

# **Care New England Health System and Affiliates**

**Reports on Federal Awards in Accordance with the  
Uniform Guidance (Coordinated Audit)**

**September 30, 2022**

**EIN 05-0490997**

**Care New England Health System and Affiliates**  
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**September 30, 2022**

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**A**

# **Care New England Health System and Affiliates**

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

**September 30, 2022**

**EIN 05-0490997**

# Care New England Health System and Affiliates

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**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 subsidiaries (the "System"), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, 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, 2022 and 2021, the results of its operations, 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*

Except as noted below, 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 18% and 17% of total assets of the System for the years ended September 30, 2022 and 2021, 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 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, 2022 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 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, 2022 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 19, 2022 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, 2022. 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 19, 2022



# Care New England Health System and Affiliates

## Consolidated Balance Sheets

### September 30, 2022 and 2021

	2022	2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 47,766,108	\$ 18,717,659
Short-term investments	38,046,843	100,229,300
Patient accounts receivable	104,805,091	108,447,566
Other receivables	33,146,975	35,602,720
Pledges receivable, net	6,822,665	1,052,371
Other current assets	16,820,231	17,349,509
Current portion of assets whose use is limited	2,538,386	2,092,713
Total current assets	<u>249,946,299</u>	<u>283,491,838</u>
Assets whose use is limited or restricted as to use		
Endowment funds	65,203,141	83,737,351
Board-designated funds	128,802,248	156,322,996
Trustee-held funds	181,813,628	213,047,469
Deferred compensation funds	1,896,762	1,889,016
Total assets limited as to use	<u>377,715,779</u>	<u>454,996,832</u>
Less: Amounts required to meet current obligations	<u>(2,538,386)</u>	<u>(2,092,713)</u>
Noncurrent assets limited as to use	375,177,393	452,904,119
Goodwill	-	24,345,364
Property, plant and equipment, net	205,586,356	230,532,088
Finance lease right-of-use assets, net	6,346,406	6,143,187
Operating lease right-of-use assets, net	86,348,981	91,675,112
Long-term pledges receivable, net	4,503,472	1,673,466
Insurance receivable	2,241,389	3,988,763
Other assets	6,180,735	6,866,728
Total assets	<u>\$ 936,331,031</u>	<u>\$ 1,101,620,665</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 141,481,354	\$ 144,273,716
Current portion of estimated third-party payor settlements and advances	12,143,047	31,433,643
Current portion of long-term debt	7,953,796	7,582,585
Current portion of finance lease liability	1,919,019	1,857,954
Current portion of operating lease liability	9,170,716	9,129,999
Self-insurance reserves	7,071,476	8,849,801
Pension liability	28,010,425	28,153,495
Other current liabilities	7,653,848	3,111,925
Total current liabilities	<u>215,403,681</u>	<u>234,393,118</u>
Long-term liabilities		
Self-insurance reserves	166,795,335	166,651,451
Long-term portion of estimated third-party payor settlements and advances	24,479,113	26,984,710
Long-term debt	142,597,357	150,666,537
Long-term finance lease liability	4,121,179	4,045,905
Long-term operating lease liability	84,795,022	88,934,655
Pension liability	60,843,594	73,420,544
Postretirement liability	708,385	892,314
Other liabilities	4,287,619	14,958,781
Total liabilities	<u>704,031,285</u>	<u>760,948,015</u>
Net assets		
Without donor restrictions	131,861,236	233,005,263
With donor restrictions	100,438,510	107,667,387
Total net assets	<u>232,299,746</u>	<u>340,672,650</u>
Total liabilities and net assets	<u>\$ 936,331,031</u>	<u>\$ 1,101,620,665</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, 2022 and 2021

	2022	2021
<b>Operating revenues, gains, and other support</b>		
Net patient service revenue	\$ 1,014,915,145	\$ 984,355,909
Research revenue	35,013,707	35,525,786
Grant revenue - relief funding	24,253,613	77,452,640
Other revenue	152,703,334	147,952,296
Net assets released from restrictions and used for operations	<u>3,556,718</u>	<u>3,042,283</u>
Total operating revenues, gains, and other support	<u>1,230,442,517</u>	<u>1,248,328,914</u>
<b>Operating expenses</b>		
Salaries and benefits	742,754,151	731,325,156
Supplies and other expenses	382,237,929	353,199,162
Research expenses	32,660,825	30,930,396
Depreciation and amortization	29,855,847	31,181,265
Insurance	30,411,673	38,996,523
Licensure fee	39,175,835	38,340,710
Interest	7,463,553	7,724,938
Goodwill impairment	24,345,364	-
Restructuring costs - Memorial Hospital	<u>100,000</u>	<u>424,612</u>
Total operating expenses	<u>1,289,005,177</u>	<u>1,232,122,762</u>
(Loss) income from operations	<u>(58,562,660)</u>	<u>16,206,152</u>
<b>Nonoperating (losses) gains</b>		
Investment income and realized gains on assets limited as to use, net	24,583,373	14,654,434
Contributions	380,518	1,701,277
Change in net unrealized (losses) gains on investments	(77,278,674)	30,266,415
Other components of current period pension	571,474	(1,730,715)
Pension settlement	-	(9,356,441)
Other, net	<u>(1,453,261)</u>	<u>(1,456,697)</u>
Net nonoperating (losses) gains	<u>(53,196,570)</u>	<u>34,078,273</u>
(Deficiency) excess of revenues, gains, and other support over expenses and losses	(111,759,230)	50,284,425
<b>Other changes in net assets without donor restrictions</b>		
Pension and postretirement adjustments	9,588,818	51,175,952
Net assets released from restrictions used for purchase of property, plant and equipment	1,105,022	1,164,334
Transfer to net assets with donor restrictions	<u>(78,637)</u>	<u>(562,072)</u>
(Decrease) increase in net assets without donor restrictions	<u>\$ (101,144,027)</u>	<u>\$ 102,062,639</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, 2022 and 2021**

	2022	2021
<b>Net assets without donor restrictions</b>		
(Deficiency) excess of revenues, gains, and other support over expenses and losses	\$ (111,759,230)	\$ 50,284,425
Other changes in net assets without donor restrictions		
Pension and postretirement adjustments	9,588,818	51,175,952
Net assets released from restrictions used for purchase of property, plant and equipment	1,105,022	1,164,334
Transfer to net assets with donor restrictions	<u>(78,637)</u>	<u>(562,072)</u>
(Decrease) increase in net assets without donor restrictions	<u>(101,144,027)</u>	<u>102,062,639</u>
<b>Net assets with donor restrictions</b>		
Contributions	14,944,229	7,713,892
Income from investments	442,046	373,526
Net realized and unrealized (losses) gains from investments	(10,222,259)	8,397,851
Changes in beneficial interest in assets held at community foundation	(225,275)	373,368
Changes in beneficial interest in perpetual trusts	(7,112,997)	4,231,008
Net assets released from restrictions	(5,133,258)	(4,657,708)
Transfers from net assets without donor restrictions	<u>78,637</u>	<u>562,072</u>
(Decrease) increase in net assets with donor restrictions	<u>(7,228,877)</u>	<u>16,994,009</u>
(Decrease) increase in net assets	<u>(108,372,904)</u>	<u>119,056,648</u>
<b>Net assets</b>		
Beginning of year	<u>340,672,650</u>	<u>221,616,002</u>
End of year	<u>\$ 232,299,746</u>	<u>\$ 340,672,650</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, 2022 and 2021

	2022	2021
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (108,372,904)	\$ 119,056,648
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Change in beneficial interest in perpetual trusts	7,112,997	(4,231,008)
Change in beneficial interest in assets held at community foundation	225,275	(373,368)
Goodwill impairment	24,345,364	-
Gain on disposals of property, plant and equipment	(7,827,480)	(4,376,432)
Pension and postretirement adjustments	(9,588,818)	(51,175,952)
Pension settlement	-	9,356,441
Depreciation and amortization	27,824,288	29,690,689
Amortization of finance lease right-of-use assets	2,031,559	1,490,576
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	(26,605,159)	(13,761,334)
Net unrealized losses (gains) on short-term investments and assets limited as to use	93,328,396	(35,964,601)
Restricted contributions and investment income	(35,250)	(20,575)
Changes in		
Patient accounts receivable	3,642,475	(8,454,861)
Other current and long-term assets	(4,601,300)	(9,965,080)
Goodwill	-	143,611
Accounts payable and accrued expenses	(2,263,889)	20,905,345
Estimated third-party payor settlements	(21,796,193)	(14,503,596)
Other liabilities	(5,316,804)	(3,991,496)
Net pension liability	(3,315,131)	(21,727,657)
Self-insurance reserves	112,933	8,825,254
Net cash (used in) provided by operating activities	<u>(31,419,814)</u>	<u>20,602,431</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(11,663,169)	(21,347,136)
Proceeds from the sale of property, plant and equipment	16,054,510	2,332,908
Purchase of investments	(189,844,090)	(256,039,909)
Proceeds from the sale of investments	249,856,040	154,135,099
Net cash provided by (used in) investing activities	<u>64,403,291</u>	<u>(120,919,038)</u>
<b>Cash flows from financing activities</b>		
Proceeds from the issuance of long-term debt	-	3,261,664
Payments on long-term debt	(7,258,950)	(6,780,504)
Repayments of obligations under a financing lease	(2,101,379)	(1,537,029)
Restricted contributions to be used for long-term investments and investment income	35,250	20,575
Net cash used in financing activities	<u>(9,325,079)</u>	<u>(5,035,294)</u>
Net increase (decrease) in cash and cash equivalents and restricted cash	23,658,398	(105,351,901)
<b>Cash, cash equivalents and restricted cash</b>		
Beginning of year	42,073,665	147,425,566
End of year	<u>\$ 65,732,063</u>	<u>\$ 42,073,665</u>
<b>Supplemental cash flow information</b>		
Cash paid for interest	\$ 7,502,318	\$ 7,762,047
Purchases of property and equipment included in accounts payable and accrued expenses	111,231	723,152
Assets acquired under finance leases	2,234,777	4,229,990
Assets acquired under operating leases	4,859,495	9,078,421
<b>Reconciliation of cash, cash equivalents and restricted cash reported in the consolidated balance sheets</b>		
Cash and cash equivalents	\$ 47,766,108	\$ 18,717,659
Cash reported in assets whose use is limited or restricted as to use	<u>17,965,955</u>	<u>23,356,006</u>
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u>\$ 65,732,063</u>	<u>\$ 42,073,665</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, 2022 and 2021

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#### 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”).
- Care New England Ambulatory Surgery Center, which was formed in July of 2020 for the purposes of submitting a Certificate of Need (“CoN”) Application for a new Providence-based ambulatory surgery center in Rhode Island. The entity is currently inactive. The CoN Application was approved by the Rhode Island Department of Health on August 5, 2021, but an interested competing facility filed an appeal of the decision, and the CoN Application was remanded back to the Department of Health for further review.

# Care New England Health System and Affiliates

## Notes to Consolidated Financial Statements

### September 30, 2022 and 2021

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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 are parties to a Master Trust Indenture dated as of September 1, 2016.

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

In December 2017, the Boards of the Obligated Group, determined that Memorial Hospital withdraw from the Obligated Group, and on December 22, 2017, the Master Trustee approved the release of Memorial Hospital from the Obligated Group. 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 health care system. Care New England oversees the three Hospitals (Butler, Kent, and WIH), CNEMG, the VNA, the Center and other affiliated organizations.

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

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

# Care New England Health System and Affiliates

## Notes to Consolidated Financial Statements

### September 30, 2022 and 2021

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

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

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

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

The Center is the largest community-based behavioral healthcare organization in Rhode Island, providing a continuum of counseling and supportive services to meet community mental health and substance use disorder needs since 1969. These services include, but are not limited to, recovery supports and centers, integrated primary care, permanent supportive housing, medication-assisted treatment, educational and vocational counseling, wellness services and treatment to individuals involved in the justice system. The following corporations - Grandview Realty, Grandview Second, Nashua, and Wilson own and operate rental apartments for individuals with mental illness. 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.

### 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

# Care New England Health System and Affiliates

## Notes to Consolidated Financial Statements

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of accounts receivable price concessions, third-party payor settlements, incurred but not reported liabilities for medical, dental, workers' compensation, and medical malpractice insurance, pension and other post retirement costs and valuation of investments. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

Care New England considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At September 30, 2022 and 2021, \$19,205,069 and \$18,349,089, 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 73% and 53% at September 30, 2022 and 2021, respectively, of its cash balance with one institution.

#### **Short-Term Investments**

Short-term investments are investment vehicles that can be readily converted to cash and are intended to be converted or sold within a one-year time period. Short-term investments include mutual funds that invest primarily in investment grade debt obligations and are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the (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 a number of units based on the percentage of the pool it owns at the time of entry. Income, gains, and losses of the pool are allocated to the funds based on their respective participation in the pool.

Investments at net asset value ("NAV") (nontraditional, not readily marketable holdings) include limited partnership interests, 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 \$4,047,646 and \$4,458,996 at September 30, 2022 and 2021, respectively.

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



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

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

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

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

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

#### **Other Receivables**

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

#### **Assets Whose Use is Limited or Restricted as to Use**

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

#### **Inventories**

Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out) or net realizable value. Inventories of \$9,025,176 and \$9,330,442 at September 30, 2022 and 2021, respectively, are included in other current assets in the consolidated balance sheets.

#### **Goodwill and Intangibles**

Care New England has goodwill that resulted from the previous acquisition of SHS. Goodwill totaled \$24,345,364 as of September 30, 2022 and 2021. 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, 2022, the fair value assessment reflected a number of significant

# Care New England Health System and Affiliates

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management assumptions and estimates including the System's forecasts of future net patient service revenue, operating expenses, and 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 is recorded at fair value at the date of receipt. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Depreciation is recorded using the straight-line method based on the estimated useful life of each class of depreciable asset, as recommended by the American Hospital Association as follows:

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

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

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

Care New England evaluates the potential impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value of a group of assets may not be recoverable. There was no impairment charge on property, plant and equipment for the years ended September 30, 2022 and 2021.

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

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

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

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

### **Net Assets Without Donor Restrictions**

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

### **Net Assets With Donor Restrictions**

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

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

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

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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:

	<b>2022</b>	<b>2021</b>
Professional services agreement practice revenues	\$ 21,202,751	\$ 20,113,843
Laboratory services to nonpatients	14,684,101	15,318,028
Grant revenue	16,921,550	24,010,731
Accountable care organization revenues	25,053,425	21,849,216
Contract pharmacy	14,361,769	19,668,507
Retail pharmacy	20,551,762	9,429,788
Professional services agreements	8,248,240	8,375,894
Home medical equipment sales	3,551,243	3,705,125
Cafeteria sales	2,551,557	2,229,656
Rental income	2,879,547	2,886,861
In-kind revenue	2,510,430	2,461,081
Gain on disposals of property, plant and equipment	7,827,480	4,376,432
Vendor rebates	1,395,963	964,602
Other miscellaneous income	10,963,516	12,562,532
Total other revenue	<u>\$ 152,703,334</u>	<u>\$ 147,952,296</u>

# Care New England Health System and Affiliates

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#### **Charity Care**

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

#### **Contributions and Pledges Receivable**

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

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

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

#### **Income Tax Status**

Care New England, Butler, Kent, WIH, the Agency, Women & Infants Faculty Physicians, Inc., WIC, Women & Infants Development Foundation, Butler Hospital Foundation, Kent Hospital Foundation, The Memorial Hospital Foundation, SHS, Memorial, Ventures, BHI, the Center, Grandview Realty, Grandview Second, Nashua, Wilson, Standard, and 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 are, therefore, subject to tax. The provision for income taxes on the earnings of PCCNE and Continuum is immaterial to the consolidated financial statements. Other affiliates are single - member limited liability companies which are treated as part of their sole member for tax purposes.

#### **Recently Adopted Accounting Standards**

In 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 fiscal years ending September 30, 2022. The adoption of ASU 2020-07 did not have a material impact on the System's financial statements for the fiscal year ended September 30, 2022.

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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 currently evaluating the impact the adoption will have on the consolidated financial statements.

In January 2017, the Financial Accounting Standards Board (“FASB”) issued ASU 2017-04 – *Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”). ASU 2017-04 simplifies the test for goodwill impairment by removing Step 2 from the goodwill impairment test. Entities will now perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value not to exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The ASU is effective for fiscal years beginning after December 15, 2022, or fiscal year 2024 for the System, with early adoption permitted. The System elected to early adopt this standard effective October 1, 2021. The adoption did not have a material impact on the 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 \$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 received approximately \$77.5 million in governmental assistance including funding under the CARES Act. This included the recognition of approximately \$37.7 million in 2021 of grant revenue – relief funding in the statements of operations as a result of satisfying the conditions of general grant funding under the Provider Relief Fund established by the CARES Act. The CARES Act also designated aid for state governments to support COVID-19 efforts. A portion of that funding was used to provide financial assistance to support the operations of hospitals in Rhode Island through the establishment of the Rhode Island Hospital Assistance Partnership Program (“HAPP”). The System recognized approximately \$39.8 million in 2021 of grant revenue – relief funding in the statements of operations as a result of satisfying the conditions of grant funding under HAPP.

The System recognized operating revenue related to the CARES Act, 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, 2022 and 2021, respectively.

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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. The Advances of \$18.6 million as of September 30, 2021 are recorded in current portion of estimated third-party payor settlements and advances in the consolidated balance sheets, as a payment received before performing services. As of September 30, 2022, there are no amounts 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 and \$21.5 million of the employer portion of Social Security wage taxes were deferred as of September 30, 2022 and 2021, respectively. The Deferral of \$8.6 million as of September 30, 2022 is recorded in accounts payable and accrued expenses in the consolidated balances sheets. The Deferral of \$10.75 million and \$10.75 million as if September 30, 2021 are recorded in accounts payable and accrued expenses, and other liabilities, respectively, in the consolidated balance sheets. The CARES Act established the Employee Retention Credit as a fully refundable tax credit for employers equal to fifty percent of qualified wages paid by eligible employers to their employees. In 2021, the System recognized approximately \$3.3 million of other revenue in the consolidated statements of operations as of result of the Employee Retention Credit. Furthermore, under the CARES Act, the due date for a plan sponsor’s required minimum contributions to a single employer defined benefit plan for the 2020 calendar plan year was extended to January 1, 2021. A plan sponsor that took advantage of this extension must include interest at the plan’s interest rate calculated from the date the minimum required contribution was due to January 1, 2021. As of September 30, 2020, the System had deferred \$3.5 million of contributions to the Care New England Pension Plan and \$4.1 million of contributions to the Memorial Hospital Pension Plan for purposes of the 2020 calendar plan year. These contribution deferrals were paid by December 31, 2020 with no interest due.

#### 4. Memorial Hospital Closure

Memorial Hospital had a loss from operations of \$24,038,778 and income from operations of \$3,148,167 for fiscal years 2022 and 2021, 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:

	<b>2022</b>	<b>2021</b>
Total operating revenues	\$ 2,997,854	\$ 7,104,997
Total operating expenses	<u>(27,036,632)</u>	<u>(3,956,830)</u>
(Loss) income from operations	(24,038,778)	3,148,167
Net nonoperating (losses) gains	<u>(77)</u>	<u>1,116,147</u>
(Deficiency) excess of revenues, gains and other support over expenses and losses	(24,038,855)	4,264,314
Transfer	<u>-</u>	<u>(1,115,996)</u>
(Decrease) increase in net assets without donor restrictions	<u>\$ (24,038,855)</u>	<u>\$ 3,148,318</u>

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In fiscal year 2022, Memorial recorded operating revenues related to prior year cost report settlements, the wind-down of research activities, an insurance settlement, professional services agreement revenues, and rental income from related parties that is eliminated in consolidation.

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

In fiscal year 2022, Memorial recorded a goodwill impairment charge of \$24,345,364.

During fiscal year 2022 and 2021, the System incurred \$100,000 and \$424,612 of restructuring costs related to the closure of Memorial Hospital, respectively.

#### **5. Net Patient Service Revenue**

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

Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in our hospital(s) receiving inpatient acute care services or patients receiving services in our outpatient centers or in their homes (home care). The System measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our patients and customers in a retail setting (for example, pharmaceuticals and medical equipment), the System does not believe it is required to provide additional goods or services related to that sale.

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



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

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

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

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payors, correspondence from the payors, and the System's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. For the years ended September 30, 2022 and 2021, additional revenue of \$180,128 and \$5,598,557, respectively, was recognized due to changes in estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years.

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

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

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

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

	<b>2022</b>	<b>2021</b>
Medicare and Medicare Managed Care	31 %	31 %
Medicaid and Medicaid Managed Care	29	29
Blue Cross	22	22
Managed Care	6	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:

	<b>2022</b>	<b>2021</b>
Revenues forgone, based on established rates	\$ 11,587,240	\$ 12,325,058
Expenses and costs incurred	5,382,560	5,320,876

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Of the System's total expenses reported \$1,289,005,177 and \$1,232,122,762 in 2022 and 2021, respectively, an estimated \$5,382,560 and \$5,320,876 arose during 2022 and 2021, respectively, from providing services to charity patients. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to patients who qualify for charity care. The ratio of cost to charges is calculated based on total expenses divided by gross patient service revenue. The System did not receive significant contributions that were restricted for the care of indigent patients during 2022 and 2021.

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:

	<b>2022</b>	<b>2021</b>
Approximated revenues forgone, or cost of the services provided to the community	\$ 48,473,555	\$ 44,764,723

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:

	<b>2022</b>	<b>2021</b>
Within one year	\$ 6,805,070	\$ 1,131,942
One to five years	4,923,501	1,673,931
Beyond five years	10,489	14,308
	<u>11,739,060</u>	<u>2,820,181</u>
Less: Allowance for uncollectibles	<u>(412,923)</u>	<u>(94,344)</u>
Pledges receivable, net	<u>\$ 11,326,137</u>	<u>\$ 2,725,837</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 3.25% and 0.25% for the years ending September 30, 2022 and 2021, respectively.

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As of September 30, 2022 and 2021, the System had \$31,353,449 and \$34,889,694, respectively, in funding awarded but not yet expended related to conditional contributions from sponsored support where the condition has not yet been met. Included in deferred revenue at September 30, 2022 and 2021 are \$3,484,041 and \$713,990, 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.

**8. Summary of Investments**

Investments at September 30 are summarized as follows:

	<b>2022</b>	<b>2021</b>
<b>Short-Term Investments</b>		
Mutual funds	\$ 38,046,843	\$ 100,229,300
	<u>38,046,843</u>	<u>100,229,300</u>
<b>Endowment and board designated funds</b>		
Cash	379,789	215,636
Short-term investments	7,417,643	7,939,990
Fixed income securities	15,690,082	21,080,575
Equity securities	19,069,355	23,429,593
Mutual funds	57,991,271	86,840,117
Investments at NAV	43,192,582	42,676,261
Assets held under split - interest agreements	27,943,553	35,281,825
Cash surrender value of life insurance	22,321,114	22,596,350
	<u>194,005,389</u>	<u>240,060,347</u>
<b>Trustee-held funds</b>		
Cash	17,242,165	23,140,370
Short-term investments	20,799,962	16,467,656
Fixed income securities	40,811,877	46,051,358
Equity securities	32,015,366	43,213,463
Mutual funds	53,277,709	57,904,946
Investments at NAV	17,666,549	26,269,676
	<u>181,813,628</u>	<u>213,047,469</u>
<b>Deferred compensation funds</b>		
Cash	344,001	-
Mutual funds	1,552,761	1,889,016
	<u>1,896,762</u>	<u>1,889,016</u>
Total short-term investments and assets limited as to use	<u>\$ 415,762,622</u>	<u>\$ 555,226,132</u>

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

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

	<b>2022</b>	<b>2021</b>
<b>Investment return on net assets without donor restrictions</b>		
Interest and dividend income	\$ 3,793,651	\$ 3,622,551
Net realized gains on sales of investments	20,777,696	11,355,032
Net change in unrealized (losses) gains	<u>(77,278,674)</u>	<u>30,164,020</u>
	<u>(52,707,327)</u>	<u>45,141,603</u>
Included in operating revenue	(12,026)	(8,546)
Included in nonoperating revenue	<u>(52,695,301)</u>	<u>45,150,149</u>
	<u>(52,707,327)</u>	<u>45,141,603</u>
<b>Changes in net assets with donor restrictions</b>		
Interest and dividend income	442,046	373,526
Net realized gains on sales of investments	5,827,463	2,664,920
Net change in unrealized (losses) gains	(16,049,722)	5,732,931
Changes in beneficial interest in assets held at community foundation	(225,275)	373,368
Changes in beneficial interest in perpetual trusts	<u>(7,112,997)</u>	<u>4,231,007</u>
	<u>(17,118,485)</u>	<u>13,375,752</u>
	<u>\$ (69,825,812)</u>	<u>\$ 58,517,355</u>

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The cost and estimated fair value of securities, which excludes beneficial interest in perpetual trusts of \$27,943,553 and \$35,281,825, as of September 30, 2022 and 2021, respectively, and excludes cash surrender value of life insurance of \$22,321,114 and \$22,596,350, as of September 30, 2022 and 2021, respectively, and includes long-term investments as follows:

	<b>2022</b>		
	<b>Cost</b>	<b>Gross Unrealized (Losses) Gains</b>	<b>Estimated Fair Value</b>
<b>Short-term Investments</b>			
Mutual funds	\$ 38,046,843	\$ -	\$ 38,046,843
	<u>\$ 38,046,843</u>	<u>\$ -</u>	<u>\$ 38,046,843</u>
<b>Endowment and board designated funds</b>			
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>
<b>Trustee-held funds</b>			
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>
<b>Deferred compensation funds</b>			
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>

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	<b>2021</b>		
	<b>Cost</b>	<b>Gross Unrealized Gains</b>	<b>Estimated Fair Value</b>
<b>Short-term Investments</b>			
Mutual funds	\$ 100,126,905	\$ 102,395	\$ 100,229,300
	<u>\$ 100,126,905</u>	<u>\$ 102,395</u>	<u>\$ 100,229,300</u>
<b>Endowment and board designated funds</b>			
Cash	\$ 215,636	\$ -	\$ 215,636
Short-term investments	7,939,990	-	7,939,990
Fixed income securities	21,022,266	58,309	21,080,575
Equity securities	18,229,005	5,200,588	23,429,593
Mutual funds	59,491,507	27,348,610	86,840,117
Investments at NAV	28,754,850	13,921,411	42,676,261
	<u>\$ 135,653,254</u>	<u>\$ 46,528,918</u>	<u>\$ 182,182,172</u>
<b>Trustee-held funds</b>			
Cash	\$ 23,140,370	\$ -	\$ 23,140,370
Short-term investments	16,467,656	-	16,467,656
Fixed income securities	45,140,711	910,647	46,051,358
Equity securities	27,510,460	15,703,003	43,213,463
Mutual funds	47,332,050	10,572,896	57,904,946
Investments at NAV	18,031,203	8,238,473	26,269,676
	<u>\$ 177,622,450</u>	<u>\$ 35,425,019</u>	<u>\$ 213,047,469</u>
<b>Deferred compensation funds</b>			
Mutual funds	\$ 1,765,964	\$ 123,052	\$ 1,889,016
	<u>\$ 1,765,964</u>	<u>\$ 123,052</u>	<u>\$ 1,889,016</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 2022 and 2021, there were no significant losses related to declines in value that were considered other-than-temporary in nature.

**9. Liquidity and Funds Available for General Expenditure**

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

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

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The following reflects the System's financial assets as of September 30, 2022 and 2021, 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.

	<b>2022</b>	<b>2021</b>
<b>Financial assets at September 30</b>		
Cash and cash equivalents	\$ 47,766,108	\$ 18,717,659
Short-term investments	38,046,843	100,229,300
Patient accounts receivable	104,805,091	108,447,566
Other receivables	33,146,975	35,602,720
Pledges receivable, net	11,326,137	2,725,837
Endowment funds	65,203,141	83,737,351
Board-designated funds	128,802,248	156,322,996
Trustee-held funds	181,813,628	213,047,469
Deferred compensation funds	1,896,762	1,889,016
Total financial assets	<u>612,806,933</u>	<u>720,719,914</u>
Less: Amounts not available		
Donor restricted funds	19,205,069	18,349,089
Other receivables	8,107,966	10,727,196
Pledges receivable, net	4,503,472	1,673,466
Endowment funds	64,642,144	83,203,729
Board-designated funds	128,802,248	156,322,996
Trustee-held funds	181,813,628	213,047,469
Deferred compensation funds	1,896,762	1,889,016
Financial assets not available to be used within one year	<u>408,971,289</u>	<u>485,212,961</u>
Financial assets available to meet general expenditures within one year	<u>\$ 203,835,644</u>	<u>\$ 235,506,953</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, 2022 and 2021. Investment decisions are made based on anticipated liquidity needs, such that financial assets are available for general expenditures, liabilities, and other obligations come due.



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**10. Property, Plant and Equipment**

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

	<b>2022</b>	<b>2021</b>
Land	\$ 3,702,707	\$ 6,475,602
Land improvements	10,518,904	10,239,251
Buildings and improvements	460,124,586	471,576,661
Moveable equipment	<u>299,978,037</u>	<u>291,600,194</u>
Total property, plant and equipment	774,324,234	779,891,708
Less: Accumulated depreciation and amortization	<u>(572,692,315)</u>	<u>(555,541,969)</u>
	201,631,919	224,349,739
Construction and projects in progress	<u>3,954,437</u>	<u>6,182,349</u>
Property, plant and equipment, net	<u>\$ 205,586,356</u>	<u>\$ 230,532,088</u>

Depreciation and amortization expense amounted to \$29,855,847 and \$31,181,265 for the years ended September 30, 2022 and 2021, respectively, which includes \$27,824,288 and \$29,690,689 depreciation expense of property, plant and equipment, and \$2,031,559 and \$1,490,576 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, 2022 and 2021.

Care New England had property, plant and equipment disposals of \$19,525,585 and \$11,105,037 with accumulated depreciation of \$10,792,788 and \$9,483,387 for the years ended September 30, 2022 and 2021, respectively.

As of September 30, 2022, the System estimated the total cost of completion of construction and projects in progress to be approximately \$13,137,000. 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 \$3,095,678 and \$2,959,145 as of September 30, 2022 and 2021, respectively. These obligations are recorded in other noncurrent liabilities in the consolidated balance sheets. There are no assets that are legally restricted for purposes of settling asset retirement obligations. During 2022, there were no significant retirement obligations incurred or settled. During 2021, there were \$3,226,003 retirement obligations relieved when a portion of the main campus of Memorial Hospital was sold. Accretion expense of \$136,533 and \$173,403 was recorded during the years ended September 30, 2022 and 2021, respectively.

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**11. Lease Commitments**

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

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

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

Our operating leases are primarily for real estate, including certain acute care facilities, off-campus outpatient facilities, medical office buildings, and corporate and other administrative offices, and medical equipment. Our real estate lease agreements typically have initial terms of 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 our sole discretion. When determining the lease term, we included options to extend or terminate the lease when it is reasonably certain at commencement that we will exercise that option.

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

	<b>2022</b>	<b>2021</b>
Operating lease cost	\$ 13,890,931	\$ 13,911,418
Variable and short-term lease cost	1,080,521	974,209
Total lease cost	<u>\$ 14,971,452</u>	<u>\$ 14,885,627</u>
Finance lease cost		
Amortization of finance lease right-of-use assets	\$ 2,031,559	\$ 1,490,576
Interest on finance lease liabilities	227,892	157,535
Total finance lease cost	<u>\$ 2,259,451</u>	<u>\$ 1,648,111</u>

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

	<b>2022</b>	<b>2021</b>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 13,893,111	\$ 13,124,906
Operating cash flows from finance leases	224,952	146,168
Financing cash flows from finance leases	2,101,379	1,537,029
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	\$ 96,209,561	\$ 101,431,893
Finance leases	10,345,286	8,981,934

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

	<b>2022</b>	<b>2021</b>
<b>Operating leases</b>		
Operating lease right-of-use assets	\$ 96,209,561	\$ 101,431,893
Asset lease expense	9,860,580	9,756,781
Operating lease right-of-use assets, net	<u>\$ 86,348,981</u>	<u>\$ 91,675,112</u>
Current portion of operating lease liabilities	\$ 9,170,716	\$ 9,129,999
Long-term operating lease liabilities	84,795,022	88,934,655
Total operating lease liabilities	<u>\$ 93,965,738</u>	<u>\$ 98,064,654</u>
<b>Finance leases</b>		
Finance lease right-of-use assets	\$ 10,345,286	\$ 8,981,934
Accumulated amortization	3,998,880	2,838,747
Finance lease right-of-use assets, net	<u>\$ 6,346,406</u>	<u>\$ 6,143,187</u>
Current portion of finance lease liabilities	\$ 1,919,019	\$ 1,857,954
Long-term finance lease liabilities	4,121,179	4,045,905
Total finance lease liabilities	<u>\$ 6,040,198</u>	<u>\$ 5,903,859</u>
Weighted average remaining lease term		
Operating leases	12.86 years	13.52 years
Finance leases	3.95 years	3.83 years
Weighted average discount rate		
Operating leases	4.32 %	4.24 %
Finance leases	3.70 %	3.46 %

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Future maturities of lease liabilities as of September 30, 2022 are as follows:

	<b>Operating Leases</b>	<b>Finance Leases</b>
2023	\$ 12,977,934	\$ 2,103,202
2024	11,335,988	1,583,421
2025	10,416,266	1,390,149
2026	8,697,070	747,119
2027	8,062,109	283,263
Later years	73,387,705	397,417
Total lease payments	124,877,072	6,504,571
Less: Imputed interest	30,911,334	464,373
	\$ 93,965,738	\$ 6,040,198

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

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, 2022 are as follows:

	<b>2022</b>
2023	\$ 1,987,396
2024	1,866,744
2025	1,695,255
2026	1,709,838
2027	1,645,721
Later years	43,025,578
Total lease payments	\$ 51,930,532

Total rental income for operating leases for the years ended September 30, 2022 and 2021 amounted to \$2,879,547 and \$2,886,861, respectively.

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**12. Long-Term Debt**

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

	<b>2022</b>	<b>2021</b>
Fixed rate \$138,265,000 RIHEBC 2016 Series B Bonds, final maturity in 2036	\$ 114,220,000	\$ 120,125,000
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	43,408	79,803
Term, \$4,000,000 Time Insurance Company mortgage note, final maturity in 2027	2,297,109	2,462,021
Term, \$1,600,000 Seavest Healthcare Properties, LLC note, final maturity in 2030	992,145	1,097,806
Term, \$3,493,907 US Bank loan, final maturity in 2024	1,424,121	2,094,052
Term, \$3,500,000 101 Plain, LLC, final maturity in 2031	2,899,680	3,276,731
Unamortized premium	9,106,280	9,756,728
Unamortized discount	(225,867)	(282,334)
Unamortized debt issuance costs	(1,815,723)	(1,970,685)
Total long-term debt	150,551,153	158,249,122
Less: Current portion of long-term debt	(7,953,796)	(7,582,585)
Long-term debt excluding current portion	\$ 142,597,357	\$ 150,666,537

**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 \$11,936,350 is included in trustee-held funds in the consolidated balance sheet at September 30, 2022. 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, 2022 and 2021, 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

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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, 2022 and 2021, 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**  
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Scheduled principal repayments on long-term debt are as follows for the years ended September 30:

2023	\$ 7,514,777
2024	7,861,439
2025	7,498,396
2026	29,493,251
2027	2,064,492
Thereafter	<u>89,054,108</u>
	143,486,463
Plus: Unamortized premium on bonds	9,106,280
Less: Unamortized discount on bonds	(225,867)
Less: Unamortized debt issuance costs	<u>(1,815,723)</u>
	<u>\$ 150,551,153</u>

**13. Net Assets**

Net assets without donor restriction of \$131,861,236 and \$233,055,263 as of September 30, 2022 and 2021, 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:

	<b>2022</b>	<b>2021</b>
<b>Board designated funds</b>		
General purposes	\$ 100,841,659	\$ 126,681,167
Cash surrender value of life insurance	22,321,114	22,596,350
Plant replacement and expansion	4,319,289	5,439,572
Healthcare research	908,834	1,144,555
Other	<u>411,352</u>	<u>461,352</u>
Total board designated funds	<u>\$ 128,802,248</u>	<u>\$ 156,322,996</u>

**Care New England Health System and Affiliates**  
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Net assets with donor restrictions are restricted for the following purposes at September 30:

	<b>2022</b>	<b>2021</b>
<b>Subject to expenditure for specified purpose</b>		
Healthcare services	\$ 5,034,598	\$ 4,928,834
Healthcare research	3,892,284	4,098,651
General purposes	7,407,303	9,326,283
Health education	3,441,619	3,910,573
Plant replacement and expansion	41,318,139	35,723,031
Other	7,439,600	8,709,518
	<u>68,533,543</u>	<u>66,696,890</u>
<b>Subject to the Health System's policy and appropriation</b>		
Investment in perpetuity, the income of which is expendable to support		
Healthcare services	4,989,750	6,528,009
Healthcare research	714,787	929,294
General purposes	15,242,524	19,797,890
Indigent care	6,853,989	8,947,525
Health education	1,671,438	2,216,454
	<u>29,472,488</u>	<u>38,419,172</u>
<b>Not subject to appropriation or expenditure</b>		
Residential buildings to provide housing for low-income individuals with chronic mental illness	<u>2,432,479</u>	<u>2,551,325</u>
Total net assets with donor restrictions	<u>\$ 100,438,510</u>	<u>\$ 107,667,387</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 total return from income and the appreciation of investments, (6) other resources of the System, and (7) the investment policies of the System.



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

	<b>2022</b>	<b>2021</b>
<b>Donor restricted endowment funds</b>		
Original donor restricted gift amount and amounts to be maintained in perpetuity by donor	\$ 13,247,517	\$ 13,212,267
Accumulated investment gains	<u>24,012,071</u>	<u>35,243,259</u>
	37,259,588	48,455,526
Assets held under split-interest agreements	<u>27,943,553</u>	<u>35,281,825</u>
Total donor restricted endowment funds	<u>65,203,141</u>	<u>83,737,351</u>
Specific purpose restricted funds	32,802,890	21,378,711
Specific purpose restricted funds - property, plant and equipment	<u>2,432,479</u>	<u>2,551,325</u>
Total specific purpose restricted funds	<u>35,235,369</u>	<u>23,930,036</u>
Total funds	<u>\$ 100,438,510</u>	<u>\$ 107,667,387</u>

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

	<b>2022</b>	<b>2021</b>
<b>Endowment net assets at beginning of year</b>	\$ 48,455,526	\$ 41,046,477
Investment return, net	(9,780,213)	8,771,377
Contributions	35,250	20,575
Appropriation of endowment assets for expenditure	<u>(1,450,975)</u>	<u>(1,382,903)</u>
<b>Endowment net assets at end of year</b>	<u>\$ 37,259,588</u>	<u>\$ 48,455,526</u>

The System's net assets with donor restrictions consist of endowments managed by the System. Unless otherwise directed by the donor, gifts received for endowments are invested in accordance with the System's investment policy. In order to preserve the real value of a donor's gift and to sustain funding consistent with donor intent, the annual appropriation rate is set to strike a reasonable balance between long-term objectives of preserving and growing each endowment fund for the future of providing stable, annual appropriations. The annual appropriation rate for Butler, Kent, Kent Hospital Foundation and WIH was 4% for the years ending September 30, 2022 and 2021. There were no appropriations made from Memorial for the years ending September 30, 2022 and 2021.

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

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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, 2022 and 2021, the market value of Kent's, WIH's and Memorial Hospital's trust assets totaled \$26,232,743 and \$33,345,740, respectively. In addition to donor restricted endowments, the Center is the income beneficiary of various assets held at a community foundation. On September 30, 2022 and 2021, the market value of the Center's assets held at the community foundation totaled \$1,710,810 and \$1,936,085, 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, 2022 and 2021. These deficiencies resulted from unfavorable market fluctuations. The individual donor restricted endowment funds with deficiencies will retain future income and appreciation to restore the required fair value of the assets.

During fiscal 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

	<b>2022</b>	<b>2021</b>
<b>Purpose restrictions accomplished</b>		
Healthcare services	\$ 364,204	\$ 765,073
Healthcare research	698,233	626,632
Other	1,744,225	978,434
Health education	96,479	48,713
Indigent care	-	640
	<u>2,903,141</u>	<u>2,419,492</u>
Property, plant and equipment acquired and placed in service	1,105,022	1,164,334
Release of appropriated endowment amounts with purpose restrictions	<u>1,125,095</u>	<u>1,073,882</u>
Total restrictions released	<u>\$ 5,133,258</u>	<u>\$ 4,657,708</u>

**U.S. Department of Housing and Urban Development**

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

# Care New England Health System and Affiliates

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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 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.

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

Included in cumulative changes in net assets without donor restrictions at September 30, 2022 and 2021 that has not yet been recognized in net periodic pension cost is an actuarial loss of \$51,474,057 and \$51,466,811, respectively.

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

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

	<b>2022</b>	<b>2021</b>
Service cost	\$ 4,479,668	\$ 4,333,906
Interest cost	5,523,602	6,191,428
Expected return on plan assets	(7,855,951)	(8,436,731)
Amortization of loss	993,507	2,430,363
Net periodic pension expense	<u>\$ 3,140,826</u>	<u>\$ 4,518,966</u>

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

	<b>2022</b>	<b>2021</b>
Discount rate	2.95 %	2.76 %
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

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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:

	<b>2022</b>	<b>2021</b>
<b>Changes in benefit obligations</b>		
Projected benefit obligations at beginning of year	\$ 193,811,787	\$ 232,293,041
Service cost	4,479,668	4,333,906
Interest cost	5,523,602	6,191,428
Actuarial gain	(36,370,761)	(7,512,797)
Benefits and expenses paid	(9,906,486)	(6,259,983)
Settlements	-	(35,233,808)
Projected benefit obligations at end of year	<u>157,537,810</u>	<u>193,811,787</u>
<b>Changes in plan assets</b>		
Fair value of plan assets at beginning of year	175,324,116	176,933,381
Actual return on plan assets	(29,515,563)	31,784,526
Employer contributions	2,300,000	8,100,000
Benefits and expenses paid	(9,906,486)	(6,259,983)
Settlements	-	(35,233,808)
Fair value of plan assets at end of year	<u>138,202,067</u>	<u>175,324,116</u>
<b>Funded status</b>		
Total long-term pension liability	<u>\$ 19,335,743</u>	<u>\$ 18,487,671</u>
Accumulated benefit obligation	<u>\$ 156,749,101</u>	<u>\$ 190,554,708</u>
<b>Amounts recognized in net assets without donor restrictions</b>		
Net assets without donor restrictions at beginning of year	\$ 51,466,811	\$ 94,114,207
Amounts amortized during the year		
Net loss	(993,507)	(2,430,363)
Amounts occurring during the year		
Net loss (gain)	1,000,753	(30,860,592)
Amounts recognized due to curtailment/settlement		
Net loss	-	(9,356,441)
Net assets without donor restrictions at end of year	<u>\$ 51,474,057</u>	<u>\$ 51,466,811</u>

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

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

	<b>2022</b>	<b>2021</b>
Discount rate	5.52 %	2.95 %
Rate of compensation increase	3.00	3.00
Weighted-average interest crediting rate	4.00	4.00

**Plan Assets**

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

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

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

<b>Asset category</b>	<b>Target Allocation</b>	<b>Actual 2022</b>	<b>Actual 2021</b>
Cash and cash equivalents	0 %	5 %	2 %
Investments at NAV	41	40	45
Fixed income securities	45	43	34
Equity securities	14	12	19
	<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 \$2,300,000 and \$8,100,000 to the Plan in 2022 and 2021, respectively. The System does not expect to contribute to the Plan in 2023.

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**Estimated Future Benefit Payments**

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

<b>Fiscal Year</b>	<b>Pension Benefits</b>
2023	\$ 14,596,391
2024	14,646,068
2025	13,649,509
2026	13,000,746
2027	12,619,289
Years 2028–2032	56,759,023
	<u>\$ 125,271,026</u>

***Care New England 403(b) Match and Savings Plan***

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

The System recorded an expense of \$14,449,855 and \$14,491,464 for the nonelective contribution to participant accounts for the fiscal years that ended September 30, 2022 and 2021, respectively. In addition, the System recorded an expense of \$4,056,656 and \$4,387,370 for matching credits for fiscal years ended September 30, 2022 and 2021, 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, 2022 and 2021 of \$27,891,029 and \$28,001,787, 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.

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Effective January 1, 2008, the Agency established a 403(b) Retirement Savings Plan that covers employees who have met certain eligibility requirements. Discretionary contributions to the plan are based on years of service and compensation levels. For the fiscal years that ended September 30, 2022 and 2021, respectively, the Agency recorded an expense of \$541,438 and \$455,629. The Agency recorded a pension liability at September 30, 2022 and 2021 of \$119,396 and \$151,708, 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, 2022 and 2021 that has not yet been recognized in net periodic pension cost is an actuarial loss of \$23,608,470 and \$33,090,860, respectively.

The actuarial loss included as cumulative changes in net assets without donor restrictions and expected to be recognized in net periodic pension cost during the fiscal year ended September 30, 2023 is \$524,795.

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

	<b>2022</b>	<b>2021</b>
Interest cost	\$ 4,382,634	\$ 4,303,102
Expected return on plan assets	(4,427,344)	(3,893,217)
Amortization of loss	<u>812,078</u>	<u>1,135,770</u>
Net periodic pension expense	<u>\$ 767,368</u>	<u>\$ 1,545,655</u>

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

	<b>2022</b>	<b>2021</b>
Discount rate	2.94 %	2.78 %
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



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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:

	<b>2022</b>	<b>2021</b>
<b>Changes in benefit obligations</b>		
Projected benefit obligations at beginning of year	\$ 153,364,219	\$ 158,995,636
Interest cost	4,382,634	4,303,102
Actuarial gain	(25,742,856)	(1,859,300)
Benefits and expenses paid	(8,126,580)	(8,075,219)
Projected benefit obligations at end of year	<u>123,877,417</u>	<u>153,364,219</u>
<b>Changes in plan assets</b>		
Fair value of plan assets at beginning of year	98,431,346	82,841,949
Actual return on plan assets	(12,645,200)	9,414,616
Employer contributions	4,710,000	14,250,000
Benefits and expenses paid	(8,126,580)	(8,075,219)
Fair value of plan assets at end of year	82,369,566	98,431,346
<b>Funded status</b>		
Total long-term pension liability	<u>\$ 41,507,851</u>	<u>\$ 54,932,873</u>
Accumulated benefit obligation	<u>\$ 123,877,417</u>	<u>\$ 153,364,219</u>
<b>Amounts recognized in net assets without donor restrictions</b>		
Net assets without donor restrictions at beginning of year	\$ 33,090,860	\$ 41,607,329
Amounts amortized during the year		
Net loss	(812,078)	(1,135,770)
Amounts occurring during the year		
Net gain	(8,670,312)	(7,380,699)
Net assets without donor restrictions at end of year	<u>\$ 23,608,470</u>	<u>\$ 33,090,860</u>

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

	<b>2022</b>	<b>2021</b>
Discount rate	5.56 %	2.94 %
Rate of compensation increase	N/A	N/A
Weighted-average interest crediting rate	N/A	N/A

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**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:

	<b>Target Allocation</b>	<b>Actual 2022</b>	<b>Actual 2021</b>
<b>Asset category</b>			
Cash and cash equivalents	1 %	1 %	2 %
Investments at NAV	26	26	27
Fixed income securities	61	61	56
Equity securities	12	12	15
	<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 \$4,710,000 and \$14,250,000 to the Memorial Plan in 2022 and 2021, respectively. The System expects to contribute \$4,721,000 to the Plan in 2023.

**Estimated Future Benefit Payments**

Benefit payments, are expected to be paid as follows:

<b>Fiscal Year</b>	<b>Pension Benefits</b>
2023	\$ 8,674,298
2024	8,909,907
2025	9,014,652
2026	9,035,800
2027	8,996,419
Years 2028–2032	<u>43,024,830</u>
	<u>\$ 87,655,906</u>

# Care New England Health System and Affiliates

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#### **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, 2021, 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 2021 and 2020 is for the plan's year-end at December 31, 2021, and December 31, 2020, respectively. The zone status is based on information that WIH received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded or projected funding deficiency in current plan year or next following 6 plan years, plans in the orange zone are less than 80 percent funded and projected funding deficiency in current plan year or next following 6 plan years, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreements to which the plan is subject.

Pension	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions of WIH		Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
		2021	2020		2021	2020		
New England Health Care Employees Pension Fund	22-3071963 - 001	Green	Green	No	\$ 10,627,545	\$ 10,360,382	No	11/30/2024

WIH was listed in the plan's Form 5500 as providing more than 5 percent of the total contributions for the plan years ending December 31, 2021 and December 31, 2020.

At the date the financial statements were issued, Form 5500 was not available for the plan year ending December 31, 2022.

Pension expense, for the plan, for the years ended September 30, 2022 and 2021, was \$10,672,923 and \$10,647,956, respectively.

#### **The Center Retirement Benefit Plan**

The Center maintained a profit-sharing retirement plan to which the Center may make discretionary contributions. The retirement plan covered all employees of the Center over the age of 21 who have worked for a minimum of 975 hours during the plan year. Participants were vested over a number of years of continuous service. Participants would become 100% vested after six years unless the age of 65 is attained, upon which the participant became 100% vested. This plan terminated as of December 31, 2017. The Center did not contribute to the retirement plan for the year ended September 30, 2022 and 2021.

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

#### 15. Postretirement Plans

Kent sponsors an unfunded noncontributory defined benefit postretirement plan that provides medical and dental benefits to certain salaried and 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 \$153,888 and \$40,214 as of September 30, 2022 and 2021, respectively.

The postretirement benefit cost for this plan was \$23,238 in 2022 and \$20,971 in 2021.

#### 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 \$47,446,339 from the State of Rhode Island's Medicaid program for the year ended September 30, 2022. Kent and WIH also recorded disproportionate share payments of \$1,256,796 from Medicare during 2022. Additional payments of \$2,646,879 were received during 2022 from Medicare as part of the provisions under the Accountable Care Act to offset hospital costs for uncompensated care. Kent and WIH received payments under the disproportionate share program of \$29,005,398 from the State of Rhode Island's Medicaid program for the year ended September 30, 2021. Kent and WIH also recorded disproportionate share payments of \$1,363,534 from Medicare during 2021. Additional payments of \$2,873,386 were received during 2021 from Medicare as part of the provisions under the Accountable Care Act to offset hospital costs for uncompensated care.

#### 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 \$39,175,835 and \$38,340,710 for the years ended September 30, 2022 and 2021, respectively.

#### 18. Concentration of Credit Risk

As of September 30, 2022 and 2021, 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.

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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, 2022 and 2021, was as follows:

	2022	2021
Medicare and Medicare Managed Care	19 %	18 %
Medicaid and Medicaid Managed Care	21	20
Blue Cross	19	23
Managed care	10	7
Self-pay	14	15
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, 2022 and 2021.

**Collective Bargaining Agreements**

At September 30, 2022, approximately 54.2% 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 82.1% of the VNA's employees expired on May 31, 2022 and was extended through May 31, 2025. The collective bargaining agreement covering 49.4% of Kent's employees expired on June 30, 2021 and was extended through June 30, 2024. The collective bargaining agreement covering 81.0% of WIH's employees expired on November 30, 2020 and was extended through November 30, 2024. The collective bargaining agreement covering 67.7% of Butler's employees expired on March 31, 2021 and was extended through March 31, 2025.

**20. Professional and General Liability Claims**

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

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

# Care New England Health System and Affiliates

## Notes to Consolidated Financial Statements

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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

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#### 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

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

	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>

  

	2021								
	Healthcare Services	General and Administrative	Research	Other	Total Operating Expenses	Healthcare Services	General and Administrative	Fundraising	Total Expenses
Salaries and benefits	\$ 652,309,299	\$ 79,015,857	\$ -	\$ -	\$ 731,325,156	\$ -	\$ -	\$ 1,347,196	\$ 732,672,352
Supplies and other expenses	294,656,462	58,542,700	-	-	353,199,162	-	-	464,305	353,663,467
Salaries and benefits - research	-	-	14,333,665	-	14,333,665	-	-	-	14,333,665
Supplies and other expenses - research	-	-	16,596,731	-	16,596,731	-	-	-	16,596,731
Depreciation and amortization	24,399,778	6,781,487	-	-	31,181,265	-	-	-	31,181,265
Insurance	34,506,361	4,490,162	-	-	38,996,523	-	-	-	38,996,523
Licensure fee	38,340,710	-	-	-	38,340,710	-	-	-	38,340,710
Interest	5,227,652	2,497,286	-	-	7,724,938	-	-	-	7,724,938
Restructuring costs - Memorial Hospital	-	-	-	424,612	424,612	-	-	-	424,612
Other components of current period pension	-	-	-	-	-	9,150,907	4,909,756	-	14,060,663
Pension settlement	-	-	-	-	-	8,428,282	928,159	-	9,356,441
	<u>\$ 1,049,440,262</u>	<u>\$ 151,327,492</u>	<u>\$ 30,930,396</u>	<u>\$ 424,612</u>	<u>\$ 1,232,122,762</u>	<u>\$ 17,579,189</u>	<u>\$ 5,837,915</u>	<u>\$ 1,811,501</u>	<u>\$ 1,257,351,367</u>

# Care New England Health System and Affiliates

## Notes to Consolidated Financial Statements

### September 30, 2022 and 2021

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#### 24. Fair Value of Financial Instruments

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

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

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

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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
<b>Assets</b>				
<b>Short-term Investments</b>				
Mutual funds	\$ 38,046,843	\$ -	\$ -	\$ 38,046,843
	<u>\$ 38,046,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,046,843</u>
<b>Endowment and board designated funds</b>				
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>	<u>128,491,693</u>
Investments at NAV (a)				<u>43,192,582</u>
Total assets				<u>\$ 171,684,275</u>
<b>Trustee-held funds</b>				
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>	<u>164,147,079</u>
Investments at NAV (a)				<u>17,666,549</u>
Total assets				<u>\$ 181,813,628</u>
<b>Deferred compensation funds</b>				
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.

# Care New England Health System and Affiliates

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

	Level 1	Level 2	Level 3	2021
<b>Assets</b>				
<b>Short-term Investments</b>				
Mutual funds	\$ 100,229,300	\$ -	\$ -	\$ 100,229,300
	<u>\$ 100,229,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,229,300</u>
<b>Endowment and board designated funds</b>				
Cash	\$ 215,636	\$ -	\$ -	\$ 215,636
Short-term investments	7,939,990	-	-	7,939,990
Fixed income securities	4,179,330	16,901,245	-	21,080,575
Equity securities	23,429,593	-	-	23,429,593
Mutual funds	86,840,117	-	-	86,840,117
Assets held under split-interest agreements	-	-	35,281,825	35,281,825
	<u>\$ 122,604,666</u>	<u>\$ 16,901,245</u>	<u>\$ 35,281,825</u>	<u>174,787,736</u>
Investments at NAV (a)				<u>42,676,261</u>
Total assets				<u>\$ 217,463,997</u>
<b>Trustee-held funds</b>				
Cash	\$ 23,140,370	\$ -	\$ -	\$ 23,140,370
Short-term investments	16,467,656	-	-	16,467,656
Fixed income securities	4,356,596	41,694,762	-	46,051,358
Equity securities	43,213,463	-	-	43,213,463
Mutual funds	2,939,251	54,965,695	-	57,904,946
	<u>\$ 90,117,336</u>	<u>\$ 96,660,457</u>	<u>\$ -</u>	<u>186,777,793</u>
Investments at NAV (a)				<u>26,269,676</u>
Total assets				<u>\$ 213,047,469</u>
<b>Deferred compensation funds</b>				
Mutual funds	\$ 1,889,016	\$ -	\$ -	\$ 1,889,016
	<u>\$ 1,889,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,889,016</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 \$22,321,114 and \$22,596,350 as of September 30, 2022 and 2021, 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.

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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
<b>Assets</b>				
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>

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

	Level 1	Level 2	Level 3	2021
<b>Assets</b>				
Cash and cash equivalents	\$ 3,452,880	\$ -	\$ -	\$ 3,452,880
Fixed income securities	43,755,997	14,994,915	-	58,750,912
Equity securities	4,619,368	-	-	4,619,368
Mutual funds	29,390,058	-	-	29,390,058
	<u>\$ 81,218,303</u>	<u>\$ 14,994,915</u>	<u>\$ -</u>	<u>96,213,218</u>
Investments at NAV (b)				<u>79,110,898</u>
Total assets				<u>\$ 175,324,116</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, 2022 and 2021**

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
<b>Assets</b>				
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>

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

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

- (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, 2022 and 2021

During the years ended September 30, 2022 and 2021, 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:

	2022	2021
<b>Fair value at October 1</b>	\$ 35,281,825	\$ 30,677,449
Total gains (losses)		
Contributions	250	750
Dividends and interest income	218,571	128,070
Net realized gains on investments	906,084	2,646,850
Change in net unrealized (depreciation) appreciation on investments	(7,489,910)	3,717,762
Distributions	(973,267)	(1,889,056)
<b>Fair value at September 30</b>	<u>\$ 27,943,553</u>	<u>\$ 35,281,825</u>

During the years ended September 30, 2022 and 2021, 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:

	2022	2021
<b>Fair value at October 1</b>	\$ 44,642,747	\$ 46,850,478
Total gains (losses)		
Dividends and interest income	1,367,940	1,477,697
Change in net unrealized (depreciation) appreciation on investments	(209,501)	423,624
Benefit payments	(3,861,488)	(4,109,052)
<b>Fair value at September 30</b>	<u>\$ 41,939,698</u>	<u>\$ 44,642,747</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, 2022 and 2021, respectively, which are valued at NAV.

Redemption Terms as of September 30, 2022	Commingled Funds Equity	Commingled Funds Real Assets	Limited Partnership	Marketable Alternative Investments	Total
<b>Endowment and board designated funds</b>					
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>
<b>Trustee-held funds</b>					
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>

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2022 and 2021**

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

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

**Fixed Income Securities and Fixed Income Mutual Funds**

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

**Equity Securities and Equity Mutual Funds**

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

**Assets Held Under Split-Interest Agreements**

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

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

**Guaranteed Annuity Contracts**

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

**Care New England Health System and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2022 and 2021**

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**25. Subsequent Events**

Care New England Health System has assessed the impact of subsequent events through December 19, 2022, 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, 2022 and 2021

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#### **Basis of Presentation**

The following supplemental consolidating information includes the consolidating balance sheets and the consolidating statement of operations and changes in net assets of the individual subsidiaries of Care New England Health System as of and for the fiscal year ended September 30, 2022. 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 \$35,507,986, for the year ended September 30, 2022, 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, 2022

	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
<b>Assets</b>											
Current assets											
Cash and cash equivalents	\$ 9,568,424	\$ 40,871,803	\$ (21,044,973)	\$ 180,984,856	\$ (163,828,322)	\$ (9,414,345)	\$ -	\$ 4,139,166	\$ 6,489,499	\$ -	\$ 47,766,108
Short-term investments	-	-	-	-	38,046,843	-	-	-	-	-	38,046,843
Patient accounts receivable	8,390,859	34,072,792	6,842,157	49,002,461	31,073	3,667,097	-	-	2,798,652	-	104,805,091
Other receivables	4,591,603	5,509,810	4,063,180	7,998,386	1,665,722	979,225	234,490	5,722,828	2,381,731	-	33,146,975
Pledges receivable, net	245,808	164,104	-	6,288,500	-	-	-	-	124,253	-	6,822,665
Other current assets	509,015	6,392,299	292,331	3,929,312	5,224,155	42,459	-	43,557	387,103	-	16,820,231
Current portion of assets whose use is limited	-	-	-	-	2,538,386	-	-	-	-	-	2,538,386
Due from affiliates	-	-	-	660	29,362	-	1,550	-	-	(31,572)	-
Total current assets	<u>23,305,709</u>	<u>87,010,808</u>	<u>(9,847,305)</u>	<u>248,204,175</u>	<u>(116,292,781)</u>	<u>(4,725,564)</u>	<u>236,040</u>	<u>9,905,551</u>	<u>12,181,238</u>	<u>(31,572)</u>	<u>249,946,299</u>
Assets whose use is limited or restricted as to use											
Endowment funds	18,156,196	16,740,987	-	16,554,553	-	-	11,869,421	-	1,881,984	-	65,203,141
Board-designated funds	7,769,048	25,311,528	-	94,899,425	-	822,247	-	-	-	-	128,802,248
Trustee-held funds	2,869,003	62,162,639	-	97,906,592	17,869,078	-	-	-	1,006,316	-	181,813,628
Deferred compensation funds	165,335	60,134	-	161,390	1,509,903	-	-	-	-	-	1,896,762
Total assets limited as to use	<u>28,959,582</u>	<u>104,275,288</u>	<u>-</u>	<u>209,521,960</u>	<u>19,378,981</u>	<u>822,247</u>	<u>11,869,421</u>	<u>-</u>	<u>2,888,300</u>	<u>-</u>	<u>377,715,779</u>
Less: Amounts required to meet current obligations	-	-	-	-	(2,538,386)	-	-	-	-	-	(2,538,386)
Noncurrent assets limited as to use	<u>28,959,582</u>	<u>104,275,288</u>	<u>-</u>	<u>209,521,960</u>	<u>16,840,595</u>	<u>822,247</u>	<u>11,869,421</u>	<u>-</u>	<u>2,888,300</u>	<u>-</u>	<u>375,177,393</u>
Property, plant and equipment, net	16,330,416	66,312,314	-	94,752,079	6,959,411	97,200	6,068,388	-	15,066,548	-	205,586,356
Finance lease right-of-use assets, net	-	3,326,675	-	708,540	2,282,272	5,450	-	-	23,469	-	6,346,406
Operating lease right-of-use assets, net	742,862	23,848,843	2,892,309	49,954,269	8,058,775	-	-	-	851,923	-	86,348,981
Long-term pledges receivable, net	242,750	113,063	-	4,132,708	-	-	-	-	14,951	-	4,503,472
Insurance receivable	-	-	-	-	121,384	-	1,870,005	-	250,000	-	2,241,389
Other assets	1,799,831	159,509	-	78,167	4,138,156	-	5,000	-	72	-	6,180,735
Due from affiliates	-	-	-	-	119,344,301	-	-	-	-	(119,344,301)	-
Total assets	<u>\$ 71,381,150</u>	<u>\$ 285,046,500</u>	<u>\$ (6,954,996)</u>	<u>\$ 607,351,898</u>	<u>\$ 41,452,113</u>	<u>\$ (3,800,667)</u>	<u>\$ 20,048,854</u>	<u>\$ 9,905,551</u>	<u>\$ 31,276,501</u>	<u>\$ (119,375,873)</u>	<u>\$ 936,331,031</u>

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, 2022

	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
<b>Liabilities and Net Assets</b>											
Current liabilities											
Accounts payable and accrued expenses	\$ 8,004,278	\$ 40,743,224	\$ 10,470,244	\$ 32,412,515	\$ 25,351,393	\$ 2,611,492	\$ 433,394	\$ 18,030,244	\$ 3,424,570	\$ -	\$ 141,481,354
Current portion of estimated third-party payor settlements and advances	778,857	6,947,827	-	3,846,850	-	-	330,889	-	238,624	-	12,143,047
Current portion of long-term debt	174,718	533,228	-	566,922	6,639,020	-	-	-	39,908	-	7,953,796
Current portion of finance lease liability	-	982,218	-	291,240	635,985	2,326	-	-	7,250	-	1,919,019
Current portion of operating lease liability	72,981	1,448,435	980,569	3,953,827	2,408,937	-	-	-	305,967	-	9,170,716
Self-insurance reserves	-	-	-	-	7,071,476	-	-	-	-	-	7,071,476
Pension liability	1,138,111	17,994,325	-	2,575,131	4,632,550	137,005	-	-	1,533,303	-	28,010,425
Other current liabilities	568,710	513,371	-	2,306,779	1,205,405	161,464	-	13,131	2,884,988	-	7,653,848
Due to affiliates	-	31,502	-	-	-	-	-	-	70	(31,572)	-
Total current liabilities	10,737,655	69,194,130	11,450,813	45,953,264	47,944,766	2,912,287	764,283	18,043,375	8,434,680	(31,572)	215,403,681
Long term liabilities											
Self-insurance reserves	682,907	62,957,293	-	93,606,068	7,379,062	-	1,920,005	-	250,000	-	166,795,335
Long-term portion of estimated third-party payor settlements and advances	1,946,028	7,722,735	-	12,953,157	-	287,349	1,569,844	-	-	-	24,479,113
Long-term debt	2,122,391	1,319,656	-	2,896,141	136,255,668	-	-	-	3,501	-	142,597,357
Long-term finance lease liability	-	2,005,868	-	513,379	1,581,016	3,375	-	-	17,541	-	4,121,179
Long-term operating lease liability	688,073	23,936,910	1,945,801	51,562,289	6,068,791	-	-	-	593,158	-	84,795,022
Pension liability	6,596,098	6,692,217	-	3,437,064	43,652,939	465,276	-	-	-	-	60,843,594
Postretirement liability	-	708,385	-	-	-	-	-	-	-	-	708,385
Other liabilities	1,284,062	1,428,650	-	454,333	328,261	-	678,155	-	114,158	-	4,287,619
Due to affiliates	-	-	-	-	-	-	119,344,301	-	-	(119,344,301)	-
Total liabilities	24,057,214	175,965,844	13,396,614	211,375,695	243,210,503	3,668,287	124,276,588	18,043,375	9,413,038	(119,375,873)	704,031,285
Net assets											
Without donor restrictions	24,883,890	90,081,415	(20,392,588)	355,747,429	(201,866,503)	(7,650,044)	(116,650,698)	(8,149,282)	15,857,617	-	131,861,236
With donor restrictions	22,440,046	18,999,241	40,978	40,228,774	108,113	181,090	12,422,964	11,458	6,005,846	-	100,438,510
Total net assets	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
Total liabilities and net assets	\$ 71,381,150	\$ 285,046,500	\$ (6,954,996)	\$ 607,351,898	\$ 41,452,113	\$ (3,800,667)	\$ 20,048,854	\$ 9,905,551	\$ 31,276,501	\$ (119,375,873)	\$ 936,331,031

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, 2022**

	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
<b>Operating revenues, gains, and other support</b>											
Net patient service revenue	\$ 85,606,371	\$ 345,389,462	\$ 90,531,305	\$ 436,885,316	\$ 1,051	\$ 18,873,783	\$ 900,438	\$ -	\$ 36,727,419	\$ -	\$ 1,014,915,145
Research revenue	16,130,285	2,443,571	-	16,449,064	-	-	(21,082)	11,869	-	-	35,013,707
Grant revenue - relief funding	3,890,129	12,084,111	-	7,996,910	-	143,228	-	-	139,235	-	24,253,613
Other revenue	18,255,881	50,050,592	85,767,688	58,166,385	152,057,543	2,593,708	2,118,498	25,598,209	14,922,739	(256,827,909)	152,703,334
Net assets released from restrictions and used for operations	1,204,015	435,482	19,143	1,557,281	7,337	587	-	-	332,873	-	3,556,718
Total operating revenues, gains, and other support	125,086,681	410,403,218	176,318,136	521,054,956	152,065,931	21,611,306	2,997,854	25,610,078	52,122,266	(256,827,909)	1,230,442,517
<b>Operating expenses</b>											
Salaries and benefits	68,313,400	168,932,740	143,168,607	224,245,258	76,111,675	17,712,073	83,750	6,031,100	37,651,863	503,685	742,754,151
Supplies and other expenses	36,324,031	230,770,593	30,070,491	218,148,636	79,160,918	5,649,918	2,126,382	20,649,118	11,638,686	(252,300,844)	382,237,929
Research expenses	15,128,200	2,130,349	-	15,551,047	-	-	(160,640)	11,869	-	-	32,660,825
Depreciation and amortization	2,686,382	10,487,521	-	9,776,768	5,260,138	47,411	559,821	-	1,037,806	-	29,855,847
Insurance	2,435,939	16,656,595	3,079,038	11,408,164	318,278	528,153	(18,045)	192,795	841,506	(5,030,750)	30,411,673
Licensure fee	-	16,973,905	-	22,201,930	-	-	-	-	-	-	39,175,835
Interest	796,201	1,505,937	-	2,913,603	1,928,444	819	-	-	318,549	-	7,463,553
Goodwill impairment	-	-	-	-	-	-	24,345,364	-	-	-	24,345,364
Restructuring costs - Memorial Hospital	-	-	-	-	-	-	100,000	-	-	-	100,000
Total operating expenses	125,684,153	447,457,640	176,318,136	504,245,406	162,779,453	23,938,374	27,036,632	26,884,882	51,488,410	(256,827,909)	1,289,005,177
(Loss) income from operations	(597,472)	(37,054,422)	-	16,809,550	(10,713,522)	(2,327,068)	(24,038,778)	(1,274,804)	633,856	-	(58,562,660)
<b>Nonoperating (losses) gains</b>											
Investment income and realized gains (losses) on assets limited as to use, net	2,207,569	4,022,178	-	18,015,155	201,695	138,634	(107)	(225)	(1,526)	-	24,583,373
Contributions	44,679	95,873	-	87,318	550	68,948	-	-	83,150	-	380,518
Change in net unrealized losses on investments	(4,238,809)	(18,073,005)	-	(54,385,947)	(213,605)	(358,962)	(320)	(2,675)	(5,351)	-	(77,278,674)
Other components of current period pension	497,678	437,246	-	229,320	(628,976)	36,206	-	-	-	-	571,474
Other, net	20,289	126,941	-	330,585	(1,943,373)	162	350	3,760	8,025	-	(1,453,261)
Net nonoperating (losses) gains	(1,468,594)	(13,390,767)	-	(35,723,569)	(2,583,709)	(115,012)	(77)	860	84,298	-	(53,196,570)
(Deficiency) excess of revenues, gains, and other support over expenses and losses	(2,066,066)	(50,445,189)	-	(18,914,019)	(13,297,231)	(2,442,080)	(24,038,855)	(1,273,944)	718,154	-	(111,759,230)
<b>Other changes in net assets without donor restrictions</b>											
Pension and postretirement adjustments	1,995,986	(997,643)	-	(510,085)	9,103,707	(3,147)	-	-	-	-	9,588,818
Net assets released from restrictions used for purchase of property, plant and equipment	30,978	976,819	-	6,118	-	-	-	-	91,107	-	1,105,022
Transfer to net assets with donor restrictions	(50,000)	-	-	(28,637)	-	-	-	-	-	-	(78,637)
	1,976,964	(20,824)	-	(532,604)	9,103,707	(3,147)	-	-	91,107	-	10,615,203
(Decrease) increase in net assets without donor restrictions	\$ (89,102)	\$ (50,466,013)	\$ -	\$ (19,446,623)	\$ (4,193,524)	\$ (2,445,227)	\$ (24,038,855)	\$ (1,273,944)	\$ 809,261	\$ -	\$ (101,144,027)

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, 2022

	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
<b>Net assets without donor restrictions</b>											
(Deficiency) excess of revenues, gains, and other support over expenses and losses	\$ (2,066,066)	\$ (50,445,189)	\$ -	\$ (18,914,019)	\$ (13,297,231)	\$ (2,442,080)	\$ (24,038,855)	\$ (1,273,944)	\$ 718,154	\$ -	\$ (111,759,230)
Other changes in net assets without donor restrictions											
Pension and postretirement adjustments	1,995,986	(997,643)	-	(510,085)	9,103,707	(3,147)	-	-	-	-	9,588,818
Net assets released from restrictions used for purchase of property, plant and equipment	30,978	976,819	-	6,118	-	-	-	-	91,107	-	1,105,022
Transfer to net assets with donor restrictions	(50,000)	-	-	(28,637)	-	-	-	-	-	-	(78,637)
(Decrease) increase in net assets without donor restrictions	(89,102)	(50,466,013)	-	(19,446,623)	(4,193,524)	(2,445,227)	(24,038,855)	(1,273,944)	809,261	-	(101,144,027)
<b>Net assets with donor restrictions</b>											
Contributions	1,136,217	1,268,237	-	11,687,878	5,450	49,569	-	1,000	795,878	-	14,944,229
Income from investments	215,144	63,089	-	109,023	-	-	50,459	-	4,331	-	442,046
Net realized and unrealized losses from investments	(4,981,174)	(1,486,276)	-	(2,519,241)	-	-	(1,188,980)	-	(46,588)	-	(10,222,259)
Changes in beneficial interest in assets held at community foundation	-	-	-	-	-	-	-	-	(225,275)	-	(225,275)
Changes in beneficial interest in perpetual trusts	-	(3,530,028)	-	(1,886,606)	-	-	(1,696,363)	-	-	-	(7,112,997)
Net assets released from restrictions	(1,706,511)	(1,412,301)	(19,143)	(1,563,399)	(7,337)	(587)	-	-	(423,980)	-	(5,133,258)
Transfer from net assets without donor restrictions	50,000	-	-	28,637	-	-	-	-	-	-	78,637
(Decrease) increase in net assets with donor restrictions	(5,286,324)	(5,097,279)	(19,143)	5,856,292	(1,887)	48,982	(2,834,884)	1,000	104,366	-	(7,228,877)
(Decrease) increase in net assets	(5,375,426)	(55,563,292)	(19,143)	(13,590,331)	(4,195,411)	(2,396,245)	(26,873,739)	(1,272,944)	913,627	-	(108,372,904)
<b>Net assets</b>											
Beginning of year	52,699,362	164,643,948	(20,332,467)	409,566,534	(197,562,979)	(5,072,709)	(77,353,995)	(6,864,880)	20,949,836	-	340,672,650
End 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

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, 2022**

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>					
<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	\$ 176,857	\$ -
<i>Subtotal - (12.420)</i>				<u>\$ 176,857</u>	<u>\$ -</u>
<i>Department of Veterans Affairs</i>					
VA Connecticut Healthcare System	64.RD	Direct	IPA	39,750	-
<i>Subtotal - (64.RD)</i>				<u>39,750</u>	<u>-</u>
<i>National Institute of Environmental Health Sciences (NIEHS)</i>					
Environmental Health	93.113	Brown University	1956	14,272	-
<i>Subtotal - (93.113)</i>				<u>14,272</u>	<u>-</u>
<i>National Center for Complementary and Integrative Health (NCCIH)</i>					
Research and Training in Complementary and Integrative Health	93.213	Direct		833,274	405,002
Research and Training in Complementary and Integrative Health	93.213	Direct		112,660	-
Research and Training in Complementary and Integrative Health	93.213	Direct		48,769	-
Research and Training in Complementary and Integrative Health	93.213	Brown University	1232	16,211	-
Research and Training in Complementary and Integrative Health	93.213	Brown University	1328	42,792	-
Research and Training in Complementary and Integrative Health	93.213	Brown University	1838	35,260	-
<i>Subtotal - (93.213)</i>				<u>1,088,966</u>	<u>405,002</u>
<i>National Center on Sleep Disorder Research (NHLBI)</i>					
National Center on Sleep Disorders Research	93.233	Miriam Hospital	710-7147009	9,998	-
<i>Subtotal - (93.233)</i>				<u>9,998</u>	<u>-</u>
<i>National Institute of Mental Health (NIMH)</i>					
Mental Health Research Grants	93.242	Direct		5,310	-
Mental Health Research Grants	93.242	Direct		127,315	5,430
Mental Health Research Grants	93.242	Direct		513,333	77,786
Mental Health Research Grants	93.242	Direct		18,694	6,073
Mental Health Research Grants	93.242	Direct		76,249	49,795
Mental Health Research Grants	93.242	Direct		527,033	62,959

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, 2022**

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	Direct		\$ 175,784	\$ 8,655
Mental Health Research Grants	93.242	Direct		504,408	255,182
Mental Health Research Grants	93.242	Direct		154,928	25,237
Mental Health Research Grants	93.242	Direct		53,856	-
Mental Health Research Grants	93.242	Direct		2,655	-
Mental Health Research Grants	93.242	University of Rochester	UR FAO GR510951	52,887	-
Mental Health Research Grants	93.242	Brown University	993	72,802	-
Mental Health Research Grants	93.242	Michigan State University	RC108066BUTLER	109,816	-
Mental Health Research Grants	93.242	Brigham and Women's Hospital	119487	36,040	-
Mental Health Research Grants	93.242	Brown University	1561	22,155	-
Mental Health Research Grants	93.242	Brown University	1520	137,591	-
Mental Health Research Grants	93.242	Brown University	1595	134,947	-
Mental Health Research Grants	93.242	Brigham and Women's Hospital	124315	60,840	-
Mental Health Research Grants	93.242	McLean Hospital Corp.	401755	7,435	-
Mental Health Research Grants	93.242	McLean Hospital Corp.	401766	3,159	-
Mental Health Research Grants	93.242	Brown University	1677	843	-
Mental Health Research Grants	93.242	Ocean State Research Institute	512204	21,059	-
Mental Health Research Grants	93.242	Brown University	1870	7,935	-
Mental Health Research Grants	93.242	Brown University	1857	10,807	-
Mental Health Research Grants	93.242	University of Missouri	C00078940-3	565,572	-
Mental Health Research Grants	93.242	Vanguard	164342/164430	17,567	-
<i>Subtotal - (93.242)</i>				<u>3,421,020</u>	<u>491,117</u>
<i>National Institutes of Health (NIH)</i>					
Alcohol Research Programs	93.273	Direct		61,986	9,699
Alcohol Research Programs	93.273	Direct		181,431	8,702
Alcohol Research Programs	93.273	Direct		486,490	14,094
Alcohol Research Programs	93.273	Direct		116,037	-
Alcohol Research Programs	93.273	Lehigh University	543781-78001	54,695	-
Alcohol Research Programs	93.273	Brown University	1766	98,139	-
Alcohol Research Programs	93.273	Rutgers University	#2104, PROJECT 8311165	25,291	-
Alcohol Research Programs	93.273	Boston University	1P01.AA	36,868	-
Alcohol Research Programs	93.273	Brown University	2030	491	-
<i>Subtotal - (93.273)</i>				<u>1,061,428</u>	<u>32,495</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, 2022**

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	Direct		\$ 108,476	\$ 29,710
Drug Abuse and Addiction Research Programs	93.279	Direct		128,684	5,087
Drug Abuse and Addiction Research Programs	93.279	Direct		743,143	179,553
Drug Abuse and Addiction Research Programs	93.279	Direct		199,511	74,302
Drug Abuse and Addiction Research Programs	93.279	Direct		252,842	44,068
Drug Abuse and Addiction Research Programs	93.279	Direct		71,445	-
Drug Abuse and Addiction Research Programs	93.279	Tufts Medical Center	5007572-SERV	10,050	-
Drug Abuse and Addiction Research Programs	93.279	Minim Hospital	710-7147067	7,977	-
Drug Abuse and Addiction Research Programs	93.279	Minim Hospital	710-7147113	65,219	-
Drug Abuse and Addiction Research Programs	93.279	Boston University	4500003056	156,850	-
Drug Abuse and Addiction Research Programs	93.279	Brigham and Women's Hospital	7755/073119	26,279	-
<i>Subtotal - (93.279)</i>				<b>1,770,476</b>	<b>332,720</b>
<i>United States Department of Health and Human Services (HHS)</i>					
Trans-NIH Research Support	93.310	Direct		4,255,337	2,291,588
Trans-NIH Research Support	93.310	University of North Carolina, Chapel Hill	5114834	36,082	-
Trans-NIH Research Support	93.310	Rhode Island Hospital	10054626-WIH	26,356	-
Trans-NIH Research Support	93.310	Duke University	A03-5357	89,083	-
Trans-NIH Research Support	93.310	University of Utah	10063508-06-WRI	23,811	-
<i>Subtotal - (93.310)</i>				<b>4,430,669</b>	<b>2,291,588</b>
<i>Centers for Disease Control and Prevention (CDC)</i>					
The Healthy Brain Initiative: Technical Assistance to Implement Public Health Actions related to Cognitive Health, Cognitive Impairment, and Caregiving at the State and Local Levels	93.334	Regents of the University of Minnesota	P008703959	25,418	-
<i>Subtotal - (93.334)</i>				<b>25,418</b>	<b>-</b>
<i>National Institute of Nursing Research (NINR)</i>					
Nursing Research	93.361	Direct		2,387	-
Nursing Research	93.361	Direct		233,556	40,300
Nursing Research	93.361	University of Connecticut	174180	3,059	-
Nursing Research	93.361	University of Rhode Island	006806/06102019	29,316	-
Nursing Research	93.361	University of Washington	UWSC13118	23,311	-
<i>Subtotal - (93.361)</i>				<b>291,629</b>	<b>40,300</b>

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, 2022**

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
<i>National Cancer Institute (NCI), Division of Cancer Prevention</i>					
Cancer Cause and Prevention Research	93.393	Tufts Medical Center	RC11927WIH	\$ 96,996	\$ -
<i>Subtotal - (93.393)</i>				<u>\$ 96,996</u>	<u>\$ -</u>
<i>National Cancer Institute (NCI), Division of Cancer Prevention</i>					
Cancer Detection and Diagnosis Research	93.394	University of Texas MD Anderson Cancer Center	3001372887	84,722	-
<i>Subtotal - (93.394)</i>				<u>84,722</u>	<u>-</u>
<i>National Cancer Institute (NCI)</i>					
Cancer Treatment Research	93.395	NRG Oncology Foundation, Inc	NRG-DiSilvestro-GY6	6,777	-
<i>Subtotal - (93.395)</i>				<u>6,777</u>	<u>-</u>
<i>National Heart, Lung, and Blood Institute (NHLBI)</i>					
Cardiovascular Diseases Research	93.837	Direct		194,043	-
Cardiovascular Diseases Research	93.837	Direct		164,320	129,573
Cardiovascular Diseases Research	93.837	Direct		447,282	252,623
Cardiovascular Diseases Research	93.837	Brown University	1267	23,961	-
Cardiovascular Diseases Research	93.837	Minim Hospital	7147247	26,672	-
<i>Subtotal - (93.837)</i>				<u>856,278</u>	<u>382,196</u>
<i>National Heart, Lung, and Blood Institute (NHLBI)</i>					
Lung Diseases Research	93.838	George Washington University	S-ALP1920-CF22	19,576	-
<i>Subtotal - (93.838)</i>				<u>19,576</u>	<u>-</u>
<i>National Heart, Lung, and Blood Institute (NHLBI)</i>					
Blood Diseases and Resources Research	93.839	University of Iowa	S00644	66,600	-
<i>Subtotal - (93.839)</i>				<u>66,600</u>	<u>-</u>
<i>National Institute of Arthritis and Musculoskeletal and Skin Diseases (NIAMS)</i>					
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Brigham and Women's Hospital	121575	3,526	-
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Tufts Medical Center	5020341_SERV	45,289	-
<i>Subtotal - Arthritis, Musculoskeletal and Skin Diseases Research (93.846)</i>				<u>48,815</u>	<u>-</u>

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**Care New England Health System and Affiliates  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2022**

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
<i>National Institute of Diabetes and Digestive and Kidney Diseases (NIDDK)</i>					
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Direct		\$ 688,849	\$ 84,598
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	The Medical College of Wisconsin	5K01DK	2,154	
<b>Subtotal - (93.847)</b>				<b>691,003</b>	<b>84,598</b>
<i>National Institute of Neurological Disorders and Stroke (NINDS)</i>					
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Direct		58,771	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Prothera Biologics LLC	2017.1	22,835	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Brown University	1344	19,940	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Washington	UWSC13142	118,875	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Boston Children's Hospital	GENFD0002241451	10,598	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Yale University	941-ADNI-2	2,499	-
<b>Subtotal - (93.853)</b>				<b>233,518</b>	<b>-</b>
<i>National Institute of General Medical Sciences (NIGMS)</i>					
Allergy, Immunology and Transplantation Research	93.855	Prothera Biologics LLC	WIH-RT-2019-1	89,899	-
<b>Subtotal - (93.855)</b>				<b>89,899</b>	<b>-</b>
<i>National Institute of General Medical Sciences (NIGMS)</i>					
Biomedical Research and Research Training	93.859	Direct		71,549	-
Biomedical Research and Research Training	93.859	Direct		1,606,455	229,986
Biomedical Research and Research Training	93.859	Direct		2,258,319	398,272
Biomedical Research and Research Training	93.859	Brown University	939	7,280	-
Biomedical Research and Research Training	93.859	Rhode Island Hospital	7017137296	273	-
Biomedical Research and Research Training	93.859	Rhode Island Hospital	713-7384BML	316	-
Biomedical Research and Research Training	93.859	Miriam Hospital	714-7130CAZ	10,016	-
Biomedical Research and Research Training	93.859	Brown University	1508	80,426	-
Biomedical Research and Research Training	93.859	Brown University	1924	43,379	-
Biomedical Research and Research Training	93.859	Miriam Hospital	710-7147250	130,874	-
<b>Subtotal - (93.859)</b>				<b>4,208,887</b>	<b>628,258</b>

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, 2022**

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		\$ 353,336	\$ -
Child Health and Human Development Extramural Research	93.865	Direct		6,607	-
Child Health and Human Development Extramural Research	93.865	Direct		616	-
Child Health and Human Development Extramural Research	93.865	Direct		203,217	-
Child Health and Human Development Extramural Research	93.865	Direct		69,886	-
Child Health and Human Development Extramural Research	93.865	Direct		1,235	-
				-	-
Child Health and Human Development Extramural Research	93.865	Direct		165,142	-
Child Health and Human Development Extramural Research	93.865	Direct		365,390	-
Child Health and Human Development Extramural Research	93.865	Direct		132,598	-
Child Health and Human Development Extramural Research	93.865	Direct		15,047	-
Child Health and Human Development Extramural Research	93.865	Direct		15,566	-
Child Health and Human Development Extramural Research	93.865	Direct		152,949	10,242
Child Health and Human Development Extramural Research	93.865	Direct		421,750	-
Child Health and Human Development Extramural Research	93.865	Direct		285,792	90,532
Child Health and Human Development Extramural Research	93.865	Direct		1,371	1,350
Child Health and Human Development Extramural Research	93.865	Direct		71,331	-
Child Health and Human Development Extramural Research	93.865	Direct		15,505	-
Child Health and Human Development Extramural Research	93.865	Direct		882	-
Child Health and Human Development Extramural Research	93.865	Direct		2,283	-
Child Health and Human Development Extramural Research	93.865	Direct		22,250	1,875
Child Health and Human Development Extramural Research	93.865	Direct		513	-
Child Health and Human Development Extramural Research	93.865	Direct		468,623	220,451
Child Health and Human Development Extramural Research	93.865	Direct		227,640	119,717
Child Health and Human Development Extramural Research	93.865	Direct		17,420	-
Child Health and Human Development Extramural Research	93.865	Direct		449,153	24,660
Child Health and Human Development Extramural Research	93.865	Direct		88,986	13,650
Child Health and Human Development Extramural Research	93.865	Direct		11,209	-
Child Health and Human Development Extramural Research	93.865	Direct		1,313	-
Child Health and Human Development Extramural Research	93.865	Direct		114,256	-
Child Health and Human Development Extramural Research	93.865	Direct		119,761	-
Child Health and Human Development Extramural Research	93.865	Direct		5,942	-
Child Health and Human Development Extramural Research	93.865	Direct		12,287	-
Child Health and Human Development Extramural Research	93.865	Direct		177,838	-
Child Health and Human Development Extramural Research	93.865	Direct		17,704	-
Child Health and Human Development Extramural Research	93.865	Direct		16,350	-

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, 2022**

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
Child Health and Human Development Extramural Research	93.865	Direct		\$ 43,244	\$ 4,654
Child Health and Human Development Extramural Research	93.865	Direct		9,671	-
Child Health and Human Development Extramural Research	93.865	Regents of the University of Michigan	SUBK00008470	73,132	-
Child Health and Human Development Extramural Research	93.865	Bradley Hospital	7127549	45,204	-
Child Health and Human Development Extramural Research	93.865	Northeastern University	500649-78051	27,338	-
Child Health and Human Development Extramural Research	93.865	Tufts Medical Center	5017115-SERV	74,282	-
Child Health and Human Development Extramural Research	93.865	Michigan State University	RC111429	49,674	-
Child Health and Human Development Extramural Research	93.865	Brown University	1710	25,855	-
Child Health and Human Development Extramural Research	93.865	Indiana University	8961	41,764	-
Child Health and Human Development Extramural Research	93.865	University of Washington	UWSC13140	92,531	-
<i>Subtotal - (93.865)</i>				<i>4,514,443</i>	<i>487,131</i>
<i>National Institute on Aging (NIA)</i>					
Aging Research	93.866	Direct		2,617	-
Aging Research	93.866	Regents of the University of California	11220SC	44,635	-
Aging Research	93.866	Brown University	1493	25,639	-
Aging Research	93.866	Brown University	1504	5,469	-
Aging Research	93.866	Wake Forest University Health Sciences	119-101720-550134	43,556	-
Aging Research	93.866	Brown University	1717	45,592	-
Aging Research	93.866	Wake Forest University Health Sciences	505-101720-336715	46,316	-
Aging Research	93.866	Rutgers University	#2034, PROJECT 830954	50,093	-
Aging Research	93.866	University of Rhode Island	0009115/111521	2,270	-
Aging Research	93.866	Indiana University	9088_BUTL (SW)	13,395	-
Aging Research	93.866	Regents of University of Wisconsin	2008	396	-
Aging Research	93.866	Wake Forest University Health Sciences	768-101720-336720	30,558	-
Aging Research	93.866	Washington University	WU-20-29	1,720	-
Aging Research	93.866	Wake Forest University Health Sciences	48-101720-112234	341,060	17,366
Aging Research	93.866	University of Southern California	137202718	85,797	36,730
Aging Research	93.866	Washington University	WU-20-360	8,819	-
Aging Research	93.866	University of Southern California	129140101	3,510	-
Aging Research	93.866	University of Southern California	129212174	31,590	-
Aging Research	93.866	Hennepin Healthcare Research Institute	15233-9-01-FFS	506	-
Aging Research	93.866	University of Southern California	120223660	113,946	-
Aging Research	93.866	Washington University	WU-19-271	28,415	-
Aging Research	93.866	University of Southern California	110876467	3,561	-
Aging Research	93.866	Indiana University	IN4683237-BUTL/8310_BUTL	140,398	-
Aging Research	93.866	University of Southern California	10877255/117939220	23,399	-

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, 2022**

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	23,399	-
Aging Research	93.866	University of Southern California	105812516	\$ 145,950	\$ -
<i>Subtotal - (93.866)</i>				<u>\$ 1,239,207</u>	<u>\$ 54,096</u>
<i>Centers for Disease Control and Prevention (CDC)</i>					
Tuberculosis Demonstration, Research, Public and Professional Education	93.947	Rutgers University	ID 829357/SUB 1959	45,169	-
<i>Subtotal - (93.947)</i>				<u>45,169</u>	<u>-</u>
<i>Health Resources &amp; Services Administration (HRSA)</i>					
PPHF Geriatric Education Centers	93.969	University of Rhode Island	7755/073119	99,969	-
<i>Subtotal - (93.969)</i>				<u>99,969</u>	<u>-</u>
<i>Fogarty International Center</i>					
International Research and Research Training	93.989	Brown University	1405	12,942	-
<i>Subtotal - (93.989)</i>				<u>12,942</u>	<u>-</u>
<i>Eunice Kennedy Shriver National Institute of Child Health and Human Development (NICHD) and National Institute of Allergy and Infectious Diseases (NIAID)</i>					
NICHD - Contract HHSN2752018011	93.RD	RTI	2-312-0216664-65772L	482,362	-
NIAID - Contract 75N91010D000024	93.RD	Social & Scientific Systems, Inc.	CRB-SSS-S-20-005969	554,317	-
NIAID - Contract 75N93021C00052	93.RD	University of Rhode Island	0009143/05132022	2,688	-
<i>Subtotal - (93.RD)</i>				<u>1,039,367</u>	<u>-</u>
<b>RESEARCH AND DEVELOPMENT TOTAL</b>				<u><b>25,684,651</b></u>	<u><b>5,229,501</b></u>
<b>AGING CLUSTER</b>					
<i>United States Department of Health and Human Services (HHS)</i>					
<i>Administration for Community Living (ACL)</i>					
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	State of Rhode Island	ADPI-21-01	30,545	-
<i>Subtotal - (93.044)</i>				<u>30,545</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, 2022**

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>					
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	State of Rhode Island	2017-24471162	\$ 711,906	\$ -
<i>Subtotal - (93.045)</i>				<u>\$ 711,906</u>	<u>\$ -</u>
<i>Administration for Community Living (ACL)</i>					
Nutrition Services Incentive Program	93.053	State of Rhode Island	NSIP-21-02	38,925	-
<i>Subtotal - (93.053)</i>				<u>38,925</u>	<u>-</u>
<b>AGING CLUSTER TOTAL</b>				<u><b>781,376</b></u>	<u><b>-</b></u>
<b>CHILD NUTRITION CLUSTER</b>					
<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	13,246	-
<i>Subtotal - (10.555)</i>				<u>13,246</u>	<u>-</u>
<b>CHILD NUTRITION CLUSTER TOTAL</b>				<u><b>13,246</b></u>	<u><b>-</b></u>
<b>HOUSING VOUCHER CLUSTER</b>					
<i>United States Department of Housing and Urban Development (HUD)</i>					
Section 8 Housing Choice Vouchers	14.871	Rhode Island Housing	Massie	15,433	-
<i>Subtotal - (14.871)</i>				<u>15,433</u>	<u>-</u>
<b>HOUSING VOUCHER CLUSTER TOTAL</b>				<u><b>15,433</b></u>	<u><b>-</b></u>
<b>SECTION 8 PROJECT-BASED CLUSTER</b>					
<i>United States Department of Housing and Urban Development (HUD)</i>					
Section 8 Housing Assistance Payments Program	14.195	Direct		108,779	-
Section 8 Housing Assistance Payments Program	14.195	Direct		88,739	-
Section 8 Housing Assistance Payments Program	14.195	Rhode Island Housing	R143T781003	221,490	-
<i>Subtotal - (14.195)</i>				<u>419,008</u>	<u>-</u>
<b>SECTION 8 PROJECT-BASED CLUSTER TOTAL</b>				<u><b>419,008</b></u>	<u><b>-</b></u>

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**Care New England Health System and Affiliates**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2022**

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
<b>OTHER PROGRAMS</b>					
<i>United States Department of Agriculture (USDA)</i>					
<i>Food and Nutrition Service (FNS)</i>					
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	State of Rhode Island	3316512	\$ 1,403,209	\$ -
<i>Subtotal - (10.557)</i>				<u>\$ 1,403,209</u>	<u>\$ -</u>
<i>United States Department of Agriculture (USDA)</i>					
<i>Food and Nutrition Service (FNS)</i>					
Child and Adult Care Food Program	10.558	State of Rhode Island	CACFP EMERGENCY OPERATION	4,274	-
Child and Adult Care Food Program	10.558	State of Rhode Island	35374	25,126	-
<i>Subtotal - (10.558)</i>				<u>29,400</u>	<u>-</u>
<i>United States Department of Housing and Urban Development (HUD)</i>					
Supportive Housing for the Elderly Outstanding Loans @ October 1, 2021	14.157	Direct		79,803	-
<i>Subtotal - (14.157)</i>				<u>79,803</u>	<u>-</u>
<i>United States Department of Housing and Urban Development (HUD)</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		78,176	-
<i>Subtotal - (14.181)</i>				<u>3,256,376</u>	<u>-</u>
<i>United States Department of Housing and Urban Development (HUD)</i>					
Continuum of Care Program	14.267	Rhode Island Housing	RI0068L1T001703/1804	326,016	-
Continuum of Care Program	14.267	Rhode Island Housing	COC#26	12,244	-
<i>Subtotal - (14.267)</i>				<u>338,260</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, 2022**

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
<i>Bureau of Justice Assistance (BJA)</i>					
Residential Substance Abuse Treatment for State Prisoners	16.593	State of Rhode Island Department of Corrections	3496273	\$ 78,057	\$ -
<i>Subtotal - (16.593)</i>				<u>\$ 78,057</u>	<u>\$ -</u>
<i>Bureau of Justice Assistance (BJA)</i>					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	State of Rhode Island Department of Corrections	3455997	9,955	-
<i>Subtotal - (16.738)</i>				<u>9,955</u>	<u>-</u>
<i>United States Department of Labor (DOL)</i>					
H-1B Job Training Grants	17.268	Direct	ETA-15-02 SUB	464	-
<i>Subtotal - (17.268)</i>				<u>464</u>	<u>-</u>
<i>United States Department of the Treasury (TREAS)</i>					
COVID-19 Coronavirus Relief Fund (CRF)	21.019	Rhode Island Department of Health	AHS	110,568	-
COVID-19 Coronavirus Relief Fund (CRF)	21.019	Rhode Island Department of Health	AHS	29,325	-
COVID-19 Coronavirus Relief Fund (CRF)	21.019	Rhode Island Department of Health	AHS	1,047,679	-
<i>Subtotal - (21.019)</i>				<u>1,187,572</u>	<u>-</u>
<i>United States Department of the Treasury (TREAS)</i>					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Care Transformation Collaboration of Rhode Island	PF 62596	6,402	-
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	State of Rhode Island	EOHHS Pedi86	338,192	-
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Providence Police Department	SLFRP1979	170,483	-
<i>Subtotal - (21.027)</i>				<u>515,077</u>	<u>-</u>
<i>Department of Veterans Affairs</i>					
VA Homeless Providers Grant and Per Diem Program	64.024	Direct		191,033	-
<i>Subtotal - (64.024)</i>				<u>191,033</u>	<u>-</u>
<i>United States Department of Education (ED)</i>					
Special Education-Grants for Infants and Families	84.181	Rhode Island Department of Health	75A00211767	466,855	-
<i>Subtotal - (84.181)</i>				<u>466,855</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, 2022**

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 Education (ED)</i>					
Striving Readers	84.371	Rhode Island Department of Education (RIDE)	20-03-021-1/1	\$ 516,987	\$ -
<i>Subtotal - (84.371)</i>				<b>\$ 516,987</b>	<b>\$ -</b>
<i>United States Department of Health and Human Services (HHS)</i>					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Rhode Island Department of Health	3444463-6	22,792	-
<i>Subtotal - (93.074)</i>				<b>22,792</b>	<b>-</b>
<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	60,555	-
<i>Subtotal - (93.079)</i>				<b>60,555</b>	<b>-</b>
<i>Health Resources &amp; Services Administration (HRSA)</i>					
Maternal and Child Health Federal Consolidated Programs	93.110	Care Transformation Collaboration of Rhode Island	MOMSPRN	13,351	-
Maternal and Child Health Federal Consolidated Programs	93.110	Care Transformation Collaboration of Rhode Island	MOMSPRN-Supp	554	-
Maternal and Child Health Federal Consolidated Programs	93.110	Care Transformation Collaboration of Rhode Island	MOMSPRN-OBMed	4,213	-
Maternal and Child Health Federal Consolidated Programs	93.110	Care Transformation Collaboration of Rhode Island	MOMSPRN-3	3,898	-
Maternal and Child Health Federal Consolidated Programs	93.110	Care Transformation Collaboration of Rhode Island	62593	4,149	-
Maternal and Child Health Federal Consolidated Programs	93.110	State of Rhode Island	75A00211767	157,356	-
Maternal and Child Health Federal Consolidated Programs	93.110	State of Rhode Island	19-03-028/20-03-059	349,932	-
Maternal and Child Health Federal Consolidated Programs	93.110	University of New Hampshire	18-007	75,067	-
<i>Subtotal - (93.110)</i>				<b>608,520</b>	<b>-</b>

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, 2022**

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
<i>Substance Abuse and Mental Health Services Administration (SAMHSA)</i>					
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	Direct		\$ 91,019	\$ -
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	Care Transformation Collaboration of Rhode Island	RFP#7551007	12,724	-
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	163,199	-
<i>Subtotal - (93.243)</i>				<u>266,942</u>	-
<i>Health Resources &amp; Services Administration (HRSA)</i>					
COVID-19 HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461	Direct		308,415	-
<i>Subtotal - (93.461)</i>				<u>308,415</u>	-
<i>United States Department of Health and Human Services (HHS)</i>					
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	Direct		37,867,757	-
<i>Subtotal - (93.498)</i>				<u>37,867,757</u>	-
<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	10,527	-
<i>Subtotal - (93.586)</i>				<u>10,527</u>	-
<i>United States Department of Health and Human Services (HHS)</i>					
Accountable Health Communities	93.650	Direct		449,542	348,376
<i>Subtotal - (93.650)</i>				<u>449,542</u>	<u>348,376</u>
<i>United States Department of Health and Human Services (HHS)</i>					
COVID-19 Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	3696493B	23,170	-
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	3696493A	293,408	-

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, 2022**

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
COVID-19 Emergency Grants to Address Mental and Substance Use Disorders During COVID-19 <i>Subtotal - (93.665)</i>	93.665	Colorado State University	G-63934-01	\$ 3,494	\$ -
<i>Office of the Administration for Children &amp; Families (ACF)</i>					
Social Services Block Grant  <i>Subtotal - (93.667)</i>	93.667	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	3625709	246,501	-
<i>Health Resources &amp; Services Administration (HRS.A)</i>					
Mental and Behavioral Health Education and Training Grants <i>Subtotal - (93.732)</i>	93.732	Direct		102,898	-
<i>Substance Abuse and Mental Health Services Administration (SAMHSA)</i>					
Opioid STR	93.788	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	3606394	517,926	-
Opioid STR  <i>Subtotal - (93.788)</i>	93.788	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	1658714	155,062	-
<i>Substance Abuse and Mental Health Services Administration (SAMHSA)</i>					
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829	Direct		2,869	-
Section 223 Demonstration Programs to Improve Community Mental Health Services <i>Subtotal - (93.829)</i>	93.829	Direct		393,486	-
<i>Health Resources &amp; Services Administration (HRS.A) Maternal &amp; Child Health</i>					
Maternal, Infant and Early Childhood Home Visiting Grant <i>Subtotal - (93.870)</i>	93.870	Rhode Island Department of Health	3533967	220,095	-

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, 2022**

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
<i>Health Resources &amp; Services Administration (HRSA)</i>					
Grants for Primary Care Training and Enhancement	93.884	Direct		\$ 524,109	\$ -
<i>Subtotal - (93.884)</i>				<u>\$ 524,109</u>	<u>\$ -</u>
<i>Office of the Assistant Secretary for Preparedness and Response</i>					
COVID-19 National Bioterrorism Hospital Preparedness Program	93.889	Hospital Association of Rhode Island	MOU-041020	190,000	-
<i>Subtotal - (93.889)</i>				<u>190,000</u>	<u>-</u>
<i>Centers for Disease Control and Prevention (CDC)</i>					
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	State of Rhode Island	20-03-010	5,823	-
<i>Subtotal - (93.898)</i>				<u>5,823</u>	<u>-</u>
<i>Health Resources &amp; Services Administration (HRSA)</i>					
Block Grants for Community Mental Health Services	93.958	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	B09SM082628	152,094	-
<i>Subtotal - (93.958)</i>				<u>152,094</u>	<u>-</u>
<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	46,357	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	6B08T	140,031	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	TPC BLOCK	1,231,898	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	TPC BLOCK	9,649	-

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, 2022**

CLUSTER/PROGRAM/AGENCY	ASSISTANCE LISTING NUMBER	DIRECT AGENCY/ PASS-THROUGH	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL EXPENDITURES	PASSED-THROUGH TO SUBRECIPIENTS
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Rhode Island Department of Behavioral Healthcare Development Disabilities & Hospitals	TPC BLOCK	\$ 160,368	\$ -
<i>Subtotal - (93.959)</i>				<u>\$ 1,588,303</u>	<u>\$ -</u>
<i>Health Resources &amp; Services Administration (HRSA)</i>					
Maternal and Child Health Services Block Grant to the States	93.994	State of Rhode Island	RIDOH	3,286	-
Maternal and Child Health Services Block Grant to the States	93.994	Care Transformation Collaboration of Rhode Island	RIDOH CFDA 93.994 EXPENSE: 625	4,829	-
<i>Subtotal - (93.994)</i>				<u>8,115</u>	<u>-</u>
<i>Federal Emergency Management Agency (FEMA)</i>					
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	State of Rhode Island	184207-PW288	330,228	-
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	State of Rhode Island	334349-PW369	199,516	-
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	State of Rhode Island	661689-PW420	450,043	-
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	State of Rhode Island	184268-PW417	427,465	-
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	State of Rhode Island	670975-PW447	770,412	-
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	State of Rhode Island	663497-PW440	313,186	-
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	State of Rhode Island	676850-PW525	792,964	-
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	State of Rhode Island	663340-PW441	520,755	-
<i>Subtotal - (97.036)</i>				<u>3,804,569</u>	<u>-</u>
<b>OTHER PROGRAMS TOTAL</b>				<u><b>55,900,020</b></u>	<u><b>348,376</b></u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u><b>\$ 82,813,734</b></u>	<u><b>\$ 5,577,877</b></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, 2022**

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**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, 2022. 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. Negative amounts on the Schedule represent adjustments to expenditures reported in the prior year. Because the Schedule presents only the federal award activity of Care New England, it is not intended to and does not present the financial position, changes in net assets and cash flows of Care New England. Assistance listing numbers and pass-through numbers are provided when available.

**2. Indirect Expenses**

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

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

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

<b>Entity</b>	<b>Assistance Listing #</b>	<b>Capital</b>
<b>Advances</b>		
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	78,176

**Care New England Health System and Affiliates**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2022**

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

<b>Entity</b>	<b>Assistance Listing #</b>	<b>Amount</b>
<b>Outstanding</b> Grandview Realty Corporation	14.157	\$43,408

**4. CARES Act Provider Relief Funds**

The Schedule includes grant activity related to the Department of Health and Human Services ("HHS") Provider Relief Fund and American Rescue Plan (ARP) Distribution Assistance Listing Number 93.498. As required based on guidance in the 2022 OMB *Compliance Supplement*, the Schedule includes all funds received between July 1, 2020 and June 30, 2021 and expended by September 30, 2022 as reported to HRSA via the Provider Relief Funding Reporting Portal.

During Reporting Period 2 and 3, Care New England received \$12,197,349 and \$25,734,544, 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 the Care New England's financial statements and the amount included on the Schedule.

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

Care New England determines participant eligibility for receipt of food vouchers as part of the Special Supplemental Nutrition Program for the Women, Infants and Children program (Assistance Listing # 10.557). Of the \$1,403,209 in expenditures presented in the Schedule, \$379,435 represents direct costs incurred by Care New England for this program. The food vouchers for which Care New England determined eligibility for amounted to \$1,023,773 for the year ended September 30, 2022.

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

Care New England expended \$13,246 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.



**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 subsidiaries (the "System"), which comprise the consolidated balance sheet as of September 30, 2022, 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 19, 2022.

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 18% of total assets of the System for the year ended September 30, 2022. 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 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 19, 2022



## **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 subsidiaries' (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 assistance listing number 93.498 of the System's major federal programs for the year ended September 30, 2022. We did not audit major program assistance listing number 14.181, which is included on the accompanying schedule of expenditures of federal awards. 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, based on our audit and the reports of the other auditor, 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, 2022.

#### ***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. We did not audit major program 14.181, which is included on the accompanying schedule of expenditures of federal awards with expenditures of \$3,256,376. This major program was audited by another auditor whose reports have been furnished to us and our opinion expressed herein in so far as it relates to major program 14.181 is based solely on the reports of the other auditor. 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.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the System's response to the noncompliance findings identified in our audit described in the accompanying Management's Views and Corrective Action Plan. The System's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



## 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 for major program assistance listing number 93.498 and the other auditor's consideration of internal control over major program assistance listing number 14.181 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

March 3, 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, 2022**

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**I. Summary of Auditors' 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 audited by PwC**

Program Name	Assistance Listing Number
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498

**Identification of major program audited by other auditor**

Program Name	Assistance Listing Number
--------------	---------------------------

Supportive Housing for Persons with Disabilities	14.181
--	--------

Dollar threshold for Type A and Type B programs: \$2,484,412

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



# Care New England Health System and Affiliates

## Schedule of Findings and Questioned Costs

### Year Ended September 30, 2022

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#### II. Financial Statement Findings

None noted.

#### III. Federal Award Findings and Questioned Costs

Major programs audited by PwC – Finding 2022-001

Major program audited by other auditor – No findings noted.

**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

#### Criteria

Step Four of the Steps on Reporting on Use of Funds section of the June 11, 2021 Provider Relief Fund (“PRF”) General and Targeted Distribution Post-Payment Notice of Reporting Requirements requires recipients to report on expenses paid for with payments received through the General and Targeted Distribution payments. Reporting Entities that received \$500,000 or more in aggregated PRF payments during each Payment Received Period are required to report on the use of the General and Other Targeted PRF payments in detailed categories of General and Administrative Expenses and Health Care-Related Expenses, by indicating the quarterly expenses reimbursed with the PRF payments.

#### Condition

The System 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. The Care New England Health System (the “System”) 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.

#### Cause

The System 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 their review procedures prior to submission.

#### Effect

The duplicate reporting of expenses in the PRF Portal Submission for Period 2 and Period 3 resulted in an incorrect calculation of the Total Reportable Other PRF remaining to be applied to Lost Revenues amount in the PRF Financial Summary section of the PRF Portal Submission for Period 2 and Period 3. The calculated amount of PRF Remaining to be applied to Lost Revenues in the PRF Portal Submission for Period 2 was calculated as \$3,665,229 whereas the amount would have been \$11,068,758 if the expenses had not been duplicated in the Period 2 PRF Portal Submission Reporting. In Reporting Period 3, the calculated amount of PRF Remaining to be applied to Lost Revenues in the PRF Portal Submission for Period 3 was \$15,802,011 where-as the amount would have been \$24,334,141 if the expense had not been duplicated in the Period 3 PRF Portal Submission Reporting.

**Care New England Health System and Affiliates**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2022**

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**Recommendation**

We recommend the System contact the Health Resources and Services Administrator to determine any required corrective actions related to the incorrect reporting. We also recommend the System enhance their understanding of the reporting requirements and strengthen their review process in place to check for this issue prior to submission of future reports.

**Management's Views and Corrective Action Plan**

Management's response is included in "Management's Views and Corrective Action Plan" included after the Summary Schedule of Prior Audit Findings and Status.

## Care New England Health System and Affiliates Summary Schedule of Prior Audit Findings and Status Year Ended September 30, 2022

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

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

**Assistance Listing Number:** 93.498

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

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

**Award Number:** Not available

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

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

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

### **Status Update**

Care New England resubmitted the Provider Relief Funds Report Period 1 on December 20, 2021 during the open resubmission period. As instructed by HRSA, the System provided detail on the methodology and rationale for option 3 during the resubmission. No further action was required; management has remediated the reporting.

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

**Part IV**  
**Management's Views and Corrective Action Plan**



4 Richmond Square  
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Providence, Rhode Island 02906  
401-453-7900 | 1-888-4CARENE  
carenewengland.org

March 3, 2023

As required by Uniform Guidance Compliance Requirements (2 CFR Part 200), we have provided below our response and corrective action plan addressing the finding in the Schedule of Findings and Questioned Costs for the year ended September 30, 2022.

### **Management's Views and Corrective Action Plan**

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

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

**Assistance Listing Number:** 93.498

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

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

**Award Number:** Not available

Care New England agrees with PwC’s recommendation and contacted Health Resources & Services Administrator. Care New England received the following guidance on Case#00063537 from [prbinquiries@hrsa.gov](mailto: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.”

Care New England has completed a reconciliation schedule and will maintain this schedule for the requisite Federal retention period.

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

### **Responsible Party**

DocuSigned by:

*Todd A. Conklin*

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Todd Conklin

Executive Vice President/Chief Financial Officer

Care New England Health System

4 Richmond Square

Providence, RI 02906

B

**GRANDVIEW SECOND CORPORATION**  
**HUD Project Number 016-HD009**

**Financial Statements**  
**and Supplementary Information**

**Year Ended September 30, 2022**

**(With Independent Auditors' Report Thereon)**

**GRANDVIEW SECOND CORPORATION**  
**HUD PROJECT NUMBER 016-HD009**  
**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**  
**Year Ended September 30, 2022**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Grandview Second Corporation and Care New England Health System:

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Grandview Second Corporation (the Organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grandview Second Corporation as of September 30, 2022, and the changes in its net assets and its cash flows for the year 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 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 Financial Statements section of our report. We are required to be independent of the Organization 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.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 13 to 21 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Kahn, Litwin, Renga & Co., Ltd.*

December 8, 2022

**GRANDVIEW SECOND CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**September 30, 2022**



**Assets**

Current Assets:

Cash	\$	93,300
Tenant rent receivables		4,665
Prepaid expenses		18,832
<b>Total current assets</b>		<b>116,797</b>

Property and Equipment		1,442,324
Less accumulated depreciation		818,385
<b>Net property and equipment</b>		<b>623,939</b>

Restricted Deposits:

Reserve for replacements		216,048
Residual receipts		3,987
Tenants' security deposits		5,445
<b>Total restricted deposits</b>		<b>225,480</b>

<b>Total Assets</b>	<b>\$</b>	<b>966,216</b>
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**Liabilities and Net Assets**

Current Liabilities:

Accounts payable	\$	25,906
Accounts payable - HUD		30,373
Advances payable - related party		95,201
Prepaid revenue		534
Tenants' security deposits payable		5,006
<b>Total current liabilities</b>		<b>157,020</b>

Miscellaneous long-term liabilities		22,608
<b>Total liabilities</b>		<b>179,628</b>

Net Assets:

Without donor restrictions		349,964
With donor restrictions		436,624
<b>Total net assets</b>		<b>786,588</b>

<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>966,216</b>
---	-----------	----------------

**GRANDVIEW SECOND CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2022**



Change in Net Assets without Donor Restrictions:	
Revenue:	
Rent income	\$ 297,236
Financial income	348
Other income	3,981
Satisfaction of restrictions	25,030
<b>Total revenue</b>	<b><u>326,595</u></b>
Expenses:	
Program services	261,197
Management and general	49,431
<b>Total expenses</b>	<b><u>310,628</u></b>
<b>Change in net assets without donor restrictions</b>	<b><u>15,967</u></b>
Change in Net Assets with Donor Restrictions:	
Satisfaction of restrictions	(25,030)
<b>Change in net assets with donor restrictions</b>	<b><u>(25,030)</u></b>
<b>Change in Net Assets</b>	<b>(9,063)</b>
<b>Net Assets, beginning of year</b>	<b><u>795,651</u></b>
<b>Net Assets, end of year</b>	<b><u>\$ 786,588</u></b>

**GRANDVIEW SECOND CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended September 30, 2022**



	<b>Program Services</b>	<b>Management and General</b>	<b>Total</b>
Salaries	\$ 53,691	-	\$ 53,691
Employee benefits	12,789	-	12,789
Bad debt expense	-	11,083	11,083
Payroll taxes	3,876	-	3,876
Audit, bookkeeping and tax fees	-	13,900	13,900
Contract fees	33,197	-	33,197
Depreciation	48,228	-	48,228
Insurance	301	-	301
Management fee	-	18,194	18,194
Office expenses	5,261	6,254	11,515
Real estate taxes	26,841	-	26,841
Repairs and maintenance	25,472	-	25,472
Utilities	51,541	-	51,541
<b>Total expenses</b>	<b>\$ 261,197</b>	<b>\$ 49,431</b>	<b>\$ 310,628</b>

**GRANDVIEW SECOND CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**Year Ended September 30, 2022**



Cash Flows from Operating Activities:	
Change in net assets	\$ (9,063)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	48,228
Bad debt expense	11,083
Changes in operating assets and liabilities:	
Tenant rent receivables	(12,111)
Prepaid expenses	(18,455)
Accounts payable	182
Accounts payable - HUD	30,373
Advances payable - related party	34,031
Prepaid revenue	145
Tenants' security deposits payable	(182)
Miscellaneous long-term liabilities	1,020
<b>Net cash provided by operating activities</b>	<b><u>85,251</u></b>
Cash Flows from Investing Activities:	
Purchase of property and equipment	(53,250)
<b>Net cash used by investing activities</b>	<b><u>(53,250)</u></b>
<b>Net Increase in Cash and Restricted Cash</b>	<b>32,001</b>
<b>Cash and Restricted Cash, beginning of year</b>	<b><u>286,779</u></b>
<b>Cash and Restricted Cash, end of year</b>	<b><u><u>\$ 318,780</u></u></b>
<b>Reconciliation of Cash and Restricted Cash:</b>	
Cash	\$ 93,300
Restricted Cash:	
Reserve for replacements	216,048
Residual receipts	3,987
Tenants' security deposits	5,445
	<b><u><u>\$ 318,780</u></u></b>

See accompanying notes to the financial statements and independent auditors' report.

**GRANDVIEW SECOND CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2022**

**1. Nature of Operations**

Grandview Second Corporation (the Organization) was organized in 1987 and owns a residential building for low-income individuals with chronic mental illness (the Project), consisting of 19 rental units, under Section 811 of the National Affordable Housing Act of 1990, as amended. The Project is located in Providence, Rhode Island. The Project is regulated by the U.S. Department of Housing and Urban Development (HUD) as to rental charges and operating methods.

The Project is subject to a Section 8 Housing Assistance Payments agreement (the Regulatory Agreement) with HUD. HUD Section 8 housing subsidies and client payments are based on a percentage ratio formula of the clients' monthly income. During the year ended September 30, 2022, approximately 73% of the Organization's revenue was obtained through housing assistance payments.

Effective July 31, 2014, the Board of Trustees of the Providence Center (the Project Sponsor and Parent) voted to authorize its chief executive officer to execute an affiliation agreement that resulted in the Organization becoming a part of the Care New England Health System (CNE). Effective September 2, 2014, the chief executive officers of the Parent and CNE signed an affiliation agreement that made CNE the Sole Corporate Member (the Member) of the Organization with certain reserve powers and, as of January 1, 2015, the Parent became a subsidiary of CNE. The Organization continues to exist as a corporation. The Organization's Board of Directors (the Board) continues to exist with all existing powers, except those reserved to the Member.

**2. Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Organization is presented to assist the reader in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

***Basis of Presentation***

The Organization prepares its financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

***Net Assets without Donor Restrictions***

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes.

**GRANDVIEW SECOND CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2022**

***Net Assets with Donor Restrictions***

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

***Tenant Rent Receivables***

Tenant rent receivables are recorded in full when rents are earned. The Organization provides an allowance for accounts deemed uncollectible. Doubtful accounts are charged to the allowance account in the period in which they are determined to be uncollectible. The Organization does not accrue interest on receivables. At year end, the Organization had no allowance for doubtful accounts.

***Property and Equipment***

Property and equipment are stated at cost. Improvements to rental property and purchases of furniture and equipment of \$5,000 or more are capitalized. Depreciation is calculated using the straight-line basis over the estimated useful lives of the related assets, ranging from 3 to 40 years.

***Restricted Deposits***

***Reserve for Replacements***

The terms of the Regulatory Agreement require the Organization to make monthly payments to a replacement reserve for building repairs, improvements and equipment. Disbursements from the replacement reserve fund are restricted by HUD.

***Residual Receipts***

Use of the residual receipts account is contingent upon HUD's prior written approval.

***Revenue Recognition***

Rent income, which is principally from short-term leases on apartments, is recognized as income under the operating method as the rentals become due. Advance rent payments are recorded as current liabilities and the related revenue is deferred until earned.

***Distributions***

The Organization's Regulatory Agreement with HUD stipulates, among other things, that the Organization will not make distributions of assets or income to any of its officers or directors.



**GRANDVIEW SECOND CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2022**

***Functional Allocation of Expenses***

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of job description, and estimates of time and effort.

***Income Taxes***

The Organization is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Organization operates in a manner consistent with its tax-exempt status at both the state and federal level.

The Organization annually files IRS Form 990 - *Return of Organization Exempt From Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities generally for a period of three years after they were filed. The Organization currently has no tax examinations in progress.

***Estimates***

The preparation of 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

***Subsequent Events***

Management of the Organization has evaluated subsequent events through December 8, 2022, which is the date these financial statements were available to be issued.

**3. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets:

Cash	\$ 93,300
Tenant rent receivables	<u>4,665</u>

Financial assets available to meet general expenditure needs within one year	<u><u>\$ 97,965</u></u>
--	-------------------------

**GRANDVIEW SECOND CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2022**

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In the event of an unanticipated liquidity need, the Organization's Parent has the ability to finance overhead expenses. In addition, the Organization has restricted deposits that it can utilize for specific purposes upon receipt of written approval from HUD.

**4. Property and Equipment**

Property and equipment consisted of the following:

Land	\$ 147,783
Building and improvements	<u>1,294,541</u>
Total property and equipment	<u>\$ 1,442,324</u>

**5. Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted to the rental apartments, which were funded by HUD under Section 811 of the National Affordable Housing Act of 1990, as amended (See Note 6).

**6. Contingent Liability**

*U.S. Department of Housing and Urban Development*

The Organization 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 the Organization 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.

**7. Rent Increases**

Under the Regulatory Agreement, the Organization may not increase rents charged to tenants without HUD approval. There was no HUD-approved rent increase during the year ended September 30, 2022.

**GRANDVIEW SECOND CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2022**

**8. Management Fee**

The Project has a management agreement that provides for a monthly payment of management fees to the Project Sponsor equal to \$79.80 per unit for 19 units. The management agreement is automatically renewed for a one-year period unless terminated by either party as specified in the agreement. The Project Sponsor is reimbursed for payroll and related costs of on-site personnel and certain shared operating costs. Included in management and general expenses in the statement of activities are management fees paid to the Project Sponsor totaling \$18,194 for the year ended September 30, 2022.

**9. Current Vulnerability Due to Certain Concentrations**

The Organization's primary asset is a 19-unit apartment project. The Organization's operations are concentrated in the multi-family real estate market. In addition, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**10. Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization maintains its cash balance in one financial institution. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Organization's cash balance may exceed this limit. Cash balances in excess of \$250,000 are generally uninsured.

**11. Related Party Transactions**

The Project Sponsor has made operating advances to the Organization; the balance at year end is \$95,201, and is included in advances payable – related party in the accompanying statement of financial position. Repayment of amounts previously advanced is not a prohibited transaction between the Project Sponsor and the Organization.

**GRANDVIEW SECOND CORPORATION**  
**HUD PROJECT NUMBER 016-HD009**  
**SUPPLEMENTARY INFORMATION REQUIRED BY HUD**  
**Year Ended September 30, 2022**

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**GRANDVIEW SECOND CORPORATION**  
**PROJECT NO. 016-HD009**  
**STATEMENT OF FINANCIAL POSITION DATA**  
**September 30, 2022**



**Assets**

Current Assets:

1120	Cash - operations	\$ 93,300
1130	Tenant/member accounts receivable	4,665
<b>1130N</b>	<b>Net tenant/member accounts receivable</b>	<b>4,665</b>
1200	Prepaid expenses	18,832
<b>1100T</b>	<b>Total current assets</b>	<b>116,797</b>
1191	Tenant/patient deposits held in trust	5,445
Deposits:		
1320	Replacement reserve	216,048
1340	Residual receipts reserve	3,987
<b>1300T</b>	<b>Total deposits</b>	<b>220,035</b>
Fixed Assets:		
1410	Land	147,783
1420	Buildings	1,294,541
<b>1400T</b>	<b>Total fixed assets</b>	<b>1,442,324</b>
1495	Accumulated depreciation	(818,385)
<b>1400N</b>	<b>Net fixed assets</b>	<b>623,939</b>
<b>1000T</b>	<b>Total assets</b>	<b>\$ 966,216</b>

**Liabilities and Net Assets:**

Current Liabilities:

2110	Accounts payable - operations	\$ 25,906
2115	Accounts payable - HUD	30,373
2190	Miscellaneous current liabilities	95,201
2210	Prepaid revenue	534
<b>2122T</b>	<b>Total current liabilities</b>	<b>152,014</b>
2191	Tenant/patient deposits held in trust (contra)	5,006

Long Term Liabilities:

2390	Miscellaneous long-term liabilities	22,608
<b>2300T</b>	<b>Total long-term liabilities</b>	<b>22,608</b>
<b>2000T</b>	<b>Total liabilities</b>	<b>179,628</b>

Net Assets:

3131	Net assets without donor restrictions	349,964
3133	Net assets with donor restrictions	436,624
<b>3130</b>	<b>Total net assets</b>	<b>786,588</b>
<b>2033T</b>	<b>Total liabilities and equity/net assets</b>	<b>\$ 966,216</b>

See accompanying independent auditors' report.

**GRANDVIEW SECOND CORPORATION**  
**PROJECT NO. 016-HD009**  
**STATEMENT OF ACTIVITIES DATA**  
**Year Ended September 30, 2022**



**Part I**

Rent Revenue:

5120	Rent revenue - gross potential	\$ 75,746
5121	Tenant assistance payments	221,490
<b>5100T</b>	<b>Total rent revenue</b>	<b><u>297,236</u></b>
<b>5152N</b>	<b>Net rental revenue (rent revenue less vacancies)</b>	<b><u>297,236</u></b>

Financial Revenue:

5430	Revenue from investments - residual receipts	6
5440	Revenue from investments - reserve for replacements	332
5490	Revenue from investments - miscellaneous	10
<b>5400T</b>	<b>Total financial revenue</b>	<b><u>348</u></b>

Other Revenue:

5990	Miscellaneous revenue	3,981
<b>5900T</b>	<b>Total other revenue</b>	<b><u>3,981</u></b>
<b>5000T</b>	<b>Total revenue</b>	<b><u>301,565</u></b>

Administrative Expenses:

6310	Office salaries	9,985
6311	Office expenses	5,261
6320	Management fee	18,194
6330	Manager or superintendent salaries	13,974
6350	Audit expenses	13,900
6370	Bad debt	11,083
6390	Miscellaneous administrative expenses	6,254
<b>6263T</b>	<b>Total administrative expenses</b>	<b><u>78,651</u></b>

Utilities Expenses:

6450	Electricity	26,504
6451	Water	3,872
6452	Gas	13,071
6453	Sewer	8,094
<b>6400T</b>	<b>Total utilities expense</b>	<b><u>51,541</u></b>

**GRANDVIEW SECOND CORPORATION**  
**PROJECT NO. 016-HD009**  
**STATEMENT OF ACTIVITIES DATA**  
**Year Ended September 30, 2022**



**Part I**

Operating and Maintenance Expenses:

6510	Payroll	29,732
6515	Supplies	8,425
6520	Contracts	33,197
6525	Garbage and trash removal	6,273
6546	Heating/cooling repairs and maintenance	4,554
6548	Snow removal	4,700
6590	Miscellaneous operating and maintenance expense	1,520
<b>6500T</b>	<b>Total operating and maintenance expenses</b>	<b><u>88,401</u></b>

Taxes and Insurance:

6710	Real estate taxes	26,841
6711	Payroll taxes	3,876
6722	Workmen's compensation	301
6723	Health insurance and other employee benefits	12,789
<b>6700T</b>	<b>Total taxes and insurance</b>	<b><u>43,807</u></b>

Operating Results:

<b>6000T</b>	<b>Total cost of operations before depreciation</b>	<b><u>262,400</u></b>
<b>5060T</b>	<b>Profit before depreciation</b>	<b><u>39,165</u></b>
6600	Depreciation expense	<u>48,228</u>
<b>5060N</b>	<b>Operating loss</b>	<b><u><u>\$ (9,063)</u></u></b>

Change in Net Assets from Operations:

3247	Change in net assets without donor restrictions	\$ 15,967
3249	Change in net assets with donor restrictions	(25,030)
<b>3250</b>	<b>Change in total net assets from operations</b>	<b><u><u>\$ (9,063)</u></u></b>

**Part II**

S1000-020	The total of all monthly reserve for replacement deposits (usually 12 months) required during the audit period even if deposits have been temporarily waived or suspended.	\$ 55,696
S1000-030	Replacement reserves, or residual receipts and releases which are included as expense items on this profit and loss statement.	\$ 5,185

**GRANDVIEW SECOND CORPORATION**  
**PROJECT NO. 016-HD009**  
**STATEMENT OF EQUITY DATA**  
**Year Ended September 30, 2022**



S1100-060	Previous year net assets without donor restrictions	\$ 333,997
3247	Change in net assets without donor restrictions	<u>15,967</u>
<b>3131</b>	<b>Net assets without donor restrictions</b>	<b><u>\$ 349,964</u></b>
S1100-080	Previous year net assets with donor restrictions	\$ 461,654
3249	Change in net assets with donor restrictions	<u>(25,030)</u>
<b>3133</b>	<b>Net assets with donor restrictions</b>	<b><u>\$ 436,624</u></b>
S1100-050	Previous year total net assets	\$ 795,651
3250	Change in total net assets from operations	<u>(9,063)</u>
<b>3130</b>	<b>Total net assets</b>	<b><u>\$ 786,588</u></b>



**GRANDVIEW SECOND CORPORATION**  
**PROJECT NO. 016-HD009**  
**STATEMENT OF CASH FLOW DATA**  
**Year Ended September 30, 2022**

Cash Flows from Operating Activities:		
S1200-010	Rental receipts	\$ 296,353
S1200-020	Interest receipts	348
S1200-030	Other operating receipts	3,981
<b>S1200-040</b>	<b>Total receipts</b>	<b><u>300,682</u></b>
S1200-050	Administrative	1,489
S1200-070	Management fee	(18,194)
S1200-090	Utilities	(50,671)
S1200-100	Salaries and wages	(47,611)
S1200-110	Operating and maintenance	(38,000)
S1200-120	Real estate taxes	(45,296)
S1200-150	Miscellaneous taxes and insurance	(16,966)
S1200-160	Tenant security deposits	194
<b>S1200-230</b>	<b>Total disbursements</b>	<b><u>(215,055)</u></b>
<b>S1200-240</b>	<b>Net cash provided by operating activities</b>	<b><u>85,627</u></b>
Cash Flows from Investing Activities:		
S1200-250	Net deposits to the reserve for replacements account	(26,393)
S1200-260	Net deposits to the residual receipts account	(2,221)
S1200-330	Net purchases of fixed assets	(53,250)
<b>S1200-350</b>	<b>Net cash used by investing activities</b>	<b><u>(81,864)</u></b>
<b>S1200-470</b>	<b>Net Increase in Cash</b>	<b>3,763</b>
<b>S1200-480</b>	<b>Cash, beginning of year</b>	<b><u>89,537</u></b>
<b>S1200T</b>	<b>Cash, end of year</b>	<b><u>\$ 93,300</u></b>

**GRANDVIEW SECOND CORPORATION**  
**PROJECT NO. 016-HD009**  
**COMPUTATION OF CASH DEFICIENCY, DISTRIBUTIONS,**  
**AND RESIDUAL RECEIPTS (ANNUAL)**  
**Year Ended September 30, 2022**

Cash on Hand and in Banks:		
S1300-010	Cash	\$ 98,745
<b>S1300-040</b>	<b>Total cash</b>	<u><u>98,745</u></u>
Current Obligations:		
S1300-075	Accounts payable - 30 days	25,906
2210	Prepaid revenue	534
2191	Tenant/patient deposits held in trust	5,006
S1300-110	Other current obligations	95,201
<b>S1300-140</b>	<b>Total current obligations</b>	<u><u>126,647</u></u>
S1300-150	Cash Deficiency	<u><u>\$ (27,902)</u></u>
S1300-210	Deposit due residual receipts	<u><u>\$ -</u></u>

**GRANDVIEW SECOND CORPORATION**  
**PROJECT NO. 016-HD009**  
**SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT ACCOUNTS**  
**Year Ended September 30, 2022**

	<b>Balance 10/01/21</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 09/30/22</b>
1410 Land	\$ 147,783	-	-	\$ 147,783
1420 Building	1,241,291	53,250	-	1,294,541
<b>1400T Totals</b>	<b>\$ 1,389,074</b>	<b>\$ 53,250</b>	<b>-</b>	<b>\$ 1,442,324</b>
1495 Accumulated depreciation	\$ (770,157)	\$ (48,228)	-	(818,385)
<b>1400N Net book value</b>				<b>\$ 623,939</b>

**GRANDVIEW SECOND CORPORATION**  
**PROJECT NO. 016-HD009**  
**SCHEDULE OF RESERVE FOR REPLACEMENTS**  
**Year Ended September 30, 2022**



1320P	Balance at October 1, 2021	\$ 189,655
	Monthly deposits:	
	12 months at \$4,641	
1320DT	Total monthly deposits	55,696
1320INT	Interest on reserve for replacements account	332
1320WT	Approved withdrawals	(28,122)
1320OWT	Other withdrawals	(1,513)
		<hr/>
<b>1320</b>	<b>Balance at September 30, 2022</b>	<b><u><u>\$ 216,048</u></u></b>
1320R	Deposits Suspended or Waived Indicator	<hr/> No <hr/>

**GRANDVIEW SECOND CORPORATION**  
**PROJECT NO. 016-HD009**  
**SCHEDULE OF RESIDUAL RECEIPTS**  
**Year Ended September 30, 2022**



1340P	Balance at October 1, 2021	\$ 1,766
1340DT	Total deposits	2,887
1340INT	Interest on residual receipts account	6
1340OWT	Other withdrawals	<u>(672)</u>
<b>1340</b>	<b>Balance at September 30, 2022</b>	<b><u><u>\$ 3,987</u></u></b>

**GRANDVIEW SECOND CORPORATION  
PROJECT NO. 016-HD009  
CERTIFICATE OF PROJECT OWNER  
Year Ended September 30, 2022**



**CERTIFICATE OF PROJECT OWNER**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Grandview Second Corporation, HUD Project No. 016-HD009, and, to the best of our knowledge and belief, the same are accurate and complete.

Stephen Burke  
Vice President, Finance  
The Providence Center, Inc.

*Stephen E. Burke*  
\_\_\_\_\_  
Signature

Mary E. Marran, MS, OT, MBA  
President  
The Providence Center, Inc.

*M. E. Marran*  
\_\_\_\_\_  
Signature

December 8, 2022  
\_\_\_\_\_  
Date

05-0316969  
\_\_\_\_\_  
Organization Employer  
Identification Number

401-528-0123  
\_\_\_\_\_  
Telephone Number

**GRANDVIEW SECOND CORPORATION  
PROJECT NO. 016-HD009  
MANAGEMENT AGENT'S CERTIFICATE  
Year Ended September 30, 2022**

**MANAGEMENT AGENT'S CERTIFICATE**

I hereby certify that I have examined the financial statements and supplemental data of Grandview Second Corporation, HUD Project NO. 016-HD009, and, to the best of my knowledge and belief, the same are accurate and complete.



---

Anna Maria Moore, Property Manager  
The Providence Center, Inc.  
Employer I.D. No. 05-0316969

**GRANDVIEW SECOND CORPORATION**

Reports Required by  
*Government Auditing Standards -  
Title 2 U.S. Code of Federal Regulations  
Part 200 - Uniform Administrative  
Requirements, Cost Principles,  
and Audit Requirements for Federal Awards*

Year Ended September 30, 2022



**GRANDVIEW SECOND CORPORATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended September 30, 2022**



Federal Grantor Program Title	Assistance Listing Number	Award Number	Federal Expenditures	Subrecipient
<u>U.S. Department of Housing and Urban Development</u>				
Supportive Housing for Persons with Disabilities	14.181	016-HD009	\$ 1,173,200	\$ -
Project Rental Assistance Payments	14.195	016-HD009	<u>221,490</u>	<u>-</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>\$ 1,394,690</u>	<u>\$ -</u>

**GRANDVIEW SECOND CORPORATION**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended September 30, 2022**

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal grant activity of the Organization, HUD Project No. 016-HD009, and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, activities or cash flows of the Organization.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. Indirect Cost Rate**

The Organization has a federally approved negotiated indirect cost rate agreement, and therefore, is not subject to the 10-percent de minimis indirect cost rate under the Uniform Guidance.

**4. Federal Programs**

The Organization received funding from the U.S. Department of Housing and Urban Development 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 impose continuing compliance requirements on the use of the properties acquired and rehabilitated for specified periods ranging from 10 to 40 years.

**INDEPENDENT AUDITORS' REPORT 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  
Grandview Second Corporation and Care New England Health System:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Grandview Second Corporation (the Organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

**INDEPENDENT AUDITORS' REPORT 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 (Continued)**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kahn, Litwin, Renya & Co., Ltd.*

December 8, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
Grandview Second Corporation and Care New England Health System:

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Grandview Second Corporation's (the Organization) 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 the Organization's major federal program for the year ended September 30, 2022. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2022.

***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; 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 Organization 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 Organization's compliance with the compliance requirements referred to above.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (Continued)**

***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 Organization'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 Organization'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 generally accepted auditing standards, *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, intention, 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 Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Organization'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 Organization'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 Organization'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.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (Continued)**

**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.

*Kahn, Litwin, Renya & Co., Ltd.*

December 8, 2022

**GRANDVIEW SECOND CORPORATION**  
**PROJECT NO. 016-HD009**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2022**



**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

***Financial Statements***

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ yes   X   no
- Significant deficiencies identified? \_\_\_\_\_ yes   X   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

***Federal Awards***

Internal control over major federal programs:

- Material weaknesses identified? \_\_\_\_\_ yes   X   no
- Significant deficiencies identified? \_\_\_\_\_ yes   X   none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? \_\_\_\_\_ yes   X   no

Identification of major federal program:

<u><i>Assistance Listing Number</i></u>	<u><i>Name of Federal Program</i></u>
14.181	Supportive Housing for Persons with Disabilities

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee   X   yes \_\_\_\_\_ no



**GRANDVIEW SECOND CORPORATION**  
**PROJECT NO. 016-HD009**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2022**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

No matters were reported.

## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE**

To the Board of Directors of  
Grandview Second Corporation and Care New England Health System:

We have performed the procedure described in the second paragraph of this report, on whether the electronic submission of certain information agrees with the hard copy documents within the audit reporting package. Grandview Second Corporation (the Organization) is responsible for the accuracy and completeness of the electronic submission.

The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to determine whether the electronic submission of certain information agrees with the related hard copy documents within the audit reporting package. Additionally, the U.S. Department of Housing and Urban Development Real Estate Assessment Center (REAC) has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The associated findings from the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged by the Organization to perform this agreed-upon procedure engagement and conducted our engagement in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the electronic submission of the items listed in the "UFRS Rule Information" column agrees with the related hard copy documents within the audit reporting package. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures agreement.

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING  
AGREED-UPON PROCEDURE (Continued)**

We were engaged to perform an audit in accordance with the *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance)*, by the Organization as of and for the year ended September 30, 2022, and have issued our reports thereon dated December 8, 2022. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated December 8, 2022, was expressed in relation to the basic financial statements of the Organization taken as a whole.

A copy of the reporting package required by the OMB Uniform Guidance, which includes the auditors' reports, is available in its entirety from the Organization. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

The purpose of this report on applying the agreed-upon procedures is solely to describe the procedures performed on the electronic submission of the items listed in the "UFRS Rule Information" column and the associated findings, and not to provide an opinion or conclusion. Accordingly, this report is not suitable for any other purpose.

*Kahn, Litwin, Renya & Co., Ltd.*

December 8, 2022

<b>UFRS Rule Information</b>	<b>Hard Copy Document(s)</b>	<b>Findings</b>
Balance Sheet, Revenue and Expenses and Cash Flow Data (account numbers 1120 to 7100T and the S1200 Series)	Financial Data Templates (i.e., Supplemental Schedules)	Agrees
Surplus Cash (S1300 series of accounts)	Financial Data Templates (i.e. Computation of Surplus, Distributions and Residual Receipts (Annual))	Agrees
Footnotes (S3100 series of accounts)	Footnotes to Audited Basic Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor Reports (S3400, S3500, and S3600 series of accounts)	Auditor's Report on the Financial Statements, Compliance, and Internal Control	Agrees
Type of Opinion on Financial Data Templates (i.e. Supplemental Data) (account S3400-100)	Auditor's Supplemental Report on Financial Data Templates	Agrees
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General Information (S3300, S3700, and S3800 series of accounts)	Schedule of Findings and Questioned Costs and Federal Awards Data	Agrees

**NASHUA STREET CORPORATION**  
**HUD Project Number 016-HD026**

**Financial Statements**  
**and Supplementary Information**

**Year Ended September 30, 2022**

**(With Independent Auditors' Report Thereon)**

**NASHUA STREET CORPORATION**  
**HUD PROJECT NUMBER 016-HD026**  
**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**  
**Year Ended September 30, 2022**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Nashua Street Corporation and Care New England Health System:

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Nashua Street Corporation (the Organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashua Street Corporation as of September 30, 2022, and the changes in its net assets and its cash flows for the year 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 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 Financial Statements section of our report. We are required to be independent of the Organization 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.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.



***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 13 to 21 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Kahn, Litwin, Renga & Co., Ltd.*

December 8, 2022

**NASHUA STREET CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**September 30, 2022**



**Assets**

Current Assets:

Cash	\$ 49,498
Tenant rent receivables	633
Prepaid expenses	7,168
<b>Total current assets</b>	<b>57,299</b>

Property and Equipment	1,160,511
Less accumulated depreciation	530,450
<b>Net property and equipment</b>	<b>630,061</b>

Restricted Deposits:

Reserve for replacements	171,683
Residual receipts	423
Tenants' security deposits	3,646
<b>Total restricted deposits</b>	<b>175,752</b>

<b>Total Assets</b>	<b>\$ 863,112</b>
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**Liabilities and Net Assets**

Current Liabilities:

Accounts payable	\$ 22,964
Advances payable - related party	110,979
Prepaid revenue	5,929
Tenants' security deposits payable	3,246
<b>Total current liabilities</b>	<b>143,118</b>

Net Assets:

Without donor restrictions	111,448
With donor restrictions	608,546
<b>Total net assets</b>	<b>719,994</b>

<b>Total Liabilities and Net Assets</b>	<b>\$ 863,112</b>
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**NASHUA STREET CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2022**



Change in Net Assets without Donor Restrictions:	
Revenue:	
Rent income	\$ 128,373
Financial income	285
Other income	3,679
Satisfaction of restrictions	24,965
<b>Total revenue</b>	<u><b>157,302</b></u>
Expenses:	
Program services	134,684
Management and general	25,569
<b>Total expenses</b>	<u><b>160,253</b></u>
<b>Change in net assets without donor restrictions</b>	<u><b>(2,951)</b></u>
Change in Net Assets with Donor Restrictions:	
Satisfaction of restrictions	(24,965)
<b>Change in net assets with donor restrictions</b>	<u><b>(24,965)</b></u>
<b>Change in Net Assets</b>	<b>(27,916)</b>
<b>Net Assets, beginning of year</b>	<u><b>747,910</b></u>
<b>Net Assets, end of year</b>	<u><u><b>\$ 719,994</b></u></u>

**NASHUA STREET CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended September 30, 2022**



	<b>Program Services</b>	<b>Management and General</b>	<b>Total</b>
Salaries	\$ 32,506	-	\$ 32,506
Employee benefits	7,743	-	7,743
Payroll taxes	2,347	-	2,347
Audit, bookkeeping and tax fees	-	13,900	13,900
Bad debt recovery	-	(1,325)	(1,325)
Contract fees	11,590	-	11,590
Depreciation	27,014	-	27,014
Insurance	182	-	182
Management fee	-	7,080	7,080
Office expenses	3,055	5,914	8,969
Real estate taxes	9,979	-	9,979
Repairs and maintenance	9,468	-	9,468
Utilities	30,800	-	30,800
<b>Total expenses</b>	<b>\$ 134,684</b>	<b>\$ 25,569</b>	<b>\$ 160,253</b>

**NASHUA STREET CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**Year Ended September 30, 2022**



<b>Cash Flows from Operating Activities:</b>	
Change in net assets	\$ (27,916)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	27,014
Bad debt recovery	(1,325)
Changes in operating assets and liabilities:	
Tenant rent receivables	1,346
Prepaid expenses	(6,954)
Accounts payable	1,916
Advances payable - related party	22,159
Prepaid revenue	5,917
Tenants' security deposits payable	228
<b>Net cash provided by operating activities</b>	<u><u>22,385</u></u>
 <b>Net Increase in Cash and Restricted Cash</b>	 <b>22,385</b>
 <b>Cash and Restricted Cash, beginning of year</b>	 <u><u>202,865</u></u>
 <b>Cash and Restricted Cash, end of year</b>	 <u><u>\$ 225,250</u></u>
 <b>Reconciliation of Cash and Restricted Cash:</b>	
Cash	\$ 49,498
Restricted Cash:	
Reserve for replacements	171,683
Residual receipts	423
Tenants' security deposits	3,646
	<u><u>\$ 225,250</u></u>

**NASHUA STREET CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2022**

**1. Nature of Operations**

Nashua Street Corporation (the Organization) was organized in 1999 and owns a residential building for low-income individuals with chronic mental illness (the Project), consisting of 11 rental units, of which 10 units are under Section 811 of the National Affordable Housing Act of 1990, as amended. The Project is located in Providence, Rhode Island. The Project is regulated by the U.S. Department of Housing and Urban Development (HUD) as to rental charges and operating methods.

The Project is subject to a Section 8 Housing Assistance Payments agreement (the Regulatory Agreement) with HUD. HUD Section 8 housing subsidies and client payments are based on a percentage ratio formula of the clients' monthly income. During the year ended September 30, 2022, approximately 67% of the Organization's revenue was obtained through housing assistance payments.

Effective July 31, 2014, the Board of Trustees of the Providence Center (the Project Sponsor and Parent) voted to authorize its chief executive officer to execute an affiliation agreement that would result in the Organization becoming a part of the Care New England Health System (CNE). Effective September 2, 2014, the chief executive officers of the Parent and CNE signed an affiliation agreement that made CNE the Sole Corporate Member (the Member) of the Organization with certain reserve powers and, as of January 1, 2015, the Parent became a subsidiary of CNE. The Organization continues to exist as a corporation. The Organization's Board of Directors (the Board) continues to exist with all existing powers, except those reserved to the Member.

**2. Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Organization is presented to assist the reader in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

***Basis of Presentation***

The Organization prepares its financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

***Net Assets without Donor Restrictions***

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes.

**NASHUA STREET CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2022**

***Net Assets with Donor Restrictions***

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

***Tenant Rent Receivables***

Tenant rent receivables are recorded in full when rents are earned. The Organization provides an allowance for accounts deemed uncollectible. Doubtful accounts are charged to the allowance account in the period in which they are determined to be uncollectible. The Organization does not accrue interest on receivables. At year end, the Organization had no allowance for doubtful accounts.

***Property and Equipment***

Property and equipment are stated at cost. Improvements to rental property and purchases of furniture and equipment of \$5,000 or more are capitalized. Depreciation is calculated using the straight-line basis over the estimated useful lives of the related assets, ranging from 3 to 40 years.

***Restricted Deposits***

***Reserve for Replacements***

The terms of the Regulatory Agreement require the Organization to make monthly payments to a replacement reserve for building repairs, improvements and equipment. Disbursements from the replacement reserve fund are restricted by HUD.

***Residual Receipts***

Use of the residual receipts account is contingent upon HUD's prior written approval.

***Revenue Recognition***

Rent income, which is principally from short-term leases on apartments, is recognized as income under the operating method as the rentals become due. Advance rent payments are recorded as current liabilities and the related revenue is deferred until earned.

***Distributions***

The Organization's Regulatory Agreement with HUD stipulates, among other things, that the Organization will not make distributions of assets or income to any of its officers or directors.

**NASHUA STREET CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2022**

***Functional Allocation of Expenses***

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of job description, and estimates of time and effort.

***Income Taxes***

The Organization is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Organization operates in a manner consistent with its tax-exempt status at both the state and federal level.

The Organization annually files IRS Form 990 - *Return of Organization Exempt From Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities generally for a period of three years after they were filed. The Organization currently has no tax examinations in progress.

***Estimates***

The preparation of 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

***Subsequent Events***

Management of the Organization has evaluated subsequent events through December 8, 2022, which is the date these financial statements were available to be issued.

**3. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets:

Cash	\$ 49,498
Tenant rent receivables	633
	<hr/>

Financial assets available to meet general expenditure needs within one year

\$ 50,131

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**NASHUA STREET CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2022**

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In the event of an unanticipated liquidity need, the Organization's Parent has the ability to finance overhead expenses. In addition, the Organization has restricted deposits that it can utilize for specific purposes upon receipt of written approval from HUD.

**4. Property and Equipment**

Property and equipment consisted of the following:

Land	\$ 125,887
Building and improvements	<u>1,034,624</u>
Total property and equipment	<u>\$ 1,160,511</u>

**5. Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted to the rental apartments, which were funded by HUD under Section 811 of the National Affordable Housing Act of 1990, as amended (See Note 6).

**6. Contingent Liability**

*U.S. Department of Housing and Urban Development*

The Organization 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 the Organization 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.

**7. Rent Increases**

Under the Regulatory Agreement, the Organization may not increase rents charged to tenants without HUD approval. There was no HUD-approved rent increase during the year ended September 30, 2022.

**NASHUA STREET CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2022**

**8. Management Fee**

The Project has a management agreement that provides for a monthly payment of management fees to the Project Sponsor equal to \$59.00 per unit for 10 units. The management agreement is automatically renewed for a one-year period unless terminated by either party as specified in the agreement. The Project Sponsor is reimbursed for payroll and related costs of on-site personnel and certain shared operating costs. Included in management and general expenses in the statement of activities are management fees paid to the Project Sponsor totaling \$7,080 for year ended September 30, 2022.

**9. Current Vulnerability Due to Certain Concentrations**

The Organization's primary asset is an 11-unit apartment project. The Organization's operations are concentrated in the multi-family real estate market. In addition, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to changes by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**10. Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization maintains its cash balance in one financial institution. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Organization's cash balance may exceed this limit. Cash balances in excess of \$250,000 are generally uninsured.

**11. Related Party Transactions**

The Project Sponsor has made operating advances to the Organization; the balance at year end is \$110,979, and is included in advances payable – related party in the accompanying statement of financial position. Repayment of amounts previously advanced is not a prohibited transaction between the Project Sponsor and the Organization.

**NASHUA STREET CORPORATION**  
**HUD PROJECT NUMBER 016-HD026**  
**SUPPLEMENTARY INFORMATION REQUIRED BY HUD**  
**Year Ended September 30, 2022**

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**NASHUA STREET CORPORATION**  
**PROJECT NO. 016-HD026**  
**STATEMENT OF FINANCIAL POSITION DATA**  
**September 30, 2022**



**Assets**

Current Assets:

1120 Cash - operations \$ 49,498

1130 Tenant/member accounts receivable 633

**1130N Net tenant/member accounts receivable 633**

1200 Prepaid expenses 7,168

**1100T Total current assets 57,299**

1191 Tenant/patient deposits held in trust 3,646

Deposits:

1320 Replacement reserve 171,683

1340 Residual receipts reserve 423

**1300T Total deposits 172,106**

Fixed Assets:

1410 Land 125,887

1420 Buildings 1,034,624

**1400T Total fixed assets 1,160,511**

1495 Accumulated depreciation (530,450)

**1400N Net fixed assets 630,061**

**1000T Total assets \$ 863,112**

**Liabilities and Net Assets**

Current Liabilities:

2110 Accounts payable - operations \$ 22,964

2190 Miscellaneous current liabilities 110,979

2210 Prepaid revenue 5,929

**2122T Total current liabilities 139,872**

2191 Tenants/patient deposits held in trust (contra) 3,246

**2000T Total liabilities 143,118**

Net Assets:

3131 Net assets without donor restrictions 111,448

3133 Net assets with donor restrictions 608,546

**3130 Total net assets 719,994**

**2033T Total liabilities and equity/net assets \$ 863,112**

**NASHUA STREET CORPORATION**  
**PROJECT NO. 016-HD026**  
**STATEMENT OF ACTIVITIES DATA**  
**Year Ended September 30, 2022**



**Part I**

Rent Revenue:

5120	Rent revenue - gross potential	\$ 39,661
5121	Tenant assistance payments	88,739
<b>5100T</b>	<b>Total rent revenue</b>	<b><u>128,400</u></b>

Vacancies:

5220	Apartments	27
<b>5200T</b>	<b>Total vacancies</b>	<b><u>27</u></b>

<b>5152N</b>	<b>Net rental revenue (rent revenue less vacancies)</b>	<b><u>128,373</u></b>
--------------	---	-----------------------

Financial Revenue:

5430	Revenue from investments - residual receipts	1
5440	Revenue from investments - reserve for replacements	278
5490	Revenue from Investments - Miscellaneous	6
<b>5400T</b>	<b>Total financial revenue</b>	<b><u>285</u></b>

Other Revenue:

5910	Laundry and vending revenue	175
5990	Miscellaneous revenue	3,504
<b>5900T</b>	<b>Total other revenue</b>	<b><u>3,679</u></b>

<b>5000T</b>	<b>Total revenue</b>	<b><u>132,337</u></b>
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Administrative Expenses:

6310	Office salaries	6,982
6311	Office expenses	3,055
6320	Management fee	7,080
6330	Manager or superintendent salaries	10,658
6350	Audit expenses	13,900
6370	Bad debt recovery	(1,325)
6390	Miscellaneous administrative expenses	5,914
<b>6263T</b>	<b>Total administrative expenses</b>	<b><u>46,264</u></b>

Utilities Expenses:

6450	Electricity	15,221
6451	Water	4,146
6452	Gas	7,700
6453	Sewer	3,733
<b>6400T</b>	<b>Total utilities expense</b>	<b><u>30,800</u></b>

**NASHUA STREET CORPORATION**  
**PROJECT NO. 016-HD026**  
**STATEMENT OF ACTIVITIES DATA**  
**Year Ended September 30, 2022**



**Part I**

Operating and Maintenance Expenses:

6510	Payroll	\$ 14,866
6515	Supplies	2,047
6520	Contracts	11,590
6525	Garbage and trash removal	2,746
6546	Heating/cooling repairs and maintenance	480
6548	Snow removal	3,680
6590	Miscellaneous operating and maintenance expense	515
<b>6500T</b>	<b>Total operating and maintenance expenses</b>	<b><u>35,924</u></b>

Taxes and Insurance:

6710	Real estate taxes	9,979
6711	Payroll taxes	2,347
6722	Workmen's compensation	182
6723	Health insurance and other employee benefits	7,743
<b>6700T</b>	<b>Total taxes and insurance</b>	<b><u>20,251</u></b>

Operating Results:

<b>6000T</b>	<b>Total cost of operations before depreciation</b>	<b><u>133,239</u></b>
<b>5060T</b>	<b>Loss before depreciation</b>	<b><u>(902)</u></b>
6600	Depreciation expense	<u>27,014</u>
<b>5060N</b>	<b>Operating loss</b>	<b><u><u>\$ (27,916)</u></u></b>

Change in Net Assets from Operations:

3247	Change in net assets without donor restrictions	\$ (2,951)
3249	Change in net assets with donor restrictions	(24,965)
<b>3250</b>	<b>Change in total net assets from operations</b>	<b><u><u>\$ (27,916)</u></u></b>

**Part II**

S1000-020	The total of all monthly reserve for replacement deposits (usually 12 months) required during the audit period even if deposits have been temporarily waived or suspended.	\$ 26,844
S1000-030	Replacement reserves, or residual receipts and releases which are included as expense items on this profit and loss statement.	\$ 2,125

**NASHUA STREET CORPORATION**  
**PROJECT NO. 016-HD026**  
**STATEMENT OF EQUITY DATA**  
**Year Ended September 30, 2022**



S1100-060	Previous year net assets without donor restrictions	\$ 114,399
3247	Change in net assets without donor restrictions	(2,951)
<b>3131</b>	<b>Net assets without donor restrictions</b>	<b><u>\$ 111,448</u></b>
S1100-080	Previous year net assets with donor restrictions	\$ 633,511
3249	Change in net assets with donor restrictions	(24,965)
<b>3133</b>	<b>Net assets with donor restrictions</b>	<b><u>\$ 608,546</u></b>
S1100-050	Previous year total net assets	\$ 747,910
3250	Change in total net assets from operations	(27,916)
<b>3130</b>	<b>Total net assets</b>	<b><u>\$ 719,994</u></b>

**NASHUA STREET CORPORATION**  
**PROJECT NO. 016-HD026**  
**STATEMENT OF CASH FLOW DATA**  
**Year Ended September 30, 2022**

Cash Flows from Operating Activities:		
S1200-010	Rental receipts	\$ 134,311
S1200-020	Interest receipts	285
S1200-030	Other operating receipts	3,679
<b>S1200-040</b>	<b>Total receipts</b>	<b><u>138,275</u></b>
S1200-050	Administrative	(16,628)
S1200-070	Management fee	(7,080)
S1200-090	Utilities	(31,118)
S1200-100	Salaries and wages	(19,477)
S1200-110	Operating and maintenance	(14,610)
S1200-120	Real estate taxes	(16,933)
S1200-150	Miscellaneous taxes and insurance	(10,272)
S1200-160	Tenant security deposits	6
<b>S1200-230</b>	<b>Total disbursements</b>	<b><u>(116,112)</u></b>
<b>S1200-240</b>	<b>Net cash provided by operating activities</b>	<b><u>22,163</u></b>
Cash Flows from Investing Activities:		
S1200-250	Net deposits to the reserve for replacements account	(25,664)
S1200-260	Net withdrawals from the residual receipts account	666
<b>S1200-350</b>	<b>Net cash used by investing activities</b>	<b><u>(24,998)</u></b>
<b>S1200-470</b>	<b>Net Decrease in Cash</b>	<b>(2,835)</b>
<b>S1200-480</b>	<b>Cash, beginning of year</b>	<b><u>52,333</u></b>
<b>S1200T</b>	<b>Cash, end of year</b>	<b><u>\$ 49,498</u></b>



**NASHUA STREET CORPORATION**  
**PROJECT NO. 016-HD026**  
**COMPUTATION OF CASH DEFICIENCY, DISTRIBUTIONS,**  
**AND RESIDUAL RECEIPTS (ANNUAL)**  
**Year Ended September 30, 2022**

Cash on Hand and in Banks:		
S1300-010	Cash	\$ 53,144
<b>S1300-040</b>	<b>Total cash</b>	<b><u>53,144</u></b>
Current Obligations:		
S1300-075	Accounts payable - 30 days	22,964
2210	Prepaid revenue	5,929
2191	Tenant/patient deposits held in trust	3,246
S1300-110	Other current obligations	110,979
<b>S1300-140</b>	<b>Total current obligations</b>	<b><u>143,118</u></b>
S1300-150	Cash Deficiency	<u><u>\$ (89,974)</u></u>
S1300-210	Deposit due residual receipts	<u><u>\$ -</u></u>

**NASHUA STREET CORPORATION**  
**PROJECT NO. 016-HD026**  
**SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT ACCOUNTS**  
**Year Ended September 30, 2022**

	<u>Balance</u> <u>10/01/21</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>09/30/22</u>
1410 Land	\$ 125,887	\$ -	\$ -	\$ 125,887
1420 Building	1,034,624	-	-	1,034,624
<b>1400T Totals</b>	<b><u>\$ 1,160,511</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,160,511</u></b>
1495 Accumulated depreciation	\$ (503,436)	(27,014)	-	(530,450)
<b>1400N Net book value</b>				<b><u>\$ 630,061</u></b>

**NASHUA STREET CORPORATION**  
**PROJECT NO. 016-HD026**  
**SCHEDULE OF RESERVE FOR REPLACEMENTS**  
**Year Ended September 30, 2022**



1320P	Balance at October 1, 2021	\$ 146,019
	Monthly deposits:	
	12 months at \$2,237	
1320DT	Total monthly deposits	26,844
1320INT	Interest on reserve for replacements account	278
1320OWT	Other withdrawals	<u>(1,458)</u>
<b>1320</b>	<b>Balance at September 30, 2022</b>	<b><u>\$ 171,683</u></b>
1320R	Deposits Suspended or Waived Indicator	<u>No</u>

**NASHUA STREET CORPORATION**  
**PROJECT NO. 016-HD026**  
**SCHEDULE OF RESIDUAL RECEIPTS**  
**Year Ended September 30, 2022**



1340P	Balance at October 1, 2021	\$ 1,089
1340INT	Interest on residual receipts accounts	1
1340OWT	Other withdrawals	<u>(667)</u>
<b>1340</b>	<b>Balance at September 30, 2022</b>	<b><u>\$ 423</u></b>

**NASHUA STREET CORPORATION  
PROJECT NO. 016-HD026  
CERTIFICATE OF PROJECT OWNER  
Year Ended September 30, 2022**



**CERTIFICATE OF PROJECT OWNER**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Nashua Street Corporation, HUD Project No. 016-HD026, and, to the best of our knowledge and belief, the same are accurate and complete.

Stephen Burke  
Vice President, Finance  
The Providence Center, Inc.

*Stephen E. Burke*  
\_\_\_\_\_  
Signature

Mary E. Marran, MS, OT, MBA  
President  
The Providence Center, Inc.

*M. E. Marran*  
\_\_\_\_\_  
Signature

December 8, 2022  
\_\_\_\_\_  
Date

05-0316969  
\_\_\_\_\_  
Organization Employer  
Identification Number

401-528-0123  
\_\_\_\_\_  
Telephone Number

**NASHUA STREET CORPORATION  
PROJECT NO. 016-HD026  
MANAGEMENT AGENT'S CERTIFICATE  
Year Ended September 30, 2022**

**MANAGEMENT AGENT'S CERTIFICATE**

I hereby certify that I have examined the financial statements and supplemental data of Nashua Street Corporation, HUD Project NO. 016-HD026, and, to the best of my knowledge and belief, the same are accurate and complete.



---

Anna Maria Moore, Property Manager  
The Providence Center, Inc.  
Employer I.D. No. 05-0316969

**NASHUA STREET CORPORATION**

Reports Required by  
*Government Auditing Standards -  
Title 2 U.S. Code of Federal Regulations  
Part 200 - Uniform Administrative  
Requirements, Cost Principles,  
and Audit Requirements for Federal Awards*

Year Ended September 30, 2022

**NASHUA STREET CORPORATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended September 30, 2022**



Federal Grantor Program Title	Assistance Listing Number	Award Number	Federal Expenditures	Subrecipient
<u>U.S. Department of Housing and Urban Development</u>				
Supportive Housing for Persons with Disabilities	14.181	016-HD026	\$ 834,200	\$ -
Project Rental Assistance Payments	14.195	016-HD026	<u>88,739</u>	<u>-</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>\$ 922,939</u>	<u>\$ -</u>



**NASHUA STREET CORPORATION**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended September 30, 2022**

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal grant activity of the Organization, HUD Project No. 016-HD026, and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, activities or cash flows of the Organization.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. Indirect Cost Rate**

The Organization has a federally approved negotiated indirect cost rate agreement, and therefore, is not subject to the 10-percent de minimis indirect cost rate under the Uniform Guidance.

**4. Federal Programs**

The Organization received funding from the U.S. Department of Housing and Urban Development 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 impose continuing compliance requirements on the use of the properties acquired and rehabilitated for specified periods ranging from 10 to 40 years.

**INDEPENDENT AUDITORS' REPORT 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  
Nashua Street Corporation and Care New England Health System:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Nashua Street Corporation (the Organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

**INDEPENDENT AUDITORS' REPORT 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 (Continued)**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kahn, Litwin, Renya & Co., Ltd.*

December 8, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
Nashua Street Corporation and Care New England Health System:

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Nashua Street Corporation's (the Organization) 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 the Organization's major federal program for the year ended September 30, 2022. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2022.

***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; 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 Organization 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 Organization's compliance with the compliance requirements referred to above.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (Continued)**

***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 Organization'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 Organization'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 generally accepted auditing standards, *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, intention, 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 Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Organization'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 Organization'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 Organization'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.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (Continued)**

**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.

*Kahn, Litwin, Renya & Co., Ltd.*

December 8, 2022

**NASHUA STREET CORPORATION**  
**PROJECT NO. 016-HD026**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2022**



**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

***Financial Statements***

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ yes   X   no
- Significant deficiencies identified? \_\_\_\_\_ yes   X   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

***Federal Awards***

Internal control over major federal programs:

- Material weaknesses identified? \_\_\_\_\_ yes   X   no
- Significant deficiencies identified? \_\_\_\_\_ yes   X   none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? \_\_\_\_\_ yes   X   no

Identification of major federal program:

<u><i>Assistance Listing Number</i></u>	<u><i>Name of Federal Program</i></u>
14.181	Supportive Housing for Persons with Disabilities

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee   X   yes \_\_\_\_\_ no

**NASHUA STREET CORPORATION**  
**PROJECT NO. 016-HD026**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2022**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

No matters were reported.



## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE**

To the Board of Directors of  
Nashua Street Corporation and Care New England Health System:

We have performed the procedure described in the second paragraph of this report, on whether the electronic submission of certain information agrees with the hard copy documents within the audit reporting package. Nashua Street Corporation (the Organization) is responsible for the accuracy and completeness of the electronic submission.

The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to determine whether the electronic submission of certain information agrees with the related hard copy documents within the audit reporting package. Additionally, the U.S. Department of Housing and Urban Development Real Estate Assessment Center (REAC) has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The associated findings from the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged by the Organization to perform this agreed-upon procedure engagement and conducted our engagement in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the electronic submission of the items listed in the "UFRS Rule Information" column agrees with the related hard copy documents within the audit reporting package. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures agreement.

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING  
AGREED-UPON PROCEDURE (Continued)**

We were engaged to perform an audit in accordance with the *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance)*, by the Organization as of and for the year ended September 30, 2022, and have issued our reports thereon dated December 8, 2022. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated December 8, 2022, was expressed in relation to the basic financial statements of the Organization taken as a whole.

A copy of the reporting package required by the OMB Uniform Guidance, which includes the auditors' reports, is available in its entirety from the Organization. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

The purpose of this report on applying the agreed-upon procedures is solely to describe the procedures performed on the electronic submission of the items listed in the "UFRS Rule Information" column and the associated findings, and not to provide an opinion or conclusion. Accordingly, this report is not suitable for any other purpose.

*Kahn, Litwin, Renya & Co., Ltd.*

December 8, 2022

<b>UFRS Rule Information</b>	<b>Hard Copy Document(s)</b>	<b>Findings</b>
Balance Sheet, Revenue and Expenses and Cash Flow Data (account numbers 1120 to 7100T and the S1200 Series)	Financial Data Templates (i.e., Supplemental Schedules)	Agrees
Surplus Cash (S1300 series of accounts)	Financial Data Templates (i.e. Computation of Surplus, Distributions and Residual Receipts (Annual))	Agrees
Footnotes (S3100 series of accounts)	Footnotes to Audited Basic Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor Reports (S3400, S3500, and S3600 series of accounts)	Auditor's Report on the Financial Statements, Compliance, and Internal Control	Agrees
Type of Opinion on Financial Data Templates (i.e. Supplemental Data) (account S3400-100)	Auditor's Supplemental Report on Financial Data Templates	Agrees
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General Information (S3300, S3700, and S3800 series of accounts)	Schedule of Findings and Questioned Costs and Federal Awards Data	Agrees

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**WILSON STREET APARTMENTS, INC.**  
**HUD Project Number 016-HD047**

**Financial Statements  
and Supplementary Information**

**Year Ended September 30, 2022**

**(With Independent Auditors' Report Thereon)**

**WILSON STREET APARTMENTS, INC.**

**HUD PROJECT NUMBER 016-HD047**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**Year Ended September 30, 2022**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Wilson Street Apartments, Inc. and Care New England Health System:

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Wilson Street Apartments, Inc. (the Organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wilson Street Apartments, Inc. as of September 30, 2022, and the changes in its net assets and its cash flows for the year 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 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 Financial Statements section of our report. We are required to be independent of the Organization 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.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 14 to 22 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Kahn, Litwin, Renya & Co., Ltd.*

December 8, 2022



**WILSON STREET APARTMENTS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**September 30, 2022**



**Assets**

Current Assets:

Cash	\$ 21,440
Tenant rent receivables	252
<b>Total current assets</b>	<b>21,692</b>

Property and Equipment	2,048,589
Less accumulated depreciation	921,442
<b>Net property and equipment</b>	<b>1,127,147</b>

Restricted Deposits:

Reserve for replacements	69,084
Residual receipts	850
Tenants' security deposits	2,732
<b>Total restricted deposits</b>	<b>72,666</b>

<b>Total Assets</b>	<b>\$ 1,221,505</b>
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**Liabilities and Net Assets**

Current Liabilities:

Accounts payable	\$ 27,893
Advances payable - related party	232,199
Prepaid revenue	1,082
Tenants' security deposits payable	2,497
<b>Total current liabilities</b>	<b>263,671</b>

Miscellaneous long-term liabilities	15,262
<b>Total liabilities</b>	<b>278,933</b>

Net Assets (Cumulative Deficit):

Without donor restrictions	(107,828)
With donor restrictions	1,050,400
<b>Total net assets</b>	<b>942,572</b>

<b>Total Liabilities and Net Assets</b>	<b>\$ 1,221,505</b>
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**WILSON STREET APARTMENTS, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2022**



Change in Net Assets without Donor Restrictions:	
Revenue:	
Rent income	\$ 101,990
Financial income	141
Satisfaction of restrictions	59,695
<b>Total revenue</b>	<b><u>161,826</u></b>
Expenses:	
Program services	221,805
Management and general	32,871
<b>Total expenses</b>	<b><u>254,676</u></b>
<b>Change in net assets without donor restrictions</b>	<b><u>(92,850)</u></b>
Change in Net Assets with Donor Restrictions:	
Satisfaction of restrictions	(59,695)
<b>Change in net assets with donor restrictions</b>	<b><u>(59,695)</u></b>
<b>Change in Net Assets</b>	<b>(152,545)</b>
<b>Net Assets, beginning of year</b>	<b><u>1,095,117</u></b>
<b>Net Assets, end of year</b>	<b><u>\$ 942,572</u></b>

**WILSON STREET APARTMENTS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended September 30, 2022**



	<b>Program Services</b>	<b>Management and General</b>	<b>Total</b>
Salaries	\$ 32,506	\$ -	\$ 32,506
Employee benefits	7,743	-	7,743
Payroll taxes	2,347	-	2,347
Audit, bookkeeping and tax fees	-	13,900	13,900
Bad debt expense	-	163	163
Contract fees	59,155	-	59,155
Depreciation	67,943	-	67,943
Insurance	182	-	182
Legal	-	1,950	1,950
Management fee	-	10,951	10,951
Office expenses	3,536	5,907	9,443
Repairs and maintenance	23,788	-	23,788
Utilities	24,605	-	24,605
<b>Total expenses</b>	<b>\$ 221,805</b>	<b>\$ 32,871</b>	<b>\$ 254,676</b>

**WILSON STREET APARTMENTS, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended September 30, 2022**



Cash Flows from Operating Activities:	
Change in net assets	\$ (152,545)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	67,943
Bad debt expense	163
Changes in operating assets and liabilities:	
Tenant rent receivables	1,304
Prepaid expenses	214
Accounts payable	10,911
Advances payable - related party	77,636
Prepaid revenue	967
Tenants' security deposits payable	264
Miscellaneous long-term liabilities	684
<b>Net cash provided by operating activities</b>	<b><u>7,541</u></b>
Cash Flows from Investing Activities:	
Purchase of property and equipment	<u>(52,698)</u>
<b>Net cash used by investing activities</b>	<b><u>(52,698)</u></b>
<b>Net Decrease in Cash and Restricted Cash</b>	<b>(45,157)</b>
<b>Cash and Restricted Cash, beginning of year</b>	<b><u>139,263</u></b>
<b>Cash and Restricted Cash, end of year</b>	<b><u><u>\$ 94,106</u></u></b>
<b>Reconciliation of Cash and Restricted Cash:</b>	
Cash	\$ 21,440
Restricted Cash:	
Reserve for replacements	69,084
Residual receipts	850
Tenants' security deposits	2,732
	<b><u><u>\$ 94,106</u></u></b>

See accompanying notes to the financial statements and independent auditors' report.

**WILSON STREET APARTMENTS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2022**

**1. Nature of Operations**

Wilson Street Apartments, Inc. (the Organization) owns a residential apartment complex to provide housing for low-income individuals with chronic mental illness (the Project), consisting of 10 units, under Section 811 of the National Affordable Housing Act of 1990, as amended. The Project is located in Providence, Rhode Island. The Project is regulated by the U.S. Department of Housing and Urban Development (HUD) as to rental charges and operating methods.

The Project is subject to a Section 8 Housing Assistance Payments agreement (the Regulatory Agreement) with HUD. HUD Section 8 housing subsidies and client payments are based on a percentage ratio formula of the clients' monthly income. During the year ended September 30, 2022, approximately 77% of the Organization's revenue was obtained through housing assistance payments.

Effective July 31, 2014, the Board of Trustees of the Providence Center (the Project Sponsor and Parent) voted to authorize its chief executive officer to execute an affiliation agreement that would result in the Organization becoming a part of the Care New England Health System (CNE). Effective September 2, 2014, the chief executive officers of the Parent and CNE signed an affiliation agreement that made CNE the Sole Corporate Member (the Member) of the Organization with certain reserve powers and, as of January 1, 2015, the Parent became a subsidiary of CNE. The Organization continues to exist as a corporation. The Organization's Board of Directors (the Board) continues to exist with all existing powers, except those reserved to the Member.

**2. Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Organization is presented to assist the reader in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

***Basis of Presentation***

The Organization prepares its financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

***Net Assets Without Donor Restrictions***

Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes.

**WILSON STREET APARTMENTS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2022**

***Net Assets With Donor Restrictions***

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

***Tenant Rent Receivables***

Tenant rent receivables are recorded in full when rents are earned. The Organization provides an allowance for accounts deemed uncollectible. Doubtful accounts are charged to the allowance account in the period in which they are determined to be uncollectible. The Organization does not accrue interest on receivables. At year end, the Organization had no allowance for doubtful accounts.

***Property and Equipment***

Property and equipment are stated at cost. Improvements to rental property and purchases of furniture and equipment of \$5,000 or more are capitalized. Depreciation is calculated using the straight-line basis over the estimated useful lives of the related assets, ranging from 3 to 40 years.

***Restricted Deposits***

***Reserve for Replacements***

The terms of the Regulatory Agreement require the Organization to make monthly payments to a replacement reserve for building repairs, improvements and equipment. Disbursements from the replacement reserve fund are restricted by HUD.

***Residual Receipts***

Use of the residual receipts account is contingent upon HUD's prior written approval.

***Revenue Recognition***

Rent income, which is principally from short-term leases on apartments, is recognized as income under the operating method as the rentals become due. Advance rent payments are recorded as current liabilities and the related revenue is deferred until earned.

***Distributions***

The Organization's Regulatory Agreement with HUD stipulates, among other things, that the Organization will not make distributions of assets or income to any of its officers or directors.

**WILSON STREET APARTMENTS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2022**

***Functional Allocation of Expenses***

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of job description, and estimates of time and effort.

***Income Taxes***

The Organization is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Organization operates in a manner consistent with its tax-exempt status at both the state and federal level.

The Organization annually files IRS Form 990 - *Return of Organization Exempt From Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities generally for a period of three years after they were filed. The Organization currently has no tax examinations in progress.

***Estimates***

The preparation of 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

***Subsequent Events***

Management of the Organization has evaluated subsequent events through December 8, 2022, which is the date these financial statements were available to be issued.

**3. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets:

Cash	\$ 21,440
Tenant rent receivables	<u>252</u>

Financial assets available to meet general expenditure needs  
within one year

\$ 21,692

**WILSON STREET APARTMENTS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2022**

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In the event of an unanticipated liquidity need, the Organization's Parent has the ability to finance overhead expenses. In addition, the Organization has restricted deposits that it can utilize for specific purposes upon receipt of written approval from HUD.

**4. Property and Equipment**

Property and equipment consisted of the following:

Land	\$ 150,000
Building and improvements	<u>1,898,589</u>
Total property and equipment	<u>\$ 2,048,589</u>

**5. Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted to the rental apartments, which were funded by HUD under Section 811 of the National Affordable Housing Act of 1990, as amended (See Note 6).

**6. Contingent Liabilities**

*U.S. Department of Housing and Urban Development*

The Organization received funding from HUD of \$1,170,800 for the purchase and rehabilitation of low-income housing located in Providence, Rhode Island. The terms of the agreement state that repayment is not required to be made provided that the property funded remains available only to eligible low-income individuals and families and/or disabled persons for a period of not less than 40 years. If at any time during the restricted use period the Organization is unable to meet the provisions of the agreement, the funding source has the option of requiring full repayment of the amount initially funded plus interest charged at a rate of 4.75% for each year since inception of the funding advance.

The agreements also contain certain other covenants and restrictions relating to, but not limited to, transfer and disposal of property, maintenance of insurance and methods of conducting project operation. The Project is not allowed to make any distributions to the Project Sponsor. Surplus cash, if any, is required to be deposited into a residual receipts reserve to be used for project purposes with the advance approval of HUD.



**WILSON STREET APARTMENTS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2022**

*Rhode Island Housing and Mortgage Finance Corporation*

The Organization received \$670,413 in funding through the Rhode Island Housing and Mortgage Finance Corporation via a Thresholds Agreement (the Agreement) for the acquisition and rehabilitation of the property at 15-17 Wilson Street in Providence, Rhode Island. The terms of the Agreement state that no repayment of the funding is required provided that the Organization makes available 10 units for lease to mental health consumers who do not require 24-hour supervision. If at any time during a period of 40 years commencing on the earlier of: (a) the first rental of a unit to a mental health consumer; or (b) the date two years from the date of receipt of grant funds, the Organization disposes of the property or is unable to meet the provisions of the Agreement, the Organization will be liable to return the funding received at the sole discretion of the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals, a third-party beneficiary of the Agreement. At the expiration of the restricted use period, the Organization's obligations under the Agreement shall be extended for an additional term to be agreed upon by the parties before the expiration of the Agreement.

The Agreement also contains certain other covenants and restrictions relating to, but not limited to, maintenance of a separate account and its books and records, maintenance of insurance, reporting and methods of conducting project operations.

*State of Rhode Island Housing Resources Commission*

The Organization received funding from the State of Rhode Island Housing Resources Commission Neighborhood Opportunities Program in the amount of \$240,000 for 10 units of permanent supportive housing located in Providence, Rhode Island. The terms of the agreement state that no repayment of the funding is required provided that the Organization operates the facility in compliance with the terms of the agreement for a period of 20 years. If the Organization 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, the Organization's repayment amount will be reduced by 10% per year in which the units have been used for the Project.

**7. Rent Increases**

Under the Regulatory Agreement, the Organization may not increase rents charged to tenants without HUD approval. There was no HUD-approved rent increase during the year ended September 30, 2022.

**WILSON STREET APARTMENTS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2022**

**8. Management Fee**

The Project has a management agreement that provides for a monthly payment of management fees to the Project Sponsor equal to \$91.26 per unit for 10 units. The management agreement is automatically renewed for a one-year period unless terminated by either party as specified in the agreement. The Project Sponsor is reimbursed for payroll and related costs of on-site personnel and certain shared operating costs. Included in management and general expenses in the statement of activities are management fees paid to the Project Sponsor totaling \$10,951 for the year ended September 30, 2022.

**9. Current Vulnerability Due to Certain Concentrations**

The Organization's primary asset is a 10-unit apartment project. The Organization's operations are concentrated in the multi-family real estate market. In addition, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to changes by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**10. Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization maintains its cash balance in one financial institution. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Organization's cash balance may exceed this limit. Cash balances in excess of \$250,000 are generally uninsured.

**11. Related Party Transactions**

The Project Sponsor has made operating advances to the Organization; the balance at year-end is \$232,199 and is included in advances payable – related party in the accompanying statement of financial position. Repayment of amounts previously advanced is not a prohibited transaction between the Project Sponsor and the Organization.

**WILSON STREET APARTMENTS, INC.**  
**HUD PROJECT NUMBER 016-HD047**  
**SUPPLEMENTARY INFORMATION REQUIRED BY HUD**  
**Year Ended September 30, 2022**

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**WILSON STREET APARTMENTS, INC.**  
**PROJECT NO. 016-HD047**  
**STATEMENT OF FINANCIAL POSITION DATA**  
**September 30, 2022**



**Assets**

Current Assets:

1120	Cash - operations	\$ 21,440
1130	Tenant/member accounts receivable	252
<b>1130N</b>	<b>Net tenant/member accounts receivable</b>	<b>252</b>
<b>1100T</b>	<b>Total current assets</b>	<b>21,692</b>
1191	Tenant/patient deposits held in trust	2,732

Deposits:

1320	Replacement reserve	69,084
1340	Residual receipts reserve	850
<b>1300T</b>	<b>Total deposits</b>	<b>69,934</b>

Fixed Assets:

1410	Land	150,000
1420	Buildings	1,898,589
<b>1400T</b>	<b>Total fixed assets</b>	<b>2,048,589</b>
1495	Accumulated depreciation	(921,442)
<b>1400N</b>	<b>Net fixed assets</b>	<b>1,127,147</b>
<b>1000T</b>	<b>Total assets</b>	<b>\$ 1,221,505</b>

**Liabilities and Net Assets**

Current Liabilities:

2110	Accounts payable - operations	\$ 27,893
2190	Miscellaneous current liabilities	232,199
2210	Prepaid revenue	1,082
<b>2122T</b>	<b>Total current liabilities</b>	<b>261,174</b>
2191	Tenant/patient deposits held in trust (contra)	2,497

Long Term Liabilities:

2390	Miscellaneous long-term liabilities	15,262
<b>2300T</b>	<b>Total long-term liabilities</b>	<b>15,262</b>
<b>2000T</b>	<b>Total liabilities</b>	<b>278,933</b>

Net Assets:

3131	Net assets without donor restrictions	(107,828)
3133	Net assets with donor restrictions	1,050,400
<b>3130</b>	<b>Total net assets</b>	<b>942,572</b>
<b>2033T</b>	<b>Total liabilities and equity/net assets</b>	<b>\$ 1,221,505</b>

**WILSON STREET APARTMENTS, INC.**  
**PROJECT NO. 016-HD047**  
**STATEMENT OF ACTIVITIES DATA**  
**Year Ended September 30, 2022**



**Part I**

Rent Revenue:

5120	Rent revenue - gross potential	\$ 51,424
5121	Tenant assistance payments	78,176
<b>5100T</b>	<b>Total rent revenue</b>	<b><u>129,600</u></b>

Vacancies:

5220	Apartments	27,610
<b>5200T</b>	<b>Total vacancies</b>	<b><u>27,610</u></b>
<b>5152N</b>	<b>Net rental revenue (rent revenue less vacancies)</b>	<b><u>101,990</u></b>

Financial Revenue:

5430	Revenue from investments - residual receipts	1
5440	Revenue from investments - reserve for replacements	135
5490	Revenue from investments - miscellaneous	5
<b>5400T</b>	<b>Total financial revenue</b>	<b><u>141</u></b>

<b>5000T</b>	<b>Total revenue</b>	<b><u>102,131</u></b>
--------------	----------------------	-----------------------

Administrative Expenses:

6310	Office salaries	6,982
6311	Office expenses	3,536
6320	Management fee	10,951
6330	Manager or superintendent salaries	10,658
6340	Legal costs (project)	1,950
6350	Audit expenses	13,900
6370	Bad debt	163
6390	Miscellaneous administrative expenses	5,907
<b>6263T</b>	<b>Total administrative expenses</b>	<b><u>54,047</u></b>

Utilities Expenses:

6450	Electricity	11,493
6451	Water	2,674
6452	Gas	7,890
6453	Sewer	2,548
<b>6400T</b>	<b>Total utilities expense</b>	<b><u>24,605</u></b>

**WILSON STREET APARTMENTS, INC.**  
**PROJECT NO. 016-HD047**  
**STATEMENT OF ACTIVITIES DATA**  
**Year Ended September 30, 2022**



**Part I**

Operating and Maintenance Expenses:

6510	Payroll	\$	14,866
6515	Supplies		11,100
6520	Contracts		59,155
6525	Garbage and trash removal		4,603
6546	Heating/cooling repairs and maintenance		3,776
6548	Snow removal		3,615
6590	Miscellaneous operating and maintenance expense		694
<b>6500T</b>	<b>Total operating and maintenance expenses</b>		<b><u>97,809</u></b>

Taxes and Insurance:

6711	Payroll taxes		2,347
6722	Workmen's compensation		182
6723	Health insurance and other employee benefits		7,743
<b>6700T</b>	<b>Total taxes and insurance</b>		<b><u>10,272</u></b>

Operating Results:

<b>6000T</b>	<b>Total cost of operations before depreciation</b>		<b><u>186,733</u></b>
<b>5060T</b>	<b>Loss before depreciation</b>		<b><u>(84,602)</u></b>
6600	Depreciation expense		<u>67,943</u>
<b>5060N</b>	<b>Operating loss</b>	<b>\$</b>	<b><u><u>(152,545)</u></u></b>

Change in Net Assets from Operations:

3247	Change in net assets without donor restrictions	\$	(92,850)
3249	Change in net assets with donor restrictions		(59,695)
<b>3250</b>	<b>Change in total net assets from operations</b>	<b>\$</b>	<b><u><u>(152,545)</u></u></b>

**Part II**

S1000-020	The total of all monthly reserve for replacement deposits (usually 12 months) required during the audit period even if deposits have been temporarily waived or suspended.	\$	18,228
S1000-030	Replacement reserves, or residual receipts and releases which are included as expense items on this profit and loss statement.	\$	8,791

**WILSON STREET APARTMENTS, INC.**  
**PROJECT NO. 016-HD047**  
**STATEMENT OF EQUITY DATA**  
**Year Ended September 30, 2022**



S1100-060	Previous year net assets without donor restrictions	\$ (14,978)
3247	Change in net assets without donor restrictions	(92,850)
<b>3131</b>	<b>Net assets without donor restrictions</b>	<b><u>\$ (107,828)</u></b>
S1100-080	Previous year net assets with donor restrictions	\$ 1,110,095
3249	Change in net assets with donor restrictions	(59,695)
<b>3133</b>	<b>Net assets with donor restrictions</b>	<b><u>\$ 1,050,400</u></b>
S1100-050	Previous year total net assets	\$ 1,095,117
3250	Change in total net assets from operations	(152,545)
<b>3130</b>	<b>Total net assets</b>	<b><u>\$ 942,572</u></b>

**WILSON STREET APARTMENTS, INC.**  
**PROJECT NO. 016-HD047**  
**STATEMENT OF CASH FLOW DATA**  
**Year Ended September 30, 2022**

Cash Flows from Operating Activities:		
S1200-010	Rental receipts	\$ 104,424
S1200-020	Interest receipts	141
<b>S1200-040</b>	<b>Total receipts</b>	<b><u>104,565</u></b>
S1200-050	Administrative	642
S1200-070	Management fee	(10,951)
S1200-090	Utilities	(23,946)
S1200-100	Salaries and wages	10,272
S1200-110	Operating and maintenance	(63,033)
S1200-150	Miscellaneous taxes and insurance	(10,272)
S1200-160	Tenant security deposits	349
<b>S1200-230</b>	<b>Total disbursements</b>	<b><u>(96,939)</u></b>
<b>S1200-240</b>	<b>Net cash provided by operating activities</b>	<b><u>7,626</u></b>
Cash Flows from Investing Activities:		
S1200-250	Net withdrawals from reserve for replacements	37,019
S1200-260	Net deposits to residual receipts	(334)
S1200-330	Net purchase of fixed assets	(52,698)
<b>S1200-350</b>	<b>Net cash used by investing activities</b>	<b><u>(16,013)</u></b>
<b>S1200-470</b>	<b>Net Decrease in Cash</b>	<b>(8,387)</b>
<b>S1200-480</b>	<b>Cash, beginning of year</b>	<b><u>29,827</u></b>
<b>S1200T</b>	<b>Cash, end of year</b>	<b><u><u>\$ 21,440</u></u></b>



**WILSON STREET APARTMENTS, INC.**  
**PROJECT NO. 016-HD047**  
**COMPUTATION OF CASH DEFICIENCY, DISTRIBUTIONS,**  
**AND RESIDUAL RECEIPTS (ANNUAL)**  
**Year Ended September 30, 2022**

Cash on Hand and in Banks:		
S1300-010	Cash	\$ 24,172
<b>S1300-040</b>	<b>Total cash</b>	<u><u>24,172</u></u>
Current Obligations:		
S1300-075	Accounts payable - 30 days	27,893
2210	Prepaid revenue	1,082
2191	Tenant/patient deposits held in trust	2,497
S1300-110	Other current obligations	232,199
<b>S1300-140</b>	<b>Total current obligations</b>	<u><u>263,671</u></u>
S1300-150	Cash Deficiency	<u><u>\$ (239,499)</u></u>
S1300-210	Deposit due residual receipts	<u><u>\$ -</u></u>

WILSON STREET APARTMENTS, INC.

PROJECT NO. 016-HD047

SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT ACCOUNTS

Year Ended September 30, 2022



		Balance 10/01/21	Additions	Deductions	Balance 09/30/22
1410	Land	\$ 150,000	\$ -	\$ -	\$ 150,000
1420	Building	1,845,891	52,698	-	1,898,589
<b>1400T</b>	<b>Totals</b>	<b>\$ 1,995,891</b>	<b>\$ 52,698</b>	<b>\$ -</b>	<b>\$ 2,048,589</b>
1495	Accumulated depreciation	(853,499)	(67,943)	-	(921,442)
<b>1400N</b>	<b>Net book value</b>				<b>\$ 1,127,147</b>

**WILSON STREET APARTMENTS, INC.**  
**PROJECT NO. 016-HD047**  
**SCHEDULE OF RESERVE FOR REPLACEMENTS**  
**Year Ended September 30, 2022**



1320P	Balance at October 1, 2021	\$ 106,103
	Monthly deposits:	
	12 months at \$1,519	
1320DT	Total monthly deposits	18,228
1320INT	Interest on reserve for replacements account	135
1320WT	Approved withdrawals	(54,055)
1320OWT	Other withdrawals	(1,327)
		<hr/>
<b>1320</b>	<b>Balance at September 30, 2022</b>	<b>\$ 69,084</b>
		<hr/> <hr/>
1320R	Deposits Suspended or Waived Indicator	<hr/> No <hr/>

**WILSON STREET APARTMENTS, INC.**  
**PROJECT NO. 016-HD047**  
**SCHEDULE OF RESIDUAL RECEIPTS**  
**Year Ended September 30, 2022**



1340P	Balance at October 1, 2021	\$	516
1340ODT	Other deposits		1,000
1340INT	Interest on residual receipts account		1
1340OWT	Other withdrawals		(667)
			<hr/>
<b>1340</b>	<b>Balance at September 30, 2022</b>	<b>\$</b>	<b>850</b>
			<hr/> <hr/>

**WILSON STREET APARTMENTS, INC.  
PROJECT NO. 016-HD047  
CERTIFICATE OF PROJECT OWNER  
Year Ended September 30, 2022**

**CERTIFICATE OF PROJECT OWNER**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Wilson Street Apartments, Inc., HUD Project No. 016-HD047, and, to the best of our knowledge and belief, the same are accurate and complete.

Stephen Burke  
Vice President, Finance  
The Providence Center, Inc.

*Stephen E. Burke*  
\_\_\_\_\_  
Signature

Mary E. Marran, MS, OT, MBA  
President  
The Providence Center, Inc.

*M. E. Marran*  
\_\_\_\_\_  
Signature

December 8, 2022  
\_\_\_\_\_  
Date

05-0316969  
\_\_\_\_\_  
Organization Employer  
Identification Number

401-528-0123  
\_\_\_\_\_  
Telephone Number

**WILSON STREET APARTMENTS, INC.  
PROJECT NO. 016-HD047  
MANAGEMENT AGENT'S CERTIFICATE  
Year Ended September 30, 2022**

**MANAGEMENT AGENT'S CERTIFICATE**

I hereby certify that I have examined the financial statements and supplemental data of Wilson Street Apartments, Inc., HUD Project NO. 016-HD047, and, to the best of my knowledge and belief, the same are accurate and complete.



---

Anna Maria Moore, Property Manager  
The Providence Center, Inc.  
Employer I.D. No. 05-0316969

**WILSON STREET APARTMENTS, INC.**

Reports Required by  
*Government Auditing Standards -  
Title 2 U.S. Code of Federal Regulations  
Part 200 - Uniform Administrative  
Requirements, Cost Principles,  
and Audit Requirements for Federal Awards*

Year Ended September 30, 2022

**WILSON STREET APARTMENTS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended September 30, 2022**



Federal Grantor Program Title	Assistance Listing Number	Award Number	Federal Expenditures	Subrecipients
<u>U.S. Department of Housing and Urban Development</u>				
Supportive Housing for Persons with Disabilities	14.181	016-HD047	\$ 1,170,800	\$ -
Project Rental Assistance Payments	14.181	016-HD047	<u>78,176</u>	<u>-</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>\$ 1,248,976</u>	<u>\$ -</u>



**WILSON STREET APARTMENTS, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended September 30, 2022**

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal grant activity of the Organization, HUD Project No. 016-HD047, and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, activities or cash flows of the Organization.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. Indirect Cost Rate**

The Organization has a federally approved negotiated indirect cost rate agreement, and therefore, is not subject to the 10-percent de minimis indirect cost rate under the Uniform Guidance.

**4. Federal Programs**

The Organization received funding from the U.S. Department of Housing and Urban Development 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 impose continuing compliance requirements on the use of the properties acquired and rehabilitated for specified periods ranging from 10 to 40 years.

**INDEPENDENT AUDITORS' REPORT 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  
Wilson Street Apartments, Inc. and Care New England Health System:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wilson Street Apartments, Inc. (the Organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

**INDEPENDENT AUDITORS' REPORT 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 (Continued)**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kahn, Litwin, Renya & Co., Ltd.*

December 8, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
Wilson Street Apartments, Inc. and Care New England Health System:

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Wilson Street Apartments, Inc.'s (the Organization) 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 the Organization's major federal program for the year ended September 30, 2022. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2022.

***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; 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 Organization 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 Organization's compliance with the compliance requirements referred to above.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (Continued)**

***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 Organization'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 Organization'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 generally accepted auditing standards, *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, intention, 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 Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Organization'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 Organization'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 Organization'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.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (Continued)**

**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.

*Kahn, Litwin, Kenya & Co., Ltd.*

December 8, 2022

**WILSON STREET APARTMENTS, INC.**  
**PROJECT NO. 016-HD047**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2022**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

***Financial Statements***

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ yes   X   no
- Significant deficiencies identified? \_\_\_\_\_ yes   X   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

***Federal Awards***

Internal control over major federal programs:

- Material weaknesses identified? \_\_\_\_\_ yes   X   no
- Significant deficiencies identified? \_\_\_\_\_ yes   X   none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? \_\_\_\_\_ yes   X   no

Identification of major federal program:

<u>Assistance Listing Number</u> 14.181	<u>Name of Federal Program</u> Supportive Housing for Persons with Disabilities
--	--

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee   X   yes \_\_\_\_\_ no

**WILSON STREET APARTMENTS, INC.**  
**PROJECT NO. 016-HD047**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended September 30, 2022**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

No matters were reported.



## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE**

To the Board of Directors of  
Wilson Street Apartments, Inc. and Care New England Health System:

We have performed the procedure described in the second paragraph of this report, on whether the electronic submission of certain information agrees with the hard copy documents within the audit reporting package. Wilson Street Apartments, Inc. (the Organization) is responsible for the accuracy and completeness of the electronic submission.

The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to determine whether the electronic submission of certain information agrees with the related hard copy documents within the audit reporting package. Additionally, the U.S. Department of Housing and Urban Development Real Estate Assessment Center (REAC) has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The associated findings from the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged by the Organization to perform this agreed-upon procedure engagement and conducted our engagement in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the electronic submission of the items listed in the "UFRS Rule Information" column agrees with the related hard copy documents within the audit reporting package. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures agreement.

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING  
AGREED-UPON PROCEDURE (Continued)**

We were engaged to perform an audit in accordance with the *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance)*, by the Organization as of and for the year ended September 30, 2022, and have issued our reports thereon dated December 8, 2022. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated December 8, 2022, was expressed in relation to the basic financial statements of the Organization taken as a whole.

A copy of the reporting package required by the OMB Uniform Guidance, which includes the auditors' reports, is available in its entirety from the Organization. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

The purpose of this report on applying the agreed-upon procedures is solely to describe the procedures performed on the electronic submission of the items listed in the "UFRS Rule Information" column and the associated findings, and not to provide an opinion or conclusion. Accordingly, this report is not suitable for any other purpose.

*Kahn, Litwin, Renya & Co., Ltd.*

December 8, 2022

<b>UFRS Rule Information</b>	<b>Hard Copy Document(s)</b>	<b>Findings</b>
Balance Sheet, Revenue and Expenses and Cash Flow Data (account numbers 1120 to 7100T and the S1200 Series)	Financial Data Templates (i.e., Supplemental Schedules)	Agrees
Surplus Cash (S1300 series of accounts)	Financial Data Templates (i.e. Computation of Surplus, Distributions and Residual Receipts (Annual))	Agrees
Footnotes (S3100 series of accounts)	Footnotes to Audited Basic Financial Statements	Agrees
Type of Opinion on the Financial Statements and Auditor Reports (S3400, S3500, and S3600 series of accounts)	Auditor's Report on the Financial Statements, Compliance, and Internal Control	Agrees
Type of Opinion on Financial Data Templates (i.e. Supplemental Data) (account S3400-100)	Auditor's Supplemental Report on Financial Data Templates	Agrees
Audit Findings Narrative (S3800 series of accounts)	Schedule of Findings and Questioned Costs	Agrees
General Information (S3300, S3700, and S3800 series of accounts)	Schedule of Findings and Questioned Costs and Federal Awards Data	Agrees