

Care New England Health System and Affiliates

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

September 30, 2023

EIN 05-0490997

Care New England Health System and Affiliates

Index

Year Ended September 30, 2023

| | Page(s) |
|--|---------|
| Part I – Consolidated Financial Statements and Schedule of Expenditures of Federal Awards | |
| Report of Independent Auditors | 1–3 |
| Consolidated Financial Statements | 4–7 |
| Notes to Consolidated Financial Statements | 8–58 |
| Supplemental Consolidating Information | 59–63 |
| Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards | 64–78 |
| Part II – Reports on Internal Controls and Compliance | |
| Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 79–80 |
| Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance | 81–83 |
| Part III – Audit Findings and Questioned Costs | |
| Schedule of Findings and Questioned Costs | 84–85 |
| Summary Schedule of Prior Audit Findings and Status | 86 |

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



Report of Independent Auditors

To the Board of Directors of
Care New England Health System

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Care New England Health System and its affiliates (the “System”), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of operations, of changes in net assets, and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the System as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The PricewaterhouseCoopers affiliated firm in the Cayman Islands performed audit procedures for the Women & Infants Indemnity, Ltd and Kent County Memorial Hospital Toll Gate Indemnity, Ltd., comprising approximately 19% and 18% of total assets of the System for the years ended September 30, 2023 and 2022, respectively. Personnel of this firm, excluding United States personnel, do not participate in a continuing education program that fully satisfies the requirement set forth in Chapter 4, paragraphs 4.16-4.18 of *Government Auditing Standards*. However, this firm does participate in continuing education programs applicable in the Cayman Islands.

Further, the PricewaterhouseCoopers affiliated firm in the Cayman Islands does not have an external quality review by an unaffiliated audit organization as required by Chapter 5, paragraph 5.60-5.62 of *Government Auditing Standards*, since no such program is offered by professional organizations in the country. However, this office participates in the PricewaterhouseCoopers worldwide internal control review program, which requires the office to be periodically subjected to an extensive quality control review by partners and managers from other PricewaterhouseCoopers affiliated firms.



Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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



Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information as of and for the year ended September 30, 2023 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements nor is it intended to present the financial position, results of operations, changes in net assets and cash flows of the individual companies. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended September 30, 2023 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the consolidated financial statements. 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2023 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 for the year ended September 30, 2023. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP
Boston, Massachusetts
December 22, 2023

Care New England Health System and Affiliates

Consolidated Balance Sheets

September 30, 2023 and 2022

| | 2023 | 2022 |
|---|-----------------------|-----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 41,219,117 | \$ 47,766,108 |
| Short-term investments | 29,685,445 | 38,046,843 |
| Patient accounts receivable | 113,621,015 | 104,805,091 |
| Other receivables | 51,207,461 | 33,146,975 |
| Pledges receivable, net | 2,431,625 | 6,822,665 |
| Other current assets | 21,140,934 | 16,820,231 |
| Current portion of assets whose use is limited | 2,059,790 | 2,538,386 |
| Total current assets | <u>261,365,387</u> | <u>249,946,299</u> |
| Assets whose use is limited or restricted as to use | | |
| Endowment funds | 71,045,054 | 65,203,141 |
| Board-designated funds | 146,594,532 | 128,802,248 |
| Trustee-held funds | 192,664,340 | 181,813,628 |
| Deferred compensation funds | 1,299,609 | 1,896,762 |
| Total assets limited as to use | 411,603,535 | 377,715,779 |
| Less: Amounts required to meet current obligations | <u>(2,059,790)</u> | <u>(2,538,386)</u> |
| Noncurrent assets limited as to use | 409,543,745 | 375,177,393 |
| Property, plant and equipment, net | 201,811,129 | 205,586,356 |
| Finance lease right-of-use assets, net | 4,396,949 | 6,346,406 |
| Operating lease right-of-use assets, net | 88,122,695 | 86,348,981 |
| Long-term pledges receivable, net | 3,775,919 | 4,503,472 |
| Insurance receivable | 2,241,389 | 2,241,389 |
| Other assets | 6,640,130 | 6,180,735 |
| Total assets | <u>\$ 977,897,343</u> | <u>\$ 936,331,031</u> |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 169,990,804 | \$ 141,481,354 |
| Current portion of estimated third-party payor settlements and advances | 9,363,525 | 12,143,047 |
| Current portion of long-term debt | 8,300,460 | 7,953,796 |
| Current portion of finance lease liability | 1,460,009 | 1,919,019 |
| Current portion of operating lease liability | 9,272,445 | 9,170,716 |
| Self-insurance reserves | 6,401,998 | 7,071,476 |
| Pension liability | 29,650,531 | 28,010,425 |
| Other current liabilities | 7,114,996 | 7,653,848 |
| Total current liabilities | 241,554,768 | 215,403,681 |
| Long-term liabilities | | |
| Self-insurance reserves | 166,047,725 | 166,795,335 |
| Long-term portion of estimated third-party payor settlements and advances | 15,061,277 | 24,479,113 |
| Long-term debt | 134,296,899 | 142,597,357 |
| Long-term finance lease liability | 2,692,473 | 4,121,179 |
| Long-term operating lease liability | 87,466,400 | 84,795,022 |
| Pension liability | 56,237,443 | 60,843,594 |
| Postretirement liability | 630,160 | 708,385 |
| Other liabilities | 4,298,317 | 4,287,619 |
| Total liabilities | <u>708,285,462</u> | <u>704,031,285</u> |
| Net assets | | |
| Without donor restrictions | 158,881,519 | 131,861,236 |
| With donor restrictions | 110,730,362 | 100,438,510 |
| Total net assets | <u>269,611,881</u> | <u>232,299,746</u> |
| Total liabilities and net assets | <u>\$ 977,897,343</u> | <u>\$ 936,331,031</u> |

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

Care New England Health System and Affiliates
Consolidated Statements of Operations
Years Ended September 30, 2023 and 2022

| | 2023 | 2022 |
|--|----------------------|-------------------------|
| Operating revenues, gains, and other support | | |
| Net patient service revenue | \$ 1,080,560,412 | \$ 1,014,915,145 |
| Research revenue | 38,168,474 | 35,013,707 |
| Grant revenue - relief funding | 13,465,847 | 24,253,613 |
| Other revenue | 163,558,113 | 152,703,334 |
| Net assets released from restrictions and used for operations | 3,959,217 | 3,556,718 |
| Total operating revenues, gains, and other support | <u>1,299,712,063</u> | <u>1,230,442,517</u> |
| Operating expenses | | |
| Salaries and benefits | 771,245,292 | 742,754,151 |
| Supplies and other expenses | 390,539,435 | 382,237,929 |
| Research expenses | 38,331,639 | 32,660,825 |
| Depreciation and amortization | 27,125,522 | 29,855,847 |
| Insurance | 38,864,570 | 30,411,673 |
| Licensure fee | 40,657,032 | 39,175,835 |
| Interest | 7,054,182 | 7,463,553 |
| Goodwill impairment | - | 24,345,364 |
| Restructuring costs - Memorial Hospital | 100,000 | 100,000 |
| Total operating expenses | <u>1,313,917,672</u> | <u>1,289,005,177</u> |
| (Loss) income from operations | <u>(14,205,609)</u> | <u>(58,562,660)</u> |
| Nonoperating (losses) gains | | |
| Investment income and realized gains on assets limited as to use, net | 17,185,053 | 24,583,373 |
| Contributions | 422,257 | 380,518 |
| Change in net unrealized (losses) gains on investments | 15,179,905 | (77,278,674) |
| Other components of current period pension | (7,722,108) | 571,474 |
| Other, net | (75,059) | (1,453,261) |
| Net nonoperating (losses) gains | <u>24,990,048</u> | <u>(53,196,570)</u> |
| (Deficiency) excess of revenues, gains, and other support over expenses and losses | 10,784,439 | (111,759,230) |
| Other changes in net assets without donor restrictions | | |
| Pension and postretirement adjustments | 12,342,727 | 9,588,818 |
| Net assets released from restrictions used for purchase of property, plant and equipment | 3,282,932 | 1,105,022 |
| Transfer from/(to) net assets with donor restrictions | 610,185 | (78,637) |
| Increase (decrease) in net assets without donor restrictions | <u>\$ 27,020,283</u> | <u>\$ (101,144,027)</u> |

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

Care New England Health System and Affiliates
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2023 and 2022

| | 2023 | 2022 |
|--|-----------------------|-----------------------|
| Net assets without donor restrictions | | |
| (Deficiency) excess of revenues, gains, and other support over expenses and losses | \$ 10,784,439 | \$ (111,759,230) |
| Other changes in net assets without donor restrictions | | |
| Pension and postretirement adjustments | 12,342,727 | 9,588,818 |
| Net assets released from restrictions used for purchase of property, plant and equipment | 3,282,932 | 1,105,022 |
| Transfer from/(to) net assets with donor restrictions | 610,185 | (78,637) |
| (Decrease) increase in net assets without donor restrictions | <u>27,020,283</u> | <u>(101,144,027)</u> |
| Net assets with donor restrictions | | |
| Contributions | 11,331,145 | 14,944,229 |
| Income from investments | 522,041 | 442,046 |
| Net realized and unrealized (losses) gains from investments | 4,629,392 | (10,222,259) |
| Changes in beneficial interest in assets held at community foundation | 51,629 | (225,275) |
| Changes in beneficial interest in perpetual trusts | 2,105,523 | (7,112,997) |
| Net assets released from restrictions | (7,737,693) | (5,133,258) |
| Transfers (to)/from net assets without donor restrictions | (610,185) | 78,637 |
| (Decrease) increase in net assets with donor restrictions | <u>10,291,852</u> | <u>(7,228,877)</u> |
| (Decrease) increase in net assets | 37,312,135 | (108,372,904) |
| Net assets | | |
| Beginning of year | <u>232,299,746</u> | <u>340,672,650</u> |
| End of year | <u>\$ 269,611,881</u> | <u>\$ 232,299,746</u> |

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

Care New England Health System and Affiliates

Consolidated Statements of Cash Flows

Years Ended September 30, 2023 and 2022

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 37,312,135 | \$ (108,372,904) |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities | | |
| Change in beneficial interest in perpetual trusts | (2,105,523) | 7,112,997 |
| Change in beneficial interest in assets held at community foundation | (51,629) | 225,275 |
| Goodwill impairment | - | 24,345,364 |
| Gain on disposals of property, plant and equipment | (608,451) | (7,827,480) |
| Pension and postretirement adjustments | (12,342,727) | (9,588,818) |
| Depreciation and amortization | 25,143,901 | 27,824,288 |
| Amortization of finance lease right-of-use assets | 1,981,621 | 2,031,559 |
| Depreciation and amortization - assets with donor restrictions | 118,846 | 118,846 |
| Amortization of debt issuance costs | 154,962 | 154,962 |
| Bond premium amortization | (650,448) | (650,448) |
| Bond discount amortization | 56,467 | 56,467 |
| Realized gains on short-term investments and assets limited as to use | (12,220,723) | (26,605,159) |
| Net unrealized losses (gains) on short-term investments and assets limited as to use | (19,314,623) | 93,328,396 |
| Restricted contributions and investment income | (35,250) | (35,250) |
| Changes in | | |
| Patient accounts receivable | (8,815,924) | 3,642,475 |
| Other current and long-term assets | (17,719,265) | (4,601,300) |
| Accounts payable and accrued expenses | 26,319,545 | (2,263,889) |
| Estimated third-party payor settlements | (12,197,358) | (21,796,193) |
| Other liabilities | 793,558 | (5,316,804) |
| Net pension liability | 9,298,457 | (3,315,131) |
| Self-insurance reserves | (1,417,088) | 112,933 |
| Net cash (used in) provided by operating activities | <u>13,700,483</u> | <u>(31,419,814)</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (19,842,824) | (11,663,169) |
| Proceeds from the sale of property, plant and equipment | 829,185 | 16,054,510 |
| Purchase of investments | (133,209,368) | (189,844,090) |
| Proceeds from the sale of investments | <u>144,454,373</u> | <u>249,856,040</u> |
| Net cash provided by (used in) investing activities | <u>(7,768,634)</u> | <u>64,403,291</u> |
| Cash flows from financing activities | | |
| Payments on long-term debt | (7,514,775) | (7,258,950) |
| Repayments of obligations under a financing lease | (1,920,449) | (2,101,379) |
| Restricted contributions to be used for long-term investments and investment income | <u>35,250</u> | <u>35,250</u> |
| Net cash used in financing activities | <u>(9,399,974)</u> | <u>(9,325,079)</u> |
| Net increase (decrease) in cash and cash equivalents and restricted cash | <u>(3,468,125)</u> | <u>23,658,398</u> |
| Cash, cash equivalents and restricted cash | | |
| Beginning of year | <u>65,732,063</u> | <u>42,073,665</u> |
| End of year | <u>\$ 62,263,938</u> | <u>\$ 65,732,063</u> |
| Supplemental cash flow information | | |
| Cash paid for interest | \$ 7,080,738 | \$ 7,502,318 |
| Purchases of property and equipment included in accounts payable and accrued expenses | 2,180,913 | 111,231 |
| Assets acquired under finance leases | 32,165 | 2,234,777 |
| Assets acquired under operating leases | 12,069,054 | 4,859,495 |
| Reconciliation of cash, cash equivalents and restricted cash reported in the consolidated balance sheets | | |
| Cash and cash equivalents | \$ 41,219,117 | \$ 47,766,108 |
| Cash reported in assets whose use is limited or restricted as to use | <u>21,044,821</u> | <u>17,965,955</u> |
| Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows | <u>\$ 62,263,938</u> | <u>\$ 65,732,063</u> |

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

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

1. Description of Organization

Corporate Structure

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

The accompanying consolidated financial statements include the accounts of Care New England and its affiliates, over which Care New England is the parent organization and sole corporate member of these organizations (affiliates):

- Butler Hospital (“Butler”) and its affiliates, Butler Hospital Foundation, Carriage House, LLC (“Carriage”), and Butler Hospital Allied Medical Services, LLC.
- Kent County Memorial Hospital (“Kent”) and its affiliates, Kent Hospital Foundation, Kent Ancillary Services, LLC, Affinity Physicians, LLC d/b/a Care New England Medical Group, LLC (“CNEMG”), Toll Gate Indemnity, Ltd. (“Toll Gate”), and Care New England Pharmacy, LLC (the “CNE Pharmacy”).
- Women & Infants Corporation (“WIC”) and its affiliates, Women & Infants Development Foundation, Women & Infants Hospital of Rhode Island (“WIH”), WIH Faculty Physicians, Inc., Women & Infants Ancillary Services, LLC, Women & Infants Health Care Alliance, LLC, and W&I Indemnity, Ltd. (“W&I Indemnity”).
- Kent County Visiting Nurse Association, d/b/a VNA of Care New England (the “VNA”), and its affiliates, Healthtouch, Inc., Blackstone Health, Inc. (“BHI”) and VNA of Care New England Foundation (together, the “Agency”).
- Integra Community Care Network, LLC. (“Integra”)
- Southeastern Healthcare System, Inc. (“SHS”) and its affiliates, Memorial Hospital, Primary Care Centers of New England, Inc. (“PCCNE”), MHRI Ancillary Services, LLC, and The Memorial Hospital Foundation. Memorial is the sole corporate member of SHS Ventures, Inc. (“Ventures”).
- The Providence Center, Inc. (the “Center” or “TPC”) and its affiliates, Grandview Realty Corporation (“Grandview Realty”), Grandview Second Corporation (“Grandview Second”), Nashua Street Corporation (“Nashua”), Wilson Street Apartments, Inc. (“Wilson”), Standard Realty, Inc. (“Standard”), TPC Social Ventures, Inc. (“Promail”), and Continuum Behavioral Health, Inc. (“Continuum”).
- In June 2020, Care New England Ambulatory Surgery Center was formed as a subsidiary of CNE. A Certificate of Need (“CON”) application was submitted to develop a free-standing multispecialty ambulatory surgery center (“ASC”) in Providence, Rhode Island. The CON was approved on August 5, 2021, with certain conditions, but appealed by a competing health care organization. On February 6, 2023, the Rhode Island Department of Health (“RIDOH”) approved the CON on remand, but the competing facility continued to pursue an appeal. In July 2023, RIDOH again approved the CON on remand. CNE does not anticipate a further appeal of this decision. The ASC will have six operating rooms built as new construction and will be executed in two phases, building three operating rooms in each phase. The CNE ASC

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

will fill an unmet need for lower-cost, ambulatory operating rooms in the region and will provide enhanced quality and lower cost care for individuals in the communities served by CNE. Surgical specialties will include orthopedics, general surgery, plastic surgery, vascular surgery, and urology.

Care New England Health System, Butler, Kent, Kent County Visiting Nurse Association (prior to September 26, 2022), SHS, The Memorial Hospital (prior to December 22, 2017), TPC, WIC, and WIH, are collectively, the Obligated Group. The Obligated Group is a party to a Master Trust Indenture dated September 1, 2016.

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

In December 2017, the Boards of the Obligated Group determined that Memorial Hospital should withdraw from the Obligated Group, and on December 22, 2017, the Master Trustee approved the release of Memorial Hospital from the Obligated Group. In August 2022, the Boards of the Obligated Group approved the withdrawal of Kent County Visiting Nurse Association from the Obligated Group, and on September 26, 2022, the Master Trustee approved the release of Kent County Visiting Nurse Association from the Obligated Group.

Mission and Nature of Business

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

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

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

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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

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

As of October 1, 2022, both Toll Gate and W&I Indemnity, on an equal basis, provide the Self-Insured Retentions (deductibles) for the commercially purchased Cyber/Privacy and Executive Liability (D&O, EPLI, etc.) lines of insurance coverage for the System.

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

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

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

2. Significant Accounting Policies

Basis of Presentation

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

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates are made in the areas of accounts receivable price concessions, third-party payor settlements, incurred but not reported liabilities for medical, dental, workers' compensation, and medical malpractice insurance, pension and other post-retirement costs and valuation of investments. Actual results could differ from those estimates.

Cash and Cash Equivalents

Care New England considers all highly liquid investments with a three-month or less maturity when purchased as cash equivalents. At September 30, 2023, and 2022, \$22,854,811 and \$19,205,069, respectively, of cash received with donor-imposed restrictions that is available for current use is included in cash and cash equivalents.

The System maintains approximately 71% and 73% at September 30, 2023 and 2022, respectively, of its cash balance with one institution.

Short-Term Investments

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

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

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

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

Investments at net asset value ("NAV") (nontraditional, not readily marketable holdings) include limited partnership interests, commingled funds, and marketable alternative investments. Investments at NAV generally are structured such that the System holds an interest in the respective fund. The System's ownership structure does not provide for control over the related investees, and the System's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitments. There was an outstanding unfunded commitment for investments at NAV of \$3,790,580 and \$4,047,646 at September 30, 2023 and 2022, respectively.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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

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

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

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

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

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

Other Receivables

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

Assets Whose Use is Limited or Restricted as to Use

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

Inventories

Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out) or net realizable value. Inventories of \$12,953,094 and \$9,025,176 at September 30, 2023, and 2022, respectively, are included in other current assets in the consolidated balance sheets.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

Goodwill and Intangibles

The System performs an impairment assessment of goodwill annually at the reporting unit level (the consolidated System) by comparing the estimated fair value of the reporting unit to the carrying value of the reporting unit. For the year ended September 30, 2023, the fair value assessment reflected several significant management assumptions and estimates, including the System's forecasts of future net patient service revenue, operating expenses, capital expenditures, and the estimated discount rate. Through this assessment, it was determined that the carrying amount of the reporting unit exceeded its fair value by more than the goodwill balance. As such, the full goodwill asset was considered impaired and a charge of \$24,345,364 was recorded during the year ended September 30, 2022.

Property, Plant, and Equipment

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

| | |
|------------------------------|--------------|
| Buildings and improvements | 5 – 40 years |
| Fixed and moveable equipment | 3 – 20 years |

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

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

Care New England evaluates the potential impairment of property, plant, and equipment whenever events or changes in circumstances indicate that the carrying value of a group of assets may not be recoverable. There was no impairment charge on property, plant, and equipment for the years ended September 30, 2023, and 2022.

Deferred Financing Costs

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

Self-Insurance Reserves

The reserves for self-insured programs are estimated based on actuarial studies and the Hospitals' and industry experience. The reserves include estimates of the ultimate cost for both reported claims and claims incurred but not yet reported. The Hospitals have established separate

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

indemnification companies and trust funds for payment of certain self-insured claims including medical malpractice and general liability.

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

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

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

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

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

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

Net Patient Service Revenue

The Hospitals, the Agency, and the Center have individual agreements with many third-party payors that provide payments at amounts different from their established rates. Payment

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

arrangements include prospectively determined rates per discharge, per episode of care, discounted charges, per-diem, and fee-for-service payments.

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

Research Revenue

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

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

Other Revenue

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

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

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

| | 2023 | 2022 |
|--|-----------------------|-----------------------|
| Professional services agreement practice revenues | \$ 21,670,746 | \$ 21,202,751 |
| Laboratory services to nonpatients | 14,563,212 | 14,684,101 |
| Grant revenue | 10,957,692 | 16,921,550 |
| Accountable care organization revenues | 35,221,642 | 25,053,425 |
| Contract pharmacy | 16,140,429 | 14,361,769 |
| Retail pharmacy | 30,637,698 | 20,551,762 |
| Professional services agreements | 8,849,385 | 8,248,240 |
| Home medical equipment sales | 3,364,660 | 3,551,243 |
| Cafeteria sales | 3,091,487 | 2,551,557 |
| Rental income | 2,707,198 | 2,879,547 |
| In-kind revenue | 2,515,805 | 2,510,430 |
| Gain on disposals of property, plant and equipment | 608,451 | 7,827,480 |
| Vendor rebates | 1,300,811 | 1,395,963 |
| Other miscellaneous income | 13,053,195 | 10,963,516 |
| Total other revenue | <u>\$ 164,682,411</u> | <u>\$ 152,703,334</u> |

Charity Care

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

Contributions and Pledges Receivable

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

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

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

Income Tax Status

Care New England, Butler, Kent, WIH, the Agency, Women & Infants Faculty Physicians, Inc., WIC, Women & Infants Development Foundation, Butler Hospital Foundation, Kent Hospital

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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

Recently Adopted Accounting Standards

In September 2020, the FASB issued ASU 2020-07 – *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This amendment requires the System to report contributed nonfinancial assets as a separate line item within the statement of operations and expanded reporting requirements for contributed nonfinancial assets, such as donor-imposed restrictions, fair value measurement, and qualitative information if the contributed nonfinancial assets were utilized or sold. The standard is effective for years ended September 30, 2023. The adoption of ASU 2020-07 did not have a material impact on the System's financial statements for the year ended September 30, 2023.

In June 2016, the FASB issued ASU 2016-13 – *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and issued subsequent amendments to the initial guidance (collectively, Topic 326). Topic 326 replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. Receivables that result from revenue transactions under *ASC 606, Revenue from Contracts with Customers*, are subject to the current expected credit loss model. The ASU is effective for fiscal years beginning after December 15, 2022, or fiscal year 2024 for the System. Early adoption is permitted. The System is evaluated the adoption's impact on the consolidated financial statements.

3. COVID-19

The COVID-19 pandemic significantly impacted the System's operational and financial performance, starting in March 2020 and continuing through fiscal year 2022. The System has received approximately \$13.47 million in 2023 in governmental assistance. This includes approximately \$8.67 million in 2023 of grant revenue – relief funding in the statements of operations as a result of satisfying the conditions of general grant funding under the Federal Emergency Management Agency's Public Assistance Grant for costs incurred during the pandemic of \$8,577,387 in FY20 through FY22 and \$92,100 in FY23 and approximately \$4.8 million in 2023 of grant revenue – relief funding in the statements of operations as a result of satisfying the conditions under the American Rescue Plan Act ("ARPA").

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

The System has received approximately \$24.3 million in 2022 in governmental assistance. This includes approximately \$13.3 million in 2022 of grant revenue – relief funding in the statements of operations as a result of satisfying the conditions of general grant funding under the under the Paycheck Protection Program and Health Care Enhancement Act and approximately \$11.0 million in 2022 of grant revenue – relief funding in the statements of operations as a result of satisfying the conditions under the American Rescue Plan Act (“ARPA”).

The System recognized operating revenue related to the CARES Act, the Program Protection Program and Health Care Enhancements Act, and ARPA, based on information contained in laws and regulations, as well as interpretations issued by the Department of Health and Human Services (HHS), governing the funding that was publicly available at September 30, 2023, and 2022, respectively.

In 2020, the System recorded \$30.0 million attributable to the Medicare Accelerated and Advance Payment Program (the “Advances”) representing working capital financing to be recouped through the provision of future services. In 2022 and 2021, approximately \$18.6 million and \$11.4 million, respectively, of the Advances were recouped. As of September 30, 2022, no amounts are remaining to be recouped.

Additionally, the CARES Act provides for payroll tax relief, including the deferral of all employer Social Security tax payments (the “Deferral”) to help employers in the face of economic hardship related to the COVID-19 pandemic. Approximately \$8.6 million of the employer portion of Social Security wage taxes were deferred as of September 30, 2022. The Deferral of \$8.6 million as of September 30, 2022 is recorded in accounts payable and accrued expenses in the consolidated balances sheets.

4. Memorial Hospital Closure

Memorial Hospital had a loss from operations of \$1,062,374 and a loss from operations of \$24,038,778 for years 2023 and 2022, respectively.

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

| | 2023 | 2022 |
|--|-----------------------|------------------------|
| Total operating revenues | \$ 1,909,408 | \$ 2,997,854 |
| Total operating expenses | <u>(2,971,782)</u> | <u>(27,036,632)</u> |
| (Loss) income from operations | (1,062,374) | (24,038,778) |
| Net nonoperating (losses) gains | <u>1,705</u> | <u>(77)</u> |
| (Deficiency) excess of revenues, gains and other support over expenses and losses | <u>(1,060,669)</u> | <u>(24,038,855)</u> |
| Transfer | | |
| (Decrease) increase in net assets without donor restrictions | <u>\$ (1,060,669)</u> | <u>\$ (24,038,855)</u> |

During years ended 2023 and 2022, the System incurred \$100,000 and \$100,000 of restructuring costs related to the closure of Memorial Hospital, respectively.

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

5. Net Patient Service Revenue

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

Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the System's hospital(s) receiving inpatient acute care services or patients receiving services in the System's 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 the System's patients and customers in a retail setting (for example, pharmaceuticals and medical equipment); the System does not believe it is required to provide additional goods or services related to that sale.

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

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

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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

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

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretations. As a result of investigations by governmental agencies, various healthcare 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 and significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the System's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties could have upon the System. In addition, the contracts the System has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable considerations and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payors, correspondence from the payors, and the System's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available) or as years are settled or are no longer subject to such audits, reviews, and investigations. For the years ended September 30, 2023, and 2022, additional revenue of \$16,504,137 and \$180,128 was recognized due to changes in estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years.

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

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

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

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

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

| | 2023 | 2022 |
|------------------------------------|--------------|--------------|
| Medicare and medicare managed care | 31 % | 31 % |
| Medicaid and medicaid managed care | 30 | 29 |
| Blue Cross | 22 | 22 |
| Managed care | 5 | 6 |
| Self-pay | 1 | 1 |
| Other | 11 | 11 |
| | <u>100 %</u> | <u>100 %</u> |

6. Charity Care and Community Services

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

| | 2023 | 2022 |
|--|---------------|---------------|
| Revenues forgone, based on established rates | \$ 13,329,433 | \$ 11,587,240 |
| Expenses and costs incurred | 6,020,435 | 5,382,560 |

Of the System's total expenses reported \$1,313,917,672 and \$1,289,005,177 in 2023 and 2022, respectively, an estimated \$6,020,435 and \$5,382,560 arose during 2023 and 2022, respectively, from providing services to charity patients. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to patients who qualify for charity care. The ratio of cost to charges is calculated based on total expenses divided by gross patient service revenue. The System did not receive significant contributions restricted for indigent patients' care during 2023 and 2022.

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

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

| | 2023 | 2022 |
|--|---------------|---------------|
| Approximated revenues forgone, or cost of the services provided to the community | \$ 43,728,152 | \$ 48,473,555 |

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

7. Pledges Receivable

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

| | 2023 | 2022 |
|------------------------------------|---------------------|----------------------|
| Within one year | \$ 2,513,932 | \$ 6,805,070 |
| One to five years | 4,144,976 | 4,923,501 |
| Beyond five years | 14,308 | 10,489 |
| | <u>6,673,216</u> | <u>11,739,060</u> |
| Less: Allowance for uncollectibles | <u>(465,672)</u> | <u>(412,923)</u> |
| Pledges receivable, net | <u>\$ 6,207,544</u> | <u>\$ 11,326,137</u> |

A review of pledges is periodically made with regard to collectability. As a result, the allowance for pledges that may not be collected is adjusted, and some pledges have been cancelled and are no longer recorded in the financial statements. The U.S. Treasury Bill rate adjusted for credit risk is used to discount pledges receivable. The discount was calculated using a rate of 5.5% and 3.25% for the years ended September 30, 2023 and 2022, respectively.

As of September 30, 2023, and 2022, the System had \$40,161,716 and \$31,353,449 in funding awarded but not yet expended related to conditional contributions from sponsored support where the condition has not yet been met. Included in deferred revenue at September 30, 2023 and 2022 are \$4,572,075 and \$3,484,041, respectively, of sponsored receipts that have not been expended and cannot yet be recognized as revenue due to having a barrier and right of return under ASU 2018-08.

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

8. Summary of Investments

Investments at September 30 are summarized as follows:

| | 2023 | 2022 |
|--|-----------------------|-----------------------|
| Short-term investments | | |
| Mutual funds | \$ 29,685,445 | \$ 38,046,843 |
| | <u>29,685,445</u> | <u>38,046,843</u> |
| Endowment and board designated funds | | |
| Cash | 2,969,568 | 379,789 |
| Short-term investments | 6,132,903 | 7,417,643 |
| Fixed income securities | 15,908,261 | 15,690,082 |
| Equity securities | 22,047,644 | 19,069,355 |
| Mutual funds | 69,835,119 | 57,991,271 |
| Investments at NAV | 48,169,336 | 43,192,582 |
| Assets held under split - interest agreements | 30,100,705 | 27,943,553 |
| Cash surrender value of life insurance | 22,476,050 | 22,321,114 |
| | <u>217,639,586</u> | <u>194,005,389</u> |
| Trustee-held funds | | |
| Cash | 17,637,253 | 17,242,165 |
| Short-term investments | 17,012,355 | 20,799,962 |
| Fixed income securities | 61,901,477 | 40,811,877 |
| Equity securities | 38,619,160 | 32,015,366 |
| Mutual funds | 30,593,348 | 53,277,709 |
| Investments at NAV | 26,900,747 | 17,666,549 |
| | <u>192,664,340</u> | <u>181,813,628</u> |
| Deferred compensation funds | | |
| Cash | 438,000 | 344,001 |
| Mutual funds | 861,609 | 1,552,761 |
| | <u>1,299,609</u> | <u>1,896,762</u> |
| Total short-term investments and assets limited as to use | <u>\$ 441,288,980</u> | <u>\$ 415,762,622</u> |

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

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

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

| | 2023 | 2022 |
|---|----------------------|------------------------|
| Investment return on net assets without donor restrictions | | |
| Interest and dividend income | \$ 5,452,322 | \$ 3,793,651 |
| Net realized gains on sales of investments | 11,717,299 | 20,777,696 |
| Net change in unrealized (losses) gains | <u>15,179,905</u> | <u>(77,278,674)</u> |
| | <u>32,349,526</u> | <u>(52,707,327)</u> |
| Included in operating revenue | (15,432) | (12,026) |
| Included in nonoperating revenue | <u>32,364,958</u> | <u>(52,695,301)</u> |
| | <u>32,349,526</u> | <u>(52,707,327)</u> |
| Changes in net assets with donor restrictions | | |
| Interest and dividend income | 522,041 | 442,046 |
| Net realized gains on sales of investments | 494,675 | 5,827,463 |
| Net change in unrealized (losses) gains | 4,134,717 | (16,049,722) |
| Changes in beneficial interest in assets held at community foundation | 51,629 | (225,275) |
| Changes in beneficial interest in perpetual trusts | <u>2,105,523</u> | <u>(7,112,997)</u> |
| | <u>7,308,585</u> | <u>(17,118,485)</u> |
| | <u>\$ 39,658,111</u> | <u>\$ (69,825,812)</u> |

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

The cost and estimated fair value of securities, which excludes beneficial interest in perpetual trusts of \$30,100,705 and \$27,943,553, as of September 30, 2023 and 2022, respectively, and excludes cash surrender value of life insurance of \$22,476,050 and \$22,321,114, as of September 30, 2023 and 2022, respectively, and includes long-term investments as follows:

| | 2023 | | |
|---|-----------------------|--|---------------------------------|
| | Cost | Gross Unrealized (Losses) Gains | Estimated Fair Value |
| Short-term investments | | | |
| Mutual funds | \$ 29,811,736 | \$ (126,291) | \$ 29,685,445 |
| | <u>\$ 29,811,736</u> | <u>\$ (126,291)</u> | <u>\$ 29,685,445</u> |
| Endowment and board designated funds | | | |
| Cash | \$ 2,969,568 | \$ - | \$ 2,969,568 |
| Short-term investments | 6,132,903 | - | 6,132,903 |
| Fixed income securities | 18,351,351 | (2,443,090) | 15,908,261 |
| Equity securities | 22,252,852 | (205,208) | 22,047,644 |
| Mutual funds | 73,232,683 | (3,397,564) | 69,835,119 |
| Investments at NAV | 40,834,449 | 7,334,887 | 48,169,336 |
| | <u>\$ 163,773,806</u> | <u>\$ 1,289,025</u> | <u>\$ 165,062,831</u> |
| Trustee-held funds | | | |
| Cash | \$ 17,637,253 | \$ - | \$ 17,637,253 |
| Short-term investments | 17,012,355 | - | 17,012,355 |
| Fixed income securities | 67,852,446 | (5,950,969) | 61,901,477 |
| Equity securities | 35,626,041 | 2,993,119 | 38,619,160 |
| Mutual funds | 27,312,697 | 3,280,651 | 30,593,348 |
| Investments at NAV | 20,401,158 | 6,499,589 | 26,900,747 |
| | <u>\$ 185,841,950</u> | <u>\$ 6,822,390</u> | <u>\$ 192,664,340</u> |
| Deferred compensation funds | | | |
| Cash | \$ 438,000 | \$ - | \$ 438,000 |
| Mutual funds | 894,773 | (33,164) | 861,609 |
| | <u>\$ 1,332,773</u> | <u>\$ (33,164)</u> | <u>\$ 1,299,609</u> |

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

| | 2022 | | |
|---|-----------------------|--|---------------------------------|
| | Cost | Gross Unrealized (Losses) Gains | Estimated Fair Value |
| Short-term Investments | | | |
| Mutual funds | \$ 38,046,843 | \$ - | \$ 38,046,843 |
| | <u>\$ 38,046,843</u> | <u>\$ -</u> | <u>\$ 38,046,843</u> |
| Endowment and board designated funds | | | |
| Cash | \$ 379,789 | \$ - | \$ 379,789 |
| Short-term investments | 7,417,643 | - | 7,417,643 |
| Fixed income securities | 18,239,704 | (2,549,622) | 15,690,082 |
| Equity securities | 22,071,286 | (3,001,931) | 19,069,355 |
| Mutual funds | 69,772,214 | (11,780,943) | 57,991,271 |
| Investments at NAV | 40,433,162 | 2,759,420 | 43,192,582 |
| | <u>\$ 158,313,798</u> | <u>\$ (14,573,076)</u> | <u>\$ 143,740,722</u> |
| Trustee-held funds | | | |
| Cash | \$ 17,242,165 | \$ - | \$ 17,242,165 |
| Short-term investments | 20,799,962 | - | 20,799,962 |
| Fixed income securities | 46,188,615 | (5,376,738) | 40,811,877 |
| Equity securities | 27,302,870 | 4,712,496 | 32,015,366 |
| Mutual funds | 49,287,531 | 3,990,178 | 53,277,709 |
| Investments at NAV | 16,851,527 | 815,022 | 17,666,549 |
| | <u>\$ 177,672,670</u> | <u>\$ 4,140,958</u> | <u>\$ 181,813,628</u> |
| Deferred compensation funds | | | |
| Cash | \$ 344,001 | \$ - | \$ 344,001 |
| Mutual funds | 1,730,820 | (178,059) | 1,552,761 |
| | <u>\$ 2,074,821</u> | <u>\$ (178,059)</u> | <u>\$ 1,896,762</u> |

The System reviews its investments to identify those for which fair value is below cost. The System then makes a determination as to whether the investment should be considered other-than-temporarily impaired. During 2023 and 2022, there were no significant losses related to declines in value that were considered other-than-temporary in nature.

9. Liquidity and Funds Available for General Expenditure

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

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

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

The following reflects the System's financial assets as of September 30, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions or internal designations within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in board-designated funds that could be drawn upon if the Board of Directors approves the action. However, amounts already appropriated from donor restricted endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

| | 2023 | 2022 |
|--|-----------------------|-----------------------|
| Financial assets at September 30 | | |
| Cash and cash equivalents | \$ 41,219,117 | \$ 47,766,108 |
| Short-term investments | 29,685,445 | 38,046,843 |
| Patient accounts receivable | 113,621,015 | 104,805,091 |
| Other receivables | 51,207,461 | 33,146,975 |
| Pledges receivable, net | 6,207,544 | 11,326,137 |
| Endowment funds | 71,045,054 | 65,203,141 |
| Board-designated funds | 146,594,532 | 128,802,248 |
| Trustee-held funds | 192,664,340 | 181,813,628 |
| Deferred compensation funds | 1,299,609 | 1,896,762 |
| Total financial assets | <u>653,544,117</u> | <u>612,806,933</u> |
| Less: Amounts not available | | |
| Donor restricted funds | 22,854,811 | 19,205,069 |
| Other receivables | 8,505,678 | 8,107,966 |
| Pledges receivable, net | 3,775,919 | 4,503,472 |
| Endowment funds | 70,480,728 | 64,642,144 |
| Board-designated funds | 146,594,532 | 128,802,248 |
| Trustee-held funds | 192,664,340 | 181,813,628 |
| Deferred compensation funds | 1,299,609 | 1,896,762 |
| Financial assets not available to be used within one year | <u>446,175,617</u> | <u>408,971,289</u> |
| Financial assets available to meet general expenditures within one year | <u>\$ 207,368,500</u> | <u>\$ 203,835,644</u> |

CNE, Butler, Kent, SHS, WIC, Integra, the Agency, and the Center routinely invest their surplus operating funds in various overnight repurchase agreements, money market funds, and fixed income U.S. agency bonds, which are classified as cash and cash equivalents. Additionally, CNE invests surplus operating funds in mutual funds that invest primarily in investment grade debt obligations that can be readily converted to cash. These funds are included in short-term investments in the consolidated balance sheets as of September 30, 2023 and 2022. Investment

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

decisions are made based on anticipated liquidity needs, such that financial assets are available for general expenditures, liabilities, and other obligations come due.

10. Property, Plant and Equipment

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

| | 2023 | 2022 |
|---|-----------------------|-----------------------|
| Land | \$ 3,702,707 | \$ 3,702,707 |
| Land improvements | 10,542,244 | 10,518,904 |
| Buildings and improvements | 471,250,640 | 460,124,586 |
| Moveable equipment | <u>298,382,513</u> | <u>299,978,037</u> |
| Total property, plant and equipment | 783,878,104 | 774,324,234 |
| Less: Accumulated depreciation and amortization | <u>(590,904,422)</u> | <u>(572,692,315)</u> |
| | 192,973,682 | 201,631,919 |
| Construction and projects in progress | <u>8,837,447</u> | <u>3,954,437</u> |
| Property, plant and equipment, net | <u>\$ 201,811,129</u> | <u>\$ 205,586,356</u> |

Depreciation and amortization expense amounted to \$27,125,552 and \$29,855,847 for the years ended September 30, 2023 and 2022, respectively, which includes \$25,143,900 and \$27,824,288 depreciation expense of property, plant and equipment, and \$1,981,622 and \$2,031,559 amortization expense of finance lease right-of-use assets, respectively. Depreciation and amortization expense of property, plant and equipment, with donor restrictions, amounted to \$118,846 for the years ended September 30, 2023 and 2022.

Care New England had property, plant and equipment disposals of \$7,360,210 and \$19,525,585 with accumulated depreciation of \$7,050,641 and \$10,792,788 for the years ended September 30, 2023 and 2022, respectively.

As of September 30, 2023, the System estimated the total cost of completion of construction and projects in progress to be approximately \$16,279,105. The funding to complete these projects will come from philanthropic donations, operating cash and cash equivalents and short-term investments.

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

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

Conditional asset retirement obligations are recorded at \$3,237,719 and \$3,095,678 as of September 30, 2023 and 2022, respectively. These obligations are recorded in other noncurrent liabilities in the consolidated balance sheets. There are no assets that are legally restricted for purposes of settling asset retirement obligations. For FY 2023 and 2022, there were no significant retirement obligations incurred or settled. Accretion expense of \$145,729 and \$136,533 was recorded during the years ended September 30, 2023 and 2022, respectively.

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

11. Lease Commitments

The System determines if an arrangement is or contains a lease at inception of the contract. The right-of-use assets represent the right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The System uses the implicit rate noted within the contract. If not readily available, the System uses an estimated incremental borrowing rate, which is derived using a collateralized borrowing rate for the same currency and term as the associated lease. The leases standard requirement is to record a right-of-use asset and a lease liability for all leases with a lease term longer than 12 months. The System has elected not to record leases with a term of 12 months or less on the balance sheets.

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

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

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Operating lease cost | \$ 14,839,004 | \$ 13,890,931 |
| Variable and short-term lease cost | <u>1,042,489</u> | <u>1,080,521</u> |
| Total lease cost | <u>\$ 15,881,493</u> | <u>\$ 14,971,452</u> |
| Finance lease cost | | |
| Amortization of finance lease right-of-use assets | \$ 1,981,621 | \$ 2,031,559 |
| Interest on finance lease liabilities | <u>185,547</u> | <u>227,892</u> |
| Total finance lease cost | <u>\$ 2,167,168</u> | <u>\$ 2,259,451</u> |

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

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

| | 2023 | 2022 |
|--|---------------|---------------|
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Operating cash flows from operating leases | \$ 13,830,132 | \$ 13,893,111 |
| Operating cash flows from finance leases | 184,975 | 224,952 |
| Financing cash flows from finance leases | 1,920,449 | 2,101,379 |
| Right-of-use assets obtained in exchange for lease obligations | | |
| Operating leases | \$ 98,415,879 | \$ 96,209,561 |
| Finance leases | 9,605,444 | 10,345,286 |

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

| | 2023 | 2022 |
|--|----------------------|----------------------|
| Operating leases | | |
| Operating lease right-of-use assets | \$ 98,415,879 | \$ 96,209,561 |
| Less: Asset lease expense | 10,293,184 | 9,860,580 |
| Operating lease right-of-use assets, net | <u>\$ 88,122,695</u> | <u>\$ 86,348,981</u> |
| Current portion of operating lease liabilities | \$ 9,272,445 | \$ 9,170,716 |
| Long-term operating lease liabilities | 87,466,400 | 84,795,022 |
| Total operating lease liabilities | <u>\$ 96,738,845</u> | <u>\$ 93,965,738</u> |
| Finance leases | | |
| Finance lease right-of-use assets | \$ 9,605,444 | \$ 10,345,286 |
| Accumulated amortization | 5,208,495 | 3,998,880 |
| Finance lease right-of-use assets, net | <u>\$ 4,396,949</u> | <u>\$ 6,346,406</u> |
| Current portion of finance lease liabilities | \$ 1,460,009 | \$ 1,919,019 |
| Long-term finance lease liabilities | 2,692,473 | 4,121,179 |
| Total finance lease liabilities | <u>\$ 4,152,482</u> | <u>\$ 6,040,198</u> |
| Weighted average remaining lease term | | |
| Operating leases | 15.04 | 12.86 years |
| Finance leases | 3.45 | 3.95 years |
| Weighted average discount rate | | |
| Operating leases | 5.48 % | 4.32 % |
| Finance leases | 3.82 % | 3.70 % |

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

Future maturities of lease liabilities as of September 30, 2023 are as follows:

| | Operating Leases | Finance Leases |
|------------------------|-----------------------------|---------------------------|
| 2024 | \$ 13,665,554 | \$ 1,590,088 |
| 2025 | 12,096,957 | 1,396,816 |
| 2026 | 10,245,016 | 753,786 |
| 2027 | 9,463,233 | 289,929 |
| 2028 | 9,051,491 | 218,808 |
| Later years | <u>96,321,705</u> | <u>189,718</u> |
| Total lease payments | 150,843,956 | 4,439,145 |
| Less: Imputed interest | <u>54,105,111</u> | <u>286,663</u> |
| | <u>\$ 96,738,845</u> | <u>\$ 4,152,482</u> |

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

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

Future maturities of lease payments, showing the undiscounted cash flows to be received on an annual basis as of September 30, 2023 are as follows:

| | 2023 |
|----------------------|----------------------|
| 2024 | \$ 2,023,572 |
| 2025 | 1,838,714 |
| 2026 | 1,708,203 |
| 2027 | 1,645,721 |
| 2028 | 1,662,166 |
| Later years | <u>41,363,412</u> |
| Total lease payments | <u>\$ 50,241,788</u> |

Total rental income for operating leases for the years ended September 30, 2023 and 2022 amounted to \$2,707,198 and \$2,879,547, respectively.

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

12. Long-Term Debt

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

| | 2023 | 2022 |
|--|-----------------------|-----------------------|
| Fixed rate \$138,265,000 RIHEBC 2016 Series B Bonds, final maturity in 2036 | \$ 108,020,000 | \$ 114,220,000 |
| Fixed rate \$21,610,000 RIHEBC 2016 Series C Taxable Notes, final maturity in 2046 | 21,610,000 | 21,610,000 |
| Term, \$445,400 U.S. Dept of Housing and Urban Development (HUD) mortgage note, final maturity in 2023 | 3,501 | 43,408 |
| Term, \$4,000,000 Time Insurance Company mortgage note, final maturity in 2027 | 2,122,391 | 2,297,109 |
| Term, \$1,600,000 Seavest Healthcare Properties, LLC note, final maturity in 2030 | 880,568 | 992,145 |
| Term, \$3,493,907 US Bank loan, final maturity in 2024 | 726,486 | 1,424,121 |
| Term, \$3,500,000 101 Plain, LLC, final maturity in 2031 | 2,608,744 | 2,899,680 |
| Unamortized premium | 8,455,830 | 9,106,280 |
| Unamortized discount | (169,400) | (225,867) |
| Unamortized debt issuance costs | <u>(1,660,761)</u> | <u>(1,815,723)</u> |
| Total long-term debt | 142,597,359 | 150,551,153 |
| Less: Current portion of long-term debt | <u>(8,300,460)</u> | <u>(7,953,796)</u> |
| Long-term debt excluding current portion | <u>\$ 134,296,899</u> | <u>\$ 142,597,357</u> |

Rhode Island Health and Educational Building Corporation (RIHEBC) Bonds

In 2016, the System issued RIHEBC 2016 Series B fixed rate bonds of \$138,265,000 (excluding a premium of \$13,008,969). The bonds have annual mandatory sinking fund redemptions ranging from \$6,200,000 in 2023 to \$7,180,000 in 2026, a payment of \$41,660,000 in 2031, and a final payment of \$45,825,000 in 2036. The bonds bear interest at a fixed rate of 5.0%. A debt service reserve fund of \$11,970,796 is included in trustee-held funds in the consolidated balance sheet at September 30, 2023. CNE, Butler, Kent, VNA (prior to September 26, 2022), SHS, The Memorial Hospital (prior to December 22, 2017), TPC, WIC, WIH, collectively, the Obligated Group, are jointly and severally liable for repayment. The Obligated Group is required to comply with certain debt covenants under the bond agreements, including a minimum debt service coverage ratio of 1.1 to 1, effective in fiscal 2018 and all subsequent fiscal years, and days cash on hand of 30, effective in fiscal 2017 and all subsequent fiscal years. As of September 30, 2023 and 2022, the System is in compliance with the bond covenants.

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

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

In 2016, the System issued RIHEBC 2016 Series C fixed rate taxable notes of \$21,610,000 (excluding a discount of \$564,669). The notes have mandatory interest-only payments of \$594,275 every March and September from 2019 through 2026, and a final principal payment of \$21,610,000 in 2026. The notes bear interest at a fixed rate of 5.5%. The Obligated Group is jointly and severally liable for repayment. The Obligated Group is required to comply with certain debt covenants under the bond agreements, including a minimum debt service coverage ratio of 1.1 to 1, effective in fiscal 2018 and all subsequent fiscal years, and days cash on hand of 30, effective in fiscal 2017 and all subsequent fiscal years. As of September 30, 2023 and 2022, the System is in compliance with the bond covenants.

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

Bank Mortgage and Other Notes

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

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

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

In 2021, WIH entered into a lease amendment with 101 Plain, LLC (“101 Plain”). The 2021 amendment to the February 11, 2010 lease agreement between the landlord, 101 Plain, and WIH for medical space located nearby to WIH’s campus, includes a \$3,500,000 note, due November 2020 through October 2030. Funds from this note of \$3,261,664 were received by WIH during 2021. The remaining funds from this note of \$238,336 were used in 2022 for (i) \$129,242 was received by WIH for reimbursement of additional project expenditures and (ii) \$109,094 of unused funds was applied towards the principal balance of the note. Interest and principal installments of \$41,546 are due monthly at an imputed interest rate of 7.50%.

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

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

| | |
|---------------------------------------|-----------------------|
| 2024 | \$ 7,861,439 |
| 2025 | 7,498,396 |
| 2026 | 29,493,251 |
| 2027 | 2,064,492 |
| 2028 | 569,323 |
| Thereafter | <u>88,484,789</u> |
| | 135,971,690 |
| Plus: Unamortized premium on bonds | 8,455,830 |
| Less: Unamortized discount on bonds | (169,400) |
| Less: Unamortized debt issuance costs | <u>(1,660,761)</u> |
| | <u>\$ 142,597,359</u> |

13. Net Assets

Net assets without donor restriction of \$158,881,519 and \$131,861,236 as of September 30, 2023 and 2022, respectively, include board-designated funds and are held at the direction of the Board of Directors once an action for spending is approved. The remaining funds are not restricted in nature and can be used for operations.

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

| | 2023 | 2022 |
|--|-----------------------|-----------------------|
| Board designated funds | | |
| General purposes | \$ 117,751,094 | \$ 100,841,659 |
| Cash surrender value of life insurance | 22,476,050 | 22,321,114 |
| Plant replacement and expansion | 4,920,665 | 4,319,289 |
| Healthcare research | 1,035,371 | 908,834 |
| Other | <u>411,352</u> | <u>411,352</u> |
| Total board designated funds | <u>\$ 146,594,532</u> | <u>\$ 128,802,248</u> |

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

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

| | 2023 | 2022 |
|---|-----------------------|-----------------------|
| Subject to expenditure for specified purpose | | |
| Healthcare services | \$ 5,260,232 | \$ 5,034,598 |
| Healthcare research | 3,861,961 | 3,892,284 |
| General purposes | 7,855,806 | 7,407,303 |
| Health education | 3,709,981 | 3,441,619 |
| Plant replacement and expansion | 47,287,968 | 41,318,139 |
| Other | 7,969,880 | 7,439,600 |
| | <u>75,945,828</u> | <u>68,533,543</u> |
| Subject to the Health System's policy and appropriation | | |
| Investment in perpetuity, the income of which is expendable to support | | |
| Healthcare services | 5,467,720 | 4,989,750 |
| Healthcare research | 785,071 | 714,787 |
| General purposes | 16,867,051 | 15,242,524 |
| Indigent care | 7,515,819 | 6,853,989 |
| Health education | 1,835,240 | 1,671,438 |
| | <u>32,470,901</u> | <u>29,472,488</u> |
| Not subject to appropriation or expenditure | | |
| Residential buildings to provide housing for low-income individuals with chronic mental illness | 2,313,633 | 2,432,479 |
| | <u>2,313,633</u> | <u>2,432,479</u> |
| Total net assets with donor restrictions | <u>\$ 110,730,362</u> | <u>\$ 100,438,510</u> |

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

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

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

total return from income and the appreciation of investments, (6) other resources of the System, and (7) the investment policies of the System.

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

| | 2023 | 2022 |
|---|-----------------------|-----------------------|
| Donor restricted endowment funds | | |
| Original donor restricted gift amount and amounts to be maintained in perpetuity by donor | \$ 13,308,480 | \$ 13,247,517 |
| Accumulated investment gains | <u>27,635,869</u> | <u>24,012,071</u> |
| | 40,944,349 | 37,259,588 |
| Assets held under split-interest agreements | <u>30,100,705</u> | <u>27,943,553</u> |
| Total donor restricted endowment funds | <u>71,045,054</u> | <u>65,203,141</u> |
| Specific purpose restricted funds | 37,371,675 | 32,802,890 |
| Specific purpose restricted funds - property, plant and equipment | <u>2,313,633</u> | <u>2,432,479</u> |
| Total specific purpose restricted funds | <u>39,685,308</u> | <u>35,235,369</u> |
| Total funds | <u>\$ 110,730,362</u> | <u>\$ 100,438,510</u> |

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

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Endowment net assets at beginning of year | \$ 37,259,588 | \$ 48,455,526 |
| Investment return, net | 5,151,433 | (9,780,213) |
| Contributions | 60,968 | 35,250 |
| Appropriation of endowment assets for expenditure | <u>(1,527,640)</u> | <u>(1,450,975)</u> |
| Endowment net assets at end of year | <u>\$ 40,944,349</u> | <u>\$ 37,259,588</u> |

The System's net assets with donor restrictions consist of endowments managed by the System. Unless otherwise directed by the donor, gifts received for endowments are invested in accordance with the System's investment policy. In order to preserve the real value of a donor's gift and to sustain funding consistent with donor intent, the annual appropriation rate is set to strike a reasonable balance between long-term objectives of preserving and growing each endowment fund for the future of providing stable, annual appropriations. The annual appropriation rate for Butler, Kent, Kent Hospital Foundation and WIH was 4% for the years ended September 30, 2023 and 2022. There were no appropriations made from Memorial for the years ended September 30, 2023 and 2022.

The System has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return with a balanced growth emphasis based on the endowment's target allocation applied to the appropriate individual benchmarks.

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

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

In addition to donor restricted endowments, Kent, Memorial Hospital and WIH are income beneficiaries of various trusts. On September 30, 2023 and 2022, the market value of Kent's, WIH's and Memorial Hospital's trust assets totaled \$28,338,266 and \$26,232,743, respectively. In addition to donor restricted endowments, the Center is the income beneficiary of various assets held at a community foundation. On September 30, 2023 and 2022, the market value of the Center's assets held at the community foundation totaled \$1,762,439 and \$1,710,810, respectively. Distributions of income are made at the discretion of the Board.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the System to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in net assets with donor restrictions are immaterial as of September 30, 2023 and 2022. These deficiencies resulted from unfavorable market fluctuations. The individual donor restricted endowment funds with deficiencies will retain future income and appreciation to restore the required fair value of the assets.

During years ended 2023 and 2022, net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Purpose restrictions accomplished | | |
| Healthcare services | \$ 741,042 | \$ 364,204 |
| Healthcare research | 686,275 | 698,233 |
| Other | 1,772,180 | 1,744,225 |
| Health education | 72,018 | 96,479 |
| Indigent care | - | - |
| | <u>3,271,515</u> | <u>2,903,141</u> |
| Property, plant and equipment acquired and placed in service | 3,282,932 | 1,105,022 |
| Release of appropriated endowment amounts with purpose restrictions | <u>1,183,246</u> | <u>1,125,095</u> |
| Total restrictions released | <u>\$ 7,737,693</u> | <u>\$ 5,133,258</u> |

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

U.S. Department of Housing and Urban Development

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

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

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

State Bond Funds

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

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

14. Retirement Plans

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

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

Care New England Pension Plan

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

The Care New England Board of Directors voted, on September 23, 2010, to freeze the Plan effective December 31, 2010 for all employees with the exception of the Butler unionized employees. Effective December 31, 2010, compensation paid to a parti

ant shall be disregarded for plan purposes, except for purposes related to determining benefits for the unionized employees at Butler. In addition, a participant’s cash balance account will only increase annually for interest credit. In connection with the Plan freeze, the System enhanced contributions to the Care New England 403(b) Match and Savings Plan.

Included in cumulative changes in net assets without donor restrictions at September 30, 2023 and 2022 that has not yet been recognized in net periodic pension cost is an actuarial loss of \$47,321,626 and \$51,474,057, respectively.

The actuarial loss included as cumulative changes in net assets without donor restrictions and expected to be recognized in net periodic pension cost during the year ended September 30, 2023 is \$1,127,497.

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

| | 2023 | 2022 |
|--------------------------------|---------------------|---------------------|
| Service cost | \$ 1,808,534 | \$ 4,479,668 |
| Interest cost | 8,293,230 | 5,523,602 |
| Expected return on plan assets | (5,554,236) | (7,855,951) |
| Amortization of loss | 1,127,497 | 993,507 |
| Net periodic pension expense | <u>\$ 5,675,025</u> | <u>\$ 3,140,826</u> |

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

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

| | 2023 | 2022 |
|--|-------------|-------------|
| Discount rate | 5.52 % | 2.95 % |
| Expected return on assets | 6.00 | 6.00 |
| Rate of compensation increase | 3.00 | 3.00 |
| Weighted-average interest crediting rate | 4.00 | 4.00 |

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

| | 2023 | 2022 |
|--|-----------------------|-----------------------|
| Changes in benefit obligations | | |
| Projected benefit obligations at beginning of year | \$ 157,537,810 | \$ 193,811,787 |
| Service cost | 1,808,534 | 4,479,668 |
| Interest cost | 8,293,230 | 5,523,602 |
| Actuarial gain | (3,259,428) | (36,370,761) |
| Benefits and expenses paid | (11,459,829) | (9,906,486) |
| Settlements | - | - |
| Projected benefit obligations at end of year | <u>152,920,317</u> | <u>157,537,810</u> |
| Changes in plan assets | | |
| Fair value of plan assets at beginning of year | 138,202,067 | 175,324,116 |
| Actual return on plan assets | 5,319,742 | (29,515,563) |
| Employer contributions | - | 2,300,000 |
| Benefits and expenses paid | (11,459,829) | (9,906,486) |
| Settlements | - | - |
| Fair value of plan assets at end of year | <u>132,061,980</u> | <u>138,202,067</u> |
| Funded status | | |
| Total long-term pension liability | <u>\$ 20,858,337</u> | <u>\$ 19,335,743</u> |
| Accumulated benefit obligation | <u>\$ 150,861,945</u> | <u>\$ 156,749,101</u> |
| Amounts recognized in net assets without donor restrictions | | |
| Net assets without donor restrictions at beginning of year | \$ 51,474,057 | \$ 51,466,811 |
| Amounts amortized during the year | | |
| Net loss | (1,127,497) | (993,507) |
| Amounts occurring during the year | | |
| Net loss (gain) | (3,024,934) | 1,000,753 |
| Amounts recognized due to curtailment/settlement | | |
| Net loss | - | - |
| Net assets without donor restrictions at end of year | <u>\$ 47,321,626</u> | <u>\$ 51,474,057</u> |

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

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

| | 2023 | 2022 |
|--|-------------|-------------|
| Discount rate | 6.10 % | 5.52 % |
| Rate of compensation increase | 3.00 | 3.00 |
| Weighted-average interest crediting rate | 5.50 | 4.00 |

Plan Assets

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

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

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

| | Target Allocation | Actual 2023 | Actual 2022 |
|---------------------------|------------------------------|------------------------|------------------------|
| Asset category | | | |
| Cash and cash equivalents | 0 % | 5 % | 5 % |
| Investments at NAV | 38 | 36 | 40 |
| Fixed income securities | 50 | 48 | 43 |
| Equity securities | 12 | 11 | 12 |
| | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> |

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

Contributions

The System contributed \$0 and \$2,300,000 to the Plan in 2023 and 2022, respectively. The System expects to contribute \$4,900,000 to the Plan in Fiscal Year 2024.

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

Estimated Future Benefit Payments

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

| Fiscal Year | Pension Benefits |
|--------------------|-------------------------|
| 2024 | \$ 15,146,782 |
| 2025 | 13,935,497 |
| 2026 | 13,253,889 |
| 2027 | 13,229,827 |
| 2028 | 12,743,269 |
| Years 2029–2033 | 58,311,592 |
| | <u>\$ 126,620,856</u> |

Care New England 403(b) Match and Savings Plan

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

The System recorded an expense of \$15,553,379 and \$14,449,855 for the nonelective contribution to participant accounts for the years ended September 30, 2023 and 2022, respectively. In addition, the System recorded an expense of \$4,848,756 and \$4,056,656 for matching credits for years ended September 30, 2023 and 2022, respectively. The System will fund the 2021 expense and the 2022 expense by the required deadline for depositing core contributions of July 15, 2023 and 2024, respectively. The System recorded a pension liability at September 30, 2023 and 2022 of \$29,515,239 and \$27,891,029, respectively.

Kent County Visiting Nurse Association Pension Plan

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

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

Effective January 1, 2008, the Agency established a 403(b) Retirement Savings Plan that covers employees who have met certain eligibility requirements. Discretionary contributions to the plan are based on years of service and compensation levels. For the years ended September 30, 2023 and 2022, respectively, the Agency recorded an expense of \$522,565 and \$541,438. The Agency recorded a pension liability at September 30, 2023 and 2022 of \$135,292 and \$119,396, respectively.

Memorial Retirement Plan

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

Included in cumulative changes in net assets without donor restrictions at September 30, 2023 and 2022 that has not yet been recognized in net periodic pension cost is an actuarial loss of \$15,437,108 and \$23,608,470, respectively.

The actuarial loss included as cumulative changes in net assets without donor restrictions and expected to be recognized in net periodic pension cost during the year ended September 30, 2024 is \$173,797.

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

| | 2023 | 2022 |
|--------------------------------|---------------------|-------------------|
| Interest cost | \$ 6,646,439 | \$ 4,382,634 |
| Expected return on plan assets | (3,315,617) | (4,427,344) |
| Amortization of loss | <u>524,795</u> | <u>812,078</u> |
| Net periodic pension expense | <u>\$ 3,855,617</u> | <u>\$ 767,368</u> |

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

| | 2023 | 2022 |
|--|-------------|-------------|
| Discount rate | 5.56 % | 2.94 % |
| Expected rate of return on plan assets | 6.00 | 6.00 |
| Rate of compensation increase | N/A | N/A |
| Weighted-average interest crediting rate | N/A | N/A |

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

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

| | 2023 | 2022 |
|--|-----------------------|-----------------------|
| Changes in benefit obligations | | |
| Projected benefit obligations at beginning of year | \$ 123,877,417 | \$ 153,364,219 |
| Interest cost | 6,646,439 | 4,382,634 |
| Actuarial gain | (4,271,038) | (25,742,856) |
| Benefits and expenses paid | <u>(8,210,859)</u> | <u>(8,126,580)</u> |
| Projected benefit obligations at end of year | <u>118,041,959</u> | <u>123,877,417</u> |
| Changes in plan assets | | |
| Fair value of plan assets at beginning of year | 82,369,566 | 98,431,346 |
| Actual return on plan assets | 6,691,146 | (12,645,200) |
| Employer contributions | 1,813,000 | 4,710,000 |
| Benefits and expenses paid | <u>(8,210,859)</u> | <u>(8,126,580)</u> |
| Fair value of plan assets at end of year | 82,662,853 | 82,369,566 |
| Funded status | | |
| Total long-term pension liability | <u>\$ 35,379,106</u> | <u>\$ 41,507,851</u> |
| Accumulated benefit obligation | <u>\$ 118,041,959</u> | <u>\$ 123,877,417</u> |
| Amounts recognized in net assets without donor restrictions | | |
| Net assets without donor restrictions at beginning of year | \$ 23,608,470 | \$ 33,090,860 |
| Amounts amortized during the year | | |
| Net loss | (524,795) | (812,078) |
| Amounts occurring during the year | | |
| Net gain | <u>(7,646,567)</u> | <u>(8,670,312)</u> |
| Net assets without donor restrictions at end of year | <u>\$ 15,437,108</u> | <u>\$ 23,608,470</u> |

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

| | 2023 | 2022 |
|--|-------------|-------------|
| Discount rate | 6.05 % | 5.56 % |
| Rate of compensation increase | N/A | N/A |
| Weighted-average interest crediting rate | N/A | N/A |

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

Plan Assets

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

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

| | Target Allocation | Actual 2023 | Actual 2022 |
|---------------------------|------------------------------|------------------------|------------------------|
| Asset category | | | |
| Cash and cash equivalents | 2 % | 2 % | 1 % |
| Investments at NAV | 27 | 27 | 26 |
| Fixed income securities | 57 | 57 | 61 |
| Equity securities | 14 | 14 | 12 |
| | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> |

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

Contributions

The System contributed \$1,813,000 and \$4,710,000 to the Memorial Plan in 2023 and 2022, respectively. The System expects to contribute \$2,439,500 to the Plan in Fiscal Year 2024.

Estimated Future Benefit Payments

Benefit payments, are expected to be paid as follows:

| Fiscal Year | Pension Benefits |
|--------------------|-----------------------------|
| 2024 | \$ 8,794,918 |
| 2025 | 8,985,963 |
| 2026 | 9,038,033 |
| 2027 | 9,022,597 |
| 2028 | 8,935,614 |
| Years 2029–2033 | <u>42,544,620</u> |
| | <u>\$ 87,321,745</u> |

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

WIH Union Plan

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

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

WIH's participation in the plan for the annual period ended December 31, 2022, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number. The most recent Pension Protection Act (PPA) zone status available in 2022 and 2021 is for the plan's year-end at December 31, 2022, and December 31, 2021, respectively. The zone status is based on information that WIH received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded or projected funding deficiency in current plan year or next following 6 plan years, plans in the orange zone are less than 80 percent funded and projected funding deficiency in current plan year or next following 6 plan years, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreements to which the plan is subject.

The Plan's actuary most recently certified the Plan as being in the red zone beginning January 1, 2023.

WIH was listed in the plan's Form 5500 as providing more than 5 percent of the total contributions for the plan years ended December 31, 2022 and December 31, 2021.

At the date the financial statements were issued, Form 5500 was not available for the plan year ended December 31, 2023.

Pension expense, for the plan, for the years ended September 30, 2023 and 2022, was \$11,485,620 and \$10,672,923, respectively.

The Center Retirement Benefit Plan

The Center maintained a profit-sharing retirement plan to which the Center may make discretionary contributions. The retirement plan covered all employees of the Center over the age of 21 who have worked for a minimum of 975 hours during the plan year. Participants were vested over a number of years of continuous service. Participants would become 100% vested after six years unless the age of 65 is attained, upon which the participant became 100% vested. This plan terminated as of December 31, 2017. The Center did not contribute to the retirement plan for the years ended September 30, 2023 and 2022.

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

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

15. Postretirement Plans

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

Included in the charge to net assets that have not yet been recognized in net periodic postretirement benefit cost is the unrecognized actuarial gain of \$172,822 and \$153,888 as of September 30, 2023 and 2022, respectively.

The postretirement benefit cost for this plan was \$26,132 in 2023 and \$23,238 in 2022.

16. Disproportionate Share

The government has long recognized the financial burdens which are borne by hospitals which serve an unusually large number, or "disproportionate share", of low-income patients. Kent and WIH received payments under the disproportionate share program of \$50,090,131 from the State of Rhode Island's Medicaid program for the year ended September 30, 2023. Kent and WIH also recorded disproportionate share payments of \$1,244,745 from Medicare during 2023. Additional payments of \$2,569,276 were received during 2023 from Medicare as part of the provisions under the Accountable Care Act to offset hospital costs for uncompensated care.

17. Licensure Fees

The State of Rhode Island assesses hospitals an annual licensure fee calculated as a percentage of the hospital's net patient service revenue. The Care New England hospitals were assessed \$40,657,032 and \$39,175,835 for the years ended September 30, 2023 and 2022, respectively.

18. Concentration of Credit Risk

As of September 30, 2023 and 2022, Care New England, the Hospitals, the Agency, and the Center had cash and cash equivalents in excess of Federal Depository Insurance limits at major financial institutions. These financial institutions have a strong credit rating, and management believes that credit risks related to these deposits are minimal.

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

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

In addition, the organizations routinely grant credit to patients without requiring collateral or other security. The mix of receivables, net of price concessions, from patients and third-party payors at September 30, 2023 and 2022, was as follows:

| | 2023 | 2022 |
|------------------------------------|-------|-------|
| Medicare and medicare managed care | 19 % | 19 % |
| Medicaid and medicaid managed care | 21 | 21 |
| Blue Cross | 21 | 19 |
| Managed care | 9 | 10 |
| Self-pay | 13 | 14 |
| Other third-party payors | 17 | 17 |
| | 100 % | 100 % |

19. Commitments and Contingencies

Litigation

CNE, the Affiliates, the Agency and the Center have been individually named as codefendants in several complaints. It is the opinion of management that the liability, if any, to CNE, the Affiliates, the Agency, and the Center, in excess of insurance coverage will have no material adverse effect on the consolidated financial position of Care New England as of September 30, 2023 and 2022.

Collective Bargaining Agreements

At September 30, 2023, approximately 55.4% of the System's employees were covered by collective bargaining agreements. The collective bargaining agreement covering 58.3% of Memorial's employees expired on June 30, 2022 and was extended through June 15, 2023. The collective bargaining agreement covering 81.1% of the VNA's employees expired on May 31, 2022 and was extended through May 31, 2025. The collective bargaining agreement covering 48.1% of Kent's employees expired on June 30, 2021 and was extended through June 30, 2026. The collective bargaining agreement covering 81.9% of WIH's employees expired on November 30, 2020 and was extended through November 30, 2024. The collective bargaining agreement covering 68.5% of Butler's employees expired on March 31, 2021 and was extended through March 31, 2025.

20. Professional and General Liability Claims

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

As of October 1, 2017, Care New England restructured the professional and general liability insurance programs. Kent, Butler, CNE, the VNA and the Center obtain their primary professional liability and general liability coverage via the Kent Hospital Self-Insurance Program on an occurrence basis. WIH obtains their primary professional and general liability coverage via the Women & Infants Hospital Self-Insurance Program on an occurrence basis. Both self-insurance

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

programs provide excess professional liability coverage on an occurrence basis for all of the System. Reinsurance is purchased commercially on a claims-made basis for professional and general liability coverage layers above the self-insurance primary and excess (professional liability only) layers. BHI purchases, annually, commercial insurance policies to insure professional liability and general liability risks.

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

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

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

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

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

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

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

21. Affiliation With Rhode Island Hospital

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

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

22. Affiliation With Accredited Medical Schools

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

23. Functional Expenses

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

| | 2023 | | | | | | | | |
|--|-------------------------|----------------------------|----------------------|-------------------|--------------------------|----------------------|----------------------------|---------------------|-------------------------|
| | Healthcare Services | General and Administrative | Research | Other | Total Operating Expenses | Healthcare Services | General and Administrative | Fundraising | Total Expenses |
| Salaries and benefits | \$ 686,871,307 | \$ 84,373,985 | \$ - | \$ - | \$ 771,245,292 | \$ - | \$ - | \$ 1,361,815 | \$ 772,607,107 |
| Supplies and other expenses | 331,865,235 | 58,674,200 | - | - | 390,539,435 | - | - | 887,382 | 391,426,817 |
| Salaries and benefits - research | - | - | \$ 16,785,377 | - | 16,785,377 | - | - | - | 16,785,377 |
| Supplies and other expenses - research | - | - | 21,546,262 | - | 21,546,262 | - | - | - | 21,546,262 |
| Depreciation and amortization | 24,117,808 | 3,007,714 | - | - | 27,125,522 | - | - | - | 27,125,522 |
| Insurance | 33,574,209 | 5,290,361 | - | - | 38,864,570 | - | - | - | 38,864,570 |
| Licensure fee | 40,657,032 | - | - | - | 40,657,032 | - | - | - | 40,657,032 |
| Interest | 4,742,774 | 2,311,408 | - | - | 7,054,182 | - | - | - | 7,054,182 |
| Restructuring costs - Memorial Hospital | - | - | - | 100,000 | 100,000 | - | - | - | 100,000 |
| Other components of current period pension | - | - | - | - | - | 10,724,296 | 5,867,665 | - | 16,591,961 |
| | <u>\$ 1,121,828,365</u> | <u>\$ 153,657,668</u> | <u>\$ 38,331,639</u> | <u>\$ 100,000</u> | <u>\$ 1,313,917,672</u> | <u>\$ 10,724,296</u> | <u>\$ 5,867,665</u> | <u>\$ 2,249,197</u> | <u>\$ 1,332,758,830</u> |

| | 2022 | | | | | | | | |
|--|-------------------------|----------------------------|----------------------|----------------------|--------------------------|---------------------|----------------------------|---------------------|-------------------------|
| | Healthcare Services | General and Administrative | Research | Other | Total Operating Expenses | Healthcare Services | General and Administrative | Fundraising | Total Expenses |
| Salaries and benefits | \$ 662,608,874 | \$ 80,145,277 | \$ - | \$ - | \$ 742,754,151 | \$ - | \$ - | \$ 1,343,103 | \$ 744,097,254 |
| Supplies and other expenses | 316,503,124 | 65,734,805 | - | - | 382,237,929 | - | - | 609,182 | 382,847,111 |
| Salaries and benefits - research | - | - | 16,038,340 | - | 16,038,340 | - | - | - | 16,038,340 |
| Supplies and other expenses - research | - | - | 16,622,485 | - | 16,622,485 | - | - | - | 16,622,485 |
| Depreciation and amortization | 25,332,133 | 4,523,714 | - | - | 29,855,847 | - | - | - | 29,855,847 |
| Insurance | 24,092,021 | 6,319,652 | - | - | 30,411,673 | - | - | - | 30,411,673 |
| Licensure fee | 39,175,835 | - | - | - | 39,175,835 | - | - | - | 39,175,835 |
| Interest | 5,010,530 | 2,453,023 | - | - | 7,463,553 | - | - | - | 7,463,553 |
| Restructuring costs - Memorial Hospital | - | - | - | 100,000 | 100,000 | - | - | - | 100,000 |
| Goodwill impairment | - | - | - | 24,345,364 | 24,345,364 | - | - | - | 24,345,364 |
| Other components of current period pension | - | - | - | - | - | 7,404,154 | 4,307,667 | - | 11,711,821 |
| | <u>\$ 1,072,722,517</u> | <u>\$ 159,176,471</u> | <u>\$ 32,660,825</u> | <u>\$ 24,445,364</u> | <u>\$ 1,289,005,177</u> | <u>\$ 7,404,154</u> | <u>\$ 4,307,667</u> | <u>\$ 1,952,285</u> | <u>\$ 1,302,669,283</u> |

24. Fair Value of Financial Instruments

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

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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

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

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

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

Financial instruments carried at fair value for the System's nonpension plan assets as of September 30, 2023 are classified in the table below in one of the three categories described above:

| | Level 1 | Level 2 | Level 3 | 2023 |
|---|-----------------------|----------------------|----------------------|-----------------------|
| Assets | | | | |
| Short-term Investments | | | | |
| Mutual funds | \$ 29,685,445 | \$ - | \$ - | \$ 29,685,445 |
| | <u>\$ 29,685,445</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 29,685,445</u> |
| Endowment and board designated funds | | | | |
| Cash | \$ 2,969,568 | \$ - | \$ - | \$ 2,969,568 |
| Short-term investments | 6,132,903 | - | - | 6,132,903 |
| Fixed income securities | 4,526,250 | 11,382,011 | - | 15,908,261 |
| Equity securities | 22,047,644 | - | - | 22,047,644 |
| Mutual funds | 69,835,119 | - | - | 69,835,119 |
| Assets held under split-interest agreements | - | - | 30,100,705 | 30,100,705 |
| | <u>\$ 105,511,484</u> | <u>\$ 11,382,011</u> | <u>\$ 30,100,705</u> | <u>146,994,200</u> |
| Investments at NAV (a) | | | | <u>48,169,336</u> |
| Total assets | | | | <u>\$ 195,163,536</u> |
| Trustee-held funds | | | | |
| Cash | \$ 17,637,253 | \$ - | \$ - | \$ 17,637,253 |
| Short-term investments | 17,012,355 | - | - | 17,012,355 |
| Fixed income securities | 2,502,072 | 59,399,405 | - | 61,901,477 |
| Equity securities | 38,619,160 | - | - | 38,619,160 |
| Mutual funds | 1,039,179 | 29,554,169 | - | 30,593,348 |
| | <u>\$ 76,810,019</u> | <u>\$ 88,953,574</u> | <u>\$ -</u> | <u>165,763,593</u> |
| Investments at NAV (a) | | | | <u>26,900,747</u> |
| Total assets | | | | <u>\$ 192,664,340</u> |
| Deferred compensation funds | | | | |
| Cash | \$ 438,000 | \$ - | \$ - | \$ 438,000 |
| Mutual funds | 861,609 | - | - | 861,609 |
| | <u>\$ 1,299,609</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,299,609</u> |

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

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

Financial instruments carried at fair value for the System's nonpension plan assets as of September 30, 2022 are classified in the table below in one of the three categories described above:

| | Level 1 | Level 2 | Level 3 | 2022 |
|---|----------------------|----------------------|----------------------|-----------------------|
| Assets | | | | |
| Short-term Investments | | | | |
| Mutual funds | \$ 38,046,843 | \$ - | \$ - | \$ 38,046,843 |
| | <u>\$ 38,046,843</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 38,046,843</u> |
| Endowment and board designated funds | | | | |
| Cash | \$ 379,789 | \$ - | \$ - | \$ 379,789 |
| Short-term investments | 7,417,643 | - | - | 7,417,643 |
| Fixed income securities | 3,913,495 | 11,776,587 | - | 15,690,082 |
| Equity securities | 19,069,355 | - | - | 19,069,355 |
| Mutual funds | 57,991,271 | - | - | 57,991,271 |
| Assets held under split-interest agreements | - | - | 27,943,553 | 27,943,553 |
| | <u>\$ 88,771,553</u> | <u>\$ 11,776,587</u> | <u>\$ 27,943,553</u> | 128,491,693 |
| Investments at NAV (a) | | | | <u>43,192,582</u> |
| Total assets | | | | <u>\$ 171,684,275</u> |
| Trustee-held funds | | | | |
| Cash | \$ 17,242,165 | \$ - | \$ - | \$ 17,242,165 |
| Short-term investments | 20,799,962 | - | - | 20,799,962 |
| Fixed income securities | 3,614,359 | 37,197,518 | - | 40,811,877 |
| Equity securities | 32,015,366 | - | - | 32,015,366 |
| Mutual funds | 1,880,035 | 51,397,674 | - | 53,277,709 |
| | <u>\$ 75,551,887</u> | <u>\$ 88,595,192</u> | <u>\$ -</u> | 164,147,079 |
| Investments at NAV (a) | | | | <u>17,666,549</u> |
| Total assets | | | | <u>\$ 181,813,628</u> |
| Deferred compensation funds | | | | |
| Cash | \$ 344,001 | \$ - | \$ - | \$ 344,001 |
| Mutual funds | 1,552,761 | - | - | 1,552,761 |
| | <u>\$ 1,896,762</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,896,762</u> |

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

The amounts reported in the financial instruments table exclude the values of life insurance policies valued at \$22,476,050 and \$22,321,114 as of September 30, 2023 and 2022, respectively, which are valued at the lesser of discounted value or cash surrender value.

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

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

Financial instruments carried at fair value for assets invested in the CNE Defined Benefit Pension Plan as of September 30, 2023 are classified in the table below in one of the three categories described above:

| | Level 1 | Level 2 | Level 3 | 2023 |
|---------------------------|----------------------|----------------------|-------------|-----------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 6,327,708 | \$ - | \$ - | \$ 6,327,708 |
| Fixed income securities | 51,247,628 | 12,016,922 | - | 63,264,550 |
| Equity securities | 1,818,137 | - | - | 1,818,137 |
| Mutual funds | 12,592,890 | - | - | 12,592,890 |
| | <u>\$ 71,986,363</u> | <u>\$ 12,016,922</u> | <u>\$ -</u> | <u>84,003,285</u> |
| Investments at NAV (b) | | | | <u>48,058,695</u> |
| Total assets | | | | <u>\$ 132,061,980</u> |

Financial instruments carried at fair value for assets invested in the CNE Defined Benefit Pension Plan as of September 30, 2022 are classified in the table below in one of the three categories described above:

| | Level 1 | Level 2 | Level 3 | 2022 |
|---------------------------|----------------------|----------------------|-------------|-----------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 7,082,160 | \$ - | \$ - | \$ 7,082,160 |
| Fixed income securities | 46,879,902 | 12,875,278 | - | 59,755,180 |
| Equity securities | 2,678,824 | - | - | 2,678,824 |
| Mutual funds | 13,947,441 | - | - | 13,947,441 |
| | <u>\$ 70,588,327</u> | <u>\$ 12,875,278</u> | <u>\$ -</u> | <u>83,463,605</u> |
| Investments at NAV (b) | | | | <u>54,738,462</u> |
| Total assets | | | | <u>\$ 138,202,067</u> |

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

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

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

Financial instruments carried at fair value for assets invested in Memorial's Defined Benefit Pension Plan as of September 30, 2023 are classified in the table below in one of the three categories described above:

| | Level 1 | Level 2 | Level 3 | 2023 |
|------------------------------|----------------------|-------------|----------------------|----------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 1,260,967 | \$ - | \$ - | \$ 1,260,967 |
| Equity securities | 1,975,964 | - | - | 1,975,964 |
| Mutual funds | 17,367,556 | - | - | 17,367,556 |
| Guaranteed annuity contracts | - | - | 39,648,141 | 39,648,141 |
| | <u>\$ 20,604,487</u> | <u>\$ -</u> | <u>\$ 39,648,141</u> | <u>60,252,628</u> |
| Investments at NAV (c) | | | | <u>22,410,225</u> |
| Total assets | | | | <u>\$ 82,662,853</u> |

Financial instruments carried at fair value for assets invested in Memorial's Defined Benefit Pension Plan as of September 30, 2022 are classified in the table below in one of the three categories described above:

| | Level 1 | Level 2 | Level 3 | 2022 |
|------------------------------|----------------------|-------------|----------------------|----------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 925,190 | \$ - | \$ - | \$ 925,190 |
| Equity securities | 1,868,708 | - | - | 1,868,708 |
| Mutual funds | 16,652,726 | - | - | 16,652,726 |
| Guaranteed annuity contracts | - | - | 41,939,698 | 41,939,698 |
| | <u>\$ 19,446,624</u> | <u>\$ -</u> | <u>\$ 41,939,698</u> | <u>61,386,322</u> |
| Investments at NAV (c) | | | | <u>20,983,244</u> |
| Total assets | | | | <u>\$ 82,369,566</u> |

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

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

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

During the years ended September 30, 2023 and 2022, respectively, the changes in the fair value for the System's financial instruments in the nonpension plan assets measured using significant unobservable inputs (Level 3) were comprised of the following:

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Fair value at October 1 | \$ 27,943,553 | \$ 35,281,825 |
| Total gains (losses) | | |
| Contributions | 125 | 250 |
| Dividends and interest income | 342,106 | 218,571 |
| Net realized gains on investments | 678,813 | 906,084 |
| Change in net unrealized (depreciation) appreciation on investments | 2,278,936 | (7,489,910) |
| Distributions | <u>(1,142,828)</u> | <u>(973,267)</u> |
| Fair value at September 30 | <u>\$ 30,100,705</u> | <u>\$ 27,943,553</u> |

During the years ended September 30, 2023 and 2022, respectively, the changes in the fair value for the System's financial instruments in Memorial's Defined Benefit Pension Plan assets measured using significant unobservable inputs (Level 3) were comprised of the following:

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Fair value at October 1 | \$ 41,939,698 | \$ 44,642,747 |
| Total gains (losses) | | |
| Dividends and interest income | 1,195,096 | 1,367,940 |
| Change in net unrealized (depreciation) appreciation on investments | 148,122 | (209,501) |
| Benefit payments | <u>(3,634,775)</u> | <u>(3,861,488)</u> |
| Fair value at September 30 | <u>\$ 39,648,141</u> | <u>\$ 41,939,698</u> |

The System uses NAV to determine the fair value of its investments which do not have a readily determinable fair market value. The following tables summarize the key provisions for the System's nonpension plan investments as of September 30, 2023 and 2022, respectively, which are valued at NAV.

Care New England Health System and Affiliates
Notes to Consolidated Financial Statements
September 30, 2023 and 2022

| Redemption Terms as of September 30, 2023 | Commingled Funds Equity | Commingled Funds Real Assets | Limited Partnership | Marketable Alternative Investments | Total |
|--|-------------------------------|------------------------------------|------------------------|--|----------------------|
| Endowment and board designated funds | | | | | |
| Daily, 0-1 day prior written notice | \$ 11,484,900 | \$ - | \$ - | \$ - | \$ 11,484,900 |
| Bi-Monthly, Monthly, 7-30 days prior written notice | 4,415,479 | 9,549,229 | 9,552,386 | - | 23,517,094 |
| Quarterly, 60 day prior written notice | - | - | - | 8,212,049 | 8,212,049 |
| 6-12 years | - | - | 4,955,293 | - | 4,955,293 |
| | <u>\$ 15,900,379</u> | <u>\$ 9,549,229</u> | <u>\$ 14,507,679</u> | <u>\$ 8,212,049</u> | <u>\$ 48,169,336</u> |
| Trustee-held funds | | | | | |
| Daily, 30 days prior written notice | \$ 10,904,599 | \$ - | \$ - | \$ - | \$ 10,904,599 |
| Monthly, 5-30 days prior written notice | 15,996,148 | - | - | - | 15,996,148 |
| | <u>\$ 26,900,747</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 26,900,747</u> |
| | | | | | |
| Redemption Terms as of September 30, 2022 | Commingled Funds Equity | Commingled Funds Real Assets | Limited Partnership | Marketable Alternative Investments | Total |
| Endowment and board designated funds | | | | | |
| Daily, 0-1 day prior written notice | \$ 9,681,141 | \$ - | \$ - | \$ - | \$ 9,681,141 |
| Bi-Monthly, Monthly, 7-30 days prior written notice | 3,815,201 | 8,102,758 | 8,767,325 | - | 20,685,284 |
| Quarterly, 60 day prior written notice | - | - | - | 7,684,556 | 7,684,556 |
| 6-12 years | - | - | 5,141,601 | - | 5,141,601 |
| | <u>\$ 13,496,342</u> | <u>\$ 8,102,758</u> | <u>\$ 13,908,926</u> | <u>\$ 7,684,556</u> | <u>\$ 43,192,582</u> |
| Trustee-held funds | | | | | |
| Daily, 30 days prior written notice | \$ 9,191,978 | \$ - | \$ - | \$ - | \$ 9,191,978 |
| Monthly, 5-30 days prior written notice | 8,474,571 | - | - | - | 8,474,571 |
| | <u>\$ 17,666,549</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 17,666,549</u> |

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

Fixed Income Securities and Fixed Income Mutual Funds

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

Equity Securities and Equity Mutual Funds

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

Assets Held Under Split-Interest Agreements

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

Care New England Health System and Affiliates

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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

Guaranteed Annuity Contracts

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

25. Subsequent Events

Care New England Health System has assessed the impact of subsequent events through December 22, 2023, the date the audited consolidated financial statements were issued and has concluded that there were no such events requiring adjustments to the audited consolidated financial statements or disclosure in the notes to the audited consolidated financial statements.

Supplemental Consolidating Schedules

Care New England Health System and Affiliates

Note to Supplemental Consolidating Schedule

September 30, 2023 and 2022

Basis of Presentation

The following supplemental consolidating information includes the consolidating balance sheets and the consolidating statement of operations and changes in net assets of the individual subsidiaries of Care New England Health System as of and for the year ended September 30, 2023. All intercompany accounts and transactions between subsidiaries have been eliminated. Care New England Medical Group, LLC (“CNEMG”) has been presented in its own column in the following supplemental schedules, separate from the other Kent County Memorial Hospital (“Kent”) affiliates due to increased activity at CNEMG. Intercompany transactions between the two entities primarily consist of a payment between Kent and CNEMG totaling \$122,356,162, for the year ended September 30, 2023, which has not been eliminated between the two columns. The consolidating information presented is prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America consistent with the consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements and is not required as part of the basic financial statements.

Care New England Health System and Affiliates

Consolidating Balance Sheet

September 30, 2023

| | Butler and Affiliates | Kent and Affiliates | Care New England Medical Group | WIC and Affiliates | Care New England | The Agency | Southeastern Healthcare System, Inc. and Affiliates | Integra | The Center | Eliminations | Total |
|---|--------------------------|------------------------|---|-----------------------|---------------------|-----------------|--|---------------|---------------|------------------|----------------|
| Assets | | | | | | | | | | | |
| Current assets | | | | | | | | | | | |
| Cash and cash equivalents | \$ 16,073,478 | \$ 21,973,963 | \$ (23,757,427) | \$ 181,349,957 | \$ (157,397,362) | \$ (12,123,316) | \$ - | \$ 5,558,795 | \$ 9,541,029 | \$ - | \$ 41,219,117 |
| Short-term investments | - | - | - | - | 29,685,445 | - | - | - | - | - | 29,685,445 |
| Patient accounts receivable | 8,188,737 | 34,345,348 | 7,163,655 | 56,608,842 | 84,756 | 4,011,162 | 280 | - | 3,218,235 | - | 113,621,015 |
| Other receivables | 5,555,617 | 8,905,699 | 3,790,937 | 14,954,255 | 1,532,898 | 765,574 | 611,810 | 13,220,775 | 1,869,896 | - | 51,207,461 |
| Pledges receivable, net | 126,556 | 208,052 | - | 2,042,540 | - | - | - | - | 54,477 | - | 2,431,625 |
| Other current assets | 537,242 | 9,774,533 | 17,087 | 4,499,631 | 4,490,067 | 41,922 | - | 1,612,042 | 168,410 | - | 21,140,934 |
| Current portion of assets whose use is limited | - | - | - | - | 2,059,790 | - | - | - | - | - | 2,059,790 |
| Due from affiliates | - | - | - | 934 | 11,446 | - | 1,550 | - | - | (13,930) | - |
| Total current assets | 30,481,630 | 75,207,595 | (12,785,748) | 259,456,159 | (119,532,960) | (7,304,658) | 613,640 | 20,391,612 | 14,852,047 | (13,930) | 261,365,387 |
| Assets whose use is limited or restricted as to use | | | | | | | | | | | |
| Endowment funds | 19,874,301 | 18,064,849 | - | 17,949,268 | - | - | 13,210,132 | - | 1,946,504 | - | 71,045,054 |
| Board-designated funds | 8,850,735 | 27,911,258 | - | 106,403,058 | - | 939,183 | - | 2,490,298 | - | - | 146,594,532 |
| Trustee-held funds | 3,254,118 | 73,115,185 | - | 99,595,795 | 15,531,389 | - | - | - | 1,167,853 | - | 192,664,340 |
| Deferred compensation funds | 176,310 | 67,874 | - | 176,174 | 879,251 | - | - | - | - | - | 1,299,609 |
| Total assets limited as to use | 32,155,464 | 119,159,166 | - | 224,124,295 | 16,410,640 | 939,183 | 13,210,132 | 2,490,298 | 3,114,357 | - | 411,603,535 |
| Less: Amounts required to meet current obligations | - | - | - | - | (2,059,790) | - | - | - | - | - | (2,059,790) |
| Noncurrent assets limited as to use | 32,155,464 | 119,159,166 | - | 224,124,295 | 14,350,850 | 939,183 | 13,210,132 | 2,490,298 | 3,114,357 | - | 409,543,745 |
| Property, plant and equipment, net | | | | | | | | | | | |
| Finance lease right-of-use assets, net | 15,870,901 | 60,874,538 | - | 99,205,201 | 5,186,903 | 64,862 | 6,504,085 | - | 14,104,639 | - | 201,811,129 |
| Operating lease right-of-use assets, net | - | 2,470,075 | - | 470,723 | 1,436,160 | 3,343 | - | - | 16,648 | - | 4,396,949 |
| Long-term pledges receivable, net | 661,874 | 24,717,816 | 2,383,337 | 53,447,181 | 6,017,134 | - | - | - | 895,353 | - | 88,122,695 |
| Insurance receivable | 97,446 | 87,183 | - | 3,589,394 | - | - | - | - | 1,896 | - | 3,775,919 |
| Other assets | - | - | - | - | 121,384 | - | 1,870,005 | - | 250,000 | - | 2,241,389 |
| Due from affiliates | 2,323,337 | 101,632 | - | 2,675 | 4,207,686 | - | 5,000 | - | (200) | - | 6,640,130 |
| Total assets | \$ 81,590,652 | \$ 282,618,005 | \$ (10,402,411) | \$ 640,295,628 | \$ 34,129,389 | \$ (6,297,270) | \$ 22,202,862 | \$ 22,881,910 | \$ 33,234,740 | \$ (122,356,162) | \$ 977,897,343 |

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

Care New England Health System and Affiliates

Consolidating Balance Sheet

September 30, 2023

| | Butler and Affiliates | Kent and Affiliates | Care New England Medical Group | WIC and Affiliates | Care New England | The Agency | Southeastern Healthcare System, Inc. and Affiliates | Integra | The Center | Eliminations | Total |
|---|--------------------------|------------------------|---|-----------------------|----------------------|-----------------------|--|----------------------|----------------------|-------------------------|-----------------------|
| Liabilities and Net Assets | | | | | | | | | | | |
| Current liabilities | | | | | | | | | | | |
| Accounts payable and accrued expenses | \$ 8,337,158 | \$ 52,955,076 | \$ 11,462,643 | \$ 37,308,239 | \$ 32,179,234 | \$ 2,176,255 | \$ 793,801 | \$ 21,198,752 | \$ 3,579,646 | \$ - | \$ 169,990,804 |
| Current portion of estimated third-party payor settlements and advances | 1,007,900 | 3,530,193 | 763,621 | 3,478,885 | - | - | 330,882 | - | 252,044 | - | 9,363,525 |
| Current portion of long-term debt | 185,107 | 556,911 | - | 600,921 | 6,954,020 | - | - | - | 3,501 | - | 8,300,460 |
| Current portion of finance lease liability | - | 731,245 | - | 213,455 | 505,629 | 2,350 | - | - | 7,330 | - | 1,460,009 |
| Current portion of operating lease liability | 77,571 | 1,558,558 | 1,197,001 | 3,726,193 | 2,394,718 | - | - | - | 318,404 | - | 9,272,445 |
| Self-insurance reserves | - | - | - | - | 6,401,998 | - | - | - | - | - | 6,401,998 |
| Pension liability | 1,239,558 | 19,150,706 | - | 2,492,843 | 5,010,151 | 154,522 | - | - | 1,602,751 | - | 29,650,531 |
| Other current liabilities | 706,148 | 606,223 | 228,030 | 1,664,059 | 101,642 | 179,310 | - | - | 3,629,584 | - | 7,114,996 |
| Due to affiliates | - | 13,923 | - | - | - | - | 122,342,232 | - | 7 | (122,356,162) | - |
| Total current liabilities | 11,553,442 | 79,102,835 | 13,651,295 | 49,484,595 | 53,547,392 | 2,512,437 | 123,466,915 | 21,198,752 | 9,393,267 | (122,356,162) | 241,554,768 |
| Long term liabilities | | | | | | | | | | | |
| Self-insurance reserves | 228,539 | 67,814,512 | - | 88,490,925 | 7,343,744 | - | 1,920,005 | - | 250,000 | - | 166,047,725 |
| Long-term portion of estimated third-party payor settlements and advances | 1,711,743 | 3,022,774 | - | 10,275,189 | - | - | 51,571 | - | - | - | 15,061,277 |
| Long-term debt | 1,937,284 | 762,746 | - | 2,295,220 | 129,301,649 | - | - | - | - | - | 134,296,899 |
| Long-term finance lease liability | - | 1,274,622 | - | 330,658 | 1,075,387 | 1,126 | - | - | 10,680 | - | 2,692,473 |
| Long-term operating lease liability | 609,083 | 25,082,381 | 1,222,281 | 55,937,610 | 4,000,651 | - | - | - | 614,394 | - | 87,466,400 |
| Pension liability | 7,278,725 | 7,136,617 | - | 3,588,281 | 37,730,988 | 502,832 | - | - | - | - | 56,237,443 |
| Postretirement liability | - | 630,160 | - | - | - | - | - | - | - | - | 630,160 |
| Other liabilities | 1,343,281 | 1,425,878 | - | 228,743 | 468,793 | - | 712,063 | - | 119,559 | - | 4,298,317 |
| Due to affiliates | - | - | - | - | - | - | - | - | - | - | - |
| Total liabilities | 24,662,097 | 186,252,525 | 14,873,576 | 210,631,221 | 233,468,604 | 3,016,395 | 126,150,554 | 21,198,752 | 10,387,900 | (122,356,162) | 708,285,462 |
| Net assets | | | | | | | | | | | |
| Without donor restrictions | 33,879,650 | 75,583,164 | (25,313,265) | 382,655,153 | (199,574,215) | (9,567,034) | (117,711,367) | 1,670,729 | 17,258,704 | - | 158,881,519 |
| With donor restrictions | 23,048,905 | 20,782,316 | 37,278 | 47,009,254 | 235,000 | 253,369 | 13,763,675 | 12,429 | 5,588,136 | - | 110,730,362 |
| Total net assets | 56,928,555 | 96,365,480 | (25,275,987) | 429,664,407 | (199,339,215) | (9,313,665) | (103,947,692) | 1,683,158 | 22,846,840 | - | 269,611,881 |
| Total liabilities and net assets | \$ 81,590,652 | \$ 282,618,005 | \$ (10,402,411) | \$ 640,295,628 | \$ 34,129,389 | \$ (6,297,270) | \$ 22,202,862 | \$ 22,881,910 | \$ 33,234,740 | \$ (122,356,162) | \$ 977,897,343 |

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

Care New England Health System and Affiliates
Consolidating Statement of Operations
Year Ended September 30, 2023

| | Butler and Affiliates | Kent and Affiliates | Care New England Medical Group | WIC and Affiliates | Care New England | The Agency | Southeastern Healthcare System, Inc. and Affiliates | Integra | The Center | Eliminations | Total |
|--|--------------------------|------------------------|---|-----------------------|---------------------|-----------------------|--|---------------------|---------------------|----------------------|----------------------|
| Operating revenues, gains, and other support | | | | | | | | | | | |
| Net patient service revenue | \$ 94,676,487 | \$ 363,709,140 | \$ 102,048,872 | \$ 464,874,237 | \$ (1,032) | \$ 18,320,548 | \$ 1,661 | \$ - | \$ 36,930,499 | \$ - | \$ 1,080,560,412 |
| Research revenue | 18,369,516 | 1,501,504 | - | 18,224,823 | - | - | - | 72,631 | - | - | 38,168,474 |
| Grant revenue - relief funding | 600,000 | 7,715,033 | 52,244 | 756,822 | - | 245,720 | - | - | 4,096,028 | - | 13,465,847 |
| Other revenue | 18,537,340 | 59,004,882 | 93,046,112 | 50,643,639 | 153,960,528 | 2,549,150 | 1,907,747 | 35,779,607 | 13,217,454 | (265,088,346) | 163,558,113 |
| Net assets released from restrictions and used for operations | 873,922 | 404,953 | 3,700 | 2,129,308 | (1,887) | 21,364 | - | 29 | 527,828 | - | 3,959,217 |
| Total operating revenues, gains, and other support | <u>133,057,265</u> | <u>432,335,512</u> | <u>195,150,928</u> | <u>536,628,829</u> | <u>153,957,609</u> | <u>21,136,782</u> | <u>1,909,408</u> | <u>35,852,267</u> | <u>54,771,809</u> | <u>(265,088,346)</u> | <u>1,299,712,063</u> |
| Operating expenses | | | | | | | | | | | |
| Salaries and benefits | 68,067,929 | 166,693,246 | 159,875,651 | 232,458,254 | 81,030,512 | 16,709,847 | 150,104 | 6,084,113 | 39,623,243 | 552,393 | 771,245,292 |
| Supplies and other expenses | 35,895,761 | 239,960,826 | 37,082,120 | 230,159,200 | 68,187,975 | 5,912,691 | 2,075,953 | 19,783,567 | 11,726,831 | (260,245,489) | 390,539,435 |
| Research expenses | 18,694,351 | 1,589,090 | - | 17,985,567 | - | - | - | 62,631 | - | - | 38,331,639 |
| Depreciation and amortization | 2,645,104 | 9,679,322 | - | 9,450,591 | 3,491,103 | 34,445 | 606,789 | - | 1,218,168 | - | 27,125,522 |
| Insurance | 2,539,768 | 17,766,604 | 3,113,834 | 18,654,844 | 348,037 | 508,026 | 38,936 | 135,067 | 1,154,704 | (5,395,250) | 38,864,570 |
| Licensure fee | - | 19,026,848 | - | 21,630,184 | - | - | - | - | - | - | 40,657,032 |
| Interest | 753,783 | 1,395,844 | - | 2,737,928 | 1,856,764 | 717 | - | - | 309,146 | - | 7,054,182 |
| Restructuring costs - Memorial Hospital | - | - | - | - | - | - | 100,000 | - | - | - | 100,000 |
| Total operating expenses | <u>128,596,696</u> | <u>456,111,780</u> | <u>200,071,605</u> | <u>533,076,568</u> | <u>154,914,391</u> | <u>23,165,726</u> | <u>2,971,782</u> | <u>26,065,378</u> | <u>54,032,092</u> | <u>(265,088,346)</u> | <u>1,313,917,672</u> |
| (Loss) income from operations | <u>4,460,569</u> | <u>(23,776,268)</u> | <u>(4,920,677)</u> | <u>3,552,261</u> | <u>(956,782)</u> | <u>(2,028,944)</u> | <u>(1,062,374)</u> | <u>9,786,889</u> | <u>739,717</u> | <u>-</u> | <u>(14,205,609)</u> |
| Nonoperating (losses) gains | | | | | | | | | | | |
| Investment income and realized gains (losses) on assets limited as to use, net | 836,935 | 5,036,026 | - | 10,053,358 | 1,236,905 | 22,963 | (36) | 343 | (1,441) | - | 17,185,053 |
| Contributions | 2,655 | 80,234 | - | 58,573 | (12) | 32,403 | - | - | 248,404 | - | 422,257 |
| Change in net unrealized losses on investments | 1,142,169 | 3,293,335 | - | 10,490,718 | 142,704 | 93,972 | 288 | 5,352 | 11,367 | - | 15,179,905 |
| Other components of current period pension | (1,318,995) | (1,338,216) | - | (687,296) | (4,284,562) | (93,039) | - | - | - | - | (7,722,108) |
| Other, net | 105,451 | 269,070 | - | 1,702,458 | (2,239,478) | 172 | 1,453 | 27,427 | 58,388 | - | (75,059) |
| Net nonoperating (losses) gains | <u>768,215</u> | <u>7,340,449</u> | <u>-</u> | <u>21,617,811</u> | <u>(5,144,443)</u> | <u>56,471</u> | <u>1,705</u> | <u>33,122</u> | <u>316,718</u> | <u>-</u> | <u>24,990,048</u> |
| (Deficiency) excess of revenues, gains, and other support over expenses and losses | <u>5,228,784</u> | <u>(16,435,819)</u> | <u>(4,920,677)</u> | <u>25,170,072</u> | <u>(6,101,225)</u> | <u>(1,972,473)</u> | <u>(1,060,669)</u> | <u>9,820,011</u> | <u>1,056,435</u> | <u>-</u> | <u>10,784,439</u> |
| Other changes in net assets without donor restrictions | | | | | | | | | | | |
| Pension and postretirement adjustments | 2,444,902 | 912,750 | - | 536,079 | 8,393,513 | 55,483 | - | - | - | - | 12,342,727 |
| Net assets released from restrictions used for purchase of property, plant and equipment | 1,322,074 | 1,024,818 | - | 591,388 | - | - | - | - | 344,652 | - | 3,282,932 |
| Transfer from net assets with donor restrictions | - | - | - | 610,185 | - | - | - | - | - | - | 610,185 |
| | <u>3,766,976</u> | <u>1,937,568</u> | <u>-</u> | <u>1,737,652</u> | <u>8,393,513</u> | <u>55,483</u> | <u>-</u> | <u>-</u> | <u>344,652</u> | <u>-</u> | <u>16,235,844</u> |
| (Decrease) increase in net assets without donor restrictions | <u>\$ 8,995,760</u> | <u>\$ (14,498,251)</u> | <u>\$ (4,920,677)</u> | <u>\$ 26,907,724</u> | <u>\$ 2,292,288</u> | <u>\$ (1,916,990)</u> | <u>\$ (1,060,669)</u> | <u>\$ 9,820,011</u> | <u>\$ 1,401,087</u> | <u>\$ -</u> | <u>\$ 27,020,283</u> |

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

Care New England Health System and Affiliates

Consolidating Statement of Changes in Net Assets

Year Ended September 30, 2023

| | Butler and Affiliates | Kent and Affiliates | Care New England Medical Group | WIC and Affiliates | Care New England | The Agency | Southeastern Healthcare System, Inc. and Affiliates | Integra | The Center | Eliminations | Total |
|--|--------------------------|------------------------|---|-----------------------|---------------------|----------------|--|--------------|---------------|--------------|----------------|
| Net assets without donor restrictions | | | | | | | | | | | |
| (Deficiency) excess of revenues, gains, and other support over expenses and losses | \$ 5,228,784 | \$ (16,435,819) | \$ (4,920,677) | \$ 25,170,072 | \$ (6,101,225) | \$ (1,972,473) | \$ (1,060,669) | \$ 9,820,011 | \$ 1,056,435 | \$ - | \$ 10,784,439 |
| Other changes in net assets without donor restrictions | | | | | | | | | | | |
| Pension and postretirement adjustments | 2,444,902 | 912,750 | - | 536,079 | 8,393,513 | 55,483 | - | - | - | - | 12,342,727 |
| Net assets released from restrictions used for purchase of property, plant and equipment | 1,322,074 | 1,024,818 | - | 591,388 | - | - | - | - | 344,652 | - | 3,282,932 |
| Transfer from net assets with donor restrictions | - | - | - | 610,185 | - | - | - | - | - | - | 610,185 |
| (Decrease) increase in net assets without donor restrictions | 8,995,760 | (14,498,251) | (4,920,677) | 26,907,724 | 2,292,288 | (1,916,990) | (1,060,669) | 9,820,011 | 1,401,087 | - | 27,020,283 |
| Net assets with donor restrictions | | | | | | | | | | | |
| Contributions | 784,899 | 1,648,126 | - | 8,288,226 | 125,000 | 93,643 | - | 1,000 | 390,251 | - | 11,331,145 |
| Income from investments | 257,082 | 69,270 | - | 130,864 | - | - | 59,570 | - | 5,255 | - | 522,041 |
| Net realized and unrealized losses from investments | 2,258,418 | 674,139 | - | 1,141,432 | - | - | 547,768 | - | 7,635 | - | 4,629,392 |
| Changes in beneficial interest in assets held at community foundation | - | - | - | - | - | - | - | - | 51,629 | - | 51,629 |
| Changes in beneficial interest in perpetual trusts | - | 821,311 | - | 550,839 | - | - | 733,373 | - | - | - | 2,105,523 |
| Net assets released from restrictions | (2,691,540) | (1,429,771) | (3,700) | (2,720,696) | 1,887 | (21,364) | - | (29) | (872,480) | - | (7,737,693) |
| Transfer to net assets without donor restrictions | - | - | - | (610,185) | - | - | - | - | - | - | (610,185) |
| (Decrease) increase in net assets with donor restrictions | 608,859 | 1,783,075 | (3,700) | 6,780,480 | 126,887 | 72,279 | 1,340,711 | 971 | (417,710) | - | 10,291,852 |
| (Decrease) increase in net assets | 9,604,619 | (12,715,176) | (4,924,377) | 33,688,204 | 2,419,175 | (1,844,711) | 280,042 | 9,820,982 | 983,377 | - | 37,312,135 |
| Net assets | | | | | | | | | | | |
| Beginning of year | 47,323,936 | 109,080,656 | (20,351,610) | 395,976,203 | (201,758,390) | (7,468,954) | (104,227,734) | (8,137,824) | 21,863,463 | - | 232,299,746 |
| End of year | \$ 56,928,555 | \$ 96,365,480 | \$ (25,275,987) | \$ 429,664,407 | \$ (199,339,215) | \$ (9,313,665) | \$ (103,947,692) | \$ 1,683,158 | \$ 22,846,840 | \$ - | \$ 269,611,881 |

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

Schedule of Expenditures of Federal Awards

**Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023**

| CLUSTER/PROGRAM/AGENCY | ASSISTANCE LISTING NUMBER | DIRECT AGENCY/ PASS-THROUGH | PASS-THROUGH IDENTIFYING NUMBER | FEDERAL EXPENDITURES | PASSED-THROUGH TO SUBRECIPIENTS |
|---|---------------------------|-----------------------------------|---------------------------------|----------------------|---------------------------------|
| RESEARCH AND DEVELOPMENT CLUSTER | | | | | |
| <i>United States Department of Defense (DOD)</i> | | | | | |
| <i>U.S. Army Medical Research Acquisition Activity (ASAMRAA)</i> | | | | | |
| Military Medical Research and Development | 12.420 | University of Southern California | 79686437 | \$ 102,020 | \$ - |
| Subtotal - (12.420) | | | | \$ 102,020 | \$ - |
| <i>Department of Veterans Affairs</i> | | | | | |
| VA Connecticut Healthcare System | 64.RD | Direct | | 6,859 | - |
| VA Connecticut Healthcare System | 64.RD | Direct | | 35,230 | - |
| Subtotal - (64.RD) | | | | 42,089 | - |
| <i>National Institute of Environmental Health Sciences (NIEHS)</i> | | | | | |
| Environmental Health | 93.113 | Brown University | 1956 | 15,270 | - |
| Subtotal - (93.113) | | | | 15,270 | - |
| <i>National Center for Complementary and Integrative Health (NCCIH)</i> | | | | | |
| Research and Training in Complementary and Integrative Health | 93.213 | Direct | | 923,893 | 550,060 |
| Research and Training in Complementary and Integrative Health | 93.213 | Direct | | 179,326 | - |
| Research and Training in Complementary and Integrative Health | 93.213 | Direct | | 161,389 | - |
| Research and Training in Complementary and Integrative Health | 93.213 | Brown University | 1328 | 84,186 | - |
| Research and Training in Complementary and Integrative Health | 93.213 | Brown University | 1838 | 39,760 | - |
| Subtotal - (93.213) | | | | 1,388,554 | 550,060 |
| <i>National Center on Sleep Disorder Research (NHLBI)</i> | | | | | |
| National Center on Sleep Disorders Research | 93.233 | Miriam Hospital | 710-7147009 | 35 | - |
| Subtotal - (93.233) | | | | 35 | - |
| <i>National Institute of Mental Health (NIMH)</i> | | | | | |
| Mental Health Research Grants | 93.242 | Direct | | 5,282 | - |
| Mental Health Research Grants | 93.242 | Direct | | 265,771 | 9,567 |
| Mental Health Research Grants | 93.242 | Direct | | 538,270 | 43,492 |
| Mental Health Research Grants | 93.242 | Direct | | 133,910 | 3,293 |
| Mental Health Research Grants | 93.242 | Direct | | 382,203 | 124,201 |
| Mental Health Research Grants | 93.242 | Direct | | 211,406 | 23,871 |
| Mental Health Research Grants | 93.242 | Direct | | 150,653 | - |
| Mental Health Research Grants | 93.242 | Direct | | 504,390 | 97,525 |
| Mental Health Research Grants | 93.242 | Direct | | 283,911 | 32,794 |

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

| CLUSTER/PROGRAM/AGENCY | ASSISTANCE LISTING NUMBER | DIRECT AGENCY/ PASS-THROUGH | PASS-THROUGH IDENTIFYING NUMBER | FEDERAL EXPENDITURES | PASSED-THROUGH TO SUBRECIPIENTS |
|--|---------------------------|------------------------------|---------------------------------|----------------------|---------------------------------|
| Mental Health Research Grants | 93.242 | Michigan State University | RC108066BUTLER | \$ 54,284 | \$ - |
| Mental Health Research Grants | 93.242 | Brigham and Women's Hospital | 119487 | 20,974 | - |
| Mental Health Research Grants | 93.242 | Brown University | 1561 | 11,040 | - |
| Mental Health Research Grants | 93.242 | Brown University | 1520 | 140,218 | - |
| Mental Health Research Grants | 93.242 | Brown University | 1595 | 80,770 | - |
| Mental Health Research Grants | 93.242 | Brigham and Women's Hospital | 124315 | 2,331 | - |
| Mental Health Research Grants | 93.242 | Brown University | 1870 | 22,544 | - |
| Mental Health Research Grants | 93.242 | Brown University | 1857 | 16,251 | - |
| Mental Health Research Grants | 93.242 | University of Missouri | C00078940-3 | 249,355 | - |
| Mental Health Research Grants | 93.242 | Michigan State University | RC114239Butler | 38,532 | - |
| Mental Health Research Grants | 93.242 | Michigan State University | RC114241Butler | 113,152 | - |
| Mental Health Research Grants | 93.242 | Michigan State University | RC114240Butler | 24,748 | - |
| Mental Health Research Grants | 93.242 | Rhode Island Hospital | 7137805 | 28,517 | - |
| Mental Health Research Grants | 93.242 | Michigan State University | RC112927Butler | 15,917 | - |
| Mental Health Research Grants | 93.242 | Michigan State University | RC114215Butler | 106,355 | - |
| Mental Health Research Grants | 93.242 | Fox Learning Systems, Inc | SUB AWD00005873 | 13,919 | - |
| Subtotal - (93.242) | | | | 3,414,703 | 334,743 |
| National Institutes of Health (NIH) | | | | | |
| Alcohol Research Programs | 93.273 | Direct | | 161,817 | 9,866 |
| Alcohol Research Programs | 93.273 | Direct | | 771,501 | 13,208 |
| Alcohol Research Programs | 93.273 | Direct | | 230,879 | - |
| Alcohol Research Programs | 93.273 | Brown University | 1766 | 44,562 | - |
| Alcohol Research Programs | 93.273 | Rutgers University | #2104, PROJECT 8311165 | 20,750 | - |
| Alcohol Research Programs | 93.273 | Boston University | 1P01AA | 46,923 | - |
| Alcohol Research Programs | 93.273 | Brown University | 2030 | 10,560 | - |
| Subtotal - (93.273) | | | | 1,286,992 | 23,074 |
| National Institute on Drug Abuse (NIDA) | | | | | |
| Drug Abuse and Addiction Research Programs | 93.279 | Direct | | 2,050 | 1,684 |
| Drug Abuse and Addiction Research Programs | 93.279 | Direct | | 79,213 | 2,058 |
| Drug Abuse and Addiction Research Programs | 93.279 | Direct | | 652,277 | 299,339 |
| Drug Abuse and Addiction Research Programs | 93.279 | Direct | | 199,696 | 59,036 |
| Drug Abuse and Addiction Research Programs | 93.279 | Direct | | 259,513 | 56,989 |
| Drug Abuse and Addiction Research Programs | 93.279 | Direct | | 200,430 | 32,466 |
| Drug Abuse and Addiction Research Programs | 93.279 | Miriam Hospital | 710-7147067 | 114 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | Miriam Hospital | 710-7147113 | 48,519 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | Boston University | 4500003056 | 153,055 | - |

The accompanying notes are an integral part of this schedule.

**Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023**

| CLUSTER/PROGRAM/AGENCY | ASSISTANCE LISTING NUMBER | DIRECT AGENCY/ PASS-THROUGH | PASS-THROUGH IDENTIFYING NUMBER | FEDERAL EXPENDITURES | PASSED-THROUGH TO SUBRECIPIENTS |
|--|---------------------------|--|---------------------------------|----------------------|---------------------------------|
| Drug Abuse and Addiction Research Programs | 93.279 | Brigham and Women's Hospital | 7755/073119 | \$ 6,878 | \$ - |
| Drug Abuse and Addiction Research Programs | 93.279 | Brown University | 2152 | 25,515 | - |
| Drug Abuse and Addiction Research Programs | 93.279 | Brigham and Women's Hospital | 7755/073119 | 10,742 | - |
| Subtotal - (93.279) | | | | 1,638,002 | 451,572 |
| United States Department of Health and Human Services (HHS) | | | | | |
| Trans-NIH Research Support | 93.310 | Direct | | 4,195,697 | 2,393,761 |
| Trans-NIH Research Support | 93.310 | University of North Carolina, Chapel Hill | 5114834 | 29,766 | - |
| Trans-NIH Research Support | 93.310 | Rhode Island Hospital | 10054626-WIH | 30,375 | - |
| Trans-NIH Research Support | 93.310 | Duke University | A03-5357 | 72,637 | - |
| Trans-NIH Research Support | 93.310 | University of Utah | 10063508-06-WRI | 26,454 | - |
| Subtotal - (93.310) | | | | 4,354,929 | 2,393,761 |
| United States Department of Health and Human Services (HHS) | | | | | |
| Biomedical Advanced Research and Development Authority (BARDA), Biodefense Medical Countermeasure Development | 93.360 | Brown University | 2298 | 31,729 | - |
| Subtotal - (93.360) | | | | 31,729 | - |
| National Institute of Nursing Research (NINR) | | | | | |
| Nursing Research | 93.361 | Direct | | 56,959 | 4,131 |
| Nursing Research | 93.361 | University of Rhode Island | 006806/06102019 | 26,937 | - |
| Nursing Research | 93.361 | University of Washington | UWSC13118 | 20,196 | - |
| Subtotal - (93.361) | | | | 104,092 | 4,131 |
| National Cancer Institute (NCI), Division of Cancer Prevention | | | | | |
| Cancer Cause and Prevention Research | 93.393 | Tufts Medical Center | RC11927WIH | 100,402 | - |
| Subtotal - (93.393) | | | | 100,402 | - |
| National Cancer Institute (NCI) | | | | | |
| Cancer Treatment Research | 93.395 | NRG Oncology Foundation, Inc | NRG-DiSilvestro-GY6 | 7,348 | - |
| Subtotal - (93.395) | | | | 7,348 | - |
| Centers for Disease Control and Prevention (CDC) | | | | | |
| Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke | 93.426 | Care Transformation Collaboration of Rhode Island | PF61188 | 17,059 | - |
| Subtotal - (93.426) | | | | 17,059 | - |
| Centers for Disease Control and Prevention (CDC) | | | | | |
| Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heart Disease and Stroke | 93.435 | Care Transformation Collaboration of Rhode Island | CTC-93.435 | 13,409 | - |

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

| CLUSTER/PROGRAM/AGENCY | ASSISTANCE LISTING NUMBER | DIRECT AGENCY/ PASS-THROUGH | PASS-THROUGH IDENTIFYING NUMBER | FEDERAL EXPENDITURES | PASSED-THROUGH TO SUBRECIPIENTS |
|---|---------------------------|---|---------------------------------|----------------------|---------------------------------|
| Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heart Disease and Stroke | 93.435 | Care Transformation Collaboration of Rhode Island | CTC-93.435B | \$ 4,856 | \$ - |
| Subtotal - (93.435) | | | | \$ 18,265 | \$ - |
| National Heart, Lung, and Blood Institute (NHLBI) | | | | | |
| Cardiovascular Diseases Research | 93.837 | Direct | | 568,695 | 313,332 |
| Cardiovascular Diseases Research | 93.837 | Brown University | 1267 | 6,194 | - |
| Cardiovascular Diseases Research | 93.837 | Miriam Hospital | 7147247 | 71,583 | - |
| Cardiovascular Diseases Research | 93.837 | Regents University of California San Diego | 705692 | 19,496 | - |
| Subtotal - (93.837) | | | | 665,968 | 313,332 |
| National Heart, Lung, and Blood Institute (NHLBI) | | | | | |
| Blood Diseases and Resources Research | 93.839 | University of Iowa | S00644 | 67,039 | - |
| Subtotal -(93.839) | | | | 67,039 | - |
| National Institute of Arthritis and Musculoskeletal and Skin Diseases (NIAMS) | | | | | |
| Arthritis, Musculoskeletal and Skin Diseases Research | 93.846 | Tufts Medical Center | 5020341_SERV | 18,990 | - |
| Arthritis, Musculoskeletal and Skin Diseases Research | 93.846 | University of Connecticut | UCHC7-169369583 | 27,707 | - |
| Subtotal - Arthritis, Musculoskeletal and Skin Diseases Research (93.846) | | | | 46,697 | - |
| National Institute of Diabetes and Digestive and Kidney Diseases (NIDDK) | | | | | |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | Direct | | 802,385 | 130,206 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | Northwestern University | 60064017 WIHRI | 19,694 | - |
| Subtotal - (93.847) | | | | 822,079 | 130,206 |
| National Institute of Neurological Disorders and Stroke (NINDS) | | | | | |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | Direct | | 580,678 | 312,984 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | University of Washington | UWSC13142 | 83,138 | - |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | Boston Children's Hospital | GENFD0002241451 | 50,159 | - |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | Yale University | 941-ADNI-2 | 5,069 | - |
| Subtotal - (93.853) | | | | 719,044 | 312,984 |
| National Institute of General Medical Sciences (NIGMS) | | | | | |
| Biomedical Research and Research Training | 93.859 | Direct | | 300,299 | 40,080 |
| Biomedical Research and Research Training | 93.859 | Direct | | 2,457,755 | 450,624 |
| Biomedical Research and Research Training | 93.859 | Brown University | 1924 | 39,443 | - |
| Biomedical Research and Research Training | 93.859 | Miriam Hospital | 710-7147250 | 144,659 | - |
| Biomedical Research and Research Training | 93.859 | Brown University | 2214 | 3,384 | - |
| Biomedical Research and Research Training | 93.859 | Brown University | 2302 | 25,404 | - |
| Subtotal - (93.859) | | | | 2,970,944 | 490,704 |

The accompanying notes are an integral part of this schedule.

**Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023**

| CLUSTER/PROGRAM/AGENCY | ASSISTANCE LISTING NUMBER | DIRECT AGENCY/ PASS-THROUGH | PASS-THROUGH IDENTIFYING NUMBER | FEDERAL EXPENDITURES | PASSED-THROUGH TO SUBRECIPIENTS |
|--|---------------------------|---------------------------------------|---------------------------------|----------------------|---------------------------------|
| <i>Eunice Kennedy Shriver National Institute of Child Health and Human Development (NICHD)</i> | | | | | |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | \$ 199,708 | \$ - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 190,734 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 5,353 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 70 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 297,795 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 20,286 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 226,334 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 3,312 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 118,553 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 44,766 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 160 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 51,607 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 61,303 | 3,749 |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 1,590 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 174,373 | 53,664 |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 33,411 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 1,268 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 24,210 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 50,664 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 21 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 483,729 | 180,899 |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 987,108 | 894,336 |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 270,702 | 133,373 |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 85,563 | 1,650 |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 44,274 | 22,246 |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 18,632 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 137,345 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 4,406 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 179,129 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 114,386 | - |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 214,478 | 27,112 |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 37,478 | 37,478 |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 649,049 | 228,625 |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 754,409 | 490,687 |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 524,271 | 459,980 |
| Child Health and Human Development Extramural Research | 93.865 | Direct | | 50,739 | - |
| Child Health and Human Development Extramural Research | 93.865 | Regents of the University of Michigan | SUBK00008470 | 50,406 | - |

The accompanying notes are an integral part of this schedule.

**Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023**

| CLUSTER/PROGRAM/AGENCY | ASSISTANCE LISTING NUMBER | DIRECT AGENCY/ PASS-THROUGH | PASS-THROUGH IDENTIFYING NUMBER | FEDERAL EXPENDITURES | PASSED-THROUGH TO SUBRECIPIENTS |
|--|---------------------------|---|---------------------------------|----------------------|---------------------------------|
| Child Health and Human Development Extramural Research | 93.865 | Bradley Hospital | 7127549 | \$ 37,223 | \$ - |
| Child Health and Human Development Extramural Research | 93.865 | Northeastern University | 500649-78051 | 30,348 | - |
| Child Health and Human Development Extramural Research | 93.865 | Michigan State University | RC111429 | 52,755 | - |
| Child Health and Human Development Extramural Research | 93.865 | Brown University | 1710 | 24,606 | - |
| Child Health and Human Development Extramural Research | 93.865 | Indiana University | 8961 | 101,835 | - |
| Child Health and Human Development Extramural Research | 93.865 | University of Washington | UWSC13140 | 62,412 | - |
| Child Health and Human Development Extramural Research | 93.865 | University of Texas at Austin | UTAS-SUB00000614 | 99,883 | - |
| Child Health and Human Development Extramural Research | 93.865 | The Washington University | WU-23-0217 | 187,097 | - |
| Child Health and Human Development Extramural Research | 93.865 | Pedialydx, Inc | SBIR2022W&I | 87,549 | - |
| Child Health and Human Development Extramural Research | 93.865 | Lurie Children Hospital of Chicago | A23-0020-S003-WIH | 51,002 | - |
| Subtotal - (93.865) | | | | 6,846,332 | 2,533,799 |
| National Institute on Aging (NIA) | | | | | |
| Aging Research | 93.866 | Direct | | 438,301 | 248,865 |
| Aging Research | 93.866 | Direct | | 142,365 | 37,583 |
| Aging Research | 93.866 | Regents of the University of California | 11220SC | 3,629 | - |
| Aging Research | 93.866 | Wake Forest University Health Sciences | 119-101720-550134 | 31,911 | - |
| Aging Research | 93.866 | Brown University | 1717 | 63,183 | - |
| Aging Research | 93.866 | Wake Forest University Health Sciences | 505-101720-336715 | 167,332 | - |
| Aging Research | 93.866 | Rutgers University | #2034, PROJECT 830954 | 47,706 | - |
| Aging Research | 93.866 | University of Rhode Island | 0009115/111521 | 5,377 | - |
| Aging Research | 93.866 | Indiana University | 9088_BUTL (SW) | 48,177 | - |
| Aging Research | 93.866 | Regents of University of Wisconsin | 2008 | 25,580 | - |
| Aging Research | 93.866 | Regents of University of Wisconsin | 2008 | 29,616 | - |
| Aging Research | 93.866 | University of Rhode Island | 0009847/0011723 | 20,003 | - |
| Aging Research | 93.866 | University of Southern California | SCON-00004399 | 9,544 | - |
| Aging Research | 93.866 | University of Southern California | SCON-00004563 | 46,928 | - |
| Aging Research | 93.866 | Wake Forest University Health Sciences | 768-101720-336720 | 16,717 | - |
| Aging Research | 93.866 | Washington University | WU-20-29 | 627 | - |
| Aging Research | 93.866 | Wake Forest University Health Sciences | 48-101720-112234 | 671,867 | 13,249 |
| Aging Research | 93.866 | Washington University | WU-20-360 | 10,645 | - |
| Aging Research | 93.866 | University of Southern California | 129140101 | 24,645 | - |
| Aging Research | 93.866 | University of Southern California | 129212174 | 44,881 | - |
| Aging Research | 93.866 | Hennepin Healthcare Research Institute | 15233-9-01-FFS | 19,350 | - |
| Aging Research | 93.866 | University of Southern California | 120223660 | 124,684 | - |
| Aging Research | 93.866 | Washington University | WU-19-271 | 48,761 | - |
| Aging Research | 93.866 | University of Southern California | 110876467 | 23,442 | - |
| Aging Research | 93.866 | Indiana University | IN4683237-BUTL/8310_BUTL | 214,690 | - |

The accompanying notes are an integral part of this schedule.

**Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023**

| CLUSTER/PROGRAM/AGENCY | ASSISTANCE LISTING NUMBER | DIRECT AGENCY/ PASS-THROUGH | PASS-THROUGH IDENTIFYING NUMBER | FEDERAL EXPENDITURES | PASSED-THROUGH TO SUBRECIPIENTS |
|--|---------------------------|--|---------------------------------|----------------------|---------------------------------|
| Aging Research | 93.866 | University of Southern California | 108777255/117939220 | \$ 20,055 | \$ - |
| Aging Research | 93.866 | University of Southern California | 105812516 | 147,184 | - |
| Subtotal - (93.866) | | | | 2,447,200 | 299,697 |
| Centers for Disease Control and Prevention (CDC) | | | | | |
| Tuberculosis Demonstration, Research, Public and Professional Education | 93.947 | Rutgers University | ID 829357/SUB 1959 | 21,218 | - |
| Subtotal - (93.947) | | | | 21,218 | - |
| Health Resources & Services Administration (HRSA) | | | | | |
| PPHF Geriatric Education Centers | 93.969 | University of Rhode Island | 7755/073119 | 114,613 | - |
| Subtotal - (93.969) | | | | 114,613 | - |
| Eunice Kennedy Shriver National Institute of Child Health and Human Development (NICHD) and National Institute of Allergy and Infectious Diseases (NIAID) | | | | | |
| NICHD - Contract HHSN2752018011 | 93.RD | RTI | 2-312-0216664-65772L | 376,881 | - |
| NIAID - Contract 75N91010D000024 | 93.RD | Social & Scientific Systems, Inc. | CRB-SSS-S-20-005969 | 81,484 | - |
| NIAID - Contract 75N91010D000024 | 93.RD | Hennepin Healthcare Research Institute | 14384-14 | 25,092 | - |
| NIAID - Contract 75N91010D000024 | 93.RD | Brown University | 2325 | 58,350 | - |
| Subtotal - (93.RD) | | | | 541,807 | - |
| RESEARCH AND DEVELOPMENT TOTAL | | | | 27,784,430 | 7,838,063 |
| AGING CLUSTER | | | | | |
| United States Department of Health and Human Services (HHS) | | | | | |
| Administration for Community Living (ACL) | | | | | |
| Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers | 93.044 | State of Rhode Island | ADPI-21-01 | 1,134 | - |
| Subtotal - (93.044) | | | | 1,134 | - |
| Administration for Community Living (ACL) | | | | | |
| Special Programs for the Aging_ Title III, Part C_ Nutrition Services | 93.045 | Pharmacosmos Therapeutics, Inc | Congregate-23-022 | 525,258 | - |
| Special Programs for the Aging_ Title III, Part C_ Nutrition Services | 93.045 | Pharmacosmos Therapeutics, Inc | Congregate-23-022 | 195,720 | - |
| Special Programs for the Aging_ Title III, Part C_ Nutrition Services | 93.045 | State of Rhode Island | 2017-24471162 | 123,318 | - |
| Subtotal - (93.045) | | | | 844,296 | - |
| Administration for Community Living (ACL) | | | | | |
| National Family Caregiver Support, Title III, Part E | 93.052 | State of Rhode Island | NSIP-23-00004 | 102,471 | - |
| Subtotal - (93.052) | | | | 102,471 | - |

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

| CLUSTER/PROGRAM/AGENCY | ASSISTANCE LISTING NUMBER | DIRECT AGENCY/ PASS-THROUGH | PASS-THROUGH IDENTIFYING NUMBER | FEDERAL EXPENDITURES | PASSED-THROUGH TO SUBRECIPIENTS |
|---|---------------------------|-----------------------------|---------------------------------|----------------------|---------------------------------|
| <i>Administration for Community Living (ACL)</i> | | | | | |
| Nutrition Services Incentive Program | 93.053 | State of Rhode Island | NSIP-21-02 | \$ 6,466 | \$ - |
| Subtotal - (93.053) | | | | \$ 6,466 | \$ - |
| AGING CLUSTER TOTAL | | | | 954,367 | - |
| CHILD NUTRITION CLUSTER | | | | | |
| <i>United States Department of Agriculture (USDA)</i> | | | | | |
| <i>Food and Nutrition Service (FNS)</i> | | | | | |
| National School Lunch Program | 10.555 | State of Rhode Island | 28823 | 11,053 | - |
| Subtotal - (10.555) | | | | 11,053 | - |
| CHILD NUTRITION CLUSTER TOTAL | | | | 11,053 | - |
| HOUSING VOUCHER CLUSTER | | | | | |
| <i>United States Department of Housing and Urban Development (HUD)</i> | | | | | |
| Section 8 Housing Choice Vouchers | 14.871 | Rhode Island Housing | Massie | 10,231 | - |
| Subtotal - (14.871) | | | | 10,231 | - |
| HOUSING VOUCHER CLUSTER TOTAL | | | | 10,231 | - |
| SECTION 8 PROJECT-BASED CLUSTER | | | | | |
| <i>United States Department of Housing and Urban Development (HUD)</i> | | | | | |
| Section 8 Housing Assistance Payments Program | 14.195 | Direct | | 81,265 | - |
| Section 8 Housing Assistance Payments Program | 14.195 | Direct | | 190,233 | - |
| Section 8 Housing Assistance Payments Program | 14.195 | Rhode Island Housing | R143T781003 | 105,772 | - |
| Subtotal - (14.195) | | | | 377,270 | - |
| SECTION 8 PROJECT-BASED CLUSTER TOTAL | | | | 377,270 | - |
| OTHER PROGRAMS | | | | | |
| <i>United States Department of Agriculture (USDA)</i> | | | | | |
| <i>Food and Nutrition Service (FNS)</i> | | | | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | State of Rhode Island | RFP#2022RIDOH006 | 1,945,459 | - |

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

| CLUSTER/PROGRAM/AGENCY | ASSISTANCE LISTING NUMBER | DIRECT AGENCY/ PASS-THROUGH | PASS-THROUGH IDENTIFYING NUMBER | FEDERAL EXPENDITURES | PASSED- THROUGH TO SUBRECIPIENTS |
|---|---------------------------|---|---------------------------------|----------------------|----------------------------------|
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | State of Rhode Island | 3316512 | \$ 8,076 | \$ - |
| <i>Subtotal - (10.557)</i> | | | | <u>\$ 1,953,535</u> | <u>\$ -</u> |
| United States Department of Agriculture (USDA) | | | | | |
| <i>Food and Nutrition Service (FNS)</i> | | | | | |
| Child and Adult Care Food Program | 10.558 | State of Rhode Island | 35374 | 28,959 | - |
| <i>Subtotal - (10.558)</i> | | | | <u>28,959</u> | <u>-</u> |
| United States Department of Housing and Urban Development (HUD) | | | | | |
| <i>Supportive Housing for the Elderly</i> | | | | | |
| Outstanding Loans @ October 1, 2022 | 14.157 | Direct | | 43,408 | - |
| <i>Subtotal - (14.157)</i> | | | | <u>43,408</u> | <u>-</u> |
| United States Department of Housing and Urban Development (HUD) | | | | | |
| <i>Supportive Housing for Persons with Disabilities</i> | | | | | |
| Supportive Housing for Persons with Disabilities | 14.181 | Direct | | 1,152,335 | - |
| Supportive Housing for Persons with Disabilities | 14.181 | Direct | | 18,465 | - |
| Supportive Housing for Persons with Disabilities | 14.181 | Direct | | 834,200 | - |
| Supportive Housing for Persons with Disabilities | 14.181 | Direct | | 1,173,200 | - |
| Supportive Housing for Persons with Disabilities | 14.181 | Direct | | 84,942 | - |
| <i>Subtotal - (14.181)</i> | | | | <u>3,263,142</u> | <u>-</u> |
| United States Department of Housing and Urban Development (HUD) | | | | | |
| <i>Continuum of Care Program</i> | | | | | |
| | 14.267 | Rhode Island Housing | RI0068L1T001703/1804 | 158,076 | - |
| <i>Subtotal - (14.267)</i> | | | | <u>158,076</u> | <u>-</u> |
| Bureau of Justice Assistance (BJA) | | | | | |
| <i>Residential Substance Abuse Treatment for State Prisoners</i> | | | | | |
| | 16.593 | State of Rhode Island Department of Corrections | 3496273 | 56,601 | - |
| <i>Subtotal - (16.593)</i> | | | | <u>56,601</u> | <u>-</u> |
| United States Department of the Treasury (TREAS) | | | | | |
| <i>COVID-19 Coronavirus State and Local Fiscal Recovery Funds</i> | | | | | |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | Care Transformation Collaboration of Rhode Island | PF 62596 | 715 | - |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | Rhode Island Department of Health | ADLT WKFRC | 6,680 | - |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | Rhode Island Department of Health | 3803136/GR-42249 | 361,795 | - |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | Rhode Island Foundation | 14945 20230480 | 50,000 | - |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | Rhode Island Department of Health | 3817018/GR-42714 | 466,497 | - |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | Care Transformation Collaboration of Rhode Island | CTC21.027 | 37,489 | - |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 | State of Rhode Island | Gainwell | 6,976 | - |
| <i>Subtotal - (21.027)</i> | | | | <u>930,152</u> | <u>-</u> |

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

| CLUSTER/PROGRAM/AGENCY | ASSISTANCE LISTING NUMBER | DIRECT AGENCY/ PASS-THROUGH | PASS-THROUGH IDENTIFYING NUMBER | FEDERAL EXPENDITURES | PASSED-THROUGH TO SUBRECIPIENTS |
|---|---------------------------|--|---------------------------------|----------------------|---------------------------------|
| <i>Department of Veterans Affairs</i> | | | | | |
| VA Homeless Providers Grant and Per Diem Program | 64.024 | Direct | | \$ 109,762 | \$ - |
| Subtotal - (64.024) | | | | \$ 109,762 | \$ - |
| <i>United States Department of Education (ED)</i> | | | | | |
| Special Education-Grants for Infants and Families | 84.181 | Rhode Island Department of Health | 75A00211767 | 559,537 | - |
| Subtotal - (84.181) | | | | 559,537 | - |
| <i>United States Department of Education (ED)</i> | | | | | |
| Striving Readers | 84.371 | Rhode Island Department of Education (RIDE) | 20-03-021-1/1 | 6,325 | - |
| Subtotal - (84.371) | | | | 6,325 | - |
| <i>Centers for Disease Control and Prevention (CDC)</i> | | | | | |
| Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance | 93.079 | American Psychological Association | 903402-BUTLER | 170,159 | - |
| Subtotal - (93.079) | | | | 170,159 | - |
| <i>Health Resources & Services Administration (HRSA)</i> | | | | | |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | Care Transformation Collaboration of Rhode Island | MOMSPRN-OBMed | 873 | - |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | Care Transformation Collaboration of Rhode Island | MOMSPRN-3 | 8,241 | - |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | State of Rhode Island | 75A00211767 | 171,187 | - |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | State of Rhode Island | 19-03-028/20-03-059 | 319,417 | - |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | University of New Hampshire | 18-007 | 4,189 | - |
| Subtotal - (93.110) | | | | 503,907 | - |
| <i>Substance Abuse and Mental Health Services Administration (SAMHSA)</i> | | | | | |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | Direct | | 239,614 | - |
| Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 93.243 | State of Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals | DEL-41610 3765240 | 58,593 | 19,680 |
| Subtotal - (93.243) | | | | 298,207 | 19,680 |
| <i>Centers for Disease Control and Prevention (CDC)</i> | | | | | |
| The Healthy Brain Initiative: Technical Assistance to Implement Public Health Actions related to Cognitive Health, Cognitive Impairment, and Caregiving at the State and Local Levels | 93.334 | Care Transformation Collaboration of Rhode Island | RIADRDP | 18,328 | - |
| Subtotal - (93.334) | | | | 18,328 | - |
| <i>United States Department of Health and Human Services (HHS)</i> | | | | | |
| COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution | 93.498 | Direct | | 10,113,336 | - |
| Subtotal - (93.498) | | | | 10,113,336 | - |

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

| CLUSTER/PROGRAM/AGENCY | ASSISTANCE LISTING NUMBER | DIRECT AGENCY/ PASS-THROUGH | PASS-THROUGH IDENTIFYING NUMBER | FEDERAL EXPENDITURES | PASSED-THROUGH TO SUBRECIPIENTS |
|---|---------------------------|---|---------------------------------|----------------------|---------------------------------|
| <i>United States Department of Health and Human Services (HHS)</i> | | | | | |
| State Court Improvement Program | 93.586 | Rhode Island Administration Office of State Court | 2101RISCIT | \$ 13,274 | \$ - |
| Subtotal - (93.586) | | | | \$ 13,274 | \$ - |
| <i>United States Department of Health and Human Services (HHS)</i> | | | | | |
| Accountable Health Communities | 93.650 | Direct | | 636,559 | 553,837 |
| Subtotal - (93.650) | | | | 636,559 | 553,837 |
| <i>United States Department of Health and Human Services (HHS)</i> | | | | | |
| COVID-19 Emergency Grants to Address Mental and Substance Use Disorders During COVID-19 | 93.665 | Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals | G-63934-01 | 375,561 | - |
| Subtotal - (93.665) | | | | 375,561 | - |
| <i>Office of the Administration for Children & Families (ACF)</i> | | | | | |
| Social Services Block Grant | 93.667 | Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals | 3806311 | 272,503 | - |
| Subtotal - (93.667) | | | | 272,503 | - |
| <i>Health Resources & Services Administration (HRSA)</i> | | | | | |
| Mental and Behavioral Health Education and Training Grants | 93.732 | Direct | | 19,910 | - |
| Subtotal - (93.732) | | | | 19,910 | - |
| <i>Substance Abuse and Mental Health Services Administration (SAMHSA)</i> | | | | | |
| Opioid STR | 93.788 | Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals | 3606394 | 424,396 | - |
| Opioid STR | 93.788 | Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals | 1658714 | 220,026 | - |
| Subtotal - (93.788) | | | | 644,422 | - |
| <i>Substance Abuse and Mental Health Services Administration (SAMHSA)</i> | | | | | |
| Section 223 Demonstration Programs to Improve Community Mental Health Services | 93.829 | Direct | | 513,438 | - |
| Subtotal - (93.829) | | | | 513,438 | - |
| <i>Health Resources & Services Administration (HRSA)</i> | | | | | |
| Grants for Primary Care Training and Enhancement | 93.884 | Direct | | 503,834 | - |
| Subtotal - (93.884) | | | | 503,834 | - |
| <i>Office of the Assistant Secretary for Preparedness and Response</i> | | | | | |
| COVID-19 National Bioterrorism Hospital Preparedness Program | 93.889 | Hospital Association of Rhode Island | MOU-041020 | 73,625 | - |
| Subtotal - (93.889) | | | | 73,625 | - |

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

| CLUSTER/PROGRAM/AGENCY | ASSISTANCE LISTING NUMBER | DIRECT AGENCY/ PASS-THROUGH | PASS-THROUGH IDENTIFYING NUMBER | FEDERAL EXPENDITURES | PASSED-THROUGH TO SUBRECIPIENTS |
|---|---------------------------|---|---------------------------------|----------------------|---------------------------------|
| <i>United States Department of Health and Human Services (HHS)</i> | | | | | |
| HIV Prevention Activities Non-Governmental Organization Based | 93.939 | University of Nebraska Medical Center | 34-5311-3020-005 | \$ 25,448 | \$ - |
| Subtotal - (93.939) | | | | \$ 25,448 | \$ - |
| <i>Health Resources & Services Administration (HRSA)</i> | | | | | |
| Block Grants for Community Mental Health Services | 93.958 | Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals | 3754639/DEL-41313 | 392,106 | - |
| Block Grants for Community Mental Health Services | 93.958 | Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals | 3777872/DEL-41822 | 19,743 | - |
| Block Grants for Community Mental Health Services | 93.958 | Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals | 3698730/DEL-40267 | 8,665 | - |
| Block Grants for Community Mental Health Services | 93.958 | Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals | 3754428/DEL 41306 | 195,468 | - |
| Subtotal - (93.958) | | | | 615,982 | - |
| <i>Substance Abuse and Mental Health Services Administration (SAMHSA)</i> | | | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals | 3762355 | 293,130 | - |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals | 6B08T | 126,595 | - |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals | TPC BLOCK | 394,734 | - |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals | TPC BLOCK | 195,368 | - |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals | TPC BLOCK | 66,726 | - |
| Subtotal - (93.959) | | | | 1,076,553 | - |
| <i>Health Resources & Services Administration (HRSA)</i> | | | | | |
| Maternal and Child Health Services Block Grant to the States | 93.994 | Care Transformation Collaboration of Rhode Island | RIDOH CFDA 93.994 EXPENSE: 625 | 4,615 | - |
| Subtotal - (93.994) | | | | 4,615 | - |

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

| CLUSTER/PROGRAM/AGENCY | ASSISTANCE LISTING NUMBER | DIRECT AGENCY/ PASS-THROUGH | PASS-THROUGH IDENTIFYING NUMBER | FEDERAL EXPENDITURES | PASSED-THROUGH TO SUBRECIPIENTS |
|--|---------------------------|--------------------------------|---------------------------------|----------------------|---------------------------------|
| <i>Federal Emergency Management Agency (FEMA)</i> | | | | | |
| COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | State of Rhode Island | 701187-PW654 | 197,631 | - |
| COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | State of Rhode Island | 678171-PW551 | 605,039 | - |
| COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | State of Rhode Island | 692295-PW581 | 372,250 | - |
| COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | State of Rhode Island | 698760- PW612 | 585,919 | - |
| COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | State of Rhode Island | 698803-PW657 | 132,007 | - |
| COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | State of Rhode Island | 699948-PW668 | 926,667 | - |
| COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | State of Rhode Island | 692693-PW626 | 384,572 | - |
| COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | State of Rhode Island | 689280-PW651 | 5,146,926 | - |
| COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | State of Rhode Island | 671644- PW665 | 318,475 | - |
| <i>Subtotal - (97.036)</i> | | | | 8,669,486 | - |
| OTHER PROGRAMS TOTAL | | | | 31,658,644 | 573,517 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | \$ 60,795,995 | \$ 8,411,580 |

The accompanying notes are an integral part of this schedule.

Care New England Health System and Affiliates

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

1. Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the total consolidated expenditures of Care New England Health System and its affiliates ("Care New England") under programs of the federal government for the year ended September 30, 2023. The information presented in the Schedule is presented on the accrual basis of accounting, which is in accordance with the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Such expenditures are recognized following the cost principles contained in OASC-3, Department of Health and Human Services Principles for Determining Costs Applicable to Research and Development under Grants and Contracts with Hospitals, wherein certain types of expenditures are not allowable or are limited to reimbursement.

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

2. Indirect Expenses

Indirect costs are charged to certain federal grants and contracts at federally approved predetermined indirect rates, or if a Negotiated Indirect Cost Rate Agreement ("NICRA") does not exist, Care New England elects to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

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

| Entity | Assistance Listing # | Capital Advances |
|--------------------------------|----------------------|------------------|
| Grandview Second Corporation | 14.181 | \$1,173,200 |
| Wilson Street Apartments, Inc. | 14.181 | 1,152,335 |
| Wilson Street Apartments, Inc. | 14.181 | 18,465 |
| Nashua Street Corporation | 14.181 | 834,200 |
| Wilson Street Apartments, Inc. | 14.181 | 84,942 |

Additionally, The Providence Center, Inc. paid off the mortgage note with HUD on the property during fiscal 2023.

4. CARES Act Provider Relief Funds

The Schedule includes grant activity related to the Department of Health and Human Services ("HHS") Provider Relief Fund and American Rescue Plan (ARP) Distribution Assistance Listing

Care New England Health System and Affiliates

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

Number 93.498. As required based on guidance in the 2023 OMB Compliance Supplement, the Schedule includes all funds received between July 1, 2021 and June 30, 2022 and expended by September 30, 2023 as reported to HRSA via the Provider Relief Funding Reporting Portal.

During Reporting Period 4 and 5, Care New England received \$2,298,588 and \$7,814,748, respectively, of reportable Provider Relief Payments, all of which were recognized as revenue in prior Care New England financial statements. Thus, these payments are reconciling items between the federal expenses in Care New England's financial statements and the amount included on the Schedule.

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

Care New England determines participant eligibility for receipt of food vouchers as part of the Special Supplemental Nutrition Program for the Women, Infants and Children program (Assistance Listing # 10.557). Of the \$1,953,535 in expenditures presented in the Schedule, \$452,964 represents direct costs incurred by Care New England for this program. The food vouchers for which Care New England determined eligibility for amounted to \$1,500,571 for the year ended September 30, 2023.

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

Care New England expended \$11,053 from the State of Rhode Island for the School Breakfast Program Assistance Listing #10.553/National School Lunch Program Assistance Listing #10.555. The State of Rhode Island did not provide Care New England with any information regarding how the spending should be allocated between the two Assistance Listing numbers. As such, expenditures under this program are commingled on the Schedule.

7. Federal Emergency Management Agency (FEMA) Public Assistance

Care New England applied for reimbursement of certain expenses related to the COVID-19 pandemic under Assistance Listing #97.036, FEMA Public Assistance through the State of Rhode Island. Expenditures are reflected in the Schedule of Expenditures of Federal Awards (SEFA) in the year in which a project application is obligated. The SEFA thus includes \$8,577,387 of expenditures incurred in fiscal years 2020 through 2022, which were obligated in 2023.

Part II
Reports on Internal Control and Compliance



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

To the Board of Directors of
Care New England Health System

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Care New England Health System and its affiliates (the "System"), which comprise the consolidated balance sheet as of September 30, 2023, and the related consolidated statements of operations, of changes in net assets and of cash flows for the year then ended, including the related notes (collectively referred to as the "consolidated financial statements"), and have issued our report thereon dated December 22, 2023.

The PricewaterhouseCoopers firm in the Cayman Islands performed audit procedures for the Women and Infants Indemnity, Ltd. And Kent County Memorial Hospital Toll Gate Indemnity, Ltd., comprising approximately 19% of total assets of the System for the year ended September 30, 2023. Personnel of this firm, excluding United States personnel, do not participate in a continuing education program that fully satisfies the requirement set forth in Chapter 4, paragraphs 4.16-4.18 of *Government Auditing Standards*. However, this firm does participate in continuing education programs applicable in the Cayman Islands.

Further, the PricewaterhouseCoopers affiliated firm in the Cayman Islands does not have an external quality review by an unaffiliated audit organization as required by Chapter 5, paragraphs 5.60-5.62 of *Government Auditing Standards*, since no such program is offered by professional organizations in the country. However, this office participates in the PricewaterhouseCoopers worldwide internal control review program, which requires the office to be periodically subjected to an extensive quality control review by partners and managers from other PricewaterhouseCoopers affiliated firms.

Report on 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 opinion 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material



weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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.

PricewaterhouseCoopers LLP

Boston, Massachusetts
December 22, 2023



Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance

To the Board of Directors of
Care New England Health System

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Care New England Health System and its affiliates' (the "System") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended September 30, 2023. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the System complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the System's compliance based on our audit. Reasonable assurance is a high level of assurance



but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the System's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

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

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



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

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

PricewaterhouseCoopers LLP

Boston, Massachusetts
December 22, 2023

Part III
Audit Findings and Questioned Costs

Care New England Health System and Affiliates
Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

I. Summary of Auditor's Results

Financial statements audited by PwC

Type of auditors' report issued: Unmodified

Internal Control over Financial Reporting:

| | | |
|---|---------|-------------------|
| Material weakness identified? | ___ Yes | _√_ No |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | ___ Yes | _√_ None Reported |
| Noncompliance which is material to financial statements. | ___ Yes | _√_ No |

Federal Awards

Internal control over major programs:

| | | |
|---|---------|-------------------|
| Material weakness(es) identified? | ___ Yes | _√_ No |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | ___ Yes | _√_ None Reported |

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

| | | |
|--|---------|--------|
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | ___ Yes | _√_ No |
|--|---------|--------|

Identification of major programs

| Program Name | Assistance Listing Number |
|---|---------------------------|
| COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution | 93.498 |
| WIC Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 |
| COVID-19 Coronavirus State and Local Fiscal Recovery Funds | 21.027 |
| | <u>\$1,823,880</u> |

Dollar threshold for Type A and Type B programs:

| | | |
|--|---------|--------|
| Auditee qualifies as low-risk auditee? | _√_ Yes | ___ No |
|--|---------|--------|

II. Financial Statement Findings

None noted.

Care New England Health System and Affiliates
Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

III. Federal Award Findings and Questioned Costs

No findings noted.

Care New England Health System and Affiliates

Summary Schedule of Prior Audit Findings and Status

Year Ended September 30, 2023

2022-001: Duplicated expenses reported within the Health Resources & Services Administration (“HRSA”) Provider Relief Fund Portal

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

Assistance Listing Number: 93.498

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

Award Year: 1/1/2020-9/30/2022

Award Number: Not available

During fiscal 2022, we did not interpret the HRSA PRF Reporting instructions correctly, believing each portal filing should include all cumulative expenses claimed. This error was not identified through PwC’s review procedures prior to submission. As a result, we reported total Health Care-Related Expenses of \$7,403,539 (by calendar quarters Q1 2020 through Q2 2021) in the PRF Reporting Portal Submission for Period 1 and duplicated the reporting of these expenses (by calendar quarters Q1 2020 through Q2 2021) in the PRF Reporting Portal Submission for Period 2 and Period 3. In addition, incremental expenses from PRF Reporting Period 2 were duplicated in Period 3.

It was recommended that we contact the Health Resources and Services Administrator to determine any required corrective actions related to the incorrect reporting. It was also recommended that we enhance our understanding of the reporting requirements and strengthen our review process in place to check for this issue prior to submission of future reports.

Status Update

We contacted the Health Resources and Services Administrator and received the following guidance on Case #00063537 from prbinquiries@hrsa.gov.

“At this time Provider Relief Fund (PRF) Reports that are prior to Period 4, have been closed and are no longer eligible for modification or corrections. If there is any discrepancies or information that you wish to correct in this practice’s report that does not impact the need to return funds, we advise that you retain record of the correct data for a period of at least 3 years, but otherwise we require no further action from you at this time.”

We have completed a reconciliation schedule and will maintain this schedule for the requisite Federal retention period. We also have a Provider Relief Task Force which includes Senior Leadership as well as representatives from Finance, Planning and Philanthropy departments responsible for coordinating efforts related to preventing, preparing, and responding to COVID-19. The Task Force remains committed to regularly reviewing and communicating new and updated guidance from HRSA, the HRSA portal and HRSA FAQ provided therein to ensure all reporting includes the most up to date information and guidance available.