



BMC HEALTH SYSTEM, INC.

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

Year Ended September 30, 2021

(With Independent Auditors' Reports Thereon)

BMC HEALTH SYSTEM, INC.

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

Table of Contents

	Exhibit
Independent Auditors' 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	I
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	II
Schedule of Findings and Questioned Costs	III
Consolidated Financial Statements with Supplemental Consolidating Information and Schedule of Expenditures of Federal Awards	IV



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Exhibit I

Independent Auditors' 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

The Board of Trustees
BMC Health System, Inc.:

Report on Compliance for the Major Federal Program

We have audited BMC Health System, Inc. and its subsidiaries (the Health System) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Health System's major federal program for the year ended September 30, 2021. The Health System's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Health System's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (the Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Health System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Health System's compliance.

Opinion on the Major Federal Program

In our opinion, the Health System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of the Health System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Health System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance



Exhibit I

for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Health System's internal control over compliance.

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

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

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 the Health System as of and for the year ended September 30, 2021, and have issued our report thereon dated January 31, 2022, 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Boston, Massachusetts
June 30, 2022



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Exhibit II

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

To the Board of Trustees
of BMC Health System, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of BMC Health System, Inc. and its subsidiaries (the Health System), which comprise the consolidated balance sheet as of September 30, 2021, and the related consolidated statements of operations and changes in net assets without donor restriction, 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 31, 2022, which included an emphasis of matter paragraph referring to the Health System's adoption of Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as amended, in 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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



Purpose of this Report

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

KPMG LLP

Boston, Massachusetts
January 31, 2022

BMC HEALTH SYSTEM, INC.
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2021

(1) Summary of Auditors' Results

Consolidated Financial Statements

Type of auditors' report issued on whether consolidated financial statements were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Noncompliance material to the financial statements noted?

Yes No

Federal Awards

Internal control over the major program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes No

Type of auditors' report issued on compliance over the major program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of The Uniform Guidance?

Yes No

Identification of the major program:

<u>Program title</u>	<u>Assistance Listing Number (ALN)</u>
Provider Relief Fund	93.498

Dollar threshold used to distinguish between Type A and Type B programs:

\$3,000,000

Auditee qualified as low-risk auditee:

Yes No

BMC HEALTH SYSTEM, INC.
Schedule of Findings and Questioned Costs
Year ended September 30, 2021

**(2) Findings Related to the Consolidated Financial Statements Reported in Accordance with
*Government Auditing Standards***

None noted.

(3) Findings and Questioned Costs Relating to Federal Award

None noted.



Exhibit IV

BMC HEALTH SYSTEM, INC.

Consolidated Financial Statements with
Supplemental Consolidating Information and
Schedule of Expenditures of Federal Awards

Years ended September 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

BMC HEALTH SYSTEM, INC.Consolidated Financial Statements with Supplemental Consolidating Information and
Schedule of Expenditures of Federal Awards**Table of Contents**

	Page(s)
Independent Auditors' Report	1–2
Consolidated Financial Statements:	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Net Assets without Donor Restrictions	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7–51
Supplemental Consolidating Information:	
BMC Health System, Inc. Consolidating Supplemental Balance Sheets	52–53
BMC Health System, Inc. Consolidating Supplemental Statements of Operations and Changes in Net Assets without Donor Restrictions	54–55
BMC Health System, Inc. Consolidating Supplemental Statements of Cash Flows	56–57
Boston University Medical Group Consolidating Supplemental Balance Sheets	58–59
Boston University Medical Group Consolidating Supplemental Statements of Operations and Changes in Net Assets without Donor Restrictions	60–61
Note to Supplemental Consolidating Information	62
Schedule of Expenditures of Federal Awards	63
Notes to Schedule of Expenditures of Federal Awards	69



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Exhibit IV

Independent Auditors' Report

To the Board of Trustees
of BMC Health System, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of BMC Health System, Inc. and its subsidiaries (the Health System), which comprise the consolidated balance sheets as of September 30, 2021 and 2020, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BMC Health System, Inc. and its subsidiaries as of September 30, 2021 and 2020, and the results of their operations, their changes in net assets, and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in note 2(z) to the consolidated financial statements, in 2020, the Health System adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as amended. Our opinion is not modified with respect to this matter.

Other Matter – Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information on pages 52 through 62, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 31, 2022 on our consideration of the Heath System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 the Heath System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Heath System's internal control over financial reporting and compliance.

KPMG LLP

Boston, Massachusetts
January 31, 2022

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Consolidated Balance Sheets

September 30, 2021 and 2020

(In thousands)

Assets	2021	2020
Current assets:		
Cash and cash equivalents	\$ 940,455	795,821
Short-term investments	150,383	—
Patient accounts receivable, net	112,233	94,306
Other accounts receivable, less allowance of \$3,210 and \$3,183 in 2021 and 2020, respectively	175,558	329,278
Current portion of grants receivable	28,218	17,801
Current portion of estimated receivable for final settlements with third-party payors	801	3,991
Inventories	19,428	17,337
Prepaid expenses and other current assets	41,154	22,723
Total current assets	<u>1,468,230</u>	<u>1,281,257</u>
Assets limited as to use:		
Board-designated investments	341,493	308,243
Funds held by trustees	41,677	41,624
Donor-restricted investments	391,550	325,597
Reserve funds	127,319	113,832
Total assets limited as to use	<u>902,039</u>	<u>789,296</u>
Other assets:		
Long-term investments	406,769	380,565
Property, plant and equipment, net	1,005,263	1,055,486
Right of use assets – operating	80,538	96,185
Right of use assets – financing	9,672	4,000
Other noncurrent assets	40,018	42,220
Total assets	<u>\$ 3,912,529</u>	<u>3,649,009</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 543,235	386,670
Claims payable	167,081	173,185
Estimated third party settlements, current	80,855	107,000
Deferred revenue	46,874	101,690
Current portion of long-term debt	8,708	7,985
Other current liabilities	35,376	35,389
Total current liabilities	<u>882,129</u>	<u>811,919</u>
Long-term liabilities:		
Estimated third party settlements	66,272	81,571
Obligations under financing leases	7,751	2,669
Obligations under operating leases	73,419	89,401
Long-term debt	604,369	613,343
Other long-term liabilities	225,646	230,533
Total liabilities	<u>1,859,586</u>	<u>1,829,436</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions	1,640,851	1,456,987
With donor restrictions	412,092	362,586
Total net assets	<u>2,052,943</u>	<u>1,819,573</u>
Total liabilities and net assets	<u>\$ 3,912,529</u>	<u>3,649,009</u>

See accompanying notes to consolidated financial statements.

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Consolidated Statements of Operations and Changes in Net Assets without Donor Restrictions

Years ended September 30, 2021 and 2020

(In thousands)

	<u>2021</u>	<u>2020</u>
Operating revenue:		
Net patient service revenue	\$ 1,096,419	1,072,717
Capitation revenue	2,865,260	2,740,286
Grants and contract revenue	183,090	257,244
Other revenue	341,432	306,776
Net assets released from restrictions for operations	30,413	17,728
Total operating revenue	<u>4,516,614</u>	<u>4,394,751</u>
Operating expenses:		
Salaries, wages and fringe benefits	1,199,336	1,143,899
Medical costs, supplies and other expenses	3,006,198	2,948,208
Depreciation and amortization	101,228	101,314
Interest expense	24,540	25,225
Research, sponsored programs and community health services	96,381	91,981
Total operating expenses	<u>4,427,683</u>	<u>4,310,627</u>
Income from operations	<u>88,931</u>	<u>84,124</u>
Nonoperating gains, net:		
Investment income	63,335	55,661
Pension benefit, nonservice	1,726	2,770
Other	793	4,841
Total nonoperating gains, net	<u>65,854</u>	<u>63,272</u>
Excess of revenue over expenses	154,785	147,396
Other changes in net assets without donor restrictions:		
Cumulative effect of change in accounting principle	—	1,920
Net assets released from restrictions for property, plant and equipment	14,698	5,032
Pension related changes other than net periodic pension costs	14,381	(2,412)
Change in net assets without donor restrictions	183,864	151,936
Net assets without donor restrictions:		
Beginning of year	<u>1,456,987</u>	<u>1,305,051</u>
End of year	<u>\$ 1,640,851</u>	<u>1,456,987</u>

See accompanying notes to consolidated financial statements.

BMC HEALTH SYSTEM, INC.

Exhibit IV

Consolidated Statements of Changes in Net Assets

Years ended September 30, 2021 and 2020

(In thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Net assets as of September 30, 2019	\$ 1,305,051	338,126	1,643,177
Increases (decreases) in net assets:			
Excess of revenues over expenses	147,396	—	147,396
Investment income	—	5,832	5,832
Change in net unrealized (depreciation) on investments	—	15,356	15,356
Cumulative effect of change in accounting principle	1,920	—	1,920
Contribution revenue	—	26,032	26,032
Net assets released from restrictions for operations	—	(17,728)	(17,728)
Net assets released from restrictions for property, plant and equipment	5,032	(5,032)	—
Pension related changes other than net periodic pension costs	<u>(2,412)</u>	<u>—</u>	<u>(2,412)</u>
Total increase in net assets	<u>151,936</u>	<u>24,460</u>	<u>176,396</u>
Net assets as of September 30, 2020	<u>1,456,987</u>	<u>362,586</u>	<u>1,819,573</u>
Increases (decreases) in net assets:			
Excess of revenues over expenses	154,785	—	154,785
Investment income	—	38,110	38,110
Change in net unrealized (depreciation) on investments	—	34,631	34,631
Contribution revenue	—	21,876	21,876
Net assets released from restrictions for operations	—	(30,413)	(30,413)
Net assets released from restrictions for property, plant and equipment	14,698	(14,698)	—
Pension related changes other than net periodic pension costs	<u>14,381</u>	<u>—</u>	<u>14,381</u>
Total increase in net assets	<u>183,864</u>	<u>49,506</u>	<u>233,370</u>
Net assets as of September 30, 2021	\$ <u><u>1,640,851</u></u>	<u><u>412,092</u></u>	<u><u>2,052,943</u></u>

See accompanying notes to consolidated financial statements.

BMC HEALTH SYSTEM, INC.

Exhibit IV

Consolidated Statements of Cash Flows

Years ended September 30, 2021 and 2020

(In thousands)

	<u>2021</u>	<u>2020</u>
Operating activities:		
Change in net assets	\$ 233,370	176,396
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	101,228	101,315
Restricted contributions	(5,368)	(9,840)
Donated securities received	(2,986)	(408)
Loss (return) on investment of joint venture	2,252	(236)
Amortization of bond discount/premium and issuance costs	(1,726)	(1,696)
Discount and provision for bad debt on contributions receivable	1,967	1,748
Net realized gains and change in unrealized (appreciation) on investments	(112,719)	(48,238)
Decrease in asset retirement obligation	(251)	—
Gain on real estate transaction	—	(9,888)
Pension related changes other than net periodic pension costs	(14,381)	2,412
Changes in operating assets and liabilities:		
Grants receivable	(10,417)	(266)
Patient accounts receivable	(17,927)	17,194
Other current assets and liabilities	67,011	(11,501)
Other noncurrent assets and liabilities	(1,372)	25,113
Estimated final settlements with third-party payors	(38,254)	132,230
Claims payable	(6,104)	29,106
Premium deficiency reserve	—	(11,048)
Accounts payable and accrued expenses	158,831	100,251
Net cash provided by operating activities	<u>353,154</u>	<u>492,644</u>
Investing activities:		
Proceeds from sale of investments	539,335	327,128
Proceeds from sale of funds held by trustees	41,633	46,325
Purchases of investments	(702,485)	(315,299)
Purchases of funds held by trustees	(41,891)	(44,885)
Gain on real estate transaction	—	9,888
Purchase of property, plant and equipment	(45,915)	(47,335)
De-recognition of property, plant and equipment	—	3,909
Loss from disposal of assets	—	80
Net cash used in investing activities	<u>(209,323)</u>	<u>(20,189)</u>
Financing activities:		
Proceeds from restricted contributions	5,368	9,840
Proceeds from sale of donated securities	2,986	408
Repayment of long-term debt and capital leases	(7,551)	(8,664)
Net cash provided by financing activities	<u>803</u>	<u>1,584</u>
Increase in cash and cash equivalents	144,634	474,039
Cash and cash equivalents:		
Beginning of year	<u>795,821</u>	<u>321,782</u>
End of year	\$ <u>940,455</u>	\$ <u>795,821</u>
Supplemental disclosure of cash flow activities:		
Cash paid for interest	\$ 27,115	27,609
Property, plant and equipment included in accounts payable	6,825	3,656
Conditional asset retirement obligations	(251)	—
Contributed securities	(2,986)	(408)
Gift in-kind	500	500

See accompanying notes to consolidated financial statements.

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(1) Organization

BMC Health System, Inc. (the Health System Corporation) is a tax-exempt, nonprofit Massachusetts corporation that oversees the operation of Boston Medical Center Corporation (the Medical Center or BMC), Boston Medical Center Health Plan, Inc. (BMCHP), and various affiliates and associated services. The Health System Corporation was organized effective July 1, 2013.

The consolidated financial statements of the Health System Corporation and its affiliates (the Health System) include the Medical Center, the combined accounts of Faculty Practice Foundation, Inc. (Faculty), doing business as Boston University Medical Group (BUMG), and its 22 affiliated faculty practice plan corporations (the Plans, and collectively with Faculty known as BUMG), BMCHP, Univer Development Foundation, Inc. (UDF), East Concord Medical Foundation, Inc. (ECMF), Boston Medical Center Insurance Company, Ltd. (BMCIC), Boston Medical Center Insurance Company, Ltd. of Vermont (BMCIC of Vermont), Boston University Affiliated Physicians, Inc. (BUAP), BMC Integrated Care Services, Inc. (BMCICS), Boston Accountable Care Organization, Inc. (BACO), and Cornerstone Health Solutions, LLC. The Medical Center and each of the affiliated organizations have fiscal years ending September 30, except BUMG and ECMF, which have fiscal years ending June 30.

The Medical Center was incorporated on July 1, 1996, when all of the assets and liabilities of the former University Hospital, Inc. (a.k.a. Boston University Medical Center Hospital or BUMCH) and its subsidiaries were merged with and into the Medical Center. In addition, specific assets and liabilities of the former Boston City Hospital (BCH), Boston Specialty and Rehabilitation Hospital (BSRH) and Trustees of Health and Hospitals, Inc. (THH), as indicated in the Consolidation Agreement, were transferred by the City of Boston (the City) to the Medical Center. The accompanying consolidated balance sheet includes all the assets, liabilities and net assets of the former BUMCH and only certain assets, liabilities and net assets of the former BCH, BSRH and THH. The Medical Center is a tax-exempt, nonprofit Massachusetts corporation, and its sole corporate member is the Health System Corporation.

BMCHP is a tax-exempt, nonprofit Massachusetts corporation established on July 1, 1997. BMCHP was originally established to administer the BMC Health Plan, which was a capitated provider-sponsored program of the Commonwealth of Massachusetts' (the Commonwealth) Division of Medical Assistance (DMA) (Office of Medicaid or MassHealth) designed to provide medical coverage to individuals who are eligible for Medicaid. The Massachusetts Division of Insurance licensed BMCHP as a health maintenance organization (HMO) in 2008. It became licensed by the New Hampshire Insurance Department as an HMO in 2012. The Health System Corporation is BMCHP's sole corporate member. BMCHP operates under the name WellSense Health Plan (WellSense) in New Hampshire, and is in the process of transitioning to operating under the name WellSense in both New Hampshire and Massachusetts.

In June 2017, MassHealth selected four accountable care organization (ACO) partnerships to participate in the Commonwealth's reform of MassHealth. In August 2017, BMCHP entered into contracts with the Massachusetts Executive Office of Health and Human Services (EOHHS) to serve as an Accountable Care Partnership Plan for its affiliate BACO and the Southcoast Health Network, LLC, Signature Healthcare Corp., and Mercy Health Accountable Care Organization, LLC ACOs. The Health System Corporation and each of the four ACO partners entered into agreements defining the roles and responsibilities of their ACO partnership. MassHealth plans to re-procure the ACO program and enter into new ACO contracts effective January 1, 2023.

BMC HEALTH SYSTEM, INC.

Exhibit IV

Notes to Consolidated Financial Statements
September 30, 2021 and 2020

In October 2017, EOHHS selected BMCHP as one of two managed care organizations (MCOs) to serve the Massachusetts MCO program.

BMCHP offers Qualified Health Plans (QHP) primarily through the Massachusetts Health Connector, as well as a fully integrated geriatric model of care under the Massachusetts Senior Care Options (SCO) program. SCO is a Medicare Advantage Dual Eligible Special Needs Plan (D-SNP) that is jointly administered by MassHealth and the Centers for Medicare & Medicaid Services (CMS), and eligible individuals, age 65 and older, receive both Medicaid and Medicare benefits.

WellSense is one of three MCOs serving the New Hampshire Medicaid program. BMCHP has also signed a contract with CMS to offer a Medicare Advantage plan in New Hampshire, with coverage effective January 1, 2022.

Faculty, incorporated on October 18, 1994, is a tax-exempt, nonprofit Massachusetts corporation operating exclusively for clinical, charitable, scientific and educational purposes. The Plans, also tax-exempt, nonprofit Massachusetts corporations, were established to operate exclusively for the benefit of BMC and Boston University School of Medicine (BUSM) (collectively, the Institutions). Faculty is granted the power to approve the Plans' annual operating budgets, physician compensation plans, and managed care contracts. The Plans' purpose is to provide, coordinate and facilitate the delivery of patient care services and to promote the development of an integrated system of delivery to more efficiently and effectively meet the health care needs of the communities served by the Institutions. BUMG's combined June 30, 2021 and 2020 financial statements are consolidated into the Health System.

BMCIC provides professional and general liability insurance to the Medical Center and BUMG and their physicians and employees. BMCIC was incorporated under the laws of the Cayman Islands and has a Cayman Islands Unrestricted Class B insurer's license. BMCIC is owned 70% by the Medical Center and 30% by Faculty.

BMCIC of Vermont is a tax-exempt, nonprofit captive insurance company licensed by the State of Vermont. BMCIC is owned 100% by the Health System Corporation and provided medical stop-loss coverage for the BMC employee health benefit program and BMCHP Medicaid program until September 14, 2018, when it became a dormant captive insurance company.

BACO, incorporated on February 26, 2015, is a tax-exempt, nonprofit Massachusetts corporation formed to improve the healthcare of the populations that the Medical Center, BUMG physicians, and community health centers serve. BACO is designed to better manage all aspects of healthcare, integrating the resources of the Medical Center, the community health centers, and their affiliated physicians to provide more effective, higher quality and less expensive care for BACO's patients. There are two classes of BACO directors: one class composed of a director appointed by each community health center participating in BACO that also participates in the MassHealth ACO and a consumer representative appointed to the board by its patient advisory committee, and a second class composed of four directors appointed by BMC, four directors appointed by BUMG, and a director appointed by each other non-community health center entity participating in BACO. (Prior to December 11, 2019, the Medical Center, Faculty, and the group of community health centers participating in BACO each appointed six of the nineteen BACO directors in addition to the a consumer representative).

BMC HEALTH SYSTEM, INC.

Exhibit IV

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

BUAP is a tax-exempt, nonprofit Massachusetts corporation that employs physicians in Boston, Massachusetts, to provide health care services, perform medical and clinical research, and provide health and medical education programs. The Medical Center is BUAP's sole corporate member.

BMCICS is a tax-exempt, nonprofit Massachusetts corporation organized to negotiate and enter into third-party payor (private and government health insurers) contracts. It contracts primarily on behalf of the Medical Center, BUMG, and some community health centers. The Medical Center is BMCICS' sole corporate member.

ECMF is a tax-exempt, nonprofit Massachusetts corporation involved in real estate development activities. The Medical Center and the Trustees of Boston University each appoint one-half of ECMF's directors. The Medical Center guarantees 100% of the debt of ECMF, and thus has significant economic interest in the corporation. All ECMF related assets and liabilities were legally transferred to the Medical Center, effective August 2021, and the September 30, 2021 consolidated financial statements reflects this transfer.

UDF is a tax-exempt, nonprofit Massachusetts corporation involved in real estate development activities. UDF's sole corporate member is Medical Center and UDF consolidates into the Health System. All UDF related assets and liabilities were legally transferred to the Medical Center, effective August 2021, and the September 30, 2021 consolidated financial statements reflect this transfer.

Cornerstone Health Solutions, LLC (Cornerstone) is a taxable Delaware limited liability company formed to establish and operate a pharmacy management services business. The Health System Corporation is Cornerstone's sole member.

The financial data for BUAP, BMCICS, ECMF and UDF is represented in the "All Other Entities" column of the supplemental consolidating information.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting and Principles of Consolidation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) consistent with Accounting Standard Codification (ASC) No. 954, *Healthcare Entities*. The consolidated financial statements of BMC Health System, Inc. include the accounts of the Health System Corporation, Medical Center, Cornerstone Health Solutions, LLC, BMCHP, the Faculty, BMCIC, BMCIC of Vermont, BACO, BUAP, BMCICS, ECMF and UDF. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Cash and Cash Equivalents

Cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less at date of purchase. The Health System maintains its cash and cash equivalent accounts at nine and six institutions at September 30, 2021 and 2020, respectively. The Health System monitors the credit worthiness of the institutions and has not experienced any losses associated with deposits at these institutions. For the purpose of the consolidated statements of cash flows, cash equivalents that are reported within assets whose use is limited and long-term investments are reported as cash flows from investing activities.

(c) Short-term Investments

Short-term investments include certain investments in mutual funds and money market mutual funds, which the Health System intends on using for operations within a year. For the purpose of the consolidated statement of cash flows, the Health System considers these as investments.

(d) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities (marketable investments) are measured at fair value in the consolidated balance sheets primarily based on quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess (deficiency) of revenues over expenses unless the income or loss is restricted by donor or law. The change in unrealized appreciation (depreciation) on available-for-sale investments is recorded in the determination of excess/ (deficiency) of revenue over expenses without donor restrictions in the consolidated statements of operations and changes in net assets, unless their use is restricted by explicit donor-imposed stipulations or law, in which case they are reported in the appropriate restricted class of net assets.

(e) Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under bond indenture agreements, BMCHP reserve funds required to be maintained by its contract with MassHealth, as well as deposits with regulatory bodies, self-insured reserve funds, and designated assets set aside by the Board of Trustees for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes. Also included are donor-restricted investments representing endowment and other restricted net assets.

(f) Property, Plant and Equipment

Property, plant and equipment acquisitions are recorded at cost. Donated items are recorded at fair value at the date of contribution. Depreciation, which includes the amortization of assets recorded under capital leases, is provided using the straight-line method over the estimated useful lives of the respective assets in accordance with guidance published by the American Hospital Association. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized and amortized over the lesser of their useful life or the term of the lease. Costs and the related allowance for depreciation are eliminated from the accounts when items are sold, retired or abandoned and any related gain or loss is recognized as a nonoperating gain or loss in the statement of operations. The carrying value of property, plant and equipment is reviewed if the facts and circumstances indicate that it may be impaired.

(g) Assessment of Long-Lived Assets

The Health System periodically reviews the carrying value of its long-lived assets (primarily property, plant and equipment) to assess the recoverability of these assets; any impairments would be recognized in operating results if the reduction in value is considered to be other-than-temporary. There were no impairments recorded as of September 30, 2021 and 2020.

(h) Inventories

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

(i) Deferred Revenue

Deferred revenue consists primarily of amounts received in advance of the contract period or conditional grants or other contribution that have not been recognized as revenue. Certain advances are received from the Commonwealth and federal government related to grants. Advances received related to grants were \$36,212,000 and \$96,243,000 as of September 30, 2021 and 2020, respectively. Included in the deferred revenue is \$0 and \$96,243,000 of provider relief funds and \$6,473,000 of deferred employee retention credit at September 30, 2021 and 2020 (note 22).

(j) Health Care Cost Recognition

The delivery network for BMCHP consists of the Medical Center and other acute care hospitals, physician practices and community health centers throughout the Commonwealth and New Hampshire. BMCHP places emphasis on the Primary Care Provider (PCP) as the primary care manager. BMCHP compensates these providers on a fee for service basis and it supports several alternative payment models.

The cost of contracted health care services is accrued in the period in which services are provided to a member based in part on estimates. The estimated liability for medical and hospital claims payable is actuarially determined based on an analysis of historical claims experience, modified for changes in enrollment, inflation and benefit coverage. The liability for claims payable represents the anticipated cost of claims incurred but unpaid at the balance sheet date. The estimates for claims payable may be more or less than the amounts ultimately paid when claims are settled. Such changes in estimates are reflected in the current period consolidated statement of operations and changes in net assets without donor restrictions. BMCHP also records an accrual for loss adjustment expenses, which relates to the estimated costs to process claims, which have been incurred but not reported.

(k) Premium Deficiency

BMCHP recognizes a premium deficiency based upon expected premium revenue, medical and administrative expense levels, and remaining contractual obligations under BMCHP's historical experience. No such reserve was determined to be necessary as of September 30, 2021 and 2020. During the fiscal year ended September 30, 2020, BMCHP recovered \$11,048,000 premium deficiency reserve through its consolidated statements of operations and change in net assets without donor restriction.

(l) Affordable Care Act Reserves

In 2014, the Affordable Care Act (ACA) introduced the provisions of the risk adjustment program. This program assesses the actuarial risk of the insurance pool within each health plan as compared to the average of all health plans in the state. During calendar year 2017, the administration of the risk adjustment program transitioned to the Centers for Medicare and Medicaid Services (CMS), while in prior years, the program was administered by the Massachusetts Health Connector (Connector). Under the federal provisions of the ACA, BMCHP recorded a payable of \$27,861,000 and \$19,433,000 as of September 30, 2021 and 2020, respectively.

BMC HEALTH SYSTEM, INC.**Exhibit IV**Notes to Consolidated Financial Statements
September 30, 2021 and 2020

BMCHP recorded a payable for Cost Sharing Reduction. The estimated amount due to both CMS and the Massachusetts Health Connector for Cost Sharing Reduction reconciliations as of September 30, 2021 and 2020 is \$26,295,000 and \$10,927,000, respectively.

On April 27, 2020, the Supreme Court of the United States ruled that the federal government was obligated to pay Qualified Health Plan carriers funds owed under the now-expired risk corridor component of Section 1342 of the Affordable Care Act. The case was a class action suit initiated in 2016; the Plan, along with hundreds of other carriers offering Qualified Health Plans, participated in substantively identical litigation. With the favorable Supreme Court ruling, the Plan received \$1,446,000 relating to its risk corridor receivable for calendar year 2014 in December 2020. Recorded risk corridor receivable balances are \$0 and \$1,446,000 as of September 30, 2021 and 2020, respectively.

(m) Net Assets

In accordance with the provisions of the ASC 954, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affected in each category is as follows:

- Without donor restriction – Net assets that are not subject to donor stipulations restricting their use but may be designated for specific purposes by the Health System or may be limited by contractual agreements with outside parties.
- With donor restrictions – Net assets with donor restrictions includes gifts that are required by donors to be held in perpetuity, as well as gifts, grants, investment income, including realized gains and losses, and the change in unrealized appreciation on investments, which can be expended but for which restrictions have not yet been met. The restrictions include purpose restrictions, time restrictions and restrictions imposed by law on the use of capital appreciation on donor-restricted funds. Contributions for capital items are released from restriction on the date that the related assets are put into service.

(n) Contributions and Grants

Contributions and grants received, including unconditional promises to give cash or other assets to the Health System, are recognized as revenue generally in the period received at fair value. Conditional contributions, grants or promises to give, which include both a barrier to entitlement and a refund of amounts paid (or a release from an obligation to make future payments) if conditions of the contribution are not met, are not recognized until they become unconditional. Unconditional contributions may be restricted or without restrictions. Contributions are recorded as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets or as net assets without donor restrictions if no such conditions exist. A donor restriction expires when a stipulated time restriction ends or purpose restriction is accomplished, the net assets subject to donor restrictions are reclassified to net assets without restrictions and reported in the statements of operations as net assets released from restriction. Contributions of long-lived assets with explicit restrictions that specify the use of assets and gifts of cash or other assets that must be used to acquire or construct long-lived assets are reported as additions to net assets with donor restrictions and are then reported as additions to net

BMC HEALTH SYSTEM, INC.

Exhibit IV

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

assets without donor restrictions when the assets are placed into service and are excluded from the excess (deficiency) of revenues over expenses.

Grants and sponsored program revenue are recognized as donor restricted revenues when all conditions have been met and are then released to net assets without donor restrictions as the related expenditures are incurred. The Health System recognizes indirect revenue at provisional rates, which are subject to audit, for U.S. Government grants and contracts and negotiated rates for other grants and similar grant-based contracts.

(o) Self-Insurance Reserves

The Health System is self-insured for certain employee health care benefits, workers' compensation and certain other employee benefits. These costs are accounted for on an accrual basis to include estimates of future payments on claims incurred as of the balance sheet date and are included in accounts payable and accrued expense in the consolidated balance sheets.

(p) Professional Liability Insurance

The Medical Center and BUMG maintain medical malpractice insurance on a modified claims-made basis for residents, interns and physicians, the Medical Center, BUMG and their employees, significantly all of which are provided by BMCIC. The deposit liability recorded by BMCIC represents the provision on hand to cover liabilities that may arise under the primary professional liability, commercial general liability and excess professional liability policies issued by BMCIC. Premiums are allocated to the deposit liability account, as well as losses, investment income, operating expenses and unrealized holding gains/losses on investments. The reserve for losses and loss adjustment expenses and corresponding reinsurance recoverable represent management's best estimate, at a 70% confidence level discounted at 4%, of BMCIC's liability under the excess loss coverage based on an actuarial projection of losses. The Medical Center and BUMG have provided for the estimated cost of incurred but not reported malpractice claims and an estimate for amounts payable on the deductibles.

(q) Statements of Operations

All activities of the Health System deemed by management to be ongoing or central to the provision of health care services, training and research activities are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

The consolidated statements of operations and changes in net assets without donor restrictions includes the excess of revenues over expenses. Other changes in net assets without donor restrictions which, consistent with U.S. GAAP, are excluded from the excess of revenues over expenses, include cumulative effect of change in accounting principle, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), pension related changes other than net periodic pension costs.

(r) Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which the Health System expects to be entitled in exchange for providing patient care in accordance with FASB Financial Accounting Standards Board (FASB) ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606). Generally, the Health System bills patients and third-party payors several days after the services are performed or shortly after discharge. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Health System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Health System believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in our Health System receiving inpatient acute care services. The Health System measures the performance obligation from admission into the Health System to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Health System does not believe it is required to provide additional goods or services to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Health System has elected to apply the optional exemption provided in 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 Health System utilizes the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The Health System accounts for contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. As a result, the Health System has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract by contract basis.

Generally, patients who are covered by third-party payors are responsible for deductibles and coinsurance, which vary in amount. The Health System estimates the transaction price for patients with deductibles and coinsurance 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 amounts, discounts, and implicit price concessions (routine uncollectible amounts). Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Adjustments arising from a change in transaction price were not significant in 2021 or 2020.

Notes to Consolidated Financial Statements
September 30, 2021 and 2020

The Health System maintains agreements with commercial insurance companies, the Social Security Administration under the Medicare Program, the Commonwealth under the Medicaid Program and certain managed care entities that govern payment to the Health System for services rendered to patients covered by these programs. A summary of significant payment arrangement is below:

(i) *Medicare*

Generally, inpatient care and outpatient services are paid at prospectively determined rates per discharge, day or visit based on clinical, diagnostic, and other factors. Certain outpatient services are paid based upon established fee schedules. In addition, patients who have elected to join a Medicare Advantage plan with a private managed-care plan are typically reimbursed in the same fashion as traditional Medicare, though rates between BMC and those plans are separately negotiated and not necessarily the same as Medicare's.

(ii) *Medicaid*

The Commonwealth Office of Medicaid (MassHealth) utilizes a prospective payment system for acute hospital services provided to Medicaid beneficiaries. MassHealth pays the Health System an adjudicated amount per discharge for inpatient services. MassHealth uses an outpatient methodology of payment based on Enhanced Ambulatory Patient Groupings (EAPG's), which takes into account the services rendered to the patient and the diagnosis of the patient.

(iii) *Commercial and Other*

Payment agreements with certain commercial payers, health maintenance organizations, such as Blue Cross of Massachusetts, Inc., and preferred provider organizations, follow similar reimbursement methodologies as governmental payers, using payment systems designed to pay per discharge and fee schedule rates in most cases, but also per diems and percentage of billed charges, depending on the individual contracts.

(iv) *Uncompensated Care*

The Health System is partially reimbursed for uncompensated care services, defined as charity care and bad debt associated with emergency services, through the statewide Health Safety Net, administered by the Commonwealth. Following the merger of BUMCH and BCH on July 1, 1996, the Health System has continued its historical mission and commitment of BCH to the public health needs of all residents of the City of Boston to provide accessible health care services to all in need of care, regardless of status or ability to pay.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation, as well as significant regulatory action, and, in the normal course of business, the Health System is subject to contractual reviews and audits, including audits initiated by the Medicare Recovery Audit Contractor program. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term. The Health System believes it is in compliance with applicable laws and regulations governing the Medicare and Medicaid programs and the adequate provisions have been made for any adjustments that may result from final settlements.

(s) *Third-Party Settlements for Patient Services*

Under the terms of contractual agreements, certain elements of third-party reimbursement are subject to negotiation, audit, and final determination by third-party payors. The accompanying consolidated financial statements include certain estimates of final settlements. In accordance with ASC 606, the Health System considers compensation that will be subject to negotiation or ultimately determined at a later date as variable consideration and therefore recognizes as revenue only amounts to which it is entitled and to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Third-party settlement receivables or liabilities are created when there are amounts the Health System believes may be received later or subject to pay back in the future. Variances between estimated and final settlements are included in net patient service revenue on the statement of operations in the year in which the settlement or change in estimate occurs.

The Health System has classified a portion of the accrual for settlements with third-party payors as short-term receivables because the amounts are expected to be received in the next twelve months. The Health System has classified a portion of the accrual for settlements with third-party payments as short term liabilities, as they are expected to be paid in the next twelve months. The Health System has also classified a portion of the accrual for settlements with third-party payors as long-term liabilities because the amounts, by their nature, or by virtue of regulation or legislation, will not be paid within one year.

During fiscal year 2021 and 2020, the Medical Center recognized net favorable settlements from Medicare, Medicaid, BMCHP, Blue Cross and other payors related to prior years of approximately \$1,779,000 and 947,000, respectively.

(t) *Charity and Uncompensated Care*

The Health System provides care without charge to patients who meet certain criteria under its charity care policy. Since the Health System does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. The Health System maintains records to identify and monitor the level of free care it provides.

The Health System provided free care of \$90,313,000 and \$108,688,000 in 2021 and 2020, respectively. Those costs have been estimated based on the ratio of expenses (excluding bad debt expense) to established patient service charges. Under healthcare reform, all documented Massachusetts citizens who were once eligible for charity care are now required to be enrolled in one of the subsidized Connector Care insurance products. Those patients whose income is over 300% of the federal poverty guidelines are now required to buy into an affordable insurance product either offered by their employer or the Connector Care or face financial penalties. Many of the Health System's patients who were previously uninsured are now enrolled in various health insurance plans in an effort to comply with the Commonwealth's healthcare reform mandate.

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

The Commonwealth's Health Safety Net is a program to raise funds for hospitals that provide a disproportionate share of uncompensated care as compared to other providers. The program is mostly funded through an assessment levied against hospitals and insurance companies based on their commercial/managed care business. The Medical Center assessment and contribution into the pool was \$5,234,000 in 2021 and \$5,004,000 in 2020. The total amount paid to the Medical Center through the Health Safety Net, net of program shortfall allocations, was \$86,053,000 in 2021 and \$64,379,000 in 2020. These receipts cover services for Medical, Professional, Dental and Retail Pharmacy.

The Plan's Health Safety Net assessment, which is a surcharge on certain payments to acute hospitals and ambulatory surgical centers for a component of its membership, amounted to \$7,154,000 and \$9,936,000 for the years ended September 30, 2021 and 2020, respectively.

(u) Capitation Revenue

Capitation/premium payments are generally for a period of one month, and are received monthly for the current month and reported as earned during the period of coverage. Capitation payments received prior to the coverage period are recorded as deferred revenue. All BMCHP product lines receive monthly payments based on current membership, as well as retroactive payment adjustments for prior months' additions and terminations relating to membership. Additional revenue relating to services provided outside the capitation rate, such as maternity, are recognized when earned but paid in arrears.

Also included in capitation revenue are certain risk sharing amounts under BMCHP's contracts with MassHealth and the New Hampshire DHHS under which capitation revenue can be increased or decreased based upon actual gain or loss on the particular component of risk adjusted capitation rate payment. Net amounts due (to) from the Commonwealth of Massachusetts amounted to approximately \$(48,403,000) and \$88,924,000 as of September 30, 2021 and 2020, respectively. Net amounts due from CMS amounted to approximately \$940,000 and \$1,375,000 as of September 30, 2021 and 2020, respectively. Net amounts due from the State of New Hampshire amounted to approximately \$34,428,000 and \$76,501,000 as of September 30, 2021 and 2020, respectively. Related receivables are recorded as other accounts receivable in the consolidated balance sheets (see note 15) and related payables are recorded in the accounts payable and accrued expense line item on the balance sheets.

(v) Other Revenue

Other revenue consists primarily of revenue related to the retail pharmacy, including retail revenue for prescriptions eligible under the 340B Drug Pricing Program (340B), consulting revenue and other less material activities such as parking and food services. Retail pharmacy revenue is recognized at the point of sale. 340B drug pricing is recognized once it has been confirmed that the patient receiving the service meets the program qualifications, which qualifies BMC to receive the 340B discount.

(w) Use of Estimates

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

BMC HEALTH SYSTEM, INC.

Exhibit IV

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(x) Income Taxes

The Health System Corporation, the Medical Center, BMCHP, UDF, ECMF, BUAP, Faculty and the Plans, BACO, BMCICS, and BMCIC of Vermont are all nonprofit corporations that have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Cornerstone Health Solutions, LLC is a taxable Delaware limited liability company. As of September 30, 2021, all contracts for the Cornerstone business line are between the Medical Center and the clients. All contract related revenue and expense is recorded at the Medical Center and evaluated for Unrelated Business income tax (UBIT).

The Health System recognizes income tax positions when it is more likely than not that the position will be sustainable based on the merits of the position. Management has concluded that there are no material uncertain tax positions that need to be recorded as of September 30, 2021 and 2020. The Health System annually assesses whether it must recognize an unrelated business income tax (UBIT) expense. The amounts recognized as UBIT expense were not material to the Health System's consolidated operations or changes in net assets for the years ended September 30, 2021 and 2020.

No income, capital or premium taxes are levied in the Cayman Islands and BMCIC has been granted an exemption until September 16, 2022, for any taxes that might be introduced. BMCIC intends to conduct its affairs so as not to be liable for taxes in any other jurisdiction, other than withholding tax on certain investments. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

(y) Reclassifications

Certain amounts reported in the comparative 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation.

(z) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Amendments and additional guidance were issued through 2019, including ASU 2018-11, *Targeted Improvements to Leases (Topic 842)*, which amended the original guidance to allow for the adoption of ASU 2016-02 to be applied retrospectively at the beginning of the period of adoption, which was October 1, 2019 for the Health System, without revising prior comparative periods.

The Health System adopted this standard using the effective date method, with the cumulative-effect adjustment recorded at the beginning of the period of adoption. As a result, at the date of adoption the Health System's assets and liabilities increased by \$100,531,000 and \$103,393,000, respectively, and the Health System recognized a cumulative adjustment to net assets of \$1,920,000 as of October 1, 2019. The adoption of ASU 2016-02 did not affect previously reported results of operations.

The adoption methodology used by the Health System allowed several practical expedients, including the use of hindsight in determining the lease term when considering lessee options to extend or terminate the lease and in assessing impairment of the right-of-use asset.

BMC HEALTH SYSTEM, INC.

Exhibit IV

Notes to Consolidated Financial Statements
September 30, 2021 and 2020

(3) Investments and Assets Limited as to Use

Short-term and long-term investments and assets limited as to use, consist of the following at September 30:

	2021		2020	
	<u>At fair value</u>	<u>Cost</u>	<u>At fair value</u>	<u>Cost</u>
	(In thousands)			
Assets limited as to use:				
Cash and cash equivalents	\$ 11,721	11,740	15,534	15,534
Bonds and U.S. Treasury notes	306,706	297,623	284,378	271,167
Private investment funds	586,702	462,036	480,997	410,308
Mutual funds	238,603	236,084	94,458	98,206
Marketable equity securities	111,944	82,272	111,653	91,180
Money market mutual funds	2,066	2,066	2,066	2,066
Asset-backed securities	112,720	112,281	100,953	99,337
Private debt and equity	47,052	43,574	38,198	40,858
Total	1,417,514	1,247,676	1,128,237	1,028,656
Funds held by trustees	41,677	41,592	41,624	41,145
	<u>\$ 1,459,191</u>	<u>1,289,268</u>	<u>1,169,861</u>	<u>1,069,801</u>

Included in private investment funds are alternative investment vehicles, including commingled funds, with an estimated fair value of approximately \$586,702,000 and \$480,997,000 as of September 30, 2021 and 2020, respectively.

BMCHP is required by its contract with MassHealth to maintain a deposit account with the Commonwealth for reserve purposes. The cash reserves were \$1,066,000 as of September 30, 2021 and 2020 and are included in assets whose use is limited.

In connection with its licensure by the Massachusetts Division of Insurance, BMCHP has placed on deposit with the Commonwealth a cash equivalent fund holding of \$1,000,000. In addition, for licensure in New Hampshire, BMCHP has purchased and placed on deposit a \$500,000 U.S. Treasury note with an amortized cost of \$500,000. Both security deposits are also included in assets limited as to use as of September 30, 2021 and 2020, respectively.

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Total return on the Health System's investment portfolio, which includes investment income, net realized gains and the change in net unrealized appreciation on investments, includes the following for the years ended September 30:

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Net assets without donor restrictions:		
Dividends and interest	\$ 18,074	25,009
Net realized gains on investments	15,365	12,733
Change in net unrealized appreciation on investments	<u>29,896</u>	<u>17,919</u>
Nonoperating activity	63,335	55,661
Net assets with donor restrictions:		
Dividends and interest	5,357	3,602
Net realized gains on investments	32,753	2,230
Change in net unrealized appreciation on investments	<u>34,631</u>	<u>15,356</u>
	<u>72,741</u>	<u>21,188</u>
	<u>\$ 136,076</u>	<u>76,849</u>

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

(4) Fair Value Measurements

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 entities' 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. U.S. GAAP provides 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.

BMC HEALTH SYSTEM, INC.

Exhibit IV

Notes to Consolidated Financial Statements
September 30, 2021 and 2020

The following describes the hierarchy of inputs the Health System uses to measure fair value and the primary valuation methodologies it uses for financial instruments measured at fair value on a recurring basis:

- Level 1 is based upon quoted prices in active markets for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The Health System does not adjust the quoted price for the assets and liabilities.
- Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.
- Level 3 is typically based on unobservable inputs that are supported by little or no market activity and rely on assumptions and estimates about pricing derived from available information.

The fair value of the Health System's investments in U.S. Treasuries, mutual funds and marketable equity securities is based on quoted prices in an active market when available (Level 1), while investments in bonds are based on quoted prices for similar instruments.

As of September 30, 2021 and 2020, the Health System also held interests in private investment funds. Private investment funds include commingled funds, common collective funds, funds of funds and other alternative investments. Certain private investment funds are categorized as Level 1 investments when managers actively provide investment information and the investment are determined to have a readily determinable fair value (RDFV). Others investments that have a RDFV are categorized as Level 2 investments as they are priced by fund managers less frequently. Certain other private investment funds listed under Net Asset Value (NAV) category below qualify as investment companies under U.S. GAAP and follow the accounting and reporting guidance applicable to investment companies. There is no active market for these funds, and therefore, the Health System is permitted, as a practical expedient under U.S. GAAP, to estimate the fair value of the investment based on the NAV based on the Health System's ownership share or units held.

The Health System believes that these valuations are a reasonable estimate of fair value as of September 30, 2021 and 2020, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. The Health System has the ability to liquidate its investments periodically in accordance with the provisions of the respective fund agreements.

BMC HEALTH SYSTEM, INC.

Exhibit IV

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

The following table presents the financial instruments carried at fair value and is intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets as of September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u> (In thousands)	<u>Net asset value</u>	<u>Total</u>
Investments:					
Cash and cash equivalents	\$ 11,721	—	—	—	11,721
Bonds and U.S. Treasury notes	59,985	246,721	—	—	306,706
Private investment funds	261,418	124,752	—	200,532	586,702
Mutual funds	238,603	—	—	—	238,603
Marketable equity securities	110,084	1,860	—	—	111,944
Money market mutual funds	2,066	—	—	—	2,066
Asset-backed securities	1,923	110,797	—	—	112,720
Private debt and equity	—	—	—	47,052	47,052
	<u>\$ 685,800</u>	<u>484,130</u>	<u>—</u>	<u>247,584</u>	<u>1,417,514</u>
Funds held by trustee:					
U.S. government securities/GIC agreements	\$ 20,795	—	—	—	20,795
Money market mutual funds	20,882	—	—	—	20,882
	<u>\$ 41,677</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>41,677</u>

The following table presents the financial instruments carried at fair value and is intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets as of September 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u> (In thousands)	<u>Net asset value</u>	<u>Total</u>
Investments:					
Cash and cash equivalents	\$ 15,534	—	—	—	15,534
Bonds and U.S. Treasury notes	33,720	250,658	—	—	284,378
Private investment funds	239,516	111,267	—	130,214	480,997
Mutual funds	94,458	—	—	—	94,458
Marketable equity securities	110,943	710	—	—	111,653
Money market mutual funds	2,066	—	—	—	2,066
Asset-backed securities	2,696	98,257	—	—	100,953
Private debt and equity	—	—	—	38,198	38,198
	<u>\$ 498,933</u>	<u>460,892</u>	<u>—</u>	<u>168,412</u>	<u>1,128,237</u>
Funds held by trustee:					
U.S. government securities/GIC agreement	\$ 20,928	—	—	—	20,928
Money market mutual funds	20,695	—	—	—	20,695
	<u>\$ 41,623</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>41,623</u>

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

There were no transfers between Levels 1 through 3 or NAV, as a result of changes in the approach to fair value measurements during 2021 and 2020.

The Medical Center's endowment and similar funds are invested to maintain the real value of the principal to be capable of supporting annual spending needs and are guided by the asset allocation policies established by the investment committee of the Health System Corporation Board of Trustees and implemented primarily through external investment managers. Investments are managed to balance the short-term needs in order to support current operations, as well as maintain the endowment's purchasing power in the long run. To satisfy the long-term objectives of a diversified, volatility-managed portfolio, the Medical Center targets an asset allocation of fixed income, global and domestic equities, marketable and nonmarketable alternative assets. The portfolio is expected to produce returns that meet or exceed long-term benchmarks.

The following table presents liquidity information for the financial instruments carried at NAV as of September 30, 2021.

	Investments asset value		
	Net asset value	Redemption frequency	Notice period
		(In thousands)	
Investment type:			
Private investment funds	\$ 200,532	Weekly – monthly	3–60 days
Private debt and equity	47,052	illiquid	—
	<u>\$ 247,584</u>		

The following table presents liquidity information for the financial instruments carried at NAV as of September 30, 2020.

	Investments asset value		
	Net asset value	Redemption frequency	Notice period
		(In thousands)	
Investment type:			
Private investment funds	\$ 130,214	Weekly – bi-monthly	3–15 days
Private debt and equity	38,198	illiquid	—
	<u>\$ 168,412</u>		

There were no unfunded commitments as of September 30, 2021 and 2020.

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(5) Contributions Receivable

Contributions receivable are recorded as part of other accounts receivable and other noncurrent assets on the consolidated balance sheets. Contributions receivable, net, are summarized as follows as of September 30:

Unconditional promises expected to be collected in:

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Less than one year	\$ 7,424	3,568
One year to five years	9,369	11,063
	<u>16,793</u>	<u>14,631</u>
Less discounts and allowance for uncollectible accounts	<u>(1,967)</u>	<u>(1,748)</u>
Contributions receivable, net	<u>\$ 14,826</u>	<u>12,883</u>

The discount rate used to calculate the present value of pledges receivable ranged from 2.88%–4.43%, depending upon the anticipated pledge fulfillment, valued at the date of the pledge.

(6) Liquidity

As of September 30, 2021 consolidated 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:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 940,455	795,821
Short-term investments	150,383	—
Patient accounts receivable, net	112,233	94,306
Other current receivables, net	175,558	329,278
Board designated investments	319,807	289,252
Funds functioning as endowment available for operations	<u>24,071</u>	<u>19,540</u>
Total financial assets available within one year	<u>\$ 1,722,507</u>	<u>1,528,197</u>

The Health System's revenues and related operating activities are generally not seasonal in nature. Board designated funds may be made available for operations by action of the board if they are not subject to third-party restrictions or otherwise not available within one year. Funds functioning as endowments are made available for operations based on the endowment spending policy set by Health System boards. In addition, the Health System has access to unused lines of credit aggregating approximately \$150,000,000 that may be used for operations. The table above does not include funds subject to third-party restrictions.

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(7) Property, Plant and Equipment

The property, plant and equipment of the Health System consists of the following as of September 30:

	<u>Useful life</u>	<u>2021</u>	<u>2020</u>
		(In thousands)	
Land		\$ 19,057	18,299
Land improvements	5–40 years	766	763
Buildings	15–45 years	465,618	465,618
Building and leasehold improvements	3–40 years	907,614	926,715
Major movable equipment	3–20 years	715,867	651,007
Construction in progress		<u>29,088</u>	<u>29,700</u>
		2,138,010	2,092,102
Accumulated depreciation and amortization		<u>(1,132,747)</u>	<u>(1,036,616)</u>
Property, plant and equipment, net		<u>\$ 1,005,263</u>	<u>1,055,486</u>

Leasehold improvements are amortized over the lesser of the assets' estimated useful lives or the remaining lease term.

Depreciation expense amounted to \$100,080,000 and \$100,066,000 for the years ended September 30, 2021 and 2020, respectively. Amortization expense amounted to \$1,148,000 and \$1,248,000 for the years ended September 30, 2021 and 2020, respectively.

Fully depreciated property, plant and equipment with an original cost of \$3,947,000 and \$111,894,000 was disposed of during the years ended September 30, 2021 and 2020, respectively.

The Master Trust Indenture (note 9) places certain restrictions on property, plant and equipment in terms of the creation of liens and transfers of assets.

As of September 30, 2021 and 2020, assets under capital lease agreements amounted to approximately \$94,740,000 and \$123,970,000, respectively, with accumulated amortization of \$85,068,000 and \$119,811,000, respectively. Amortization expense is included with depreciation and amortization expense in the consolidated statements of operations and changes in net assets without donor restrictions. The Medical Center wrote off \$35,021,000 of fully amortized finance leases in 2021 related to several leases that were deemed to be inactive.

The Health System has capitalized interest net of amortization in the amount of \$58,078,000 and \$59,344,000 as of September 30, 2021 and 2020, respectively.

BMC HEALTH SYSTEM, INC.

Exhibit IV

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

In 2014, the Medical Center sold the Gambro building for \$12,000,000. The Medical Center leased back certain space in this building, consistent with clinical and administrative needs. The transaction was accounted for as a failed sale and leaseback and therefore, prior to the adoption of ASU 2016-02, the building remained on the Medical Center's books. The carrying value was \$4,426,960 as of September 30, 2019. Upon adopting ASU 2016-02, the building was removed from the Health System's financial statements (note 10).

(8) Other Noncurrent Assets

Other noncurrent assets primarily consist of investments in joint ventures and long term pledges (see footnote 5) as of September 30, 2021 and 2020. The joint ventures are recorded utilizing the equity method of accounting.

(9) Long-Term Debt

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

	<u>Interest rate</u>	<u>2021</u>	<u>2020</u>
		(In thousands)	
Revenue Bonds Series C	3.00–5.25%	\$ 27,345	30,200
Revenue Bonds Series D	4.00–5.00%	158,155	158,155
Revenue Bonds Series E	2.00–5.00%	172,560	174,340
Revenue Bonds Series F	4.00–5.00%	38,065	39,550
Taxable Bonds Series 2016	4.52 %	75,000	75,000
Taxable Bonds Series 2017	3.91–4.58%	105,000	105,000
Series O – tax exempt (Garage)	Varies	5,626	6,387
Series O – taxable (Garage)	Varies	1,752	1,989
		<u>583,503</u>	<u>590,621</u>
Less current portion of long-term debt		(7,248)	(7,118)
Revenue Bonds Series C premium		3,445	3,890
Revenue Bonds Series D premium		6,382	6,650
Revenue Bonds Series E premium		20,359	21,575
Revenue Bonds Series F premium		1,321	1,369
Revenue Bonds Series 2016 discount		(240)	(291)
Revenue Bonds Series 2017 discount		(697)	(723)
Revenue Bonds issuance costs		<u>(2,456)</u>	<u>(2,630)</u>
Long-term debt, less current portion		<u>\$ 604,369</u>	<u>613,343</u>

The Medical Center is currently the sole member of the Obligated Group. The column entitled "Medical Center" in the supplemental consolidating information of the consolidated financial statements represents the Obligated Group.

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

The Amended and Restated Master Trust Indenture covers the obligations of Series C Revenue Bonds, Series D Revenue Bonds, Series 2016 Taxable Bonds, Series E Revenue Bonds, Series 2017 Taxable Bonds, Series F Revenue Bonds, and Series O Bonds.

In December 2017, the Medical Center issued through the Massachusetts Development Finance Agency (MassDevelopment) \$43,500,000 Series F tax-exempt 2017 Revenue Bonds (Series F Revenue Bonds). The bonds were issued to finance a portion of the Clinical Campus Redesign Project. The interest rate on the Series F Revenue Bonds ranges from 4.00% to 5.00% based on the bonds' maturities. Principal and sinking fund payments will be made annually between 2019 and 2047 and range from \$1,485,000 to \$5,150,000.

In December 2017, the Medical Center issued \$105,000,000 Taxable Bonds, Series 2017 (Series 2017 Taxable Bonds). The bonds were issued for corporate purposes. The interest rate on the Series 2017 Taxable bonds is 3.91% for the principal of \$52,500,000 which is due in 2028 and 4.58% for the principal of \$52,500,000 which is due in 2047.

In September 2016, the Medical Center advance refunded a portion of the Massachusetts Health and Education Facilities Authority (Authority) Revenue Bonds, Boston Medical Center Issue, Series B (2008) (Series B Revenue Bonds) and issued a new money portion through the sale of \$176,345,000 MassDevelopment, Series E tax exempt (2016) (Series E Revenue Bonds). As part of this issuance, the Medical Center defeased \$26,570,000 of the Series B Revenue Bonds, which were issued to finance the cost of demolition of 91 East Concord Street, the design, construction and equipping of the Shapiro Ambulatory Care Center, the design and construction of a two-story addition to the Menino Pavilion, and routine capital expenditures. The interest rate on the Series E Revenue Bonds ranges from 2.00% to 5.00% based on the bonds' maturities. Principal and sinking fund payments will be made annually between 2017 and 2038 and range from \$425,000 to \$19,890,000.

In March 2016, the Medical Center issued \$75,000,000 Taxable Bonds, Series 2016 (Series 2016 Taxable Bonds). The bonds were issued for corporate purposes. The interest rate on the Series 2016 Taxable bonds is 4.52% and the entire principal payment is due in 2026.

In April 2015, the Medical Center issued through MassDevelopment \$158,155,000 Series D tax-exempt 2015 Revenue Bonds (Series D Revenue Bonds). The bonds were issued to finance a portion of the Clinical Campus Redesign Project. The interest rate on the Series D Revenue Bonds ranges from 4.00% to 5.00% based on the bonds' maturities. Principal and sinking fund payments will be made annually between 2039 and 2045 and range from \$15,280,000 to \$27,900,000.

In July 2012, the Medical Center refunded the Authority's tax-exempt Revenue Bonds, Boston Medical Center Issue, Series A (1998) Bonds (Series A Bonds) through the sale of \$108,950,000 MassDevelopment, Series C tax-exempt Revenue 2012 Bonds (Series C Revenue Bonds). The principal amount outstanding of the Series A Bonds was \$119,970,000. The interest rate on the Series C Revenue Bonds ranges from 3.00% to 5.25% based on the bonds' maturities. Principal and sinking fund payments will be made annually between 2017 and 2029 and range from \$2,720,000 and \$4,070,000. In connection with the sales of the three parcels, the Medical Center defeased the allocable portion of the outstanding bonds in January 2015, to avoid potential negative tax consequences. Only a portion of the Series C Revenue Bonds remains outstanding as of September 30, 2021 and 2020. The Medical Center granted a mortgage on the Newton Pavilion and Health Services Building and a leasehold mortgage on the restricted

BMC HEALTH SYSTEM, INC.

Exhibit IV

Notes to Consolidated Financial Statements
September 30, 2021 and 2020

property of the Menino Pavilion and the Yawkey Ambulatory Care Center pursuant to the Amended and Restated Master Trust Indenture. On November 15, 2018, BMC executed a ground lease agreement for the Commonwealth's Department of Public Health to lease the Newton Pavilion and Health Services building. With the disposition of the property and transfer of beds from the property, the Newton Pavilion and Health Services Building were released from the mortgage in accordance with the requirements of the Master Trust Indenture. The Master Trust Indenture maintains the financial covenant requiring the Medical Center to maintain an annual debt service coverage ratio of at least 1.10 to 1.

In October 2012, the Medical Center entered into a Demand Line of Credit for short-term borrowings with Citizen's Bank, N.A under which up to \$25,000,000 may be borrowed on terms outlined by the Amended and Restated Line of Credit Agreement. In June 2018, the Medical Center amended the Demand Line of Credit agreement, increasing the amount up to \$50,000,000, which may be borrowed at any time. In June 2019, the Medical Center amended the Demand Line of Credit agreement, increasing the amount up to \$100,000,000, which may be borrowed at any time. In June 2020, the Medical Center replaced the existing \$100,000,000 Demand Line of Credit with a \$150,000,000 Committed Line of Credit, which may be borrowed at any time. This Agreement has a two year commitment and can be renewed annually. The Medical Center has pledged certain board designated accounts to secure the line of credit. The assets of these accounts will collateralize borrowings against the line of credit. The Medical Center has not borrowed against the line of credit as of September 30, 2021 and 2020.

Included in the Medical Center's debt is approximately \$7,378,000 of the Authority's variable rate demand bonds (VRDBs), Capital Asset Program Issue 2009 Series O-1 and O-2. The Medical Center has entered into irrevocable letters of credit (LOCs) to secure bond repayment and interest obligations associated with its VRDBs. Citizens Bank, N.A. provides LOCs totaling \$7,585,000. There are no drawings under the LOCs as of September 30, 2021 and 2020. The LOCs supporting the Series O-1 and O-2 will expire on July 1, 2023. Citizens Bank, N.A provided a Federal Home Loan Bank wrap (AAA rated) for the two Letters of Credit. The interest rates at September 30, 2021 were 0.03% and 0.25% for the tax exempt and taxable loan, respectively. The interest rates at September 30, 2020 were 0.13% and 0.40% for the tax exempt and taxable loan, respectively.

If the VRDBs are unable to be remarketed, the trustee for the VRDBs will request purchase under the LOC scheduled repayment terms. Based on the existing repayment and maturity terms of the underlying LOCs, the scheduled payments under the VRDB related LOCs will be determined when and if the VRDBs are unable to be remarketed.

The LOC's are unsecured and will continue to decrease in stated amount as the underlying bond debt amortizes.

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

The Medical Center has escrowed the following funds with bond trustees under the Series C, D, E and F Revenue Bonds, the 2016 and 2017 Taxable Bonds and Series O Bonds. In addition, these amounts include funds for the self-insured workers' compensation program and funds designated by management for other purposes. These funds are included in assets limited as to use in the consolidated financial statements.

	September 30	
	2021	2020
	(In thousands)	
Construction fund	\$ 64	64
Debt service fund	8,411	8,502
Debt service reserve funds	20,880	21,025
Accrued interest receivable	66	67
Workers' compensation reserve fund	12,030	11,740
Other held funds	226	226
	<u>\$ 41,677</u>	<u>41,624</u>

The assets of the funds held by the trustees are invested principally in government securities and money market funds. See Note 4.

Maturities of long-term debt are as follows (in thousands):

Years ending September 30:	
2022	\$ 7,248
2023	7,606
2024	7,983
2025	8,380
2026	83,800
Thereafter	<u>468,486</u>
	<u>\$ 583,503</u>

(10) Leases

Effective October 1, 2019, the Health System accounts for leases in accordance with Topic 842, *Leases*. The Health System determines if an arrangement is or contains a lease at contract inception. The Health System recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases, and is subsequently measured at amortized cost using the effective-interest method.

BMC HEALTH SYSTEM, INC.

Exhibit IV

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Topic 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the Health System cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, the Health System generally uses its incremental borrowing rate as the discount rate for the lease. The Health System's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Because the Health System does not generally borrow on a collateralized basis, it acquired quotes from its banking partner for collateralized borrowing rates for each class of underlying assets: real estate, medical equipment, and office equipment.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For finance leases, the ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to the Health System or the Health System is reasonably certain to exercise an option to purchase the underlying asset. In those cases, the ROU asset is amortized over the useful life of the underlying asset. Amortization of the ROU asset is recognized and presented separately from interest expense on the lease liability.

The Health System does not recognize ROU assets and lease liabilities for short-term leases of that have a lease term of 12 months or less. The Health System has elected not to apply the short-term lease recognition and measurement exemption for other classes of leased assets. The Health System recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term.

The Health System's leases generally include non-lease maintenance services (for example, equipment maintenance or common area maintenance). The Health System allocates the consideration in the contract to the lease and non-lease maintenance component based on each component's relative standalone price.

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Amounts reported in the consolidated balance sheets as of September 30, 2021 and 2020 were as follows:

<u>Consolidated balance sheet presentation</u>	<u>2021</u>	<u>2020</u>
Finance leases:		
Right of use assets – finance	\$ 9,672	4,000
Current portion of long term debt and financing leases	1,460	867
Obligations under financing leases	7,751	2,669
Operating leases:		
Right of use assets – operating	\$ 80,538	76,185
Other current liabilities	19,693	21,897
Obligations under operating leases	73,419	89,401

The components of lease cost for the year ended September 30, 2021 and 2020 were as follows:

<u>Consolidated statement of operations and changes in net assets without donor restriction presentation</u>		<u>2021</u>	<u>2020</u>
Finance lease cost:			
Amortization of right-of-use assets interest	Depreciation and amortization expense	\$ 926	706
on lease liabilities	Interest expense	164	114
	Total finance lease cost	1,090	820
Operating lease cost:			
Lease expense	Medical costs, supplies and other expense	21,583	19,306
	Total lease cost	\$ 22,673	20,126

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Other information related to leases as of September 30, 2021 and 2020 was as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from finance leases	\$ (164)	(114)
Operating cash flow from operating leases	(22,147)	(19,240)
Financing cash flows from finance leases	(1,248)	(673)
Right-of-use assets obtained in exchange for new finance lease liabilities	6,810	1,656
Right-of-use assets obtained in exchange for new operating leases liabilities	1,181	43,990
Weighted average remaining lease term – finance leases	3.53 years	5.91 years
Weighted average remaining lease term – operating leases	8.48 years	6.73 years
Weighted average discount rate – finance leases	2.54 %	3.32 %
Weighted average discount rate – operating leases	3.10	3.10

Future lease payments at September 30, 2021 are as follows:

	<u>Operating leases</u>	<u>Finance leases</u>
Year ending September 30:		
2022	\$ 20,068	1,361
2023	14,042	1,301
2024	12,427	5,966
2025	12,345	200
2026	11,697	197
Thereafter	<u>35,936</u>	<u>657</u>
Total undiscounted lease payments	106,515	9,682
Less net present value adjustment	<u>(13,403)</u>	<u>(570)</u>
Lease liabilities	<u>\$ 93,112</u>	<u>9,112</u>

The Health System adopted ASU 2016-02 using a modified retrospective adoption at October 1, 2019 as discussed in note 1. Upon adoption, the Health System recognized the previously deferred gain of \$11,670,000 associated with the failed sale and leaseback of the Gambro building.

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

On November 16, 2018, the Medical Center executed a 99 year ground lease for its Newton Pavilion (including the Health Services Building) with the Commonwealth of Massachusetts, acting through its Division of Capital Asset Management and Maintenance on behalf of the Commonwealth's Department of Public Health, for \$77,500,000. The Medical Center recorded \$69,825,000 as deferred lease revenue, which is included in long term liabilities, and will recognize the rental income over the term of the lease. The lease also included a \$7,500,000 option to develop land on a parcel of the ground lease, which the Medical Center recorded as a long term liability. The remaining deferred lease revenue was \$67,768,000 and \$68,473,000 as of September 30, 2021 and September 30, 2020, respectively.

In 2014, the Medical Center entered into a ground lease of its Doctors Office Building, of which \$38,422,000 was paid upon commencement of the lease, and will be recognized over the term of the lease (99 years). The deferred rental revenue was \$35,770,000 and \$31,600,000 as of September 30, 2021 and September 30, 2020, respectively.

(11) Donor Restricted Net Assets

Donor restricted net assets, which are recorded in assets limited to use, grants receivable and other accounts receivable on the balance sheet, are composed of the following as of September 30:

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Net assets with donor restrictions:		
Research	\$ 172,181	154,829
Buildings and capital	109,033	91,598
Hospital programs	100,958	94,702
Patient care	<u>29,920</u>	<u>21,457</u>
Total with donor restriction net assets	<u>\$ 412,092</u>	<u>362,586</u>

(12) Endowments

The Health System's endowment consists of approximately 355 donor-restricted funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported as with or without donor restrictions based on the existence or absence of donor-imposed restrictions.

The Health System has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Health System permanently classifies as donor restricted net assets the original value of gifts donated to the endowment. The remaining portion of the donor-restricted endowment fund that is not permanently classified as donor restricted net assets represents accumulated gains and losses on the endowment funds until those amounts are appropriated for expenditure by the Health System in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Health System considers certain factors in making a determination to appropriate or accumulate endowment funds. The factors include the duration and preservation of the fund, the purpose of the organization and the donor-restricted endowment

BMC HEALTH SYSTEM, INC.

Exhibit IV

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the organization and the investment policies of the organization. In fiscal year 2000, the Board approved an endowment policy limiting the annual spend on endowments to 5% of the three-year average market value of the endowment fund.

As of September 30, 2021 and 2020, the Heath System did not have board-designated funds included in the endowment. The endowment net asset composition by type of fund consisted of the following:

<u>September 30, 2021</u>	<u>Original gift</u>	<u>Accumulated gains and losses, net</u> (In thousands)	<u>Total</u>
Donor-restricted endowment funds	\$ 40,606	286,617	327,223
	<u>\$ 40,606</u>	<u>286,617</u>	<u>327,223</u>

<u>September 30, 2020</u>	<u>Original gift</u>	<u>Accumulated gains and losses, net</u> (In thousands)	<u>Total</u>
Donor-restricted endowment funds	\$ 40,606	240,369	280,975
	<u>\$ 40,606</u>	<u>240,369</u>	<u>280,975</u>

Changes in endowment net assets for the years ended September 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Endowment net assets at the beginning of year	\$ 280,975	268,915
Investment return:		
Investment income	31,205	5,224
Net unrealized appreciation (depreciation)	28,094	12,941
Total investment return	59,299	18,165
Contributions	—	3,372
Appropriation of endowment assets for expenditures	(13,051)	(9,477)
	<u>46,248</u>	<u>12,060</u>
Endowment net assets at the end of year	<u>\$ 327,223</u>	<u>280,975</u>

(13) Benefit Plans Available to Employees

The Medical Center has a defined contribution retirement plan under Section 403(b) of the Internal Revenue code. The plan is also offered to Health Plan employees (as of January 1, 2021) as well as Medical Center employees who hold administrative positions for BUMG. Participation in the plan is voluntary. The Medical Center has three employer contribution schedules, one based on years of service and two that are a flat percentage. The contributions under the plan amounted to \$20,508,000 and \$22,942,000 for the years ended September 30, 2021 and 2020, respectively.

Boston University sponsors a defined contribution retirement plan that covers all BUMG physicians and practitioners paid under the common paymaster agreements with the Plans (Faculty Members). Costs related to BUMG are included in the fringe benefit rates described in note 16 (*Shared Services Agreement*). This retirement plan is available to Faculty Members who have completed two years of service at Boston University and who work at least 50% of full-time schedule and who have an assignment duration of at least nine months. Boston University contributes a core contribution between 4% to 9% of salary to this retirement plan, depending on age, base salary, and an integration level amount adjusted each year by Boston University. This core contribution is automatic and is provided even if the Faculty Member chooses not to contribute to the plan. In addition, Boston University provides a matching contribution, which matches the Faculty Member's contributions dollar for dollar up to an additional 3%. Employer contributions to the Boston University Retirement Plan were suspended from July 1, 2020 through June 30, 2021.

University Hospital provided postretirement medical and life insurance benefits to retirees. These benefits were grandfathered to employees who terminated employment prior to January 1, 1994. Employees who terminated on or before December 31, 1993 were offered a life insurance benefit; employees who terminated on or before July 31, 1993 and had 20 years of services were granted medical benefits. The cost of medical benefits was capped at \$185.00 per month per participant. The accrued benefit costs under this plan are not material to the Health System as of September 30, 2021 and 2020.

BMCHP had a defined contribution retirement plan (DC Plan) under Section 401(k) of the Internal Revenue Code, established effective August 1, 2001 through December 31, 2020. The DC Plan covered all eligible employees at BMCHP who did not opt out of participation, and required BMCHP to match employees' contributions up to specified limitations. Participants were 100% vested in their deferred contributions, and rollover contribution accounts immediately plus actual earnings on those amounts. BMCHP terminated its 401(k) Plan on December 31, 2020 and all employees became fully vested in BMCHP contributions as of that date. BMCHP then became a participating employer in the Boston Medical Center Corporation retirement plan, which is a 403(b) plan. BMCHP contributions under this DC Plan and the subsequent 403(b) plan were \$1,670,000 and \$1,903,000 in 2021 and 2020, respectively.

The Health System also offers a nonqualified supplemental executive retirement plan to certain key executives. The Health System's contribution is a percentage base on job level of each eligible executive's Plan Year base salary. The plans have a three year vesting schedule. Contributions made in a particular plan year are 100% vested three years later. The Health System's contribution for the plan was \$1,263,000 and \$955,000 in the years ended September 30, 2021 and 2020, respectively.

BMC HEALTH SYSTEM, INC.

Exhibit IV

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

The Medical Center maintains a defined benefit pension plan (the Pension Plan), effective July 1, 1996, for certain former employees of BCH with a measurement date of September 30. The covered group consists of employees who either had a non-forfeitable right to a retirement benefit under the former BCH defined benefit pension plan or would have earned one with service through September 30, 1997. The Pension Plan provides benefits based on an employee's average compensation and years of service reduced by a percentage of their Social Security benefit. The Pension Plan's provisions have been set based on a collective bargaining agreement effective July 1, 1996, and a formal document was signed on June 30, 1997. Contributions to the Pension Plan are made in amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974. The City is responsible for the past service cost of former BCH employees.

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Accumulated benefit obligation	\$ 203,607	209,849
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 209,849	195,087
Service cost	3,557	3,567
Interest cost	5,025	5,821
Actuarial loss	(6,767)	12,468
Benefits paid	(7,907)	(7,094)
Administrative expense paid	(150)	—
Projected benefit obligation at end of year	<u>\$ 203,607</u>	<u>209,849</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 198,571	173,517
Actual return on plan assets	14,363	18,648
Employer contributions	—	13,500
Benefits paid	(7,907)	(7,094)
Administrative expense paid	(150)	—
Fair value of plan assets at end of year	<u>\$ 204,877</u>	<u>198,571</u>
	<u>2021</u>	<u>2020</u>
	(In thousands)	
Reconciliation of funded status:		
Projected benefit obligation	\$ 203,607	209,849
Fair value of plan assets	<u>204,877</u>	<u>198,571</u>
Funded status – asset/(liability)	<u>1,270</u>	<u>(11,278)</u>
Amounts recognized in the consolidated balance sheet included within other non-current asset/ (long-term liabilities)	<u>\$ 1,270</u>	<u>(11,278)</u>

BMC HEALTH SYSTEM, INC.**Exhibit IV**Notes to Consolidated Financial Statements
September 30, 2021 and 2020

The components of net periodic benefit cost for the years ended September 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Included in salaries and related benefits:		
Service cost	\$ 3,557	3,567
Included in nonoperating activities:		
Interest cost	5,024	5,821
Expected return on plan assets	(10,309)	(11,896)
Amortization of net loss	<u>3,559</u>	<u>3,305</u>
Nonoperating activities	<u>(1,726)</u>	<u>(2,770)</u>
Net periodic cost	<u>\$ 1,831</u>	<u>797</u>
Weighted average assumptions used to determine the net periodic cost for the period just ended:		
Discount rate	2.44 %	3.04 %
Long-term rate of return	5.30	7.00
Rate of compensation increase	3.00	3.00
Weighted average assumptions used to determine the benefit obligations:		
Discount rate	2.68 %	2.44 %
Rate of compensation increase	2.50	3.00
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
New net actuarial loss	\$ (10,822)	5,717
Amortization of net loss	<u>(3,559)</u>	<u>(3,305)</u>
	<u>\$ (14,381)</u>	<u>2,412</u>
Amounts recognized in net assets without donor restriction:		
Net actuarial loss	\$ <u>27,602</u>	<u>41,983</u>
	<u>\$ 27,602</u>	<u>41,983</u>

BMC is expected to recognize \$1,266,000 of net loss as amortization in 2022.

BMC HEALTH SYSTEM, INC.

Exhibit IV

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Pension Plan Assets

The Pension Plan weighted average asset allocation as of the measurement dates September 30, 2021 and 2020, respectively, is as follows:

Asset category:	Target allocation fiscal year ending September 30, 2021	Percentage of plan assets at September 30	
		2021	2020
Equity securities	20 %	21 %	47 %
Debt securities	74	74	38
Other	6	5	15
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The fair value of pension plan assets as of September 30, 2021 is disclosed in the table below.

	Level 1	Level 2	Level 3	Net asset value	Total
	(In thousands)				
Investments:					
Cash and cash equivalents	\$ 2,290	—	—	—	2,290
Fixed income	152,402	—	—	—	152,402
Equities	28,136	—	—	13,863	41,999
Global asset	8,186	—	—	—	8,186
	<u>\$ 191,014</u>	<u>—</u>	<u>—</u>	<u>13,863</u>	<u>204,877</u>

The fair value of pension plan assets as of September 30, 2020 is disclosed in the table below.

	Level 1	Level 2	Level 3	Net asset value	Total
	(In thousands)				
Investments:					
Cash and cash equivalents	\$ 19,266	—	—	—	19,266
Fixed income	76,294	—	—	—	76,294
Equities	79,875	—	—	13,282	93,157
Global asset	9,854	—	—	—	9,854
	<u>\$ 185,289</u>	<u>—</u>	<u>—</u>	<u>13,282</u>	<u>198,571</u>

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

The Medical Center contracts with a consulting firm for financial consulting services for the Pension Plan. The consultants provide the Medical Center's Investment Committee and management with financial analysis and recommendations on target allocations and investment managers. The Medical Center's investment objective is to achieve the highest reasonable total return after considering (i) plan liabilities, (ii) funding status and projected cash flows, (iii) projected market returns, valuations and correlations for various asset classes, and (iv) the Medical Center's ability and willingness to incur market risk. The Investment Committee has oversight responsibility for the pension plan assets but has delegated responsibility to management the authority to review and recommend investment managers and investments. Management is required to notify the Investment Committee at its meetings of any actions that have been taken.

The expected long-term rate of return assumption represents the expected average rate of earnings on the funds invested or to be invested to provide for the benefits included in the benefit obligations. The long-term rate of return assumption is determined based on a number of factors, including historical market index, returns, the anticipated long-term asset allocation of the plans, historical plan return data, plan expenses, and the potential to outperform market index returns.

An experience study was completed reviewing actual plan experience from 2015-2020. The study was the basis for the retirement and salary scale assumptions. The pension mortality table used in the analysis was PRI-2012 with MP-2019.

Cash Flows

Information about the expected cash flows for the Pension Plan is as follows:

- Estimated future benefit payments reflecting expected future service for the fiscal year(s) ending September 30:

2022	\$ 8,973,000
2023	9,674,000
2024	10,274,000
2025	10,786,000
2026	11,285,000
2027–2031	61,679,000

- The Medical Center contributed \$0 to the Pension Plan for year ended September 30, 2021. The Medical Center expects to make contributions of \$0 to the Pension Plan in 2022.

BMC HEALTH SYSTEM, INC.

Exhibit IV

Notes to Consolidated Financial Statements
September 30, 2021 and 2020

(14) Net Patient Service Revenue

The composition of net patient service revenue by primary payor for the years ended September 30 is as follows:

	<u>2021</u>		<u>2020</u>	
	(In thousands)			
Medicare and Medicare				
Managed Care	\$ 403,769	34 %	\$ 371,382	35 %
MassHealth	381,516	32	336,168	32
Commercial carriers	319,989	27	292,211	28
No fault and worker's compensation	5,716	—	5,776	1
Self pay and other	80,621	7	45,771	4
	<u>\$ 1,191,611</u>	<u>100 %</u>	<u>\$ 1,051,308</u>	<u>100 %</u>

For both 2021 and 2020, the chart above excludes state supplemental funding and does not reflect the impact of intercompany eliminations.

Revenue from patient's deductibles and coinsurance are included in the preceding categories based on the primary payor.

The Health System's primary geographic areas are Boston and surrounding metropolitan area at the BMC, BUMG, and BUAP locations. The composition of net patient care service revenue based lines of business and method of reimbursement for the years ended September 30, 2021 and 2020 are as follows:

	<u>2021</u>			
	<u>BMC</u>	<u>BUMG</u>	<u>BUAP</u>	<u>Total</u>
	(In thousands)			
Service lines:				
Hospital – inpatient	\$ 549,823	—	—	549,823
Hospital – outpatient	470,595	—	—	470,595
Physician services	—	170,967	227	171,194
	<u>1,020,418</u>	<u>170,967</u>	<u>227</u>	<u>1,191,612</u>
Eliminations	<u>(240,187)</u>	<u>—</u>	<u>—</u>	<u>(240,187)</u>
	<u>\$ 780,231</u>	<u>170,967</u>	<u>227</u>	<u>951,425</u>

BMC HEALTH SYSTEM, INC.

Exhibit IV

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

2021			
BMC	BUMG	BUAP	Total

(In thousands)

The service line chart above excludes state supplemental funding because funding is not provided at specific service lines.

Method of reimbursement:

Fee for service	\$ 1,020,418	170,967	227	1,191,612
State supplemental funds and other	144,994	—	—	144,994
Eliminations	(240,187)	—	—	(240,187)
	<u>\$ 925,225</u>	<u>170,967</u>	<u>227</u>	<u>1,096,419</u>

2020			
BMC	BUMG	BUAP	Total

(In thousands)

Service lines:

Hospital – inpatient	\$ 500,074	—	—	500,074
Hospital – outpatient	399,566	—	—	399,566
Physician services	—	150,846	823	151,669
	899,640	150,846	823	1,051,309
Eliminations	(218,631)	—	—	(218,631)
	<u>\$ 681,009</u>	<u>150,846</u>	<u>823</u>	<u>832,678</u>

The service line chart above excludes state supplemental funding because funding is not provided at specific service lines.

Method of reimbursement:

Fee for service	\$ 899,640	150,846	823	1,051,309
State supplemental funds and other	240,039	—	—	240,039
Eliminations	(218,631)	—	—	(218,631)
	<u>\$ 921,048</u>	<u>150,846</u>	<u>823</u>	<u>1,072,717</u>

Healthcare services are generally recognized as the services are transferred over time. Other operating revenues and gains include revenue recognized for various other Health System activities, primarily retail pharmacy of approximately \$232,369,000 and \$228,571,000 in 2021 and 2020, respectively, which is recognized on a point in time basis. Also included in other operating revenues are parking, cafeteria, and rental income.

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Cost reports supporting third party service revenue have been audited and finalized through September 30, 2017 by the designated intermediaries. Cost reports for 2018 through 2020 have been filed. The 2018 Medicare cost report is under desk review but was still pending the final Notice of Program Reimbursement as of year-end. A provision for the estimated settlements for all open years has been recorded at September 30, 2021 and 2020. In the opinion of management, no material adjustments are expected to result from the audit of 2018 through 2020 cost reports. The Health System has classified a portion of the accrual for estimated third party payor settlements as other long term liabilities because such amounts, by their nature or by virtue of regulations or legislation, will not be settled within one year.

Accounts receivable, prior to reserves established, is summarized as follows as of September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Patient	\$ 23,923	28,405
Third-party payors	<u>404,252</u>	<u>399,414</u>
Total	428,175	427,819
Implicit and explicit price concessions	<u>(315,942)</u>	<u>(333,513)</u>
Patient accounts receivable, net	<u>\$ 112,233</u>	<u>94,306</u>

(15) Concentration of Credit Risk

The Health System provides health care services to residents within its geographic location. The Health System grants credit without collateral to its patients, most of whom are local residents and are either insured under third-party payer agreements or covered by the Health Safety Net.

The mix of receivables from patients and third-party payors as of September 30, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Medicare	27 %	35 %
Medicaid	38	28
HMOs	8	6
Self-Pay	—	1
Commercial	14	14
Blue Cross	6	7
Commonwealth Care	4	7
Other	<u>3</u>	<u>2</u>
	<u>100 %</u>	<u>100 %</u>

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

All of BMCHP's capitation revenue is generated from enrollment in the prepaid health plans established by MassHealth, the Connector, the New Hampshire DHHS, and CMS.

Other Health System accounts receivable and respective allowances for doubtful accounts (credit losses) are comprised of the following as of September 30, 2021:

	<u>Receivable balance</u>	<u>Discounts and allowances</u>	<u>Net receivable</u>
		(In thousands)	
Other hospitals and health centers	\$ 7,540	1,452	6,088
Outside contracts	11,706	—	11,706
Contributions receivable	7,424	712	6,712
Capitation receivable	89,780	—	89,780
HSN supplemental receivable	5,373	—	5,373
Pharmacy and other	55,899	—	55,899
	<u>\$ 177,722</u>	<u>2,164</u>	<u>175,558</u>

Other Health System accounts receivable and respective allowances for doubtful accounts (credit losses) are comprised of the following as of September 30, 2020:

	<u>Receivable balance</u>	<u>Discounts and allowances</u>	<u>Net receivable</u>
		(In thousands)	
Other hospitals and health centers	\$ 17,776	1,522	16,254
Outside contracts	8,212	671	7,541
Contributions receivable	3,568	974	2,594
Capitation receivable	188,888	—	188,888
HSN supplemental receivable	79,720	—	79,720
Pharmacy and other	34,297	16	34,281
	<u>\$ 332,461</u>	<u>3,183</u>	<u>329,278</u>

These receivables represent current amounts from the other accounts receivable balance. Management regularly assesses the adequacy of the allowance for doubtful accounts by performing ongoing evaluation of the balances, including such factors as the economic environment, risks associated with each receivable, the financial condition of specific borrowers and, where applicable, the existence of any guarantees or indemnifications.

Other factors management also considered when performing its assessment included, but were not limited to, a detailed review of the aging of receivables and review of cash receipts in current year compared against prior year allowance for doubtful accounts. The level of the allowance is adjusted based upon the results of management's analysis.

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(16) Related Party Transactions

The following summary of transactions among the Health System entities (referred to as related party transactions) eliminate upon consolidation.

Faculty and the Medical Center have significant transactions with each other for operating purposes. During the years ended September 30, 2021 and 2020, the Medical Center provided approximately \$117,701,000 and \$157,882,000, respectively, to Faculty for professional and support services. Faculty is comprised of physician groups which provide teaching and other services to the Medical Center. In addition, the Medical Center and Faculty have certain board members in common. The Medical Center has various notes receivable and other receivables from Faculty, which totaled approximately \$16,012,000 and \$23,323,000 as of September 30, 2021 and 2020, respectively. In addition, the Medical Center owed Faculty \$5,645,000 and \$4,854,000 as of September 30, 2021 and 2020, respectively, and the amounts due are included in the current portion of due to related parties.

BMCHP and the Medical Center have significant transactions with each other for operating purposes. Total revenue earned by the Medical Center for medical services and pharmacy services provided to BMCHP members was \$497,011,000 and \$395,306,000 for the years ended September 30, 2021 and 2020, respectively, and is included in net patient service revenue. In addition, BMCHP owed the Medical Center \$17,670,000 and \$20,924,000 as of September 30, 2021 and 2020, respectively, and the amounts due are included in the Medical Center's patient accounts receivable and in BMCHP's claims payable. In addition, effective November 2016, BMCHP and the Medical Center entered into a ten-year sublease agreement to lease space in Charlestown, Massachusetts. The base annual rent under the agreement was \$4,090,000 for the entire sublease period. Rent payments commenced on January 1, 2017. The Medical Center transferred \$125,000,000 of net assets to the Health Plan in 2020.

The Health System Corporation and the Medical Center have significant transactions with each other for system-wide purposes. As of September 30, 2021 and 2020, the Health System Corporation owed the Medical Center \$17,592,000 and \$25,306,000, respectively for operating related activities. In addition, the Medical Center transferred \$28,000,000 of net assets to the Health System in 2021.

The Medical Center and BMCIC have significant transactions with each other for the purpose of providing professional and general liability insurance. Total expenses incurred by the Medical Center related to the insurance provided by BMCIC were \$6,314,000 and \$5,245,000 for the years ended September 30, 2021 and 2020, respectively. The Medical Center has \$47,554,000 and \$41,811,000 of prepaid premiums and retrospective premium credits that were prepaid by the Medical Center to BMCIC as of September 30, 2021 and 2020, respectively. The Medical Center and Faculty recorded a combined insurance recovery receivable and a professional liability claims payable of \$95,712,000 and \$87,862,000 for the years ended September 30, 2021 and 2020, respectively.

BUAP and the Medical Center have transactions with each other for operating purposes. During the years ended September 30, 2021 and 2020, respectively, the Medical Center provided funding of approximately \$347,000 and \$1,649,000, respectively, to BUAP for professional and support services. The Medical Center has various accounts receivable from BUAP which totaled approximately \$2,426,000 and \$4,406,000 as of September 30, 2021 and 2020, respectively.

BMC HEALTH SYSTEM, INC.**Exhibit IV**Notes to Consolidated Financial Statements
September 30, 2021 and 2020

BMCHP and Faculty have transactions with each other for operating purposes. The total revenue earned by Faculty from BMCHP related to medical services provided by Faculty to BMCHP members was \$30,129,000 and \$29,152,000 for the years ended September 30, 2021 and 2020, respectively, and is included in net patient service revenue and supplies and other expenses. Also as of September 30, 2021 and 2020, BMCHP owed Faculty \$1,293,000 and \$1,359,000, respectively.

Faculty's Plans have agreements and participate in hospital affiliated network agreements with various health maintenance organizations (HMOs), through a master contract established by BACO and BMCICS to provide medical services to subscribing participants. Under certain agreements, the Plans earn capitation revenue based on the number of each HMO's participants, regardless of services actually performed by the Plans. In addition, the Medical Center and the Plans are responsible for deficits beyond withheld amounts and are entitled to surpluses over withheld amounts.

The Plans are required to fund their share (from risk contracts) of any deficits in excess of the amounts withheld under this master contract. Surplus or deficit amounts in excess of amounts withheld have been recorded and retained by BACO and BMCICS. A deficit of (\$175,000) and surplus of \$927,000 was earned for years ended June 30, 2021 and 2020, respectively.

The Health System Corporation and Faculty have transactions with each other for operating purposes. As of September 30, 2021, Faculty owed the Health System Corporation \$(419,000) for operating expenses. As of September 30, 2020, the Health System Corporation owed Faculty (\$327,000) for operating expenses.

Shared Services Agreement

Faculty physicians and practitioners (Faculty Members) are employed by the individual Plans. Faculty members serve the benefit of the Medical Center (by providing clinical services) and BUSM (by serving as faculty members of BUSM). The Plans have each entered into a common paymaster agreement with the Medical Center and the Trustees of Boston University (BU). For 2021, each Plan, with respect to each Faculty Member that the Plan employs, pays BU 18.30% of each Faculty Member's salary up to the applicable FICA limit. If a particular Faculty Member's salary exceeds the FICA limit, the Plans further pay BU 5.20% on the excess up to an amount equal to the applicable retirement cap for that year and then 1.45% on any amount in excess of the retirement cap. Additionally, the Plans pay the Medical Center for medical malpractice insurance premiums for each Faculty Member. The Medical Center insures the Faculty Members under agreement with BMCIC. The Plans also pay for a portion of administrative salaries and fringe benefits for non-physician employees of the Medical Center who provide services to them. These expenses are included in salaries and wages and fringe benefits in the consolidated statements of operations and changes in net assets without donor restrictions.

The Plans use space in buildings owned by BUSM at no charge. Rent expense of \$500,000, based upon estimated market rates, has been recorded as an in-kind donation for each of the years ended June 30, 2021 and 2020, respectively.

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(17) Claims Payable

In conjunction with the BMCHP health plan programs, the Health System establishes a claims payable account for insured events. The table below shows the changes in the claims payable account for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
	(In thousands)	
Accrued at beginning of year	\$ 173,185	144,079
Incurring services:		
Current year	2,602,175	2,525,945
Prior years	<u>(45,158)</u>	<u>(11,801)</u>
Total incurred	<u>2,557,017</u>	<u>2,514,144</u>
Paid claims:		
Current year	2,413,053	2,324,353
Prior years	<u>150,068</u>	<u>160,685</u>
Total paid	<u>2,563,121</u>	<u>2,485,038</u>
Accrued at end of year	<u>\$ 167,081</u>	<u>173,185</u>

Claims expense of \$2,557,017,000 and \$2,514,144,000 for 2021 and 2020, respectively is included in the medical cost, supplies and other expenses line item on the consolidated statements of operations and changes in net assets without donor restrictions. Health claims paid by BMCHP to BMC are eliminated in the Health System's accompanying consolidated financial statements. As of September 30, 2021 and 2020, \$45,158,000 and \$11,801,000 have been released from incurred claims attributable to services rendered to insured in the prior year. Favorable/ unfavorable development is generally a result of ongoing analysis of recent loss development trends and therefore, estimates are increased or decreased accordingly.

(18) Functional Expenses

The consolidated statements of operations and changes in net assets without donor restriction present expenses by natural classification. The Health System also summarizes its expenses by functional classification. The Health System's primary program service is healthcare services. Natural expenses attributed to more than one functional expense category are allocated using a variety of cost allocation techniques such as percentage of revenues, percentage of expenses, and square footage.

BMC HEALTH SYSTEM, INC.

Exhibit IV

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

Expenses by functional classification for the year ended September 30, 2021 consist of the following:

	2021						
	Patient and member services	Medical education	Research	Mgmt and general	Fundraising efforts	Eliminations	Total
Operating expenses:							
Salaries, wages and fringe benefits	\$ 874,442	52,389	11,680	283,429	4,517	(27,121)	1,199,336
Medical costs, supplies and other expenses	3,346,540	2,422	28,124	195,871	4,880	(571,639)	3,006,198
Institutional support	—	—	—	117,701	—	(117,701)	—
Corporate allocations	—	—	—	(482)	—	482	—
Depreciation and amortization	65,615	—	5,786	29,827	—	—	101,228
Interest expense	17	—	—	24,523	—	—	24,540
Research, sponsored, and community health services	—	—	96,381	—	—	—	96,381
Operating expenses	\$ 4,286,614	54,811	141,971	650,869	9,397	(715,979)	4,427,683

Expenses by functional classification for the year ended September 30, 2020 consisted of the following:

	2020						
	Patient and member services	Medical education	Research	Mgmt and general	Fundraising efforts	Eliminations	Total
Operating expenses:							
Salaries, wages and fringe benefits	\$ 831,625	48,396	11,477	279,396	4,066	(31,061)	1,143,899
Medical costs, supplies and other expenses	3,208,117	1,663	8,854	133,363	5,230	(409,019)	2,948,208
Institutional support	—	—	—	159,531	—	(159,531)	—
Corporate allocations	—	—	—	(1,235)	—	1,235	—
Depreciation and amortization	64,355	—	5,676	31,283	—	—	101,314
Interest expense	15	—	—	25,210	—	—	25,225
Research, sponsored, and community health services	—	—	91,981	—	—	—	91,981
Operating expenses	\$ 4,104,112	50,059	117,988	627,548	9,296	(598,376)	4,310,627

(19) Governmental Subsidies

In recognition of the role that safety net hospitals play in serving a large proportion of Medicaid and uninsured individuals in the Commonwealth, EOHHS has secured CMS approval of a Section 1115 demonstration waiver under which \$882,000,000 will be available in safety net provider supplemental payments to eligible hospitals between state fiscal years 2018 and 2022, subject to hospitals' compliance with program requirements. There are a total of 14 hospitals that were eligible for these funds, of which the Medical Center's portion recognized during the year ended September 30, 2021 was \$140,492,000 as compared to \$108,668,000 in the prior year.

The Medical Center received additional payments for both Delivery System Reform Incentive Payments (DSRIP) and a Delivery System Transformation Initiatives (DSTI) Glide Path. The DSTI Glide Path funding assists the Medical Center in the transition to a new payment model and the goal of the DSRIP program funding is to provide incentives for ACOs to create infrastructure that would prepare them to manage both the costs of care and outcomes of their members in a way that results in integrated and coordinated care, while moderating the state's cost trends. The Commonwealth provided start-up funding for program expenses based on an approved budget by BMCHP on behalf of the ACO of which it is a member. DSRIP payments assist as the Medical Center moves into the new ACO payment models that have been set forth by the Commonwealth. The Commonwealth recognizes that the Medical Center must make necessary investments in order to achieve downstream cost savings. Revenue recognized under these programs is included in supplemental revenue and was \$4,502,000 in 2021 and \$36,605,000 in 2020.

During the year ended September 30, 2020, an additional supplement payment was issued to help support the Medical Center during the COVID-19 emergency. These funds were approved by EOHHS and must meet the Medicaid Uniform and Low Income guidelines as instructed by a special agreement between EOHHS and the Medical Center. This contract was consistent with other supplemental agreements entered into with EOHHS. The amount received was \$94,767,000 and was recognized as patient service revenue during 2020.

(20) Commitments and Contingencies

The Health System is, in the normal course of business, subject to complaints, claims and litigation as well as periodic reviews, investigations, audits and administrative proceedings. The Health System, like the healthcare industry as a whole, is subject to numerous and complex laws and regulations of federal, state, and local governments. In recent years, governmental review and enforcement has increased in the healthcare industry, resulting in some cases in significant fines and penalties for individual health care providers. While the outcome of legal and regulatory matters is inherently uncertain, management believes open matters will be resolved without a material adverse effect on the Health System's consolidated financial statements.

(21) Self-Insurance*Professional, General and Employment Practices Liability*

Estimated professional, general and employment practices liability costs, as calculated by BMCIC's consulting actuaries, consist of specific reserves to cover the estimated liability resulting from medical professional, general or employment practices liability claims or potential claims which have been reported, as well as a provision for claims incurred but not reported. Estimated medical professional, general and employment practices liabilities are based on claims reported and historical experience. These liabilities include estimates of future trends in loss severity and frequency and other factors that could vary as the claims are ultimately resolved. Although there is always some degree of variability inherent in such estimates, management believes the reserves for claims are adequate. These estimates are periodically reviewed, and necessary adjustments are reflected in the consolidated statement of operations in the year the need for such adjustments becomes known. Management is unaware of any claims that would cause the final expense for professional and general liability risks to vary materially from the amounts provided.

Reinsurance and Excess Liability Coverage

The Health System has reinsurance coverage of \$40,000,000 for professional and general liability losses per individual claim, and for annual aggregate professional and general liability losses on a claims-made basis. The Health System has excess liability coverage of 20,000,000 for employment practices liability on a claims-made basis. The existence of this reinsurance and excess coverage does not relieve the Health System of their primary obligation with respect to losses incurred. The Health System would be liable for claims ceded to reinsurers in the event such reinsurers are unable to meet their obligations.

The Health System provided \$105,630,000 and \$98,000,000 for expected claims liabilities as of September 30, 2021 and 2020, respectively.

(22) Coronavirus Pandemic

In January 2020, the Secretary of the U.S. Department of Health and Human Services (HHS) declared a national public health emergency due to a novel strain of coronavirus (COVID-19) and in March 2020 the World Health Organization declared the spread of the virus to be a pandemic. In early March 2020, the Governor of Massachusetts also declared a state of emergency which provided various orders by the Commonwealth's Department of Public Health and other state agencies to respond to COVID-19.

The Health System also implemented significant new safety measures, expanded critical care bed capacity, acquired personal protective equipment, expanded testing capabilities, and redeployed clinical and nonclinical staff to work in areas where the need was most urgent. In addition, in coordination with the Commonwealth, the Health System also resumed using the Newton Pavilion, which it previously vacated in 2019, to provide COVID-19 related health services. The Newton Pavilion was subsequently closed in June 2020.

In December 2020, to help manage a resurgence of the virus, Commonwealth health authorities directed hospitals to discontinue elective inpatient procedures that would potentially limit inpatient capacity for COVID positive patients. Ambulatory procedures, outpatient visits and preventive care were allowed to continue. Since the initial cancellations of certain services, the Commonwealth's Department of Public Health has reinstated and discontinued or limited elective inpatient services in order to preserve inpatient bed capacity for COVID positive patients. The cancellation of all elective procedures and non-urgent ambulatory visits has resulted in a significant reduction in patient volumes. In addition to the lost revenue that accompanied the lower patient volumes, the Health System experienced a significant increase in operating expenses associated with the purchase of personal protective equipment, certain pharmaceuticals, and COVID-19 testing supplies. The ultimate effect on the Health System's financial condition will depend on the duration and severity of the pandemic and economic conditions arising from the broad impact of the pandemic.

In response to the COVID-19 pandemic, the federal government took various actions intended to assist healthcare providers and in March 2020 the Coronavirus Aid, Relief, and Economic Security (CARES) Act became law. The CARES Act included the following programs utilized by the Health System:

- 1) The CARES Act included Provider Relief Funds (PRF), which are not subject to repayment if certain terms and conditions provided by HHS are met. Generally, those terms and conditions require PRF payments will only be used to prevent, prepare for, and respond to coronavirus and shall only reimburse the recipients for health care related expenses or lost revenues that are attributable to

BMC HEALTH SYSTEM, INC.**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

coronavirus, so long as the expenses and lost revenues have not been reimbursed by other sources. In fiscal 2021 and fiscal 2020, the Health System received \$5,624,000 and \$175,201,000 of PRF payments of which \$65,624,000 and \$115,201,000 was recognized in other operating revenue on the consolidated statement of operations during the year ended September 30, 2021 and September 30, 2020, respectively; and \$0 and \$60,000,000 were deferred and recorded in deferred revenue on the consolidated September 30, 2021 and 2020 balance sheets. As of September 30, 2021, the Health System has reported on \$135,061,000 of PRF funds (period 1 funding) to the federal government. The reporting period for the remaining \$45,764,000 recognized as revenue through September 30, 2021 has not yet commenced and, as such, is subject to possible updated guidance from HHS and other agencies.

- 2) The Medicare Accelerated and Advance Payment Program (the Program) and allowed eligible providers to receive up to six months of advance Medicare payments. In fiscal 2020, the Medical Center received approximately \$107,935,000 through the Program and recorded the payments within estimated settlements with third parties on the consolidated balance sheet (current). These advance payments are interest free. HHS commenced recouping these advances in April 2021. The Medical Center repaid \$27,145,000 for the year ended September 30, 2021. The remaining balance of \$80,790,000 is recorded in the current portion of third party liabilities on the consolidated balance sheet as of September 30, 2021.
- 3) The Employee Retention Credit is a refundable payroll tax credit available to eligible employers carrying on a trade or business in calendar year 2021 whose operations were fully or partially suspended due to the orders from an appropriate governmental authority limiting commerce. In connection with this program, the Health System received \$10,439,000. The Health System recognized \$3,966,000 of the credit in 2020, which is included in grant and contract revenue on the consolidated statements of operations and changes in net assets without donor restriction and deferred the remaining \$6,473,000 of the credit, which is included in deferred revenue on the consolidated balance sheets as of the year ended September 30, 2021 and September 30, 2020, respectively.
- 4) The Deferred Payroll Taxes program allowed the Health System to defer the deposit and payment of the employer portion of Social Security taxes from March 27, 2020 through December 31, 2020. The Health System recorded accrued payroll tax balances of \$28,247,000 and \$18,689,000 as of September 30, 2021 and September 30, 2020, which is included in accounts payable and accrued expenses in the consolidated balance sheets. Of the \$28,247,000 accrued at September 30, 2021, 50% was repaid in December 2021 and the remaining 50% must be repaid by December 31, 2022. These deferred payments are interest free.

BMC HEALTH SYSTEM, INC.

Exhibit IV

Notes to Consolidated Financial Statements

September 30, 2021 and 2020

(23) Subsequent Events

The Health System has assessed the impact of subsequent events through January 31, 2022, the date the audited financial statements were issued, and have concluded that other than the notes below, there were no such events that require adjustment to the audited consolidated financial statements or disclosure in the notes to the consolidated financial statements.

Effective October 1, 2021, all Cornerstone related contracts were transferred from the Medical Center to Cornerstone, LLC. All contract related revenue and expense will be recorded on the Cornerstone entity beginning October 1, 2021. All revenue and expense related to the contracts is currently recorded on the Medical Center, as the Medical Center is the contracting party through September 30, 2021.

SUPPLEMENTAL CONSOLIDATING INFORMATION

BMC HEALTH SYSTEM, INC.
Consolidating Supplemental Balance Sheet

Exhibit IV

September 30, 2021

(In thousands)

Assets	The Health System Corporation	Medical Center	BMCHP	Faculty	BMCIC and BMCIC of Vermont	BACO	All other entities	Eliminations	The Health System
Current assets:									
Cash and cash equivalents	\$ 13,754	339,850	501,695	52,079	2,886	15,028	15,163	—	940,455
Short-term investments	—	150,383	—	—	—	—	—	—	150,383
Patients accounts receivable, net	—	113,421	—	17,763	—	—	11	(18,962)	112,233
Other accounts receivable, less allowance of \$3,210 in 2021	305	56,187	103,681	3,467	3,163	5,708	—	3,047	175,558
Current portion of grants receivable	—	28,218	—	—	—	—	—	—	28,218
Current portion of estimated receivable for final settlements with third-party payors	—	6,987	—	—	—	—	—	(6,186)	801
Current portion due from related parties	(13,824)	90,548	—	4,045	12,652	1,399	(4,882)	(89,938)	—
Inventories	—	19,428	—	—	—	—	—	—	19,428
Prepaid expenses and other current assets	17,729	6,415	16,475	397	773	—	72	(707)	41,154
Insurance recoveries receivable	—	38,031	—	57,681	—	—	—	(95,712)	—
Total current assets	17,964	849,468	621,851	135,432	19,474	22,135	10,364	(208,458)	1,468,230
Assets limited as to use:									
Board-designated investments	—	341,493	—	—	—	—	—	—	341,493
Funds held by Trustees	—	41,677	—	—	—	—	—	—	41,677
Donor-restricted investments	—	391,550	—	—	—	—	—	—	391,550
Reserve funds	—	—	2,566	—	124,753	—	—	—	127,319
Total assets limited as to use	—	774,720	2,566	—	124,753	—	—	—	902,039
Other assets:									
Long-term investments	—	510	350,381	55,878	—	—	—	—	406,769
Property, plant and equipment, net	233	990,081	11,504	1,895	—	—	1,550	—	1,005,263
Right of use assets – operating	—	79,599	20,103	596	—	—	—	(19,760)	80,538
Right of use assets – finance	—	8,770	—	902	—	—	—	—	9,672
Other noncurrent assets	—	41,595	—	43	—	—	—	(1,620)	40,018
Total assets	\$ 18,197	2,744,743	1,006,405	194,746	144,227	22,135	11,914	(229,838)	3,912,529
Liabilities and Net Assets									
Current liabilities:									
Accounts payable and accrued expenses	\$ 15,239	249,971	243,116	20,696	76	10,768	9,555	(6,186)	543,235
Claims payable	—	—	186,043	—	—	—	—	(18,962)	167,081
Estimated third party settlements, current	—	80,855	—	—	—	—	—	—	80,855
Deferred revenue	—	36,212	—	4,188	707	6,474	—	(707)	46,874
Current portion of due to related parties	—	13,748	7,363	18,227	—	—	—	(39,338)	—
Current portion of long-term debt	—	8,408	—	300	—	—	—	—	8,708
Professional liability claims	—	38,031	—	57,680	—	—	—	(95,711)	—
Other current liabilities	—	24,559	14,042	18	—	—	3	(3,246)	35,376
Total current liabilities	15,239	451,784	450,564	101,109	783	17,242	9,558	(164,150)	882,129
Long-term liabilities:									
Estimated third party settlements	—	65,922	—	—	—	350	—	—	66,272
Obligations under financing leases	—	7,380	—	371	—	—	—	—	7,751
Due to related parties	—	—	—	—	47,554	—	—	(47,554)	—
Obligations under operating leases	—	72,948	16,514	471	—	—	—	(16,514)	73,419
Long-term debt	—	604,369	—	—	—	—	—	—	604,369
Other long-term liabilities	592	121,812	—	7,531	95,711	—	—	—	225,646
Total liabilities	15,831	1,324,215	467,078	109,482	144,048	17,592	9,558	(228,218)	1,859,586
Commitments and contingencies									
Net assets:									
Without donor restrictions	2,366	1,008,436	539,327	85,264	179	4,543	2,356	(1,620)	1,640,851
With donor restrictions	—	412,092	—	—	—	—	—	—	412,092
Total net assets	2,366	1,420,528	539,327	85,264	179	4,543	2,356	(1,620)	2,052,943
Total liabilities and net assets	\$ 18,197	2,744,743	1,006,405	194,746	144,227	22,135	11,914	(229,838)	3,912,529

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.
Consolidating Supplemental Balance Sheet

Exhibit IV

September 30, 2020

(In thousands)

Assets	The Health System Corporation	Medical Center	BMCHP	Faculty	BMCIC and BMCIC of Vermont	BACO	All other entities	Eliminations	The Health System
Current assets:									
Cash and cash equivalents	\$ 14,919	478,240	207,282	69,364	3,131	12,290	10,595	—	795,821
Short-term investments	—	—	—	—	—	—	—	—	—
Patients accounts receivable, net	—	98,085	—	18,433	—	—	71	(22,283)	94,306
Other accounts receivable, less allowance of \$3,183 in 2020	1,034	127,593	188,888	3,376	2,905	11,493	264	(6,275)	329,278
Current portion of grants receivable	—	17,801	—	—	—	—	—	—	17,801
Current portion of estimated receivable for final settlements with third-party payors	—	3,991	—	—	—	—	—	—	3,991
Current portion due from related parties	4,522	97,973	—	7,079	12,563	5,083	2,190	(129,410)	—
Inventories	—	17,337	—	—	—	—	—	—	17,337
Prepaid expenses and other current assets	14,221	4,203	3,957	255	733	—	51	(697)	22,723
Insurance recoveries receivable	—	35,839	—	52,023	—	—	—	(87,862)	—
Total current assets	34,696	881,062	400,127	150,530	19,332	28,866	13,171	(246,527)	1,281,257
Assets limited as to use:									
Board-designated investments	—	308,243	—	—	—	—	—	—	308,243
Funds held by Trustees	—	41,624	—	—	—	—	—	—	41,624
Donor-restricted investments	—	325,597	—	—	—	—	—	—	325,597
Reserve funds	—	—	2,566	—	111,266	—	—	—	113,832
Total assets limited as to use	—	675,464	2,566	—	111,266	—	—	—	789,296
Other assets:									
Long-term investments	—	489	329,763	50,313	—	—	—	—	380,565
Property, plant and equipment, net	284	1,040,043	9,435	2,033	—	—	3,691	—	1,055,486
Right of use assets – operating	—	95,875	23,290	187	—	—	—	(23,167)	96,185
Right of use assets – finance	—	3,807	—	193	—	—	—	—	4,000
Other noncurrent assets	—	45,447	—	44	—	—	—	(3,271)	42,220
Total assets	\$ 34,980	2,742,187	765,181	203,300	130,598	28,866	16,862	(272,965)	3,649,009
Liabilities and Net Assets									
Current liabilities:									
Accounts payable and accrued expenses	\$ 9,382	209,573	110,026	11,294	68	2,446	3,535	40,346	386,670
Claims payable	—	—	195,797	—	—	—	—	(22,612)	173,185
Estimated third party settlements, current	—	107,000	—	—	—	—	—	—	107,000
Deferred revenue	—	96,243	—	5,339	668	108	—	(668)	101,690
Current portion of due to related parties	24,979	19,732	4,194	61,652	—	11,297	6,463	(128,317)	—
Current portion of long-term debt	—	7,911	—	74	—	—	—	—	7,985
Professional liability claims	—	35,839	—	52,023	—	—	—	(87,862)	—
Other current liabilities	—	21,204	8,607	194	—	8,335	6,074	(9,025)	35,389
Total current liabilities	34,361	497,502	318,624	130,576	736	22,186	16,072	(208,138)	811,919
Long-term liabilities:									
Estimated third party settlements	—	80,099	—	—	—	1,472	—	—	81,571
Obligations under financing leases	—	2,591	—	78	—	—	—	—	2,669
Due to related parties	—	—	—	2,250	41,811	—	—	(44,061)	—
Obligations under operating leases	—	89,401	19,146	—	—	—	—	(19,146)	89,401
Long-term debt	—	613,343	—	—	—	—	—	—	613,343
Other long-term liabilities	1,427	135,328	—	5,916	87,862	—	—	—	230,533
Total liabilities	35,788	1,418,264	337,770	138,820	130,409	23,658	16,072	(271,345)	1,829,436
Commitments and contingencies									
Net assets:									
Without donor restrictions	(808)	961,337	427,411	64,480	189	5,208	790	(1,620)	1,456,987
With donor restrictions	—	362,586	—	—	—	—	—	—	362,586
Total net assets	(808)	1,323,923	427,411	64,480	189	5,208	790	(1,620)	1,819,573
Total liabilities and net assets	\$ 34,980	2,742,187	765,181	203,300	130,598	28,866	16,862	(272,965)	3,649,009

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.

Exhibit IV

Consolidating Supplemental Statement of Operations and Changes in Net Assets without Donor Restrictions

Year ended September 30, 2021

(In thousands)

	The Health System Corporation	Medical Center	BMCHP	Faculty	BMCIC and BMCIC of Vermont	BACO	All other entities	Eliminations	The Health System
Operating revenue:									
Net patient service revenue	\$ —	1,165,412	—	170,967	—	—	227	(240,187)	1,096,419
Capitation revenue	—	—	2,862,322	4,375	—	—	28	(1,465)	2,865,260
Grants and contract revenue	—	177,466	—	5,624	—	—	—	—	183,090
Institutional support	—	—	—	144,173	—	—	347	(144,520)	—
Other revenue	4,625	556,401	—	90,369	13,418	3,943	2,965	(330,289)	341,432
Net assets released from restrictions for operations	—	30,413	—	—	—	—	—	—	30,413
Total operating revenue	4,625	1,929,692	2,862,322	415,508	13,418	3,943	3,567	(716,461)	4,516,614
Operating expenses:									
Salaries, wages and fringe benefits	95,242	693,063	65,540	370,467	—	655	1,490	(27,121)	1,199,336
Medical costs, supplies and other expenses	104,850	764,201	2,656,643	35,016	13,428	3,490	209	(571,639)	3,006,198
Institutional support	—	117,701	—	—	—	—	—	(117,701)	—
Corporate allocations	(184,538)	124,944	45,225	13,401	—	486	—	482	—
Depreciation and amortization	52	99,302	943	626	—	—	305	—	101,228
Interest expense	—	24,520	—	20	—	—	—	—	24,540
Research, sponsored programs and community health services	—	96,381	—	—	—	—	—	—	96,381
Total operating expenses	15,606	1,920,112	2,768,351	419,530	13,428	4,631	2,004	(715,979)	4,427,683
Income (loss) from operations	(10,981)	9,580	93,971	(4,022)	(10)	(688)	1,563	(482)	88,931
Nonoperating gains, net:									
Realized gains	38	18,625	11,616	3,136	—	23	2	—	33,440
Unrealized gains	—	16,090	6,329	7,476	—	—	—	—	29,895
Other	—	—	—	793	—	—	—	—	793
Pension benefit, nonservice	—	1,726	—	—	—	—	—	—	1,726
Total nonoperating gains, net	38	36,441	17,945	11,405	—	23	2	—	65,854
Excess (deficiency) of revenue over expenses	(10,943)	46,021	111,916	7,383	(10)	(665)	1,565	(482)	154,785
Other changes in unrestricted net assets:									
Net assets transfer (to)/from affiliates	28,000	(28,000)	—	—	—	—	—	—	—
Net assets released from restrictions for property, plant and equipment	—	14,698	—	—	—	—	—	—	14,698
Pension related changes other than net periodic pension costs	—	14,381	—	—	—	—	—	—	14,381
Donated services (to)/from affiliates	(13,883)	—	—	13,401	—	—	—	482	—
Change in net assets without donor restrictions	3,174	47,100	111,916	20,784	(10)	(665)	1,565	—	183,864
Net assets without donor restriction:									
Beginning of year	(808)	961,337	427,411	64,480	189	5,208	790	(1,620)	1,456,987
End of year	\$ 2,366	1,008,437	539,327	85,264	179	4,543	2,355	(1,620)	1,640,851

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.

Exhibit IV

Consolidating Supplemental Statement of Operations and Changes in Net Assets without Donor Restrictions

Year ended September 30, 2020

(In thousands)

	The Health System Corporation	Medical Center	BMCHP	Faculty	BMCIC and BMCIC of Vermont	BACO	All other entities	Eliminations	The Health System
Operating revenue:									
Net patient service revenue	\$ —	1,139,679	—	150,846	—	—	823	(218,631)	1,072,717
Capitation revenue	—	—	2,740,110	135	—	—	41	—	2,740,286
Grants and contract revenue	7,520	221,704	—	27,911	—	—	109	—	257,244
Institutional support	—	—	—	132,471	—	—	1,649	(134,120)	—
Other revenue	732	463,948	—	79,396	—	7,590	1,952	(246,842)	306,776
Net assets released from restrictions for operations	—	17,728	—	—	—	—	—	—	17,728
Total operating revenue	8,252	1,843,059	2,740,110	390,759	—	7,590	4,574	(599,593)	4,394,751
Operating expenses:									
Salaries, wages and fringe benefits	92,335	665,556	58,706	354,416	—	1,160	2,787	(31,061)	1,143,899
Medical costs, supplies and other expenses	90,829	632,010	2,581,630	37,461	7,125	7,302	870	(409,019)	2,948,208
Institutional support	—	159,531	—	—	—	—	—	(159,531)	—
Corporate allocations	(166,838)	113,590	40,854	10,740	—	419	—	1,235	—
Depreciation and amortization	52	97,399	2,329	623	—	—	911	—	101,314
Interest expense	—	25,123	—	18	—	—	84	—	25,225
Research, sponsored programs and community health services	—	91,981	—	—	—	—	—	—	91,981
Total operating expenses	16,378	1,785,190	2,683,519	403,258	7,125	8,881	4,652	(598,376)	4,310,627
Income (loss) from operations	(8,126)	57,869	56,591	(12,499)	(7,125)	(1,291)	(78)	(1,217)	84,124
Nonoperating gains (losses), net:									
Realized gains	142	15,549	13,464	1,395	7,120	56	22	—	37,748
Unrealized gains	—	6,379	10,845	689	—	—	—	—	17,913
Gain on disposal of property	—	—	—	(24)	—	—	—	—	(24)
Other	—	9,888	—	(5,023)	—	—	—	—	4,865
Pension benefit, nonservice	—	2,770	—	—	—	—	—	—	2,770
Total nonoperating gains, net	142	34,586	24,309	(2,963)	7,120	56	22	—	63,272
Excess (deficiency) of revenue over expenses	(7,984)	92,455	80,900	(15,462)	(5)	(1,235)	(56)	(1,217)	147,396
Other changes in unrestricted net assets:									
Net assets transfer (to)/from affiliates	—	(125,000)	125,000	—	—	—	—	—	—
Cumulative effect of change in accounting principle	—	1,920	—	—	—	—	—	—	1,920
Net assets released from restrictions for property, plant and equipment	—	5,032	—	—	—	—	—	—	5,032
Pension related changes other than net periodic pension costs	—	(2,412)	—	—	—	—	—	—	(2,412)
Donated services (to)/from affiliates	(11,957)	—	—	10,740	—	—	—	1,217	—
Change in net assets without donor restrictions	(19,941)	(28,005)	205,900	(4,722)	(5)	(1,235)	(56)	—	151,936
Net assets without donor restriction:									
Beginning of year	19,133	989,342	221,511	69,202	194	6,443	846	(1,620)	1,305,051
End of year	\$ (808)	\$ 961,337	\$ 427,411	\$ 64,480	\$ 189	\$ 5,208	\$ 790	\$ (1,620)	\$ 1,456,987

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.
Consolidating Supplemental Statement of Cash Flows
Year ended September 30, 2021
(In thousands)

Exhibit IV

	The Health System Corporation	Medical Center	BMCHP	Faculty	BMCIC and BMCIC of Vermont	BACO	All other entities	Eliminations	The Health System
Operating activities:									
Change in net assets	\$ 3,174	96,605	111,916	20,784	(10)	(665)	1,566	—	233,370
Adjustments to reconcile change in net assets to net cash provided by operating activities:									
Depreciation and amortization	52	99,302	943	626	—	—	305	—	101,228
Restricted contributions	—	(5,368)	—	—	—	—	—	—	(5,368)
Donated securities received	—	(2,986)	—	—	—	—	—	—	(2,986)
Return on investment of joint venture	—	2,252	—	—	—	—	—	—	2,252
Bond premium/discount	—	—	—	—	—	—	—	—	—
Amortization of bond discount/premium and issuance costs	—	(1,726)	—	—	—	—	—	—	(1,726)
Discount and provision for bad debt on contributions receivable	—	1,967	—	—	—	—	—	—	1,967
Net realized gains and change in unrealized (appreciation) depreciation on investments	—	(94,503)	(8,622)	(9,523)	—	—	—	(71)	(112,719)
Increase in asset retirement obligation	—	(251)	—	—	—	—	—	—	(251)
Gain on real estate transaction	—	—	—	—	—	—	—	—	—
Pension related changes other than net periodic pension costs	—	(14,381)	—	—	—	—	—	—	(14,381)
Transfer of net assets	(28,000)	28,000	—	—	—	—	—	—	—
Changes in operating assets and liabilities:									
Grants receivable	—	(10,417)	—	—	—	—	—	—	(10,417)
Patient accounts receivable	—	(15,336)	—	670	—	—	60	(3,321)	(17,927)
Other current assets and liabilities	(2,780)	5,105	72,689	(1,715)	—	3,816	(5,828)	(4,276)	67,011
Other noncurrent assets and liabilities	(835)	2,461	555	1,945	(5,684)	—	1,837	(1,651)	(1,372)
Due to/from related parties	(6,633)	1,441	3,169	(42,641)	5,654	(7,613)	608	46,015	—
Estimated final settlements with third-party payors	—	(43,318)	—	—	—	(1,122)	—	6,186	(38,254)
Claims payable	—	—	(9,754)	—	—	—	—	3,650	(6,104)
(Decrease) increase in premium deficiency reserve	—	—	—	—	—	—	—	—	—
Accounts payable and accrued expenses	5,857	37,229	138,525	9,402	8	8,322	6,020	(46,532)	158,831
Net cash provided by (used in) operating activities	(29,165)	86,076	309,421	(20,452)	(32)	2,738	4,568	—	353,154
Investing activities:									
Proceeds from sale of investments	—	372,831	161,418	5,086	—	—	—	—	539,335
Proceeds from sale of funds held by Trustees	—	41,633	—	—	—	—	—	—	41,633
Purchases of investments	—	(527,730)	(173,414)	(1,128)	(213)	—	—	—	(702,485)
Purchases of funds held by Trustees	—	(41,891)	—	—	—	—	—	—	(41,891)
Gain on real estate transaction	—	—	—	—	—	—	—	—	—
Purchase of property, plant and equipment	—	(42,545)	(3,012)	(358)	—	—	—	—	(45,915)
De-recognition of property, plant and equipment	—	—	—	—	—	—	—	—	—
Loss from disposal of assets	—	—	—	—	—	—	—	—	—
Net cash provided by (used in) investing activities	—	(197,702)	(15,008)	3,600	(213)	—	—	—	(209,323)
Financing activities:									
Proceeds from restricted contributions	—	5,368	—	—	—	—	—	—	5,368
Proceeds from sale of donated securities	—	2,986	—	—	—	—	—	—	2,986
Repayment of long-term debt and capital leases	—	(7,118)	—	(433)	—	—	—	—	(7,551)
Net asset transfer (to) from affiliate	28,000	(28,000)	—	—	—	—	—	—	—
Net cash provided by financing activities	28,000	(26,764)	—	(433)	—	—	—	—	803
Increase (decrease) in cash and cash equivalents	(1,165)	(138,390)	294,413	(17,285)	(245)	2,738	4,568	—	144,634
Cash and cash equivalents:									
Beginning of year	14,919	478,240	207,282	69,364	3,131	12,290	10,595	—	795,821
End of year	\$ 13,754	339,850	501,695	52,079	2,886	15,028	15,163	—	940,455
Supplemental disclosure of cash flow activities:									
Cash paid for interest	\$ —	27,101	—	14	—	—	—	—	27,115
Property, plant and equipment included in accounts payable	—	6,825	—	—	—	—	—	—	6,825
Conditional asset retirement obligations	—	(251)	—	—	—	—	—	—	(251)
Contributed securities	—	(2,986)	—	—	—	—	—	—	(2,986)
Gift in-kind	—	—	—	500	—	—	—	—	500

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.
Consolidating Supplemental Statement of Cash Flows
Year ended September 30, 2020
(In thousands)

Exhibit IV

	The Health System Corporation	Medical Center	BMCHP	Faculty	BMCIC and BMCIC of Vermont	BACO	All other entities	Eliminations	The Health System
Operating activities:									
Change in net assets	\$ (19,941)	(3,545)	205,900	(4,722)	(5)	(1,235)	(56)	—	176,396
Adjustments to reconcile change in net assets to net cash provided by operating activities:									
Depreciation and amortization	52	97,399	2,329	623	—	—	912	—	101,315
Restricted contributions	—	(9,840)	—	—	—	—	—	—	(9,840)
Donated securities received	—	(408)	—	—	—	—	—	—	(408)
Return on investment of joint venture	—	(236)	—	—	—	—	—	—	(236)
Bond premium/discount	—	—	—	—	—	—	—	—	—
Amortization of bond discount/premium and issuance costs	—	(1,723)	—	—	—	—	27	—	(1,696)
Discount and provision for bad debt on contributions receivable	—	1,748	—	—	—	—	—	—	1,748
Net realized gains and change in unrealized (appreciation) depreciation on investments	—	(31,267)	(16,005)	(895)	—	—	—	(71)	(48,238)
Increase in asset retirement obligation	—	—	—	—	—	—	—	—	—
Gain on real estate transaction	—	(9,888)	—	—	—	—	—	—	(9,888)
Pension related changes other than net periodic pension costs	—	2,412	—	—	—	—	—	—	2,412
Transfer of net assets	—	125,000	(125,000)	—	—	—	—	—	—
Changes in operating assets and liabilities:									
Grants receivable	—	(266)	—	—	—	—	—	—	(266)
Patient accounts receivable	—	19,922	—	3,703	—	—	70	(6,501)	17,194
Other current assets and liabilities	(1,686)	(50,666)	31,119	6,183	—	785	4,242	(1,478)	(11,501)
Other noncurrent assets and liabilities	1,427	27,450	10	(293)	(3,527)	—	—	46	25,113
Due to/from related parties	26,258	(33,009)	2,180	32,156	2,680	2,245	349	(32,859)	—
Estimated final settlements with third-party payors	—	131,344	—	—	—	886	—	—	132,230
Claims payable	—	—	23,084	—	—	—	—	6,022	29,106
(Decrease) increase in premium deficiency reserve	—	—	(11,048)	—	—	—	—	—	(11,048)
Accounts payable and accrued expenses	3,815	47,119	17,703	(5,580)	(2)	2,446	(91)	34,841	100,251
Net cash provided by (used in) operating activities	9,925	311,546	130,272	31,175	(854)	5,127	5,453	—	492,844
Investing activities:									
Proceeds from sale of investments	—	127,150	199,180	798	—	—	—	—	327,128
Proceeds from sale of funds held by Trustees	—	42,462	—	—	2,000	—	1,863	—	46,325
Purchases of investments	—	(72,837)	(231,405)	(2,221)	(8,836)	—	—	—	(315,299)
Purchases of funds held by Trustees	—	(43,558)	—	—	—	—	(1,327)	—	(44,885)
Gain on real estate transaction	—	9,888	—	—	—	—	—	—	9,888
Purchase of property, plant and equipment	—	(44,632)	(2,524)	(179)	—	—	—	—	(47,335)
De-recognition of property, plant and equipment	—	3,909	—	—	—	—	—	—	3,909
Loss from disposal of assets	—	56	—	24	—	—	—	—	80
Net cash provided by (used in) investing activities	—	22,438	(34,749)	(1,578)	(6,836)	—	536	—	(20,189)
Financing activities:									
Proceeds from restricted contributions	—	9,840	—	—	—	—	—	—	9,840
Proceeds from sale of donated securities	—	408	—	—	—	—	—	—	408
Repayment of long-term debt and capital leases	—	(7,069)	—	(95)	—	—	(1,500)	—	(8,664)
Net asset transfer (to) from affiliate	—	(57,574)	57,574	—	—	—	—	—	—
Net cash provided by financing activities	—	(64,395)	57,574	(95)	—	—	(1,500)	—	1,584
Increase (decrease) in cash and cash equivalents	9,925	279,589	153,097	29,502	(7,690)	5,127	4,489	—	474,039
Cash and cash equivalents:									
Beginning of year	4,994	198,651	54,185	39,862	10,821	7,163	6,106	—	321,782
End of year	\$ 14,919	478,240	207,282	69,364	3,131	12,290	10,595	—	795,821
Supplemental disclosure of cash flow activities:									
Cash paid for interest	\$ —	27,587	—	22	—	—	—	—	27,609
Property, plant and equipment included in accounts payable	—	3,656	—	—	—	—	—	—	3,656
Conditional asset retirement obligations	—	—	—	—	—	—	—	—	—
Net fixed assets recognized related to conditional asset retirement obligations	—	—	—	—	—	—	—	—	—
Contributed securities	—	(408)	—	—	—	—	—	—	(408)
Gift in-kind	—	—	—	500	—	—	—	—	500
New capital leases	—	—	—	—	—	—	—	—	—
Net Asset Transfer – non cash	—	(17,426)	17,426	—	—	—	—	—	—

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.
 Boston University Medical Group Consolidating Supplemental Balance Sheets
 June 30, 2021
 (In thousands)

Exhibit IV

Assets	Division of Surgery	Anesthesia	Cardiac	Dermatology	ER	Evans	Eye	Family	Corporate	Surgery	Neurology	Neurosurgery	OB/GYN	Orthopedic	Otolaryngology	Pediatrics	Pathology	Plastic Surgery	Psychiatry	Radiology	Rehab	Radiation Oncology	Urology	Eliminations	Total	
Current assets:																										
Cash and cash equivalents	\$	—	212	—	670	447	1,267	1,871	73	33,530	2,776	91	106	345	3,814	2,129	377	1,323	—	2,423	169	—	75	381	—	52,079
Patients accounts receivable		—	1,495	—	238	813	4,297	543	578	90	677	748	277	789	2,368	109	1,001	80	—	1,780	1,248	—	204	434	—	17,763
Other accounts receivable, less allowance of \$ ___ in 2021		—	—	—	235	142	621	11	871	—	127	21	9	195	—	(8)	315	138	—	255	546	—	—	—	—	3,667
Current portion due from related parties		—	—	—	180	1,566	1,891	—	146	—	—	—	127	73	—	—	—	—	—	—	—	—	—	72	—	4,045
Prepaid expenses and other current assets		—	33	—	19	—	172	—	37	—	—	—	2	18	—	—	—	—	—	—	—	—	—	6	—	397
Insurance recoveries receivable		—	—	—	—	—	—	—	54,145	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	54,145
Total current assets		—	1,740	—	1,331	2,958	8,248	2,422	1,705	87,969	3,580	860	521	1,421	6,180	2,230	1,711	1,574	—	4,458	1,961	—	285	887	(145)	131,896
Other assets:																										
Long-term investments		—	—	—	—	5,933	35,817	—	—	6,804	—	—	—	—	—	459	4,952	1,189	—	—	—	—	—	—	—	55,878
Property, plant and equipment, net		—	6	—	78	2	531	701	14	20	—	—	—	94	—	19	206	—	—	58	166	—	—	—	—	1,895
Right of use assets – operating		—	—	—	5	—	1	587	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	595
Right of use assets – finance		—	—	—	—	—	760	137	—	—	—	—	—	—	—	—	—	—	—	5	—	—	—	—	—	902
Other noncurrent assets		—	—	—	—	—	—	—	—	36	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	43
Total assets	\$	—	1,746	—	1,414	8,893	45,357	3,847	1,719	94,829	3,583	867	521	1,421	6,274	2,689	6,722	2,974	—	5,200	2,127	—	285	887	(145)	191,210
Liabilities and Net Assets																										
Current liabilities:																										
Accounts payable and accrued expenses	\$	—	999	—	320	2,170	3,767	954	724	1,714	665	73	92	171	2,946	1,444	534	418	—	3,021	545	—	93	46	—	20,696
Deferred revenue		—	57	—	—	—	3,390	—	—	—	384	—	—	—	112	—	132	—	—	—	—	—	20	—	—	4,189
Current portion of due to related parties		—	690	—	—	—	—	281	93	—	203	—	—	—	222	4	106	—	—	—	—	—	—	—	—	18,227
Current portion of long-term debt and capital leases		—	—	—	5	—	146	141	—	—	3	—	—	—	—	—	—	—	—	1,066	(1)	—	199	—	—	300
Professional liability claims		—	—	—	—	—	—	—	—	54,144	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	54,144
Other current liabilities		—	—	—	—	—	—	—	—	18	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	18
Total current liabilities		—	1,746	—	325	2,170	7,303	1,376	817	70,630	1,255	567	92	171	3,280	1,448	772	632	—	4,087	544	—	292	66	—	97,573
Long-term liabilities:																										
Obligations under capital leases		—	—	—	—	—	322	520	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	842
Due to related parties		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Long-term debt		—	—	—	—	—	—	145	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other long-term liabilities		—	—	—	—	—	—	—	—	5,977	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(145)
Total liabilities		—	1,746	—	325	2,170	9,179	2,041	817	76,607	1,255	567	92	171	3,280	1,448	772	632	—	4,087	544	—	292	66	(145)	105,845
Commitments and contingencies																										
Net assets:																										
Without donor restrictions		—	—	—	1,089	6,723	36,178	1,806	902	18,222	2,328	300	479	1,250	2,894	1,241	5,895	2,342	—	1,113	1,583	—	(7)	821	—	85,264
Total net assets		—	—	—	1,089	6,723	36,178	1,806	902	18,222	2,328	300	479	1,250	2,894	1,241	5,895	2,342	—	1,113	1,583	—	(7)	821	—	85,264
Total liabilities and net assets	\$	—	1,746	—	1,414	8,893	45,357	3,847	1,719	94,829	3,583	867	521	1,421	6,274	2,689	6,722	2,974	—	5,200	2,127	—	285	887	(145)	191,210

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.
Boston University Medical Group Consolidating Supplemental Balance Sheets

June 30, 2020

(In thousands)

Exhibit IV

Assets	Division of																				Total					
	Surgery	Anesthesia	Cardiac	Dermatology	ER	Evans	Eye	Family	Corporate	Surgery	Neurology	Neurosurgery	OB/GYN	Orthopedic	Otolaryngology	Pediatrics	Pathology	Plastic Surgery	Psychiatry	Radiology		Rehab	Radiation Oncology	Urology	Eliminations	
Current assets:																										
Cash and cash equivalents	\$	—	75	—	334	1,263	1,232	297	37	59,682	1,092	59	37	323	2,775	462	104	884	—	602	53	—	29	24	—	69,364
Patients accounts receivable	—	1,316	—	—	299	1,033	4,872	714	585	622	377	386	632	1,354	70	930	145	—	2,787	1,076	—	195	428	—	18,433	
Other accounts receivable, less allowance of \$242 in 2020	—	—	—	—	168	128	458	10	1,138	243	52	21	3	287	—	9	263	96	—	358	347	—	—	—	(243)	3,376
Current portion due from related parties	—	—	—	—	340	703	274	1,045	49	1,333	1,703	—	—	432	645	674	378	498	—	—	905	—	—	424	(2,596)	7,079
Prepaid expenses and other current assets	—	34	—	—	30	—	62	21	—	50	(3)	1	2	17	—	14	21	—	—	—	—	—	6	—	255	
Insurance recoveries receivable	—	—	—	—	—	—	—	—	—	52,023	—	—	—	—	—	—	—	—	—	—	—	—	—	—	52,023	
Total current assets	—	1,579	—	—	1,171	3,127	6,888	2,087	1,809	113,643	3,506	758	546	1,691	4,774	1,215	1,689	1,644	—	3,745	2,381	—	230	876	(2,839)	150,530
Other assets:																										
Long-term investments	—	—	—	—	36	4,934	32,880	—	—	5,858	—	—	—	—	394	4,579	1,048	—	586	—	—	—	—	—	—	50,313
Property, plant and equipment, net	—	—	—	—	92	5	485	850	20	—	2	—	—	107	—	12	199	—	71	180	—	—	—	—	—	2,023
Right of use assets - operating	—	—	—	—	5	—	2	137	32	—	3	12	—	—	—	3	—	—	(7)	—	—	—	—	—	—	187
Right of use assets - finance	—	—	—	—	—	—	—	163	—	—	5	—	—	—	—	—	25	—	—	—	—	—	—	—	—	193
Other noncurrent assets	—	—	—	—	—	—	—	—	—	37	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	64
Total assets	\$	—	1,579	—	1,304	8,066	40,265	3,237	1,861	119,538	3,516	777	546	1,691	4,881	1,609	6,283	2,914	—	4,385	2,571	—	230	876	(2,839)	203,300
Liabilities and Net Assets																										
Current liabilities:																										
Accounts payable and accrued expenses	\$	—	1,302	—	53	1,307	968	608	596	1,193	300	29	50	145	1,502	214	387	434	—	2,033	177	—	11	(15)	—	11,294
Deferred revenue	—	57	—	—	26	275	2,734	241	127	—	690	76	18	113	189	131	213	69	41	231	—	52	56	—	—	5,339
Current portion of due to related parties	—	219	—	—	133	109	5,307	82	204	54,625	189	360	50	183	197	88	315	121	—	1,297	580	—	176	13	(2,596)	61,652
Current portion of long-term debt and capital leases	—	—	—	—	—	—	—	48	—	—	7	—	—	—	—	—	19	—	—	—	—	—	—	—	—	74
Professional liability claims	—	—	—	—	—	—	—	—	—	52,023	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	52,023
Other current liabilities	—	—	—	—	—	2	141	32	—	3	13	—	—	—	—	—	3	—	—	—	—	—	—	—	—	184
Total current liabilities	—	1,578	—	—	212	1,691	9,011	1,120	959	107,841	1,189	478	118	441	1,888	433	918	643	—	3,371	988	—	239	54	(2,596)	130,576
Long-term liabilities:																										
Obligations under capital leases	—	—	—	—	5	—	—	67	—	—	—	—	—	—	—	—	6	—	—	—	—	—	—	—	—	78
Due to related parties	—	—	—	—	—	2,250	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,250
Long-term debt	—	—	—	—	—	—	243	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(243)	—
Other long-term liabilities	—	—	—	—	—	—	—	—	—	5,916	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5,916
Total liabilities	—	1,578	—	—	217	1,691	11,261	1,430	959	113,757	1,189	478	118	441	1,888	433	918	649	—	3,371	988	—	239	54	(2,839)	138,820
Commitments and contingencies																										
Net assets:																										
Without donor restrictions	—	—	—	—	1,086	6,374	29,005	1,806	902	5,780	2,329	300	428	1,250	2,994	1,176	5,368	2,265	—	1,025	1,583	—	(10)	821	—	64,480
Total net assets	—	—	—	—	1,086	6,374	29,005	1,806	902	5,780	2,329	300	428	1,250	2,994	1,176	5,368	2,265	—	1,025	1,583	—	(10)	821	—	64,480
Total liabilities and net assets	\$	—	1,578	—	1,303	8,065	40,266	3,236	1,861	119,637	3,518	778	546	1,691	4,882	1,609	6,284	2,914	—	4,386	2,571	—	229	876	(2,839)	203,300

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.

Boston University Medical Group Consolidation Supplemental Statements of Operations and Changes in Net Assets without Donor Restrictions

June 30, 2021

(In thousands)

Exhibit IV

	Division of																				Total				
	Surgery	Anesthesia	Cardiac	Dermatology	ER	Evans	Eye	Family	Corporate	Surgery	Neurology	Neurosurgery	OBGYN	Orthopedic	Otolaryngology	Pediatrics	Pathology	Plastic Surgery	Psychiatry	Radiology		Rehab	Radiation Oncology	Urology	Eliminations
Operating revenue:																									
Net patient service revenue	\$	13,156	—	2,259	10,373	42,400	14,221	5,734	—	12,007	6,780	1,478	9,642	10,878	5,846	10,573	3,332	—	5,142	12,088	—	1,795	3,263	—	170,967
Capitation revenue		4	—	—	2	324	—	1	4,035	—	1	—	—	—	—	5	—	—	—	3	—	—	—	—	4,375
Grants and contract revenue		—	—	—	—	—	—	—	5,524	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5,524
Institutional support		9,588	—	1,343	4,708	30,489	1,017	5,101	30,063	17,009	3,943	3,641	3,211	3,808	1,959	7,800	2,662	—	10,099	6,334	—	505	893	—	144,173
Other revenue		219	—	2,328	3,643	49,872	1,574	10,775	5,982	2,986	4,257	70	4,103	1,037	825	6,370	1,994	—	5,245	2,483	—	564	230	(15,588)	90,869
Total operating revenue		22,967	—	5,930	18,728	123,085	16,812	21,611	45,704	32,002	14,881	5,189	16,956	15,723	8,630	26,748	7,988	—	20,486	20,908	—	2,864	4,386	(15,588)	415,508
Operating expenses:																									
Salaries, wages and fringe benefits		21,111	—	5,192	17,165	115,273	10,293	19,172	24,823	27,918	13,903	4,561	14,198	14,368	7,722	25,343	6,448	—	18,432	18,543	—	2,589	3,988	(605)	370,467
Medical costs, supplies and other expenses		1,856	—	704	1,958	8,887	6,318	2,434	9,390	4,072	1,078	628	2,758	1,292	908	1,729	934	—	2,041	2,342	—	272	398	(14,983)	35,016
Corporate allocations		—	—	—	—	—	—	—	13,401	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	13,401
Depreciation and amortization		—	—	34	3	257	191	5	2	11	—	—	—	13	—	4	70	—	13	23	—	—	—	—	626
Interest expense		—	—	—	—	9	10	—	—	—	—	—	—	—	—	—	1	—	—	—	—	—	—	—	20
Total operating expenses		22,967	—	5,930	19,128	124,426	16,812	21,611	47,616	32,001	14,881	5,189	16,956	15,703	8,630	27,076	7,453	—	20,486	20,908	—	2,861	4,386	(15,588)	419,530
Income (loss) from operations		—	—	—	(400)	(1,341)	—	—	(1,912)	1	—	—	—	20	—	(328)	(65)	—	—	—	—	3	—	—	(4,022)
Nonoperating gains (losses), net:																									
Realized gains		—	—	3	264	2,179	—	—	280	—	—	—	—	1	9	387	(1)	—	14	—	—	—	—	—	3,136
Unrealized gains		—	—	—	735	5,259	—	—	673	—	—	—	—	—	56	525	144	—	84	—	—	—	—	—	7,476
Other		—	—	(250)	(1,023)	—	—	—	—	(1)	—	—	—	(21)	—	—	—	—	(10)	—	—	—	—	—	793
Total nonoperating gains, net		—	—	3	749	8,513	—	—	953	(1)	—	—	—	(20)	65	912	143	—	98	—	—	—	—	—	11,405
Excess (deficiency) of revenue over expenses		—	—	3	349	7,172	—	—	(959)	—	—	—	—	—	65	594	78	—	88	—	—	3	—	—	7,363
Other changes in unrestricted net assets:																									
Donated services (to)/from affiliates		—	—	—	—	—	—	—	13,401	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	13,401
Change in net assets without donor restrictions	\$	—	—	3	349	7,172	—	—	12,442	—	—	—	—	—	65	584	78	—	88	—	—	3	—	—	20,784

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.

Boston University Medical Group Consolidation Supplemental Statements of Operations and Changes in Net Assets without Donor Restrictions

June 30, 2020

(In thousands)

Exhibit IV

	Division of																				Total					
	Surgery	Anesthesia	Cardiac	Dermatology	ER	Evans	Eye	Family	Corporate	Surgery	Neurology	Neurosurgery	OB/GYN	Orthopedic	Otolaryngology	Pediatrics	Pathology	Plastic Surgery	Psychiatry	Radiology		Rehab	Radiation Oncology	Urology	Eliminations	
Operating revenue:																										
Net patient service revenue	\$	10,188		2,422	10,779	38,863	12,442	5,435		9,117	5,322	1,554	9,625	9,036	4,273	10,270	2,859		4,087	10,204		1,724	2,646		150,846	
Capitation revenue						312		3	(185)						3					1					135	
Grants and contract revenue					1,078	465	3,822	141	6,202	10,559	821	74	50	633	32	51	1,336	408		797	642				27,511	
Institutional support		16,793		1,221	6,022	34,188	1,381	3,892	6,212	17,037	4,102	3,332	4,349	3,545	2,037	7,800	3,484		9,894	5,864		303	1,015		132,471	
Other revenue		1,674		1,886	2,039	52,566	2,359	4,945	5,451	3,171	3,446	626	2,858	1,965	1,355	7,884	828		4,007	3,643		721	703	(22,731)	79,396	
Total operating revenue		28,655		6,607	19,305	129,751	16,323	20,477	22,437	30,246	12,944	5,562	17,465	14,578	7,719	27,291	7,579		18,785	20,654		2,748	4,364	(22,731)	390,759	
Operating expenses:																										
Salaries, wages and fringe benefits		26,609		5,763	17,173	119,668	10,613	18,362	6,286	25,959	11,877	4,857	13,801	13,067	6,806	25,157	6,598		17,497	18,445		2,438	4,025	(585)	354,416	
Medical costs, supplies and other expenses		2,047		952	2,316	9,853	5,500	2,294	16,339	4,239	1,447	705	3,424	1,486	912	2,128	916		1,280	3,077		308	383	(22,145)	37,461	
Corporate allocations									10,740																	10,740
Depreciation and amortization					30	3	230	195	7		47				14		6	64		7	20					623
Interest expense							17			1																18
Total operating expenses		28,656		6,745	19,492	129,751	16,325	20,663	33,365	30,246	13,324	5,562	17,225	14,567	7,718	27,291	7,578		18,784	21,542		2,746	4,408	(22,730)	403,258	
Income (loss) from operations		(1)		(138)	(187)		(2)	(186)	(10,928)		(380)		240	11	1		1		1	(888)		2	(44)	(1)	(12,499)	
Nonoperating gains (losses), net:																										
Realized gains					117	968			157						10	109	19			15					1,395	
Unrealized gains					94	349			132						9	91	1			13					689	
Gain on disposal of property								(3)								(21)									(24)	
Other					(1)	(4,989)		(2)		1	(2)			(10)	(3)				(5)			(12)			(5,023)	
Total nonoperating gains, net					(1)	211	(3,672)	(3)	289	1	(2)			(10)	16	179	20		23			(12)			(2,963)	
Excess (deficiency) of revenue over expenses		(1)		(139)	24	(3,672)	(5)	(188)	(10,639)	1	(382)		240	1	17	179	21		24	(888)		(10)	(44)	(1)	(15,462)	
Other changes in unrestricted net assets:										19,740																
Donated services (to)/from affiliates																										
Change in net assets without donor restrictions	\$	(1)		(139)	24	(3,672)	(5)	(188)	(10,639)	1	(382)		240	1	17	179	21		24	(888)		(10)	(44)	(1)	(15,462)	

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.

Exhibit IV

Note to Supplemental Consolidating Information

September 30, 2021 and 2020

(1) Basis of Presentation

The accompanying supplemental consolidating information includes the Consolidating Supplemental Balance Sheets, the Consolidating Supplemental Statement of Operations and Changes in Net Assets without Donor Restrictions and the Consolidating Supplemental Statement of Cash Flows of individual entities of the Health System and the Consolidating Supplemental Balance Sheets, the Consolidating Supplemental Statement of Operations and Changes in Net Assets without Donor Restrictions of the Faculty Practice Foundation, Inc. (Faculty), doing business as Boston University Medical Group (BUMG) and its 22 affiliated faculty practice plan corporations (the Plans, and collectively with Faculty known as BUMG). All intercompany accounts and transactions between entities have been eliminated and are shown in the elimination column of the consolidating supplemental schedules. The consolidating information presented is prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America consistent with the consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements and is not required as part of the basic financial statements.

BMC HEALTH SYSTEM, INC.
 Supplementary Schedule of Expenditures of Federal Awards
 Year ended September 30, 2021

Exhibit IV

Federal program/pass-through grantor/program or cluster	Assistance Listing Number (ALN)	Pass-through entity	Direct award or pass-through entity number	Passed to sub-recipients	Total expenditures
Research and Development:					
Department of Agriculture:					
Agricultural Research Service:					
Agricultural Research Basic and Applied Research					
	10.001	Johns Hopkins University	59-0210-6-004	\$ —	25,785
Agricultural Research Service total					
				—	25,785
Food and Nutrition Service:					
Consumer Data and Nutrition Research					
	10.253	Tufts University	59-400-0-0067	—	10,963
Food and Nutrition Service total					
				—	10,963
Department of Agriculture total					
				—	36,748
Department of Health and Human Services:					
Administration for Children and Families:					
Assistance for Torture Victims					
	93.604		Direct	—	376,858
Family Violence Prevention and Services/Discretionary					
	93.592		Direct	—	99,208
Administration for Children and Families total					
				—	476,066
Agency for Healthcare Research and Quality:					
National Research Service Awards Health Services Research Training					
	93.225		Direct	126,816	380,703
Research on Healthcare Costs, Quality and Outcomes					
	93.226	University of Utah	4500002841	—	38,125
	93.226	University of Massachusetts	OSP27392-01	—	3,016
	93.226	University of Utah	5R01HSO25175-03	—	95,908
	93.226		Direct	104,806	316,580
Agency for Healthcare Research and Quality total					
				231,622	834,332
Centers for Disease Control and Prevention:					
Birth Defects and Developmental Disabilities – Prevention and Surveillance					
	93.073		Direct	60,180	300,913
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations					
	93.898	Massachusetts Department of Public Health	INTF3406MM3190428104	41,667	321,493
Centers for Disease Control and Prevention					
	93.RD		Direct	—	537,677
Centers for Disease Control and Prevention					
	93.RD	Antigen Institute for Biomed Research	200-2015-64147	—	82,970
Injury Prevention and Control Research and State and Community Based Programs					
	93.136	Massachusetts Department of Public Health	5NU17CE924835-05-00	—	63,163
Injury Prevention and Control Research and State and Community Based Programs					
	93.136	RAND Corporation	R01CE002999	—	11,617
Injury Prevention and Control Research and State and Community Based Programs					
	93.136		Direct	231,110	757,751
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health					
	93.421	American Academy of Pediatrics	5NU380T000282-03-00	—	45,711
Centers for Disease Control and Prevention total					
				332,957	2,120,755
Health Resources and Services Administration:					
Grants for Primary Care Training and Enhancement					
	93.884		Direct	83,695	401,066
Maternal and Child Health Federal Consolidated Programs					
	93.110	Johns Hopkins University	UJ2MC31074	—	148,552
Maternal and Child Health Federal Consolidated Programs					
	93.110		Direct	—	538,754
National Research Service Award in Primary Care Medicine					
	93.186		Direct	37,323	177,948
Primary Care Medicine and Dentistry Clinician Educator Career Development Awards					
	93.976		Direct	—	227,400
Sickle Cell Treatment Demonstration Program					
	93.365	Johns Hopkins University	5U1EMC27864-06-00	—	102,585
	93.365	Johns Hopkins University	005492160	—	(4,757)
Health Resources and Services Administration total					
				121,018	1,591,548
Immed Office of the Secretary of Health and Human Services:					
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities					
	93.817	Massachusetts Department of Public Health	INTF6207PP1W16052807	—	91,291
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities					
	93.817	Massachusetts Department of Public Health	6HITEP180042-01-04	—	(1,086)
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities					
	93.817	Massachusetts General Hospital	233361	—	87,861
Immed Office of the Secretary of Health and Human Services total					
				—	178,066
National Institutes of Health:					
21st Century Cures Act – Beau Biden Cancer Moonshot					
	93.353		Direct	15,942	15,942
21st Century Cures Act – Beau Biden Cancer Moonshot					
	93.353	Massachusetts General Health	5U01CA243695-02	—	4,404
21st Century Cures Act – Beau Biden Cancer Moonshot					
	93.353	Massachusetts General Health	237.447	—	141,684
Aging Research					
	93.866	Dana-Farber Cancer Institute	1224602	—	7,754
Aging Research					
	93.866	Dana-Farber Cancer Institute	13155-1	—	149,456
Aging Research					
	93.866	Dana-Farber Cancer Institute	3UH3AG060626-03S1	—	55,315
Aging Research					
	93.866	Dana-Farber Cancer Institute	5UH3AG060626-04	—	38,619
Aging Research					
	93.866	Northern California Institute for Research and Education	SHL2120-07	—	8,185
Aging Research					
	93.866	Northern California Institute for Research and Education	R01AG027002	—	25,199
Aging Research					
	93.866	Trustees of Boston University	5UH2AG064704-02	—	369,365
Aging Research					
	93.866	Trustees of Boston University	4500002831	—	380,714
Aging Research					
	93.866	Trustees of Boston University	4.500.003.275	—	28,783
Aging Research					
	93.866		Direct	934,686	1,618,477
Alcohol Research Programs					
	93.273	KWJ Engineering	2R44AA024651-02	—	(3,824)
Alcohol Research Programs					
	93.273	The Regents of the University of California	9772sc	—	102,921
Alcohol Research Programs					
	93.273	Trustees of Boston University	1R21AA027844-01A1	—	56,128
Alcohol Research Programs					
	93.273	Trustees of Boston University	1R34AA027598-01	—	19,338
Alcohol Research Programs					
	93.273		Direct	746,819	1,844,018
Allergy and Infectious Diseases Research					
	93.855	Brigham & Women's Hospital	3R01AI134861-03S1	—	3,278
Allergy and Infectious Diseases Research					
	93.855	DMMH – A Division of Wits Health Consortium	1R01AI152126-01	—	41,627
Allergy and Infectious Diseases Research					
	93.855	FHI 360	UM1AI068619	—	187,601
Allergy and Infectious Diseases Research					
	93.855	Harvard Medical School	1R01AI155785-01	—	82,332

BMC HEALTH SYSTEM, INC.
 Supplementary Schedule of Expenditures of Federal Awards
 Year ended September 30, 2021

Exhibit IV

Federal program/pass-through grantor/program or cluster	Assistance Listing Number (ALN)	Pass-through entity	Direct award or pass-through entity number	Passed to sub-recipients	Total expenditures
Allergy and Infectious Diseases Research	93.855	Institute for Clinical Research, Inc.	1U01A068641	\$ —	2,735
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	LDR 11	—	26,976
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	LDR 04 MOD 02	—	1,041
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	LDR 20	—	76,501
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	PTCL 06 MOD 01	—	394
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	PTCL 13	—	(271)
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	UM1 A068632-14S2	—	58,114
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	UM1 A068632	—	30,872
Allergy and Infectious Diseases Research	93.855	Miriam Hospital	5P30A042853-21	—	(9,771)
Allergy and Infectious Diseases Research	93.855	Miriam Hospital	5P30A042853-22	—	211,985
Allergy and Infectious Diseases Research	93.855	Miriam Hospital	5P30A042853-22 REVISED	—	136,667
Allergy and Infectious Diseases Research	93.855	Miriam Hospital	7147100JE	—	7,796
Allergy and Infectious Diseases Research	93.855	Miriam Hospital	7147101BL	—	6,215
Allergy and Infectious Diseases Research	93.855	Miriam Hospital	7147102NL	—	11,626
Allergy and Infectious Diseases Research	93.855	Miriam Hospital	7147104AH	—	21,501
Allergy and Infectious Diseases Research	93.855	Miriam Hospital	7147105JS	—	142,292
Allergy and Infectious Diseases Research	93.855	Miriam Hospital	7147106KJ	—	10,179
Allergy and Infectious Diseases Research	93.855	Miriam Hospital	P30A042853	—	11,254
Allergy and Infectious Diseases Research	93.855	Miriam Hospital	P30A042853-22	—	1,586
Allergy and Infectious Diseases Research	93.855	Miriam Hospital	P30A042853-23	—	1,559
Allergy and Infectious Diseases Research	93.855	Rutgers, The State University of New Jersey	1,215	—	33,882
Allergy and Infectious Diseases Research	93.855	Rutgers, New Jersey Medical School	7R01AI124217-05	—	5,934
Allergy and Infectious Diseases Research	93.855	Trustees of Boston University	4,500,002,465	—	10,217
Allergy and Infectious Diseases Research	93.855	University of Alabama	000500101-002	—	150,544
Allergy and Infectious Diseases Research	93.855	University of Alabama	5R01AI22842-02	—	(9,342)
Allergy and Infectious Diseases Research	93.855	Direct	—	675,485	2,973,318
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	University of Arizona	428238	—	22,625
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	University of Arizona	1R01AR071409-01	—	5,932
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Brigham & Women's Hospital	5P30AR06925-04	—	15,527
Biomedical Advanced Research and Development Authority	93.360	Versit! Winconsin, Inc	10T2HL156812-01	—	4,672
Biomedical Advanced Research and Development Authority	93.360	Duke University	HHSO1002014000021	—	198,365
Biomedical Research and Research Training	93.859	BioSensis, LLC	2 R44 GM123821-02	—	161,695
Biomedical Research and Research Training	93.859	University of Pittsburgh	CNAA00347882	—	12,513
Biomedical Research and Research Training	93.859	Trustees of Boston University	450,003,522	—	39,419
Blood Diseases and Resources Research	93.839	University of Pittsburgh	AWD00000392 (134345-4)	—	57,435
Blood Diseases and Resources Research	93.839	Duke University	A032459	—	32,240
Blood Diseases and Resources Research	93.839	Duke University	A035060	—	3,101
Blood Diseases and Resources Research	93.839	Children's Memorial Hospital	5R01HL136460-03	—	12,222
Blood Diseases and Resources Research	93.839	Mount Sinai Medical Center	5R01HL142671-03	—	12,580
Blood Diseases and Resources Research	93.839	Mount Sinai Medical Center	0255-A904-4609	—	4,682
Blood Diseases and Resources Research	93.839	Rutgers, New Jersey Medical School	5U01HL133817-02-REVISED	—	2,848
Blood Diseases and Resources Research	93.839	Trustees of Boston University	5R35HL135756-04	—	18,225
Blood Diseases and Resources Research	93.839	Direct	—	374,394	1,126,699
Cancer Biology Research	93.396	Trustees of Boston University	450002812	—	175,730
Cancer Biology Research	93.396	Trustees of Boston University	4,500,004,015	—	78,018
Cancer Cause and Prevention Research	93.393	Boston University Medical Campus	1R01CA249982-01A1	—	12,676
Cancer Cause and Prevention Research	93.393	Johns Hopkins University	R01CA25349	—	62,281
Cancer Cause and Prevention Research	93.393	Direct	—	25,920	106,077
Cancer Centers Support Grants	93.397	Dana-Farber Cancer Institute	1205202	—	22,163
Cancer Centers Support Grants	93.397	Dana-Farber Cancer Institute	1230006	—	12,476
Cancer Centers Support Grants	93.397	Dana-Farber Cancer Institute	5P20CA233255-03	—	100,139
Cancer Detection and Diagnosis Research	93.394	Direct	—	144,166	509,236
Cancer Research Manpower	93.398	Direct	—	—	83,487
Cancer Treatment Research	93.395	NRG Oncology Foundation, Inc.	UG1CA189667	—	182,857
Cancer Treatment Research	93.395	Oregon Health and Science University	1014562_SWOG_BostonMC	—	7,718
Cancer Treatment Research	93.395	EMMES	7UM1CA121947	—	(1)
Cancer Treatment Research	93.395	EMMES	2UM1CA121947-14	—	79,636
Cancer Treatment Research	93.395	EMMES	13,765	—	32,714
Cancer Treatment Research	93.395	EMMES	13,748	—	348,987
Cancer Treatment Research	93.395	University of California, Los Angeles	UCLA Subaward Number 1568 G TA632	—	51,803
Cardiovascular Diseases Research	93.837	Brigham & Women's Hospital	1U01HL107352-02	—	117,833
Cardiovascular Diseases Research	93.837	Beth Israel Deaconess Medical Center	1R01HL154744-01	—	40,650
Cardiovascular Diseases Research	93.837	New England Medical Research Institute, Inc	1U01HL107467	—	1,299
Cardiovascular Diseases Research	93.837	Trustees of Boston University	3R01HL136311-02S1	—	98,713
Cardiovascular Diseases Research	93.837	Trustees of Columbia University	3(GG012878-01)	68,869	289,186
Cardiovascular Diseases Research	93.837	Trustees of Columbia University	1R01HL139671-01A1	182,581	416,262
Cardiovascular Diseases Research	93.837	Trustees of Columbia University	3R01HL139671-02S1	—	48,999
Cardiovascular Diseases Research	93.837	University of Pittsburgh	5R01HL143010-02	—	12,548
Cardiovascular Diseases Research	93.837	University of Pittsburgh	AWD0000040 (134341-2)	—	(6,824)
Cardiovascular Diseases Research	93.837	University of Pittsburgh	AWD00000108 (135880-1)	—	8,900
Cardiovascular Diseases Research	93.837	University of Pittsburgh	AWD00000108 (134474-1)	—	13,950
Cardiovascular Diseases Research	93.837	Wake Forest University Health Sciences	R01HL127212	—	18,241
Cardiovascular Diseases Research	93.837	Direct	—	—	350,378
Child Health and Human Development Extramural Research	93.865	Florida State University	R01949	—	272,339
Child Health and Human Development Extramural Research	93.865	Johns Hopkins University	1R01HD086013-01	—	52,507
Child Health and Human Development Extramural Research	93.865	Johns Hopkins University	R01HD041702	—	89,882

BMC HEALTH SYSTEM, INC.
 Supplementary Schedule of Expenditures of Federal Awards
 Year ended September 30, 2021

Exhibit IV

Federal program/pass-through grantor/program or cluster	Assistance Listing Number (ALN)	Pass-through entity	Direct award or pass-through entity number	Passed to sub-recipients	Total expenditures
Child Health and Human Development Extramural Research	93.865	Trustees of Boston University	2R01HD072815-06A1	\$ —	43,371
Child Health and Human Development Extramural Research	93.865	The Regents of The University of California	1R21HD102856	—	23,242
Child Health and Human Development Extramural Research	93.865	The University of Texas Medical Branch	5P2CHD065702-10	—	17,979
Child Health and Human Development Extramural Research	93.865	University of North Carolina	5108777	—	43,744
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.865		Direct	903,886	1,681,778
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Brigham & Women's Hospital	119949	—	8,437
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Brigham & Women's Hospital	122308	—	258,935
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Brigham & Women's Hospital	4UHSDK114915-03	—	8,530
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Brigham & Women's Hospital	5U1DK085660-10	—	7,084
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Kaiser Foundation Research Institute	1R18DK114701	—	1,270
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	State University of New York at Stony Brook	89194/2/1163728	—	29,329
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	The Scripps Research Institute	5-54314	—	126,014
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Kansas Medical Center	7U01DK07131-05 Revised	—	14,014
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Washington University	WU-25277	—	33,509
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Washington	U2CDK114886	—	23,931
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Washington	UWSC12426	—	35,358
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		Direct	990,702	2,950,987
Drug Abuse and Addiction Research Programs	93.279	American Academy of Child and Adolescent Psychiatry	K12DA00357	—	107,678
Drug Abuse and Addiction Research Programs	93.279	Bay State Medical	5R01DA038082-06	—	9,985
Drug Abuse and Addiction Research Programs	93.279	Brandeis University	1R01DA051889-01	—	39,972
Drug Abuse and Addiction Research Programs	93.279	Brigham & Women's Hospital	5R61DA047038-02	—	373,619
Drug Abuse and Addiction Research Programs	93.279	Brown University	1R01DA047875-02	—	18,662
Drug Abuse and Addiction Research Programs	93.279	Cornell University	5P30DA046500-02	—	(30,525)
Drug Abuse and Addiction Research Programs	93.279	Denver Health and Hospital Authority	R01DA042892	—	26,321
Drug Abuse and Addiction Research Programs	93.279	Emocha Mobile Health, Inc.	4 R44DA044053-02 REVISED	—	21,472
Drug Abuse and Addiction Research Programs	93.279	Heluna Health, the new PHFE	0526.0102	—	(1,196)
Drug Abuse and Addiction Research Programs	93.279	Heluna Health, the new PHFE	0526.0103	—	162,364
Drug Abuse and Addiction Research Programs	93.279	Heluna Health, the new PHFE	0526.0104	—	141,827
Drug Abuse and Addiction Research Programs	93.279	Heluna Health, the new PHFE	3R01DA045690-02S1	—	14,440
Drug Abuse and Addiction Research Programs	93.279	Kaiser Foundation Research Institute	2UG1DA040314-06	—	192,467
Drug Abuse and Addiction Research Programs	93.279	Kaiser Foundation Research Institute	RNG003002	—	10,431
Drug Abuse and Addiction Research Programs	93.279	Massachusetts General Hospital	4UHSDA040252-02	—	171,796
Drug Abuse and Addiction Research Programs	93.279	McLean Hospital	3UG1DA015831-18S5	—	2,154
Drug Abuse and Addiction Research Programs	93.279	Miriam Hospital	5R25DA037190-06	—	3,113
Drug Abuse and Addiction Research Programs	93.279	Miriam Hospital	5R25DA037190-07	—	9,596
Drug Abuse and Addiction Research Programs	93.279	New York University	17-AD-06-1000021-01	—	(2,540)
Drug Abuse and Addiction Research Programs	92.279	New York University	5R01DA045669-04	—	14,336
Drug Abuse and Addiction Research Programs	93.279	Trustees of Boston University	3R61DA047032-02	—	3,774
Drug Abuse and Addiction Research Programs	93.279	Trustees of Boston University	450002029	74,828	345,052
Drug Abuse and Addiction Research Programs	93.279	Trustees of Boston University	450003058	—	11,164
Drug Abuse and Addiction Research Programs	93.279	Trustees of Boston University	5R01DA045695-03	—	34,672
Drug Abuse and Addiction Research Programs	93.279	Boston University Medical Campus	1R01DA051889-01	—	276,317
Drug Abuse and Addiction Research Programs	93.279	Trustees of Columbia University	5R01DA043130-04	—	33,001
Drug Abuse and Addiction Research Programs	93.279	University of Kentucky	3200020475-19-258	—	45,087
Drug Abuse and Addiction Research Programs	93.279	Weill Cornell Medical College	2 P30 DA040500-06A1	—	103,369
Drug Abuse and Addiction Research Programs	93.279	Weill Cornell Medical College	5U01DA047508-03	—	47,959
Drug Abuse and Addiction Research Programs	93.279	Weill Cornell Medical College	193098-2	—	11,869
Drug Abuse and Addiction Research Programs	93.279	Weill Cornell Medical College	201851-4	—	36,394
Drug Abuse and Addiction Research Programs	93.279	Weill Cornell Medical College	212504-2	—	49,437
Drug Abuse and Addiction Research Programs	93.279	West Virginia University	5R01DA040807-04	8,861	89,809
Drug Abuse and Addiction Research Programs	93.279	Yale University	3UG1DA015831-19S1	—	186,783
Drug Abuse and Addiction Research Programs	93.279	Yale University	3UG1DA015831020S2	—	184,956
Drug Abuse and Addiction Research Programs	93.279		Direct	7,790,150	20,295,701
Environmental Health	93.113	Trustees of Boston University	450002019	—	71,938
Environmental Health	93.113	Trustees of Boston University	450002463	—	52,313
Environmental Health	93.113		Direct	—	193,952
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	CND Life Sciences	1R44NS117214	—	70
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	John Hopkins University	R01NS108464	—	2,494
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Massachusetts General Hospital	233251	—	156,163
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	The Regents of the University of California	9668sc	—	8,588
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Trustees of Boston University	1R21NS111499-01	—	35,303
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Cincinnati	5U01NS106513-02	—	1,811
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Cincinnati	1U01NS095869-01A1	—	943
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		Direct	82,284	205,542
International Research and Research Training	93.989	Rutgers, The State University of New Jersey	1,793	—	48,191
International Research and Research Training	93.989	Rutgers, The State University of New Jersey	5D43TW009093-07	—	27,669
Lung Diseases Research	93.838	Research Triangle Institute	10T2HL156812-01	—	4,872
Lung Diseases Research	93.838		Direct	10,576	250,248
Mental Health Research Grants	93.242	Brown University	1R01MH117960-01	—	129,533
Mental Health Research Grants	93.242	Dimagi, Inc.	9R44MH117956-02(SBIR Phase II)	—	111
Mental Health Research Grants	93.242	Kaiser Foundation Research Institute	1UF1MH121939-01	—	27,930
Mental Health Research Grants	93.242	Kaiser Foundation Research Institute	1UF1MH121939-01 (REVISED)	—	45,952
Mental Health Research Grants	93.242	Mass. General Hospital	5R01MH116042-02	—	126,445
Mental Health Research Grants	93.242	McLean Hospital	401612	—	72,516
Mental Health Research Grants	93.242	Northwestern University	5R01MH118213-03	—	14,766
Mental Health Research Grants	93.242	Northwestern University	5R01MH118213-01	—	(1,930)
Mental Health Research Grants	93.242	Oregon Health and Science University	1014994_BMCC	—	17,461

BMC HEALTH SYSTEM, INC.
 Supplementary Schedule of Expenditures of Federal Awards
 Year ended September 30, 2021

Exhibit IV

Federal program/pass-through grantor/program or cluster	Assistance Listing Number (ALN)	Pass-through entity	Direct award or pass-through entity number	Passed to sub-recipients	Total expenditures
Mental Health Research Grants	93.242	RAND Corporation	UF1MH121954	\$ —	88,339
Mental Health Research Grants	93.242	University of North Carolina	5115546	—	691
Mental Health Research Grants	93.242	University of Massachusetts	1R01MH122728-01	—	246,890
Mental Health Research Grants	93.242		Direct	267,211	2,089,993
Minority Health and Health Disparities Research	93.307	AltaMed Health Services Corp	1R01MD013837-01A1	—	44,648
Minority Health and Health Disparities Research	93.307	Northwestern University	60046231 BMC	—	109,961
Minority Health and Health Disparities Research	93.307	Northwestern University	5R01MD010440-03S2	—	6,429
Minority Health and Health Disparities Research	93.307	Northwestern University	5R01MD010440-03	—	29,350
Minority Health and Health Disparities Research	93.307	Wake Forest University Health Sciences	R01MD010527	—	2,910
Minority Health and Health Disparities Research	93.307	Wake Forest University Health Sciences	5R01MD011594-04	—	46,800
Minority Health and Health Disparities Research	93.307		Direct	—	38,900
National Center for Advancing Translational Sciences	93.350	Trustees of Boston University	9600311031	—	16,627
National Center for Advancing Translational Sciences	93.350	University of Utah	5UL1TR002538-02	—	29,707
National Center for Advancing Translational Sciences	93.350		Direct	1,100,738	2,370,770
National Institutes of Health	93.RD	Antigen Biosciences, Inc.	7191	—	38,014
National Institutes of Health	93.RD	Leidos Biomedical Research, Inc.	75N91019D00024	—	21,755
National Institutes of Health	93.RD	WESTAT	HHSN2752018000011	—	130,836
National Institutes of Health	93.RD		Direct	—	280,907
Nursing Research	93.361		Direct	444,384	1,033,224
Oral Diseases and Disorders Research	93.121	Trustees of Boston University	4500003158	—	49,789
Oral Diseases and Disorders Research	93.121		Direct	110,234	423,888
Research and Training in Complementary and Integrative Health	93.213	Butler Hospital	5U01AT010863-02	—	172,210
Research and Training in Complementary and Integrative Health	93.213	Butler Hospital	1U01AT010863-01	—	157,443
Research and Training in Complementary and Integrative Health	93.213	Cambridge Health Alliance	NA	—	2,348
Research and Training in Complementary and Integrative Health	93.213	Northwestern University	5R01AT009539-03	—	24,345
Research and Training in Complementary and Integrative Health	93.213		Direct	76,903	229,114
Research Related to Deafness and Communication Disorders	93.173	Children's Hospital	5R01DC015050	—	115,855
Research Related to Deafness and Communication Disorders	93.173	Georgia State University	5R01DC015557-03	—	17,801
Research Related to Deafness and Communication Disorders	93.173	University of Michigan	5R01DC014703-02	—	(26,147)
Translation and Implementation Science Research for Heart, Lung, Blood Diseases, and Sleep Disorders	93.840	Mass. General Hospital	234862	—	197,298
Translation and Implementation Science Research for Heart, Lung, Blood Diseases, and Sleep Disorders	93.840		Direct	14,761	156,363
Trans-NIH Research Support	93.310	Massachusetts General Hospital	232124	—	791,099
Trans-NIH Research Support	93.310	Massachusetts General Hospital	1OT20D026553	—	681,245
Trans-NIH Research Support	93.310	University of North Carolina	5121982	—	21,031
Trans-NIH Research Support	93.310	University of North Carolina	5114828	—	278,139
Trans-NIH Research Support	93.310	University of Pittsburgh	1U01GM132133-01	—	10,811
Trans-NIH Research Support	93.310	University of Pittsburgh	AWD0001053(133401-1)	—	33,600
Trans-NIH Research Support	93.310	University of Ghana	9USJDK116913-10	—	21,025
Trans-NIH Research Support	93.310	University of Ghana	US4DK116913-09	—	21,526
Vision Research	93.867	Jaeb Center for Health Research	222	—	(70)
Vision Research	93.867	Jaeb Center for Health Research	5U10EY011751-20	—	10,165
Vision Research	93.867	Jaeb Center for Health Research	5UG1EY011751-25	—	140
Vision Research	93.867	New York University	1U10EY026869-01	—	2,691
Vision Research	93.867	Johns Hopkins University	2005131224	—	25,869
Vision Research	93.867		Direct	—	723,170
National Institutes of Health total				15,044,360	54,942,138
Office of Assistant Secretary for Health:					
Community Programs to Improve Minority Health Grant Program	93.137	Massachusetts Department of Public Health	FY21022191	—	45,482
Community Programs to Improve Minority Health Grant Program	93.137		Direct	6,790	109,085
Office of Assistant Secretary for Health total				6,790	154,567
Department of Health and Human Services total				15,736,747	60,297,492
Department of Justice:					
National Institute of Justice:					
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	Johns Hopkins University	2017-VA-CX-0300	—	45,301
National Institute of Justice total				—	45,301
Department of Justice total				—	45,301
Department of Defense:					
Department of Defense:					
Military Medical Research and Development	12.420		Direct	43,756	196,660
Department of Defense total				43,756	196,660
Department of Defense total				43,756	196,660
Department of State:					
Department of State:					
Public Diplomacy Programs	19.040	University of Nebraska Medical Center	SIN65018CA0034	—	6,833
Department of State total				—	6,833
Department of State total				—	6,833

BMC HEALTH SYSTEM, INC.
 Supplementary Schedule of Expenditures of Federal Awards
 Year ended September 30, 2021

Exhibit IV

Federal program/pass-through grantor/program or cluster	Assistance Listing Number (ALN)	Pass-through entity	Direct award or pass-through entity number	Passed to sub-recipients	Total expenditures
National Science Foundation:					
National Science Foundation:					
Biological Sciences	47.070	Northeastern University	237.014	\$ —	11,866
Computer and Information Science and Engineering	47.049	Trustees of Boston University	DMS-1664644	—	23,806
Mathematical and Physical Sciences	47.074	Massachusetts General Hospital	1,831,755	—	172,227
Office of International Science and Engineering	47.079	U.S. Civilian Research and Development Foundation	OISE-9531011	—	2,554
National Science Foundation total				—	210,453
National Science Foundation total				—	210,453
Social Security Administration:					
Social Security Administration:					
Social Security Administration	96.RD	WESTAT	6464-S-MA02-001	—	150,557
Social Security Administration total				—	150,557
Social Security Administration total				—	150,557
Research and Development total				—	15,780,503
Research and Development total				—	60,944,044
Other programs:					
Department of Agriculture					
National Institute of Food and Agriculture					
Food Insecurity Nutrition Incentive Grant Program	10.331		Direct	—	173,227
National Institute of Food and Agriculture total				—	173,227
Department of Agriculture total				—	173,227
Department of Housing and Urban Development					
Community Planning and Development					
Emergency Solutions Grant Program	14.231	Boston Department of Neighborhood Development	47.599	—	4,103
Emergency Solutions Grant Program	14.231	Boston Department of Neighborhood Development	52.245	—	119,759
Emergency Solutions Grant Program	14.231	City of Boston	E-20-MW-25-0002	—	84,348
Community Planning and Development total				—	208,210
Department of Housing and Urban Development total				—	208,210
Department of Health and Human Services:					
Centers for Disease Control and Prevention:					
HIV Prevention Activities Health Department Based					
Prevention of Disease, Disability, and Death by Infectious Disease	93.940	Mass. Department of Public Health	INTF4944MM3181926007	—	2,829,567
Prevention of Disease, Disability, and Death by Infectious Disease	93.084	Stanford University	5NU38PS004651-02-00	—	29,233
Prevention of Disease, Disability, and Death by Infectious Disease	93.084	Stanford University	1NU38PS004651	—	10,926
Prevention of Disease, Disability, and Death by Infectious Disease	93.084		Direct	2,837	105,948
Centers for Disease Control and Prevention total				2,837	2,975,674
Health Resources And Services Administration:					
Community-Based Workforce for COVID-19 Vaccine Outreach					
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.011		Direct	—	175,975
COVID-19 – Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured	93.153		Direct	—	488,140
Healthy Start Initiative	93.461		Direct	—	2,854,370
HIV Emergency Relief Project Grants	93.926	Boston Public Health Commission	H9MC00128-20-00	—	45,199
HIV Emergency Relief Project Grants	93.914	Boston Public Health Commission	FY20 021293A	—	20,863
HIV Emergency Relief Project Grants	93.914	Boston Public Health Commission	H89HA00011	—	139,832
HIV Emergency Relief Project Grants	93.914	Boston Public Health Commission	FY21 021664	—	17,236
Maternal and Child Health Federal Consolidated Programs	93.110		Direct	332,858	605,594
Maternal and Child Health Services Block Grant to the States	93.994	Mass. Department of Public Health	INTF3105M03901424004-2019	—	131,218
Mental and Behavioral Health Education and Training Grants	93.732		Direct	21,988	1,017,232
COVID-19 – Provider Relief Fund	93.498		Direct	—	135,052,160
Health Resources and Services Administration total				354,846	140,547,819
Office on Women's Health					
Reducing Disparities in Breastfeeding Innovation Challenge					
Office for Victims of Crime total	93.U		Direct	—	3,000
Office for Victims of Crime total				—	3,000
Office of Assistant Secretary for Health:					
Family Planning Services					
Office of Assistant Secretary for Health total	93.217	ABCD	1FPHPA006419-01-00	—	110,623
Office of Assistant Secretary for Health total				—	110,623
Substance Abuse and Mental Health Services Administration:					

BMC HEALTH SYSTEM, INC.
 Supplementary Schedule of Expenditures of Federal Awards
 Year ended September 30, 2021

Federal program/pass-through grantor/program or cluster	Assistance Listing Number (ALN)	Pass-through entity	Direct award or pass-through entity number	Passed to sub-recipients	Total expenditures
Assisted Outpatient Treatment Program for individuals	93.997	Massachusetts Trial Court	BMC-5272	\$ —	113,536
Assisted Outpatient Treatment Program for individuals	93.997	Massachusetts Trial Court	BD-20-1107-OCMG-OCMG-46831	—	637,828
Opioid STR	93.788	American Academy of Addiction Psychiatry	1H79 TI083343-01	—	193,473
Opioid STR	93.788	American Academy of Addiction Psychiatry	6H79TI0080816-02M004	—	30,351
Opioid STR	93.788	American Academy of Addiction Psychiatry	16H79T100B0816-01 M0021	—	18,858
Opioid STR	93.788	Mass. Department of Public Health	INTF2351M03W21006078	—	73,502
Opioid STR	93.788	Mass. Department of Public Health	INTF2351M03W19026965	—	1,073
Opioid STR	93.788	Mass. Department of Mental Health	INTF2351M03W21005080	—	282,869
Substance Abuse and Mental Health Services Administration	93.U1	Institute for Health and Recovery	INTF233MM3W18002127	—	37,069
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	American Academy of Addiction Psychiatry	5H79TI081358-03	—	126
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	University of California, San Francisco	1U79SM080030-01	—	8,739
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	University of California, San Francisco	98089c	—	19,404
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	University of California, San Francisco	5H79 TI081671-02	—	8,100
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	University of Mass.	Direct	—	446,322
Substance Abuse and Mental Health Services Administration total				—	1,871,650
Department of Health and Human Services total				357,683	145,508,766
Department of Justice:					
Office of Victims of Crime					
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	2010-VA-GX-0071	—	2,127
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	V2-GX-0064/VOCA 2019-V2-GX-0025	—	236,442
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA 2018-V2-GX-0064	—	344,097
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA2019BMCICVRT0000	—	316,491
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA2021BMCICVRT0000	—	569,187
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA2021BMCIDVP00000	—	26,737
Crime Victim Assistance	16.575	Massachusetts Trial Court	N/A	—	(54,132)
Crime Victim Assistance/Discretionary Grants	16.582	Massachusetts Trial Court	Direct	—	(9,590)
Office of Victims of Crime total				—	1,431,359
Violence Against Women Office					
Violence Against Women Formula Grants	16.588	Executive Office of Public Safety	SCEPDDFY21VAWABMCD18	—	10,000
Violence Against Women Formula Grants	16.588	Executive Office of Public Safety	SCEPSVAWA17BOSTONMED	—	131,485
Violence Against Women Office total				—	141,485
Department of Justice total				—	1,572,844
Other programs total				357,683	147,463,047
Food Distribution Cluster:					
Department of Agriculture:					
Department of Agriculture:					
Emergency Food Assistance Program (Food Commodities)	10.569		Direct	—	64,653
Department of Agriculture total				—	64,653
Department of Agriculture total				—	64,653
Food Distribution Cluster total				—	64,653
Aging:					
Department of Health and Human Services:					
Administration For Community Living (Acl):					
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	City of Boston	151,554	—	8,184
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	City of Boston	4B-20	—	2,393
Administration for Community Living (Acl) total				—	10,577
Department of Health and Human Services total				—	10,577
Aging total				—	10,577
Grand total				\$ 16,138,186	208,482,321

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.

Notes to Schedule of Expenditure of Federal Awards

Year ended September 30, 2021

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Health System under programs of the federal government for the year ended September 30, 2021. 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 Health System, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Health System.

(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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect rate

The Health System applies its predetermined approved facilities and administrative rate when charging indirect costs to federal awards rather than the 10% de minimis cost rate as described in Section 200.414 of the Uniform Guidance.

(4) Noncash Assistance

In 2021, \$64,653 of U.S. Department of Agriculture (USDA) was received from the Greater Boston Food Bank (ALN #10.569) and distributed to program participants through the Boston Medical Center Food Bank. This noncash assistance amount represents the fair value of the product at the time of receipt and is included on the Schedule.