

Wellforce, Inc. and Consolidated Affiliates

EIN#: 47-2250732

Consolidated Financial Statements as of and for the Years Ended
September 30, 2021 and 2020, Supplemental Consolidating
Information as of and for the Year Ended September 30, 2021,
Financial Responsibility Ratio Supplemental Schedule for the Year
Ended September 30, 2021, Schedule of Expenditures of Federal
Awards for the Year Ended September 30, 2021, and Independent
Auditors' Reports

WELLFORCE, INC. AND CONSOLIDATED AFFILIATES

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1–2
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020:	
Balance Sheets	3
Statements of Operations	4
Statements of Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7–46
SUPPLEMENTAL CONSOLIDATING INFORMATION AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021:	47
Consolidating Balance Sheet Information	48–49
Consolidating Statement of Operations Information	50
Financial Responsibility Ratio Supplemental Schedule	51–52
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	53–54
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	55–57
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2021	58–63
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	64–66
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2021	67–68
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS	69
STATUS OF PRIOR-YEAR AUDIT FINDINGS	70

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Wellforce, Inc.
Burlington, Massachusetts

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 the auditor's 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, the auditor considers internal control relevant to the System'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 System'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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wellforce, Inc. and affiliates as of September 30, 2021 and 2020, and

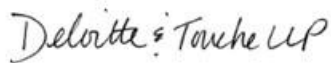
the results of its operations, its changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information and the financial responsibility ratio supplemental schedule listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. The supplemental consolidating information and financial responsibility ratio supplemental schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such 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. In our opinion, such information is fairly stated in all material respects in relation to the consolidated financial statements 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 the System'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. 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 the System's 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 the System's internal control over financial reporting and compliance.

The logo for Deloitte & Touche LLP, featuring the company name in a stylized, handwritten-style font.

December 20, 2021

WELLFORCE, INC. AND CONSOLIDATED AFFILIATES

CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2021 AND 2020 (Amounts in thousands)

	2021	2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 158,703	\$ 172,470
Investments	126,282	267,717
Patient accounts receivable	232,342	184,679
Prepaid expenses and other current assets	24,506	18,493
Other receivables—net	120,698	72,848
Current portion of assets limited as to use	13,933	7,031
Supplies	27,903	27,675
Estimated third-party payor settlements—current	<u>9,627</u>	<u>3,649</u>
Total current assets	713,994	754,562
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	3,588	4,273
INVESTMENTS	926,538	783,604
ASSETS LIMITED AS TO USE—Noncurrent portion:		
Held by trustees under bond indenture agreements	214,677	285,081
Deferred compensation and other	13,254	12,763
Funds held for self-insurance reserves	104,134	94,253
Donor-restricted assets	<u>49,788</u>	<u>44,325</u>
Total assets limited as to use—noncurrent portion	381,853	436,422
PROPERTY AND EQUIPMENT—Net	610,649	535,479
RIGHT OF USE ASSETS	127,241	142,654
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	38,882	21,053
OTHER ASSETS—Net	40,675	47,431
TOTAL	<u>\$2,843,420</u>	<u>\$2,725,478</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 416,763	\$ 357,826
Self-insurance reserves—current	19,698	17,449
Estimated third-party payor settlements—current	18,448	40,130
Contract liabilities	161,226	212,977
Lines of credit	11,759	13,662
Current portion of lease liability	24,020	24,570
Current portion of capital lease obligations	6,363	3,650
Current portion of long-term debt	<u>18,891</u>	<u>14,818</u>
Total current liabilities	677,168	685,082
OTHER LIABILITIES:		
Finance lease obligations—net of current portion	4,438	6,110
Lease liability—net of current portion	118,450	134,313
Long-term debt—net of current portion	846,715	866,695
Estimated third-party payor settlements	22,499	25,593
Self-insurance reserves—net of current portion	87,392	82,062
Accrued pension liability	51,264	131,476
Other long-term liabilities	<u>68,617</u>	<u>66,809</u>
Total liabilities	<u>1,876,543</u>	<u>1,998,140</u>
CONTINGENCIES (Note 16)		
NET ASSETS:		
Net assets without donor restrictions	916,636	682,070
Net assets with donor restrictions	<u>50,241</u>	<u>45,268</u>
Total net assets	966,877	727,338
TOTAL	<u>\$2,843,420</u>	<u>\$2,725,478</u>

See notes to consolidated financial statements.

WELLFORCE, INC. AND CONSOLIDATED AFFILIATES

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020 (Amounts in thousands)

	2021	2020
OPERATING REVENUE:		
Net patient service revenue	\$ 1,859,047	\$ 1,636,064
Other operating revenue	338,387	302,122
Grant revenue	78,242	194,382
Net assets released from restrictions	<u>3,347</u>	<u>4,064</u>
Total operating revenue	<u>2,279,023</u>	<u>2,136,632</u>
OPERATING EXPENSES:		
Salaries and wages	1,100,840	1,046,933
Employee benefits	220,087	214,569
Purchased services	250,535	223,888
Supplies and other	604,136	566,051
Depreciation and amortization	66,546	63,033
Interest	<u>35,247</u>	<u>33,372</u>
Total operating expenses	<u>2,277,391</u>	<u>2,147,846</u>
INCOME (LOSS) FROM OPERATIONS	<u>1,632</u>	<u>(11,214)</u>
NONOPERATING REVENUE AND EXPENSES:		
Investment income	10,055	14,521
Realized and unrealized gains and losses on investments	142,457	29,424
Unrestricted gifts—net of expenses	7,729	(1,848)
Loss on extinguishment of debt		(867)
Other components of net periodic pension costs	(8,644)	(146)
Inherent contribution from acquisition	2,261	
Gain on sale of surgical center	9,850	
Other	<u>(113)</u>	
Total nonoperating revenue and expenses—net	<u>163,595</u>	<u>41,084</u>
EXCESS OF REVENUE OVER EXPENSES	165,227	29,870
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Net assets released from restrictions for purchase of equipment	2,549	2,818
Pension-related adjustments	68,529	(4,534)
Change in net unrealized gains and losses on investments	<u>(1,739)</u>	<u>1,250</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 234,566</u>	<u>\$ 29,404</u>

See notes to consolidated financial statements.

WELLFORCE, INC. AND CONSOLIDATED AFFILIATES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020 (Amounts in thousands)

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Excess of revenue over expenses	\$ 165,227	\$ 29,870
Net assets released from restrictions for purchase of equipment	2,549	2,818
Pension-related adjustments	68,529	(4,534)
Change in net unrealized gains and losses on investments	(1,739)	1,250
Adoption of ASU 2016-01:		
Cumulative effect of net unrealized gain on equity investments		21,462
Net unrealized gain on equity investments previously included in net assets		<u>(21,462)</u>
Increase in net assets without donor restrictions	<u>234,566</u>	<u>29,404</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Income from restricted investments	1,575	986
Contributions	5,439	4,659
Net assets released from restrictions for purchase of equipment	(2,549)	(2,818)
Net assets released from restrictions	(3,347)	(4,064)
Net realized gain on investments	1,160	686
Change in beneficial interest in perpetual trusts	2,296	394
Change in net unrealized gains and losses on investments	<u>399</u>	<u>358</u>
Increase in net assets with donor restrictions	<u>4,973</u>	<u>201</u>
INCREASE IN NET ASSETS	<u>239,539</u>	<u>29,605</u>
NET ASSETS—End of prior year	727,338	693,249
CUMULATIVE EFFECT OF ADOPTION OF ASU NO. 2016-01 (Note 2)		<u>4,484</u>
NET ASSETS—Beginning of year	<u>727,338</u>	<u>697,733</u>
NET ASSETS—End of year	<u>\$ 966,877</u>	<u>\$ 727,338</u>

See notes to consolidated financial statements.

WELLFORCE, INC. AND CONSOLIDATED AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020 (Amounts in thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 239,539	\$ 29,605
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Inherent contribution from acquisition	(2,261)	
Depreciation and amortization	66,546	63,033
Noncash interest expense	(1,916)	1,060
Loss on extinguishment of debt		867
Noncash lease expense	13,853	5,802
Loss on sale of equipment		7
Gain on sale of surgical center	(9,850)	
Net realized and unrealized gains and losses on investments	(144,573)	(32,112)
Restricted contributions	(5,439)	(4,659)
Pension-related adjustments	(68,529)	4,534
Equity interest in earnings of unconsolidated affiliates	(17,217)	(9,701)
(Decrease) increase in cash resulting from changes in:		
Patient accounts receivable	(46,899)	23,946
Prepaid expenses and other current assets	(5,674)	(2,737)
Other receivables	(44,450)	(12,323)
Supplies	(228)	(3,955)
Estimated third-party payor settlements	(30,069)	(13,047)
Other assets	7,717	(1,501)
Accounts payable and accrued liabilities	56,677	77,040
Lease liability	(14,853)	(6,123)
Self-insurance reserves	7,579	8,918
Contract liabilities	(51,751)	212,977
Other long-term liabilities	(9,875)	12,304
Net cash (used in) provided by operating activities	<u>(61,673)</u>	<u>353,935</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash acquired from acquisition	1,193	
Purchases of property and equipment	(137,943)	(51,515)
Proceeds from sale of equipment		259
Proceeds from distributions of equity interest in unconsolidated affiliates	6,382	6,764
Purchase of equity interest in unconsolidated affiliates	(394)	(1,652)
Purchases of securities	(1,217,834)	(536,670)
Proceeds from sales and maturities of securities	<u>1,404,879</u>	<u>94,762</u>
Net cash provided by (used in) investing activities	<u>56,283</u>	<u>(488,052)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(13,991)	(72,557)
Payments on finance lease obligations	(657)	(3,412)
Proceeds from lines of credit	11,000	12,500
Payments on lines of credit	(12,903)	(8,107)
Payment of debt issuance costs		(8,925)
Proceeds from long-term debt		253,227
Investment income and realized gains on restricted investments	2,735	1,672
Restricted contributions	<u>5,439</u>	<u>4,659</u>
Net cash (used in) provided by financing activities	<u>(8,377)</u>	<u>179,057</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(13,767)	44,940
CASH AND CASH EQUIVALENTS—Beginning of year	<u>172,470</u>	<u>127,530</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 158,703</u>	<u>\$ 172,470</u>
SUPPLEMENTAL CASH FLOW INFORMATION—Cash paid for interest	<u>\$ 31,045</u>	<u>\$ 30,822</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Fixed asset additions included in accounts payable and accrued expenses	<u>\$ 23,621</u>	<u>\$ 10,757</u>
Property and equipment acquired through financing leases	<u>\$ 1,698</u>	<u>\$ 1,133</u>
Right of use assets acquired in exchange for operating lease liabilities	<u>\$ 7,340</u>	<u>\$ 16,887</u>
Beginning operating lease right of use asset balance	<u>\$</u>	<u>\$ 148,455</u>
Beginning operating lease liability balance	<u>\$</u>	<u>\$ 165,006</u>

See notes to consolidated financial statements.

WELLFORCE, INC. AND CONSOLIDATED AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

(Amounts in thousands)

1. DESCRIPTION OF THE ORGANIZATION

Organization—Wellforce, Inc. (“Wellforce”), which is hereinafter referred to as the “System”, represents a unique model that serves the health needs of communities while enhancing the affordability of care. The System focuses on care integration, population health management, patient access, and operational performance. Wellforce is the sole corporate member of Tufts Medical Center Parent, Inc. and consolidated affiliates (“Tufts MC”), Circle Health, Inc. and consolidated affiliates (“Circle Health”), MelroseWakefield Healthcare, Inc. and consolidated affiliates (“MelroseWakefield”), Wellforce Care Plan, LLC (“WCP LLC”), and Home Health Foundation, Inc (“HHF”).

Tufts MC is a Massachusetts nonprofit corporation that oversees and coordinates a series of affiliated corporations that provide a broad range of health care and related services primarily in the greater Boston area. The affiliated entities of Tufts MC are Tufts Medical Center, Inc., a nonprofit acute care hospital; Wellforce Indemnity Company, Ltd (“WIC”), a for-profit Cayman Islands captive insurance company that provides professional and general liability, excess general liability, medical professional liability, provider excess loss insurance coverage, and medical stop loss coverage to Wellforce; The Cameron M. Neely Foundation for Cancer Care, Inc. (“Neely Foundation”), a nonprofit entity that helps cancer patients and their families during and after cancer treatment; New England Quality Care Alliance, Inc. (“NEQCA”), a nonprofit network of physicians dedicated to providing comprehensive, high quality, and affordable care; New England Quality Care Alliance Accountable Care, Inc. (“NEQCA ACO”), a nonprofit dedicated to improving the health of patients and cost of care through integrated care coordination, shared savings, and quality incentives; New England Long-Term Care, Inc. (“NELTC”), a nonprofit entity that operates an 80 bed nursing home; Tufts Medical Center Community Care, Inc. (“TMCCC”); and Tufts Medical Center Physicians Organization, Inc. (“TMCPO”); which is the sole corporate member of a number of physician practices.

Circle Health is a Massachusetts nonprofit corporation that oversees and coordinates a series of affiliated corporations that provide a broad range of health care and related services in Lowell, Massachusetts. The consolidated affiliated entities of Circle Health include The Lowell General Hospital, a nonprofit general acute care hospital; LGH Services, Inc. and Consolidated affiliates, a for-profit entity and sole shareholder of LGH Management Service, Inc., LGH Medical Building Services (“LGH Medical Building”), and LGH Medical Services, Inc.; Circle Health Physicians, a nonprofit entity and sole shareholder of a number of physician practices and Circle Health Pharmacy LLC; and Circle Health Alliance, LLC (“Alliance”), an accountable care organization.

MelroseWakefield is a Massachusetts nonprofit corporation that oversees and coordinates a series of affiliated corporations north of Boston, Massachusetts. The consolidated affiliated entities of MelroseWakefield are MelroseWakefield Healthcare, Inc., which operates two acute care hospitals; Hallmark Health Medical Associates, Inc. (“HHMA”), a nonprofit entity including a number of physician practices; LM Long-Term Care Services, Inc. and Savin Long-Term Care Corporation, both nonprofit entities providing long term care services; Hallmark Health Properties, Inc. (“HHP”), a nonprofit providing real estate management functions; and Hallmark Health Enterprises, Inc. (“HHCLC”), a for profit entity providing various health related services.

WCP LLC is an accountable care organization formed for the purpose of entering into an agreement with a managed care organization to participate collectively in the MassHealth accountable care organization program.

HHF is a nonprofit corporation organized in Massachusetts and acts as a holding company and provides management services to affiliated home care providers serving patients in the Merrimack Valley of Massachusetts, southern New Hampshire seacoast and southern Maine. The consolidated affiliates of HHF include Home Health VNA, Inc., a nonprofit entity that provides home health care services; Merrimack Valley Hospice, Inc., a nonprofit entity that provides hospice care services to terminally ill patients; and Home Care, Inc., a nonprofit entity that provides home health care and homemaker services. Effective October 1, 2018, HHF became the sole corporate member of Hallmark Health Visiting Nurse Association & Hospice, Inc., formerly a consolidated affiliate of MelroseWakefield; and Circle Home, Inc., formerly a consolidated affiliate of Circle Health.

Wellforce Clinically Integrated Network (“CIN”) was formed in 2021. Effective October 1, 2020, the CIN became the sole corporate member of NEQCA, NEQCA ACO, Alliance and the Lowell General Physician Hospital Organization (“Lowell PHO”).

In July 2021, Wellforce acquired Heart Center of MetroWest, Inc. (HCMW) and no consideration was transferred. HCMW is a wholly owned subsidiary of TMCPO. The System has not disclosed the fair value of the assets and liabilities acquired because the amounts are immaterial to the consolidated financial statements. The System has also not disclosed the amount of revenue or income from operations of HCMW since acquisition, nor proforma information or acquisition costs, because these amounts are not significant to the System’s consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The consolidated financial statements include the accounts of all wholly owned and consolidated organizations of Wellforce. Investments in which the System holds less than a 20% ownership interest and does not exercise significant influence are accounted for on the cost method of accounting. All other investments in which the System holds an ownership interest and exercises significant influence are accounted for using the equity method of accounting. The assets of certain members of the System may not be available to meet the obligations of other members of the System, except as disclosed in Note 11.

Basis of Presentation—The consolidated financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”) consistent with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 954, *Health Care Entities*, and other pronouncements applicable to health care organizations.

Use of Estimates—The preparation of consolidated financial statements in accordance with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Significant estimates include recognition of net patient service revenue, which includes explicit and implicit price concessions, estimated third-party payor settlements, self-insurance reserves, pension costs and the related obligations, contingencies, the valuation of certain investments, the fair value of assets acquired and liabilities assumed in acquisition and the recognition of grant revenue. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash and cash equivalents include investments in highly liquid debt instruments with maturities of three months or less when purchased, excluding amounts classified as assets limited as to use. The carrying amounts reported in the consolidated balance sheets approximate their fair value.

Prepaid Expenses and Other Current Assets—Prepaid expenses and other current assets consist primarily of various insurance policies, as well as consulting, technology and software agreements that range over a period of time.

Other Receivables—Other receivables consist of amounts due from grants and other sponsored activities, contracted services, and retail pharmacy.

Supplies—Supplies, consisting primarily of medical/surgical supplies and pharmaceuticals, are stated at the lower of cost, based upon the first-in, first-out method, or market. Obsolete and unusable items are written off.

Investments—Investments recorded as current assets include investments that management intends to use for current operations or capital purchases in the next 12 months.

Investments, inclusive of assets limited as to use, include marketable debt and equity securities.

On October 1, 2019, the System adopted ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. Subsequent to adoption, the System only classifies certain debt securities as available-for-sale, and the classification is no longer applicable to equity securities. As a result, unrealized gains and losses on certain debt securities are recognized in other changes in net assets without donor restriction, and unrealized gains and losses on equity securities are recognized in nonoperating revenue and expenses.

As of September 30, 2020, all investments are measured at fair value. All funds that hold securities directly are stated at the fair value of the underlying securities, as determined by the administrator, based on readily determinable market values or based on net asset values (NAVs), which are calculated using the most recent fund financial statements. Prior to the adoption of ASU 2016-01, certain investments were recorded at historical cost and were subject to impairment considerations.

Effective October 1, 2020, the System classifies all newly purchased investments as trading securities. Prior to that date, certain investments were classified as available for sale securities. For all investment purchases subsequent to October 1, 2020, all unrealized gains and losses are recognized in the nonoperating revenue and expenses. Any unrealized gains and losses on previously held available for sale securities are recognized in changes in net assets.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheet, statement of operations, and statement of changes in net assets.

Assets Limited as to Use—Assets limited as to use include assets held in trusts under bond indenture agreements, deferred compensation, funds held for self-insurance reserves, assets that are restricted by donors, amounts receivable from students for student loans funded from federal loan programs, and beneficial interests in perpetual trusts. Amounts required to meet the current liabilities of the System are reported as current portion of assets limited as to use in the accompanying consolidated balance sheets.

Beneficial Interests in Perpetual Trusts—The System is the beneficiary of several trust funds administered by trustees or other third parties. Trusts in which the System has the irrevocable right to receive the income earned on trust assets in perpetuity are recorded as net assets with donor restrictions at the fair values of the trusts on the date of receipt. The assets held in trusts consist primarily of cash equivalents and marketable securities. The fair values of perpetual trusts are measured using the fair values of the assets contributed to the trusts. Income distributions from the trusts are reported as unrestricted investment income, unless restricted by the donor. Changes in the fair values of the trusts are recorded as increases or decreases to net assets with donor restrictions.

Other-Than-Temporary Impairment of Investments—The System periodically reviews its investments to identify those for which fair value is below cost. The System then makes a determination as to whether such investments should be considered other-than-temporarily impaired. For the years ended September 30, 2021 and 2020, the System had no realized losses that related to other-than-temporary declines in fair value.

Contributions and Promises to Give—Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value and are included in current portion of assets limited as to use in the accompanying consolidated balance sheets. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows and are included in assets limited as to use noncurrent in the accompanying consolidated balance sheet. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in restricted contributions in the accompanying consolidated statements of operations. Conditional promises to give are not included as support until the conditions are substantially met. Unrestricted contributions are reported as unrestricted gifts—net of expenses.

Property and Equipment—Property, software and equipment acquisitions are recorded at cost or, if received by gift or donation, at fair market value on the date of the gift. Depreciation is computed over the estimated useful life of each class of depreciable asset using the straight-line method. The estimated useful lives of buildings and building improvements range from 3 to 50 years. The lives of major movable and fixed equipment range from 3 to 20 years. The estimated useful life of software ranges from 3 to 8 years.

Construction in progress represents the amount expended toward property and equipment projects that have not been completed. No provision for depreciation has been recorded for these items.

Gifts of Long-Lived Assets—Gifts of long-lived assets, such as property or equipment, are recorded directly to net assets with donor restrictions and are excluded from the excess of revenue 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 as an increase 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.

Impairment of Long-Lived Assets—Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of their carrying amounts or fair values, less cost to sell.

Investments in Unconsolidated Affiliates—Investments in unconsolidated affiliates are accounted for using the cost or equity method of accounting, as appropriate. The System utilizes the equity method of accounting for its investments in unconsolidated affiliates over which it exercises significant influence. The System evaluates these investments for other-than-temporary impairments in accordance with accounting standards for equity method investments. There were no impairments identified during the years ended September 30, 2021 and 2020.

Other Assets—Other assets consist primarily of the System's interest in life insurance policies (stated at the lower of the policies' cash values or the discounted values of expected cash flows), reinsurance recoverables, and intangible assets. Intangible assets are comprised of agency relationships, amortized over 5 years, licenses and certificates, amortized over 10 years, and an indefinite-lived trade name.

Cost of Borrowing—Interest costs incurred on borrowed funds during the period of construction of capital assets, net of investment income on assets held in trusts under debt agreements, are capitalized as a component of the cost of acquiring those assets. Approximately \$2,084 and \$1,053 was capitalized for the years ended September 30, 2021 and 2020, respectively. Deferred financing costs are amortized over the periods the related obligations are outstanding. As of September 30, 2021 and 2020, net deferred financing costs totaled \$16,119 and \$17,157, respectively and were classified in long-term debt in the accompanying consolidated balance sheets. Accumulated amortization of deferred financing costs totaled \$2,717 and \$1,375 as of September 30, 2021 and 2020, respectively.

Accounting for Defined Benefit Pension Plans—The System recognizes the overfunded or underfunded status of its defined benefit plans as an asset or liability in its consolidated balance sheets. Changes in the funded status of the plans are reported as a change in net assets without donor restrictions presented below the excess of revenue over expenses in the consolidated statements of operations and changes in net assets in the year in which the changes occur.

Leases—On October 1, 2019, the System adopted ASU 2016-02, *Leases* (Topic 842), which requires lessees to recognize a lease liability and a right of use asset on the balance sheet for all leases, except certain short-term leases. The System leases medical buildings, office space, warehouse space and equipment under both financing and operating lease agreements that expire at various dates through 2034. The System's leases generally have a fixed annual rent as defined within the agreement.

The System recognizes operating and finance lease right of use assets and lease liabilities at lease commencement date, based on the present value of unpaid lease payments over the expected lease term. The right of use asset balance is initially measured as the present value of the future minimum lease payments adjusted for any initial direct costs incurred and lease incentives received. The lease liability is initially measured as the present value of unpaid lease payments and is subsequently measured at amortized cost using the effective interest method. Certain leases include one or more

renewal options. The exercise of lease renewal options is generally at the System's discretion and as such, management typically determines that exercise of the renewal options is not reasonably certain. As a result, management does not include the renewal option period in the expected lease term and the associated lease payments are not included in the measurement of the right of use asset and lease liability. The System recognizes operating lease expense on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet.

Leases generally provide for payments of non-lease components, such as common area maintenance, real estate taxes and other costs associated with the leased property. Management accounts for lease and non-lease components of its real estate leases together as a single lease component and, as such, includes fixed payments of non-lease components in the measurement of the right of use assets and lease liabilities. Variable lease payments, such as periodic adjustments for inflation, reimbursement of real estate taxes, and variable common area maintenance are expensed as incurred as variable lease costs and are not recorded on the consolidated balance sheets.

Net Assets with Donor Restrictions—Assets whose use by the System has been limited by donors to specific time periods or purposes, or are restricted by donors to be maintained by the System in perpetuity, are recorded as net assets with donor restrictions in the consolidated balance sheets.

Excess of Revenue over Expenses—The consolidated statements of operations include excess of revenue over expenses. Changes in net assets without donor restrictions that are excluded from excess of revenue over expenses, consistent with industry practice, include changes in unrealized gains and losses on certain debt security investments, contributions of long-lived assets (including assets acquired using contributions that due to donor restriction were to be used for the purposes of acquiring such assets), and pension-related adjustments.

Nonoperating Revenue and Expenses—The System has elected to report transactions deemed by management to be ongoing, major, or central to the provision of acute care hospital services as operating revenue and expenses and peripheral or incidental transactions as nonoperating revenue and expenses. Accordingly, investment income, the change in fair value of investments other than certain debt securities, realized gains and losses on sales of investments, unrestricted gifts—net of expenses, loss on extinguishment of debt, other components of net periodic pension cost, and inherent contribution from acquisition are reported as nonoperating revenue and expenses.

Revenue Recognition—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. The System elected to use a portfolio approach as a practical expedient to account for patient contracts as a collective group, rather than individually. 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 hospitals 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 provided to our patients and customers in a retail setting and 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 ASC 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 services 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 with this portfolio of patients.

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. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.

The System is subject to a federal prospective payment system for most Medicare inpatient hospital services and outpatient services. Under this prospective payment methodology, Medicare pays a prospectively determined per-discharge or per-visit rate for nonphysician services. These rates vary according to the diagnosis related group (DRG) or ambulatory payment classification (APC) of each patient. The System also receives Medicare reimbursement for the program's share of direct and indirect costs of medical education. The System is reimbursed for certain reimbursable items at an interim rate, with final settlement determined after submission of annual cost reports and audits thereon by the Medicare fiscal intermediary. Limited outpatient services are reimbursed according to fee screens.

Medicaid—Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.

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 would have upon the System. In addition, the contracts the System has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, 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.

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 adjustments to patient service revenue in the period of the change. For the years ended September 30, 2021 and 2020 additional revenue of \$22,224 and \$44,957, respectively, was recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Investment Income—Investment income includes interest and dividends. All investment income is included in nonoperating investment income, unless the income or loss is restricted by donor or law.

Other Operating Revenue—The System has other operating revenue that consists of non-patient service revenue, including retail pharmacy, tuition, infrastructure payments, risk-based efficiency payments, earnings in unconsolidated affiliates, and management services. Retail pharmacy revenue, tuition, infrastructure payments and risk-based efficiency payments are recognized upon delivery of goods and services under ASC 606. Other revenue recognized under ASC 606 totaled \$316,058 and \$285,000 for the years ended September 30, 2021 and 2020, respectively.

Income Taxes—With the exception of the System's captive insurance company, the System and its consolidated affiliates have been recognized by the Internal Revenue Service (IRS) as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, are

exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The captive insurance company is registered under the laws of the Cayman Islands and is exempt from local income, profit, and capital gains taxes until 2023.

The System has approximately \$20,711 of net operating losses from unrelated business activities resulting in a deferred tax asset of approximately \$8,284, which is offset by a valuation allowance of the same amount. Due to the presence of the net operating loss carryforwards and an expected loss for one of the System's subsidiaries in the current year, no provision for income taxes has been recorded in the accompanying consolidated financial statements.

The System is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Grant Revenue—Revenue related to research grants and contracts is recognized as the related costs are incurred. Indirect costs related to certain government grants and contracts are reimbursed at fixed rates negotiated with government agencies. Amounts received in advance of incurring the related expenditures are recorded as unexpended research grants and included within accounts payable and accrued liabilities and other long-term liabilities in the accompanying consolidated balance sheets. In accordance with ASC 958, management has concluded that for the year ended September 30, 2021, \$71,208 of grant revenue qualifies as a contribution, and \$7,034 meets the qualifications of an exchange transaction and therefore is recorded in accordance with ASC 606. For the year ended September 30, 2020, \$187,770 of grant revenue qualifies as a contribution, and \$6,612 meets the qualifications of an exchange transaction.

Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")—The CARES Act authorized \$100 billion in funding to hospitals and other health care providers to be distributed through the Public Health and Social Services Emergency Fund ("Provider Relief Fund"). Furthermore, the Paycheck Protection Program and Health Care Enhancement Act ("PPHCE Act", collectively the "Acts") enacted on April 24, 2020 provides an additional \$75 billion in emergency appropriations to the Provider Relief Fund. During 2021, the System received \$5,944 of cash payments from the Provider Relief Fund, which was recorded as grant revenue in the consolidated statement of operations for the year ended September 30, 2021. During 2020, the System received \$134,537 of cash payments from the Provider Relief Fund, of which \$122,500 was recorded as grant revenue in the consolidated statement of operations for the year ended September 30, 2020. The remaining balance of \$12,038 was recorded as deferred revenue in accounts payable and accrued liabilities at September 30, 2020, and recognized in grant revenue in the consolidated statement of operations for the year ended September 30, 2021. Payments from the Provider Relief Fund are intended to compensate health care providers for lost revenues and qualified expenses incurred in response to the COVID-19 pandemic and are not required to be repaid; provided that the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using the funding to reimburse expenses or losses that other sources are obligated to reimburse.

In April 2020, the Commonwealth of Massachusetts approved distributing \$800 million in critical stabilization funding to providers through MassHealth. During 2020, the System received \$20,814 of cash payments through the stabilization funds, which were recognized in grant revenue in the consolidated statement of operations for the year ended September 30, 2020.

Additionally, under the CARES Act, the System received \$212,977 in advanced payments from Medicare. After receipt of the advance payments, claims for services provided to Medicare beneficiaries will be applied against these cash advances. Any unapplied advance payment amounts

must be paid in full within one year from receipt of the advance payment. Recoupment of these advance payments began during 2021. The balance of the advance payments totaled \$162,606 and \$212,977 at September 30, 2021 and September 30, 2020, respectively and is recorded in contract liabilities and other long term liabilities in the accompanying consolidated balance sheets.

In 2021, the System received \$1,392 in grants from the Federal Emergency Management Agency (“FEMA”) related to emergency medical care COVID-19 expenses, which was recorded in grant revenue in the consolidated statement of operations for the year ended September 30, 2021.

Recently Adopted Accounting Pronouncements—In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance revises accounting related to (a) the classification and measurement of investments in equity securities and (b) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. The System has adopted the guidance as of October 1, 2019 and reclassified \$21,462 of cumulative unrealized investment gains on certain equity investments from change in unrealized gains and losses on investments to cumulative effect of net unrealized gain on equity investments in the consolidated statements of changes in net assets. The System also recorded a cumulative adjustment of \$4,484 to beginning net assets as of October 1, 2019 to reflect the unrealized gains on alternative investments that were previously recorded at cost.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements. This guidance is effective for the System beginning October 1, 2020. The System has determined that the impact the adoption of the standard did not have a material impact on its consolidated financial statements.

New Accounting Pronouncements—In August 2018, the FASB issued ASU No. 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for entities with defined benefit plans. This guidance is effective for the System for the annual reporting period ending September 30, 2022. The System has not determined the impact the adoption of this standard will have on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP, however Topic 326 will require that credit losses be presented as an allowance rather than as a write-down. This guidance is effective for the System for the annual reporting period ending September 30, 2023. The System has not determined the impact the adoption of this standard will have on its consolidated financial statements.

3. CHARITY CARE AND COMMUNITY BENEFITS

Charity Care—The System’s commitment to community service is evidenced by services provided to the poor and benefits provided to the patients that it serves. The System provides health care services to patients who meet certain criteria under its charity care policy. These patients may receive full assistance or may be subject to partial liability based on income and family size. Because the System does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as net patient service revenue.

The System provided charity care, based on charges forgone and the estimated cost of the charity care provided, of \$43,554 and \$18,294, for the year ended September 30, 2021, respectively and \$36,402 and \$16,237, for the year ended September 30, 2020, respectively. The estimated cost of charity care is based on the relationship of patient care service charges to the related costs applied to charity care charges recognized during the years ended September 30, 2021 and 2020. The System has not changed its charity care or uninsured discount policies during 2021.

Health Safety Net Fund (HSN)—The Commonwealth of Massachusetts (the “Commonwealth”) operates the HSN, which was created by the Commonwealth’s Health Care Reform Act to replace the state’s uncompensated care pool. The HSN allocates the cost of uncompensated care among the hospitals in the Commonwealth. Hospitals have been assessed a uniform allowance based on estimates of the statewide cost of uncompensated care and reimbursed for a portion of the cost of uncompensated care, subject to certain limitations. Reimbursable uncompensated care includes net charity care and certain uncollectible accounts related to emergency services. Hospitals’ recoveries from the HSN are based on a claims-based payment method that uses Medicare principles. Reimbursement from the HSN for uncompensated care is recorded in net patient service revenue in the consolidated statement of operations. The Commonwealth has determined final settlements with respect to the HSN for all years prior to 2014.

Community Benefit—In furthering its charitable purpose, the System provides a wide variety of health care services to the community in order to provide access to appropriate care for populations in need. The System has developed a formal community benefit plan that responds to the comprehensive assessment of health care needs in the community. The community benefit plan supports services that target not only the general population in the System’s service area, but also particular populations with special health care needs, including the poor, elderly, children, and minority populations. Supported services include various clinics, health screening programs, health education programs, and support groups operated in the System’s service area. The System works actively with other area service providers to facilitate the development of an effective community health network. The System also participates in activities designed to foster and enhance the economic and civic environment of its service areas.

	2021	2020
Provision for charity care (at cost)	\$ 17,347	\$ 13,336
Implicit price concessions	10,387	20,411
HSN (assessment net of reimbursement)	19,263	19,661
Internal financial assistance program	<u>944</u>	<u>2,901</u>
Total uncompensated care	<u>\$ 47,941</u>	<u>\$ 56,309</u>

4. NET PATIENT SERVICE REVENUE AND CONCENTRATION OF CREDIT RISK

The composition of patient service revenue by primary payor for the years ended September 30, 2021 and 2020, is as follows:

	2021	2020
Medicare	\$ 638,920	\$ 558,329
Medicaid	350,009	312,980
Other third-party payors	150,125	222,023
Managed care	670,914	498,108
Self-pay	<u>49,079</u>	<u>44,624</u>
Total	<u>\$ 1,859,047</u>	<u>\$ 1,636,064</u>

The composition of patient service revenue based on the type of service for the years ended September 30, 2021 and 2020, is as follows:

	2021	2020
Hospital—inpatient	\$ 815,075	\$ 751,055
Hospital—outpatient	697,849	587,536
Physician services	279,249	230,562
Home health and hospice	52,247	53,464
Other	<u>14,627</u>	<u>13,447</u>
Total	<u>\$ 1,859,047</u>	<u>\$ 1,636,064</u>

The System receives a significant portion of its payments for services rendered to patients from a limited number of government and commercial third-party payors, including Medicare, Medicaid, and various managed care organizations. A significant portion of the accounts receivable from managed care organizations is derived from three Massachusetts companies. Although the System's management expects amounts recorded as net accounts receivable as of September 30, 2021 and 2020, to be collectible, this concentration of credit risk is expected to continue in the near term.

The System grants credit to patients, most of whom are local residents. The System generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, managed care organizations, and commercial insurance policies). Net patient accounts receivable as of September 30, 2021 and 2020, consisted of the following:

	2021	2020
Medicare	\$ 49,045	\$ 43,327
Medicaid	27,918	23,908
Other third-party payors	17,093	20,375
Managed care	128,218	88,660
Self-pay	<u>10,068</u>	<u>8,409</u>
Total	<u>\$ 232,342</u>	<u>\$ 184,679</u>

Financing Component—The System has elected the practical expedient allowed under ASC 606 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the System’s expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will generally be one year or less. However, the System does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Contract Costs—The System has elected the practical expedient provided by ASC 340 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the System otherwise would have recognized is one year or less in duration.

Accountable Care Organizations—In 2017, the System formed WCP LLC, who partnered with an unaffiliated third-party payor to create the Wellforce Care Plan (WCP ACO), an ACO serving Medicaid members in eastern Massachusetts. An ACO is a group of providers willing and capable of accepting accountability for the cost and quality of care for a defined population. In August 2017, the third-party payor and WCP LLC executed agreements to participate in a major restructuring of the MassHealth Medicaid program through WCP ACO. Under this arrangement, WCP ACO contracts with NEQCA and The Lowell General Hospital as well as an unrelated entity to provide health care services and care coordination for enrolled members effective March 1, 2018 through December 31, 2022. The System is subject to certain risk-sharing provisions under this agreement that will be calculated annually. As of September 30, 2021 and 2020, the System did not record any estimated risk-sharing settlement balances in the accompanying consolidated balance sheets.

WCP ACO also receives Delivery System Reform Incentive Payments (DSRIP) from the Commonwealth of Massachusetts to support infrastructure creation. DSRIP funds are disbursed to the System as ACO infrastructure initiatives and transformation activities are incurred. For the years ended September 30, 2021 and 2020 the System has recognized approximately \$3,661 and \$6,233, respectively, of DSRIP funding in other operating revenue in the accompanying consolidated statements of operations. Under certain termination provisions, the System may be required to repay some or all of the DSRIP funding received.

Effective January 1, 2018, through NEQCA ACO, certain System providers participate in the Medicare Next Generation ACO model. Under this arrangement, NEQCA ACO contracts with certain employed providers as well as unrelated entities to provide health care services and care coordination to Medicare members. Through its contract with NEQCA ACO, the System is subject to certain risk-sharing provisions under this agreement that will be calculated annually. As of September 30, 2021 and 2020, the System has accrued \$3,800 and \$11,760 in estimated third-party payor settlements—current in the accompanying consolidated balance sheets, respectively, related to this contract.

5. OTHER RECEIVABLES

Other receivables as of September 30, 2021 and 2020, consisted of the following:

	2021	2020
Grants and other sponsored activities	\$ 15,554	\$ 11,493
Contracted services	34,117	29,943
Retail pharmacy	11,569	8,591
Other receivables	<u>59,458</u>	<u>22,821</u>
Total	<u>\$ 120,698</u>	<u>\$ 72,848</u>

6. PLEDGES RECEIVABLE

Pledges receivable include donor contributions that are not expected to be collected within one year. These amounts were reported at their present values and discounted at 1.0%–3.0% as of September 30, 2021 and 2020. Pledges receivable as of September 30, 2021 and 2020, were as follows:

	2021	2020
Due in less than one year	\$ 1,261	\$ 1,891
Due thereafter	777	739
Present value discount	<u>(12)</u>	<u>(86)</u>
Total	<u>\$ 2,026</u>	<u>\$ 2,544</u>

Pledges due within one year are reported in current assets limited as to use in the accompanying consolidated balance sheets. Amounts due thereafter are reported in assets limited as to use-noncurrent portion.

7. AVAILABILITY AND LIQUIDITY

The following financial assets are not subject to donor or other contractual restrictions and are available for expenditure generally within one year of the balance sheet date.

As described in Note 13, the System has general purpose lines of credit of \$50,000.

Additionally, during April 2020, the System requested and received \$212,977 of cash advances from accelerated Medicare payment requests under the CARES Act. The balance of the advance payments totaled \$162,606 and \$212,977 at September 30, 2021 and September 30, 2020, respectively, and is recorded in contract liabilities and other long term liabilities in the accompanying consolidated balance sheets.

Lastly, the CARES Act provides for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due no later than December 31, 2021 and the remaining 50% due no later than December 31, 2022. The Company began deferring the employer portion of social security taxes in April 2020, with \$30,956 and \$19,842 recorded in accounts payable and accrued liabilities and other long-term liabilities in the accompanying consolidated balance sheet as of September 30, 2021 and September 30, 2020, respectively.

The System monitors liquidity position through days cash on hand, which is defined as total unrestricted cash and investments without donor or contractual restrictions, divided by total operating expenses minus depreciation and amortization, divided by the number of days in the period.

The following represents the System's liquidity position at September 30, 2021 and 2020:

Cash and cash equivalents	\$ 158,703	\$ 172,470
Short-term investments	126,282	267,717
Investments	<u>926,538</u>	<u>783,604</u>
Total unrestricted cash and investments	<u>\$ 1,211,523</u>	<u>\$ 1,223,791</u>
Days cash on hand	<u>200.0</u>	<u>214.3</u>

For the year ended September 30, 2021, days cash on hand decreased 14.3 days related to the repayment of Medicare cash advances.

The System has other assets limited or restricted as to use for donor-restricted purposes, debt service and for future capital improvements. These assets limited to use are not available for general expenditure within the next year.

8. INVESTMENTS AND ASSETS LIMITED AS TO USE

Investments and assets limited as to use as of September 30, 2021 and 2020, consisted of the following:

	2021	2020
Cash and cash equivalents	\$ 433,010	\$ 591,712
Certificates of deposit	6,005	8,002
Equities	27,596	22,192
US government and agency obligations	167,213	65,221
Corporate debt securities and other fixed income	63,954	55,488
Mutual funds	277,332	381,967
Exchange traded funds	73,680	58,827
Hedge funds	98,138	91,611
Investment trusts	24,160	26,971
Limited partnerships	146,618	103,061
Limited liability companies	113,899	74,486
Beneficial interest in perpetual trusts	<u>14,975</u>	<u>12,679</u>
	<u>1,446,580</u>	<u>1,492,217</u>
Pledges and other	<u>2,026</u>	<u>2,557</u>
	<u>\$ 1,448,606</u>	<u>\$ 1,494,774</u>

Unrealized Gains and Losses—The gross unrealized losses and fair value of the System's available for sale securities with unrealized losses not deemed to be other-than-temporarily impaired as of September 30, 2021 and 2020, were not material.

The unrealized losses on the System’s investments in US treasury obligations, direct obligations of US government agencies, and corporate bonds were caused by interest rate increases. The contractual terms of these investments do not permit issuers to settle the securities at prices that are less than the amortized costs of the investments. Because the System does not intend to sell these investments, does not expect to be required to sell these investments before a recovery of their amortized cost basis, and does not believe there has been a credit loss, the System did not consider these investments to be other-than-temporarily impaired as of September 30, 2020.

The System’s remaining unrealized losses on its investments consisted of unrealized losses in diversified mutual funds and equities. The System has evaluated the near-term prospects of the investments in relation to the severity and duration of the impairments and recent market trends. Based on that evaluation and the System’s ability and intent to hold these investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the System did not consider these investments to be other-than-temporarily impaired as of September 30, 2020. Subsequent to the adoption of ASU 2016-01 (see Note 2), equity securities are recorded at fair value and no longer require evaluation for other-than-temporary impairment as of October 1, 2019.

9. PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2021 and 2020, consisted of the following:

	2021	2020
Land and land improvements	\$ 36,511	\$ 36,503
Buildings and building improvements	848,456	823,137
Major movable and fixed equipment	574,446	552,227
Leasehold improvements	52,853	51,686
Equipment under finance leases	27,151	27,070
Capitalized software	<u>115,393</u>	<u>96,538</u>
 Total property and equipment	 1,654,810	 1,587,161
 Less accumulated depreciation and amortization	 (1,164,254)	 (1,100,773)
Construction and projects in progress	<u>120,093</u>	<u>49,091</u>
 Property and equipment—net	 <u>\$ 610,649</u>	 <u>\$ 535,479</u>

Commitments for costs related to construction and projects in progress approximated \$210,229 and \$69,060 as of September 30, 2021 and 2020, respectively. The increase in construction and projects in process is related to the System’s ongoing implementation of EPIC to replace their existing electronic health records system.

Depreciation expense for the years ended September 30, 2021 and 2020, was \$65,891 and \$62,874, respectively.

10. INTANGIBLE ASSETS

Intangible assets as of September 30, 2021, consisted of the following:

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Agency relationships	\$ 2,160	\$ (1,296)	\$ 864
Licenses and certificates	1,980	(594)	1,386
Trade name	<u>3,531</u>	<u> </u>	<u>3,531</u>
	<u>\$ 7,671</u>	<u>\$ (1,890)</u>	<u>\$ 5,781</u>

Intangible assets as of September 30, 2020, consisted of the following:

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Agency relationships	\$ 2,160	\$ (864)	\$ 1,296
Licenses and certificates	1,980	(396)	1,584
Trade name	<u>3,531</u>	<u> </u>	<u>3,531</u>
	<u>\$ 7,671</u>	<u>\$ (1,260)</u>	<u>\$ 6,411</u>

Amortization expense was \$630 and \$630 for the years ended September 30, 2021 and 2020, respectively.

The System estimates that it will record amortization expense related to these intangible assets for each of the next five years as follows:

2022	\$ 630
2023	630
2024	198
2025	198
2026	198
2027 and thereafter	<u>396</u>
	<u>\$ 2,250</u>

11. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

The System's investments in unconsolidated affiliates totaled \$38,882 and \$21,053 as of September 30, 2021 and 2020, respectively, and are reported as investments in unconsolidated affiliates in the accompanying consolidated balance sheets. The following investments are recorded as investments in unconsolidated affiliates:

	<u>Ownership Percentage</u>	
	2021	2020
Chelmsford Surgical Center, LLC	66.0 %	N/A
Shields-Tufts Medical Center Imaging Management, LLC	65.0	65.0
Montvale PET/CT, LLC	50.0	50.0
Hallmark Health PHO (PHO)	50.0	50.0
Shields Imaging of Lowell General Hospital	50.0	50.0
Medford Surgery Center, LLC	45.0	45.0
Copley Health Care Partnership	33.3	33.3
Courtyard Nursing Care Center Partnership	33.3	33.3
NE Pet of Greater Lowell Management	30.0	30.0
Shields Imaging II of Lowell General Hospital	30.0	30.0
Yankee Alliance Supply Chain	21.0	20.1
Boston Image Reading Center, LLC	29.0	29.3
PROP, LLC	25.0	24.5
W. Suburban Eye Surgery Center	20.0	20.4
Yankee Alliance LLC	20.0	16.7
Medford Lawrence Real Estate, LLC	10.0	10.0
New England Life Care	1.1	1.1

Summary information on the System's investments in unconsolidated affiliates as of September 30, 2021 and 2020, consists of the following:

	2021	2020
Total assets	\$ 302,670	\$ 244,161
Long-term debt	36,404	25,714
Total net assets	165,694	87,370
Share of net assets	38,882	21,053
Share of earnings	17,217	9,701

The System's share of earnings in its unconsolidated affiliates totaled approximately \$17,217 and \$9,701, respectively, for the years ended September 30, 2021 and 2020. The System's share of its earnings in its unconsolidated affiliates is reported as other operating revenue in the accompanying consolidated statements of operations. Distributions from the above unconsolidated affiliates to the System totaled \$6,382 and \$6,764, respectively, for the years ended September 30, 2021 and 2020.

In September 2021, The Lowell General Hospital sold the Drum Hill surgical center in connection with the formation of a new joint venture, Chelmsford Surgery Center, LLC. The surgical center was sold for a purchase price of \$10,000. With the sale, the System received a \$6,600 investment in the joint venture and will receive \$3,400 in cash, which is recorded within other receivables—net in the consolidated balance sheet as of September 30, 2021. The System recorded a gain on sale of the surgical center of \$9,850 for the year ended September 30, 2021 which is recorded within nonoperating revenue and expenses in the consolidated statement of operations.

12. PENSION AND OTHER BENEFIT PLANS

Deferred Compensation—The System has nonqualified deferred compensation plans that permit eligible employees to defer a portion of their compensation. The deferred amounts are distributable in cash after retirement or termination of employment. As of September 30, 2021 and 2020, the assets and liabilities under these plans totaled \$12,489 and \$11,529, respectively, which are included in assets limited as to use and other long-term liabilities in the consolidated balance sheets.

Defined Contribution Plans—The System sponsors defined contribution plans covering substantially all of its employees. These programs are funded by voluntary employee contributions, subject to legal limitations. Employer contributions to these plans include nonelective contributions as a percentage of eligible compensation and varying levels of matching contributions based on employee service. The employees direct their voluntary contributions and employer contributions among a variety of investment options. Contribution expense under the defined contribution plans totaled \$26,938 and \$18,223, respectively, for the years ended September 30, 2021 and 2020.

Noncontributory Defined Benefit Pension Plans—The System maintains qualified, noncontributory defined benefit pension plans (“Pension Plans”) under which benefit accruals are frozen for the majority of employees. Certain nonqualified, supplemental plan arrangements also provide retirement benefits to specified groups of participants.

The Pension Plans and the defined contribution plans are subject to the provisions of the Employee Retirement Income Security Act of 1974.

In September 2021, the Pension Plans purchased group annuity contracts for 940 retirees for \$37,479. The group annuity contract purchase is reflected as a settlement in the change in benefit obligation and change in plan assets.

The funded status of the Pension Plans as of September 30, 2021 and 2020, based on September 30, 2021 and 2020 asset values, as well as the amounts recognized in the accompanying consolidated balance sheets as of September 30, 2021 and 2020, was as follows:

	2021	2020
Change in benefit obligation:		
Benefit obligation—beginning of period	\$ 450,793	\$ 441,799
Transfers in	1,189	1,540
Settlements	(40,237)	
Interest cost	8,927	12,181
Benefits paid	(18,226)	(19,630)
Actuarial loss	<u>(21,032)</u>	<u>14,903</u>
Benefit obligation—end of period	<u>381,414</u>	<u>450,793</u>
Change in plan assets:		
Fair value of plan assets—beginning of period	319,827	308,538
Actual return on plan assets	46,973	22,384
Transfers in	1,189	1,540
Settlements	(40,237)	
Benefits paid	(18,226)	(19,630)
Employer contributions	<u>20,673</u>	<u>6,995</u>
Fair value of plan assets—end of period	<u>330,199</u>	<u>319,827</u>
Accrued pension liability	<u>\$ (51,215)</u>	<u>\$ (130,966)</u>
Accumulated benefit obligation	<u>\$ 381,414</u>	<u>\$ 450,793</u>

Tufts MC also maintains a smaller pension plan for former employees. The accrued pension liability for the plan was \$49 and \$510 as of September 30, 2021 and 2020, respectively.

Net assets without donor restrictions as of September 30, 2021 and 2020, include unrecognized actuarial losses of \$85,830 and \$154,359, respectively. Approximately \$2,521 of the unrecognized loss as of September 30, 2021, is expected to be recognized in net periodic pension costs in 2022.

Components of the Pension Plans' net periodic pension cost for the years ended September 30, 2021 and 2020, were as follows:

	2021	2020
Interest cost on projected benefit obligation	\$ 8,927	\$ 12,181
Expected return on plan assets	(16,170)	(17,126)
Settlement	10,420	
Amortization of net loss	<u>5,467</u>	<u>5,091</u>
Net periodic pension cost	<u>\$ 8,644</u>	<u>\$ 146</u>

The assumptions used to measure the projected benefit obligation and net periodic pension cost for the years ended September 30, 2021 and 2020, were as follows:

	2021	2020
Weighted-average assumptions to determine benefit obligations:		
Discount rate	2.30-2.83%	2.49–2.82%
Rate of compensation increase	n/a	n/a
Assumptions to determine net cost:		
Discount rate	2.08-2.82%	2.64–3.19%
Rate of compensation increase	n/a	n/a
Expected return on plan assets	2.30-5.80%	5.35–6.75%

Mortality Assumptions—The Pension Plans’ projected benefit obligation and net period pension cost used the PRI-2012, and MP-2020 as the mortality improvement scale for the year ended September 30, 2021, and used the PRI-2012, and MP-2019 and a rate of 0.75% as the mortality improvement scale for the year ended September 30, 2020.

The Pension Plans’ asset allocations as of September 30, 2021 and 2020, were as follows:

Asset Class	Target Range Allocation	Percentage of Plan Assets	
		2021	2020
Domestic equity	0–27%	16.1 %	14.1 %
International equity	0-20	7.9	12.5
Emerging markets equity	0-10	4.6	
Global asset allocation	0-20	5.5	3.4
Fixed income	20-95	38.2	35.6
Absolute return and hedge funds	0-20	18.1	17.0
Other	0–10	1.2	10.1
Real assets	0–10	0.0	4.0
Cash and cash equivalents	0–10	8.4	3.3
Total		<u>100 %</u>	<u>100.0 %</u>

The investment policy and strategy, as established by the System’s finance committee, is to provide for capital growth with a moderate level of volatility by investing assets based on the target allocations stated above. The System plans to reallocate its investments periodically to meet these target allocations. The System also plans to review its investment policy periodically to determine if the policy should be changed.

The expected long-term rate of return for the Pension Plans’ total assets is based on the expected return of each of the above categories, weighted based on the median of the target allocation for each class. Equity securities are expected to return between 7% and 10% over the long term, while cash and fixed income are expected to return between 2% and 5%, and alternative investments are expected to return between 4% and 10%.

The System expects to make contributions of \$6,422 for fiscal year ending September 30, 2022.

Estimated future benefit payments reflecting expected future service for the fiscal years ending September 30:

2022	\$ 57,725
2023	21,987
2024	21,863
2025	22,126
2026	22,511
2027–2031	109,062

13. DEBT

Long-term debt as of September 30, 2021 and 2020, consisted of the following:

Bond	Maturity Date	Rate	2021	2020
MDFA Series A Bonds (Wellforce Obligated Group)	Due 2020-2044	4.00–5.00 %	\$336,149	\$ 342,485
MDFA Series B Bonds (Wellforce Obligated Group)	Due 2020-2041	3.52–4.84	75,490	78,300
MDFA Series C Bonds (Wellforce Obligated Group)	Due 2021–2046	3.00–5.00	181,020	181,020
MDFA Series D Bonds (Wellforce Obligated Group)	Due 2045–2046	3.52	53,315	53,315
Series 2013—10 year note (Tufts MC)	Due 2013–2023	5.37	4,640	6,781
Series 2013—15 year note (Tufts MC)	Due 2013–2028	6.32	14,398	14,398
Series 2013—25 year note (Tufts MC)	Due 2013–2038	7	60,000	60,000
MDFA Series G Bonds (Circle Health)	Due 2029–2044	5	61,005	61,005
MDFA Series 2015 A Bonds (MelroseWakefield)	Due 2015–2025	2.99	24,296	25,704
MDFA capital equipment financing (MelroseWakefield)	Through 2023	1.82–2.13	920	1,516
MDFA Series A Bonds (MelroseWakefield)	Through 2026	3.25	<u>14,681</u>	<u>15,033</u>
			825,914	839,557
Notes payable			<u>11,481</u>	<u>11,947</u>
			837,395	851,504
Unaccreted premium			44,908	47,780
Unamortized discount			(578)	(614)
Less deferred financing costs			<u>(16,119)</u>	<u>(17,157)</u>
Total long-term debt			865,606	881,513
Less current portion			<u>18,891</u>	<u>14,818</u>
Long-term debt—net			<u>\$846,715</u>	<u>\$ 866,695</u>

Principal Payments and Sinking Fund Requirements—The System’s aggregate principal payments and sinking fund requirements on long-term debt for the next five years and thereafter are as follows:

**Years Ending
September 30**

2022	\$ 18,234
2023	18,777
2024	19,305
2025	38,461
2026	19,850
Thereafter	<u>722,768</u>
 Total	 <u>\$ 837,395</u>

Obligated Groups—In February 2019, the obligated groups of Circle Health, MelroseWakefield, and Tufts MC were combined to create the Wellforce Obligated Group (“WOG”) comprised of The Lowell General Hospital, MelroseWakefield Healthcare, Inc., Tufts Medical Center, Inc., and Home Health Foundation Inc. Prior to February 2019, the obligated group of Circle Health was The Lowell General Hospital, the obligated group for MelroseWakefield was MelroseWakefield Healthcare, Inc., and the obligated group of Tufts MC was Tufts Medical Center, Inc. and Real Estate. The WOG, through a legal cross obligation process, assumed all rights and obligations of the predecessor obligated groups.

Loan Covenants—Under the terms of certain debt agreements, the WOG and the System are required to meet certain covenant requirements. In addition, the agreements provide for restrictions on, among other things, additional indebtedness and dispositions of property, as well as require that the System satisfy certain measures of financial performance and comply with certain other covenants.

On July 16, 2020, the WOG paid \$48,534 of the Circle Series C Bonds, \$4,555 of the Circle notes payable and \$6,000 of the Circle line of credit. The paid bonds, notes payable, and line of credit were refinanced under the issuance of the Wellforce Series C and Series D Bonds. The refinancing resulted in loss on extinguishment of \$867 for the year ended September 30, 2020, including the write-off of \$453 of debt issuance costs, and \$414 of bond discount previously being amortized over the bond term.

Massachusetts Development Finance Agency (“MDFA”) Series A and Series B Bonds (Obligated Group)—In 2019, the Obligated Group issued a tax exempt bond offering for \$349 million named “MDFA Revenue Bonds—Wellforce Issue Series A” (“the Series A Bonds”), and a taxable bond offering for \$81 million named “MDFA Revenue Bonds—Wellforce Issue Series B” (“the Series B Bonds”). The Series A Bonds and Series B Bonds are payable under a Bond Indenture dated February 1, 2019 between the Obligated Group and US Bank, N.A. acting as bond trustee.

MDFA Series C and Series D (Obligated Group)—In 2020, the Obligated Group issued a tax exempt bond offering for \$201 million named “MDFA Revenue Bonds—Wellforce Issue Series C” (“the Series C Bonds”), and a taxable bond offering for \$53 million named “MDFA Revenue Bonds—Wellforce Issue Series D” (“the Series D Bonds”).

Series 2013 10/15/25 Year Bonds (Tufts MC)—In 2013, the Tufts MC Obligated Group issued a taxable bond offering for \$100 million named the “Tufts Medical Center Taxable Bond, Series 2013” (the “Series 2013 Bonds”). The Series 2013 Bonds are payable under a bond indenture dated August 1, 2013, between the Tufts MC Obligated Group and US Bank, N.A. acting as bond trustee. The Series 2013 Bonds were secured by Obligation No. 3 issued under the Master Trust Indenture and Mortgage and Security Agreement dated April 1, 2011.

M DFA Series G Bond (Circle Health)—In 2013, The Lowell General Hospital entered into an agreement with MDFA to issue MDFA Revenue Bonds, Lowell General Hospital Issue, Series G (2013) (“Series G Bonds”) in the amount of \$61 million. The proceeds from the Series G Bonds were used for new capital projects and equipment costs, as well as to refund outstanding Series D Bonds and terminate the interest rate swap agreement entered into in conjunction with the issuance of the Series D Bonds in 2012.

M DFA Series 2015 A Bonds (MelroseWakefield)—MelroseWakefield Healthcare, Inc. in connection with MDFA, issued tax-exempt fixed rate revenue bonds in the amount of \$30 million (the “Series 2015 A Bonds”). Proceeds from the Series 2015 A Bonds were used to purchase capital equipment. The Series 2015 A Bonds were purchased by one commercial lender. The Series 2015 A Bonds bear interest of 2.99% through June 1, 2025.

M DFA Series 2016 A Bonds (MelroseWakefield)—HHP, in connection with MDFA, issued tax-exempt fixed-rate revenue bonds in the amount of \$15.7 million (the “Series 2016 A Bonds”). Proceeds from the Series 2016 A Bonds are to be used to build a medical office building. The Series 2016 A Bonds were purchased by one commercial lender. The Series 2016 A Bonds bear interest of 3.25% through November 21, 2026.

M DFA Capital Equipment Financing (MelroseWakefield)—MelroseWakefield has entered into a borrowing arrangement for capital equipment financing. Such borrowings are collateralized by the related equipment. The proceeds from these borrowings were held by trustees for the purchase of certain capital equipment and were included in assets held by trustee under bond indenture agreements in the accompanying consolidated balance sheets.

Notes Payable—In 2011, LGH Medical Building entered into a 16-year \$15.4 million construction note payable with a bank, the proceeds of which were to be used for the construction of a medical office building and to refinance an existing commercial banking obligation. The note bore interest at 4.99% per annum for the initial five years and thereafter was adjusted to 2.5% per annum over the daily high Federal Home Loan Bank Boston Classic Advance five-year rate (4.73% at September 30, 2021). Installments of principal and interest are payable monthly. The amount outstanding under the note payable was \$11,481 and \$11,947 at September 30, 2021 and 2020, respectively. The Lowell General Hospital has guaranteed \$6 million of the note, and the remaining balance is secured by the real estate assets owned by LGH Medical Building.

Lines of Credit—The Lowell General Hospital maintained four lines of credit agreements with total availability of \$5.2 million as of September 30, 2021.

The Lowell General Hospital’s first line of credit is a \$2 million revolving line of credit with a bank that provides for borrowings at the prime rate, as published by The Wall Street Journal. The rate as of September 30, 2021 is 3.25%. The balance outstanding on the line of credit totaled \$0 and \$155 as of September 30, 2021 and 2020, respectively. The line of credit is unsecured and is payable on demand. The line of credit remain in effect until the parties agree, in writing, to terminate the agreements.

The LGH Medical Building has a \$3.2 million nonrevolving line of credit to finance the tenant fit-out of a medical office building. The balance is payable on demand. The line of credit bears interest that is adjusted every five years to the daily high Federal Home Loan Bank Boston Classic Advance five-year rate (1.41% September 30, 2021). The line of credit expires in July 2024. The balance outstanding on the line of credit totaled \$759 and \$1,007 at September 30, 2021 and 2020, respectively. The line of credit is secured by The Lowell General Hospital’s unrestricted investments and is guaranteed by The Lowell General Hospital.

Wellforce Obligated Group maintains a line of credit of \$50 million, maturing on October 31, 2021. The unsecured lines of credit bear an interest rate at the London InterBank Offered Rate (LIBOR) plus 40 basis points, plus a quarterly nonusage fee of 0.10% per annum. The balance outstanding on the line of credit totaled \$11,000 and \$12,500 at September 30, 2021 and 2020, respectively.

Letter of Credit—NEQCA is the guarantor of a line of credit to the beneficiary of CMS Next Generation ACO Model. On December 18, 2020, a letter of credit was issued by JP Morgan in the amount of \$6,888, which expired on September 30, 2021.

Collateral—The Tufts MC Obligated group has pledged its gross receipts and a mortgage on certain property as collateral under the MDFA bond issues. The Tufts MC obligated group is jointly and severally liable for repayment of the MDFA revenue bonds. The loan agreements require that the Tufts MC obligated group maintain certain debt service funds and debt service reserve funds, which amounted to \$3,033 and \$2,974 at September 30, 2021 and 2020, respectively. Such amounts are included in assets limited as to use in the accompanying consolidated balance sheets.

The Circle Health Series G Bonds are collateralized by a pledge of The Lowell General Hospital’s gross receipts and certain properties owned by The Lowell General Hospital.

Under the master trust indentures of MelroseWakefield, the trustee has been granted a lien on all gross receipts, as defined, as security for the bonds.

14. NET ASSETS

Net Assets with Donor Restrictions—Net assets with donor restrictions include accumulated net gains on restricted net assets that are available for appropriation by the board of trustees (the “Board of Trustees”) in accordance with state law. Net assets with donor restrictions were as follows for the years ended September 30, 2021 and 2020:

	2021	2020
Charity care	\$ 1,194	\$ 1,013
Research and general activities	13,945	13,102
Purchase of capital equipment	1,135	1,304
Accumulated net gains on investments	3,184	1,801
Beneficial interest in perpetual trusts	14,975	12,679
Permanent restrictions	<u>15,808</u>	<u>15,369</u>
Total	<u>\$ 50,241</u>	<u>\$ 45,268</u>

Endowment Funds—The System’s endowment funds are established for a variety of purposes and include donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law—The System has interpreted state law as requiring realized and unrealized gains of net assets with donor restrictions to be retained in a net assets with donor restrictions classification until appropriated by the Board of Trustees and expended. State law allows the Board of Trustees to appropriate so much of the net appreciation of assets with donor restrictions as is prudent considering the System’s long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic

conditions. During the years ended September 30, 2021 and 2020, the Board of Trustees appropriated \$736 and \$704, respectively, which has been included in net assets released from restrictions in the accompanying consolidated statements of operations and changes in net assets.

Endowment Net Asset Composition and Changes in Endowment Net Assets—A summary of the endowment net asset composition by type of fund as of September 30, 2021 and 2020, and the changes therein for the years ended September 30, 2021 and 2020, is as follows:

	Total
Endowment net assets—October 1, 2019	\$ 28,498
Investment return—net appreciation	1,569
Change in beneficial interest in perpetual trusts	394
Appropriation of assets for expenditure	(704)
Contributions	<u>92</u>
Endowment net assets—September 30, 2020	29,849
Investment return—net appreciation	2,165
Change in beneficial interest in perpetual trusts	2,296
Appropriation of assets for expenditure	(736)
Contributions	<u>394</u>
Endowment net assets—September 30, 2021	<u><u>\$ 33,968</u></u>

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that donors require the System to retain as funds of perpetual duration. There was no deficiency of this nature as of September 30, 2021 and 2020.

Investment Return Objectives and Spending Policy—The System has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by such endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the System must hold in perpetuity or for a donor-specified period. Under this policy, the endowment assets are invested in a manner to generate returns at least equal to and preferably more than the consumer price index. To satisfy its long-term rate-of-return objectives, the System targets a diversified asset allocation that places emphasis on equity-based investments within prudent risk constraints.

15. LEASES

The following table presents the components of right of use assets and liabilities related to leases and their classification in the consolidated balance sheets at September 30, 2021 and 2020:

Classification in Consolidated Balance Sheet		2021	2020
Assets:			
Operating leases assets	Right of use assets	\$ 127,241	\$ 142,654
Finance lease assets	Property and equipment—net	27,151	27,070
Liabilities:			
Current:			
Operating lease liabilities	Current portion of lease liability	24,020	24,570
Finance lease liabilities	Current portion of finance lease obligation	6,363	3,650
Non-current:			
Operating lease liabilities	Lease liability—net of current portion	118,450	134,313
Finance lease liabilities	Finance lease obligations—net of current portion	4,438	6,110

The following table presents the components of lease expense and their classification in the consolidated statements of operations for the years ended September 30, 2021 and 2020:

Classification in Consolidated Statement of Operations		2021	2020
Operating lease expense	Supplies and other	\$ 25,797	25,426
Finance lease expense:			
Amortization of leased assets	Depreciation and amortization	2,462	3,113
Interest on lease liabilities	Interest expense	<u>84</u>	<u>197</u>
Total finance lease expense		2,546	3,310
Variable and short-term lease expense	Supplies and other	9,442	10,557
Sublease income	Other operating revenue	<u>(1,261)</u>	<u>(1,242)</u>
Total lease expense		<u>\$ 36,524</u>	<u>\$ 38,051</u>

The weighted average lease terms and discount rates for operating and finance leases are as follows:

Weighted-Average Remaining Lease Term (Years)	2021	2020
Operating leases	6.53 yrs	7.19 yrs
Finance leases	2.71 yrs	4.39 yrs
Weighted-Average Discount Rate		
Operating leases	1.5 %	1.5 %
Finance leases	0.5 %	1.6 %

Future minimum lease payments under the terms of these noncancelable operating lease agreements as of September 30, 2021 are as follows:

Years Ending September 30

2022	\$ 26,184
2023	24,957
2024	22,901
2025	21,926
2026	20,981
Thereafter	<u>32,744</u>
 Total lease payments	 149,693
 Less: amount representing interest	 <u>(7,223)</u>
 Total lease liability	 142,470
 Current portion	 <u>24,020</u>
 Long-term portion of lease liability	 <u>\$ 118,450</u>

Future minimum payments under finance lease agreements as of September 30, 2021 are as follows:

Years Ending September 30

2022	\$ 6,436
2023	1,044
2024	959
2025	685
2026	615
Thereafter	<u>1,100</u>
 Total lease payments	 10,839
 Less: amount representing interest	 <u>(38)</u>
 Total minimum finance lease payments	 10,801
 Current portion	 <u>6,363</u>
 Long term portion of finance lease obligations	 <u>\$ 4,438</u>

Future minimum sublease income under the terms of these noncancelable operating lease agreements as of September 30, 2021 are as follows:

Years Ending September 30

2022	\$ 932
2023	777
2024	667
2025	678
2026	491
Thereafter	<u>7,418</u>
 Total sublease income	 <u>\$ 10,963</u>

Total rental expense incurred under operating leases for the years ended September 30, 2021 and 2020 was \$35,239 and \$35,983, respectively, and is included in supplies and other expenses in the accompanying consolidated statements of operations.

16. SELF-INSURED RESERVES, COMMITMENTS, AND OTHER CONTINGENCIES

Workers' Compensation Insurance—The System is self-insured for workers' compensation and, with the assistance of an actuary, has estimated the cost of incidents incurred but not yet reported. The System has recorded total liabilities related to workers compensation of \$11,562 and \$9,755 as of September 30, 2021 and 2020, respectively, which is included in self-insurance reserves in the accompanying consolidated balance sheets. The System has reinsurance receivables related to these outstanding liabilities of \$4,608 and \$4,544, which are recorded in other receivables as of September 30, 2021 and 2020, respectively, in the accompanying consolidated balance sheets.

The System maintains a surety bond in connection with its workers' compensation program. As of September 30, 2021 and 2020, the surety bond was in the amount of \$7,830 and \$5,340, respectively.

Employee Health Insurance—Tufts MC, MelroseWakefield, and Circle Health established a self-insurance plan to provide medical benefits to their employees and their dependents. Each of these Wellforce entities are responsible for the administration of their plans and for paying eligible claims. In addition, the Wellforce organization purchased stop loss coverage to limit the exposure for each of these entities for the term January 1, 2018 through December 31, 2018 and January 1, 2020 through January 1, 2022. The stop loss deductible for each of these entities is as follows: Tufts MC—\$350 per insured member per year; MelroseWakefield—\$250 per insured member per year and Circle Health—\$400 per insured member per year. Home Health Foundation was fully insured during this period.

As of September 30, 2021 and 2020, the System has recorded a liability of approximately \$5,467 and \$5,746, respectively, to provide for claims made and claims incurred but not reported. The liability is included in self-insurance reserves in the accompanying consolidated balance sheets.

Professional and General Liability—The System records an estimated liability for asserted and unasserted claims and for claims incurred but not yet reported based on consideration of its prior experience, the advice of legal counsel, valuations of such estimates prepared by consulting actuaries, and other factors. The System also records a liability for excess loss insurance coverage for NEQCA, a portion of which is reinsured. A liability for such claims of \$92,172 and \$91,787 has been recorded in self-insurance reserves and other long-term liabilities in the accompanying consolidated balance sheets as of September 30, 2021 and 2020, respectively.

Reinsurance recoverables are based on actuarial reports prepared by independent consulting actuaries. As of September 30, 2021 and 2020, reinsurance recoverables of \$8,138 and \$7,025, respectively, were recorded as other assets in the accompanying consolidated balance sheets. There were no specifically identified claims subject to reinsurance recoverables as of September 30, 2021 and 2020 or deducted from losses incurred and paid during the years ended September 30, 2021 and 2020.

Collective Bargaining Agreement—the System is subject to two collective bargaining agreements. The first agreement, which covers approximately 1,200 registered nurses, was amended and ratified as of October 1, 2021 and will be in place until September 30, 2023. The second agreement, which covers approximately 300 technical staff at MelroseWakefield Hospital, was amended and ratified as of November 18, 2020 and will be in place until July 31, 2022.

Contingencies—The System and its consolidated subsidiaries are parties in various legal proceedings and potential claims arising in the ordinary course of its business, including a number of pending actions seeking damages for alleged medical malpractice. In addition, the health care industry as a whole is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those related to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue for patient services. Management believes that the System individually and collectively is in compliance with laws and regulations and does not believe that these matters will have a material adverse effect on the System's consolidated financial statements. Both the CARES Act and the PPPHCE Act terms and conditions require attestation to accept the related funding. In addition, requirements to earn the funds are numerous and guidance as to the requirements have been continually updated, and continue to be updated, by the Department of Health and Human Services. Laws and regulations concerning government programs, including Medicare, Medicaid, CARES Act and PPPHCE Act, are subject to varying interpretation. Compliance with such laws and regulations is complex and can be subject to future government review and interpretation as well as significant regulatory enforcement actions, including fines, penalties and potential exclusion from government health care programs such as Medicare and Medicaid. Amounts recorded in the consolidated financial statements are estimates based on the best available information and future changes to the requirements could have a material impact on the amounts recorded.

Commitments—In July 2012 (as amended in July 2015 and July 2018), the System entered into an agreement under which a vendor will provide information technology support to the System over a period of 10 years. The July 2018 amendment extended the term an additional 6 years, ending in June 2028. In addition to system support and maintenance, the agreement provides for the continuous upgrade of software and equipment that is being capitalized and depreciated over the contract term. The title to the software and equipment transfers to the System at the end of the contract term. In July 2021, the System entered into an amendment, terminating information technology support on December 31, 2022. In connection with this agreement, the System recorded \$12,500 of fees, which is included in supplies and other expenses in the accompanying consolidated statement of operations for the year ended September 30, 2021.

As a result of differences in the timing of the delivery of the software and equipment and the related capital contract payments, the agreement contains an embedded financing arrangement. As of September 30, 2021 and 2020, \$35,122 and \$28,947, respectively, was capitalized in property and

equipment under this arrangement, and an obligation of \$2,603 and \$1,162, respectively, was recorded within other long-term liabilities in the accompanying consolidated balance sheets, representing the discounted value of the related capital payments to be made.

17. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the fair value hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the fair value hierarchy).

Investments for which fair values are measured using the NAV per share practical expedient are not categorized within the fair value hierarchy.

The System uses the following fair value hierarchy to present its fair value disclosures:

Level 1—Quoted (unadjusted) prices for identical assets or liabilities in active markets. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2—Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets in active markets
- Quoted prices for identical or similar assets in nonactive markets (i.e., few transactions, limited information, noncurrent prices, high variability over time)
- Inputs other than quoted prices that are observable for the asset (e.g., interest rates, yield curves, volatilities, default rates)
- Inputs derived principally from or corroborated by other observable market data

Level 3—Unobservable inputs that cannot be corroborated by observable market data.

Asset Valuation Techniques—Valuation technologies maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended September 30, 2021 and 2020.

The valuation of investments is reviewed quarterly by the Wellforce investment committees. The investment committee is appointed by the Wellforce board and are responsible for the administration and oversight of investment valuation policies and procedures. The fair values of investments are determined in accordance with the current fair value guidance described below.

Cash and Cash Equivalents—The carrying values of cash and cash equivalents investments approximate their fair values as maturities for these financial instruments are less than three months and/or include money market funds that are based on quoted prices and actively traded. Cash and cash equivalents are classified as Level 1.

Certificates of Deposit—The carrying values of certificates of deposit approximate their fair values as maturities for these financial instruments are less than one year, but are not traded on an active market. Certificates of deposit are classified as Level 2.

Equities—Equities are valued at the closing price reported on the applicable exchange on which the fund is traded, and are classified as Level 1.

US Government and Agency Obligations and Corporate Debt Securities and Other Fixed Income—The fair values of debt securities are estimated based on observable market prices for similar securities that are traded in less active markets. When observable market prices for identical securities are not available, marketable debt instruments are priced using nonbinding market consensus prices that are corroborated with observable market data; quoted market prices for similar instruments; or pricing models, such as a discounted cash flow model; with all significant inputs derived from or corroborated with observable market data. These securities are classified as Level 2.

Mutual Funds—The fair values of mutual funds are based on quoted market prices or NAV. Mutual funds that publish a daily NAV, transact at that price, and are actively traded are classified as Level 1. The System also holds private mutual funds that do not publish quoted market prices; these funds are valued using NAV as a practical expedient to determine fair value.

Exchange Traded Funds (ETFs)—Exchange traded funds are valued at the closing price reported on the applicable exchange on which the fund is traded, or estimated using quoted market prices using similar securities. These investments are classified as Level 1 and Level 2.

Investment Trusts, Limited Partnerships, Limited Liability Companies and Hedge Funds—The estimated fair values of investment trusts, limited partnerships and limited liability companies, and hedge funds for which no quoted market prices are readily available, are determined based upon information provided by the fund managers. Such information is generally based on the pro rata interest in the net assets of the underlying investments, as a practical expedient to approximate fair value.

Guaranteed Investment Contract—The System's investment contract is valued based on discounted cash flows using the current yields of similar instruments with comparable durations, therefore, classified as Level 2.

Beneficial Interest in Perpetual Trusts—The estimated fair values of the System's beneficial interests in perpetual trusts are determined based upon information provided by the trustees. Such information is generally based on the pro rata interest in the net assets of the underlying investments. The assets held in trust consist primarily of cash equivalents and marketable securities. The fair values of perpetual trusts are measured using the fair values of the assets contributed to the trusts. The measurement for a beneficial interest in a perpetual trust is categorized as a Level 3 fair value measurement because the System will never receive the trusts' assets.

The System's financial assets that are measured at fair value on a recurring basis as of September 30, 2021, are as follows:

	2021			
	Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	\$ 433,010	\$	\$	\$ 433,010
Certificates of deposit		6,005		6,005
Equities	27,596			27,596
U.S. government and agency obligations		167,213		167,213
Corporate debt securities and other fixed income		63,954		63,954
Mutual funds	193,242			193,242
Exchange traded funds	55,930	17,750		73,680
Beneficial interest in perpetual trusts			14,975	14,975
Total assets at fair value	<u>\$ 709,777</u>	<u>\$ 254,923</u>	<u>\$ 14,975</u>	<u>979,675</u>
Investments measured at NAV:				
Mutual funds				84,090
Investment trusts				24,160
Hedge funds				98,137
Limited liability companies				113,900
Limited partnerships				<u>146,618</u>
Total investments measured at NAV				<u>466,905</u>
Total investments				1,446,580
Pledges receivable and other (not at fair value)				<u>2,026</u>
Total				<u>\$ 1,448,606</u>

The System's financial assets that are measured at fair value on a recurring basis as of September 30, 2020, are as follows:

	2020			Total
	Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Cash and cash equivalents	\$591,712	\$ -	\$ -	\$ 591,712
Certificates of deposit		8,002		8,002
Equities	22,192			22,192
U.S. government and agency obligations		65,221		65,221
Corporate debt securities and other fixed income		55,488		55,488
Mutual funds	341,417			341,417
Exchange traded funds	42,275	16,552		58,827
Beneficial interest in perpetual trusts			12,679	12,679
Total assets at fair value	<u>\$997,596</u>	<u>\$145,263</u>	<u>\$12,679</u>	<u>1,155,538</u>
Investments measured at NAV:				
Mutual funds				40,550
Investment trusts				26,971
Hedge funds				91,611
Limited liability companies				74,486
Limited partnerships				<u>103,061</u>
Total investments measured at NAV				<u>336,679</u>
Total investments				1,492,217
Pledges receivable and other (not at fair value)				<u>2,557</u>
Total				<u>\$1,494,774</u>

The following table reconciles the information about the fair value of the System's financial instruments measure at fair value on a recurring basis presented in the table above to amounts presented in the consolidated balance sheets as of September 30, 2021 and 2020:

	2021	2020
Current assets:		
Investments	<u>\$ 126,282</u>	<u>\$ 267,717</u>
Current portion of assets limited as to use	<u>13,933</u>	<u>7,031</u>
Investments	<u>926,538</u>	<u>783,604</u>
Assets limited as to use—noncurrent portion:		
Held by trustees under bond indenture agreements	214,677	285,081
Deferred compensation and other	13,254	12,763
Funds held for self insurance reserves	104,134	94,253
Donor-restricted assets	<u>49,788</u>	<u>44,325</u>
Total assets limited as to use—noncurrent portion	<u>381,853</u>	<u>436,422</u>
Total	<u>\$ 1,448,606</u>	<u>\$ 1,494,774</u>

The following table summarizes the changes in level 3 assets for the years ended September 30, 2021 and 2020:

	Beneficial Interest in Perpetual Trusts
Balance—October 1, 2019	\$ 12,285
Change in fair value	<u>394</u>
Balance—September 30, 2020	12,679
Change in fair value	<u>2,296</u>
Balance—September 30, 2021	<u>\$ 14,975</u>

The System's policy is to recognize transfers between all levels as of the beginning of the reporting period. There were no significant transfers to or from levels 1 and 2 during the years ended September 30, 2021 and 2020.

A summary of the Pension Plans' assets measured at fair value as of September 30, 2021, is as follows:

	2021			
	Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	\$26,257	\$	\$	\$ 26,257
Guaranteed investment contract		1,878		1,878
Mutual funds	22,219	1,311		23,530
Exchange traded funds	<u>14,870</u>	<u> </u>	<u> </u>	<u>14,870</u>
Total assets at fair value	<u>\$63,346</u>	<u>\$3,189</u>	<u>\$ </u>	<u>66,535</u>
Investments measured at NAV:				
Mutual funds				30,767
Investment trusts				11,755
Limited partnerships				96,409
Limited liability companies				68,874
Hedge funds				<u>55,859</u>
Total investments measured at NAV				<u>263,664</u>
Total				<u>\$330,199</u>

A summary of the Pension Plans' assets measured at fair value as of September 30, 2020, is as follows:

	2020			Total
	Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Cash and cash equivalents	\$11,525	\$ -	\$ -	\$ 11,525
Guaranteed investment contract		2,005		2,005
Mutual funds	51,630	307		51,937
Exchange traded funds	<u>4,218</u>			<u>4,218</u>
Total assets at fair value	<u>\$67,373</u>	<u>\$2,312</u>	<u>\$ -</u>	<u>69,685</u>
Investments measured at NAV:				
Mutual funds				44,702
Fixed income				4,728
Investment trusts				12,759
Limited partnerships				83,351
Limited liability companies				63,578
Hedge funds				<u>41,024</u>
Total investments measured at NAV				<u>250,142</u>
Total				<u>\$319,827</u>

The following methods and assumptions were used by the System to estimate the fair values of its financial instruments that are not measured at fair value on a recurring basis:

Receivables and Payables—The carrying values of the System's current receivables and payables approximates their fair values, as maturities for these financial instruments are very short term.

18. INVESTMENTS IN ENTITIES THAT CALCULATE NET ASSET VALUE PER SHARE

A summary of the System's financial assets with reported NAVs as of September 30, 2021 and 2020, is as follows:

2021	Redemptions			
	Fair Value	Frequency	Restrictions	Notice Period
Mutual funds ⁽¹⁾	\$ 84,090	Daily	None	1–2 days
Investment trusts ⁽²⁾	24,160	Semi-Monthly	None	9–30 days
Hedge funds ⁽⁴⁾	98,137	Mthly/Qtrly/Annu.	(A)	5–95 days
Limited liability companies ⁽⁵⁾	113,900	Daily/Mthly	None	1–45 days
Limited partnerships ⁽⁶⁾	<u>146,618</u>	Mthly/Qtrly/Annu.	(B)	10–95 days
Total	<u>\$ 466,905</u>			

2020	Redemptions			
	Fair Value	Frequency	Restrictions	Notice Period
Mutual funds ⁽¹⁾	\$ 40,550	Daily	None	1–2 days
Investment trusts ⁽²⁾	26,971	Semi-Monthly	None	9–30 days
Hedge funds ⁽⁴⁾	91,611	Mthly/Qtrly/Annu.	(A)	5–95 days
Limited liability companies ⁽⁵⁾	74,486	Daily/Mthly	None	1–45 days
Limited partnerships ⁽⁶⁾	<u>103,061</u>	Mthly/Qtrly/Annu.	(B)	10–95 days
Total	<u>\$ 336,679</u>			

A summary of the Pension Plans' financial assets with reported NAVs as of September 30, 2021 and 2020, is as follows:

2021 Pension	Redemptions			
	Fair Value	Frequency	Restrictions	Notice Period
Mutual funds ⁽¹⁾	\$ 30,767	Daily	None	1–2 days
Investment trusts ⁽²⁾	11,755	Daily	None	1–2 days
Hedge funds ⁽⁴⁾	55,859	Mthly/Qtrly/Annu.	(A)	5–95 days
Limited liability companies ⁽⁵⁾	68,874	Daily/Mthly	None	1–45 days
Limited partnerships ⁽⁶⁾	<u>96,409</u>	Mthly/Qtrly/Annu.	(B)	10–95 days
Total	<u>\$ 263,664</u>			

2020 Pension	Redemptions			
	Fair Value	Frequency	Restrictions	Notice Period
Mutual funds ⁽¹⁾	\$ 44,702	Daily	None	1–2 days
Investment trusts ⁽²⁾	12,759	Daily	None	1–2 days
Fixed income ⁽³⁾	4,728	Daily	None	1–2 days
Hedge funds ⁽⁴⁾	41,024	Mthly/Qtrly/Annu.	(A)	5–95 days
Limited liability companies ⁽⁵⁾	63,578	Daily/Mthly	None	1–45 days
Limited partnerships ⁽⁶⁾	<u>83,351</u>	Mthly/Qtrly/Annu.	(B)	10–95 days
Total	<u>\$ 250,142</u>			

* The fair value of these investments has been estimated using the NAVs of the investments. Such fair values are determined based on information provided by the fund managers. Because of the inherent uncertainty of valuation, the values for the investments may differ significantly from the values that would have been used had a ready market for these investments existed, and the differences could be material.

- (1) Mutual funds—The goal of these funds is to outperform the Barclays U.S. Aggregate Index, through investing primarily in investment-grade fixed income securities, including obligations issued or guaranteed by U.S. Government, its agencies, or instrumentalities; corporate securities; municipal securities; etc.
- (2) Investment trusts—Collective investments that are close-end funded with fixed number of shares to distribute. The investment gives the fund manager high level of control and flexibility to build long-term strategy
- (3) Fixed income—The goal of these funds is to provide returns that are superior to the Barclays US Long Government/Credit Bond Index. These funds primarily invest in U.S. fixed income including governments, corporate bonds, sovereign and supranational entities, as well as municipal bonds.
- (4) Hedge funds—These include absolute return and equity hedge fund managers. The goal of these funds is to provide protection to the respective asset pools for both the corporate and retirement plan assets against extreme market lows and market highs. The funds mainly take long/short positions in publicly traded securities both within and outside the US market.
- (5) Limited liability companies—is a corporate structure whereby the members of the company are not held personally liable for the company’s debts or liabilities. The goal of the company includes investment in emerging markets, energy, fixed income, etc.
- (6) Limited partnerships—The primary purpose of these investments is to make venture capital investments, principally by investing in equity or equity-oriented securities of privately held companies
- (A) Hedge funds restrictions include any of the following:
- Redemption gate of 25%
 - One to three-year hard or soft lockup
 - Rolling two to three-year lockup
 - 2% to 5% early withdrawal fee
- (B) Limited partnerships restrictions can include any of the following
- Redemption gate of 25%
 - Full redemption with next 12 months
 - Rolling two to three-year lockup

19. FUNCTIONAL EXPENSES

The System provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended September 30, 2021 and 2020 are as follows:

2021	Health Care Services	Research	General and Administrative	Fundraising	Total
Salaries and wages	\$ 917,782	\$ 11,413	\$ 169,886	\$ 1,759	\$ 1,100,840
Employee benefits	192,728	2,908	23,996	455	220,087
Purchased services	104,956	19,770	125,118	691	250,535
Supplies and other	510,410	5,150	87,438	1,138	604,136
Depreciation and amortization	46,787		19,706	53	66,546
Interest	<u>10,151</u>		<u>25,096</u>		<u>35,247</u>
Total	<u>\$ 1,782,814</u>	<u>\$ 39,241</u>	<u>\$ 451,240</u>	<u>\$ 4,096</u>	<u>\$ 2,277,391</u>

2020	Health Care Services	Research	General and Administrative	Fundraising	Total
Salaries and wages	\$ 879,532	\$ 11,540	\$ 154,155	\$ 1,706	\$ 1,046,933
Employee benefits	190,436	2,943	20,729	461	214,569
Purchased services	118,534	17,345	87,737	272	223,888
Supplies and other	476,050	4,775	83,177	2,049	566,051
Depreciation and amortization	43,528		19,454	51	63,033
Interest	<u>23,801</u>	<u></u>	<u>9,571</u>	<u></u>	<u>33,372</u>
Total	<u>\$ 1,731,881</u>	<u>\$ 36,603</u>	<u>\$ 374,823</u>	<u>\$ 4,539</u>	<u>\$ 2,147,846</u>

Certain costs have been allocated among health care services and supporting services. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Purchased services	Time and effort
Supplies	Purpose of use
Depreciation	Purpose of asset use

Fund-raising expenses of \$4,096 and \$4,539 for the years ended September 30, 2021 and 2020, respectively, have been recorded in unrestricted gifts—net of expenses in the accompanying consolidated statements of operations.

20. COVID-19 PANDEMIC

In March 2020, the global COVID-19 pandemic began to significantly affect the System's patients, communities, employees and business operations. In March 2020, the System stopped all elective and non-emergency procedures and visits thru May 2020, resulting in a material reduction in volume and corresponding net patient service revenue. Additionally, to prepare for and treat the expected COVID-19 surge, the System incurred significant costs for supplies, equipment and facility modifications. If more COVID-19 surges were to occur, some of the System's facilities could experience workforce disruptions. Supply chain disruptions, including shortages, delays and significant price increases in medical supplies, pharmaceuticals and personal protective equipment, have impacted and are expected to continue to impact the System's operations. In addition, broad economic factors resulting from the COVID-19 pandemic, including increased continuing unemployment rates and reduced consumer spending, are impacting service mix, revenue mix and patient volumes.

While nonessential medical services have resumed at the System's facilities, it expects consolidated patient volumes and revenue will continue to be negatively impacted by the continuing presence of COVID-19 in our markets. The System has taken and continues to take various actions to increase its liquidity and mitigate the impact on operations from the COVID-19 pandemic. Known and unknown risks and uncertainties caused by the COVID-19 pandemic, including those described above, are having, and will likely continue to have, a material impact on the System's business, financial condition, results of operations and cash flows.

As described in Note 2, the System received federal CARES Act and state funding to offset the lost revenues and increased expenses, recognizing \$17,981 and \$143,314 in grant revenue in the years

ended September 30, 2021 and 2020, respectively. Additionally, the System has submitted reimbursement applications with the Federal Emergency Management Agency (“FEMA”) totaling \$28,043 for the emergency period thru December 31, 2020. The System received \$1,392 of payments in connection with the FEMA applications during the year ended September 30, 2021, which is recorded in grant revenue.

21. INFORMATION USED IN THE DETERMINING DEPARTMENT OF EDUCATION’S FINANCIAL RESPONSIBILITY COMPOSITE SCORE

Section 498(c) of the Higher Education Act of 1965, as amended, requires for-profit and non-profit institutions to annually submit audited financial statements to the Department of Education (ED) to demonstrate they are maintaining the standards of financial responsibility necessary to participate in the Title IV programs. One of the many standards which ED utilizes to gauge the financial responsibility of an institution is a composite of three ratios derived from an institution’s audited financial statements.

The financial information below provides the correspondence between certain values presented in the System’s consolidated financial statements and the values as they are included in the determination of the ratios used by the ED to gauge the System’s financial responsibility at September 30, 2021.

Expendable net assets:	
Net assets with donor restriction: restricted in perpetuity	\$ 30,783
Net assets with donor restriction: other for purpose or time	19,458
Property, plant and equipment pre-implementation (includes capital leases)	328,992
Property, plant and equipment post-implementation with outstanding debt for original purchase (includes capital leases)	95,723
Property, plant and equipment post-implementation without outstanding debt for original purchase	65,841
Long-term debt—for long term purposes:	
Long-term debt—for long term purposes post-implementation	95,723
Lease right-of-use asset liability:	
Post-implementation right-of-use lease liabilities	142,470
Total expenses and losses:	
Non-operating and net investment (loss)	(19,505)
Other losses	(10,748)
Total revenues and gains:	
Non-operating revenue and other gains	182,815

22. SUBSEQUENT EVENTS

On November 30, 2021, Wellforce amended the line of credit agreement with JP Morgan Chase Bank N.A. to extend the maturity date from November 30, 2021 to November 29, 2022 and increased the line of credit from \$50 million to \$75 million.

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SUPPLEMENTAL CONSOLIDATING INFORMATION

WELLFORCE, INC. AND CONSOLIDATED AFFILIATES

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET INFORMATION AS OF SEPTEMBER 30, 2021 (Amounts in thousands)

	Wellforce Obligated Group	All Other Entities	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 50,585	\$ 108,118	\$	\$ 158,703
Short-term investments		126,282		126,282
Patient accounts receivable	201,540	30,802		232,342
Prepaid expenses and other current assets	22,428	2,078		24,506
Other receivables— net	63,373	65,597	(8,272)	120,698
Current portion of assets limited as to use	13,933			13,933
Supplies	26,345	1,558		27,903
Estimated third-party payor settlements— current	9,627			9,627
Due from affiliates	<u>148,003</u>	<u>19,516</u>	<u>(167,519)</u>	<u></u>
Total current assets	<u>535,834</u>	<u>353,951</u>	<u>(175,791)</u>	<u>713,994</u>
ESTIMATED THIRD-PARTY PAYOR SETTLEMENTS	<u>3,588</u>			<u>3,588</u>
INVESTMENTS	<u>855,294</u>	<u>71,244</u>		<u>926,538</u>
ASSETS LIMITED AS TO USE— Noncurrent portion:				
Held by trustees under bond indenture agreements	214,677			214,677
Deferred compensation and other	10,857	2,397		13,254
Funds held for self-insurance liability		104,134		104,134
Donor-restricted assets	<u>49,466</u>	<u>322</u>		<u>49,788</u>
Total assets limited as to use— noncurrent portion	<u>275,000</u>	<u>106,853</u>		<u>381,853</u>
PROPERTY AND EQUIPMENT— Net	550,116	60,533		610,649
RIGHT OF USE ASSETS— Net	90,194	37,047		127,241
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	17,943	20,939		38,882
OTHER ASSETS— Net	<u>42,811</u>	<u>135,591</u>	<u>(137,727)</u>	<u>40,675</u>
TOTAL	<u>\$ 2,370,780</u>	<u>\$ 786,158</u>	<u>\$ (313,518)</u>	<u>\$ 2,843,420</u>

(Continued)

WELLFORCE, INC. AND CONSOLIDATED AFFILIATES

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET INFORMATION AS OF SEPTEMBER 30, 2021 (Amounts in thousands)

	Wellforce Obligated Group	All Other Entities	Eliminations	Consolidated
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	\$ 213,587	\$ 205,961	\$ (2,785)	\$ 416,763
Self-insurance reserves—current	17,121	2,577		19,698
Estimated third-party payor settlements—current	18,185	263		18,448
Contract liability	154,453	6,773		161,226
Lines of credit		11,759		11,759
Current portion of capital lease obligations	6,320	43		6,363
Current portion of lease liability	17,011	7,009		24,020
Current portion of long-term debt	18,004	887		18,891
Due to affiliates	7,786	159,404	(167,190)	
Total current liabilities	452,467	394,676	(169,975)	677,168
OTHER LIABILITIES:				
Capital lease obligations—net of current portion	4,402	36		4,438
Lease liability—net of current portion	85,408	33,042		118,450
Long-term debt—net of current portion	821,794	24,921		846,715
Estimated third-party payor settlements	22,499			22,499
Self-insurance reserves—net of current portion	22,852	70,266	(5,726)	87,392
Accrued pension liability	49,341	1,923		51,264
Other long-term liabilities	40,022	46,256	(17,661)	68,617
Total liabilities	1,498,785	571,120	(193,362)	1,876,543
NET ASSETS:				
Net assets without donor restrictions	822,194	214,598	(120,156)	916,636
Net assets with donor restrictions	49,801	440		50,241
Total net assets	871,995	215,038	(120,156)	966,877
TOTAL	\$ 2,370,780	\$ 786,158	\$ (313,518)	\$ 2,843,420

(Concluded)

WELLFORCE CONSOLIDATED

SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2021 (Amounts in thousands)

	Wellforce Obligated Group	All Other Entities	Eliminations	Consolidated
OPERATING REVENUES:				
Net patient service revenue	\$ 1,565,169	\$ 294,122	\$ (244)	\$ 1,859,047
Other operating revenue	238,502	239,590	(139,705)	338,387
Grant revenue	83,242	(5,000)		78,242
Net assets released from restrictions	<u>3,229</u>	<u>118</u>		<u>3,347</u>
Total operating revenue	<u>1,890,142</u>	<u>528,830</u>	<u>(139,949)</u>	<u>2,279,023</u>
OPERATING EXPENSES:				
Salaries and wages	726,309	374,531		1,100,840
Employee benefits	162,801	59,191	(1,905)	220,087
Purchased services	311,221	54,276	(114,962)	250,535
Supplies and other expenses	544,491	82,727	(23,082)	604,136
Depreciation and amortization	61,576	4,970		66,546
Interest	<u>34,162</u>	<u>1,085</u>		<u>35,247</u>
Total operating expenses	<u>1,840,560</u>	<u>576,780</u>	<u>(139,949)</u>	<u>2,277,391</u>
INCOME (LOSS) FROM OPERATIONS	<u>49,582</u>	<u>(47,950)</u>		<u>1,632</u>
NONOPERATING REVENUE AND EXPENSES:				
Investment income	9,070	985		10,055
Realized and unrealized gain (loss) on investments	131,866	10,591		142,457
Unrestricted gifts—net of expenses	7,394	335		7,729
Other components of net periodic pension costs	(8,109)	(535)		(8,644)
Inherent contribution received		2,261		2,261
Gain on sale of surgical center	9,850			9,850
Other		<u>(113)</u>		<u>(113)</u>
Total nonoperating revenue and expenses	<u>150,071</u>	<u>13,524</u>		<u>163,595</u>
EXCESS OF REVENUE AND EXPENSES	199,653	(34,426)		165,227
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:				
Net assets released from restrictions for purchase of equipment	2,549			2,549
Change in net unrealized gains and losses on investments	(1,739)			(1,739)
Interentity net asset transfers	(5,448)	5,448		
Pension-related adjustments	<u>66,274</u>	<u>2,255</u>		<u>68,529</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 261,289</u>	<u>\$ (26,723)</u>	<u>\$</u>	<u>\$ 234,566</u>

WELLFORCE, INC. AND AFFILIATES
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(Amounts in thousands)

	Financial Statement & Financial Statement Line Item or Footnote Disclosure	Financial Statement Line Item Amount	Amount Used for Ratio
PRIMARY RESERVE RATIO			
EXPENDABLE NET ASSETS:			
Net assets without donor restrictions	Consolidated balance sheets — net assets without donor restrictions		916,636
Net assets with donor restrictions:	Consolidated balance sheets — net assets with donor restrictions		50,241
Annuities with donor restrictions	N/A		
Term endowments with donor restrictions	N/A		
Life income funds with donor restrictions	N/A		
Net assets with donor restrictions: restricted in perpetuity	Note 21 to the financial statements		30,783
Net assets with donor restrictions: other for purpose or time	Note 21 to the financial statements	19,458	
Secured and unsecured related party receivables	N/A		
Unsecured related party receivables	N/A		
Unsecured other related party assets	N/A		
Property, plant and equipment, net (includes construction in progress and capital leases):	Consolidated balance sheets — property and equipment — net	610,649	
Property, plant and equipment pre-implementation (includes capital leases)	Note 21 to the financial statements		328,992
Property, plant and equipment post-implementation with outstanding debt for original purchase (includes capital leases)	Note 21 to the financial statements		95,723
Property, plant and equipment post-implementation without outstanding debt for original purchase	Note 21 to the financial statements		65,841
Construction in progress	Note 9 to the financial statements		120,093
Lease right-of-use asset, net:	Consolidated balance sheets — right of use assets	127,241	
Lease right-of-use asset, pre-implementation	N/A		
Lease right-of-use asset, post-implementation	Consolidated balance sheets — right of use assets		127,241
Intangible assets	Note 10 to the financial statements		5,781
Post-employment and pension liabilities	Consolidated balance sheets — accrued pension liability		51,264
Long-term debt - for long term purposes:	N/A		
Long-term debt - for long term purposes pre-implementation ¹	Note 21 to the financial statements		328,992
Long-term debt - for long term purposes post-implementation	Note 21 to the financial statements		95,723
Line of credit for construction in progress	N/A		
Lease right-of-use asset liability:	N/A		
Pre-implementation right-of-use lease liabilities	N/A		
Post-implementation right-of-use lease liabilities	Note 21 to the financial statements		142,470
TOTAL EXPENSES AND LOSSES:			
Total expenses without donor restrictions	Consolidated statements of operations — total operating expenses		2,277,391
Non-operating and net investment (loss)	Note 21 to the financial statements		(19,505)
Other components of net periodic pension costs	Consolidated statements of operations — other components of net periodic pension costs		(8,644)
Change in value of split-interest agreements	N/A		
Other losses	Note 21 to the financial statements	(10,748)	
Net investment losses	N/A		
Pension-related changes other than net periodic costs	N/A		

¹ Long-term debt - for long term purposes pre-implementation has been capped at the amount of property, plant and equipment pre-implementation (includes capital leases), and is therefore equal to the amount disclosed in Note 21 for property, plant and equipment pre-implementation (includes capital leases).

WELLFORCE, INC. AND AFFILIATES
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(Amounts in thousands)

	Financial Statement & Financial Statement Line Item or Footnote Disclosure	Financial Statement Line Item Amount	Amount Used for Ratio
EQUITY RATIO			
MODIFIED NET ASSETS:			
Net assets without donor restrictions	Consolidated balance sheets — net assets without donor restrictions		916,636
Net assets with donor restrictions	Consolidated balance sheets — net assets with donor restrictions		50,241
Lease right-of-use asset pre-implementation	N/A		
Pre-implementation right-of-use lease liabilities	N/A		
Intangible assets	Note 10 to the financial statements		5,781
Unsecured related party receivables	N/A		
Unsecured related party other assets	N/A		
MODIFIED ASSETS:			
Total assets	Consolidated balance sheets — total assets		2,843,420
Lease right-of-use asset pre-implementation	N/A		
Intangible assets	Note 10 to the financial statements		5,781
Unsecured related party receivables	N/A		
Unsecured related party other assets	N/A		
NET INCOME RATIO			
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:			
Change in net assets without donor restrictions	Consolidated statements of changes in net assets — increase in net assets without donor restrictions		234,566
TOTAL REVENUES AND GAINS:			
Total operating revenue and other additions (gains)	Consolidated statements of operations — total operating revenue		2,279,023
Investment return appropriated for spending	N/A		
Non-operating revenue and other gains	Note 21 to the financial statements		182,815

(Concluded)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Wellforce, Inc.
Burlington, Massachusetts

We have audited, in accordance with the 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 Wellforce, Inc. and affiliates (the "System"), as of and for the year ended September 30, 2021, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 20, 2021.

Internal Control over Financial Reporting

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

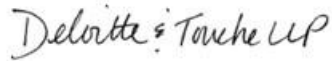
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

The logo for Deloitte & Touche LLP, featuring the company name in a stylized, cursive script.

December 20, 2021

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Wellforce, Inc.
Burlington, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Wellforce, Inc. and affiliates' (the "System") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended September 30, 2021. The System's major federal programs are identified in the summary of auditors' 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the System'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 (CFR) 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 the System'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 the System's compliance.

Opinion on Each Major Federal Program

In our opinion, the System 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.

Report on Internal Control over Compliance

Management of the System 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 the System'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 the System'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 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.

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

We have audited the consolidated financial statements of Wellforce, Inc. and affiliates as of and for the year ended September 30, 2021, and have issued our report thereon dated December 20, 2021, which contained an unmodified opinion on those consolidated financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial

statements. The 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 as a whole.

Deloitte & Touche LLP

June 24, 2022

WELLFORCE, INC. AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor/Passed-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
RESEARCH AND DEVELOPMENT:				
Direct:				
Department of Health & Human Services:				
National Institutes of Health:				
Research and Training in Complementary and Integrative Health	93.213		\$	\$ 358,225
Cardiovascular Diseases Research	93.837		313,048	5,468,506
Lung Diseases Research	93.838			134,322
Blood Diseases and Resources Research	93.839		21,186	760,690
Arthritis, Musculoskeletal and Skin Diseases Research	93.846			191,910
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		269,444	1,646,707
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		472,294	1,160,561
Biomedical Research and Research Training	93.859			23,826
Child Health and Human Development Extramural Research	93.865		802,239	2,280,697
Aging Research	93.866		478,590	2,256,313
Vision Research	93.867		217,793	1,417,317
Minority Health and Health Disparities Research	93.307			126,001
Maternal and Child Health Federal Consolidated Programs	93.110			198,859
National Center for Advancing Translational Sciences	93.350		1,397,854	2,409,856
Cancer Research Treatment	93.395			486,754
Food and Drug Administration_Research	93.103			170,578
Cancer Biology Research	93.396		366,564	669,223
			<u>4,339,012</u>	<u>19,760,345</u>
Total National Institutes of Health				
Department of Defense:				
Military Medical Research and Development	12.420		3,409	423,704
Research on Healthcare Costs, Quality and Outcomes				
	93.226			160,919
Department of Veterans Affairs				
	64.054			88,253
			<u>4,342,421</u>	<u>20,433,221</u>
Total Direct Research and Development				
RESEARCH AND DEVELOPMENT:				
Passthrough:				
Department of Health & Human Services:				
Food and Drug Administration Research				
Passed Through—New York Medical College—Phase 2 Defibrotide PPX in High Risk SCD Pts w/MAC& Haplo AlloSCT IND 1278129-3-15	93.103	RFD004090		14,607
Passed Through—Critical Path Institute—Advancing Standards and Methodologies to Generate Real World Evidence From Real World Data Through a Neonatal Pilot Project	93.103	UFD007220A		59,064
				<u>73,671</u>
Total Food and Drug Administration Research				
Maternal and Child Health Federal Consolidated Programs				
Passed Through—University of Massachusetts Worcester—Training Long Term—LEND Neurodevelopmental Disabilities	93.110	TMC00056		85,044
Discovery and Applied Research for Technological Innovations to Improve Human Health				
Passed Through—Tufts University—Probe-based Two Photon Microscopy for Functional, Label-Free Early Cancer Diagnosis	93.286	REB030061A		88,199
Alcohol Research Programs				
Passed Through—Kaiser Permanente—2/3 COMpAAS Tripartite: ART-CC, KP, and VA	93.273	UAA026230A		18,772

(Continued)

WELLFORCE, INC. AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor/Passed-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
National Center for Advancing Translational Sciences				
Passed Through—Tufts University—CTSA Institutional Mentored Career Development Program (KL2)	93.350	KTR002545A	\$	\$ 495,133
Passed Through—Trustees of Dartmouth College—Pathway Hypotheses Knowledge-base: A Knowledge Source for the Biomedical Data Translator	93.350	OTR003436A		523,235
Passed Through—Tufts University—CTSA Graduate Program	93.350	TTR002546A		588,974
Passed Through—Johns Hopkins University—Tufts Trial Innovation Center	93.350	UTR001609A	76,784	1,062,302
Passed Through—Johns Hopkins University—Integrated Treatment for Veterans with Co-Occurring Chronic Pain and Opioid Use Disorder	93.350	UTR001609A		125,292
Passed Through—University of Pittsburgh—University of Pittsburgh Clinical and Translational Science Institute	93.350	UTR001857A		26,617
Passed Through—Boston Medical Center—Translating Research into Practice (TRIP): A Regional Collaborative to Reduce Disparities in Breast Cancer Care	93.350	UTR002070A		213,515
Passed Through—Tufts University—Tufts Clinical and Translational Science Institute	93.350	UTR002544A		8,071,276
Passed Through—Johns Hopkins University—Johns Hopkins—Tufts Trial Innovation Center Center New COVID Supplement	93.350	UTR001609A		41,943
Passed Through—Oregon Health & Science University—A National Center for Digital Health Informatics Innovation	93.350	UTR002306A		161,300
Passed Through—Northwestern University—Building a Multi-Site De-identified ICU Dataset for Better Research and Translation	93.350	UTR003528A		26,696
			<u>76,784</u>	<u>11,336,283</u>
Total National Cancer for Advancing Translational Sciences				
Cancer Treatment Research				
Passed Through—The Children’s Hospital of Philadelphia—Children’s Oncology Group Chair’s Grant	93.395	UCA095861		40,029
Passed Through—Children’s Hospital of Philadelphia—NCORP CCDEI Supplement	93.395	UCA189955B		77,674
				<u>117,703</u>
Total Cancer Treatment Research				
Cardiovascular Diseases Research				
Passed Through—The Ohio State University—Precision Medicine for Dilated Cardiomyopathy in European and African Ancestry	93.837	RHL128857		16,717
Passed Through—Northwestern University—Mechanical Circulatory Support: Measures of Adjustment and Quality of Life	93.837	RHL130502A		5,649
Passed Through—Duke University—Entresto TM (LCZ696) In Advance Heart Failure (LIFE Study)	93.837	UHL084904C		5,941
Passed Through—Michigan State University—Cerebral Parenchymal Arteriole Dysfunction and Cognitive Decline in a Life-long High Fat Feeding Model	93.837	RHL137694A		7,787
Passed Through—University of Missouri—Mineralocorticoid Receptor-Dependent Coronary Vascular Dysfunction in Obesity	93.837	RHL136386A		23,581
Passed Through—Tufts University—Mechanisms of T Cell Activation in Cardiac Fibrosis and Non-ischemic Heart Failure	93.837	RHL144477A		36,181
Passed Through—Columbia University—Familial Hypercholesterolemia Screening in Children: Population Impact of Phenotype, Genotype, and Cascade Approaches	93.837	RHL141823A		35,320
Passed Through—Medstar Health Research Institute—HCMR.2- Hypertrophic Cardiomyopathy Registry	93.837	RHL117006B		7,554
Passed Through—Massachusetts General Hospital—A5332: Randomized Trial to Prevent Vascular Events in HIV-REPRIEVE (Study)	93.837	UHL123336A		3,142
Passed Through—Tufts University—Cost Effectiveness of Health System and State-Level Strategies to Improve Diet and Reduce Cardiometabolic Diseases	93.837	RHL115189C		129,244
Passed Through—University of Michigan—Clinical Study: 1/2 ICECAP: Influence of Colling Duration on Efficacy in Cardiac Arrest Patients (ICECAP)	93.837	UHL145269A	14,690	44,582
Passed Through—Beth Israel Deaconess Medical Center—Gadolinium Free Cardiac MR Imaging of Scar and Fibrosis	93.837	RHL154744A		61,403
Passed Through—Beth Israel Deaconess Medical Center—Cardiac MR-Based Risk Stratification for Heart Failure and Atrial Fibrillation in HCM	93.837	RHL158098A		9,031
			<u>14,690</u>	<u>386,132</u>
Total Cardiovascular Diseases Research				

(Continued)

WELLFORCE, INC. AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor/Passed-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Lung Diseases Research				
Passed Through—Oasis Pharmaceuticals—PAR2 Pepducins as a Novel Treatment of Idiopathic Pulmonary	93.838	RHL140701A	\$	\$ 174,795
Passed Through—University of Michigan—Clinical Study: COVID-C3PO: Clinical Trial of COVID-19 Convalescent Plasma in Outpatients (C3PO) CSPR Number: SUBK0013632-005	93.838	1OTHL156812	<u>182,786</u>	<u>237,977</u>
Total Lung Diseases Research			<u>182,786</u>	<u>412,772</u>
Arthritis, Musculoskeletal and Skin Diseases Research				
Passed Through—Baylor College—A Pilot Randomized Controlled Trial of Hand Traction for Nodal Osteoarthritis	93.846	RAR072358A		8,735
Passed Through—Brigham & Women’s Hospital—Metabolites of Dietary Intake and Risk of Knee Osteoarthritis	93.846	RAR074447A		<u>58,094</u>
Total Arthritis, Musculoskeletal and Skin Diseases Research				<u>66,829</u>
Diabetes, Digestive, and Kidney Diseases Extramural Research				
Passed Through—Johns Hopkins University—CDK Biomarkers Consortium- Phase 2: Risk Markers in Blood	93.847	UDK085689B		10,434
Passed Through—Johns Hopkins University—Chronic Kidney Disease Prognosis Consortium	93.847	RDK100446B		75,426
Passed Through—Johns Hopkins University—Medication Use and Adverse Events in CKD	93.847	RDK115534A		99,493
Passed Through—Cincinnati Childrens’ Hospital—Level and Timing of Diabetic Hyperglycemia in Utero: The Transgenerational Effect on Adult Morbidity (TEAM Study)	93.847	RDK109956A		16,527
Passed Through—Massachusetts General Hospital—Measuring Early Pregnancy Glycemia and Its Impact on Adverse Outcomes	93.847	UDK123795A		138,373
Passed Through—Northeastern University—Quantitative Renal Imaging for Chronic Kidney Disease	93.847	RDK118449A		22,400
Passed Through—University of California San Francisco—Acute Declines in Kidney Function During Blood Pressure Interventions in CKD	93.847	RDK121904A		228,799
Passed Through—City University—Health Literacy as a Vehicle to Reduce Obesogenic Behaviors Among Adolescents: A Pilot Intervention	93.847	RDK117345A		25,717
Passed Through—University of Virginia—Integrated Mineral Metabolism Treatment Strategies in Patients on Dialysis	93.847	RDK111952B		8,045
Passed Through—Massachusetts General Hospital—Reducing Chronic Pain and Opioid Use in Hemodialysis Patients	93.847	UDK123818A		32,444
Passed Through—Duke University—Predictive Analytics in Hemodialysis: Enabling Precision Care for Patient with ESKD	93.847	RDK123062A		<u>19,459</u>
Total Diabetes, Digestive, & Kidney Diseases Extramural Research				<u>677,117</u>
Extramural Research Programs in the Neurosciences and Neurological Diseases				
Passed Through—Emory University—Siren Network	93.853	UNS100673A		19,089
Passed Through—University of Cincinnati—Atrial Cardiopathy and Antithrombotic Drugs in Prevention After Cryptogenicstroke (ARCADIA) “Study”	93.853	UNS095869		3,348
Passed Through—Massachusetts General Hospital—New England Regional Coordination Center for the NINDS Stroke Trials Network	93.853	UNS107243A		7,024
Passed Through—Tufts University—Coherent Hemodynamics Spectroscopy for Cerebral Autoregulation and Blood Flow	93.853	RNS095334		16,038
Passed Through—University of Cincinnati—Sleep for Stroke Management and Recovery Trial (Sleep Smart) Stroke Trial	93.853	UNS099043A		3,966
Passed Through—University of Cincinnati—Statins Use in intracerebral Hemorrhage Patients (SATURN) “Study”	93.853	UNS102289A		<u>393</u>
Total Extramural Research Programs in the Neurosciences & Neurological Diseases				<u>49,858</u>

(Continued)

WELLFORCE, INC. AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor/Passed-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Allergy, Immunology and Transplantation Research				
Passed Through—Tufts University—Center for Enteric Diseases in Engineered Tissues	93.855	UAI131126A	\$	\$ 291,802
Passed Through—The Broad Institute—Innovative Technologies to Transform Antibiotic Discovery	93.855	UAI142780A		40,879
Passed Through—Duke University—Antibacterial Resistance Leadership Group (ARLG)	93.855	UAI104681C		35,314
Passed Through—Children’s Hospital Medical Center—Consortium of Eosinophilic Gastrointestinal Disease Research (Clinical Trial # 1)	93.855	UAI117804B		1,488
Passed Through—Benaroya Research Institute—Immune Tolerance Network	93.855	UAI109565A		24,738
Total Allergy, Immunology and Transplantation Research				394,221
Child Health and Human Development Extramural Research				
Passed Through—Tufts University—Tufts BIRWCH Program	93.865	KHD092535A		354,570
Passed Through—University of Nebraska Lincoln—Somatosensory Modulation of Salivary Gene Expression and Oral Feeding in Preterm Infants	93.865	RHD086088A		236,600
Passed Through—RTI International—HEAL Initiative: Antenatal Opioid Exposure Longitudinal Study Consortium	93.865	PLHD101059		42,895
Passed Through—Columbia University—Obesogenic origins of Maternal and Child Metabolic Health Involving Dolutegravir (ORCHID)	93.865	RHD104599A		24,166
Passed Through—Cx Therapeutics—A Novel Device for Cervical Insufficiency in Pregnant Women	93.865	RHD102268A		98,116
Total Child Health and Human Development Extramural Research:				756,347
Trans-NIH Research Support				
Passed Through—University of North Carolina—Environment, Epigenetics, Neurodevelopment & Health of Extremely Preterm Children	93.310	UOD023348A		142,289
Passed Through—University of North Carolina—RACE, COVID-19, AND Health Outcomes Among Individuals Born Preterm	93.310	UOD023348A		3,589
Total Trans-NIH Research Support				145,878
Vision Research				
Passed Through—New York University—Long-term Suppressive Valacyclovir Treatment for Herpes Zoster Ophthalmicus (ZEDS)	93.867	UEY026869		88
Passed Through—Medchem Partners—Dynasore Analogues for Ocular Surface Protection	93.867	REY030811		126,920
Passed Through -Massachusetts Institute of Technology—Advance Novel Optical Diagnostics with Optical Coherence Tomography	93.867	REY011289F		179,024
Total Vision Research				306,032
National Cancer Institute				
Passed Through—Eastern Cooperative Oncology Group—Eastern Cooperative Oncology Group—ECOG	93.RD	UCA021115		324
National Institute of Health				
Passed Through—Dimagi Inc—NASCare: Mobile Tool for Neonatal Abstinence Syndrome	93.RD	HHSN271700065C		4,339
Passed Through—Duke University—Randomized Master Protocol for Immune Modulators for Treating COVID-19	93.RD	HHSO100201400002I		50,077
Total National Institute of Health				54,416
Department of Defense:				
Passed Through—Geneva Foundation—Turnover and Metabolism Greater than One Year After Traumatic Knee Joint Injury and Signs of Early Post-Traumatic Osteoarthritis	12.420	W81-XWH-16-2-0053		47,687
Passed Through—University of Pittsburgh—Metformin as a Novel Therapy for Autosomal Dominant Polycystic Kidney Disease	12.420	W81-XWH-15-1-0663		23,506
Total Department of Defense				71,193

(Continued)

WELLFORCE, INC. AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor/Passed-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Aging Research				
Passed Through—Northern California Institute of Research & Education—Role of Mitochondrial Health in Acute and Chronic Kidney Disease in Older Adults	93.866	RAG027002C	\$	\$ 79,580
Passed Through—Northeastern University—Clarifying the Relationship Between Delirium and Alzheimer’s Disease and Related Dementias	93.866	RAG057979		666
Passed Through—Mayo Clinic—Optimizing Stroke Prevention For Older Adults With Atrial Fibrillation: Towards Rigorous Evaluation and Judicious Application of A New Device	93.866	RAG062436A		18,006
Passed Through—Boston University—Identifying Protective Omics Profiles in Centenarians and Translating These into Preventive and Therapeutic Strategies	93.866	UAG064704A		162,238
Passed Through—California Pacific Medical Center—Longevity Consortium	93.866	UAG023122D		78,556
Passed Through—Washington University—The Long Life Family Study	93.866	UAG063893A		122,730
Passed Through—Columbia University—Analysis of Lumbar Spine Stenosis Specimens for Early Identification of TTR Cardiac Amyloidosis	93.866	RAG058348A		42,742
Passed Through—Mayo Clinic—Admin Supplement—Prevention of Alzheimer’s Disease in Women: Risks and Benefits of Hormone Therapy	93.866	RAG057547A		30,694
Passed Through—Northeastern University—Clarifying the Relationship Between Delirium and Alzheimer’s Disease and Related Dementias	93.866	RAG057979B		93,571
Passed Through—Boston College—Taking Care of Us: A Dyadic Intervention for Health Failure	93.866	RAG068715A		3,877
Passed Through—University of Southern California—Long-Term Nicotine Treatment of Mild Cognitive Impairment	93.866	RAG047992B		<u>36</u>
Total Aging Research				<u>632,696</u>
Cancer Control				
Passed Through—Children’s Oncology Group—Cancer Care Delivery Research Scientific Leadership	93.399	UCA189955B		46,527
Passed Through—Dana Farber LAPS	93.399	1UG1CA233280-01		6,918
Passed Through—Dana Farber LAPS	93.399	SUG1CA233180-03		<u>13,739</u>
Total Cancer Control				<u>67,184</u>
Nursing Research				
Passed Through—Tufts University—Diagnosis of Heart Failure Status Using Epidermal Metabolomics	93.361	RNR017704A		<u>13,614</u>
Strengthening Public Health Systems and Services Through National Partnerships to Improve and Protect the Nations Health				
Passed Through—American Academy of Pediatrics—Improving Services for Violence Against Children and Women during a Pandemic	93.421	NU38OT000282		175,393
Passed Through—Department of Public Health—Preventing ACEs Data to Action	93.421	CDC-RFA-CE20-2006		<u>25,981</u>
Total Strengthening Public Health Systems and Services Through National Partnerships to Improve and Protect the Nation’s Health				<u>201,374</u>
Blood Diseases and Resources Research				
Passed Through—MSM Protein Technologies—CCR7-Depleted Allogeneic Peripheral Blood Stem Cell Product Retaining Effector Memory T Cells for Hematopoietic Transplantation	93.839	R43HL142416		<u>40,900</u>
National Center for Advancing Translational Sciences				
Passed Through—Tufts University—Characterization of SARS-CoV-2 Aerosols and Surface Contamination Produced During Respiratory Support Therapy of COVID-19 Patients	93.999	HHSN272201400008C		<u>6,764</u>
Chronic Disease: Research, Control and Prevention				
Passed Through—University of Massachusetts Worcester—PRISM	93.068	006093DP15		<u>1,316</u>

(Continued)

WELLFORCE, INC. AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor/Passed-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Cancer Biology Research Passed Through—Columbia University—OHDSI Cancer Treatment Pathways	93.396	75N91020P00938	\$ _____	\$ 18,000
Drug Abuse and Addiction Research Programs Passed Through—Prapela Inc.—Prapela SVS: A Cost-effective Stochastic Vibrotactile Stimulation Device to Improve the Clinical Course of Infants with Neonatal Abstinence Syndrome	93.279	RDA049300B	_____	116,404
Total Passthrough Research and Development			274,260	16,139,042
Total Research and Development			4,616,681	36,572,264
STUDENT FINANCIAL ASSISTANCE:				
Direct:				
Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007			40,000
Federal Pell Grant Program	84.063			444,192
Federal Direct Student Loans	84.268			2,310,637
Federal Work-Study Program	84.033			15,530
Total Student Financial Assistance				2,810,359
EDUCATION STABILIZATION FUND:				
Direct:				
Department of Education:				
Education Stabilization Fund				
COVID-19 - Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	84.425E			434,700
COVID-19 - Higher Education Emergency Relief Fund (HEERF) Institutional Portion	84.425F			2,559
Total Education Stabilization Fund				437,259
OTHER PROGRAMS:				
Direct:				
Department of Health and Human Services:				
COVID-19 - HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461			906,102
COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498			49,505,031
Total Direct Other				50,411,133
Passthrough:				
Department of Agriculture:				
Special Supplemental Nutrition Program for Women, Infants and Children				
Passed Through—Commonwealth of Massachusetts Department of Public Health	10.557	INTF3502M03162726107		469,400
Passed Through—Commonwealth of Massachusetts Department of Public Health	10.557	INTF3500000GAER15160		1,107,921
Total Special Supplemental Nutrition Program for Women, Infants and Children				1,577,321
Department of Health and Human Services:				
Maternal, Infant and Early Childhood Home Visiting Grant Program				
Passed Through—Commonwealth of Massachusetts Department of Public Health	93.870	INTF3617M03210621181		91,645
Total Passthrough Other				1,668,966
Total Other Programs				52,080,099
TOTAL EXPENDITURES			\$ 4,616,681	\$ 91,899,981

(Concluded)

WELLFORCE, INC. AND AFFILIATES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2021

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards presents the activity of federal financial assistance and federal cost-reimbursement contracts of Wellforce, Inc. and affiliates (the "System").

Operations related to the System's federal grant programs are included in the scope of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The federal oversight agency for the System is the Department of Health and Human Services (DHHS).

Receipts from federal grants and disbursements of federal grant funds are recorded on the accrual basis of accounting. The accompanying consolidated financial statements of the System are also prepared on the accrual basis of accounting.

Program Clusters—For the year ended September 30, 2021, the following program clusters were identified:

- Research and Development
- Student Financial Assistance

Major Programs—Major programs are identified in the summary of auditors' results section of the schedule of findings and questioned costs.

2. SUMMARY OF FACILITIES AND ADMINISTRATIVE COST RECOVERIES

The System has elected not to use the 10% indirect cost rate allowed under the Uniform Guidance, and instead uses the modified total direct cost basis to determine the facilities and administrative rate. The rates used during 2021 were based on approved rates as received from DHHS.

3. FEDERAL STUDENT LOAN PROGRAMS

Loans outstanding to students under federal programs as of September 30, 2021, are summarized as follows:

Perkins Loan Program	\$ 95,036
Nursing Student Loan Program	250,238

Federal Family Education loans are administered by outside financial institutions, and balances and transactions relating to these programs are not included in the System's consolidated financial statements.

4. PROVIDER RELIEF FUND RECIPIENTS

For the year ended September 30, 2021, all entities under the System who received federal funding from the Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution from April 10, 2020 through June 30, 2020 (the “Period of Availability”) are summarized, by tax identification number (TIN), as follows:

TIN	Entity Name
82-3315703	Cardiovascular Center at Tufts Medical Center
26-2057970	Circle Health OB/GYN, LLC
47-1122696	Circle Health Urgent Care, LLC
04-2103812	Circle Home, Inc.
04-3140938	Hallmark Health Medical Associates
04-2437064	Hallmark Health Visting Nurse Association, Inc.
04-2435675	Home Health VNA, Inc.
20-5671277	LGH Medical Group, LLC
45-2014433	LGH Merrimack Valley Cardiology Associates, LLC
61-1844933	LGH Professional Services, LLC
04-2767880	MelroseWakefield Healthcare, Inc.
04-3024278	Merrimack Valley Hospice, Inc.
04-3148395	Pratt Anesthesiology Associates, Inc.
04-3148397	Pratt Medical and Surgical Dermatology Associates, Inc.
04-2743894	Pratt Medical Group, Inc.
04-3148384	Pratt Neurology Associates, Inc.
04-3096445	Pratt Neurosurgical Associates, Inc.
04-3148385	Pratt OB/GYN Associates, Inc.
04-3148392	Pratt Ophthalmology Associates, Inc.
20-5129051	Pratt Orthopedic Associates, Inc.
04-3148381	Pratt Otolaryngology - Head and Neck Surgery Associates, Inc.
04-3148393	Pratt Pathology Associates, Inc.
04-3148394	Pratt Pediatric Associates, Inc.
04-3148387	Pratt Psychiatric Associates, Inc.
13-4340840	Pratt Radiation Oncology Associates of Rhode Island, Inc.
04-3148389	Pratt Radiation Oncology Associates, Inc.
04-3148388	Pratt Radiology Associates, Inc.
04-3148378	Pratt Rehabilitation Medicine Associates, Inc.
04-3148376	Pratt Surgical Associates, Inc.
04-3148379	Pratt Urology Associates, Inc.
04-2103590	The Lowell General Hospital
04-3400617	Tufts Medical Center, Inc.

5. DONATED MEDICAL EQUIPMENT (UNAUDITED)

During the year ended September 30, 2021, the System did not receive any donated medical equipment from a federal awarding agency.

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WELLFORCE, INC. AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

I. SUMMARY OF AUDITORS' RESULTS

Consolidated Financial Statements:

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?	No
Significant deficiencies identified?	None reported

Noncompliance material to the consolidated financial statements noted?	No
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Federal Awards:

Internal control over major federal programs:

Material weaknesses identified?	No
Significant deficiencies identified?	None reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

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

No

Identification of major federal programs:

CFDA Number	Name of Federal Program
CFDA 93.461	HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund
CFDA 93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

Dollar threshold used to distinguish between Type A and Type B programs:	\$2,757,000
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Auditee qualifies as a low-risk auditee?	Yes
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II. CONSOLIDATED FINANCIAL STATEMENT FINDINGS

None reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

(Concluded)

WELLFORCE, INC. AND AFFILIATES

SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2021

1. CONSOLIDATED FINANCIAL STATEMENT FINDINGS

No findings have been reported.

2. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings have been reported.

WELLFORCE, INC. AND AFFILIATES

STATUS OF PRIOR-YEAR AUDIT FINDINGS

None reported.

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