Appendix A-9

Catholic Medical Center Consolidated Financial Statements
for the year ended September 30, 2022

Catholic Medical Center

Audited Financial Statements

Years Ended September 30, 2022 and 2021
With Independent Auditors' Report

Baker Newman & Noyes LLC
MAINE | MASSACHUSETTS | NEW HAMPSHIRE
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CATHOLIC MEDICAL CENTER

AUDITED FINANCIAL STATEMENTS

Years Ended September 30, 2022 and 2021

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BAKER NEWMAN NOYES

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Catholic Medical Center

Opinion

We have audited the financial statements of Catholic Medical Center (the Medical Center), which comprise the balance sheets as of September 30, 2022 and 2021, the related 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 accompanying financial statements present fairly, in all material respects, the financial position of the Medical Center as of September 30, 2022 and 2021, and the results of its operations, changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Medical Center 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 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 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 Medical Center's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Board of Trustees
Catholic Medical Center

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 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 financial statements.

In performing an audit in accordance with GAAS, 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 Medical Center'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 Medical Center'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.

Baker Newman & Noyes LLC

Manchester, New Hampshire
February 23, 2023

CATHOLIC MEDICAL CENTER

BALANCE SHEETS

September 30, 2022 and 2021

ASSETS

	2022	2021
Current assets:		
Cash and cash equivalents	$ 41,793,666	$104,311,091
Short-term investments	3,603,910	3,582,157
Accounts receivable	70,378,411	70,239,991
Inventories	3,816,582	3,912,718
Other current assets	13,370,992	17,204,497
Total current assets	132,963,561	199,250,454
Property, plant and equipment, net	125,421,215	122,341,467
Other assets:		
Intangible assets and other	11,082,819	11,803,240
Assets whose use is limited:		
Pension and insurance obligations	20,598,446	24,811,739
Board designated and donor restricted investments and restricted grants	139,270,604	159,294,609
Held by trustee under revenue bond agreements	1,119,341	1,250,410
	160,988,391	185,356,758
Total assets	$430,455,986	$518,751,919

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities:		
Accounts payable and accrued expenses	$ 31,425,157	$ 33,828,878
Accrued salaries, wages and related accounts	19,909,349	20,240,317
Amounts payable to third-party payors	11,525,383	52,285,526
Amounts due to affiliates	1,234,110	715,592
Current portion of long-term debt	4,178,597	3,188,609
Total current liabilities	68,272,596	110,258,922
Accrued pension and other liabilities, less current portion	94,321,024	136,156,024
Long-term debt, less current portion	157,102,822	153,854,001
Total liabilities	319,696,442	400,268,947
Net assets:		
Without donor restrictions	81,934,391	87,915,051
With donor restrictions	28,825,153	30,567,921
Total net assets	110,759,544	118,482,972
Total liabilities and net assets	$430,455,986	$518,751,919

See accompanying notes.

CATHOLIC MEDICAL CENTER

STATEMENTS OF OPERATIONS

Years Ended September 30, 2022 and 2021

	2022	2021
Operating revenues:		
Patient service revenues	$470,371,106	$439,948,002
Other revenue	31,521,767	32,181,226
Disproportionate share funding	21,383,859	21,483,694
Total operating revenues	523,276,732	493,612,922
Operating expenses:		
Salaries, wages and fringe benefits	264,139,413	218,908,177
Supplies and other	186,550,034	183,801,624
New Hampshire Medicaid enhancement tax	22,288,821	19,248,461
Depreciation and amortization	12,335,408	12,067,385
Interest	4,783,146	4,659,054
Total operating expenses	490,096,822	438,684,701
Income from operations	33,179,910	54,928,221
Nonoperating (losses) gains:		
Investment (loss) income, net	(21,778,151)	24,527,566
Net periodic pension cost, other than service cost	(1,302,959)	(871,021)
Contributions without donor restrictions	295,134	551,406
Development costs	(697,147)	(577,663)
Other nonoperating expenses and losses	(3,153,518)	(10,451,058)
Total nonoperating (losses) gains, net	(26,636,641)	13,179,230
Excess of revenues and (losses) gains over expenses	6,543,269	68,107,451
Unrealized depreciation on investments	(24,002)	(4,872)
Change in fair value of interest rate swap agreement	540,490	204,639
Assets released from restriction used for capital	495,416	70,304
Pension-related changes other than net periodic pension cost	31,252,260	45,394,659
Net assets transferred to affiliates	(44,788,093)	(47,240,399)
Change in net assets without donor restrictions	(5,980,660)	66,531,782
Net assets without donor restrictions at beginning of year	87,915,051	21,383,269
Net assets without donor restrictions at end of year	$ 81,934,391	$ 87,915,051

See accompanying notes.

CATHOLIC MEDICAL CENTER

STATEMENTS OF CHANGES IN NET ASSETS

Years Ended September 30, 2022 and 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Balances at September 30, 2020	$ 21,383,269	$26,995,958	$ 48,379,227
Excess of revenues and gains over expenses	68,107,451	–	68,107,451
Restricted investment income	–	542,188	542,188
Changes in interest in perpetual trust	–	1,546,976	1,546,976
Donor-restricted contributions	–	2,854,022	2,854,022
Unrealized depreciation on investments	(4,872)	(254,325)	(259,197)
Change in fair value of interest rate swap agreement	204,639	–	204,639
Assets released from restriction used for operations	–	(1,046,594)	(1,046,594)
Assets released from restriction used for capital	70,304	(70,304)	–
Pension-related changes other than net periodic pension cost	45,394,659	–	45,394,659
Net assets transferred to affiliates	(47,240,399)	–	(47,240,399)
	66,531,782	3,571,963	70,103,745
Balances at September 30, 2021	87,915,051	30,567,921	118,482,972
Excess of revenues and (losses) gains over expenses	6,543,269	–	6,543,269
Restricted investment income	–	55,047	55,047
Changes in interest in perpetual trust	–	(1,965,979)	(1,965,979)
Donor-restricted contributions	–	1,713,209	1,713,209
Unrealized depreciation on investments	(24,002)	(328,700)	(352,702)
Change in fair value of interest rate swap agreement	540,490	–	540,490
Assets released from restriction used for operations	–	(720,929)	(720,929)
Assets released from restriction used for capital	495,416	(495,416)	–
Pension-related changes other than net periodic pension cost	31,252,260	–	31,252,260
Net assets transferred to affiliates	(44,788,093)	–	(44,788,093)
	(5,980,660)	(1,742,768)	(7,723,428)
Balances at September 30, 2022	$ 81,934,391	$28,825,153	$110,759,544

See accompanying notes.

CATHOLIC MEDICAL CENTER

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2022 and 2021

	2022	2021
Operating activities:		
Change in net assets	$ (7,723,428)	$ 70,103,745
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	12,335,408	12,067,385
Pension-related changes other than net periodic pension cost	(31,252,260)	(45,394,659)
Net assets transferred to affiliates	44,788,093	47,240,399
Restricted gifts and investment income	(1,768,256)	(3,396,210)
Net realized and unrealized losses (gains) on investments	25,498,544	(21,584,462)
Change in interest in perpetual trust	1,965,979	(1,546,976)
Change in fair value of interest rate swap agreement	(540,490)	(204,639)
Bond discount/premium and issuance cost amortization	(240,199)	(250,128)
Changes in operating assets and liabilities:		
Accounts receivable	(138,420)	(8,700,325)
Inventories	96,136	924,157
Other current assets	4,819,550	3,350,720
Amounts due to affiliates	518,518	81,977
Other assets	720,421	(682,146)
Accounts payable and accrued expenses	(2,403,721)	(21,337,182)
Accrued salaries, wages and related accounts	(330,968)	(35,629)
Amounts payable to third-party payors	(40,760,143)	31,126,220
Accrued pension and other liabilities	(10,055,176)	(46,747,628)
Net cash (used) provided by operating activities	(4,470,412)	15,014,619
Investing activities:		
Purchases of property, plant and equipment	(13,992,433)	(8,415,395)
Net change in assets held by trustee under revenue bond agreements	131,069	94,602
Proceeds from sales of investments	12,080,753	112,589,566
Purchases of investments	(15,808,176)	(114,257,793)
Net cash used by investing activities	(17,588,787)	(9,989,020)
Financing activities:		
Payments on long-term debt	(2,765,405)	(2,438,722)
Proceeds from issuance of long-term debt	6,258,900	1,727,244
Payments on capital leases	(424,284)	(223,098)
Restricted gifts and investment income	1,260,656	2,226,560
Net assets transferred to affiliates	(44,788,093)	(47,240,399)
Net cash used by financing activities	(40,458,226)	(45,948,415)
Decrease in cash and cash equivalents	(62,517,425)	(40,922,816)
Cash and cash equivalents at beginning of year	104,311,091	145,233,907
Cash and cash equivalents at end of year	$ 41,793,666	$ 104,311,091

Supplemental disclosure:
During 2022 and 2021, the Medical Center entered into capital lease obligations to finance certain equipment totaling $1,409,797 and $1,739,803, respectively.

See accompanying notes.

1. Organization

Catholic Medical Center (the Medical Center) is a voluntary not-for-profit acute care hospital based in Manchester, New Hampshire. The Medical Center, which primarily serves residents of New Hampshire and northern Massachusetts, was controlled by CMC Healthcare System, Inc. (the System), a not-for-profit corporation which functioned as the parent company and sole member of the Medical Center until December 30, 2016. On December 30, 2016, the System became affiliated with Huggins Hospital (HH), a 25-bed critical access hospital in Wolfeboro, New Hampshire, and Monadnock Community Hospital (MCH), a 25-bed critical access hospital in Peterborough, New Hampshire, through the formation of a common parent, GraniteOne Health (GraniteOne). GraniteOne is a New Hampshire voluntary corporation that is recognized as being a Section 501(c)(3) tax-exempt and "supporting organization" within the meaning of Section 509(a)(3) of the Internal Revenue Code of 1986, as amended (the Code). GraniteOne serves as the sole member of HH and MCH and co-member of the Medical Center, along with the System. GraniteOne is governed by a thirteen-member Board of Trustees appointed by each of the respective hospitals within the GraniteOne system. The GraniteOne Board of Trustees governs the GraniteOne system through the existence and execution of reserved powers to approve certain actions by the Boards of Trustees of each of the hospitals. Through GraniteOne, this more integrated healthcare system enhances the affiliated hospitals' ability to coordinate the delivery of patient care, implement best practices, eliminate inefficiencies and collaborate on regional healthcare planning. These efforts strengthen the hospitals' ability to meet the healthcare needs of their respective communities and provide for a more seamless patient experience across the continuum of care. The accompanying financial statements for the years ended September 30, 2022 and 2021 do not include the accounts and activity of GraniteOne, HH and MCH.

On September 30, 2019, GraniteOne, the Medical Center, the System, certain subsidiaries of the System, HH and MCH entered into a Combination Agreement (the Agreement) with Dartmouth-Hitchcock Health (D-HH) to combine GraniteOne and D-HH and its members into a more fully integrated healthcare delivery system. The combining parties began the state and federal regulatory review process with the filing of a Joint Notice of Change of Control to the New Hampshire Attorney General (AG), Director of Charitable Trusts pursuant to New Hampshire RSA 7:19-b on December 30, 2019. On May 13, 2022, the New Hampshire Attorney General's office issued its report objecting to the proposed combination. On May 31, 2022, GraniteOne, the Medical Center, the System, certain subsidiaries of the System, HH, MCH and D-HH entered into an Agreement to Mutually Terminate the Combination Agreement ending the efforts to combine the two healthcare systems. The Medical Center incurred approximately $1.6 million and $5.9 million in combination costs for the years ended September 30, 2022 and 2021, respectively, which amounts are reflected within nonoperating (losses) gains in the accompanying statements of operations.

Pursuant to the Affiliation Agreement that formed GraniteOne, the Medical Center, HH and MCH each had a right, after two years of GraniteOne, to evaluate whether they would continue participation in the system. The time period on this limited right to withdraw had been extended a number of times while the proposed combination with D-HH was under review. Upon the termination of the combination efforts with D-HH, the Medical Center, MCH and HH each assessed their continued participation in GraniteOne and after a six-month review process, each concluded it was best to withdraw from GraniteOne and subsequently provided the required notice on October 28, 2022. The parties mutually agreed to work together over several months to seek the necessary regulatory approvals and wind down GraniteOne. The parties intend to continue their clinical collaborations after the withdrawal and wind down of GraniteOne. The parties anticipate completing these processes within the 2023 fiscal year.

2. Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 as of the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Medical Center is a not-for-profit corporation as described in Section 501(c)(3) of the Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Management evaluated the Medical Center's tax positions and concluded the Medical Center has maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment to the financial statements.

Performance Indicator

Excess of revenues and (losses) gains over expenses is comprised of operating revenues and expenses and nonoperating gains and losses. For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains or losses, which include contributions without donor restrictions, development costs, net investment income or loss (including realized gains and losses on sales of investments and unrealized gains and losses on equity investments), net periodic pension costs (other than service cost), other nonoperating expenses and losses and contributions to community agencies.

Charity Care and Community Benefits

The Medical Center has a formal charity care policy under which patient care is provided to patients who meet certain criteria without charge or at amounts less than its established rates. The Medical Center does not pursue collection of amounts determined to qualify as charity care; therefore, they are not reported as revenues. The Medical Center rendered charity care in accordance with this policy, which, at established charges, amounted to $14,784,022 and $16,294,258 for the years ended September 30, 2022 and 2021, respectively.

Of the Medical Center's $490,096,822 total expenses reported for the year ended September 30, 2022, an estimated $4,400,000 arose from providing services to charity patients. Of the Medical Center's $438,684,701 total expenses reported for the year ended September 30, 2021, an estimated $4,700,000 arose 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 charity patients. The ratio of cost to charges is calculated based on the Medical Center's total expenses divided by gross patient service revenue.

2. Significant Accounting Policies (Continued)

The Medical Center provides community service programs, without charge, such as the Medication Assistance Program, Community Education and Wellness, Patient Transport, and the Parish Nurse Program. The costs of providing these programs amounted to $876,500 and $837,489 for the years ended September 30, 2022 and 2021, respectively.

Concentration of Credit Risk

Financial instruments which subject the Medical Center to credit risk consist primarily of cash equivalents, accounts receivable and investments. The risk with respect to cash equivalents is minimized by the Medical Center's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The Medical Center's accounts receivable are primarily due from third-party payors and amounts are presented net of expected explicit and implicit price concessions, including estimated implicit price concessions from uninsured patients. The Medical Center's investment portfolio consists of diversified investments, which are subject to market risk. Investments that exceeded 10% of investments include the Fidelity 500 Index Fund as of September 30, 2022 and 2021.

Cash and Cash Equivalents

Cash and cash equivalents include certificates of deposit with maturities of three months or less when purchased and investments in overnight deposits at various banks. Cash and cash equivalents exclude amounts whose use is limited by board designation and amounts held by trustees under revenue bond and other agreements. The Medical Center maintains approximately $38,000,000 and $100,000,000 at September 30, 2022 and 2021, respectively, of its cash and cash equivalent accounts with a single institution. The Medical Center has not experienced any losses associated with deposits at this institution.

Accounts Receivable

Patient accounts receivable for which the unconditional right to payment exists are receivables if the right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. Accounts receivable at September 30, 2022 and 2021 reflect the fact that any estimated uncollectible amounts are generally considered implicit price concessions that are a direct reduction to accounts receivable rather than allowance for doubtful accounts. At September 30, 2022 and 2021, estimated implicit price concessions of $22,678,344 and $22,614,208, respectively, have been recorded as reductions to accounts receivable balances to enable the Medical Center to record revenues and accounts receivable at the estimated amounts expected to be collected.

Accounts receivable as of September 30, 2022, 2021 and 2020 are $70,378,411, $70,239,991 and $61,539,666 respectively.

2. Significant Accounting Policies (Continued)

Inventories

Inventories of supplies are stated at the lower of cost (determined by the first-in, first-out method) or net realizable value.

Property, Plant and Equipment

Property, plant and equipment is stated at cost at time of purchase or fair value at the time of donation, less accumulated depreciation. The Medical Center's policy is to capitalize expenditures for major improvements and charge maintenance and repairs currently for expenditures which do not extend the lives of the related assets. The provisions for depreciation and amortization have been determined using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives. See also Note 5. Assets which have been purchased but not yet placed in service are included in construction in progress and no depreciation expense is recorded.

Conditional Asset Retirement Obligations

The Medical Center recognizes the fair value of a liability for legal obligations associated with asset retirements in the year in which the obligation is incurred, in accordance with the Accounting Standards Codification (ASC) 410-20, *Accounting for Asset Retirement Obligations*. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long lived asset. The liability is accreted to its present value each year, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statements of operations.

As of September 30, 2022 and 2021, $943,004 and $932,489, respectively, of conditional asset retirement obligations are included within accrued pension and other liabilities in the accompanying balance sheets.

Goodwill

The Medical Center reviews its goodwill and other long-lived assets annually to determine whether the carrying amount of such assets is impaired. Upon determination that an impairment has occurred, these assets are reduced to fair value. There were no impairments recorded for the years ended September 30, 2022 or 2021.

2. Significant Accounting Policies (Continued)

Patient Service Revenues

Revenues generally relate to contracts with patients in which the Medical Center's performance obligations are to provide health care services to patients. Revenues are recorded during the period obligations to provide health care services are satisfied. Performance obligations for inpatient services are generally satisfied over a period of days. Performance obligations for outpatient services are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payor (Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) and the transaction prices for the services provided are dependent upon the terms provided by Medicare and Medicaid or negotiated with managed care health plans and commercial insurance companies, the third-party payors. The payment arrangements with third-party payors for the services provided to related patients typically specify payments at amounts less than standard charges. Medicare generally pays for inpatient and outpatient services at prospectively determined rates based on clinical, diagnostic and other factors. Services provided to patients having Medicaid coverage are generally paid at prospectively determined rates per discharge, per identified service or per covered member. Agreements with commercial insurance carriers, managed care and preferred provider organizations generally provide for payments based upon predetermined rates per diagnosis, per diem rates or discounted fee-for-service rates. Management continually reviews the revenue recognition process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals.

The collection of outstanding receivables for Medicare, Medicaid, managed care payers, other third-party payors and patients is the Medical Center's primary source of cash and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the aging of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed. The estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections at facilities that represent a majority of hospital revenues and accounts receivable (the "hindsight analysis") as a primary source of information in estimating the collectability of accounts receivable. Management performs the hindsight analysis regularly, utilizing rolling twelve-month accounts receivable collection and write-off data. Management believes its regular updates to the estimated implicit price concession amounts provide reasonable estimates of revenues and valuations of accounts receivable. These routine, regular changes in estimates have not resulted in material adjustments to the valuations of accounts receivable or period-to-period comparisons of operations.

2. Significant Accounting Policies (Continued)

Retirement Benefits

The Catholic Medical Center Pension Plan (the Plan) provides retirement benefits for certain employees of the Medical Center and certain employees of an affiliated organization who have attained age twenty-one and work at least 1,000 hours per year. The Plan consists of a benefit accrued to July 1, 1985, plus 2% of plan year earnings (to legislative maximums) per year. The Medical Center's funding policy is to contribute amounts to the Plan sufficient to meet minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as may be determined to be appropriate from time to time. The Plan is intended to constitute a plan described in Section 414(k) of the Code, under which benefits derived from employer contributions are based on the separate account balances of participants in addition to the defined benefits under the Plan.

Effective January 1, 2008 the Medical Center decided to close participation in the Plan to new participants. As of January 1, 2008, current participants continued to participate in the Plan while new employees receive a higher matching contribution to the tax-sheltered annuity benefit program discussed below.

During 2011, the Board of Trustees voted to freeze the accrual of benefits under the Plan effective December 31, 2011.

The Plan was amended effective as of May 1, 2016 to provide a limited opportunity for certain terminated vested participants to elect an immediate lump sum or annuity distribution option.

The Medical Center also maintains tax-sheltered annuity benefit programs in which it matches one half of employee contributions up to 3% of their annual salary, depending on date of hire, plus an additional 0% - 2% based on tenure. The Medical Center made matching contributions under the program of $2,868,775 and $3,206,365 for the years ended September 30, 2022 and 2021, respectively.

During 2007, the Medical Center created a nonqualified deferred compensation plan covering certain employees under Section 457(b) of the Code. Under the plan, a participant may elect to defer a portion of their compensation to be held until payment in the future to the participant or his or her beneficiary. Consistent with the requirements of the Code, all amounts of deferred compensation, including but not limited to any investments held and all income attributable to such amounts, property, and rights will remain subject to the claims of the Medical Center's creditors, without being restricted to the payment of deferred compensation, until payment is made to the participant or their beneficiary. No contributions were made by the Medical Center for the years ended September 30, 2022 or 2021.

The Medical Center also provides a noncontributory supplemental executive retirement plan covering certain former executives of the Medical Center, as defined. The Medical Center's policy is to accrue costs under this plan using the "Projected Unit Credit Actuarial Cost Method" and to amortize past service costs over a fifteen year period. Benefits under this plan are based on the participant's final average salary, social security benefit, retirement income plan benefit, and total years of service. Certain investments have been designated for payment of benefits under this plan and are included in assets whose use is limited–pension and insurance obligations.

2. Significant Accounting Policies (Continued)

During 2007, the Medical Center created a supplemental executive retirement plan covering certain executives of the Medical Center under Section 457(f) of the Code. The Medical Center recorded compensation expense of $577,252 and $1,002,235 for the years ended September 30, 2022 and 2021, respectively related to this plan.

Employee Fringe Benefits

The Medical Center has an "earned time" plan. Under this plan, each qualifying employee "earns" hours of paid leave for each pay period worked. These hours of paid leave may be used for vacations, holidays, or illness. Hours earned but not used are vested with the employee and are paid to the employee upon termination. The Medical Center expenses the cost of these benefits as they are earned by the employees.

Debt Issuance Costs/Original Issue Discount or Premium

The debt issuance costs incurred to obtain financing for the Medical Center's construction and renovation programs and refinancing of prior bonds and the original issue discount or premium are amortized to interest expense using the effective interest method over the repayment period of the bonds. The original issue discount or premium and debt issuance costs are presented as a reduction of long-term debt.

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include assets held by trustees under indenture agreements, pension and insurance obligations, designated assets set aside by the Board of Trustees, over which the Board retains control and may, at its discretion, subsequently use for other purposes, and donor-restricted investments.

Net Assets With Donor Restrictions

Gifts are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. Donated investments, supplies and equipment are reported at fair value at the date of receipt. Unconditional promises to give cash and other assets are reported at fair value at the date of the receipt of the promise. When a donor restriction expires (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 either net assets released from restrictions (for noncapital related items) or as net assets released from restrictions used for capital purchases (capital related items). Some net assets with donor restrictions have been restricted by donors to be maintained by the Medical Center in perpetuity.

Except for contributions related to capital purchases, donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions within net assets without donor restrictions in the accompanying financial statements.

2. Significant Accounting Policies (Continued)

Pledges Receivable

Pledges receivable are recognized as revenue when the unconditional promise to give is made. Pledges expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows is measured utilizing risk-free rates of return adjusted for market and credit risk established at the time a contribution is received.

Investments and Investment (Loss) Income

Investments are carried at fair value in the accompanying balance sheets. See Note 8 for further discussion regarding fair value measurements. Investment (loss) income (including realized gains and losses on investments, interest and dividends) and the net change in unrealized gains and losses on equity securities, are included in the excess of revenues and (losses) gains over expenses in the accompanying statements of operations, unless the income or loss is restricted by donor or law. The change in net unrealized gains and losses on debt securities is reported as a separate component of the change in net assets without donor restrictions, except declines that are determined by management to be other than temporary, which are reported as an impairment charge (included in the excess of revenues and (losses) gains over expenses). No such losses were recorded in 2022 or 2021.

Derivative Instruments

Derivatives are recognized as either assets or liabilities in the balance sheets at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivatives are recognized either in the excess of revenues and (losses) gains over expenses or net assets, depending on whether the derivative is speculative or being used to hedge changes in fair value or cash flows. See also Note 6.

Beneficial Interest in Perpetual Trust

The Medical Center is the beneficiary of trust funds administered by trustees or other third parties. Trusts wherein the Medical Center has the irrevocable right to receive the income earned on the trust assets in perpetuity are recorded as net assets with donor restrictions at the fair value of the trust at the date of receipt. Income distributions from the trusts are reported as investment income that increase net assets without donor restrictions, unless restricted by the donor. Annual changes in the fair value of the trusts are recorded as increases or decreases to net assets with donor restrictions.

Endowment, Investment and Spending Policies

In accordance with the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), the Medical Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the fund; (b) the purpose of the organization and the donor-restricted endowment fund; (c) general economic conditions; (d) the possible effect of inflation and deflation; (e) the expected total return from income and the appreciation of investments; (f) other resources of the organization; and (g) the investment policies of the organization.

2. Significant Accounting Policies (Continued)

Spending policies may be adopted by the Medical Center, from time to time, to provide a stream of funding for the support of key programs. The spending policies are structured in a manner to ensure that the purchasing power of the assets is maintained while providing the desired level of annual funding to the programs. The Medical Center currently has a policy allowing interest and dividend income earned on investments to be used for operations with the goal of keeping principal, including its appreciation, intact.

The Medical Center's investment policies provide guidance for the prudent and skillful management of invested assets with the objective of preserving capital and maximizing returns. The invested assets include endowment, specific purpose and board designated funds.

Endowment funds are identified as perpetual in nature, intended to provide support for current or future operations and other purposes identified by the donor. These funds are managed with disciplined longer-term investment objectives and strategies designed to accommodate relevant, reasonable, or probable events.

Specific purpose funds are temporary in nature, restricted as to time or purpose as identified by the donor or grantor. These funds have various intermediate/long-term time horizons associated with specific identified spending objectives.

Board designated funds have various intermediate/long-term time horizons associated with specific spending objectives as determined by the Board of Trustees.

Management of these assets is designed to maximize total return while preserving the capital values of the funds, protecting the funds from inflation and providing liquidity as needed. The objective is to provide a real rate of return that meets inflation, plus 4% to 5%, over a long-term time horizon.

The Medical Center targets a diversified asset allocation that places emphasis on achieving its long-term return objectives within prudent risk constraints.

Federal Grant Revenue and Expenditures

Revenues and expenses under federal grant programs are recognized as the related expenditure is incurred.

Malpractice Loss Contingencies

The Medical Center has a claims-made basis policy for its malpractice insurance coverage. A claims-made basis policy provides specific coverage for claims reported during the policy term. The Medical Center has established a reserve to cover professional liability exposure, which may not be covered by insurance. The possibility exists, as a normal risk of doing business, that malpractice claims in excess of insurance coverage may be asserted against the Medical Center. In the event a loss contingency should occur, the Medical Center would give it appropriate recognition in its financial statements in conformity with accounting standards. The Medical Center expects to be able to obtain renewal or other coverage in future years.

2. Significant Accounting Policies (Continued)

In accordance with Accounting Standards Update (ASU) No. 2010-24, "*Health Care Entities*" (Topic 954): *Presentation of Insurance Claims and Related Insurance Recoveries*, at September 30, 2022 and 2021, the Medical Center recorded a liability of $14,397,448 and $15,491,857, respectively, related to estimated professional liability losses covered under this policy. At September 30, 2022 and 2021, the Medical Center also recorded a receivable of $10,429,948 and $11,402,607, respectively, related to estimated recoveries under insurance coverage for recoveries of the potential losses. These amounts are included in accrued pension and other liabilities, and intangible assets and other, respectively, on the balance sheets.

Workers' Compensation

The Medical Center maintains workers' compensation insurance under a self-insured plan. The plan offers, among other provisions, certain specific and aggregate stop-loss coverage to protect the Medical Center against excessive losses. The Medical Center has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued workers' compensation losses of $2,370,808 and $2,493,406 at September 30, 2022 and 2021, respectively, have been discounted at 1.25% and, in management's opinion, provide an adequate reserve for loss contingencies. At September 30, 2022, $1,050,109 and $1,320,699 is recorded within accounts payable and accrued expenses and accrued pension and other liabilities, respectively, in the accompanying balance sheet. The Medical Center has also recorded $148,287 and $255,402 within other current assets and intangible assets and other, respectively, in the accompanying balance sheet to limit the accrued losses to the retention amount at September 30, 2022. At September 30, 2021, $1,088,072 and $1,405,334 is recorded within accounts payable and accrued expenses and accrued pension and other liabilities, respectively, in the accompanying balance sheet. The Medical Center has also recorded $147,120 and $266,633 within other current assets and intangible assets and other, respectively, in the accompanying balance sheet to limit the accrued losses to the retention amount at September 30, 2021.

Health Insurance

The Medical Center has a self-funded health insurance plan. The plan is administered by an insurance company and the Medical Center has employed independent actuaries to estimate unpaid claims, and those claims incurred but not reported at fiscal year end. The Medical Center was insured above a stop-loss amount of approximately $1.1 million and $903,000 at September 30, 2022 and 2021, respectively, on individual claims. Estimated unpaid claims, and those claims incurred but not reported, at September 30, 2022 and 2021 of $3,079,700 and $2,511,000, respectively, are reflected in the accompanying balance sheets within accounts payable and accrued expenses.

Functional Expense Allocation

The costs of providing program services and other activities have been summarized on a functional basis in Note 11. Accordingly, costs have been allocated among program services and supporting services benefitted.

2. Significant Accounting Policies (Continued)

Advertising Costs

The Medical Center expenses advertising costs as incurred, and such costs totaled approximately $1,203,000 and $947,000 for the years ended September 30, 2022 and 2021, respectively.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. ASU 2016-02 is effective for the Medical Center on October 1, 2022. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. Management expects the adoption of this ASU to result in the recognition of a liability and offsetting right-of-use asset totaling approximately $40 million.

In August 2018, FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Topic 715)* (ASU 2018-14). Under ASU 2018-14, the disclosure requirements for employers that sponsor defined benefit pension and other postretirement plans are modified. ASU 2018-14 was effective for the Medical Center for the year ended September 30, 2022. The adoption of this ASU did not have a significant impact on the Medical Center's financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* ASU 2020-07 enhances the presentation of disclosure requirements for contributed nonfinancial assets. ASU 2020-07 requires entities to present contributed nonfinancial assets as a separate line item in the statement of operations and disclose the amount of contributed nonfinancial assets recognized within the statement of operations by category that depicts the type of contributed nonfinancial assets, as well as a description of any donor-imposed restrictions associated with the contributed nonfinancial assets and the valuation techniques used to arrive at a fair value measure at initial recognition. ASU 2020-07 was effective for the Medical Center beginning October 1, 2021. The adoption of this ASU did not have a significant impact on the Medical Center's financial statements.

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The COVID-19 pandemic has significantly affected employees, patients, systems, communities and business operations, as well as the U.S. economy and financial markets. While some restrictions have been eased across the U.S. and the State of New Hampshire has lifted limitations on non-emergent procedures, some restrictions remain in place. Consolidated patient volumes and revenues experienced gradual improvement beginning in the latter part of April 2020, and continuing, but at times impacted through fiscal year 2022, however uncertainty still exists as the future is unpredictable. The Medical Center's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Medical Center has taken precautionary steps to enhance its operational and financial flexibility, and react to the risks the COVID-19 pandemic presents in its operations.

2. Significant Accounting Policies (Continued)

Since the declaration of the pandemic, the Medical Center received approximately $49.0 million of accelerated Medicare payments (Note 4) as provided for under the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act).

During 2022, the Medical Center received approximately $2.2 million of *American Rescue Plan Act* (ARPA) rural payments, approximately $11.9 million of Provider Relief Funds (PRF) (under the CARES Act) and approximately $1.0 million from the Governor's Office of Emergency Relief and Recovery (GOFERR) (under the CARES Act). Distributions from ARPA, PRF and GOFERR are not subject to repayment provided the Medical Center is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. Such payments are accounted for as government grants, and are recognized on a systematic and rational basis as other income once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met. Based on an analysis of the compliance and reporting requirements of the funding, the Medical Center recognized approximately $15.1 million of the funding in 2022, and these payments are recorded within other revenue in the accompanying statement of operations for the year ended September 30, 2022. The Medical Center also received PRF and GOFERR funding in 2021 and recognized approximately $17.6 million related to these funds, which was recorded within other revenue in the accompanying statement of operations for the year ended September 30, 2021.

The CARES Act also provides for a deferral of payments of the employer portion of payroll tax incurred during the pandemic, allowing half of such payroll taxes to be deferred until December 2021, and the remaining half until December 2022. At September 30, 2022 and 2021, the Medical Center had deferred approximately $3.3 million and $6.5 million, respectively, of payroll taxes, of which approximately $3.3 million are recorded within accrued salaries, wages and related accounts in the accompanying 2022 and 2021 balance sheets. Further, approximately $3.2 million of deferred payroll taxes were recorded within accrued pension and other liabilities in the accompanying 2021 balance sheet.

Subsequent Events

Management of the Medical Center evaluated events occurring between the end of the Medical Center's fiscal year and February 23, 2023, the date the financial statements were available to be issued. See also Note 6.

3. Financial Assets and Liquidity Resources

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 consisted of the following at September 30, 2022:

Cash and cash equivalents	$ 41,793,666
Short-term investments	3,603,910
Accounts receivable	70,378,411
	$115,775,987

3. Financial Assets and Liquidity Resources (Continued)

To manage liquidity, the Medical Center maintains sufficient cash and cash equivalent balances to support daily operations throughout the year. Cash and cash equivalents include bank deposits, money market funds, and other similar vehicles that generate a return on cash and provide daily liquidity to the Medical Center. In addition, the Medical Center has board-designated assets that can be utilized at the discretion of management to help fund both operational needs and/or capital projects. As of September 30, 2022, the balance in board-designated assets was approximately $111 million.

4. Patient Service Revenues

The Medical Center maintains contracts with the Social Security Administration ("Medicare") and the State of New Hampshire Department of Health and Human Services ("Medicaid"). The Medical Center is paid a prospectively determined fixed price for each Medicare and Medicaid inpatient acute care service depending on the type of illness or the patient's diagnosis related group classification. Capital costs and certain Medicare and Medicaid outpatient services are also reimbursed on a prospectively determined fixed price. The Medical Center receives payment for other Medicaid outpatient services on a reasonable cost basis which are settled with retroactive adjustments upon completion and audit of related cost finding reports. The percentage of patient service revenues earned from the Medicare and Medicaid programs was 37% and 4%, respectively, for the year ended September 30, 2022 and 31% and 4%, respectively, for the year ended September 30, 2021.

Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in patient service revenues in the year that such amounts become known. Such differences decreased patient service revenues by approximately $36,000 for the year ended September 30, 2022. Such differences increased patient service revenues by approximately $3.5 million for the year ended September 30, 2021. Settlements for the Medical Center have been finalized through 2018 and 2017 for Medicare and Medicaid, respectively.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Medical Center believes that it is in compliance with all applicable laws and regulations; compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs (Note 14).

As discussed in Note 2, during fiscal year 2020, the Medical Center requested accelerated Medicare payments as provided for in the CARES Act, which allowed for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. One year from the date of receipt of the advance payments (beginning April 2021) 25% of the advances were recouped in the first eleven months. An additional 25% of the advances were recouped in the next six months, with the entire amount repayable in 29 months. Any outstanding balance after 29 months is repayable at a 4% interest rate. During the third quarter of fiscal 2020, the Medical Center received approximately $49.0 million from these accelerated Medicare payment requests. At September 30, 2021, the current portion due within a year, totaling approximately $35.7 million, was recorded under the caption "amounts payable to third-party payors" in the accompanying 2021 balance sheet. The remaining amount was repaid in full during fiscal year 2022, and there is no remaining liability as of September 30, 2022.

4. Patient Service Revenues (Continued)

The Medical Center also maintains contracts with certain commercial carriers, health maintenance organizations, preferred provider organizations and state and federal agencies. The basis for payment under these agreements includes prospectively determined rates per discharge and per day, discounts from established charges and fee schedules. The Medical Center does not currently hold reimbursement contracts which contain financial risk components.

An estimated breakdown of patient service revenues by major payor sources is as follows for the years ended September 30:

	2022	2021
Private payors (includes coinsurance and deductibles)	$268,893,956	$ 278,441,313
Medicaid	18,543,239	15,941,141
Medicare	175,511,508	136,062,134
Self-pay	7,422,403	9,503,414
	$470,371,106	$ 439,948,002

Medicaid Enhancement Tax and Disproportionate Share Payment

Under the State of New Hampshire's (the State) tax code, the State imposes a Medicaid Enhancement Tax (MET) equal to 5.40% of the Medical Center's patient service revenues, with certain exclusions. The amount of tax incurred by the Medical Center for the years ended September 30, 2022 and 2021 was $22,288,821 and $19,248,461, respectively.

In the fall of 2010, in order to remain in compliance with stated federal regulations, the State of New Hampshire adopted a new approach related to Medicaid disproportionate share funding (DSH) retroactive to July 1, 2010. Unlike the former funding method, the State's approach led to a payment that was not directly based on, and did not equate to, the level of tax imposed. As a result, the legislation created some level of losses at certain New Hampshire hospitals, while other hospitals realized gains. DSH payments from the State are recorded in operating revenues and amounted to $21,383,859 and $21,483,694 for the years ended September 30, 2022 and 2021, respectively, net of reserves referenced below.

The Centers for Medicare and Medicaid Services (CMS) has completed audits of the State's program and the disproportionate share payments made by the State from 2011 through 2019, the first years that those payments reflected the amount of uncompensated care provided by New Hampshire hospitals. It is possible that subsequent years will also be audited by CMS. The Medical Center has recorded reserves to address its potential exposure based on the audit results to date or any future redistributions.

5. Property, Plant and Equipment

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

	2022	2021
Land and land improvements	$ 1,472,137	$ 1,472,137
Buildings and improvements	112,077,416	110,046,683
Fixed equipment	43,818,831	43,305,136
Movable equipment	133,712,594	133,370,597
Construction in progress	24,957,824	17,728,986
	316,038,802	305,923,539
Less accumulated depreciation and amortization	(190,617,587)	(183,582,072)
Net property, plant and equipment	$ 125,421,215	$ 122,341,467

In 2021, the Medical Center engaged an independent third party to assist in reassigning the useful lives of certain property, plant and equipment as of October 1, 2020. The impact of changes to estimated useful lives of certain property, plant and equipment of the Medical Center was reported as a change in accounting estimate on a prospective basis to more accurately reflect estimated asset lives based on use. Depreciation expense before this change in estimate for the year ended September 30, 2021 was $13,783,735. As a result of this change in estimate, depreciation expense for 2021 was reduced by $1,728,743 to $12,054,992.

The cost of equipment under capital leases was $9,110,999 and $9,551,202 at September 30, 2022 and 2021, respectively. Accumulated amortization of the leased equipment at September 30, 2022 and 2021 was $6,313,502 and $7,837,413, respectively. Amortization of assets under capital leases is included in depreciation and amortization expense.

As of September 30, 2022, construction in progress primarily consists of the cost related to expand the Medical Center adjacent to the current hospital building, intended for a future expansion of the Medical Center. As of the date of these financial statements, the Medical Center had no significant purchase commitments related to this project.

6. Long-Term Debt and Notes Payable

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

	2022	2021
New Hampshire Health and Education Facilities Authority (the Authority) Revenue Bonds:		
Series 2012 Bonds with interest ranging from 4.00% to 5.00% per year and principal payable in annual installments ranging from $1,125,000 to $1,665,000 through July 2032	$ 13,900,000	$ 15,500,000
Series 2015A Bonds with interest at a fixed rate of 2.27% per year and principal payable in annual installments ranging from $185,000 to $1,655,000 through July 2040	19,750,000	20,400,000
Series 2015B Bonds with variable interest subject to interest rate swap described below and principal payable in annual installments ranging from $435,000 to $665,000 through July 2036	7,420,000	7,640,000
Series 2017 Bonds with interest ranging from 3.38% to 5.00% per year and principal payable in annual installments ranging from $2,900,000 to $7,545,000 beginning in July 2033 through July 2044	61,115,000	61,115,000
	102,185,000	104,655,000
Construction loans – see below	18,531,163	12,566,668
Term loan – see below	35,000,000	35,000,000
Capitalized lease obligations	2,672,981	1,688,468
Unamortized original issue premiums/discounts	4,005,529	4,339,925
Unamortized debt issuance costs	(1,113,254)	(1,207,451)
	161,281,419	157,042,610
Less current portion	(4,178,597)	(3,188,609)
	$157,102,822	$153,854,001

The Authority Revenue Bonds

In December 2012, the Medical Center, in connection with the Authority, issued $35,275,000 of tax-exempt fixed rate revenue bonds (Series 2012). Under the terms of the loan agreements, the Medical Center has granted the Authority a first collateralized interest in all gross receipts and a mortgage lien on existing and future property, plant and equipment. The proceeds of the Series 2012 bond issue were used to advance refund the remaining 2002A Bonds, advance refund certain 2002B Bonds, pay off a short term CAN note and fund certain capital purchases.

6. Long-Term Debt and Notes Payable (Continued)

On September 3, 2015, the Authority issued $32,720,000 of Revenue Bonds, Catholic Medical Center Issue, Series 2015, consisting of the $24,070,000 aggregate principal amount Series 2015A Bonds and the $8,650,000 aggregate principal amount Series 2015B Bonds sold via direct placement to a financial institution. Although the Series 2015B Bonds were issued, they were not drawn on until July 1, 2016, as discussed below. Under the terms of the loan agreements, the Medical Center has granted the Authority a first collateralized interest in all gross receipts and a mortgage lien on existing and future property, plant and equipment. The Series 2015A Bonds were issued to provide funds for the purpose of (i) advance refunding a portion of the outstanding 2006 Bonds in an amount of $20,655,000 to the first call date of July 1, 2016, (ii) funding certain construction projects and equipment purchases in an amount of approximately $3,824,000, and (iii) paying the costs of issuance related to the Series 2015 Bonds. The Series 2015B Bonds were structured as drawdown bonds. On July 1, 2016, the full amount available under the Series 2015B Bonds totaling $8,650,000 was drawn upon and the proceeds in combination with cash contributed by the Medical Center totaling $555,000 were used to currently refund the remaining balance of the Series 2006 Bonds totaling $9,205,000. Subsequent to year end, the Medical Center entered into a commitment letter with TD Bank, N.A. (TD Bank) to extend the tenor of the Series 2015A and Series 2015B Bonds. The Series 2015A Bonds will continue to be amortized in line with the existing schedule, with a final maturity of July 1, 2040, subject to a mandatory tender seven years from the date of closing on the new commitment. The interest rate will be a 7-year fixed rate equal to TD Bank's 7/17 Open Cost of Funds (COF) rate plus 0.65%, multiplied by 81.5%. The Series 2015B Bonds will continue to be amortized in line with the existing schedule, with a final maturity of July 1, 2036, subject to a mandatory tender seven years from the date of closing on the new commitment. The interest rate will be a variable rate equal to the Term SOFR rate plus 1.35%, multiplied by 81.5%, adjusted monthly.

On September 1, 2017, the Authority issued $61,115,000 of Revenue Bonds, Catholic Medical Center Issue, Series 2017. The Series 2017 Bonds were issued to fund various construction projects and equipment purchases, as well as pay certain costs of issuance related to the Series 2017 Bonds. Under the terms of the loan agreements, the Medical Center has granted the Authority a first collateralized interest in all gross receipts and a mortgage lien on existing and future property, plant and equipment.

The Medical Center has an agreement with the Authority, which provides for the establishment of various funds, the use of which is generally restricted to the payment of debt, as well as a construction fund related to the Series 2017 Bonds. These funds are administered by a trustee, and income earned on certain of these funds is similarly restricted.

6. Long-Term Debt and Notes Payable (Continued)

Construction Loans

On July 1, 2019, the Medical Center established a nonrevolving line of credit up to $10,000,000 with a bank in order to fund the expansion of the Medical Center. The line of credit bore interest at the LIBOR lending rate plus 0.75%. Advances from the line of credit were available through July 1, 2021, at which time the then outstanding line of credit balance automatically converted to a term loan. Upon conversion, the Medical Center began making monthly payments of principal and interest, assuming a 30-year level monthly principal and interest payment schedule, with a final maturity of July 1, 2029. The bank computed the schedule of principal payments based on the interest rate applicable on the conversion date (0.85%). Payments of interest only were due on a monthly basis until the conversion date. The Medical Center has pledged gross receipts as collateral. As of September 30, 2022 and 2021, the balance outstanding under the converted term loan is $9,656,857 and $9,951,192, respectively.

On March 20, 2020, the Medical Center established a second nonrevolving line of credit up to $10,000,000 with a bank in order to further fund certain costs related to the expansion of the Medical Center. The line of credit bears interest at the LIBOR lending rate plus 0.75% (3.31% at September 30, 2022). Advances from the line of credit were available through March 20, 2022, at which time the then outstanding line of credit balance will automatically convert to a term loan. During 2022, the conversion date was extended through December 31, 2022. Upon conversion, the Medical Center began making monthly payments of principal and interest, assuming a 30-year level monthly principal and interest payment schedule, with a final maturity of March 20, 2030. The bank shall compute the schedule of principal payments based on the interest rate applicable on the conversion date. Payments of interest only are due on a monthly basis until the conversion date. The Medical Center has pledged gross receipts as collateral. As of September 30, 2022 and 2021, the Medical Center has drawn $8,874,306 and $2,615,476, respectively, on this line of credit. In December 2022, the outstanding balance of the line of credit at the date of conversion totaling $9,207,005 was converted to a term loan with an interest rate of 5.12%.

Term Loan

On August 21, 2020, the Medical Center entered into a term loan with TD Bank totaling $35,000,000 with the proceeds to be used for general working capital and liquidity purposes, as well as to pay the costs of issuance related to the term loan. Interest is fixed at 2.11%, and payments of interest only are due on a monthly basis through August 21, 2023, at which time the full principal amount outstanding is due, along with any accrued and unpaid interest. The Medical Center has pledged gross receipts as collateral, and the term loan is further secured by a mortgage until such time the aforementioned Authority bonds are no longer outstanding.

Subsequent to year end, the Medical Center entered into a commitment letter with TD Bank to extend the tenor of the term loan. The new term is a 7-year term with amortization based on a 20-year schedule, with a final maturity in 2030. The interest rate is a fixed rate equal to the bank's 7-year COF rate, plus 0.95%.

6. Long-Term Debt and Notes Payable (Continued)

The aggregate principal payments due on the revenue bonds, capital lease obligations and other debt obligations for each of the five years ending September 30 and thereafter are as follows (including the term extensions provided by the TD Bank commitment letter received subsequent to year end, as previously discussed):

2023	$ 4,178,597
2024	5,465,826
2025	5,764,360
2026	5,969,709
2027	6,183,725
Thereafter	130,826,927
	$158,389,144

Interest paid by the Medical Center totaled $4,925,200 for the year ended September 30, 2022 and $4,977,828 (including capitalized interest of $53,202) for the year ended September 30, 2021.

The fair value of the Medical Center's long-term debt is estimated using discounted cash flow analysis, based on the Medical Center's current incremental borrowing rate for similar types of borrowing arrangements. The fair value of the Medical Center's long-term debt, excluding capitalized lease obligations, was approximately $154,500,000 and $168,100,000 at September 30, 2022 and 2021, respectively.

On March 27, 2018, the MOB LLC (a subsidiary of Alliance Enterprises, Inc., which is a subsidiary of the System) refinanced an existing note payable to a term loan totaling $8,130,000. Principal payments of $19,500 are due in monthly installments beginning May 1, 2018, continuing until March 27, 2028, at which time the remaining unpaid principal and interest shall be due in full. During 2021, the fixed interest rate on this note payable was modified to a fixed rate of 4.52%. All other payment terms remained the same. Under the terms of the loan agreement, the Medical Center and MOB LLC (the Obligated Group) has granted the bank a first collateralized interest in all gross receipts and a mortgage lien on existing and future property, plant and equipment. The Medical Center and the System also guarantee the note payable.

Debt Covenants

In conjunction with the revenue bonds, construction loans and term loan outlined above, the Medical Center is required to maintain a minimum debt service coverage ratio of 1.20 and a cash to debt requirement of 0.60. The Medical Center, as well as the Obligated Group for the MOB LLC note payable, was in compliance with all required debt covenants as of September 30, 2022 and 2021. Subsequent to year end, in conjunction with the TD Bank commitment letter previously discussed for the Series 2015A and Series 2015B Bonds and the term loan, certain debt covenants were modified.

6. Long-Term Debt and Notes Payable (Continued)

Derivatives

The Medical Center uses derivative financial instruments principally to manage interest rate risk. In January 2016, the Medical Center entered into an interest rate swap agreement with an initial notional amount of $8,650,000 in connection with its Series 2015B Bond issuance. The swap agreement hedges the Medical Center's interest exposure by effectively converting interest payments from variable rates to a fixed rate. The swap agreement is designated as a cash flow hedge of the underlying variable rate interest payments, and changes in the fair value of the swap agreement are reported as a change in net assets without donor restrictions. Under this agreement, the Medical Center pays a fixed rate equal to 1.482%, and receives a variable rate of 69.75% of the one-month LIBOR rate (1.79% at September 30, 2022). Payments under the swap agreement began August 1, 2016 and the agreement will terminate August 1, 2025.

The fair value of the Medical Center's interest rate swap agreement amounted to an asset (liability) of $263,468 and $(277,022) as of September 30, 2022 and 2021, respectively, which amount has been recorded within intangible assets and other and accrued pension and other liabilities in the accompanying balance sheets, respectively. The change in the fair value of this derivative of $540,490 and $204,639, respectively, has been included within the statements of changes in net assets as a change in net assets without donor restrictions for the years ended September 30, 2022 and 2021. Subsequent to year end, and in connection with the new TD Bank commitment letter on the Series 2015B Bonds discussed above, the interest rate on the above swap agreement was converted from LIBOR to SOFR. Further, the Medical Center was provided with the option to extend the swap agreement maturity to match the new tenor of the Series 2015B Bonds. At the date of these financial statements, management of the Medical Center had not exercised this option.

7. Operating Leases

The Medical Center has various noncancelable agreements to lease various pieces of medical equipment. The Medical Center also has noncancelable leases for office space and its physician practices. Certain real estate leases are with related parties. Total rent expense paid to related parties for the years ended September 30, 2022 and 2021 was $2,829,428 and $2,781,321, respectively. Rental expense under all leases for the years ended September 30, 2022 and 2021 was $6,149,210 and $5,945,116, respectively.

Estimated future minimum lease payments under noncancelable operating leases are as follows:

2023	$ 5,794,745
2024	2,791,662
2025	2,491,084
2026	1,596,170
2027	718,943
Thereafter	561,132
	$13,953,736

8. Investments and Assets Whose Use is Limited

Short-term investments and assets whose use is limited (including pledges receivable) are comprised of the following at September 30:

	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	$ 26,595,538	$ 26,595,538	$ 21,976,516	$ 21,976,516
U.S. federal treasury obligations	2,476,435	2,595,002	2,907,898	2,888,132
Marketable equity securities	91,014,461	100,355,056	112,087,037	99,183,893
Fixed income securities	36,483,285	40,848,321	41,022,868	40,695,230
Private investment funds	7,179,211	4,527,110	9,828,460	4,549,812
Pledges receivable	1,829,416	1,829,416	6,791,741	6,791,741
	$165,578,346	$176,750,443	$194,614,520	$176,085,324

Pledges receivable are due as follows at September 30:

	2022	2021
In one year or less (included in other current assets)	$ 986,045	$5,675,605
Between one and five years	860,179	1,161,246
	1,846,224	6,836,851
Less unamortized discount	(16,808)	(45,110)
	$1,829,416	$6,791,741

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In determining fair value, the use of various valuation approaches, including market, income and cost approaches, is permitted.

A fair value hierarchy has been established based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

8. Investments and Assets Whose Use is Limited (Continued)

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Medical Center for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 — Observable inputs such as quoted prices in active markets;

Level 2 — Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 — Unobservable inputs in which there is little or no market data.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- *Market approach* – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- *Income approach* – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques).

In determining the appropriate levels, the Medical Center performs a detailed analysis of the assets and liabilities. There have been no changes in the methodologies used at September 30, 2022 and 2021.

The following are descriptions of the valuation methodologies used:

U.S. Federal Treasury Obligations and Fixed Income Securities

The fair value is determined by using broker or dealer quotations, external pricing providers, or alternative pricing sources with reasonable levels of price transparency. The Medical Center holds fixed income mutual funds and exchange traded funds, governmental and federal agency debt instruments, municipal bonds, corporate bonds, and foreign bonds which are primarily classified as Level 1 within the fair value hierarchy.

Marketable Equity Securities

Marketable equity securities are valued based on stated market prices and at the net asset value of shares held by the Medical Center at year end, which generally results in classification as Level 1 within the fair value hierarchy.

8. Investments and Assets Whose Use is Limited (Continued)

Private Investment Funds

The Medical Center invests in private investment funds that consist primarily of limited partnership interests in investment funds, which, in turn, invest in diversified portfolios predominantly comprised of equity and fixed income securities, as well as options, futures contracts, and some other less liquid investments. Management has approved procedures pursuant to the methods in which the Medical Center values these investments, which ordinarily will be the amount equal to the pro-rata interest in the net assets of the limited partnership, as such value is supplied by, or on behalf of, each investment manager from time to time, usually monthly and/or quarterly.

Medical Center management is responsible for the fair value measurements of investments reported in the financial statements. Such amounts are generally determined using audited financial statements of the funds and/or recently settled transactions. Because of inherent uncertainty of valuation of certain private investment funds, the estimate of the fund manager or general partner may differ from actual values, and differences could be significant. Management believes that reported fair values of its private investment funds at the balance sheet dates are reasonable.

Fair Value on a Recurring Basis

The following table presents information about the Medical Center's assets and liabilities measured at fair value on a recurring basis based upon the lowest level of significant input to the valuations at September 30, 2022:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 26,595,538	$ –	$ –	$ 26,595,538
U.S. federal treasury obligations	2,476,435	–	–	2,476,435
Marketable equity securities	91,014,461	–	–	91,014,461
Fixed income securities	36,483,285	–	–	36,483,285
	$156,569,719	$ –	$ –	156,569,719
Investments measured at net asset value:				
Private investment funds				7,179,211
Total investments at fair value				163,748,930
Interest rate swap agreement	$ –	$ –	$263,468	263,468
Total assets at fair value				$164,012,398

Total investments, excluding pledges receivable, net, included the following as of September 30, 2022:

Short term investments	$ 3,603,910
Assets whose use is limited	160,145,020
	$163,748,930

8. Investments and Assets Whose Use is Limited (Continued)

The following table presents information about the Medical Center's assets and liabilities measured at fair value on a recurring basis based upon the lowest level of significant input to the valuations at September 30, 2021:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 21,976,516	$ –	$ –	$ 21,976,516
U.S. federal treasury obligations	2,907,898	–	–	2,907,898
Marketable equity securities	112,087,037	–	–	112,087,037
Fixed income securities	41,022,868	–	–	41,022,868
	$177,994,319	$ –	$ –	177,994,319
Investments measured at net asset value:				
Private investment funds				9,828,460
Total investments at fair value				$187,822,779
Liabilities				
Interest rate swap agreement	$ –	$ –	$277,022	$ 277,022

Total investments, excluding pledges receivable, net, included the following as of September 30, 2021:

Short-term investments	$ 3,582,157
Assets whose use is limited	184,240,622
	$187,822,779

There were no significant purchases, issues or transfers into or out of Level 3 for the years ended September 30, 2022 or 2021.

Net Asset Value Per Share

The following table discloses the fair value and redemption frequency of those assets whose fair value is estimated using the net asset value per share practical expedient at September 30:

Category	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
2022				
Private investment funds	$ 7,179,211	$ –	Monthly	5 day notice
2021				
Private investment funds	$ 9,828,460	$ –	Monthly	5 day notice

8. Investments and Assets Whose Use is Limited (Continued)

Investment Strategies

U.S. Federal Treasury Obligations and Fixed Income Securities

The primary purpose of these investments is to provide a highly predictable and dependable source of income, preserve capital, reduce the volatility of the total portfolio, and hedge against the risk of deflation or protracted economic contraction.

Marketable Equity Securities

The primary purpose of equity investments is to provide appreciation of principal and growth of income with the recognition that this requires the assumption of greater market volatility and risk of loss. The total equity portion of the portfolio will be broadly diversified according to economic sector, industry, number of holdings and other characteristics, including style and capitalization. The Medical Center may employ multiple equity investment managers, each of whom may have distinct investment styles. Accordingly, while each manager's portfolio may not be fully diversified, it is expected that the combined equity portfolio will be broadly diversified.

Private Investment Funds

The primary purpose of private investment funds is to provide further portfolio diversification and to reduce overall portfolio volatility by investing in strategies that are less correlated with traditional equity and fixed income investments. Private investment funds may provide access to strategies otherwise not accessible through traditional equities and fixed income such as derivative instruments, real estate, distressed debt and private equity and debt.

Fair Value of Other Financial Instruments

Other financial instruments consist of accounts receivable, pledges receivable, accounts payable and accrued expenses, amounts payable to third-party payors and long-term debt. The fair value of all financial instruments other than long-term debt approximates their relative book values as these financial instruments have short-term maturities or are recorded at amounts that approximate fair value. See Note 6 for disclosure of the fair value of long-term debt.

9. Retirement Benefits

As previously discussed in Note 2, the Plan provides retirement benefits for certain employees of an affiliated organization. The disclosure below provides information for the Plan as a whole. A reconciliation of the changes in the Catholic Medical Center Pension Plan and the Medical Center's Supplemental Executive Retirement Plan projected benefit obligations and the fair value of assets for the years ended September 30, 2022 and 2021, and a statement of funded status of the plans for both years are as follows:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan	
	2022	2021	2022	2021
Changes in benefit obligations:				
Projected benefit obligations at beginning of year	$ (333,300,327)	$ (351,365,307)	$ (3,404,278)	$ (4,046,357)
Service cost	(1,600,000)	(1,500,000)	–	–
Interest cost	(9,442,623)	(8,807,235)	(69,258)	(67,304)
Benefits paid	10,516,182	10,561,754	248,345	406,705
Actuarial gain	81,777,574	16,230,510	928,082	302,678
Expenses paid	1,708,691	1,579,951	–	–
Projected benefit obligations at end of year	(250,340,503)	(333,300,327)	(2,297,109)	(3,404,278)
Changes in plan assets:				
Fair value of plan assets at beginning of year	230,969,065	193,634,925	–	–
Actual (loss) return on plan assets	(40,221,086)	40,943,728	–	–
Employer contributions	5,782,460	8,532,117	248,345	406,705
Benefits paid	(10,516,182)	(10,561,754)	(248,345)	(406,705)
Expenses paid	(1,708,691)	(1,579,951)	–	–
Fair value of plan assets at end of year	184,305,566	230,969,065	–	–
Funded status of plan at September 30	$ (66,034,937)	$ (102,331,262)	$ (2,297,109	$ (3,404,278)
Amounts recognized in the balance sheets consist of:				
Current liability	$ –	$ –	$ (278,033)	(331,563)
Noncurrent liability	(66,034,937)	(102,331,262)	(2,019,076)	(3,072,715)
	$ (66,034,937)	$ (102,331,262)	$ (2,297,109)	$ (3,404,278)

The current portion of accrued pension costs included in the above amounts for the Medical Center amounted to $278,033 and $331,563 at September 30, 2022 and 2021, respectively, and has been included in accounts payable and accrued expenses in the accompanying balance sheets.

9. Retirement Benefits (Continued)

The amounts recognized in net assets without donor restrictions for the years ended September 30 consist of:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan	
	2022	2021	2022	2021
Amounts recognized in the balance sheets – total plan:				
Net assets without donor restrictions:				
Net loss	$(101,879,882)	$(135,195,854)	$(758,834)	$(1,814,229)
Net amount recognized	$(101,879,882)	$(135,195,854)	$(758,834)	$(1,814,229)

Net periodic pension cost includes the following components for the years ended September 30:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan	
	2022	2021	2022	2021
Service cost	$ 1,600,000	$ 1,500,000	$ –	$ –
Interest cost	9,442,623	8,807,235	69,258	67,304
Expected return on plan assets	(13,219,077)	(13,523,452)	–	–
Amortization of actuarial loss	4,980,228	5,408,409	127,763	166,900
Net periodic pension cost	$ 2,803,774	$ 2,192,192	$197,021	$ 234,204

Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions for the years ended September 30 consist of:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan	
	2022	2021	2022	2021
Net (gain) loss	$(28,342,395)	$(43,650,786)	$ (928,082)	$(302,678)
Amortization of actuarial loss	(4,980,228)	(5,408,409)	(127,763)	(166,900)
Net amount recognized	$(33,322,623)	$(49,059,195)	$(1,055,845)	$(469,578)

9. Retirement Benefits (Continued)

The investments of the plans are comprised of the following at September 30:

	Target Allocation		Catholic Medical Center Pension Plan	
	2022	2021	2022	2021
Cash and cash equivalents	0.0%	0.0%	2.3%	1.3%
Equity securities	70.0	70.0	61.8	66.4
Fixed income securities	20.0	20.0	30.5	26.4
Other	10.0	10.0	5.4	5.9
	100.0%	100.0%	100.0%	100.0%

The assumption for the long-term rate of return on plan assets has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

The weighted-average assumptions used to determine the defined benefit pension plan obligations at September 30 are as follows:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan	
	2022	2021	2022	2021
Discount rate	5.39%	2.81%	5.18%	2.13%
Rate of compensation increase	N/A	N/A	N/A	N/A

The weighted-average assumptions used to determine the defined benefit pension plan net periodic benefit costs for the years ended September 30 are as follows:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan	
	2022	2021	2022	2021
Discount rate	2.81%	2.57%	2.13%	1.77%
Rate of compensation increase	N/A	N/A	N/A	N/A
Expected long-term return on plan assets	6.30%	6.90%	N/A	N/A

The Medical Center does not expect to make any significant employer contributions to the Catholic Medical Center Pension Plan or Pre-1987 Supplemental Executive Retirement Plan for the fiscal year ending September 30, 2023.

9. Retirement Benefits (Continued)

The benefits, which reflect expected future service, as appropriate, expected to be paid for the years ending September 30 are as follows:

	Catholic Medical Center Pension Plan	Pre-1987 Supplemental Executive Retirement Plan
2023	$11,832,493	$ 285,143
2024	12,624,595	274,285
2025	13,553,384	262,535
2026	14,235,877	249,926
2027	15,049,976	236,506
2028 - 2032	83,857,865	959,866

The Medical Center contributed $5,782,460 and $248,345 to the Catholic Medical Center Pension Plan and the Pre-1987 Supplemental Executive Retirement Plan, respectively, for the year ended September 30, 2022. The Medical Center contributed $8,532,117 and $406,705 to the Catholic Medical Center Pension Plan and the Pre-1987 Supplemental Executive Retirement Plan, respectively, for the year ended September 30, 2021. The Medical Center plans to make any necessary contributions during the upcoming fiscal 2023 year to ensure the plans continue to be adequately funded given the current market conditions.

The following fair value hierarchy table presents information about the financial assets of the above plans measured at fair value on a recurring basis based upon the lowest level of significant input valuation as of September 30:

	Level 1	Level 2	Level 3	Total
2022				
Cash and cash equivalents	$ 4,311,338	$ –	$ –	$ 4,311,338
Marketable equity securities	113,967,344	–	–	113,967,344
Fixed income securities	56,116,026	–	–	56,116,026
	$174,394,708	$ –	$ –	174,394,708
Investments measured at net asset value:				
Private investment funds				9,910,858
Total investments at fair value				$184,305,566

9. Retirement Benefits (Continued)

	Level 1	Level 2	Level 3	Total
2021				
Cash and cash equivalents	$ 3,212,324	$ –	$ –	$ 3,212,324
Marketable equity securities	153,263,129	–	–	153,263,129
Fixed income securities	60,911,412	–	–	60,911,412
	$217,386,865	$ –	$ –	217,386,865
Investments measured at net asset value:				
Private investment funds				13,582,200
Total investments at fair value				$230,969,065

10. Related Party Transactions

During 2022 and 2021, the Medical Center made and received transfers of net assets (to) from affiliated organizations as follows:

	2022	2021
Alliance Health Services	$ (5,770,000)	$ (5,960,000)
Physician Practice Associates	(44,318,093)	(44,732,000)
Alliance Ambulatory Service	2,100,000	4,064,000
Alliance Resources	1,000,000	–
Alliance Enterprises	2,200,000	–
NH Medical Laboratory	–	(612,399)
	$ (44,788,093)	$ (47,240,399)

The Medical Center entered into various other transactions with the aforementioned related organizations. The net effect of these transactions was an amount due to affiliates of $1,234,110 and $715,592 at September 30, 2022 and 2021, respectively. See Note 7 for related party leasing activity.

The Medical Center has engaged in various transactions with GraniteOne, HH and MCH. The Medical Center recognized approximately $3.0 million and $3.1 million in revenue from these related parties for the years ended September 30, 2022 and 2021, respectively, which is reflected within other revenues in the accompanying statements of operations. The Medical Center also incurred expenses to these related parties of approximately $1.9 million and $6.5 million for the years ended September 30, 2022 and 2021, respectively, of which $300,000 and $600,000, respectively, is reflected within operating expenses. Additionally, approximately $1.6 million and $5.9 million for the years ended September 30, 2022 and 2021, respectively, is reflected within nonoperating (losses) gains in the accompanying statements of operations. As of September 30, 2022, the Medical Center had a net amount due from these related parties of approximately $2.0 million, which is reflected within other current assets in the accompanying 2022 balance sheet. As of September 30, 2021, the Medical Center had a net amount due from these related parties of approximately $1.3 million, of which $1.8 million is reflected within other current assets and $500,000 is reflected within accounts payable and accrued expenses in the accompanying 2021 balance sheet. See also Note 1.

11. Functional Expenses

The Medical Center provides general health care services to residents within its geographic location including inpatient, outpatient and emergency care. Expenses related to providing these services are as follows at September 30:

	Healthcare Services	General and Administrative	Total
2022			
Salaries, wages and fringe benefits	$225,148,988	$38,990,425	$264,139,413
Supplies and other	153,048,709	33,501,325	186,550,034
New Hampshire Medicaid enhancement tax	22,288,821	–	22,288,821
Depreciation and amortization	7,122,924	5,212,484	12,335,408
Interest	4,028,867	754,279	4,783,146
	$411,638,309	$78,458,513	$490,096,822
2021			
Salaries, wages and fringe benefits	$183,398,285	$35,509,892	$218,908,177
Supplies and other	151,124,424	32,677,200	183,801,624
New Hampshire Medicaid enhancement tax	19,248,461	–	19,248,461
Depreciation and amortization	7,038,102	5,029,283	12,067,385
Interest	3,873,112	785,942	4,659,054
	$364,682,384	$74,002,317	$438,684,701

The financial statements report certain expense categories that are attributable to more than one healthcare 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, such as depreciation and interest, are allocated to a function based on square footage. Supporting activities that are not directly identifiable with one or more healthcare programs are classified as general and administrative. If it is impossible or impractical to make a direct identification, allocation of the expenses were made according to management's estimates. Employee benefits are allocated in accordance with the ratio of salaries and wages of the functional classes. Specifically identifiable costs are assigned to the function which they are identified to.

12. Concentration of Credit Risk

The Medical Center 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 is as follows at September 30:

	2022	2021
Medicare	40%	39%
Medicaid	13	14
Commercial insurance and other	20	22
Patients (self pay)	8	7
Anthem Blue Cross	19	18
	100%	100%

13. Endowments and Net Assets With Donor Restrictions

Endowments

In July 2008, the State of New Hampshire enacted a version of UPMIFA (the Act). The new law, which had an effective date of July 1, 2008, eliminates the historical dollar threshold and establishes prudent spending guidelines that consider both the duration and preservation of the fund. As a result of this enactment, subject to the donor's intent as expressed in a gift agreement or similar document, a New Hampshire charitable organization may now spend the principal and income of an endowment fund, even from an underwater fund, after considering the factors listed in the Act.

Endowment net assets consist of the following at September 30:

	Without Donor Restrictions	With Donor Restrictions	Total
2022			
Board-designated endowment funds	$111,045,914	$ –	$111,045,914
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	–	9,476,635	9,476,635
Accumulated investment gains	–	602,774	602,774
Total endowment net assets	$111,045,914	$10,079,409	$121,125,323

13. Endowments and Net Assets With Donor Restrictions (Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
2021			
Board-designated endowment funds	$132,618,999	$ –	$132,618,999
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	–	8,680,900	8,680,900
Accumulated investment gains	–	4,058,751	4,058,751
Total endowment net assets	$132,618,999	$12,739,651	$145,358,650

Changes in endowment net assets consisted of the following for the years ended September 30:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at September 30, 2020	$110,329,140	$10,683,541	$121,012,681
Investment return, net	22,219,555	1,834,839	24,054,394
Contributions	–	1,338,169	1,338,169
Appropriation for operations	–	(1,046,594)	(1,046,594)
Appropriation for capital	70,304	(70,304)	–
Balance at September 30, 2021	132,618,999	12,739,651	145,358,650
Investment loss, net	(22,068,501)	(2,239,632)	(24,308,133)
Contributions	–	795,735	795,735
Appropriation for operations	–	(720,929)	(720,929)
Appropriation for capital	495,416	(495,416)	–
Balance at September 30, 2022	$111,045,914	$10,079,409	$121,125,323

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 Medical Center to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2022 or 2021.

13. Endowments and Net Assets With Donor Restrictions (Continued)

Net Assets With Donor Restrictions

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

	2022	2021
Funds subject to use or time restrictions:		
Capital acquisitions	$17,068,009	$11,143,157
Healthcare services	1,143,769	1,270,257
Indigent care	676,640	801,323
Pledges receivable	1,829,416	6,791,741
	20,717,834	20,006,478
Funds of perpetual duration	8,107,319	10,561,443
	$28,825,153	$30,567,921

14. Commitments and Contingencies

Litigation

Various legal claims, generally incidental to the conduct of normal business, are pending or have been threatened against the Medical Center. The Medical Center intends to defend vigorously against these claims. While ultimate liability, if any, arising from any such claim is presently indeterminable, it is management's opinion that the ultimate resolution of these claims will not have a material adverse effect on the financial condition of the Medical Center.

Regulatory

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Government activity continues with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Compliance with such laws and regulations are subject to government review and interpretations as well as regulatory actions unknown or unasserted at this time.