Appendix A-3

Huggins Hospital Annual Consolidated Financial Statements
for the year ended September 30, 2022

Huggins Hospital and Subsidiary

CONSOLIDATED FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

September 30, 2022 and 2021

With Independent Auditor's Report

HUGGINS HOSPITAL AND SUBSIDIARY

Index to Consolidated Financial Statements and Supplementary Information

September 30, 2022 and 2021

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Huggins Hospital and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Huggins Hospital and Subsidiary, which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Huggins Hospital and Subsidiary as of September 30, 2022 and 2021, and the results of their operations, changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Huggins Hospital and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

Board of Trustees
Huggins Hospital and Subsidiary

In performing an audit in accordance with U.S. GAAS, 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 Huggins Hospital and Subsidiary'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 Huggins Hospital and Subsidiary'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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Schedules 1 and 2 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and are 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 audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
January 25, 2023

HUGGINS HOSPITAL AND SUBSIDIARY

Consolidated Balance Sheets

September 30, 2022 and 2021

ASSETS

	2022	2021
Current assets		
Cash and cash equivalents	**$ 20,923,820**	$ 30,699,247
Accounts receivable from patients, less allowances for uncollectible accounts and contractuals (2022 - $21,212,000; 2021 - $21,689,000)	**9,506,058**	12,413,519
Other accounts and notes receivable	**1,861,481**	2,466,337
Other current assets	**1,409,032**	953,990
Total current assets	**33,700,391**	46,533,093
Assets limited as to use	**50,011,496**	59,887,663
Property and equipment, net	**50,063,540**	50,694,972
Long-term investments	**11,157,790**	14,168,788
Beneficial interest in perpetual trust	**5,349,056**	6,170,012
Cash surrender value of life insurance	**1,248,266**	1,248,266
Total assets	**$ 151,530,539**	$178,702,794

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities		
Accounts payable and other current liabilities	**$ 4,630,134**	$ 4,787,721
Accrued salaries and related accounts	**4,575,499**	5,143,643
Current portion of long-term debt	**750,095**	730,499
Due to related parties	**1,381,044**	310,120
Medicare accelerated payments	**-**	10,484,115
Current portion of estimated third-party payor settlements	**2,755,424**	2,462,071
Total current liabilities	**14,092,196**	23,918,169
Estimated third-party payor settlements, less current portion	**25,560,335**	26,691,697
Interest rate swap	**1,107,739**	2,853,163
Long-term debt, excluding current portion	**23,036,291**	23,698,782
Total liabilities	**63,796,561**	77,161,811
Net assets		
Without donor restrictions	**71,415,085**	80,626,387
With donor restrictions	**16,318,893**	20,914,596
Total net assets	**87,733,978**	101,540,983
Total liabilities and net assets	**$ 151,530,539**	$ 178,702,794

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

HUGGINS HOSPITAL AND SUBSIDIARY

Consolidated Statements of Operations

Years Ended September 30, 2022 and 2021

	2022	2021
Revenues, gains and other support without donor restrictions		
Patient service revenue (net of discounts and contractual allowances)	**$ 86,273,736**	$ 74,278,627
Other operating revenues	**2,533,154**	5,976,261
Provider relief and other stimulus revenues	**1,916,387**	2,628,398
Paycheck Protection Program (PPP) refundable advance revenue	**-**	6,443,200
Investment income allotted for operations	**663,000**	564,000
Net assets released from restrictions for operating purposes	**81,983**	139,741
Total revenues, gains and other support without donor restrictions	**91,468,260**	90,030,227
Expenses		
Salaries, wages, and fringe benefits	**51,005,100**	44,130,730
Supplies	**11,134,934**	9,274,182
Physician fees	**5,679,137**	4,897,364
Other	**15,551,217**	12,791,322
Medicaid enhancement tax	**3,530,734**	2,793,553
Depreciation and amortization	**5,597,523**	4,932,314
Interest	**853,262**	907,667
Total expenses	**93,351,907**	79,727,132
Operating (loss) income	**(1,883,647)**	10,303,095
Nonoperating gains (losses)		
Contributions, net	**298,713**	184,908
Development costs	**(120,469)**	(94,915)
Investment (losses) gains	**(9,886,012)**	8,073,314
Change in value of interest rate swap	**1,745,424**	1,006,974
Affiliation costs	**(365,311)**	(800,000)
Nonoperating (losses) gains, net	**(8,327,655)**	8,370,281
(Deficiency) excess of revenues, gains and other support over expenses and losses	**(10,211,302)**	18,673,376
Net assets released from restrictions for capital acquisitions	**1,000,000**	-
(Decrease) increase in net assets without donor restrictions	**$ (9,211,302)**	$ 18,673,376

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

HUGGINS HOSPITAL AND SUBSIDIARY

Consolidated Statements of Changes in Net Assets

Years Ended September 30, 2022 and 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Balances, October 1, 2020	$ 61,953,011	$ 18,523,504	$ 80,476,515
Excess of revenues, gains and other support over expenses and losses	18,673,376	-	18,673,376
Contributions	-	159,929	159,929
Investment income, net of fees	-	196,866	196,866
Net assets released from restrictions for operations	-	(139,741)	(139,741)
Spending policy allotment	-	(564,000)	(564,000)
Realized gains on sales of investments	-	1,364,617	1,364,617
Net unrealized gains on investments	-	772,483	772,483
Change in beneficial interest in perpetual trust	-	600,938	600,938
Net increase in net assets	18,673,376	2,391,092	21,064,468
Balances, September 30, 2021	80,626,387	20,914,596	101,540,983
Deficiency of revenues, gains and other support over expenses and losses	**(10,211,302)**	**-**	**(10,211,302)**
Contributions	**-**	**318,232**	**318,232**
Investment income, net of fees	**-**	**263,537**	**263,537**
Net assets released from restrictions for operations	**-**	**(81,983)**	**(81,983)**
Net assets released from restrictions for capital acquisitions	**1,000,000**	**(1,000,000)**	**-**
Spending policy allotment	**-**	**(663,000)**	**(663,000)**
Realized gains on sales of investments	**-**	**1,252,599**	**1,252,599**
Net unrealized losses on investments	**-**	**(3,864,132)**	**(3,864,132)**
Change in beneficial interest in perpetual trust	**-**	**(820,956)**	**(820,956)**
Net decrease in net assets	**(9,211,302)**	**(4,595,703)**	**(13,807,005)**
Balances, September 30, 2022	**$ 71,415,085**	**$ 16,318,893**	**$ 87,733,978**

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

HUGGINS HOSPITAL AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years Ended September 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	**$ (13,807,005)**	$ 21,064,468
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Change in beneficial interest in perpetual trust	**820,956**	(600,938)
Depreciation and amortization	**5,677,766**	5,012,557
Gain on sale of property	**-**	(2,320,099)
Net realized and unrealized losses (gains) on investments	**13,527,451**	(9,388,745)
Unrealized gain on interest rate swap	**(1,745,424)**	(1,006,974)
PPP refundable advance forgiveness	**-**	(6,443,200)
Decrease (increase) in		
Accounts receivable from patients	**2,907,461**	(6,426,502)
Other accounts and notes receivable	**604,856**	(1,460,053)
Other current assets	**(455,042)**	(51,264)
Increase (decrease) in		
Accounts payable and other current liabilities	**(157,587)**	1,622,655
Accrued salaries and related accounts	**(568,144)**	777,944
Due to related parties	**1,070,924**	(440,968)
Deferred provider relief and other stimulus funds	**-**	(2,628,398)
Medicare accelerated payments	**(10,484,115)**	(2,215,885)
Estimated third-party payor settlements	**(838,009)**	3,739,127
Net cash used by operating activities	**(3,445,912)**	(766,275)
Cash flows from investing activities		
Purchase of property and equipment	**(4,966,091)**	(7,362,506)
Proceeds from sale of property and equipment	**-**	3,250,000
Purchase of investments	**(35,127,109)**	(30,828,768)
Proceeds from sale of investments	**34,486,823**	25,342,863
Net cash used by investing activities	**(5,606,377)**	(9,598,411)
Cash flows from financing activities		
Payments on long-term debt	**(659,252)**	(639,382)
Payments on capital lease obligations	**(63,886)**	(53,238)
Net cash used by financing activities	**(723,138)**	(692,620)
Net decrease in cash and cash equivalents	**(9,775,427)**	(11,057,306)
Cash and cash equivalents, beginning of year	**30,699,247**	41,756,553
Cash and cash equivalents, end of year	**$ 20,923,820**	$ 30,699,247
Supplemental disclosure of cash flow information:		
Interest paid	**$ 877,423**	$ 827,424

During 2021, Huggins Hospital and Subsidiary entered into a capital lease obligation acquiring an asset with a value of $447,199. The lease commitment and acquisition of the asset were treated as a noncash transaction.

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

Organization

Huggins Hospital (the Hospital) is a not-for-profit Critical Access Hospital (CAH) in Wolfeboro, New Hampshire. The Hospital provides inpatient, outpatient, primary care and emergency care services to residents of East-Central New Hampshire. Huggins Senior Housing, Inc. (HSH) is a wholly-owned, for-profit subsidiary of the Hospital.

In January 2017, the Hospital became affiliated with Catholic Medical Center (CMC) of Manchester, New Hampshire and Monadnock Community Hospital (MCH) of Peterborough, New Hampshire, under a new organization and parent company, GraniteOne Health (GraniteOne). GraniteOne is a non-profit entity and, as a healthcare system, allows the three hospitals to enhance collaboration, strengthen clinical partnerships, and meet the health needs of the communities it serves through high-quality care and a seamless patient experience. The Hospital has two representatives on the thirteen-member Board of Trustees of GraniteOne.

On October 27, 2022, subsequent to ceased affiliation activity between GraniteOne and Dartmouth-Hitchcock Health, the Hospital's Board of Trustees (Board) voted to disaffiliate from GraniteOne. The Hospital and GraniteOne are working with the State of New Hampshire through the process, which is expected to be completed during 2023.

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements represent the parent and subsidiary activities after the elimination of all material intercompany balances and activity.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic (ASC) 958, *Not-For-Profit Entities*. Under FASB ASC 958 and FASB ASC 954, *Health Care Entities*, all not-for-profit healthcare organizations are required to provide a balance sheet, a statement of operations, a statement of changes in net assets, and a statement of cash flows. FASB ASC 954 requires reporting amounts for an organization's total assets, liabilities, and net assets in a balance sheet; reporting the change in an organization's net assets in statements of operations and changes in net assets; and reporting the change in its cash and cash equivalents in a statement of cash flows, according to the following net asset classification:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Hospital. These net assets may be used at the discretion of the Hospital's management and the Board.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Hospital or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of operations and changes in net assets.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with original maturities of three months or less.

Investments

Investments in equity securities with readily determinable fair values, and all investments in debt securities, are recorded at fair value. Investment income from funded depreciation, Board-designated investments, and investments without donor restrictions allotted for operations per the Hospital's spending policy is included in operating revenues. The remaining investment gains and losses are reported as nonoperating gains (losses).

Realized gains or losses on the sale of investments are determined by use of the average cost method. Investment income (including realized and unrealized gains and losses on investments and other than temporary losses on debt) is included in the excess (deficiency) of revenues, gains, and other support over expenses and losses unless the income or loss is restricted by donor or law.

Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets. The Hospital monitors its investments and related market changes within the parameters of its investment policy.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Hospital are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received and the conditions are met. The gifts are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of operations as net assets released from restrictions.

Assets Limited as to Use

Assets limited as to use include designated assets set aside by the Board for future capital improvements. Board-designated funds are controlled by the Board and it may, at its discretion, subsequently use them for other purposes.

Interest Rate Swap

The Hospital uses an interest rate swap contract to eliminate the cash flow exposure of interest rate movements on a portion of its variable-rate debt. The Hospital has adopted FASB ASC 815, *Derivatives and Hedging*, to account for its interest rate swap contract. The interest rate swap contract has not been designated as a cash flow hedge. Unrealized gains and losses on the fair value of derivative financial instruments not designated as cash flow hedges are required to be included in the performance indicator. As a result, the changes in fair value of the interest rate swap for 2022 and 2021 have been included in the excess (deficiency) of revenues, gains and other support over expenses and losses. The Hospital expects to hold the swap until its maturity, at which point unrealized gains or losses will be zero.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions, and are excluded from the excess (deficiency) of revenues, gains, and other support over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support 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.

Deferred Financing Costs

The costs incurred to obtain long-term financing are being amortized by the straight-line method over the repayment period of the related debt. The costs are included in long-term debt in the balance sheet.

Paycheck Protection Program (PPP) Refundable Advance

During 2020, the Hospital qualified for and received a loan pursuant to the PPP, a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), in the amount of $6,443,200. The PPP provides funds to pay up to 24 weeks of payroll and other specified costs, and forgiveness of the loan is dependent upon compliance with this and other terms and conditions of the CARES Act. During 2021, the Hospital applied for forgiveness under the provisions of the CARES Act and subsequently received the approval of the lending institution and the SBA in June 2021. The Hospital had chosen to follow the conditional contribution model for the loan, under which contribution revenue is recognized when the conditions are met. The full amount forgiven is reported as operating revenue in the consolidated statement of operations for the year ended September 30, 2021. The loan forgiveness is subject to audit by the SBA for a period of six years from the date the loan was forgiven.

Provider Relief Funds

The CARES Act provided $175 billion to eligible healthcare providers to prevent, prepare for and respond to COVID-19. The CARES Act provides the U.S. Department of Health and Human Services (HHS) with discretion to operate the program and determine the reporting requirements. The funds have been appropriated to reimburse healthcare providers for COVID-19 related expenses or lost revenues that are attributable to COVID-19. During 2020, the Hospital received $5,635,785 of HHS Provider Relief Funds and attested to the receipt of the funds and agreement with the associated terms and conditions. In November and December 2021, HHS released additional Provider Relief Funds and American Rescue Plan Funds (the Funds) to providers who serve rural Medicaid and Medicare beneficiaries in the amount of $1,663,358. The Hospital has chosen to follow the conditional contribution model for the Funds. For the years ended September 30, 2022 and 2021, the Hospital recognized $1,663,358 and $2,628,398, respectively, of the Funds in operating revenue in the consolidated statements of operations, and recognized $3,007,387 during 2020. Management believes the conditions on which the Funds depend were substantially met. Management believes the position taken is a reasonable interpretation of the rules currently available. Due to the complexity of the reporting requirements and the continued issuance of clarifying guidance, it is possible the amount of income recognized related to the lost revenues and COVID-19-related costs may change by a material amount. Any difference between amounts previously estimated and amounts subsequently determined to be recoverable or payable will be included in income in the year that such amounts become known.

Medicare Accelerated Payments

In response to the COVID-19 pandemic, the Centers for Medicare and Medicaid Services (CMS) made available an accelerated and advance payment program to Medicare providers. The Hospital received $12,700,000 in April 2020. During 2021, CMS began recouping payment from claim payments, one year after the advance was made for a period of seventeen months. The advance was repaid during 2022.

Net Patient Service Revenue and Patient Accounts Receivable

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of individual accounts and historical adjustments. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable. Net patient accounts receivable at October 1, 2020 was $5,987,017.

Charity Care

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

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

The statements of operations include excess (deficiency) of revenues, gains, and other support over expenses and losses. Changes in net assets without donor restrictions which are excluded from this measure, consistent with industry practice, are net assets released from restrictions for capital acquisitions.

Employee Fringe Benefits

The Hospital has an "earned time" plan under which each employee earns paid leave for each period worked. These hours of paid leave may be used for vacations, holidays, or illnesses. Hours earned, but not used, are vested with the employee. Employees can vest up to 368 hours. The Hospital accrues a liability for such paid leave as it is earned.

Income Taxes

The Internal Revenue Service currently recognizes the Hospital as an exempt organization under Internal Revenue Code Section 501(c)(3). HSH is a for-profit corporation and, as such, is subject to federal and state taxes. Taxes were not material in 2022 or 2021.

Subsequent Events

For purposes of the preparation of these financial statements in conformity with U.S. GAAP, the Hospital has considered transactions or events occurring through January 25, 2023, which was the date the financial statements were available to be issued.

2. Net Patient Service Revenue and Patient Accounts Receivable

Revenue Recognition

Net patient service revenue and patient accounts receivable are reported at the amount that reflects the consideration to which the Hospital 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 Hospital bills the patients and third-party payors several days after the services are performed or the patient is discharged. Revenue is recognized as performance obligations are satisfied.

The Hospital has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Hospital's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Hospital does in certain instances enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Hospital 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 hospitals receiving inpatient acute care services or patients receiving services in outpatient centers. The Hospital 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.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Hospital has elected to apply the optional exemption provided in FASB ASC 606-10-50-14 (a) 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 above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policy, and implicit price concessions provided to uninsured patients.

Each performance obligation is separately identifiable from other promises in the customer contract. As the performance obligations are met (i.e., room, board, ancillary services, level of care), revenue is recognized based upon the allocated transaction price. The transaction price is allocated to separate performance obligations based upon the relative standalone selling price. In instances where management determines there are multiple performance obligations across multiple months, the transaction price is allocated by applying an estimated implicit and explicit rate to gross charges based on the separate performance obligations.

In assessing collectibility, the Hospital has elected the portfolio approach. This portfolio approach is being used as the Hospital has a large volume of similar contracts with similar classes of customers. The Hospital reasonably expects that the effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately. Management's judgment to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. As a result, aggregating all of the contracts (which are at the patient level) by the particular payor or group of payors, will result in the recognition of the same amount of revenue as applying the analysis at the individual patient level.

Estimated Third-Party Payor Settlements

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

With CAH designation, the Hospital is reimbursed at 101% of allowable costs for its inpatient and outpatient services provided to Medicare patients. The Hospital is reimbursed at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled by the Medicare fiscal intermediary through September 30, 2017.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day of hospitalization. The prospectively determined per-diem rates are not subject to retroactive adjustment. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the fiscal intermediary through September 30, 2017.

Prior to 2021, the Hospital received Medicaid Disproportionate Share Hospital (DSH) payments through federal and state allotments. DSH payments provide financial assistance to hospitals that serve a large proportion of low-income patients. Amounts received by the Hospital are subject to audit and are therefore subject to change. The Hospital has been audited through 2019. In 2021, the DSH payments were replaced with Medicaid directed payments which are not subject to audit.

The State of New Hampshire imposes a tax on the gross patient service revenue of every hospital in the state. The monies generated by this tax and from federal matching funds are disbursed to the hospitals in support of healthcare services to Medicaid and low-income individuals.

Revenues from the Medicare and Medicaid programs accounted for approximately 39% and 11%, respectively, of the Hospital's patient revenue for the year ended September 30, 2022, and approximately 40% and 11%, respectively, for the year ended September 30, 2021. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased approximately $1,475,000 and decreased approximately $1,643,000 in 2022 and 2021, respectively, due to adjustments based on settled amounts for which there was uncertainty of interpretation of the applicable regulations.

Anthem Blue Cross

Inpatient and outpatient services rendered to Anthem Blue Cross subscribers are reimbursed at submitted charges less a negotiated discount. The amounts paid to the Hospital are not subject to any retroactive adjustments.

Patient service revenue and contractual and other allowances consisted of the following for the years ended September 30:

	2022	2021
Gross patient service revenue	**$ 180,796,860**	$ 158,166,172
Less Medicare allowances	**44,163,522**	35,688,663
Less other payor allowances	**49,548,174**	47,547,691
Less free care and charity allowances	**811,428**	651,191
Net patient service revenue	**$ 86,273,736**	$ 74,278,627

Revenue related to self-pay patients was approximately $4,146,000 and $4,059,000 for the years ended September 30, 2022 and 2021, respectively.

Long-term estimated third-party payor settlements consist of estimates related to Medicare's potential disallowance of Medicaid enhancement tax as an allowance cost and state disproportionate share pending settlements. Due to unresolved issues at the federal and state levels and pending audits for both matters, the Hospital has classified the balances as long-term.

Charity Care

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, as well as the estimated cost of those services and supplies and equivalent service statistics. The following information measures the level of charity care provided during the years ended September 30:

	2022	2021
Charges forgone, based on established rates	**$ 811,428**	$ 651,191
Estimated costs and expenses incurred to provide charity care	**$ 410,000**	$ 321,000
Equivalent percentage of charity care charges to all Hospital patient charges	**0.44 %**	0.40 %

Costs of providing charity care services have been estimated based on the relationship of charges for these services to total expenses.

3. Availability and Liquidity of Financial Assets

As of September 30, 2022 and 2021, the Hospital has working capital of $19,608,195 and $22,614,924, respectively, and average days (based on normal expenditures) cash and cash equivalents on hand of 87 and 150, respectively.

The Hospital's debt covenants require the Hospital to maintain financial assets to 100 days of operating expenses. The Hospital budgets to maintain 345 days of operating expenses. As part of the Hospital's liquidity plan, cash in excess of daily requirements is invested in short-term investments.

Financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, net of deferred provider relief and other stimulus funds, were as follows as of September 30:

	2022	2021
Cash and cash equivalents	**$ 20,923,820**	$ 30,699,247
Patient accounts receivable, net	**9,506,058**	12,413,519
Other accounts and notes receivable	**1,861,481**	2,466,337
Financial assets available to meet cash needs for general expenditures within one year	**$ 32,291,359**	$ 45,579,103

The Hospital has $50,011,496 and $59,887,663 at September 30, 2022 and 2021, respectively, that are designated assets set aside by the Board for future capital improvements. These assets limited as to use are not available for general expenditure within the next year; however, the internally designated amounts could be made available, if necessary. Additionally, the Hospital has available a $5,000,000 line of credit as described in Note 8.

4. Investments

Assets Limited as to Use

The composition of assets limited as to use as of September 30, 2022 and 2021 is set forth in the following table. Investments are stated at fair value.

	2022	2021
Cash and cash equivalents	**$ 2,475,673**	$ 3,666,639
Mutual funds	**29,994,465**	38,038,055
Government securities	**4,181,823**	3,262,810
Corporate notes and bonds	**13,359,535**	14,920,159
	$ 50,011,496	$ 59,887,663

Other Investments

Other investments stated at fair value as of September 30 include:

	2022	2021
Cash and cash equivalents	**$ 224,503**	$ 66,559
Mutual funds	**6,891,619**	9,545,769
Corporate notes and bonds	**3,967,068**	4,481,860
Other investments	**74,600**	74,600
Total long-term investments	**11,157,790**	14,168,788
Beneficial interest in perpetual trust	**5,349,056**	6,170,012
	$ 16,506,846	$ 20,338,800

Investment income consist of the following for the years ended September 30:

	2022	2021
Income		
Interest and dividends	**$ 2,005,692**	$ 1,656,768
Net realized gains on sales of securities	**3,989,866**	2,304,626
Net unrealized (losses) gains	**(13,653,185)**	6,311,636
	$ (7,657,627)	$ 10,273,030

	2022	2021
Investment income is reported as follows:		
Nonoperating investment (losses) gains	**$ (9,886,012)**	$ 8,073,314
Investment income allotted for operations	**663,000**	564,000
Included in other operating revenues	**49,249**	74,233
Restricted investment income	**263,537**	196,866
Restricted realized gains	**1,252,599**	1,364,617
	$ (7,657,627)	$ 10,273,030
Other changes in net assets		
Net unrealized (losses) gains with donor restrictions	**$ (3,864,132)**	$ 772,483
	$ (3,864,132)	$ 772,483

5. Endowment

The Hospital's endowment consists of donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Hospital has interpreted the State of New Hampshire Uniform Prudent Management of Institutional Funds Act (UPMIFA) such that the Board is allowed to appropriate for expenditure for the uses and purposes for which the endowment fund is established, unless otherwise specified by the donor, so much of the net appreciation, realized and unrealized, in the fair value of the assets of the endowment fund over the historic dollar value of the fund as is prudent. In so doing, the Board must consider the long- and short-term needs of the Hospital in carrying out its purpose, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Appreciation over the amounts expended is retained in net assets with donor restrictions.

Changes in endowment funds for the years ended September 30, 2022 and 2021 are as follows:

Endowment funds, October 1, 2020	$ 11,962,767
Interest and dividends, net of fees	196,866
Realized gains on investments	1,364,617
Unrealized gains on investments	772,483
Total investment gain	2,333,966
Spending policy allotment	(564,000)
Endowment funds, September 30, 2021	13,732,733
Interest and dividends, net of fees	**263,537**
Realized gains on investments	**1,252,599**
Unrealized losses on investments	**(3,864,132)**
Total investment losses	**(2,347,996)**
Spending policy allotment	**(663,000)**
Endowment funds, September 30, 2022	**$ 10,721,737**

Investment Policy and Strategies Employed for Achieving Investment Objectives

The Hospital's investment strategy is for long-term growth and tolerance for a fair amount of volatility to achieve this growth. The investment time horizon is five years or more. The overall objective is to provide a strategic mix of asset classes that produce the highest expected return while controlling risk. The Hospital's target investment allocation is 55% global equities, 35% fixed income, and 10% alternatives. Investment advisors are prohibited from purchasing hedge fund and private equity investments, without prior approval of the Hospital.

Spending Policy

Each year a calculation is made to determine the maximum amount of money that can be withdrawn from the long-term portfolio to be used for each donor-restricted and Board-designated purpose. The annual amount available for spending is not to exceed 7% of the fair market value calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for the expenditure is made. The Board elected to distribute $663,000 for 2022 and $564,000 2021. Investment income, within the spending policy guidelines, is reported in revenues, gains and other support in the accompanying financial statements.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Hospital to retain as a fund of perpetual duration. The Hospital's spending policy permits spending from funds with deficiencies in accordance with the prudent measures required under UPMIFA. There were no such deficiencies as of September 30, 2022 and 2021.

6. Fair Value Measurements

U.S. GAAP established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy):

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets and liabilities measured at fair value on a recurring basis are summarized below.

		Fair Value Measurements at September 30, 2022		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Assets limited as to use				
Cash and cash equivalents	**$ 2,475,673**	**$ 2,475,673**	**$ -**	**$ -**
Mutual funds	**29,994,465**	**29,994,465**	**-**	**-**
Fixed income				
U.S. Government securities	**4,181,823**	**4,181,823**	**-**	**-**
Corporate notes and bonds	**13,359,535**	**-**	**13,359,535**	**-**
Total fixed income	**17,541,358**	**4,181,823**	**13,359,535**	**-**
	$ 50,011,496	**$ 36,651,961**	**$ 13,359,535**	**$ -**
Other investments				
Cash and cash equivalents	**$ 224,503**	**$ 224,503**	**$ -**	**$ -**
Mutual funds	**6,891,619**	**6,891,619**	**-**	**-**
Fixed income				
Corporate notes and bonds	**3,967,068**	**-**	**3,967,068**	**-**
Total fixed income	**3,967,068**	**-**	**3,967,068**	**-**
Other investments	**74,600**	**-**	**-**	**74,600**
Total long-term investments	**$ 11,157,790**	**$ 7,116,122**	**$ 3,967,068**	**$ 74,600**
Beneficial interest in perpetual trust	**$ 5,349,056**	**$ -**	**$ -**	**$ 5,349,056**
Liabilities:				
Interest rate swap	**$ 1,107,739**	**$ -**	**$ 1,107,739**	**$ -**

		Fair Value Measurements at September 30, 2021		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Assets limited as to use				
Cash and cash equivalents	$ 3,666,639	$ 3,666,639	$ -	$ -
Mutual funds	38,038,055	38,038,055	-	-
Fixed income				
U.S. Government securities	3,262,810	3,262,810	-	-
Corporate notes and bonds	14,920,159	-	14,920,159	-
Total fixed income	18,182,969	3,262,810	14,920,159	-
	$ 59,887,663	$ 44,967,504	$ 14,920,159	$ -
Other investments				
Cash and cash equivalents	$ 66,559	$ 66,559	$ -	$ -
Mutual funds	9,545,769	9,545,769	-	-
Fixed income				
Government securities	-	-	-	-
Corporate notes and bonds	4,481,860	-	4,481,860	-
Total fixed income	4,481,860	-	4,481,860	-
Other investments	74,600	-	-	74,600
Total long-term investments	$ 14,168,788	$ 9,612,328	$ 4,481,860	$ 74,600
Beneficial interest in perpetual trust	$ 6,170,012	$ -	$ -	$ 6,170,012
Liabilities:				
Interest rate swap	$ 2,853,163	$ -	$ 2,853,163	$ -

The fair value of Level 2 assets and liabilities is primarily based on market prices of comparable securities, interest rates, and credit ratings. These techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

As the beneficial interest in perpetual trust is not readily available to the Hospital, the interest is classified as Level 3 and recorded based upon the fair value of the underlying assets.

Changes in fair value of assets classified as Level 3 are comprised of the following for the years ended September 30:

	Beneficial Interest
Balance, October 1, 2020	$ 5,569,074
Change in value	600,938
Balance, September 30, 2021	6,170,012
Change in value	**(820,956)**
Balance, September 30, 2022	**$ 5,349,056**

7. Property and Equipment

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

	2022	2021
Land	**$ 1,361,041**	$ 1,361,041
Land improvements	**6,531,935**	6,503,995
Buildings	**53,014,361**	52,975,743
Building services equipment	**28,640,756**	25,206,106
Major moveable equipment	**18,655,151**	15,669,605
Construction in progress	**1,996,292**	3,605,646
	110,199,536	105,322,136
Less accumulated depreciation	**60,135,996**	54,627,164
	$ 50,063,540	$ 50,694,972

In 2018, the Hospital began the installation and implementation of new enterprise resource planning (ERP) and electronic health record (EHR) systems. The Hospital went live on the ERP in 2018 and the Ambulatory portion of the EHR in 2020. The Hospital portion of the EHR was slated to go live in 2022. The Hospital made the decision mid-year to not move forward with the remaining portion of the project due to concerns surrounding long-term partnerships, as well as concerns with the products functionality co-existing with another larger institution. The Hospital wrote off $662,021 of the costs associated specifically with the Hospital portion and capitalized the remaining $2,182,233 over two years in anticipation of pursuing a new EHR independently. At September 30, 2021, the Hospital had approximately $2,682,000 of costs in construction in progress related to this project.

At September 30, 2022, the Hospital had approximately $1,775,000 of costs in construction in progress related to an infusions project. The project was completed in December 2022 with total costs of approximately $2,550,000.

8. Borrowings

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

	2022	2021
New Hampshire Health and Education Facilities Authority (NHHEFA) (Huggins Hospital Issue) Series 2017A 2.59% fixed rate direct placement bonds payable in annual installments ranging from $375,906 in 2023 to $671,000 in 2046; collateralized by gross revenues and substantially all assets of the Hospital	**$ 12,667,204**	$ 13,027,832
NHHEFA (Huggins Hospital Issue) Series 2017B variable rate (2.90% at September 30, 2022) direct placement bonds payable in annual installments ranging from $310,303 in 2023 to $776,358 in 2046; collateralized by gross revenues and substantially all assets of the Hospital	**12,775,128**	13,073,752
Capital lease payable for Hospital equipment, with interest at 0%, due in monthly installments of $5,324 through 2028.	**330,075**	393,961
Total long-term debt before unamortized debt issuance costs	**25,772,407**	26,495,545
Unamortized deferred financing costs	**(1,986,021)**	(2,066,264)
Total long-term debt	**23,786,386**	24,429,281
Less current portion	**750,095**	730,499
Long-term debt, excluding current portion	**$ 23,036,291**	$ 23,698,782

Principal maturities on long-term debt are as follows:

2023	$ 750,095
2024	765,551
2025	789,335
2026	812,263
2027	836,552
Thereafter	21,818,611
	$ 25,772,407

Under its bond agreements with NHHEFA, the Hospital must meet certain restrictive loan covenants. At September 30, 2022, the Hospital was in compliance with its financial covenants related to the bond agreements.

Interest Rate Swap

In connection with the issuance of 2007 bonds, the Hospital entered into an interest rate swap agreement. The swap agreement's notional amount was $8,460,000 and $8,635,000 at September 30, 2022 and 2021, respectively. The swap terminates on October 1, 2042. The Hospital pays a fixed rate of 3.6175% and receives a variable rate of 68% of USD-LIBOR-BBA. The Hospital records the interest rate swap at fair value, and has recorded a liability of $1,107,739 and $2,853,163 as of September 30, 2022 and 2021, respectively.

Line of Credit

The Hospital has a $5,000,000 line of credit with a bank with a variable interest rate of one-month LIBOR plus 2.1% adjusted monthly (5.02% at September 30, 2022). The line is collateralized by investments and expires March 31, 2023. As of September 30, 2022, there was no outstanding balance on the line. Under the terms of the line of credit agreement, the Hospital must meet certain restrictive covenants. At September 30, 2022, the Hospital was in compliance with its financial covenants related to the agreement.

9. Related Parties

As a member of GraniteOne, the Hospital shares in various services with the other member hospitals and the parent. For the years ended September 30, 2022 and 2021, the Hospital billed CMC $64,690 and $43,056, respectively, and was billed $276,730 and $395,327, respectively, in shared services. The Hospital also was charged a management fee of $67,589 and $102,022 which is included in amounts due to related parties at September 30, 2022 and 2021, respectively.

10. Commitments and Contingencies

The Hospital carries malpractice insurance coverage under a claims-made policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. The Hospital intends to renew its coverable on a claims-made basis and has no reason to believe that it may be prevented from renewing such coverage. The Hospital is subject to complaints, claims and litigation due to potential claims which arise in the normal course of business. U.S. GAAP requires the Hospital to accrue the ultimate cost of malpractice and other litigative claims when the incident that gives rise to the claim occurs, without consideration of insurance recoveries. Expected recoveries are presented as a separate asset. The Hospital has evaluated its exposure to losses arising from potential claims and has properly accounted for them in the consolidated financial statements as of September 30, 2022 and 2021.

During 2020, the Hospital established a self-insured healthcare plan for substantially all of its employees. The Hospital has obtained reinsurance coverage to limit the Hospital's exposure associated with this plan of $150,000 per individual occurrence. The balance sheets include an accrual in accrued expenses for management's estimate of claims incurred, but not reported of approximately $871,217 and $681,990 as of September 30, 2022 and 2021, respectively.

The Hospital leases various equipment and facilities under operating leases expiring at various dates through November 2028. Total rental expense in 2022 and 2021 for all operating leases was approximately $263,400 and $173,500, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2022 that have initial or remaining lease terms in excess of one year.

Year Ending September 30	Amount
2023	$ 283,100
2024	195,400
2025	191,600
2026	123,300
2027	119,500
Thereafter	99,600
	$ 1,012,500

11. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods:

	2022	2021
Funds subject to use or time restriction:		
Capital acquisitions	**$ 153,925**	$ 1,004,887
Indigent care	**94,175**	6,964
Net appreciation of funds of perpetual duration:		
Healthcare services	**6,616,551**	9,290,178
Indigent care	**595,174**	932,543
	7,459,825	11,234,572
Funds of perpetual duration:		
Endowment funds	**3,510,012**	3,510,012
Beneficial interest in perpetual trust	**5,349,056**	6,170,012
	8,859,068	9,680,024
	$ 16,318,893	$ 20,914,596

The Hospital is an income beneficiary of a perpetual trust controlled by an unrelated third-party trustee. The beneficial interest in the assets of the trust is included in the Hospital's consolidated financial statements as net assets with donor restrictions. Income is distributed in accordance with the trust documents and is included in investment return. Trust income distributed to the Hospital for the years ended September 30, 2022 and 2021 was $210,020 and $194,055, respectively, and has no donor restrictions.

12. Retirement Plans

The Hospital sponsors a contributory defined contribution plan available to substantially all employees. The Hospital's policy under the defined contribution plan is to fund its portion of amounts due under the plan on a current basis and to recognize expense as incurred. Expense related to this plan for the years ended September 30, 2022 and 2021 approximated $1,004,900 and $965,600, respectively.

13. Concentrations of Credit Risk

The Hospital has cash balances in financial institutions that exceed federal depository insurance limits. However, management believes that credit risk related to these investments is minimal. The Hospital has not experienced any losses in such accounts.

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

	2022	2021
Medicare	**19 %**	20 %
Medicaid	**9**	8
Anthem Blue Cross	**5**	7
Other third-party payors	**25**	29
Patients	**42**	36
	100 %	100 %

14. Functional Expenses

The consolidated statements of operations contain certain expense categories that are attributable to both healthcare services and support functions. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Fringe benefits are allocated based on salaries and wages, and depreciation, interest, utilities, and equipment are allocated based on square footage and location. Expenses related to providing healthcare and support services are as follows:

2022	Program Services	General and Administrative	Fundraising	Total
Salaries, wages, and fringe benefits	**$ 40,954,676**	**$ 9,940,783**	**$ 109,641**	**$ 51,005,100**
Supplies	**10,497,777**	**629,821**	**7,336**	**11,134,934**
Physician fees	**5,679,137**	**-**	**-**	**5,679,137**
Medicaid enhancement tax	**3,530,734**	**-**	**-**	**3,530,734**
Depreciation and amortization	**5,250,478**	**347,045**	**-**	**5,597,523**
Interest	**800,360**	**52,902**	**-**	**853,262**
Contracted services	**2,141,125**	**4,699,165**	**12,992**	**6,853,282**
Other professional services	**2,166,014**	**1,941,568**	**3,753**	**4,111,335**
Utilities	**1,452,690**	**96,020**	**-**	**1,548,710**
Insurance	**403,347**	**681,112**	**-**	**1,084,459**
Other	**100,947**	**1,837,725**	**14,759**	**1,953,431**
	$ 72,977,285	**$ 20,226,141**	**$ 148,481**	**$ 93,351,907**

2021	Program Services	General and Administrative	Fundraising	Total
Salaries, wages, and fringe benefits	$ 33,094,356	$ 10,955,454	$ 80,920	$ 44,130,730
Supplies	8,709,644	563,266	1,272	9,274,182
Physician fees	4,897,364	-	-	4,897,364
Medicaid enhancement tax	2,793,553	-	-	2,793,553
Depreciation and amortization	4,526,612	405,702	-	4,932,314
Interest	832,541	75,126	-	907,667
Contracted services	1,578,257	1,745,934	8,758	3,332,949
Other professional services	2,083,505	2,405,285	9,347	4,498,137
Utilities	1,463,449	132,057	-	1,595,506
Insurance	360,571	597,183	-	957,754
Other	107,602	2,289,083	10,291	2,406,976
	$ 60,447,454	$ 19,169,090	$ 110,588	$ 79,727,132

SUPPLEMENTARY INFORMATION

Schedule 1

HUGGINS HOSPITAL AND SUBSIDIARY

Consolidating Balance Sheet

September 30, 2022

ASSETS

	Huggins	Huggins Senior Housing	Consolidated
Current assets			
Cash and cash equivalents	$ 20,435,935	$ 487,885	**$ 20,923,820**
Accounts receivable from patients, net	9,506,058	-	**9,506,058**
Other accounts and notes receivable	1,861,481	-	**1,861,481**
Other current assets	1,409,032	-	**1,409,032**
Total current assets	33,212,506	487,885	**33,700,391**
Assets limited as to use	50,011,496	-	**50,011,496**
Property and equipment, net	49,873,694	189,846	**50,063,540**
Long-term investments	11,157,790	-	**11,157,790**
Beneficial interest in perpetual trust	5,349,056	-	**5,349,056**
Cash surrender value of life insurance	1,248,266	-	**1,248,266**
Total assets	$ 150,852,808	$ 677,731	**$ 151,530,539**

LIABILITIES AND NET ASSETS

	Huggins	Huggins Senior Housing	Consolidated
Current liabilities			
Accounts payable and other current liabilities	$ 4,630,134	$ -	**$ 4,630,134**
Accrued salaries and related accounts	4,575,499	-	**4,575,499**
Current portion of long-term debt	750,095	-	**750,095**
Due to related parties	1,381,044	-	**1,381,044**
Current portion of estimated third-party payor settlements	2,755,424	-	**2,755,424**
Total current liabilities	14,092,196	-	**14,092,196**
Estimated third-party payor settlements	25,560,335	-	**25,560,335**
Interest rate swap	1,107,739	-	**1,107,739**
Long-term debt, excluding current portion	23,036,291	-	**23,036,291**
Total liabilities	63,796,561	-	**63,796,561**
Net assets			
Without donor restrictions	70,737,354	677,731	**71,415,085**
With donor restrictions	16,318,893	-	**16,318,893**
Total net assets	87,056,247	677,731	**87,733,978**
Total liabilities and net assets	$ 150,852,808	$ 677,731	**$ 151,530,539**

HUGGINS HOSPITAL AND SUBSIDIARY

Consolidating Statement of Operations

Year Ended September 30, 2022

	Huggins Hospital	Huggins Senior Housing	Consolidated
Revenues, gains, and other support without donor restrictions			
Patient service revenue (net of discounts and contractual allowances)	$ 86,273,736	$ -	**$ 86,273,736**
Other operating revenues	2,533,154	-	**2,533,154**
Provider relief and other stimulus revenues	1,916,387	-	**1,916,387**
Investment income allotted for operations	663,000	-	**663,000**
Net assets released from restrictions for operating purposes	81,983	-	**81,983**
Total revenues, gains and other support without donor restrictions	91,468,260	-	**91,468,260**
Expenses			
Salaries, wages and fringe benefits	51,005,100	-	**51,005,100**
Supplies	11,134,934	-	**11,134,934**
Physician fees	5,679,137	-	**5,679,137**
Other	15,505,913	45,304	**15,551,217**
Medicaid enhancement tax	3,530,734	-	**3,530,734**
Depreciation and amortization	5,597,523	-	**5,597,523**
Interest	853,262	-	**853,262**
Total expenses	93,306,603	45,304	**93,351,907**
Operating loss	(1,838,343)	(45,304)	**(1,883,647)**
Nonoperating gains (losses)			
Contributions, net	298,713	-	**298,713**
Development costs	(120,469)	-	**(120,469)**
Investment losses	(9,886,012)	-	**(9,886,012)**
Change in value of interest rate swap	1,745,424	-	**1,745,424**
Affiliation costs	(365,311)	-	**(365,311)**
Nonoperating losses, net	(8,327,655)	-	**(8,327,655)**
Deficiency of revenues, gains and other support over expenses and losses	(10,165,998)	(45,304)	**(10,211,302)**
Net assets released from restrictions for capital acquisitions	1,000,000	-	**1,000,000**
Decrease in net assets without donor restrictions	$ (9,165,998)	$ (45,304)	**$ (9,211,302)**