RESPONSE TO #6

BerryDunn

Valley Regional Healthcare, Inc.

CONSOLIDATED FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

September 30, 2022 and 2021

With Independent Auditor's Report

and

Government Reports in Accordance with *Government Auditing Standards* and the Uniform Guidance

VALLEY REGIONAL HEALTHCARE, INC. AND SUBSIDIARY

September 30, 2022 and 2021

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BerryDunn

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Valley Regional Healthcare, Inc.

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Schedules 1 and 2 are presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual entities, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, Schedules 1 and 2 are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023 on our consideration of Valley Regional Healthcare, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Valley Regional Healthcare, Inc. and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Valley Regional Healthcare, Inc. and Subsidiary's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
January 25, 2023

VALLEY REGIONAL HEALTHCARE, INC. AND SUBSIDIARY

Consolidated Balance Sheets

September 30, 2022 and 2021

ASSETS

	2022	2021
Current assets		
Cash and cash equivalents	**$ 20,682,941**	$ 22,105,517
Short-term investments	**154,556**	152,584
Patient accounts receivable, net	**3,758,691**	4,048,637
Supplies	**1,013,838**	1,025,989
Prepaid expenses	**409,255**	399,299
Other accounts receivable	**2,732,507**	2,157,297
Total current assets	**28,751,788**	29,889,323
Assets limited as to use		
Internally designated for capital acquisitions and community service	**21,762,548**	23,393,340
By loan agreement	**5,494,570**	5,782,142
Cash with donor restrictions	**3,077**	3,077
Total assets limited as to use	**27,260,195**	29,178,559
Property and equipment, net	**11,895,079**	11,880,625
Long-term investments	**5,312,852**	9,624,228
Beneficial interests in perpetual trusts	**4,461,628**	5,117,482
Total assets	**$ 77,681,542**	$ 85,690,217

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

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities		
Current portion of long-term debt	$ 352,151	$ 340,902
Accounts payable and accrued expenses	5,203,664	3,316,629
Accrued compensated absences	1,123,820	1,202,385
Accrued salaries and related amounts	656,986	479,640
Estimated third-party payor settlements	2,971,461	4,437,080
Medicare accelerated payments	-	6,447,560
Deferred revenue	240,576	268,087
Other current liabilities	827,326	763,301
Total current liabilities	11,375,984	17,255,584
Long-term debt, excluding current portion	17,255,421	17,597,942
Estimated third-party payor settlements, excluding current portion	12,964,796	14,948,490
Total liabilities	41,596,201	49,802,016
Net assets		
Without donor restrictions	29,592,147	28,433,796
With donor restrictions	6,493,194	7,454,405
Total net assets	36,085,341	35,888,201
Total liabilities and net assets	$ 77,681,542	$ 85,690,217

VALLEY REGIONAL HEALTHCARE, INC. AND SUBSIDIARY

Consolidated Statements of Operations

Years Ended September 30, 2022 and 2021

	2022	2021
Revenues, gains, and other support without donor restrictions		
Net patient service revenue	**$ 51,202,347**	$ 42,361,536
Other revenues	**1,372,629**	1,304,189
Medicaid disproportionate share hospital direct payment revenue	**3,099,689**	3,885,142
U.S. Department of Health and Human Services stimulus revenue	**2,282,824**	-
PPP refundable advance revenue	**-**	4,020,400
Grant revenue	**386,095**	625,397
Net assets released from restrictions used for operations	**49,586**	51,711
Total revenues, gains, and other support without donor restrictions	**58,393,170**	52,248,375
Expenses		
Salaries	**21,406,464**	19,952,181
Employee benefits	**5,378,932**	5,453,993
Professional fees	**8,624,700**	5,402,478
Supplies and other	**13,804,931**	12,249,288
Insurance	**920,175**	818,589
Depreciation and amortization	**1,704,468**	1,791,265
Interest	**587,996**	598,861
Medicaid enhancement tax	**2,477,994**	2,019,557
Total expenses	**54,905,660**	48,286,212
Operating income	**3,487,510**	3,962,163
Nonoperating gains (losses)		
Investment income	**3,770,037**	1,001,460
Net unrealized (losses) gains on equity investments	**(5,459,453)**	4,398,819
Other nonoperating losses, net	**(8,046)**	(6,287)
Nonoperating (losses) gains, net	**(1,697,462)**	5,393,992
Excess of revenues, gains, other support, and nonoperating (losses) gains, net, over expenses	**1,790,048**	9,356,155
Net unrealized losses on investments	**(654,538)**	(353,437)
Net assets released for restrictions used for the purchase of property and equipment	**22,841**	15,425
Change in net assets without donor restrictions	**$ 1,158,351**	$ 9,018,143

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

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VALLEY REGIONAL HEALTHCARE, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Net Assets

Years Ended September 30, 2022 and 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Balances, October 1, 2020	$ 19,415,653	$ 6,227,400	$ 25,643,053
Excess of revenues, gains, other support, and nonoperating gains, net, over expenses	9,356,155	-	9,356,155
Net unrealized losses on investments	(353,437)	-	(353,437)
Net realized and unrealized gains on investments	-	370,284	370,284
Net gain on beneficial interests in perpetual trusts	-	897,760	897,760
Restricted investment income	-	26,097	26,097
Net assets released from restrictions used for operations	-	(51,711)	(51,711)
Net assets released from restrictions used for the purchase of property and equipment	15,425	(15,425)	-
Change in net assets	9,018,143	1,227,005	10,245,148
Balances, September 30, 2021	28,433,796	7,454,405	35,888,201
Excess of revenues, gains, other support, and nonoperating (losses) gains, net, over expenses	**1,790,048**	**-**	**1,790,048**
Net unrealized losses on investments	**(654,538)**	**-**	**(654,538)**
Net realized and unrealized losses on investments	**-**	**(264,273)**	**(264,273)**
Net loss on beneficial interests in perpetual trusts	**-**	**(655,854)**	**(655,854)**
Restricted investment income	**-**	**31,343**	**31,343**
Net assets released from restrictions used for operations	**-**	**(49,586)**	**(49,586)**
Net assets released from restrictions used for the purchase of property and equipment	**22,841**	**(22,841)**	**-**
Change in net assets	**1,158,351**	**(961,211)**	**197,140**
Balances, September 30, 2022	**$ 29,592,147**	**$ 6,493,194**	**$ 36,085,341**

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

VALLEY REGIONAL HEALTHCARE, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years Ended September 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	**$ 197,140**	$ 10,245,148
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	**1,704,468**	1,791,265
(Gain) loss on disposal of equipment	**(50,786)**	8,088
Net realized and unrealized losses (gains) on investments	**3,214,469**	(4,848,942)
Net loss (gain) on beneficial interests in perpetual trusts	**655,854**	(897,760)
(Increase) decrease in		
Patient accounts receivable	**289,946**	36,968
Supplies	**12,151**	(99,091)
Prepaid expenses	**(9,956)**	(39,861)
Other accounts receivable	**(575,210)**	(208,666)
Increase (decrease) in		
Accounts payable and accrued expenses	**1,887,035**	306,861
Accrued salaries and related amounts	**98,781**	(555,476)
Estimated third-party payor settlements	**(3,449,313)**	1,228,855
Medicare accelerated payments	**(6,447,560)**	(1,667,166)
PPP refundable advance	**-**	(4,020,400)
Other liabilities	**36,514**	(324,658)
Net cash (used) provided by operating activities	**(2,436,467)**	955,165
Cash flows from investing activities		
Purchases of property and equipment	**(1,700,367)**	(1,244,648)
Proceeds from sale of property	**41,861**	402
Proceeds from sale of investments	**3,547,050**	930,611
Purchases of investments	**(515,477)**	(5,079,910)
Net cash provided (used) by investing activities	**1,373,067**	(5,393,545)
Cash flows from financing activities		
Payments on long-term debt	**(340,902)**	(330,011)
Net cash used by financing activities	**(340,902)**	(330,011)
Net decrease in cash and cash equivalents and restricted cash	**(1,404,302)**	(4,768,391)
Cash and cash equivalents and restricted cash, beginning of year	**22,548,815**	27,317,206
Cash and cash equivalents and restricted cash, end of year	**$ 21,144,513**	$ 22,548,815
Breakdown of cash and cash equivalents and restricted cash, end of year:		
Cash and cash equivalents	**$ 20,682,941**	$ 22,105,517
Restricted cash included in assets limited as to use	**461,572**	443,298
	$ 21,144,513	$ 22,548,815
Supplemental cash flow information:		
Cash paid for interest	**$ 587,996**	$ 598,861

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

Organization

Valley Regional Healthcare, Inc. (VRHC) and Subsidiary (collectively, the Organization) is a not-for-profit corporation organized under the laws of the State of New Hampshire for the purpose of providing inpatient, outpatient, home health care, and primary care services. VRHC was established as a tax-exempt holding company whose purpose is to provide and promote healthcare and health education in the Sullivan County, New Hampshire area. VRHC is the parent company of Valley Regional Hospital, Inc. (VRH or Hospital).

The Organization is a member of the New England Alliance for Health, LLC (NEAH), a limited liability company owned and managed by Mary Hitchcock Memorial Hospital. NEAH makes various services available to the Organization and other members on a contract basis.

The Organization entered into a letter of intent to affiliate with Dartmouth-Hitchcock Health (D-HH) System on December 10, 2021. During 2022, the Organization held a series of community forums to discuss the potential affiliation. In December 2022, the Organization entered into a more formal Integration Agreement with D-HH System. The affiliation is subject to the New Hampshire Attorney General's Charitable Trust Division review and approval as well as approval by both the Organization's and D-HH System's Boards of Trustees. While a target date for affiliation has been established and the Organizations are performing their respective due diligence a final date of official affiliation is not known as of the date of these consolidated financial statements.

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of Valley Regional Healthcare, Inc. and Subsidiary represent the activities of the Hospital and VRHC after eliminating all material intercompany balances and transactions.

Basis of Presentation

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

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

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

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

Use of Estimates

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

Cash and Cash Equivalents

For purposes of reporting consolidated statements of cash flows, the Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, purchased with a maturity date within the next fiscal year, as cash and cash equivalents in the accompanying consolidated balance sheets.

Revenue Recognition and Accounts Receivable

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

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

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

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

The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policy, and implicit price concessions provided to uninsured patients. The Hospital determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Hospital determines its estimate of implicit price concessions based on its historical collection experience with this class of patients and records these as a direct reduction to net patient service revenue. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and changes in commercial contractual terms resulting from contract negotiations and renewals.

Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of individual accounts and historical adjustments. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient accounts receivable. Patient accounts receivable at October 1, 2020 was $4,085,605.

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

Medicare

The Hospital is a Critical Access Hospital and is reimbursed 101% of allowable cost for its inpatient and outpatient services rendered to Medicare beneficiaries. The Hospital is reimbursed for cost reimbursable items at tentative rates, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2018.

Medicaid

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

Prior to 2021, the Hospital received Medicaid Disproportionate Share Hospital (DSH) payments. The federal government distributed federal DSH funds to each state based on a statutory formula. The states, in turn, distributed their portion of the DSH funding among qualifying hospitals. The states used their federal DSH allotments to help cover costs of hospitals that provide care to low-income patients when those costs are not covered by other payors. The State of New Hampshire's distribution of DSH monies to the hospitals is subject to audit and therefore subject to change. In 2021, the DSH payments were replaced with Medicaid directed payments which are not subject to audit.

Anthem Blue Cross

Radiology and laboratory services are being reimbursed based on a fee schedule. Other inpatient and outpatient services rendered to Anthem Blue Cross subscribers are reimbursed at submitted charges less a negotiated discount. The amounts paid to the Hospital are not subject to any retroactive adjustments.

Other Payors

The Hospital has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Hospital under these agreements includes prospectively determined daily rates and discounts from established charges.

Revenue from the Medicare and Medicaid programs accounted for approximately 46% and 18%, respectively, of the Hospital's gross patient revenue for the year ended September 30, 2022 and approximately 45% and 18% for the year ended September 30, 2021. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Hospital. In addition, the contracts the Hospital has with commercial and other payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Hospital's historical settlement activity, including a determination it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from changes in transaction price in 2022 and 2021 increased net patient service revenue by approximately $1,871,000 and $859,000, respectively.

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

Patients who meet the Hospital's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue. The Hospital estimates the costs associated with providing charity care by calculating a ratio of total cost to total gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for free care. The estimated cost of caring for charity care patients was approximately $518,000 and $420,000 for 2022 and 2021, respectively.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Hospital also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Hospital estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended September 30, 2022 and 2021 was not significant.

The Hospital has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies
- Length of the patient's service or episode of care
- Method of reimbursement (fee for service or fixed prospective payment)
- Hospital's program that provided the service

For the years ended September 30, 2022 and 2021, the Hospital determined any revenue recognized from goods and services that transfer to the customer at a point in time is not material to the consolidated financial statements.

Supplies

Supplies are valued using the moving average cost for storeroom and central services supplies and lower of cost (first in, first out) or net realizable value for all other supplies.

Investments and Investment Income

In 2020, the Hospital adopted FASB Accounting Standards Update (ASU) No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilitie*s. ASU No. 2016-01 requires equity investments to be measured at fair value with changes in fair value recognized in the excess of revenues, gains, other support, and nonoperating (losses) gains, net, over expenses unless the income or loss is restricted by donor or law. Unrealized gains and temporary unrealized losses on debt investments are excluded from this measure, and reported as an increase or decrease in net assets without donor restrictions unless the income or loss is restricted by donor or law.

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

Assets Limited as to Use

Assets limited as to use primarily consist of assets held by trustees under indenture agreements and designated assets set aside by the Board for future capital improvements, over which the Board retains control and which it may, at its discretion, subsequently use for other purposes such as community service.

In connection with its notes payable to the United States Department of Agriculture-Rural Development Office (USDA-RD) (Note 6), the Organization is required to establish certain reserve and collateral funds.

Donor-Restricted Gifts

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

Donor-restricted endowment gifts are reported as long-term investments or as beneficial interests in perpetual trusts.

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if contributed, at fair market value determined at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

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

Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Stimulus Funds

The CARES Act provided funds to eligible healthcare providers to prevent, prepare for, and respond to the Coronavirus Disease (COVID-19). The CARES Act provides the U.S. Department of Health and Human Services (HHS) with discretion to operate the program and determine the reporting requirements. During 2020, the Hospital received $4,931,273 of HHS Provider Relief Funds (PRF) and attested to the receipt of the PRF and agreement with the associated terms and conditions. During 2022, the Hospital received $2,282,824 of PRF and American Rescue Plan Rural Payments (ARP) to providers who serve rural Medicaid and Medicare beneficiaries. The Hospital has chosen to follow the conditional contribution model for the funds. During the year ended September 30, 2022, the Hospital recognized $2,282,824 of PRF and ARP for COVID-19 related expenses and lost revenues in the consolidated statements of operations. During the year ended September 30, 2021, no PRF funds were received or recognized by the Hospital. Management believes the conditions on which the funds depend were substantially met and that the position taken is a reasonable interpretation of the rules currently available. Due to the complexity of the reporting requirements and the continued issuance of clarifying guidance, there is at least a reasonable possibility the amount of income recognized related to the lost revenues and COVID-19 related expenses may change by a material amount. Any difference between amounts previously estimated and amounts subsequently determined to be recoverable or payable will be included in income in the year that such amounts become known.

In response to the COVID-19 pandemic, CMS made available an accelerated and advance payment program to Medicare providers. The Hospital received $8,114,726 of accelerated advanced payments during 2020. Under the program, CMS will begin recouping payment from claims payments one year from the date the respective advances were made for a period of seventeen months. During 2022, the Hospital also made direct payments to CMS for amounts outstanding. As of September 30, 2022, all amounts due to CMS have been repaid.

During 2020, the Hospital qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA) under the CARES Act, in the amount of $4,020,400. The PPP provides funds to pay up to 24 weeks of payroll and other specified costs, and forgiveness of the loan is dependent upon compliance with this and other terms and conditions of the CARES Act. During 2021, the Hospital applied for forgiveness under the provisions of the CARES Act and subsequently received the approval of the lending institution and the SBA in June 2021. The Hospital had chosen to follow the conditional contribution model for the loan. The full amount forgiven is reported as PPP refundable advance revenue in the consolidated statement of operations at September 30, 2021. The loan forgiveness is subject to audit by the SBA for a period of six years from the date the loan was forgiven.

Employee Fringe Benefits

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

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

The consolidated statements of operations include excess of revenues, gains, other support, and nonoperating (losses) gains, net, over expenses. Changes in net assets without donor restrictions which are excluded from this measure, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets), net unrealized gains and temporary unrealized losses on investments in debt securities.

Health Insurance

VRHC is partially self-insured with respect to healthcare coverage. This coverage provides medical health benefits to eligible employees and their eligible dependents. Stop loss coverage is in effect which limits the Organization's exposure to loss on an individual basis of $90,000 (excluding services rendered by the Organization to participants) and an annual aggregate basis of $1,000,000 (excluding services rendered by the Organization to participants). The Organization estimates an accrual for claims incurred but not reported. Medical insurance expense approximated $3,422,000 and $3,896,000 in 2022 and 2021, respectively.

Income Taxes

VRHC and the Hospital are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (Code), and are exempt from federal income taxes on related income.

Reclassifications

Certain amounts in the 2021 consolidated financial statements have been reclassified to conform to the current year's presentation.

Subsequent Events

For purposes of the preparation of these consolidated financial statements in conformity with U.S. GAAP, management has considered transactions or events occurring through January 25, 2023, the date the September 30, 2022 consolidated financial statements were available to be issued.

2. Net Patient Service Revenue

Net patient service revenue consisted of the following for the years ended September 30:

	2022	2021
Patient services		
Inpatient	$ 14,156,667	$ 9,351,092
Outpatient	68,345,251	62,139,215
Gross patient service revenue	82,501,918	71,490,307
Less Medicare and Medicaid allowances	20,470,325	20,160,354
Less other contractual allowances	10,050,855	8,346,434
Less charity care	778,391	621,983
	31,299,571	29,128,771
Net patient service revenue	$ 51,202,347	$ 42,361,536

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

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

Net patient service revenue recognized for the years ended September 30, 2022 and 2021 from these major payors is as follows:

	2022	2021
Medicare and Medicaid	$ 34,428,680	$ 26,470,554
Commercial	15,402,150	14,184,556
Self-pay	1,371,517	1,706,426
Total	$ 51,202,347	$ 42,361,536

3. Availability and Liquidity of Financial Assets

As of September 30, 2022 and 2021, the Organization has working capital of $17,375,804 and $12,633,739, respectively, and average days (based on normal expenditures, excluding depreciation and amortization) cash and cash equivalents on hand of 142 and 174, respectively.

The Organization's goal is to maintain financial assets to meet 45 days of operating expenses ($6,559,051 and $5,732,254 at September 30, 2022 and 2021, respectively). The annual operating budget is determined with the goal of generating sufficient net patient service revenue and cash flows to allow the Organization to be sustainable to support its mission and vision.

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

	2022	2021
Cash and cash equivalents	$ 20,682,941	$22,105,517
Short-term investments	154,556	152,584
Patient accounts receivable, net	3,758,691	4,048,637
Other accounts receivable	1,737,507	1,562,297
Financial assets available to meet cash needs for general expenditures within one year	$ 26,333,695	$27,869,035

At September 30, 2021, cash and cash equivalents included $6,447,560 specifically related to Medicare Accelerated Payments. This represents 50 days of cash and cash equivalents on hand.

The Organization has assets limited as to use of $21,762,548 and $23,393,340 at September 30, 2022 and 2021, respectively, that are designated assets set aside by the Board primarily for future capital improvements and community service. These assets limited as to use are not available for general expenditure within the next year; however, the internally designated amounts could be made available, if necessary.

4. Investments and Fair Value Measurement

Assets Limited as to Use

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

	2022	2021
Internally designated for capital acquisitions and community service:		
Cash and short-term investments	$ 310,219	$ 763,380
Corporate bonds	1,033,198	1,550,356
Marketable equity securities	11,483,896	17,616,935
Fixed income mutual funds	8,935,235	3,462,669
	21,762,548	23,393,340
Cash with donor restrictions	3,077	3,077
Limited under loan agreement:		
Cash and cash equivalents	458,495	440,221
Treasury obligations and government securities	5,036,075	5,341,921
	5,494,570	5,782,142
	$ 27,260,195	$ 29,178,559

Other Investments

Other investments consisted of the following as of September 30:

	2022	2021
Short-term investments		
Cash equivalents	$ 148,585	$ 146,613
Marketable equity securities	5,971	5,971
	154,556	152,584
Long-term investments		
Cash equivalents	147,200	140,646
Certificates of deposit	-	3,642,714
Corporate bonds	241,167	276,355
Marketable equity securities	3,792,184	4,636,507
Fixed income mutual funds	1,132,301	928,006
	5,312,852	9,624,228
	$ 5,467,408	$ 9,776,812

Investment income and gains (losses) on investments are comprised of the following:

	2022	2021
Net assets without donor restrictions:		
Interest and dividend income	**$ 789,236**	$ 746,266
Realized gains on sales of securities	**3,163,795**	433,276
Investment management fees	**(182,994)**	(178,082)
	$ 3,770,037	$ 1,001,460
Other changes in net assets:		
Net unrealized (losses) gains without donor restrictions	**$ (6,113,991)**	$ 4,045,382
Donor restricted investment income	**31,343**	26,097
Donor restricted net realized and unrealized (losses) gains	**(264,273)**	370,284
	$ (6,346,921)	$ 4,441,763

In the opinion of management, no individual unrealized loss as of September 30, 2022 represents an other-than-temporary impairment. Individual holdings in an unrealized loss position as of September 30, 2022 and 2021 totaled $793,955 and $195,713, respectively.

Endowment

Changes in endowment (with donor restrictions) net assets are as follows:

	Net Assets with Donor Restrictions		
	Accumulated Appreciation of Funds of Perpetual Duration	Funds of Perpetual Duration	Total
Balances, September 30, 2020	$ 1,584,786	$ 4,473,616	$ 6,058,402
Investment income	19,849	-	19,849
Net appreciation/change in perpetual trusts	370,284	897,760	1,268,044
Total investment return	390,133	897,760	1,287,893
Expenditures	(67,136)	-	(67,136)
Net change	322,997	897,760	1,220,757
Balances, September 30, 2021	1,907,783	5,371,376	7,279,159
Investment income	**28,874**	**-**	**28,874**
Net depreciation/change in perpetual trusts	**(264,273)**	**(655,854)**	**(920,127)**
Total investment loss	**(235,399)**	**(655,854)**	**(891,253)**
Expenditures	**(73,535)**	**-**	**(73,535)**
Net change	**(308,934)**	**(655,854)**	**(964,788)**
Balances, September 30, 2022	**$ 1,598,849**	**$ 4,715,522**	**$ 6,314,371**

The Organization has interpreted the State of New Hampshire Uniform Prudent Management of Institutional Funds Act (UPMIFA) such that the Board is allowed to appropriate for expenditure for the uses and purposes for which the endowment fund is established, unless otherwise specified by the donor, so much of the net appreciation, realized and unrealized, in the fair value of the assets of the endowment fund over the historic dollar value of the fund, as is prudent. In so doing, the Board must consider the long-term and short-term needs of the Organization in carrying out its purpose, its present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. As a result of this interpretation, the Organization classifies as net assets with perpetual donor restriction (a) the original value of the gifts donated to the perpetual endowment when explicit donor stipulations requiring perpetual maintenance of the historical fair value are present, and (b) the original value of the subsequent gifts to be maintained in perpetuity when explicit donor stipulations requiring perpetual maintenance of the historical fair value are present. The remaining portion of the donor restricted endowment fund composed of accumulated gains not required to be maintained in perpetuity is classified as net assets with donor restrictions temporary in nature until those amounts are appropriated for expenditure in a manner consistent with the donor's stipulations. The Board approves amounts to be appropriated from time to time, based on the Organization's needs and the provisions of UPMIFA.

The long-term investment objective of the Organization's endowment funds is to honor the restricted purposes of donors' gifts, achieve a proper balance between the Organization's present and future needs, and to provide the Organization with a source of current revenue as well as providing for a perpetual, growing, and consistent source of revenue over the long-term.

To accomplish this objective, funds are to be invested for growth of principal and income for protection against inflation. The goal is to achieve a total return, net of investment management and administrative fees, which should exceed the Balanced Growth Index plus 2% annually. This goal is designed to optimize prudent risk so as to protect and increase the purchasing power of the invested assets, while providing income. It is recognized that this goal may be easily achieved in some periods, while more difficult to achieve in other periods.

To accomplish its investment objectives and to control risk, the Organization's policy is that its portfolio will be diversified across multiple asset classes as follows:

Asset Class	Range
Cash Equivalents	0% - 25%
Domestic Equities	60% - 85%
Domestic Fixed Income (including preferred stock)	15% - 30%

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level of the donors' original gift(s) ("underwater"). To retain the original value of the underwater donor-restricted funds, any deficiencies would be reported as net assets without donor restrictions. Subsequent gains that would restore the fair value of the underwater endowment funds to their required level would be classified as an increase in net assets without donor restrictions. The Board at times may continue to appropriate from underwater endowment funds for certain programs deemed prudent by the Board. There were no deficiencies of this nature that are reported in net assets with donor restrictions as of September 30, 2022 and 2021.

Fair Value Measurement

FASB ASC 820, *Fair Value Measurement*, defines fair value as the exchange price that would be received for 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. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

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

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

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at September 30, 2022, Using			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Cash and cash equivalents	**$ 1,067,576**	**$ 1,067,576**	**$ -**	**$ -**
Corporate bonds	**1,274,365**	**-**	**1,274,365**	**-**
Marketable equity securities	**15,282,051**	**15,282,051**	**-**	**-**
Treasury obligations and government securities	**5,036,075**	**5,036,075**	**-**	**-**
Fixed income mutual funds	**10,067,536**	**10,067,536**	**-**	**-**
Beneficial interests in perpetual trusts	**4,461,628**	**-**	**-**	**4,461,628**
Total assets	**$ 37,189,231**	**$ 31,453,238**	**$ 1,274,365**	**$ 4,461,628**

	Fair Value Measurements at September 30, 2021, Using			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 1,493,937	$ 1,493,937	$ -	$ -
Certificates of deposit	3,642,714	3,642,714	-	-
Corporate bonds	1,826,711	-	1,826,711	-
Marketable equity securities	22,259,413	22,259,413	-	-
Treasury obligations and government securities	5,341,921	5,341,921	-	-
Fixed income mutual funds	4,390,675	4,390,675	-	-
Beneficial interests in perpetual trusts	5,117,482	-	-	5,117,482
Total assets	$ 44,072,853	$ 37,128,660	$ 1,826,711	$ 5,117,482

The fair value for Level 2 assets is primarily based on quoted market prices of underlying assets, comparable securities, interest rates, and credit risk. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The fair value of Level 3 assets is based on the quoted market prices of the underlying assets, but these assets are classified as Level 3 as there is no market in which to trade the beneficial interest itself. The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value:

Balance, September 30, 2020	$ 4,219,722
Change in value of trusts	897,760
Balance, September 30, 2021	5,117,482
Change in value of trusts	**(655,854)**
Balance, September 30, 2022	**$ 4,461,628**

Investment in Summercrest

VRHC owned a 37% interest in Summercrest Assisted Living, LLC (Summercrest) as of September 30, 2022 and 2021. Summercrest, a long-term care entity in Newport, New Hampshire, opened for operations on March 1, 1998. Summercrest's fiscal year-end is December 31.

The investment in Summercrest is reported in accordance with the equity method, including VRHC's applicable share of the profit or loss based on the financial statement information of Summercrest for the twelve months ended each September 30. No equity distributions were received or capital contributions made during the years ended September 30, 2022 and 2021.

5. Property and Equipment

A summary of property and equipment follows:

	2022	2021
Land and land improvements	**$ 1,297,450**	$ 1,297,450
Buildings and improvements	**16,865,420**	17,133,930
Fixed equipment	**14,689,142**	14,700,750
Major moveable equipment	**15,093,629**	15,178,926
Leasehold improvements	**2,357,034**	1,144,107
	50,302,675	49,455,163
Less accumulated depreciation and amortization	**38,481,934**	37,574,538
Construction in progress	**74,338**	-
Property and equipment, net	**$ 11,895,079**	$ 11,880,625

Depreciation expense for the years ended September 30, 2022 and 2021 was $1,694,838 and $1,781,635, respectively.

6. Borrowings

Long-Term Debt

A summary of long-term debt follows:

	2022	2021
Mortgage notes payable due to USDA-RD in monthly installments of $77,406, including interest, through January 2053. Interest is fixed at 3.25%. Collateralized by real property and investments.	**$ 17,899,688**	$ 18,240,590
Less: unamortized debt issuance costs	**292,116**	301,746
Total long-term debt	**17,607,572**	17,938,844
Less current portion	**352,151**	340,902
Long-term debt, excluding current portion	**$ 17,255,421**	$ 17,597,942

Scheduled principal repayments on long-term debt are as follows:

Year ending September 30,	
2023	$ 352,151
2024	363,772
2025	375,777
2026	388,177
2027	400,987
Thereafter	16,018,824
	$ 17,899,688

In September 2017, VRHC was awarded a $19,400,000 Community Facility Loan through the USDA-RD. The proceeds of the loan and a required contribution from VRHC of $5.5 million were used to purchase certain land and buildings from the Hospital. The Hospital subsequently refunded its outstanding Series 2008 Revenue Bonds. The Organization was also required to place an additional $5 million in a reserve account as collateral for this loan.

The mortgage note agreements with the USDA-RD require VRHC to fund monthly payments into a cash reserve account until a balance of $928,872 is reached. VRHC continues to fund this reserve account. The reserve may be used for unforeseen damages, approved improvements to property or monthly loan payments when approved. At September 30, 2022 and 2021, the balance was $458,495 and $364,803, respectively.

7. Net Assets with Donor Restrictions

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

	2022	2021
Funds with donor restrictions temporary in nature		
Endowment accumulated earnings to support healthcare services	**$ 1,598,849**	$ 1,907,783
Purchase of equipment, health education, and indigent care	**178,823**	175,246
	1,777,672	2,083,029
Funds maintained in perpetuity, the income from which is expendable to support healthcare services	**4,715,522**	5,371,376
Total net assets with donor restrictions	**$ 6,493,194**	$ 7,454,405

8. Concentrations of Credit Risk

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

	2022	2021
Medicare	**39%**	34%
Medicaid	**13**	14
Anthem Blue Cross	**11**	10
Other third-party payors	**13**	14
Patients	**24**	28
	100%	100%

The Organization routinely invests its surplus operating funds in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations. Investments in money market funds are not insured or guaranteed by the U.S. government.

The Organization maintains its cash in bank deposit and other accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant risk on cash and cash equivalents.

9. Commitments and Contingencies

The Organization insures its comprehensive general liability and professional liability exposures on a claims-made basis, including prior acts coverage, with another commercial carrier. This coverage is provided by primary and excess insurance policies subject to shared policy limits with other selected NEAH entities. The policies are renewable on an annual basis and have been renewed through September 30, 2022. The Organization is subject to complaints, claims, and litigation due to potential claims which arise in the normal course of business. FASB ASC 954-450, *Health Care Entities – Contingencies*, provides clarification to companies in the healthcare industry on the accounting for professional liability and similar insurance. ASC 954-450 states that insurance liabilities should not be presented net of insurance recoveries and that an insurance receivable should be recognized on the same basis as the liabilities, subject to the need for a valuation allowance for uncollectible accounts. The Organization has evaluated its exposure to losses arising from potential claims and has properly accounted for them in the consolidated balance sheets for the years ended September 30, 2022 and 2021.

Operating Leases

The Hospital leases equipment and buildings under various operating lease agreements. Total lease expense for the years ended September 30, 2022 and 2021 was $508,611 and $495,371, respectively.

The following is a schedule of future minimum lease payments required under operating leases:

Year ending September 30,	
2023	$ 430,400
2024	445,300
2025	445,300
2026	445,300
2027	385,000
	$ 2,151,300

10. Savings and Retirement Plan

The Hospital participates in a tax-sheltered annuity plan which was adopted under Section 403(b) of the Code for eligible employees of the Hospital. Under the plan, employees make elective deferrals as allowed under Internal Revenue Service regulations. The Hospital, at its discretion, matches each participating employee contribution up to 3% of annual compensation. The plan expense for the year ended September 30, 2022 and 2021 was $259,626 and $135,100, respectively. Effective October 1, 2019, the Hospital ceased matching contributions to the plan.

11. Beneficial Interests in Perpetual Trusts

The Hospital is the beneficiary of three trusts, a portion of the income from which is to be paid to the Hospital in perpetuity. VRH's interest in the trusts is recognized as an asset at the fair value of VRH's percentage of the underlying assets, which totaled $4,461,628 and $5,117,482 as of September 30, 2022 and 2021, respectively. Increases and decreases in the carrying value of this asset are included in net assets with donor restrictions. Distributions from these trusts totaled $142,281 and $141,822 for the years ended September 30, 2022 and 2021, respectively.

12. Related Party Transactions

The Hospital leases certain real property and buildings from, and contracts for management services with, VRHC. The Hospital recorded $2,207,746 and $2,011,734 in lease and management services expenses and VRHC recognized other operating revenue of the same in 2022 and 2021, respectively. These transactions have been eliminated in the consolidation.

13. Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Employee benefits are allocated based on salaries and occupancy costs are allocated by square footage. Expenses related to these functions were as follows for the years ended September 30:

2022	**Healthcare Services**	**Support Services**	**Total**
Salaries	**$ 19,046,631**	**$ 2,359,833**	**$ 21,406,464**
Employee benefits	**4,785,973**	**592,959**	**5,378,932**
Professional fees	**8,115,843**	**508,857**	**8,624,700**
Supplies and other	**11,458,106**	**2,346,825**	**13,804,931**
Insurance	**1,772**	**918,403**	**920,175**
Depreciation and amortization	**1,470,774**	**233,694**	**1,704,468**
Interest	**-**	**587,996**	**587,996**
Medicaid enhancement tax	**2,477,994**	**-**	**2,477,994**
	$ 47,357,093	**$ 7,548,567**	**$ 54,905,660**

2021	Healthcare Services	Support Services	Total
Salaries	$ 17,702,587	$ 2,249,594	$ 19,952,181
Employee benefits	4,849,809	604,184	5,453,993
Professional fees	5,034,029	368,449	5,402,478
Supplies and other	10,158,228	2,091,060	12,249,288
Insurance	1,635	816,954	818,589
Depreciation and amortization	1,526,428	264,837	1,791,265
Interest	-	598,861	598,861
Medicaid enhancement tax	2,019,557	-	2,019,557
	$ 41,292,273	$ 6,993,939	$ 48,286,212

VALLEY REGIONAL HEALTHCARE, INC. AND SUBSIDIARY
Schedule 1

Consolidating Balance Sheets

September 30, 2022
(With Comparative Totals for September 30, 2021)

ASSETS

	VRHC	VRH	Eliminations	2022 Consolidated	2021 Consolidated
Current assets					
Cash and cash equivalents	$ 877,927	$ 19,805,014	$ -	**$ 20,682,941**	$ 22,105,517
Short-term investments	-	154,556	-	**154,556**	152,584
Patient accounts receivable, net	-	3,758,691	-	**3,758,691**	4,048,637
Due from affiliates	24,218	486,989	511,207	**-**	-
Supplies	-	1,013,838	-	**1,013,838**	1,025,989
Prepaid expenses	21,133	388,122	-	**409,255**	399,299
Other accounts receivable	7,320	2,725,187	-	**2,732,507**	2,157,297
Total current assets	930,598	28,332,397	511,207	**28,751,788**	29,889,323
Assets limited as to use					
Internally designated for capital acquisitions and community service	-	21,762,548	-	**21,762,548**	23,393,340
By loan agreement	458,495	5,036,075	-	**5,494,570**	5,782,142
Cash with donor restrictions	3,077	-	-	**3,077**	3,077
Total assets limited as to use	461,572	26,798,623	-	**27,260,195**	29,178,559
Property and equipment, net	7,322,080	4,572,999	-	**11,895,079**	11,880,625
Long-term investments	3,461,760	1,851,092	-	**5,312,852**	9,624,228
Beneficial interests in perpetual trusts	-	4,461,628	-	**4,461,628**	5,117,482
Total assets	$ 12,176,010	$ 66,016,739	$ 511,207	**$ 77,681,542**	$ 85,690,217

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VALLEY REGIONAL HEALTHCARE, INC. AND SUBSIDIARY

Consolidating Balance Sheets

September 30, 2022
(With Comparative Totals for September 30, 2021)

LIABILITIES AND NET ASSETS (DEFICIT)

	VRHC	VRH	Eliminations	2022 Consolidated	2021 Consolidated
Current liabilities					
Current portion of long-term debt	$ 352,151	$ -	$ -	**$ 352,151**	$ 340,902
Accounts payable and accrued expenses	151,877	5,051,787	-	**5,203,664**	3,316,629
Accrued compensated absences	25,337	1,098,483	-	**1,123,820**	1,202,385
Accrued salaries and related amounts	13,725	643,261	-	**656,986**	479,640
Estimated third-party payor settlements	-	2,971,461	-	**2,971,461**	4,437,080
Due to affiliates	491,694	19,513	511,207	**-**	-
Medicare accelerated payments	-	-	-	**-**	6,447,560
PPP refundable advance	-	-	-	**-**	-
Deferred revenue	117,058	123,518	-	**240,576**	268,087
Other current liabilities	12,377	814,949	-	**827,326**	763,301
Total current liabilities	1,164,219	10,722,972	511,207	**11,375,984**	17,255,584
Long-term debt, excluding current portion	17,255,421	-	-	**17,255,421**	17,597,942
Estimated third-party payor settlements, excluding current portion	-	12,964,796	-	**12,964,796**	14,948,490
Total liabilities	18,419,640	23,687,768	511,207	**41,596,201**	49,802,016
Net assets (deficit)					
Without donor restrictions	(6,243,706)	35,835,853	-	**29,592,147**	28,433,796
With donor restrictions	76	6,493,118	-	**6,493,194**	7,454,405
Total net assets (deficit)	(6,243,630)	42,328,971	-	**36,085,341**	35,888,201
Total liabilities and net assets (deficit)	$ 12,176,010	$ 66,016,739	$ 511,207	**$ 77,681,542**	$ 85,690,217

VALLEY REGIONAL HEALTHCARE, INC. AND SUBSIDIARY

Schedule 2

Consolidating Statements of Operations

Year Ended September 30, 2022
(With Comparative Totals for Year Ended September 30, 2021)

	VRHC	VRH	Eliminations	2022 Consolidated	2021 Consolidated
Revenues, gains, and other support without donor restrictions					
Net patient service revenue	$ -	$ 51,202,347	$ -	**$ 51,202,347**	$ 42,361,536
Other revenues	2,321,400	1,258,975	2,207,746	**1,372,629**	1,304,189
Medicaid DSH direct payment revenue	-	3,099,689	-	**3,099,689**	3,885,142
HHS stimulus revenue	-	2,282,824	-	**2,282,824**	-
PPP refundable advance revenue	-	-	-	**-**	4,020,400
Grant revenue	-	386,095	-	**386,095**	625,397
Net assets released from restrictions used for operations	-	49,586	-	**49,586**	51,711
Total revenues, gains, and other support	2,321,400	58,279,516	2,207,746	**58,393,170**	52,248,375
Expenses					
Salaries	300,057	21,106,407	-	**21,406,464**	19,952,181
Employee benefits	132,939	5,245,993	-	**5,378,932**	5,453,993
Professional fees	565,271	8,059,429	-	**8,624,700**	5,402,478
Supplies and other	274,058	15,738,619	2,207,746	**13,804,931**	12,249,288
Insurance	42,384	877,791	-	**920,175**	818,589
Depreciation and amortization	1,045,174	659,294	-	**1,704,468**	1,791,265
Interest	587,996	-	-	**587,996**	598,861
Medicaid enhancement tax	-	2,477,994	-	**2,477,994**	2,019,557
Total expenses	2,947,879	54,165,527	2,207,746	**54,905,660**	48,286,212
Operating (loss) income	(626,479)	4,113,989	-	**3,487,510**	3,962,163
Nonoperating gains (losses)					
Investment income	242,007	3,528,030	-	**3,770,037**	1,001,460
Net unrealized (losses) gains on equity investments	(492,118)	(4,967,335)	-	**(5,459,453)**	4,398,819
Other nonoperating (losses), net	-	(8,046)	-	**(8,046)**	(6,287)
Nonoperating (losses) gains, net	(250,111)	(1,447,351)	-	**(1,697,462)**	5,393,992
(Deficiency) excess of revenues, gains, other support, and nonoperating (losses) gains, net, over expenses	(876,590)	2,666,638	-	**1,790,048**	9,356,155
Net unrealized losses on investments	(127,726)	(526,812)	-	**(654,538)**	(353,437)
Net assets released from restrictions used for the purchase of property and equipment	-	22,841	-	**22,841**	15,425
Change in net assets without donor restrictions	$ (1,004,316)	$ 2,162,667	$ -	**$ 1,158,351**	$ 9,018,143

VRH000134

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

Board of Trustees
Valley Regional Healthcare, Inc. and Subsidiary

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the consolidated financial statements of Valley Regional Healthcare, Inc. and Subsidiary (Organization), which comprise the consolidated balance sheet as of September 30, 2022, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 25, 2023.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
January 25, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Valley Regional Healthcare, Inc.

Report on Compliance for the Major Federal Program

Unmodified Opinion

We have audited Valley Regional Healthcare, Inc. and Subsidiary's (Organization) compliance with the types of compliance requirements described in the Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended September 30, 2022. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Valley Regional Healthcare, Inc. and Subsidiary complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2022.

Basis for Unmodified Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Valley Regional Healthcare, Inc. and Subsidiary's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Valley Regional Healthcare, Inc. and Subsidiary's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

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

We have audited the consolidated financial statements of Valley Regional Healthcare, Inc. and Subsidiary as of and for the year ended September 30,, 2022, and have issued our report thereon dated January 25, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
January 25, 2023

VALLEY REGIONAL HEALTHCARE, INC. AND SUBSIDIARY

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor/ Agreement Number	Federal Expenditures
United States (U.S.) Department of Agriculture			
Direct:			
Community Facilities Loans and Grants Cluster			
Community Facilities Loans and Grants	10.766	N/A	$ 17,899,688
Total U.S. Department of Agriculture			17,899,688
U.S Department of Treasury			
Pass-through:			
State of New Hampshire Governor's Office for Emergency Relief and Recovery			
COVID-19 Coronavirus Relief Fund	21.019	N/A	77,085
Total U.S. Department of Treasury			77,085
U.S. Department of Health and Human Services			
Pass-through:			
Foundation for Healthy Communities			
Immunization Cooperative Agreements	93.268	N/A	24,809
National Bioterrorism Hospital Preparedness Program	93.889	N/A	5,215
Small Rural Hospital Improvement Grant Program	93.301	N/A	253,029
Mary Hitchcock Memorial Hospital			
Medicaid Cluster			
Medical Assistance Program	93.778	N/A	20,765
Total U.S. Department of Health and Human Services			303,818
Total Expenditures of Federal Awards			$ 18,280,591

Organizations included in this Schedule are:
Valley Regional Hospital – EIN 02-0222118

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Valley Regional Healthcare, Inc. and Subsidiary (Organization) under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of the Organization.

2. Summary of Significant Accounting Policies

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

The Organization has elected not to use the 10% de minimis indirect cost rate.

VALLEY REGIONAL HEALTHCARE, INC. AND SUBSIDIARY

Schedule of Findings and Questioned Costs

Year Ended September 30, 2022

1. **Summary of Auditors' Results**

General-purpose basic consolidated financial statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(e's) identified?	____ yes	X no
Reportable condition(s) identified not considered to be material weaknesses?	____ yes	X none reported
Noncompliance material to general-purpose basic consolidated financial statements noted?	____ yes	X no

Federal Awards

Internal control over major program:		
Material weakness(e's) identified?	____ yes	X no
Significant deficiency(ies) identified not considered to be material weaknesses?	____ yes	X none reported
Type of auditor's report issued on compliance for major program:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	____ yes	X no

Identification of major program:

AL Number(s)	Name of Federal Program or Cluster
10.766	Community Facilities Loans and Grants Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	____ yes	X no

2. **Consolidated Financial Statement Findings**

None.

3. **Federal Award Findings and Questioned Costs**

None.

Summary Schedule of Prior Year Findings and Questioned Costs

Year Ended September 30, 2022

Finding 2021-001

Criteria:

Management is responsible for the design, implementation, and maintenance of effective internal control over financial reporting that provides reasonable assurance the internal control will prevent misstatements, intentional or unintentional, from occurring, or detect and correct misstatements on a timely basis. Additionally, the Organization is responsible for maintaining complete and accurate financial records.

Condition:

The information entered by the Organization into the Provider Relief Funds Portal (Portal) was inadvertently summarized and was not identified during subsequent review.

Cause:

The federal program is a new program as a result of the COVID-19 pandemic and, due to multiple priorities, management did not identify the incorrect information during subsequent review.

Effect:

The Organization did not report the correct fiscal year 2020 budgeted amounts for quarter 4 of 2020 and quarters 1 and 2 of 2021. As a result of the spreadsheet error, total lost revenue reported during the submission on the Portal was $624,229 higher than actually incurred.

Prior Year Recommendation:

We recommend management review the current system for any future submissions, placing higher scrutiny on the source documentation of the information being reported.

Status:

Management has reviewed the finding and will evaluate the current internal control processes and systems for future reporting submissions.

Finding 2021-002

Criteria:

Management is responsible for the design, implementation, and maintenance of effective internal control over financial reporting that provides reasonable assurance the internal control will prevent misstatements, intentional or unintentional, from occurring, or detect and correct misstatements on a timely basis. Additionally, the Organization is responsible for maintaining complete and accurate financial records.

Condition:

The information entered by the Organization into the Provider Relief Funds Portal (Portal) was inadvertently summarized and was not identified during subsequent review.

Cause:

The federal program is a new program as a result of the COVID-19 pandemic and, due to multiple priorities, management did not identify the incorrect information during subsequent review.

Effect:

The Organization did not include the impact of prior year third-party payor settlements in net patient service revenue for Period 1 reporting. As a result of the error, total lost revenue reported during the submission on the Portal was $680,029 higher than actually incurred.

Prior Year Recommendation:

We recommend management review the current system for any future submissions, placing higher scrutiny on the reporting guidance for the information being reported.

Status:

Management has reviewed the finding and will evaluate the current internal control processes and systems for future reporting submissions.