 2027–2031	56,056,228
	<u>\$ 121,983,311</u>

Care New England 403(b) Match and Savings Plan

Effective January 1, 2009, the Pension Plan Protection legislation resulted in regulatory changes which discontinued the matching credits to the participants that were previously recorded in the CNE Pension Plan. As a result, CNE established the Care New England 403(b) Plan to account for future matching credits. The plan covers employees that meet certain eligibility requirements. Additionally, effective January 1, 2011, in connection with the freeze of the Care New England Pension Plan, the System also provides a nonelective contribution to participant accounts, as defined in the Plan document. Nonelective contributions are allocated to each eligible participant hired prior to January 1, 2013 based on a percentage of salary and a combination of the recipients' age and years of service or service only. Nonelective contributions are allocated to each eligible participant hired on or after January 1, 2013 equal to 3 percent of compensation. Effective January 1, 2015, employees of Memorial Hospital are eligible for the Plan and are eligible for a nonelective contribution equal to 3 percent of compensation. Effective January 1, 2017, employees of the Center are eligible for the Plan and are eligible for a nonelective contribution equal to 3 percent of compensation. Nonelective contributions are credited to each such participant as of the first day of the Plan year, as further described in the Plan document.

The System recorded an expense of \$14,491,464 and \$14,789,584 for the nonelective contribution to participant accounts for the fiscal years that ended September 30, 2021 and 2020, respectively. In addition, the System recorded an expense of \$4,387,370 and \$4,550,162 for matching credits for fiscal years ended September 30, 2021 and 2020, respectively. The System will fund the 2020 expense and the 2021 expense by the required deadline for depositing core contributions of July 15, 2022 and 2023, respectively. The System recorded a pension liability at September 30, 2021 and 2020 of \$28,001,787 and \$33,382,214, respectively.

Kent County Visiting Nurse Association Pension Plan

The Agency had a noncontributory defined benefit pension plan covering all employees who satisfied certain eligibility requirements that was frozen effective December 31, 2007 and replaced with a contributory retirement savings plan. Benefits under the defined benefit plan were based on years of service and employee's compensation levels. Effective December 31, 2016, the Kent County Visiting Nurse Association Pension Plan assets were combined with the Care New England Pension Plan.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Effective January 1, 2008, the Agency established a 403(b) Retirement Savings Plan that covers employees who have met certain eligibility requirements. Discretionary contributions to the plan are based on years of service and compensation levels. For the fiscal years that ended September 30, 2021 and 2020, respectively, the Agency recorded an expense of \$455,629 and \$549,532. The Agency recorded a pension liability at September 30, 2021 and 2020 of \$151,708 and \$140,125, respectively.

Memorial Retirement Plan

As part of the acquisition of SHS, CNE acquired the assets and assumed the liabilities for Memorial Hospital's defined benefit pension plan ("the Memorial Plan"), which was frozen for non-union participants as of May 31, 2012 and union employees as of June 1, 2013 and was replaced by the Memorial 403(b) Match and Savings Plan. Benefits under the defined benefit plan were based on years of service and employees' compensation during the last five years of covered employment. The System makes annual contributions to the Memorial Plan, which approximate the amount of net periodic pension cost. On December 31, 2014, the Memorial Plan was amended and participants became eligible participants in the Care New England 403(b) Match and Savings Plan effective January 1, 2015. Effective January 1, 2018, the sponsorship of Memorial Hospital's Defined Benefit Pension Plan transferred to CNE.

Included in cumulative changes in net assets without donor restrictions at September 30, 2021 and 2020 that has not yet been recognized in net periodic pension cost is an actuarial loss of \$33,090,860 and \$41,607,329, respectively.

The actuarial loss included as cumulative changes in net assets without donor restrictions and expected to be recognized in net periodic pension cost during the fiscal year ended September 30, 2021 is \$812,078.

Net periodic pension cost includes the following components at September 30:

	2021	2020
Interest cost	\$ 4,303,102	\$ 4,897,801
Expected return on plan assets	(3,893,217)	(3,531,118)
Amortization of loss	1,135,770	814,180
Net periodic pension expense	<u>\$ 1,545,655</u>	<u>\$ 2,180,863</u>

The assumptions used to determine net periodic benefit cost for the years ended September 30 are as follows:

	2021	2020
Discount rate	2.78 %	3.24 %
Expected rate of return on plan assets	6.00	6.00
Rate of compensation increase	N/A	N/A
Weighted-average interest crediting rate	N/A	N/A

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

The following tables represent a reconciliation of the beginning and ending balances of the plan projected benefit obligations, fair value of plan assets, funded status, and amounts recognized in net assets without donor restrictions of the plan as of September 30:

	2021	2020
Changes in benefit obligations		
Projected benefit obligations at beginning of year	\$ 158,995,636	\$ 155,226,463
Interest cost	4,303,102	4,897,801
Actuarial (gain) loss	(1,859,300)	6,934,953
Benefits and expenses paid	<u>(8,075,219)</u>	<u>(8,063,581)</u>
Projected benefit obligations at end of year	<u>153,364,219</u>	<u>158,995,636</u>
Changes in plan assets		
Fair value of plan assets at beginning of year	82,841,949	81,618,395
Actual return on plan assets	9,414,616	2,837,135
Employer contributions	14,250,000	6,450,000
Benefits and expenses paid	<u>(8,075,219)</u>	<u>(8,063,581)</u>
Fair value of plan assets at end of year	<u>98,431,346</u>	<u>82,841,949</u>
Funded status		
Total long-term pension liability	<u>\$ 54,932,873</u>	<u>\$ 76,153,687</u>
Accumulated benefit obligation	<u>\$ 153,364,219</u>	<u>\$ 158,995,636</u>
Amounts recognized in net assets without donor restrictions		
Net assets without donor restrictions at beginning of year	\$ 41,607,329	\$ 34,792,573
Amounts amortized during the year		
Net loss	(1,135,770)	(814,180)
Amounts occurring during the year		
Net (gain) loss	<u>(7,380,699)</u>	<u>7,628,936</u>
Net assets without donor restrictions at end of year	<u>\$ 33,090,860</u>	<u>\$ 41,607,329</u>

The assumptions used to develop the projected benefit obligations as of September 30 are as follows:

	2021	2020
Discount rate	2.94 %	2.78 %
Rate of compensation increase	N/A	N/A
Weighted-average interest crediting rate	N/A	N/A

Plan Assets

The goals of the Memorial Plan are to provide a secure retirement benefit for plan participants and to manage plan assets for the exclusive benefit of the participants. The invested assets will be managed on a long-term total return basis and measured against established benchmarks for each asset class. Risk management is achieved by limiting the size of asset class and individual security positions to achieve adequate diversification. The Memorial Plan will maintain a funded level sufficient to ensure benefit security.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

The pension plan asset allocations (based on market value) at September 30, by asset category, are as follows:

	Target Allocation	Actual 2021	Actual 2020
Asset category			
Cash and cash equivalents	0 %	2 %	3 %
Investments at NAV	28	27	22
Fixed income securities	56	56	65
Equity securities	16	15	10
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Refer to Note 24 for details on assets held by the Plan.

Contributions

The System contributed \$14,250,000 and \$6,450,000 to the Memorial Plan in 2021 and 2020, respectively. The System expects to contribute \$7,000,000 to the Plan in 2022.

Estimated Future Benefit Payments

Benefit payments, are expected to be paid as follows:

Fiscal Year	Pension Benefits
2022	\$ 8,590,089
2023	8,801,494
2024	8,930,749
2025	8,987,989
2026	8,980,988
Years 2027–2031	<u>43,238,834</u>
	<u>\$ 87,530,143</u>

WIH Union Plan

WIH contributes to a multi-employer defined benefit pension plan under the terms of the collective bargaining agreements that cover its union-represented employees. The risks of participating in multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If WIH chooses to stop participating in the plan, WIH may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

WIH's participation in the plan for the annual period ended December 31, 2020, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number. The most recent Pension Protection Act (PPA) zone status available in 2020 and 2019 is for the plan's year-end at December 31, 2020, and December 31, 2019, respectively. The zone status is based on information that WIH received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded or projected funding deficiency in current plan year or next following 6 plan years, plans in the orange zone are less than 80 percent funded and projected funding deficiency in current plan year or next following 6 plan years, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreements to which the plan is subject.

Pension	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions of WIH		Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
		2020	2019		2020	2019		
New England Health Care Employees Pension Fund	22-3071963 - 001	Green	Green	No	\$ 10,360,382	\$ 10,121,166	No	11/30/2024

WIH was listed in the plan's Form 5500 as providing more than 5 percent of the total contributions for the plan years ending December 31, 2020 and December 31, 2019.

At the date the financial statements were issued, Form 5500 was not available for the plan year ending December 31, 2021.

Pension expense, for the plan, for the years ended September 30, 2021 and 2020, was \$10,647,956 and \$10,215,512, respectively.

The Center Retirement Benefit Plan

The Center maintained a profit-sharing retirement plan to which the Center may make discretionary contributions. The retirement plan covered all employees of the Center over the age of 21 who have worked for a minimum of 975 hours during the plan year. Participants were vested over a number of years of continuous service. Participants would become 100% vested after six years unless the age of 65 is attained, upon which the participant became 100% vested. This plan terminated as of December 31, 2017. The Center did not contribute to the retirement plan for the year ended September 30, 2021 and 2020.

Effective January 1, 2017, the Center's employees were eligible to participate in the Care New England 403(b) Match and Savings Plan.

15. Postretirement Plans

Kent sponsors an unfunded noncontributory defined benefit postretirement plan that provides medical and dental benefits to certain salaried and non-salaried employees. In 1996, Kent amended the plans to eliminate benefits for all employees, except for certain employees with at least 25 years of service at that date.

Included in the charge to net assets that have not yet been recognized in net periodic postretirement benefit cost is the unrecognized actuarial gain of \$40,214 and \$28,127 as of September 30, 2021 and 2020, respectively.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

The postretirement benefit cost for this plan was \$20,971 in 2021 and \$32,488 in 2020.

16. Disproportionate Share

The government has long recognized the financial burdens which are borne by hospitals which serve an unusually large number, or “disproportionate share”, of low-income patients. Kent and WIH received payments under the disproportionate share program of \$29,005,398 from the State of Rhode Island’s Medicaid program for the year ended September 30, 2021. Kent and WIH also recorded disproportionate share payments of \$1,363,534 from Medicare during 2021. Additional payments of \$2,873,386 were received during 2021 from Medicare as part of the provisions under the Accountable Care Act to offset hospital costs for uncompensated care. Kent and WIH received payments under the disproportionate share program of \$26,498,606 from the State of Rhode Island’s Medicaid program for the year ended September 30, 2020. Kent and WIH also recorded disproportionate share payments of \$1,449,966 from Medicare during 2020. Additional payments of \$2,186,895 were received during 2020 from Medicare as part of the provisions under the Accountable Care Act to offset hospital costs for uncompensated care.

17. Licensure Fees

The State of Rhode Island assesses hospitals an annual licensure fee calculated as a percentage of the hospital’s net patient service revenue. The Care New England hospitals were assessed \$38,340,710 and \$45,254,839 for the years ended September 30, 2021 and 2020, respectively.

18. Concentration of Credit Risk

As of September 30, 2021 and 2020, Care New England, the Hospitals, the Agency, and the Center had cash and cash equivalents in excess of Federal Depository Insurance limits at major financial institutions. These financial institutions have a strong credit rating, and management believes that credit risks related to these deposits are minimal.

The Hospitals, the Agency, and the Center receive a significant portion of its payment for services rendered from a limited number of governmental and commercial third-party payors, including Medicare, Medicaid, and Blue Cross. The organization has not historically incurred any significant concentrated credit losses in the normal course of business.

In addition, the organizations routinely grant credit to patients without requiring collateral or other security. The mix of receivables, net of price concessions, from patients and third-party payors at September 30, 2021 and 2020, was as follows:

	2021	2020
Medicare and Medicare Managed Care	18 %	17 %
Medicaid and Medicaid Managed Care	20	20
Blue Cross	23	25
Managed care	7	7
Self-pay	15	16
Other third-party payors	17	15
	<u>100 %</u>	<u>100 %</u>

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

19. Commitments and Contingencies

Litigation

CNE, the Affiliates, the Agency and the Center have been individually named as codefendants in several complaints. It is the opinion of management that the liability, if any, to CNE, the Affiliates, the Agency, and the Center, in excess of insurance coverage will have no material adverse effect on the consolidated financial position of Care New England as of September 30, 2021 and 2020.

Collective Bargaining Agreements

At September 30, 2021, approximately 54.2% of the System's employees were covered by collective bargaining agreements. In 2021, a one-year collective bargaining agreement covering 58.3% of Memorial's employees was ratified and will expire on June 30, 2022. The previous Memorial collective bargaining agreement expired on June 30, 2018. The collective bargaining agreement covering 83.6% of the VNA's employees will expire on May 31, 2022. The collective bargaining agreement covering 52.1% of Kent's employees expired on June 30, 2021 and was extended through June 30, 2023. The collective bargaining agreement covering 79.7% of WIH's employees expired on November 30, 2020 and was extended through November 30, 2024. The collective bargaining agreement covering 66.4% of Butler's employees expired on March 31, 2021 and was extended through March 31, 2025.

20. Professional and General Liability Claims

Due to strategic and economic issues, as well as the potential for limited availability of commercial insurance policies, the Care New England entities have moved over time to covering the majority of their professional and general liability insurance to self-insured approaches. The adequacy of the coverage provided, reserves, and the funding levels are evaluated annually by independent actuaries who review the soundness of the programs and recommend future funding levels. Potential losses are estimated based on industry as well as entity experience, and a provision for these losses is recorded.

As of October 1, 2017, Care New England restructured the professional and general liability insurance programs. Kent, Butler, CNE, the VNA and the Center obtain their primary professional liability and general liability coverage via the Kent Hospital Self-Insurance Program on an occurrence basis. WIH obtains their primary professional and general liability coverage via the Women & Infants Hospital Self-Insurance Program on an occurrence basis. Both self-insurance programs provide excess professional liability coverage on an occurrence basis for all of the System. Reinsurance is purchased commercially on a claims-made basis for professional and general liability coverage layers above the self-insurance primary and excess (professional liability only) layers. BHI purchases, annually, commercial insurance policies to insure professional liability and general liability risks.

Butler annually contributes to its self-insurance trust fund to provide for risks relating to its existing actuarially calculated primary level of professional and general liabilities for events prior to October 1, 2017, as well as the tail liability related to prior claims-made coverage. Butler's professional liability coverage for claims in excess of its primary coverage limits is provided by W&I Indemnity for events prior to October 1, 2017.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Kent Hospital established Toll Gate Indemnity in 2004, as an off-shore captive insurance entity to insure primary and excess hospital professional and general liability risks, as well as to supply indemnification coverage for certain eligible medical staff. From July 1, 2014 to September 30, 2017, Kent Hospital purchased commercial insurance coverage on a claims made basis for professional liability claims in excess of the professional liability coverage provided through Toll Gate Indemnity. As of October 1, 2017, this commercially purchased excess became part of the restructured program.

WIH established W&I Indemnity in 1994, as an off-shore captive insurance entity to provide coverage for claims in excess of its underlying policy, as well as to supply indemnification coverage for certain eligible medical staff. In addition, WIH has a self-insurance trust fund for risks relating to prior tail liabilities. As of October 1, 2011, the primary coverage for professional and general liabilities was moved under the off-shore captive.

Effective July 1, 2004, professional liability insurance coverage for Memorial was provided on an occurrence basis. Such coverage was provided on a claims-made basis through June 30, 2004. The claims-made policies cover only claims made during the terms of the policies, and not those occurrences for which claims may be made after expiration of the policies. Memorial is self-insured with respect to incurred but not reported (IBNR) claims incurred prior to July 1, 2004. Prior to July 1, 2017, Memorial purchased, annually, commercial insurance policies to insure professional liability risks. Memorial purchases, annually, commercial insurance policies to insure general liability risks.

The provisions for anticipated losses were based upon expected undiscounted values. Trust fund and captive assets are available for the payment of claims.

Prior to October 1, 2017, the Agency purchased general and professional liability insurance from Toll Gate Indemnity.

Prior to October 1, 2017, the Center purchased commercial insurance policies to insure professional and general liability risks.

21. Affiliation With Rhode Island Hospital

In 1981, Rhode Island Hospital ("RIH") and WIH approved an agreement providing for the affiliation of the two hospitals. The affiliation agreement provides for a program of shared medical services, thereby greatly increasing the scope of comprehensive acute-care services available to WIH in maternal, gynecological, and neonatal care. In accordance with the agreement, WIH relocated to the property of RIH.

22. Affiliation With Accredited Medical Schools

Butler, WIH, and Kent are affiliated with The Warren Alpert Medical School of Brown University. The affiliation agreement provides that Butler, Kent and WIH are Major Affiliated Teaching Hospitals of The Warren Alpert Medical School of Brown University for psychiatry and behavioral health, primary care medicine and family medicine, and activities unique to women and newborns, respectively. In addition, Kent is affiliated with the University of New England College of Osteopathic Medicine.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

23. Functional Expenses

CNE provides healthcare services to residents within their geographic service areas. The System's financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function include depreciation, amortization and interest. Depreciation on land improvements, building and building improvements are primarily allocated to a function based on square footage. Depreciation of moveable equipment is primarily allocated to the function utilizing the equipment. Interest is allocated to a function based on direct expenses. Expenses related to providing these services for the years ended September 30 are as follows:

	2021							
	Healthcare Services	General and Administrative	Research	Other	Total Operating Expenses	Healthcare Services	General and Administrative	Total Expenses
Salaries and benefits	\$ 652,309,299	\$ 79,015,857	\$ -	\$ -	\$ 731,325,156	\$ -	\$ -	\$ 731,325,156
Supplies and other expenses	294,656,462	58,542,700	-	-	353,199,162	-	-	353,199,162
Salaries and benefits - research	-	-	14,333,665	-	14,333,665	-	-	14,333,665
Supplies and other expenses - research	-	-	16,596,731	-	16,596,731	-	-	16,596,731
Depreciation and amortization	24,399,778	6,781,487	-	-	31,181,265	-	-	31,181,265
Insurance	34,506,361	4,490,162	-	-	38,996,523	-	-	38,996,523
Licensure fee	38,340,710	-	-	-	38,340,710	-	-	38,340,710
Interest	5,227,652	2,497,286	-	-	7,724,938	-	-	7,724,938
Restructuring costs - Memorial Hospital	-	-	-	424,612	424,612	-	-	424,612
Other components of current period pension	-	-	-	-	-	568,176	1,162,539	1,730,715
Pension settlement	-	-	-	-	-	8,428,282	928,159	9,356,441
	<u>\$ 1,049,440,262</u>	<u>\$ 151,327,492</u>	<u>\$ 30,930,396</u>	<u>\$ 424,612</u>	<u>\$ 1,232,122,762</u>	<u>\$ 8,996,458</u>	<u>\$ 2,090,698</u>	<u>\$ 1,245,021,419</u>

	2020							
	Healthcare Services	General and Administrative	Research	Other	Total Operating Expenses	Healthcare Services	General and Administrative	Total Expenses
Salaries and benefits	\$ 616,392,829	\$ 74,692,779	\$ -	\$ -	\$ 691,085,608	\$ -	\$ -	\$ 691,085,608
Supplies and other expenses	257,605,142	56,580,489	-	-	314,185,631	-	-	314,185,631
Salaries and benefits - research	-	-	15,062,665	-	15,062,665	-	-	15,062,665
Supplies and other expenses - research	-	-	16,353,806	-	16,353,806	-	-	16,353,806
Depreciation and amortization	23,415,586	6,224,548	-	-	29,640,134	-	-	29,640,134
Insurance	29,467,929	2,791,191	-	-	32,259,120	-	-	32,259,120
Licensure fee	45,254,839	-	-	-	45,254,839	-	-	45,254,839
Interest	5,066,336	2,613,006	-	-	7,679,342	-	-	7,679,342
Restructuring costs - Memorial Hospital	-	-	-	376,096	376,096	-	-	376,096
Other components of current period pension	-	-	-	-	-	1,938,803	1,680,128	3,618,931
	<u>\$ 977,202,661</u>	<u>\$ 142,902,013</u>	<u>\$ 31,416,471</u>	<u>\$ 376,096</u>	<u>\$ 1,151,897,241</u>	<u>\$ 1,938,803</u>	<u>\$ 1,680,128</u>	<u>\$ 1,157,311,942</u>

24. Fair Value of Financial Instruments

The System values its financial assets and liabilities at fair value in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value, and delineates the disclosures required about fair value measurements. Financial assets consist primarily of the endowment, Board designated funds, trustee-held funds, and other investments. Additionally, GAAP allows the System the use of estimates to fair value certain investments at the measurement date using NAV reported by the investment managers without further adjustment, provided that the System does not expect to sell the investments at a value other than the NAV.

GAAP clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering assumptions, this standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 Valuations using quoted prices in active markets for identical assets or liabilities. Valuations of these products do not require a significant degree of judgment.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

- Level 2 Valuations using observable inputs other than Level 1 prices such as quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; broker or dealer quotations; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 Valuations using unobservable inputs that are supported by little or no market activity that are significant to the fair value of the assets or liabilities.

The System's ownership in investments at NAV consists of limited partnership interests and commingled funds. The value of certain investments at NAV represents the ownership interest in the NAV of the respective fund. The NAV of the securities held that do not have readily determinable fair values are determined by the investment manager or general partner and are based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the investment manager or general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities related. The System has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of September 30.

Financial instruments carried at fair value for the System's nonpension plan assets as of September 30, 2021 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	2021
Assets				
Short-term investments				
Mutual funds	\$ 100,229,300	\$ -	\$ -	\$ 100,229,300
	<u>\$ 100,229,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,229,300</u>
Endowment and board designated funds				
Cash	\$ 215,636	\$ -	\$ -	\$ 215,636
Short-term investments	7,939,990	-	-	7,939,990
Fixed income securities	4,179,330	16,901,245	-	21,080,575
Equity securities	23,429,593	-	-	23,429,593
Mutual funds	86,840,117	-	-	86,840,117
Assets held under split-interest agreements	-	-	35,281,825	35,281,825
	<u>\$ 122,604,666</u>	<u>\$ 16,901,245</u>	<u>\$ 35,281,825</u>	<u>174,787,736</u>
Investments at NAV (a)				<u>42,676,261</u>
Total assets				<u>\$ 217,463,997</u>
Trustee-held funds				
Cash	\$ 23,140,370	\$ -	\$ -	\$ 23,140,370
Short-term investments	16,467,656	-	-	16,467,656
Fixed income securities	4,356,596	41,694,762	-	46,051,358
Equity securities	43,213,463	-	-	43,213,463
Mutual funds	2,939,251	54,965,695	-	57,904,946
	<u>\$ 90,117,336</u>	<u>\$ 96,660,457</u>	<u>\$ -</u>	<u>186,777,793</u>
Investments at NAV (a)				<u>26,269,676</u>
Total assets				<u>\$ 213,047,469</u>
Deferred compensation funds				
Mutual funds	\$ 1,889,016	\$ -	\$ -	\$ 1,889,016
	<u>\$ 1,889,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,889,016</u>

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

- (a) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

Financial instruments carried at fair value for the System's nonpension plan assets as of September 30, 2020 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	2020
Assets				
Endowment and board designated funds				
Cash	\$ 166,778	\$ -	\$ -	\$ 166,778
Short-term investments	14,075,280	-	-	14,075,280
Fixed income securities	1,660,350	10,694,010	-	12,354,360
Equity securities	18,522,012	-	-	18,522,012
Mutual funds	67,795,046	-	-	67,795,046
Assets held under split-interest agreements	-	-	30,677,449	30,677,449
	<u>\$ 102,219,466</u>	<u>\$ 10,694,010</u>	<u>\$ 30,677,449</u>	<u>143,590,925</u>
Investments at NAV (a)				<u>37,920,802</u>
Total assets				<u>\$ 181,511,727</u>
Trustee-held funds				
Cash	\$ 14,087,452	\$ -	\$ -	\$ 14,087,452
Short-term investments	15,041,723	-	-	15,041,723
Fixed income securities	5,866,692	41,513,018	-	47,379,710
Equity securities	32,866,965	-	-	32,866,965
Mutual funds	2,468,144	52,088,357	-	54,556,501
	<u>\$ 70,330,976</u>	<u>\$ 93,601,375</u>	<u>\$ -</u>	<u>163,932,351</u>
Investments at NAV (a)				<u>20,379,759</u>
Total assets				<u>\$ 184,312,110</u>
Deferred compensation funds				
Cash	\$ 40,000	\$ -	\$ -	\$ 40,000
Mutual funds	1,469,048	-	-	1,469,048
	<u>\$ 1,509,048</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,509,048</u>

- (a) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

The amounts reported in the financial instruments table exclude the values of life insurance policies valued at \$22,596,350 as of September 30, 2021 and 2020, which are valued at the lesser of discounted value or cash surrender value.

All financial instruments are valued using a market approach involving identical or comparable assets.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Financial instruments carried at fair value for assets invested in the CNE Defined Benefit Pension Plan as of September 30, 2021 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	2021
Assets				
Cash and cash equivalents	\$ 3,452,880	\$ -	\$ -	\$ 3,452,880
Fixed income securities	43,755,997	14,994,915	-	58,750,912
Equity securities	4,619,368	-	-	4,619,368
Mutual funds	29,390,058	-	-	29,390,058
	<u>\$ 81,218,303</u>	<u>\$ 14,994,915</u>	<u>\$ -</u>	<u>96,213,218</u>
Investments at NAV (b)				79,110,898
Total assets				<u>\$ 175,324,116</u>

Financial instruments carried at fair value for assets invested in the CNE Defined Benefit Pension Plan as of September 30, 2020 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	2020
Assets				
Cash and cash equivalents	\$ 5,758,501	\$ -	\$ -	\$ 5,758,501
Fixed income securities	33,849,494	14,980,728	-	48,830,222
Equity securities	5,764,944	-	-	5,764,944
Mutual funds	39,243,477	-	-	39,243,477
	<u>\$ 84,616,416</u>	<u>\$ 14,980,728</u>	<u>\$ -</u>	<u>99,597,144</u>
Investments at NAV (b)				77,336,237
Total assets				<u>\$ 176,933,381</u>

(b) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in Note 14 Retirement Plans.

All financial instruments are valued using a market approach involving identical or comparable assets.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Financial instruments carried at fair value for assets invested in Memorial's Defined Benefit Pension Plan as of September 30, 2021 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	2021
Assets				
Cash and cash equivalents	\$ 1,622,348	\$ -	\$ -	\$ 1,622,348
Equity securities	2,425,446	-	-	2,425,446
Mutual funds	23,340,985	-	-	23,340,985
Guaranteed annuity contracts	-	-	44,642,747	44,642,747
	<u>\$ 27,388,779</u>	<u>\$ -</u>	<u>\$ 44,642,747</u>	<u>72,031,526</u>
Investments at NAV (c)				<u>26,399,820</u>
Total assets				<u>\$ 98,431,346</u>

Financial instruments carried at fair value for assets invested in Memorial's Defined Benefit Pension Plan as of September 30, 2020 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	2020
Assets				
Cash and cash equivalents	\$ 1,903,473	\$ -	\$ -	\$ 1,903,473
Equity securities	1,757,023	-	-	1,757,023
Mutual funds	13,873,836	-	-	13,873,836
Guaranteed annuity contracts	-	-	46,850,478	46,850,478
	<u>\$ 17,534,332</u>	<u>\$ -</u>	<u>\$ 46,850,478</u>	<u>64,384,810</u>
Investments at NAV (c)				<u>18,457,139</u>
Total assets				<u>\$ 82,841,949</u>

- (c) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in Note 14 Retirement Plans.

All financial instruments are valued using a market approach involving identical or comparable assets.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

During the years ended September 30, 2021 and 2020, respectively, the changes in the fair value for the System's financial instruments in the nonpension plan assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	2021	2020
Fair value at October 1	\$ 30,677,449	\$ 29,290,931
Total gains (losses)		
Contributions	750	325
Dividends and interest income	128,070	217,284
Net realized gains on investments	2,646,850	843,158
Change in net unrealized appreciation on investments	3,717,762	1,371,221
Distributions	(1,889,056)	(1,045,470)
Fair value at September 30	\$ 35,281,825	\$ 30,677,449

During the years ended September 30, 2021 and 2020, respectively, the changes in the fair value for the System's financial instruments in Memorial's Defined Benefit Pension Plan assets measured using significant unobservable inputs (Level 3) were comprised of the following:

	2021	2020
Fair value at October 1	\$ 46,850,478	\$ 49,241,890
Total gains (losses)		
Dividends and interest income	1,477,697	1,311,663
Change in net unrealized appreciation on investments	423,624	542,641
Benefit payments	(4,109,052)	(4,245,716)
Fair value at September 30	\$ 44,642,747	\$ 46,850,478

The System uses NAV to determine the fair value of its investments which do not have a readily determinable fair market value. The following tables summarize the key provisions for the System's nonpension plan investments as of September 30, 2021 and 2020, respectively, which are valued at NAV.

Redemption Terms as of September 30, 2021	Commingled Funds Equity	Commingled Funds Real Assets	Limited Partnership	Total
Endowment and board designated funds				
Daily, 0-1 day prior written notice	\$ 13,095,106	\$ -	\$ -	\$ 13,095,106
Bi-Monthly, Monthly, 7-30 days prior written notice	4,963,829	7,995,110	10,485,760	23,444,699
6-12 years	-	-	6,136,456	6,136,456
	\$ 18,058,935	\$ 7,995,110	\$ 16,622,216	\$ 42,676,261
Trustee-held funds				
Daily, 30 days prior written notice	\$ 14,513,931	\$ -	\$ -	\$ 14,513,931
Monthly, 5-30 days prior written notice	11,755,745	-	-	11,755,745
	\$ 26,269,676	\$ -	\$ -	\$ 26,269,676

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Redemption Terms as of September 30, 2020	Commingled Funds Equity	Commingled Funds Real Assets	Limited Partnership	Total
Endowment and board designated funds				
Daily, 0-1 day prior written notice	\$ 10,103,184	\$ -	\$ -	\$ 10,103,184
Bi-Monthly, Monthly, 7-30 days prior written notice	6,850,524	5,824,617	6,974,069	19,649,210
6-12 years	-	-	8,168,408	8,168,408
	<u>\$ 16,953,708</u>	<u>\$ 5,824,617</u>	<u>\$ 15,142,477</u>	<u>\$ 37,920,802</u>
Trustee-held funds				
Daily, 30 days prior written notice	\$ 11,197,841	\$ -	\$ -	\$ 11,197,841
Monthly, 5-30 days prior written notice	9,181,918	-	-	9,181,918
	<u>\$ 20,379,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,379,759</u>

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Fixed Income Securities and Fixed Income Mutual Funds

The estimated fair values of investments in fixed income securities and mutual funds are based on quoted prices and/or other market data for the same or comparable instruments and transactions in establishing the prices. The marketable fixed income securities and mutual funds classified as Level 1 were classified based on quoted prices of the actual instruments in active markets. The fixed income securities classified as Level 2 were classified as such due to the usage of observable market prices for similar securities that are traded in less active markets or when observable market prices for identical securities are not available. Marketable debt instruments are priced using: quoted market prices for similar instruments or pricing models, such as a discounted cash flow model, with all significant inputs corroborated with observable market data. These Level 2 securities primarily include corporate bonds, notes and other fixed income securities.

Equity Securities and Equity Mutual Funds

The fair values of investments in equity securities and mutual funds classified primarily as Level 1 are based on quoted market prices.

Assets Held Under Split-Interest Agreements

The System is party to various split-interest agreements, including perpetual trusts and assets held at a community foundation. Beneficial interest in trusts are recorded at fair value and these assets are considered Level 3 by the System due to lack of observable inputs into the valuation process of these investments.

The estimated fair values of assets held under split-interest agreements are determined based upon information provided by the trustees and assessed for reasonableness by management. Such information is generally based on the pro rata interest in the net assets of the underlying investments. These assets consist primarily of cash equivalents and marketable securities.

Guaranteed Annuity Contracts

The estimated fair values of guaranteed annuity contracts are based on the book value of the contract (equal to the market value of the contract after its discontinuance) provided by the insurance company to the contract holder.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

25. Subsequent Events

In September 2020, CNE entered into a Letter of Intent with Lifespan Corporation (“Lifespan”) pursuant to which CNE and Lifespan would merge into a single entity. Following a due diligence process, on February 23, 2021, CNE and Lifespan signed a definitive agreement formalizing the planned merger. The parties are in the process of obtaining the required state and federal regulatory approvals. CNE submitted a Hart-Scott-Rodino (“HRS”) premerger notification filing with the Federal Trade Commission (“FTC”) and the Antitrust Division of the U.S. Department of Justice on April 14, 2021, and on May 14, 2021, the FTC issued CNE a Request for Additional Information and Documentary Material (“Second Request”). CNE certified substantive compliance with the Second Request on November 24, 2021. CNE and Lifespan filed an application under the Hospital Conversions Act (the “HCA Application”) with the Rhode Island Office of Attorney General (“RIAG”) and Rhode Island Department of Health (“RIDOH”) on April 26, 2021 and resubmitted the HCA Application with additional information on October 1, 2021. On November 16, 2021, the RIAG and RIDOH accepted the HCA Application and the review period commences on November 17, 2021. CNE and Lifespan also plan to submit a Change in Effective Control application with RIDOH before the end of calendar year 2021.

Care New England Health System has assessed the impact of subsequent events through December 20, 2021, the date the audited consolidated financial statements were issued and has concluded that there were no such events other than noted above requiring adjustments to the audited consolidated financial statements or disclosure in the notes to the audited consolidated financial statements.

Supplemental Consolidating Schedules

Care New England Health System and Affiliates

Note to Supplemental Consolidating Schedule

September 30, 2021 and 2020

Basis of Presentation

The following supplemental consolidating information includes the consolidating balance sheets and the consolidating statement of operations and changes in net assets of the individual subsidiaries of Care New England Health System as of and for the fiscal year ended September 30, 2021. All intercompany accounts and transactions between subsidiaries have been eliminated. Care New England Medical Group, LLC ("CNEMG") has been presented in its own column in the following supplemental schedules, separate from the other Kent County Memorial Hospital ("Kent") affiliates due to increased activity at CNEMG. Intercompany transactions between the two entities primarily consist of a payment between Kent and CNEMG totaling \$28,910,418, for the year ended September 30, 2021, which has not been eliminated between the two columns. The consolidating information presented is prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America consistent with the consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements and is not required as part of the basic financial statements.

Care New England Health System and Affiliates

Consolidating Balance Sheet

September 30, 2021

	Butler and Affiliates	Kent and Affiliates	Care New England Medical Group	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Integra	The Center	Eliminations	Total
Assets											
Current assets	\$ 1,956,837	\$ 93,883,455	\$ (19,628,727)	\$ 136,131,072	\$ (196,365,563)	\$ (7,631,711)	\$ (1,849)	\$ (3,907,599)	\$ 4,281,744	\$ -	\$ 18,717,659
Cash and cash equivalents	-	-	-	53,507,744	100,229,300	-	-	-	-	-	100,229,300
Short-term investments	6,461,388	34,112,562	7,219,774	8,862,313	29,650	4,534,746	17,086	-	2,564,616	-	108,447,566
Patient accounts receivable	4,545,835	5,945,628	2,949,983	363,021	1,317,033	1,022,807	471,560	7,933,950	2,553,611	-	35,602,720
Other receivables	536,685	74,022	-	4,328,851	-	-	-	-	78,643	-	1,052,371
Pledges receivable, net	481,519	5,932,086	199,047	-	6,140,706	49,820	1,226	42,383	173,871	-	17,349,509
Other current assets	-	-	-	-	2,092,713	-	-	-	-	-	2,092,713
Current portion of assets whose use is limited	-	-	-	-	47,341	-	-	-	-	-	-
Due from affiliates	-	-	-	1,780	-	-	1,550	-	-	(50,671)	-
Total current assets	23,982,264	139,947,753	(9,259,923)	203,194,781	(86,508,820)	(2,024,338)	489,573	4,068,734	9,652,485	(50,671)	283,491,838
Assets whose use is limited or restricted as to use											
Endowment funds	23,697,754	21,927,833	-	21,257,942	-	-	14,704,305	-	2,149,517	-	83,737,351
Board-designated funds	9,784,086	30,204,652	-	115,291,683	-	1,042,575	-	-	-	-	156,322,986
Trustee-held funds	4,333,061	65,046,370	-	125,488,892	17,228,101	-	-	-	951,045	-	213,047,469
Deferred compensation funds	223,233	71,338	-	226,283	1,368,162	-	-	-	-	-	1,893,016
Total assets limited as to use	38,038,134	117,250,193	-	282,264,800	18,596,263	1,042,575	14,704,305	-	3,100,562	-	454,996,832
Less: Amounts required to meet current obligations	-	-	-	-	(2,092,713)	-	-	-	-	-	(2,092,713)
Noncurrent assets limited as to use	38,038,134	117,250,193	-	282,264,800	16,503,550	1,042,575	14,704,305	-	3,100,562	-	452,904,119
Goodwill	-	-	-	-	-	-	24,345,364	-	-	-	24,345,364
Property, plant and equipment, net	16,908,644	71,990,656	-	109,045,749	10,316,744	142,503	6,486,280	-	15,641,512	-	230,532,088
Finance lease right-of-use assets, net	-	2,822,458	-	1,075,623	2,207,260	7,557	-	-	30,289	-	6,143,187
Operating lease right-of-use assets, net	822,462	25,323,493	2,514,477	52,023,764	9,865,664	-	-	-	1,125,252	-	91,675,112
Long-term pledges receivable, net	187,865	126,718	-	1,323,009	-	-	-	-	35,874	-	1,673,466
Insurance receivable	250,000	-	-	-	408,755	-	3,080,008	-	250,000	-	3,983,763
Other assets	1,227,571	188,416	-	-	4,257,788	-	5,000	-	72	-	6,865,728
Due from affiliates	-	-	-	-	115,981,309	-	-	-	-	(115,981,309)	-
Total assets	\$ 81,416,940	\$ 357,649,687	\$ (6,745,446)	\$ 630,115,627	\$ 73,032,230	\$ (831,703)	\$ 49,110,530	\$ 4,068,734	\$ 29,836,046	\$ (116,031,980)	\$ 1,101,620,665

The accompanying note is an integral part of these supplemental consolidating financial statements.

Care New England Health System and Affiliates

Consolidating Balance Sheet

September 30, 2021

	Butler and Affiliates	Kent and Affiliates	Care New England Medical Group	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System, Inc. and Affiliates	Integra	The Center	Eliminations	Total
Liabilities and Net Assets											
Current liabilities											
Accounts payable and accrued expenses	\$ 8,209,780	\$ 47,120,132	\$ 10,143,002	\$ 31,508,031	\$ 28,453,805	\$ 2,730,182	\$ 907,720	\$ 10,857,726	\$ 4,343,358	\$ -	\$ 144,273,716
Current portion of estimated third-party payor settlements and advances	2,535,716	23,922,975	903,152	3,446,514	-	-	386,662	-	238,624	-	31,433,643
Current portion of long-term debt	164,912	910,568	-	526,690	6,344,020	-	-	-	36,395	-	7,582,565
Current portion of finance lease liability	-	786,182	-	448,911	611,386	2,302	-	-	7,173	-	1,897,994
Current portion of operating lease liability	70,252	1,691,410	903,324	3,736,501	2,418,571	-	-	-	309,941	-	9,129,999
Self-insurance reserves	-	-	-	-	8,849,801	-	-	-	-	-	8,849,801
Pension liability	1,174,922	17,713,018	-	2,567,625	4,892,064	164,092	-	-	1,641,774	-	28,153,495
Other current liabilities	614,433	286,807	121	504,590	825,393	246,914	212,526	75,888	345,253	-	3,111,925
Due to affiliates	-	48,891	-	-	1,772	-	-	-	8	(50,671)	-
Total current liabilities	12,770,015	92,081,963	11,949,599	42,738,862	52,396,812	3,143,470	1,506,908	10,933,614	6,922,526	(50,671)	234,393,118
Long term liabilities											
Self-insurance reserves	1,660,560	55,569,108	-	98,356,886	7,634,889	-	3,180,008	-	250,000	-	166,851,451
Long-term portion of estimated third-party payor settlements and advances	1,952,513	5,479,210	-	14,153,157	-	287,349	5,112,481	-	-	-	26,984,710
Long-term debt	2,297,109	1,852,893	-	3,578,449	142,894,688	-	-	-	43,408	-	150,666,537
Long-term finance lease liability	-	1,871,154	-	741,017	1,404,016	5,550	-	-	24,168	-	4,045,905
Long-term operating lease liability	760,969	24,206,168	1,637,422	53,586,232	7,877,941	-	-	-	865,883	-	88,534,655
Pension liability	6,872,293	6,037,796	-	3,166,605	56,843,886	498,962	-	-	-	-	73,420,544
Postretirement liability	-	892,314	-	-	-	-	-	-	-	-	892,314
Other liabilities	2,404,099	5,015,123	-	4,227,865	1,542,975	304,675	683,819	-	780,225	-	14,958,781
Due to affiliates	-	-	-	-	-	-	115,981,309	-	-	(115,981,309)	-
Total liabilities	28,717,578	193,005,739	13,587,021	220,549,093	270,595,209	4,241,006	126,464,525	10,933,614	8,886,210	(116,031,980)	760,948,015
Net assets											
Without donor restrictions	24,972,992	140,547,428	(20,392,588)	375,194,052	(197,672,979)	(5,204,817)	(92,611,843)	(6,875,338)	15,048,356	-	233,005,263
With donor restrictions	27,726,370	24,096,520	60,121	34,372,482	110,000	132,108	15,257,848	10,458	5,901,480	-	107,667,387
Total net assets	52,699,362	164,643,948	(20,332,467)	409,566,534	(197,562,979)	(5,072,709)	(77,353,995)	(6,864,880)	20,949,836	-	340,672,650
Total liabilities and net assets	\$ 81,416,940	\$ 357,649,687	\$ (6,745,446)	\$ 630,115,627	\$ 73,032,230	\$ (831,703)	\$ 49,110,530	\$ 4,068,734	\$ 29,836,046	\$ (116,031,980)	\$ 1,101,620,665

The accompanying note is an integral part of these supplemental consolidating financial statements.

Care New England Health System and Affiliates

Consolidating Statement of Operations

Year Ended September 30, 2021

	Butler and Affiliates	Kent and Affiliates	Care New England Medical Group	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System and Affiliates	Integra	The Center	Eliminations	Total
Operating revenues, gains, and other support											
Net patient service revenue	\$ 79,287,524	\$ 351,048,888	\$ 90,077,008	\$ 400,949,981	\$ 8,150	\$ 21,737,355	\$ 2,608,724	\$ -	\$ 38,638,279	\$ -	\$ 984,355,009
Research revenue	16,430,571	1,766,987	-	16,682,996	-	-	645,232	-	-	-	35,525,986
Grant revenue - related funding	3,950,719	53,123,877	124,900	19,945,433	-	290,406	-	-	15,305	-	77,452,640
Other revenue	19,827,927	47,916,425	73,326,039	55,695,678	149,319,786	2,703,293	3,850,401	22,375,719	15,414,653	(242,477,825)	147,952,296
Net assets released from restrictions and used for operations	853,033	503,275	28,994	742,358	10,500	325	640	50	903,108	-	3,042,283
Total operating revenues, gains, and other support	120,348,774	454,359,452	163,556,941	494,016,446	149,338,436	24,733,379	7,104,997	22,375,769	54,971,545	(242,477,825)	1,248,328,914
Operating expenses											
Salaries and benefits	66,298,816	185,326,127	133,301,551	227,157,111	73,292,772	19,024,300	598,466	6,800,617	39,004,140	452,856	731,325,156
Supplies and other expenses	33,305,816	217,946,179	27,315,596	200,264,654	73,782,782	5,962,816	1,163,319	12,465,749	11,177,946	(238,257,767)	333,169,462
Research expenses	1,000,000	18,600,000	-	18,600,000	-	-	652,335	-	-	-	19,252,335
Depreciation and amortization	2,753,054	9,869,647	-	10,072,091	7,092,545	61,404	504,507	-	1,028,017	-	31,181,285
Insurance	2,128,653	19,780,816	2,939,794	17,538,907	121,701	286,636	14,731	125,581	732,618	(4,672,914)	38,996,523
License fee	-	17,545,227	-	20,795,483	-	-	-	-	326,973	-	38,340,710
Interest	836,523	1,532,737	-	3,054,832	1,972,956	917	-	-	-	-	7,724,938
Restructuring costs - Memorial Hospital	-	-	-	-	-	-	424,612	-	-	-	424,612
Total operating expenses	119,644,512	432,216,350	163,556,941	498,823,072	158,272,166	25,335,073	3,956,830	19,524,947	52,269,686	(242,477,825)	1,232,122,582
Income (loss) from operations	705,262	22,143,102	-	(5,806,626)	(8,933,730)	(602,694)	3,148,167	2,850,822	2,703,101	-	16,206,152
Nonoperating gains (losses)											
Investment income (loss) and realized gains (losses) on assets limited as to use, net	1,392,366	3,367,084	-	9,540,824	290,484	63,711	-	-	(35)	-	14,654,434
Contributions	96,068	120,167	-	119,215	2,200	161,045	1,115,996	-	86,586	-	1,701,277
Change in net unrealized gains (losses) on investments	1,347,366	7,470,891	-	21,320,270	3,607	125,443	(63)	-	(1,099)	-	30,266,415
Other components of current period pension	(57,616)	(67,905)	-	(33,608)	(1,564,643)	(6,943)	-	-	-	-	(1,730,715)
Pension settlement	(754,082)	(5,015,172)	-	(1,981,201)	(873,782)	(730,194)	-	-	-	-	(9,356,441)
Other, net	18,130	137,883	-	189,042	(1,807,828)	62	214	-	5,800	-	(1,456,697)
Net nonoperating gains (losses)	2,040,232	6,012,948	-	29,154,542	(3,949,072)	(386,876)	1,116,147	-	91,252	-	34,078,273
Excess (deficiency) of revenues, gains, and other support over expenses and losses	2,745,494	28,156,050	-	23,347,916	(12,883,702)	(989,570)	4,264,314	2,850,822	2,793,101	-	50,284,423
Other changes in net assets without donor restrictions											
Pension and postretirement adjustments	10,004,237	17,988,751	-	8,217,956	12,792,042	2,172,966	-	-	-	-	51,175,982
Net assets released from restrictions used for purchase of property, plant and equipment	-	842,224	-	102,549	-	-	-	-	219,561	-	1,164,334
Transfer to net assets with donor restrictions	-	(500,992)	-	(61,080)	-	-	-	-	-	-	(562,072)
Transfers	10,004,237	19,445,979	-	8,259,425	12,792,042	2,172,966	(1,115,996)	-	219,561	-	51,778,214
Increase (decrease) in net assets without donor restrictions	\$ 12,749,731	\$ 47,602,029	\$ -	\$ 31,607,341	\$ (91,860)	\$ 1,183,966	\$ 3,148,318	\$ 2,850,822	\$ 3,012,662	\$ -	\$ 102,062,638

The accompanying note is an integral part of these supplemental consolidating financial statements.

Care New England Health System and Affiliates

Consolidating Statement of Changes in Net Assets

Year Ended September 30, 2021

	Butler and Affiliates	Kent and Affiliates	Care New England Medical Group	WIC and Affiliates	Care New England	The Agency	Southeastern Healthcare System and Affiliates	Integra	The Center	Eliminations	Total
Net assets without donor restrictions											
Excess (deficiency) of revenues, gains, and other support over expenses and losses	\$ 2,745,494	\$ 28,156,050	\$ -	\$ -	\$ 23,347,916	\$ (989,570)	\$ 4,264,314	\$ 2,850,822	\$ 2,793,101	\$ -	\$ 50,284,425
Other changes in net assets without donor restrictions	10,004,237	17,988,751	-	-	8,217,956	2,172,966	-	-	-	-	51,175,952
Pension and postretirement adjustments	-	-	-	-	102,549	-	-	-	219,561	-	1,164,334
Net assets released from restrictions used for purchase of property, plant and equipment	-	(842,224)	-	-	(61,080)	-	-	-	-	-	(562,072)
Transfer to net assets with donor restrictions	-	(600,992)	-	-	-	-	-	-	-	-	-
Transfers	-	1,115,996	-	-	-	-	(1,115,996)	-	-	-	-
Increase (decrease) in net assets without donor restrictions	12,749,731	47,602,029	-	-	31,607,341	1,183,396	3,143,318	2,850,822	3,012,662	-	102,062,639
Net assets with donor restrictions											
Contributions	2,375,338	1,979,363	-	-	2,615,637	49,387	-	6,350	688,317	-	7,713,892
Capital investments	182,017	54,368	-	-	2,022,292	-	41,640	-	3,209	-	373,526
Net realized and unrealized gains from investments	4,117,736	1,226,637	-	-	2,088,521	-	936,136	-	28,621	-	8,397,851
Changes in beneficial interest in assets held at community foundation	-	-	-	-	-	-	-	-	373,368	-	373,368
Changes in beneficial interest in perpetual trusts	-	2,075,400	-	-	1,568,284	-	599,324	-	-	-	4,231,008
Net assets released from restrictions	(1,304,124)	(1,345,489)	(28,994)	-	(844,907)	(325)	(640)	(50)	(1,122,669)	-	(4,657,708)
Transfer from net assets without donor restrictions	-	500,992	-	-	61,080	-	-	-	-	-	562,072
Increase (decrease) in net assets with donor restrictions	5,370,967	4,488,461	(28,994)	-	5,570,907	49,062	1,576,460	6,300	(29,154)	-	16,994,009
Increase (decrease) in net assets	16,120,698	52,090,490	(28,994)	-	37,178,246	1,232,458	4,724,778	2,857,122	2,983,506	-	119,056,646
Net assets											
Beginning of year	\$ 34,576,664	\$ 112,653,458	\$ (20,303,473)	\$ 372,388,286	\$ (197,461,319)	\$ (6,305,167)	\$ (82,076,773)	\$ (9,722,002)	\$ 17,966,328	\$ -	\$ 221,616,002
End of year	\$ 52,699,362	\$ 164,643,948	\$ (20,332,467)	\$ 409,566,534	\$ (197,592,079)	\$ (5,072,709)	\$ (77,353,995)	\$ (6,864,880)	\$ 20,949,836	\$ -	\$ 340,672,650

The accompanying note is an integral part of these supplemental consolidating financial statements.

Schedule of Expenditures of Federal Awards

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED- THROUGH TO SUBRECIPIENTS
RESEARCH AND DEVELOPMENT CLUSTER					
<i>United States Department of Defense (DOD)</i>					
<i>U.S. Army Medical Research Acquisition Activity (ASAMRAA)</i>					
Military Medical Research and Development	12.420	Direct		\$ (86)	\$ -
Military Medical Research and Development	12.420	University of Southern California	CTADODTAU941	148,086	
<i>Subtotal - (12.420)</i>				<u>148,000</u>	
<i>National Science Foundation (NSF)</i>					
Engineering	47.041	Brown University	1200	3,041	
<i>Subtotal - (47.041)</i>				<u>3,041</u>	
<i>Department of Veterans Affairs</i>					
IPA Agreement	64.RD	Direct		(16)	
VA Brain Control	64.RD	Direct		(2,056)	
IPA Agreement	64.RD	Direct		(5,082)	
IPA Agreement	64.RD	Direct		574	
VA Connecticut Healthcare System	64.RD	Direct		45,000	
<i>Subtotal - (64.RD)</i>				<u>38,420</u>	
<i>United States Department of Health and Human Services (HHS)</i>					
<i>National Institutes of Health (NIH), Office of Disease Prevention</i>					
Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077	The Miriam Hospital	710-7147012	(651)	
<i>Subtotal - (93.077)</i>				<u>(651)</u>	
<i>National Institute of Environmental Health Sciences (NIEHS)</i>					
Environmental Health	93.113	Brown University	664	(69)	
Environmental Health	93.113	Emory University	T704711	32,745	
<i>Subtotal - (93.113)</i>				<u>32,676</u>	
<i>National Center for Complementary and Integrative Health (NCCIH)</i>					
Research and Training in Complementary and Integrative Health	93.213	Direct		29,391	
Research and Training in Complementary and Integrative Health	93.213	Direct		674,067	273,188
Research and Training in Complementary and Integrative Health	93.213	Brown University	1232	76,961	
Research and Training in Complementary and Integrative Health	93.213	Brown University	1328	5,272	
<i>Subtotal - (93.213)</i>				<u>785,691</u>	<u>273,188</u>
<i>Agency for Healthcare Research and Quality (AHRQ)</i>					
Research on Healthcare Costs, Quality and Outcomes	93.226	Direct		93,700	
<i>Subtotal - (93.226)</i>				<u>93,700</u>	

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
<i>National Center on Sleep Disorder Research (NHLBI)</i>					
National Center of Sleep Disorders Research	93.233	The Miriam Hospital	710-7147009	\$ 12,475	\$ -
<i>Subtotal - (93.233)</i>				<u>12,475</u>	
<i>National Institute of Mental Health (NIMH)</i>					
Mental Health Research Grants	93.242	Direct		241,050	186,832
Mental Health Research Grants	93.242	Direct		41,382	38,791
Mental Health Research Grants	93.242	Direct		587,629	185,217
Mental Health Research Grants	93.242	Direct		513,521	82,462
Mental Health Research Grants	93.242	Direct		184,623	82,568
Mental Health Research Grants	93.242	Direct		722,953	108,866
Mental Health Research Grants	93.242	Direct		388,587	46,963
Mental Health Research Grants	93.242	Direct		266,829	7,185
Mental Health Research Grants	93.242	Direct		250,136	90,023
Mental Health Research Grants	93.242	Direct		23,641	4,642
Mental Health Research Grants	93.242	University of Massachusetts, Worcester	6150370/RFS2013126	1	
Mental Health Research Grants	93.242	Brown University	P284174	(306)	
Mental Health Research Grants	93.242	Brown University	647	(7,656)	
Mental Health Research Grants	93.242	University of Massachusetts, Worcester	6150371/RFS2013133	(2,745)	
Mental Health Research Grants	93.242	Brown University	687	(90)	
Mental Health Research Grants	93.242	Brown University	689	(1,174)	
Mental Health Research Grants	93.242	Rhode Island Hospital	7137063	(23,276)	
Mental Health Research Grants	93.242	University of Rochester	UR FAO GR510951	140,668	7,349
Mental Health Research Grants	93.242	University of Massachusetts, Worcester	WA00318976/RFS2016002	(24)	
Mental Health Research Grants	93.242	Michigan State University	RC105383	(11,841)	
Mental Health Research Grants	93.242	University of Pittsburgh	0050671 (127966-1)	(9)	
Mental Health Research Grants	93.242	Brown University	993	110,309	
Mental Health Research Grants	93.242	Bradley Hospital	712-7519	(1,267)	
Mental Health Research Grants	93.242	Bradley Hospital	712-7528	(1,267)	
Mental Health Research Grants	93.242	Beth Israel Deaconess Medical Center	1029927	248	
Mental Health Research Grants	93.242	Michigan State University	RC108066BUTLER	136,043	
Mental Health Research Grants	93.242	Brown University	1260	17,633	
Mental Health Research Grants	93.242	Brigham and Women's Hospital	119487	29,049	
Mental Health Research Grants	93.242	Brown University	1520	124,520	
Mental Health Research Grants	93.242	Brown University	1595	198,238	
Mental Health Research Grants	93.242	Brigham and Women's Hospital	124315	73,826	
Mental Health Research Grants	93.242	McLean Hospital Corp.	401755	16,351	
Mental Health Research Grants	93.242	McLean Hospital Corp.	401766	16,351	
Mental Health Research Grants	93.242	Brown University	1677	18,943	
Mental Health Research Grants	93.242	Vanguard	164342/164430	12,523	
<i>Subtotal - (93.242)</i>				<u>4,065,399</u>	<u>840,898</u>

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
<i>National Institutes of Health (NIH)</i>					
Alcohol Research Programs	93.273	Direct		\$ (3,871)	\$ (3,871)
Alcohol Research Programs	93.273	Direct		67,628	15,467
Alcohol Research Programs	93.273	Direct		60	
Alcohol Research Programs	93.273	Direct		627	627
Alcohol Research Programs	93.273	Direct		36,955	9,236
Alcohol Research Programs	93.273	Direct		202,447	33,143
Alcohol Research Programs	93.273	Direct		460,946	7,265
Alcohol Research Programs	93.273	Direct		12,795	
Alcohol Research Programs	93.273	University of Tennessee	A09-0188-S011	4	
Alcohol Research Programs	93.273	University of Tennessee	A11-0401-S001-A02	(585)	
Alcohol Research Programs	93.273	Rhode Island Hospital	701-5488	(2,619)	
Alcohol Research Programs	93.273	State of Rhode Island	372	(731)	
Alcohol Research Programs	93.273	Brown University	1001	(874)	
Alcohol Research Programs	93.273	Brown University	1766	7,851	
Alcohol Research Programs	93.273	Lehigh University	543781-78001	(6,299)	
Alcohol Research Programs	93.273	Rhode Island Hospital	701-7137445	15,880	
<i>Subtotal - (93.273)</i>				<u>790,214</u>	<u>61,867</u>
<i>National Institute on Drug Abuse (NIDA)</i>					
Drug Abuse and Addiction Research Programs	93.279	Direct		(14,775)	
Drug Abuse and Addiction Research Programs	93.279	Direct		195,553	75,382
Drug Abuse and Addiction Research Programs	93.279	Direct		65,076	65,076
Drug Abuse and Addiction Research Programs	93.279	Direct		602,884	258,284
Drug Abuse and Addiction Research Programs	93.279	Direct		17,295	1,893
Drug Abuse and Addiction Research Programs	93.279	Brown University	PUR-0015962	825	
Drug Abuse and Addiction Research Programs	93.279	The Miriam Hospital	710-9865	(131)	
Drug Abuse and Addiction Research Programs	93.279	The Miriam Hospital	710-9958	(413)	
Drug Abuse and Addiction Research Programs	93.279	Rhode Island Hospital	701-5440	(2,503)	
Drug Abuse and Addiction Research Programs	93.279	The Miriam Hospital	710-9981	(349)	
Drug Abuse and Addiction Research Programs	93.279	Tufts Medical Center	5013854-SERV	(1,328)	
Drug Abuse and Addiction Research Programs	93.279	Kent State University	403030-BH	28,104	
Drug Abuse and Addiction Research Programs	93.279	The Miriam Hospital	710-7147067	8,919	
Drug Abuse and Addiction Research Programs	93.279	The Miriam Hospital	710-7147113	55,063	
Drug Abuse and Addiction Research Programs	93.279	Boston University	4500003056	124,650	
Drug Abuse and Addiction Research Programs	93.279	Brown University	1515	7,434	
Drug Abuse and Addiction Research Programs	93.279	Brigham and Women's Hospital	7755/073119	41,889	
<i>Subtotal - (93.279)</i>				<u>1,128,193</u>	<u>400,635</u>
<i>National Institute on Minority Health and Health Disparities (NIMHD)</i>					
Minority Health and Health Disparities Research	93.307	Direct		969	
<i>Subtotal - (93.307)</i>				<u>969</u>	

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
<i>United States Department of Health and Human Services (HHS)</i>					
Trans-NIH Research Support	93.310	Direct		\$ 3,264,594	\$ 2,034,408
Trans-NIH Research Support	93.310	University of North Carolina, Chapel Hill	5114834	40,421	
Trans-NIH Research Support	93.310	Rhode Island Hospital	10054626-WIH	35,842	
<i>Subtotal - (93.310)</i>				<u>3,340,857</u>	<u>2,034,408</u>
<i>Centers for Disease Control and Prevention (CDC)</i>					
The Healthy Brain Initiative: Technical Assistance to Implement Public Health Actions related to Cognitive Health, Cognitive Impairment, and Caregiving at the State and Local Levels	93.334	Regents of the University of Minnesota	P008703959	57,754	
<i>Subtotal - (93.334)</i>				<u>57,754</u>	
<i>National Institute of Nursing Research (NINR)</i>					
Nursing Research	93.361	Direct		(34,077)	
Nursing Research	93.361	Direct		348,251	215,664
Nursing Research	93.361	University of Akron	01121-BH	(857)	
Nursing Research	93.361	University of Connecticut	174180	22,726	
Nursing Research	93.361	University of Rhode Island	006806/06102019	62,967	
<i>Subtotal - (93.361)</i>				<u>399,010</u>	<u>215,664</u>
<i>National Cancer Institute (NCI), Division of Cancer Prevention</i>					
Cancer Detection and Diagnosis Research	93.394	University of Pittsburgh	18069	(1,351)	
Cancer Detection and Diagnosis Research	93.394	University of Texas MD Anderson Cancer Center	3001372887	96,391	
<i>Subtotal - (93.394)</i>				<u>95,040</u>	
<i>National Cancer Institute (NCI)</i>					
Cancer Treatment Research	93.395	Lucidicor Inc.	2	(684)	
Cancer Treatment Research	93.395	NRG Oncology Foundation, Inc	NRG-DiSilvestro-GY6	5,512	
Cancer Treatment Research	93.395	Mayo Clinic	2013290	3,000	
Cancer Treatment Research	93.395	Dana-Farber Cancer Inst.	MEM-206494	1,764	
<i>Subtotal - (93.395)</i>				<u>9,592</u>	
<i>National Cancer Institute (NCI), Division of Cancer Prevention</i>					
Cancer Control	93.399	University of Texas MD Anderson Cancer Center	2800636-80-105311-19	(326)	
<i>Subtotal - (93.399)</i>				<u>(326)</u>	

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED- THROUGH TO SUBRECIPIENTS
<i>National Heart, Lung, and Blood Institute (NHLBI)</i>					
Cardiovascular Diseases Research	93.837	Direct		\$ 350,203	\$ 422
Cardiovascular Diseases Research	93.837	Direct		537,612	432,781
Cardiovascular Diseases Research	93.837	Direct		58,661	2,823
Cardiovascular Diseases Research	93.837	Regents University of New Mexico	3RN04	(2,848)	
Cardiovascular Diseases Research	93.837	Brown University	1267	30,593	
<i>Subtotal - (93.837)</i>				<u>974,221</u>	<u>436,026</u>
<i>National Heart, Lung, and Blood Institute (NHLBI)</i>					
Lung Diseases Research	93.838	George Washington University	S-ALP1920-CF22	22,501	
<i>Subtotal - (93.838)</i>				<u>22,501</u>	
<i>National Heart, Lung, and Blood Institute (NHLBI)</i>					
Blood Diseases and Resources Research	93.839	University of Iowa	W000818117	(1,614)	
Blood Diseases and Resources Research	93.839	University of Iowa	S00644	65,850	
<i>Subtotal - (93.839)</i>				<u>64,236</u>	
<i>National Institute of Arthritis and Musculoskeletal and Skin Diseases (NIAMS)</i>					
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Direct		(36)	
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Northwestern University	60036404 KCMH	(8)	
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Brigham and Women's Hospital	121575	54,750	
<i>Subtotal - Arthritis, Musculoskeletal and Skin Diseases Research (93.846)</i>				<u>54,706</u>	
<i>National Institute of Diabetes and Digestive and Kidney Diseases (NIDDK)</i>					
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Direct		198,438	
<i>Subtotal - (93.847)</i>				<u>198,438</u>	
<i>National Institute of Neurological Disorders and Stroke (NINDS)</i>					
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Direct		5,428	
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Direct		24,455	
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Prothera Biologics, LLC	2017.1	217,466	
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Brown University	1344	49,994	
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Yale University	941-ADNI-2	971	
<i>Subtotal - (93.853)</i>				<u>298,314</u>	

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED- THROUGH TO SUBRECIPIENTS
<i>National Institute of General Medical Sciences (NIGMS)</i>					
Allergy, Immunology and Transplantation Research	93.855	Prothera Biologics, LLC	WIH-RT-2019-1	\$ 62,800	\$ -
<i>Subtotal - (93.855)</i>				62,800	
<i>National Institute of General Medical Sciences (NIGMS)</i>					
Biomedical Research and Research Training	93.859	Direct		259,452	
Biomedical Research and Research Training	93.859	Direct		2,591,182	271,927
Biomedical Research and Research Training	93.859	Direct		1,965,784	407,204
Biomedical Research and Research Training	93.859	Brown University	926	88,159	
Biomedical Research and Research Training	93.859	Brown University	939	34,819	
Biomedical Research and Research Training	93.859	Brown University	963	7,085	
Biomedical Research and Research Training	93.859	Rhode Island Hospital	7017137296	9,405	
Biomedical Research and Research Training	93.859	Brown University	1225	(19)	
Biomedical Research and Research Training	93.859	Rhode Island Hospital	701-7137399	800	
Biomedical Research and Research Training	93.859	Rhode Island Hospital	713-7384BML	20,179	
Biomedical Research and Research Training	93.859	Rhode Island Hospital	713-7390AJC	201,245	
Biomedical Research and Research Training	93.859	The Miriam Hospital	714-7130CAZ	12,317	
Biomedical Research and Research Training	93.859	Brown University	1442	8,191	
Biomedical Research and Research Training	93.859	Brown University	1508	51,701	
Biomedical Research and Research Training	93.859	Rhode Island Hospital	713-7384ALS	3,063	
Biomedical Research and Research Training	93.859	University of Rhode Island	0008969/100220	84,189	
<i>Subtotal - (93.859)</i>				5,337,552	679,131
<i>Eunice Kennedy Shriver National Institute of Child Health and Human Development (NICHD)</i>					
Child Health and Human Development Extramural Research	93.865	Direct		27,913	
Child Health and Human Development Extramural Research	93.865	Direct		125,477	
Child Health and Human Development Extramural Research	93.865	Direct		131,370	
Child Health and Human Development Extramural Research	93.865	Direct		43,388	
Child Health and Human Development Extramural Research	93.865	Direct		3,891	
Child Health and Human Development Extramural Research	93.865	Direct		60	
Child Health and Human Development Extramural Research	93.865	Direct		5,043	4,800
Child Health and Human Development Extramural Research	93.865	Direct		52	
Child Health and Human Development Extramural Research	93.865	Direct		264,411	
Child Health and Human Development Extramural Research	93.865	Direct		29,220	
Child Health and Human Development Extramural Research	93.865	Direct		15,315	
Child Health and Human Development Extramural Research	93.865	Direct		315,070	
Child Health and Human Development Extramural Research	93.865	Direct		57,191	
Child Health and Human Development Extramural Research	93.865	Direct		356,868	34,692
Child Health and Human Development Extramural Research	93.865	Direct		342,491	
Child Health and Human Development Extramural Research	93.865	Direct		235,772	110,513
Child Health and Human Development Extramural Research	93.865	Direct		6,075	6,075
Child Health and Human Development Extramural Research	93.865	Direct		5,247	4,200

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
Child Health and Human Development Extramural Research	93.865	Direct		\$ 19,262	\$ -
Child Health and Human Development Extramural Research	93.865	Direct		12,722	
Child Health and Human Development Extramural Research	93.865	Direct		2,085	
Child Health and Human Development Extramural Research	93.865	Direct		188	
Child Health and Human Development Extramural Research	93.865	Direct		24,543	
Child Health and Human Development Extramural Research	93.865	Direct		5,379	
Child Health and Human Development Extramural Research	93.865	Direct		3,238	
Child Health and Human Development Extramural Research	93.865	Direct		28,129	26,100
Child Health and Human Development Extramural Research	93.865	Direct		39,177	13,725
Child Health and Human Development Extramural Research	93.865	Direct		(128,941)	
Child Health and Human Development Extramural Research	93.865	Direct		6,219	
Child Health and Human Development Extramural Research	93.865	Direct		557,368	195,325
Child Health and Human Development Extramural Research	93.865	Direct		352,189	229,934
Child Health and Human Development Extramural Research	93.865	Direct		220,330	
Child Health and Human Development Extramural Research	93.865	Direct		4,500	4,500
Child Health and Human Development Extramural Research	93.865	Direct		38,454	30,075
Child Health and Human Development Extramural Research	93.865	Direct		204,807	24,480
Child Health and Human Development Extramural Research	93.865	Direct		121,321	10,875
Child Health and Human Development Extramural Research	93.865	Direct		75,496	
Child Health and Human Development Extramural Research	93.865	Direct		322	
Child Health and Human Development Extramural Research	93.865	RTI	PFDN	84,116	
Child Health and Human Development Extramural Research	93.865	RTI	216392	304,583	
Child Health and Human Development Extramural Research	93.865	George Washington	294404	179,755	15,090
Child Health and Human Development Extramural Research	93.865	University of Rhode Island	294404	(274)	
Child Health and Human Development Extramural Research	93.865	Washington University	3488/12262013	(1,287)	
Child Health and Human Development Extramural Research	93.865	Brown University	WU-15-12	105	
Child Health and Human Development Extramural Research	93.865	The Miriam Hospital	GR524476	(46)	
Child Health and Human Development Extramural Research	93.865	Northeastern University	500421-78050	410	
Child Health and Human Development Extramural Research	93.865	Tufts University	HH2117	(400)	
Child Health and Human Development Extramural Research	93.865	The Miriam Hospital	710-7147006	4,574	
Child Health and Human Development Extramural Research	93.865	Board of Trustees, University of Arkansas	51460	107,561	
Child Health and Human Development Extramural Research	93.865	Board of Trustees, University of Arkansas	50184	3,204	
Child Health and Human Development Extramural Research	93.865	Regents of the University of Michigan	SUBK00008470	62,608	
Child Health and Human Development Extramural Research	93.865	Bradley Hospital	7127549	33,552	
Child Health and Human Development Extramural Research	93.865	Northeastern University	500649-78051	23,292	
Child Health and Human Development Extramural Research	93.865	Tufts Medical Center	5017115-SERV	174,226	
Child Health and Human Development Extramural Research	93.865	Brown University	1710	31,230	
<i>Subtotal - (93.865)</i>				<u>4,558,851</u>	<u>710,384</u>
<i>National Institute on Aging (NIA)</i>					
Aging Research	93.866	University of Texas Southwestern Medical Center	GMO 160911	5,691	
Aging Research	93.866	Regents of the University of California	112208C	58,582	
Aging Research	93.866	Brown University	1493	42,896	
Aging Research	93.866	Brown University	1504	12,383	
Aging Research	93.866	Wake Forest University Health Sciences	119-101720-550134	11,159	

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Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
Aging Research	93.866	Brown University	1717	\$ 22,310	\$ -
Aging Research	93.866	Wake Forest University Health Sciences	505-101720-336715	272	
Aging Research	93.866	Washington University	WU-20-29	1,019	
Aging Research	93.866	Washington University	WU-21-89	8	
Aging Research	93.866	Wake Forest University Health Sciences	48-101720-112234	163,925	
Aging Research	93.866	University of Southern California	137202718	27,523	8,048
Aging Research	93.866	Washington University	WU-20-360	1,346	
Aging Research	93.866	University of Southern California	129140101	28,148	
Aging Research	93.866	University of Southern California	129212174	42,458	
Aging Research	93.866	Hennepin Healthcare Research Institute	15233-9-01-FF8	1,045	
Aging Research	93.866	University of Southern California	120223660	93,555	
Aging Research	93.866	Washington University	WU-19-271	12,884	
Aging Research	93.866	University of Southern California	110876467	4,020	
Aging Research	93.866	Indiana University	IN4683237-BUTL/8310_BUTL	127,995	
Aging Research	93.866	Hennepin Healthcare Research Institute	AS-1907	1,947	
Aging Research	93.866	University of Southern California	108777255/117939220	19,859	
Aging Research	93.866	University of Southern California	105812516	130,139	
Aging Research	93.866	Washington University	WU-18-228	(24,979)	
Aging Research	93.866	University of Southern California	75697135	(5,400)	
<i>Subtotal - (93.866)</i>				<u>778,785</u>	<u>8,048</u>
<i>Health Resources & Services Administration (HRSA)</i>					
PPHF Geriatric Education Centers	93.969	University of Rhode Island	0008853/08272020	35,729	
PPHF Geriatric Education Centers	93.969	University of Rhode Island	7755/073119	141,239	
<i>Subtotal - (93.969)</i>				<u>176,968</u>	
<i>Fogarty International Center</i>					
International Research and Research Training	93.989	Brown University	1405	13,604	
<i>Subtotal - (93.989)</i>				<u>13,604</u>	
<i>Eunice Kennedy Shriver National Institute of Child Health and Human Development (NICHD)</i>					
NICHD - Contraceptive Clinical Trials Network - Female Sites	93.RD	Direct		(994)	
NICHD - Contraceptive Clinical Trials Network - Female Sites	93.RD	Research Foundation State University	1091298/2/55773	(115)	
NICHD - Contraceptive Clinical Trials Network - Female Sites	93.RD	New York University School of Medicine	CCN013B	22,084	
NICHD - Contraceptive Clinical Trials Network - Female Sites	93.RD	Research Foundation State University	R1148995	5,870	
NICHD - Contract HHSN2752018011	93.RD	RTI	2-312-0216664-65772L	480,566	
<i>Subtotal - (93.RD)</i>				<u>507,411</u>	
RESEARCH AND DEVELOPMENT TOTAL				<u>\$ 24,048,441</u>	<u>\$ 5,660,249</u>

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED- THROUGH TO SUBRECIPIENTS
AGING CLUSTER					
<i>United States Department of Health and Human Services (HHS)</i>					
<i>Administration for Community Living (ACL)</i>					
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	State of Rhode Island	ADPI-21-01	\$ 28,184	\$ -
<i>Subtotal - (93.044)</i>				<u>28,184</u>	
<i>Administration for Community Living (ACL)</i>					
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	State of Rhode Island	2017-24471162	915,392	
<i>Subtotal - (93.045)</i>				<u>915,392</u>	
AGING CLUSTER TOTAL				<u>\$ 943,576</u>	<u>\$ -</u>
CDBG - ENTITLEMENT GRANTS CLUSTER					
<i>United States Department of Housing and Urban Development (HUD)</i>					
Community Development Block Grants/Entitlement Grants	14.218	City of Pawtucket	2019-1	134,845	
<i>Subtotal - (14.218)</i>				<u>134,845</u>	
CDBG - ENTITLEMENT GRANTS CLUSTER TOTAL				<u>\$ 134,845</u>	<u>\$ -</u>
CHILD NUTRITION CLUSTER					
<i>United States Department of Agriculture (USDA)</i>					
<i>Food and Nutrition Service (FNS)</i>					
School Breakfast Program and National School Lunch Program	10.553/10.555	State of Rhode Island	28823	4,310	
<i>Subtotal - (10.553); (10.555)</i>				<u>4,310</u>	
CHILD NUTRITION CLUSTER TOTAL				<u>\$ 4,310</u>	<u>\$ -</u>
HOUSING VOUCHER CLUSTER					
<i>United States Department of Housing and Urban Development (HUD)</i>					
Section 8 Housing Choice Vouchers Program	14.871	Rhode Island Housing	Massie	26,114	
<i>Subtotal - (14.871)</i>				<u>26,114</u>	
HOUSING VOUCHER CLUSTER TOTAL				<u>\$ 26,114</u>	<u>\$ -</u>

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Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED- THROUGH TO SUBRECIPIENTS
SECTION 8 PROJECT-BASED CLUSTER					
<i>United States Department of Housing and Urban Development (HUD)</i>					
Section 8 Housing Assistance Payments Program	14.195	Direct		\$ 82,714	\$ -
Section 8 Housing Assistance Payments Program	14.195	Direct		380,530	
Section 8 Housing Assistance Payments Program	14.195	Rhode Island Housing	R143T781003	110,425	
<i>Subtotal - (14.195)</i>				<u>573,669</u>	
SECTION 8 PROJECT-BASED CLUSTER TOTAL				<u>\$ 573,669</u>	<u>\$ -</u>
OTHER PROGRAMS					
<i>United States Department of Agriculture (USDA)</i>					
<i>Food and Nutrition Service (FNS)</i>					
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	State of Rhode Island	3316512	1,474,255	
<i>Subtotal - (10.557)</i>				<u>1,474,255</u>	
<i>United States Department of Agriculture (USDA)</i>					
<i>Food and Nutrition Service (FNS)</i>					
Child and Adult Care Food Program	10.558	State of Rhode Island	35374	24,888	
<i>Subtotal - (10.558)</i>				<u>24,888</u>	
<i>United States Department of Housing and Urban Development (HUD)</i>					
Supportive Housing for the Elderly					
Outstanding Loans @ October 1, 2020	14.157	Direct		112,994	
<i>Subtotal - (14.157)</i>				<u>112,994</u>	
<i>United States Department of Housing and Urban Development (HUD)</i>					
Supportive Housing for Persons with Disabilities	14.181	Direct		80,083	
Supportive Housing for Persons with Disabilities	14.181	Direct		1,152,335	
Supportive Housing for Persons with Disabilities	14.181	Direct		18,465	
Supportive Housing for Persons with Disabilities	14.181	Direct		834,200	
Supportive Housing for Persons with Disabilities	14.181	Direct		1,173,200	
<i>Subtotal - (14.181)</i>				<u>3,258,283</u>	

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
<i>United States Department of Housing and Urban Development (HUD)</i>					
Continuum of Care Program	14.267	Rhode Island Housing	RI0031L1T0017101811	\$ 333,231	\$ -
Continuum of Care Program	14.267	Rhode Island Housing	RI0068L1T001703/1804	20,345	
Continuum of Care Program	14.267	Rhode Island Housing	COC#26	10,044	
<i>Subtotal - (14.267)</i>				<u>363,620</u>	
<i>United States Department of Justice (DOJ)</i>					
<i>Office of Justice Programs (OJP)</i>					
Crime Victim Assistance	16.575	State of Rhode Island Department of Public Safety	18-1748-VOCA	7,113	
Crime Victim Assistance	16.575	State of Rhode Island Department of Public Safety	18-1747-VOCA	9,360	
<i>Subtotal - (16.575)</i>				<u>16,473</u>	
<i>Bureau of Justice Assistance (BJA)</i>					
Residential Substance Abuse Treatment for State Prisoners	16.593	State of Rhode Island Department of Corrections	3496273	399,082	
<i>Subtotal - (16.593)</i>				<u>399,082</u>	
<i>Community Oriented Policing Services (COPS)</i>					
Public Safety Partnership and Community Policing Grants	16.710	Narragansett Police Department	2020CKWX0007	81,712	
<i>Subtotal - (16.710)</i>				<u>81,712</u>	
<i>Bureau of Justice Assistance (BJA)</i>					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	State of Rhode Island Department of Corrections	3455997	14,767	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Providence Police Department	2017-WY-BX-0003	53,104	
<i>Subtotal - (16.738)</i>				<u>67,871</u>	
<i>United States Department of Labor (DOL)</i>					
H-1B Job Training Grants	17.268	Building Futures	ETA-15-02 SUB	150,609	
<i>Subtotal - (17.268)</i>				<u>150,609</u>	
<i>United States Department of the Treasury (TREAS)</i>					
COVID-19 Coronavirus Relief Fund (CRF)	21.019	Direct		139,893	
COVID-19 Coronavirus Relief Fund (CRF)	21.019	Rhode Island Department of Health	AHS	8,659,848	
COVID-19 Coronavirus Relief Fund (CRF)	21.019	Rhode Island Executive Office of Health and Human Services	WFSG	75,494	
COVID-19 Coronavirus Relief Fund (CRF)	21.019	Rhode Island Department of Children, Youth and Families	DCYF	4,200	
COVID-19 Coronavirus Relief Fund (CRF)	21.019	Rhode Island Executive Office of Health and Human Services	Congregate Care	31,853	
<i>Subtotal - (21.019)</i>				<u>8,911,288</u>	

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
<i>Department of Veterans Affairs</i>					
VA Homeless Providers Grant and Per Diem Program	64.024	Direct		\$ 186,314	\$ -
<i>Subtotal - (64.024)</i>				<u>186,314</u>	
<i>United States Department of Education (ED)</i>					
Special Education-Grants for Infants and Families	84.181	State of Rhode Island Department of Education	20-03-021-1/1	355,684	
<i>Subtotal - (84.181)</i>				<u>355,684</u>	
Comprehensive Literacy Development	84.371	Rhode Island Department of Education (RIDE)	Pre-K Imagine	6,576	
<i>Subtotal - (84.371)</i>				<u>6,576</u>	
<i>Health Resources & Services Administration (HRSA)</i>					
Maternal and Child Health Federal Consolidated Programs	93.110	Care Transformation Collaboration of Rhode Island	MOMSPRN	1,415	
Maternal and Child Health Federal Consolidated Programs	93.110	Care Transformation Collaboration of Rhode Island	62593	837	
Maternal and Child Health Federal Consolidated Programs	93.110	State of Rhode Island	75A00211767	190,152	
Maternal and Child Health Federal Consolidated Programs	93.110	State of Rhode Island	19-03-028/20-03-059	367,721	
Maternal and Child Health Federal Consolidated Programs	93.110	University of New Hampshire	18-007	76,901	
<i>Subtotal - (93.110)</i>				<u>637,026</u>	
<i>Substance Abuse and Mental Health Services Administration (SAMHSA)</i>					
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Brown University	799	(422)	
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	3698730	313,143	
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Care Transformation Collaborative of Rhode Island	RFP#7551007	456,775	
<i>Subtotal - (93.243)</i>				<u>769,496</u>	
<i>Health Resources & Services Administration (HRSA); Centers for Disease Control (CDC)</i>					
Early Hearing Detection and Intervention; CDC Investigations and Technical Assistance	93.251	State of Rhode Island	RI-EHDI	(2,095)	
Early Hearing Detection and Intervention; CDC Investigations and Technical Assistance	93.251	State of Rhode Island	RI-EHDI I	(408)	
Early Hearing Detection and Intervention; CDC Investigations and Technical Assistance	93.251 / 93.283	State of Rhode Island	RI-EHDI II	248,472	
<i>Subtotal - (93.251); (93.283)</i>				<u>245,969</u>	

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED- THROUGH TO SUBRECIPIENTS
<i>Eunice Kennedy Shriver National Institute of Child Health and Human Development (NICHD)</i>					
Scholarships for Disadvantaged Students	93.407	University of Alabama at Birmingham	000406291-SC015	\$ (1,120)	\$ -
<i>Subtotal - (93.407)</i>				<u>(1,120)</u>	
<i>Health Resources & Services Administration (HRSA)</i>					
COVID-19 HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461	Direct		83,394	
<i>Subtotal - (93.461)</i>				<u>83,394</u>	
<i>United States Department of Health and Human Services (HHS)</i>					
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	Direct		23,053,782	
<i>Subtotal - (93.498)</i>				<u>23,053,782</u>	
<i>United States Department of Health and Human Services (HHS)</i>					
COVID-19 Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	3696493	91,352	
COVID-19 Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665	Colorado State University	G-63934-01	20,432	
<i>Subtotal - (93.665)</i>				<u>111,784</u>	
<i>Office of the Administration for Children & Families (ACF)</i>					
Social Services Block Grant	93.667	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	3625709	238,039	
<i>Subtotal - (93.667)</i>				<u>238,039</u>	
<i>Substance Abuse and Mental Health Services Administration (SAMHSA)</i>					
Opioid STR	93.788	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	3605523	2,099	
Opioid STR	93.788	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	1658714	159,216	
<i>Subtotal - (93.788)</i>				<u>161,315</u>	

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
<i>Office of the Assistant Secretary for Preparedness and Response</i>					
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817	State of Rhode Island	3444463-6	\$ 71	\$ -
<i>Subtotal - (93.817)</i>				<u>71</u>	
<i>Health Resources & Services Administration (HRSA) Maternal & Child Health</i>					
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870	State of Rhode Island Department of Health	3533967	<u>256,279</u>	
<i>Subtotal - (93.870)</i>				<u>256,279</u>	
<i>Health Resources & Services Administration (HRSA)</i>					
Grants for Primary Care Training and Enhancement	93.884	Direct		397,019	
Grants for Primary Care Training and Enhancement	93.884	Direct		97,391	
Grants for Primary Care Training and Enhancement	93.884	Brown University	391	(1,400)	
Grants for Primary Care Training and Enhancement	93.884	Brown University	395	(535)	
<i>Subtotal - (93.884)</i>				<u>492,475</u>	
<i>Office of the Assistant Secretary for Preparedness and Response</i>					
COVID-19 National Bioterrorism Hospital Preparedness Program	93.889	Hospital Association of Rhode Island	MOU-041020	120,000	
COVID-19 National Bioterrorism Hospital Preparedness Program	93.889	Rhode Island Department of Administration	DOH - COVID 19	<u>37,966</u>	
<i>Subtotal - (93.889)</i>				<u>157,966</u>	
<i>Centers for Disease Control and Prevention (CDC)</i>					
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	State of Rhode Island	20-03-010	5,991	
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	State of Rhode Island	21-03-006	<u>37,054</u>	
<i>Subtotal - (93.898)</i>				<u>43,045</u>	
<i>Health Resources & Services Administration (HRSA)</i>					
Block Grants for Community Mental Health Services	93.958	State of Rhode Island	3690560	<u>269,557</u>	
<i>Subtotal - (93.958)</i>				<u>269,557</u>	

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED- THROUGH TO SUBRECIPIENTS
<i>Substance Abuse and Mental Health Services Administration (SAMHSA)</i>					
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	3644974	\$ 39,007	\$ -
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	3644978	148,273	
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	3552657	647,599	
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	3558946	193,327	
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	3558936	641,690	
<i>Subtotal - (93.959)</i>				<u>1,669,896</u>	
<i>Health Resources & Services Administration (HRSA)</i>					
Maternal and Child Health Services Block Grant to the States	93.994	State of Rhode Island	RIDOH	576	
<i>Subtotal - (93.994)</i>				<u>576</u>	
<i>United States Department of Homeland Security (DHS)</i>					
<i>Federal Emergency Management Agency (FEMA)</i>					
Non-Profit Security Program	97.008	State of Rhode Island	133-06-2018NSPG	55,000	
<i>Subtotal - (97.008)</i>				<u>55,000</u>	
<i>Federal Emergency Management Agency (FEMA)</i>					
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	State of Rhode Island	180102 P/W# 216	370,861	
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	State of Rhode Island	182634 P/W# 198	574,593	
<i>Subtotal - (97.036)</i>				<u>945,454</u>	
OTHER PROGRAMS TOTAL				<u>\$ 44,599,653</u>	<u>\$ -</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 70,330,608</u>	<u>\$ 5,660,249</u>

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2021

1. Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the total consolidated expenditures of Care New England Health System and its affiliates ("Care New England") under programs of the federal government for the year ended September 30, 2021. The information presented in the Schedule is presented on the accrual basis of accounting, which is in accordance with the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Such expenditures are recognized following the cost principles contained in OASC-3, *Department of Health and Human Services Principles for Determining Costs Applicable to Research and Development under Grants and Contracts with Hospitals*, wherein certain types of expenditures are not allowable or are limited to reimbursement.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly by Care New England with agencies and departments of the federal government and all subawards to Care New England by nonfederal organizations pursuant to federal grants, contracts and similar agreements. Negative amounts on the Schedule represent adjustments to expenditures reported in the prior year. Because the Schedule presents only the federal award activity of Care New England, it is not intended to and does not present the financial position, changes in net assets and cash flows of Care New England. Assistance listing numbers and pass-through numbers are provided when available.

2. Indirect Expenses

Indirect costs are charged to certain federal grants and contracts at federally approved predetermined indirect rates. Care New England has thus not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

3. Funding from the U.S. Department of Housing and Urban Development

The Providence Center, Inc., whose sole corporate member is Care New England received funding from the U.S. Department of Housing and Urban Development ("HUD") in both the current and prior years. The funding has been included in the accompanying schedule of expenditures of federal awards in consideration of the fact that the federal programs from which the funding originates imposes continuing compliance requirements on the use of the properties acquired and rehabilitated for specified periods ranging from 10 to 40 years. Those programs, include the following:

Entity	Assistance Listing #	Capital
Advances		
Grandview Second Corporation	14.181	\$1,173,200
Wilson Street Apartments, Inc.	14.181	1,152,335
Wilson Street Apartments, Inc.	14.181	18,465
Nashua Street Corporation	14.181	834,200
Wilson Street Apartments, Inc.	14.181	80,083

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Additionally, The Providence Center, Inc. has a mortgage note with HUD on the property that follows:

Entity	Assistance Listing #	Amount
Outstanding		
Grandview Realty Corporation	14.157	\$79,803

4. CARES Act Provider Relief Funds

The Schedule includes grant activity related to the Department of Health and Human Services ("HHS") Provider Relief Fund and American Rescue Plan (ARP) Distribution Assistance Listing Number 93.498. As required based on guidance in the 2021 OMB *Compliance Supplement*, the Schedule includes all Period 1 funds received between April 10, 2020 and June 30, 2020 and expended by June 30, 2021 as reported to HRSA via the Provider Relief Funding Reporting Portal. The Schedule thus includes \$23,085,850 of reportable Provider Relief Payments which includes \$7,403,539 of direct expenditures and \$15,682,311 in lost revenue. Given the timing covered by Period 1, certain expenses were reflected in Care New England's fiscal year 2020 financial statements. Additionally, lost revenue does not represent an expenditure in Care New England's financial statements and thus is a reconciling item between the federal expenses in the Care New England's financial statements and the amount included on the Schedule.

5. Division of Family Health (WIC) (Assistance Listing #10.557)

Care New England determines participant eligibility for receipt of food vouchers as part of the Special Supplemental Nutrition Program for the Women, Infants and Children program (Assistance Listing # 10.557). Of the \$1,474,255 in expenditures presented in the Schedule, \$483,349 represents direct costs incurred by Care New England for this program. The food vouchers for which Care New England determined eligibility for amounted to \$990,906 for the year ended September 30, 2021.

6. State of Rhode Island Pass-Through Funds for 10.553/10.555 and 93.251/93.283

Care New England expended \$4,310 from the State of Rhode Island for the School Breakfast Program Assistance Listing #10.553/National School Lunch Program Assistance Listing #10.555. The State of Rhode Island did not provide Care New England with any information regarding how the spending should be allocated between the two Assistance Listing numbers. As such, expenditures under this program are commingled on the Schedule.

Care New England expended \$245,969 from the State of Rhode Island for the Early Hearing Detection and Intervention Assistance Listing #93.251/Centers for Disease Control and Prevention Investigations and Technical Assistance, Assistance Listing #93.283. The State of Rhode Island did not provide Care New England with any information regarding how the spending should be allocated between the two Assistance Listing numbers. As such, expenditures under this program are commingled on the Schedule.

Part II
Reports on Internal Control and Compliance



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

To the Board of Directors
Care New England Health System

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Care New England Health System and its affiliates ("Care New England"), which comprise the consolidated balance sheet as of September 30, 2021, and the related consolidated statements of operations, of changes in net assets and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2021.

The PricewaterhouseCoopers firm in the Cayman Islands performed audit procedures for the Women and Infants Indemnity, Ltd. and Kent County Memorial Hospital Toll Gate Indemnity, Ltd., comprising approximately 17% of total assets of Care New England for the year ended September 30, 2021. Personnel of this firm, excluding United States personnel, do not participate in a continuing education program that fully satisfies the requirement set forth in Chapter 4, paragraph 4.16 of *Government Auditing Standards*. However, this firm does participate in continuing education programs applicable in the Cayman Islands. Further, the PricewaterhouseCoopers affiliated firm in the Cayman Islands does not have an external quality review by an unaffiliated audit organization as required by Chapter 5, paragraph 5.60 of *Government Auditing Standards*, since no such program is offered by professional organizations in the country. However, this office participates in the PricewaterhouseCoopers worldwide internal control review program, which requires the office to be periodically subjected to an extensive quality control review by partners and managers from other PricewaterhouseCoopers affiliated firms.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any



deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

PricewaterhouseCoopers LLP

Boston, Massachusetts
December 20, 2021



**Report of Independent Auditors on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance with the Uniform Guidance**

To the Board of Directors
Care New England Health System

Report on Compliance for Each Major Federal Program

We have audited Care New England Health System and its affiliates' ("Care New England") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Care New England's major federal programs for the year ended September 30, 2021. Care New England's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Care New England's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Care New England's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Care New England's compliance.

Opinion on Each Major Federal Program

In our opinion, Care England Health System and its affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule



of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

Care New England's response to the noncompliance finding identified in our audit is described in the accompanying Management's Views and Corrective Action Plan. Care New England's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Care New England is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Care New England's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Care New England's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in dark ink that reads "PricewaterhouseCoopers LLP".

Boston, Massachusetts
June 23, 2022

Part III
Audit Findings and Questioned Costs

Care New England Health System and Affiliates
Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

I. Summary of Auditor's Results

Financial statements audited by PwC

Type of auditor's report issued:

Unmodified

Internal Control over Financial Reporting:

Material weakness identified?

☐ Yes

☒ No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

☐ Yes

☒ None Reported

Noncompliance which is material to financial statements.

☐ Yes

☒ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

☐ Yes

☒ No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

☐ Yes

☒ None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☒ Yes

☐ No

Identification of major programs

Program Name

Assistance Listing #

COVID-19 Coronavirus Relief Fund

21.019

COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution

93.498

COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)

97.036

Research and development cluster

Various

Dollar threshold for Type A and Type B programs:

\$2,109,918

Auditee qualifies as low-risk auditee?

☒ Yes

☐ No

II. Financial Statement Findings

None noted.

Care New England Health System and Affiliates

Schedule of Findings and Questioned Costs

Year Ended September 30, 2021

III. Federal Award Findings and Questioned Costs

2021-001: Reporting with the Health Resources & Services Administration (HRSA) Provider Relief Fund Portal

Program: COVID-19 - Provider Relief Fund and American Rescue Plan Rural Distribution

Assistance Listing Number: 93.498

Agency: Department of Health and Human Services (HHS) Health Resources and Services Administration (HRSA)

Award Year: 1/1/2020-9/30/2021

Award Number: Not available

Condition

In October 2021, management submitted their period 1 reporting into the HRSA portal. Management selected option 2, Lost Revenue Reporting Method: 2020 Budgeted Revenues, for the recognition of lost revenues in their HRSA portal submission.

Through the testing of this special reporting, we identified the Care New England Health System's budget for the period October 1, 2019 through September 30, 2020 (fiscal year 2020) was approved by the Board of Directors on August 22, 2019. However, Care New England Health System's budget for the period October 1, 2020 through September 30, 2021 (fiscal year 2021) was approved by the Board of Directors post March 27, 2020, September 24, 2020. Thus, the 2020 calendar year fourth quarter (October 1, 2020 through December 31, 2020) was not approved by the Board of Directors (BoD) prior to March 27, 2020. For the 2021 calendar year first and second quarters (January 1, 2021 through June 30, 2021), Care New England Health System utilized the previously approved fiscal year 2020 budget. As a result, Care New England incorrectly selected option 2 within their period 1 reporting into the HRSA portal.

The table below depicts when Care New England Health System's operating budgets were approved by their Board of Directors.

	Calendar year quarters					
	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Budget approved by BoD	8/22/19	8/22/19	8/22/19	9/24/20	8/22/19	8/22/19
Approved by BoD before 3/27/20	Yes	Yes	Yes	No	Yes, used 2020 budget	Yes, used 2020 budget

After our identification of this reporting error, in the selection of option 2, management amended their filing in December 2021 to report lost revenues under option 3, Lost Revenue Reporting Method: Alternative Reasonable Methodology. There was no change in lost revenues captured in the HRSA portal under option 2 or amended reporting under option 3.

Criteria

Law (Pub. L. No. 116-136, 134 Stat. 563 and Pub. L. No. 116-139, 134 Stat. 622 and 623) notes that Provider Relief Funds should be used to prevent, prepare for, and respond to coronavirus, domestically or internationally, for necessary expenses to reimburse, through grants or other mechanisms, eligible health care providers for health care related expenses or lost revenues that are attributable to coronavirus.

Care New England Health System and Affiliates

Schedule of Findings and Questioned Costs

Year Ended September 30, 2021

HRSA Provider Relief Funds can be used to offset healthcare-related expenses or lost revenues attributable to COVID-19. HRSA provided three options for assessing lost revenue at organizations per the HRSA Provider Relief Fund Lost Revenue Guide released in August 2021. The three different options to calculate the lost revenues are described below:

Option 1) Difference Between 2019 Actual and Total revenue/Net charges for patient care revenues (Actuals for each quarter during the period of availability versus 2019 Actuals).

Option 2) Difference Between 2020 Budgeted and Actual Total revenue/Net charges for patient care revenues (Actuals for each quarter of availability versus Budgets for each quarter of availability). For organizations that selected option 2, an organization is required to have an Executive Level Attestation and Approval of their budget prior to March 27, 2020.

Option 3) Any reasonable method of estimating revenues (otherwise known as a hybrid approach).

Cause

Care New England Health System misinterpreted the HRSA guidance and was not cognizant of the fact that all budgets within period 1, including the period from October 1, 2020 through December 31, 2020 which was in the System's fiscal year 2021 but calendar year 2020 (and reporting period 1) must be approved prior to March 27, 2020 in order to select option 2.

Effect

The budget for r calendar year Q4 2020 was not approved prior to March 27, 2020. This did not have an impact on the accuracy of the total revenue numbers reported in Reporting Period 1. The data provided for lost revenues within the amended submission matched the original submission done by Care New England Health System.

Questioned Costs

None noted.

Recommendation

We recommend management design and implement an internal control around review of the HRSA guidance and the subsequent submissions in order to ensure proper review of all elements of the relevant guidance prior to submission to the portal. Additionally, we recommend management communicate the error noted in the submission to HRSA and request advice for how to correct this error.

Management's View and Corrective Action Plan

Management's view and corrective action plan is included at the end of this report.

**Care New England Health System and Affiliates
Summary Schedule of Prior Audit Findings and Status
Year Ended September 30, 2021**

No prior year findings from prior years that require an update in this report.

Part IV
Management's Views and Corrective Action Plan

June 21, 2022

As required by Uniform Guidance Compliance Requirements (2 CFR Part 200), we have provided below our response and corrective action plan addressing the finding in the Schedule of Findings and Questioned Costs for the year ended September 30, 2021.

Management's Views and Corrective Action Plan

2021-001: Reporting with the Health Resources & Services Administration Provider Relief Fund Portal
Program: COVID-19 - Provider Relief Fund (PRF)

Assistance Listing Number: 93.498

Agency: Department of Health and Human Services (HHS) Health Resources and Services Administration (HRSA)

Award Year: 1/1/2020-9/30/2021

Award Number: Not available

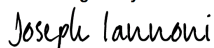
In October 2021, we submitted Period 1 reporting through the HRSA portal. We selected option 2, *Lost Revenue Reporting Method: 2020 Budgeted Revenues*, for the recognition of lost revenues in our HRSA portal submission. We agree that this option should not have been selected due to our Q4 2020 budget not being approved by 3/27/20. We resubmitted the Provider Relief Funds Report Period 1 on December 20, 2021 during the open resubmission period. As instructed by HRSA, we provided detail on the methodology and rationale for option 3 during the resubmission. No further action is required; management has remediated the reporting.

There was no impact on the accuracy of the total revenue numbers reported in Reporting Period 1 regardless of methodology. The data provided for lost revenues within the amended submission matched the original submission done by Care New England Health System.

At the onset of the pandemic, Care New England assembled the Provider Relief Task Force which includes Senior Leadership as well as representatives from Finance, Planning and Philanthropy departments responsible for coordinating efforts related to preventing, preparing, and responding to COVID-19. The Task Force remains committed to regularly reviewing and communicating new and updated guidance from HRSA, the HRSA portal and HRSA FAQ provided therein to ensure all reporting includes the most up to date information and guidance available.

Responsible Party

DocuSigned by:



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Joseph Iannoni

Executive Vice President/Chief Financial Officer
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