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, 2022

(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

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

Exhibit I

Independent Auditors' Report on Compliance for Each 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 Each Major Federal Program

Opinion on Each Major Federal Program

We have audited BMC Health System, Inc. and its subsidiaries (the Health System) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Health System's major federal programs for the year ended September 30, 2022. The Health System's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Health System's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Health System's compliance based on our audit. Reasonable assurance is a high level of assurance but is not

absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Health System's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Report on Supplementary 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, 2022, and have issued our report thereon dated January 23, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary 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 GAAS. In our opinion, the supplementary 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 29, 2023

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

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 Health System's consolidated balance sheet as of September 30, 2022, and the related consolidated statements of operations and changes in net assets without donor restrictions, 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 23, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Boston, Massachusetts
January 23, 2023

Exhibit III

BMC HEALTH SYSTEM, INC.

Schedule of Findings and Questioned Costs

Year ended September 30, 2022

(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	X	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	Yes	X	None reported
Noncompliance material to the financial statements noted?	_____	Yes	X	No

Federal Awards

Internal control over the major program:				
• Material weakness(es) identified?	_____	Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	Yes	X	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	X	No

Identification of the major program:

Program title	Assistance listing number (ALN)
Provider Relief Fund	93.498
HIV Prevention Activities Health Department Based	93.940

Dollar threshold used to distinguish between Type A and Type B programs:	$3,000,000			
Auditee qualified as low-risk auditee:	X	Yes	_____	No

Exhibit III

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.

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

Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of BMC Health System, Inc. and its subsidiaries (the Health System), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Health System as of September 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 53 through 58 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 GAAS. 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 23, 2023 on our consideration of the Health 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 Health 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 Health System's internal control over financial reporting and compliance.

KPMG LLP

Boston, Massachusetts
January 23, 2023

BMC HEALTH SYSTEM, INC.

Consolidated Balance Sheets

September 30, 2022 and 2021

(In thousands)

Assets	2022	2021
Current assets:		
Cash and cash equivalents	$ 1,090,370	940,455
Short-term investments	146,280	150,383
Patient accounts receivable, net	122,508	112,233
Other accounts receivable, net	186,876	175,558
Current portion of grants receivable	30,640	28,218
Current portion of estimated receivable for final settlements with third-party payors	18	801
Inventories	24,484	19,428
Prepaid expenses and other current assets	45,868	41,154
Total current assets	1,647,044	1,468,230
Assets limited as to use:		
Board-designated investments	300,898	341,493
Funds held by trustees	40,472	41,677
Donor-restricted investments	328,572	391,550
Reserve funds	107,190	127,319
Total assets limited as to use	777,132	902,039
Other assets:		
Long-term investments	350,763	406,769
Property, plant and equipment, net	986,626	1,005,263
Right of use assets – operating	91,022	80,538
Right of use assets – finance	8,736	9,672
Other noncurrent assets	36,294	40,018
Total assets	$ 3,897,617	3,912,529
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 807,317	543,235
Claims payable	199,884	167,081
Estimated third party settlements, current	7,413	80,855
Deferred revenue	36,695	46,874
Current portion of long-term debt and finance leases	9,318	8,708
Other current liabilities	41,892	35,376
Total current liabilities	1,102,519	882,129
Long-term liabilities:		
Estimated third party settlements	53,218	66,272
Obligations under finance leases	6,800	7,751
Obligations under operating leases	79,981	73,419
Long-term debt	595,037	604,369
Other long-term liabilities	174,920	225,646
Total liabilities	2,012,475	1,859,586
Commitments and contingencies		
Net assets:		
Without donor restrictions	1,538,916	1,640,851
With donor restrictions	346,226	412,092
Total net assets	1,885,142	2,052,943
Total liabilities and net assets	$ 3,897,617	3,912,529

See accompanying notes to consolidated financial statements.

BMC HEALTH SYSTEM, INC.

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

Years ended September 30, 2022 and 2021

(In thousands)

	2022	2021
Operating revenue:		
Net patient service revenue	$ 1,126,099	1,096,419
Capitation revenue	3,045,742	2,865,260
Grants and contract revenue	176,025	183,090
Other revenue	454,201	341,432
Net assets released from restrictions for operations	22,363	30,413
Total operating revenue	4,824,430	4,516,614
Operating expenses:		
Salaries, wages and fringe benefits	1,283,308	1,199,336
Medical costs, supplies and other expenses	3,303,622	3,006,198
Depreciation and amortization	107,221	101,228
Interest expense	23,431	24,540
Research, sponsored programs and community health services	103,773	96,381
Total operating expenses	4,821,355	4,427,683
Income from operations	3,075	88,931
Nonoperating (losses) gains, net:		
Investment (losses) income	(113,022)	63,335
Pension benefit, nonservice	2,813	1,726
Other	(1,623)	793
Total nonoperating (losses) gains, net	(111,832)	65,854
(Deficiency) of revenue over expenses	(108,757)	154,785
Income taxes:		
Income tax expense	(2,192)	—
Total income tax expense	(2,192)	—
(Deficiency) excess of revenue over expenses net of income taxes	(110,949)	154,785
Other changes in net assets without donor restrictions:		
Net assets released from restrictions for property, plant and equipment	8,123	14,698
Pension related changes other than net periodic pension costs	891	14,381
Change in net assets without donor restrictions	(101,935)	183,864
Net assets without donor restrictions:		
Beginning of year	1,640,851	1,456,987
End of year	$ 1,538,916	1,640,851

See accompanying notes to consolidated financial statements.

BMC HEALTH SYSTEM, INC.

Consolidated Statements of Changes in Net Assets

Years ended September 30, 2022 and 2021

(In thousands)

	Without donor restrictions	With donor restrictions	Total
Net assets as of September 30, 2020	$ 1,456,987	362,586	1,819,573
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	14,381	—	14,381
Total increase in net assets	183,864	49,506	233,370
Net assets as of September 30, 2021	1,640,851	412,092	2,052,943
(Decreases) increases in net assets:			
(Deficiency) of revenues over expenses	(110,949)	—	(110,949)
Investment income	—	16,296	16,296
Change in net unrealized (depreciation) on investments	—	(71,950)	(71,950)
Contribution revenue	—	20,274	20,274
Net assets released from restrictions for operations	—	(22,363)	(22,363)
Net assets released from restrictions for property, plant and equipment	8,123	(8,123)	—
Pension related changes other than net periodic pension costs	891	—	891
Total decrease in net assets	(101,935)	(65,866)	(167,801)
Net assets as of September 30, 2022	$ 1,538,916	346,226	1,885,142

See accompanying notes to consolidated financial statements.

BMC HEALTH SYSTEM, INC.

Consolidated Statements of Cash Flows

Years ended September 30, 2022 and 2021

(In thousands)

	2022	2021
Operating activities:		
Change in net assets	$ (167,801)	233,370
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	107,221	101,228
Restricted contributions	(4,728)	(5,368)
Donated securities received	(3,261)	(2,986)
Return on investment of joint venture	710	2,252
Amortization of bond discount/premium and issuance costs	(1,729)	(1,726)
Discount and provision for bad debt on contributions receivable	2,828	1,967
Net realized gains and change in unrealized (appreciation) on investments	172,647	(112,719)
Decrease in asset retirement obligation	—	(251)
Gain on sale of property	(60,856)	—
Pension related changes other than net periodic pension costs	(891)	(14,381)
Changes in operating assets and liabilities:		
Grants receivable	(2,422)	(10,417)
Patient accounts receivable	(10,275)	(17,927)
Other current assets and liabilities	(34,324)	67,011
Other noncurrent assets and liabilities	39,121	(1,372)
Estimated final settlements with third-party payors	(85,713)	(38,254)
Claims payable	32,803	(6,104)
Premium deficiency reserve	5,821	—
Accounts payable and accrued expenses	260,988	158,831
Net cash provided by operating activities	250,139	353,154
Investing activities:		
Proceeds from sale of investments	388,141	539,335
Proceeds from sale of funds held by trustees	39,768	41,633
Proceeds from sale of property	1,256	—
Purchases of investments	(396,268)	(702,485)
Purchases of funds held by trustees	(39,799)	(41,891)
Purchase of property, plant and equipment	(94,363)	(45,915)
Net cash used in investing activities	(101,265)	(209,323)
Financing activities:		
Proceeds from restricted contributions	4,728	5,368
Proceeds from sale of donated securities	3,261	2,986
Repayment of long-term debt and capital leases	(6,948)	(7,551)
Net cash provided by financing activities	1,041	803
Increase in cash and cash equivalents	149,915	144,634
Cash and cash equivalents:		
Beginning of year	940,455	795,821
End of year	$ 1,090,370	940,455
Supplemental disclosure of cash flow activities:		
Cash paid for interest	$ 26,795	27,115
Change in property, plant and equipment included in accounts payable	9,919	6,825
Conditional asset retirement obligations	—	251
Contributed securities	3,261	2,986
Gift in-kind	500	500

See accompanying notes to consolidated financial statements.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(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., doing business as WellSense Health Plan (WellSense), 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, and its 22 affiliated faculty practice plan corporations (the Plans, and collectively with Faculty known as BUMG), WellSense, 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, doing business as Clearway Health (Clearway). The Health System Corporation 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.

WellSense is a tax-exempt, nonprofit Massachusetts corporation established on July 1, 1997. WellSense was originally established to administer the BMC Health Plan, 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 WellSense 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 WellSense's sole corporate member.

In June 2017, MassHealth selected four accountable care organization (ACO) partnerships to participate in the Commonwealth's reform of MassHealth. In August 2017, WellSense 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. WellSense was successful in re-procuring its four existing ACO partnerships for the new five year EOHHS contract that begins on April 1, 2023 and was able to expand its partnerships by adding four additional ACO contracts as well.

(Continued)

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

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

WellSense 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, and, as of January 1, 2022, also offers a Medicare Advantage plan in New Hampshire.

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, 2022 and 2021 financial statements are consolidated into the Health System. The Medical Center and Boston University are Faculty's corporate members.

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 is reflected as a consolidated subsidiary of the Medical Center in the accompanying supplemental consolidation information.

BMCIC of Vermont is a tax-exempt, nonprofit captive insurance company licensed by the State of Vermont. BMCIC of Vermont is owned 100% by the Health System Corporation and provided medical stop-loss coverage for the BMC employee health benefit program and WellSense 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.

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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 transferred to the Medical Center, effective August 2021.

UDF, a tax-exempt, nonprofit Massachusetts corporation involved in real estate development activities, was voluntarily dissolved effective October 15, 2021. UDF's sole corporate member was the Medical Center and UDF consolidated into the Health System. All UDF related assets and liabilities were transferred to the Medical Center, effective August 2021.

Clearway is a Delaware single member limited liability company formed to establish and operate a pharmacy management services business. The Health System Corporation is Clearway's sole member.

The financial data for the Health System Corporation, BACO, 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, Clearway, WellSense, 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 thirteen and nine institutions at September 30, 2022 and 2021, 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.

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BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

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(c) Short-term Investments

Short-term investments include certain investments in mutual funds and money market mutual funds, which the Health System intended 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 determination of excess (deficiency) of revenues over expenses unless the income or loss is restricted by donor or law. The change in unrealized appreciation (depreciation) on investments is also 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, WellSense 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 an operating gain or loss in the statement of operations if the lease was held for operating purposes. The carrying value of property, plant and equipment is reviewed if the facts and circumstances indicate that it may be impaired. WellSense electronic data processing equipment and software (EDP) are carried at cost less accumulated depreciation. Depreciation is calculated principally on the straight-line method over a three year estimated useful life.

(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, 2022 and 2021.

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BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

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(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 $31,564,000 and $36,212,000 as of September 30, 2022 and 2021, respectively. Included in the deferred revenue is $0 of provider relief funds and $6,473,000 of deferred employee retention credit at September 30, 2022 and 2021 (note 22).

(j) Health Care Cost Recognition

The delivery network for WellSense consists of the Medical Center and other acute care hospitals, physician practices and community health centers throughout the Commonwealth and New Hampshire. WellSense places emphasis on the Primary Care Provider (PCP) as each member's primary care manager. WellSense compensates 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. WellSense 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

WellSense recognizes a premium deficiency based upon expected premium revenue, medical and administrative expense levels, and remaining contractual obligations under WellSense's historical experience at the product line level. During the fiscal years ended September 30, 2022 and 2021, WellSense recorded $5,821,000 and $0 in premium deficiency reserves, which was included in other current liabilities, and charged through its consolidated statements of operations and change in net assets without donor restriction related to its New Hampshire Medicare Advantage product.

(l) Leases

The Health System accounts for leases in accordance with ASC 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.

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BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

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The Health System discounts 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. The lease term includes all noncancellable periods and any in which the Health System has an option to extend that the Health System is reasonably certain to exercise. Lease payments include fixed payments, certain variable payments that are based on an index, and amounts that are expected to be payable under a Health System residual value guarantee. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For finance leases, the lease term and payments are consistent with operating 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 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.

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Notes to Consolidated Financial Statements

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(m) Affordable Care Act Reserves

The Affordable Care Act of 2010 established a permanent risk adjustment program that was intended to transfer funds from qualified individual and small group insurance plans with below average risk scores to those respective plans with above average risk scores. The ACA risk adjustment accrued payable was developed based on the average of two simulation methods. Both simulation methods are based on 1) Statewide average premium projection; 2) relative premium factors with and without risk selection for both the Massachusetts Merged Market and WellSense.

In each simulation method, the statewide average premium projection was based on risk adjustment reports issued by Wakely, the actuarial consulting firm who aggregates claims and risk adjustment data for all carriers in the Massachusetts Merged Market. The Massachusetts Merged Market relative premium factors with and without risk selection were also derived from this report. The Wakely simulation report was based on claims incurred from January 1, 2022 – July 30, 2022 completed for calendar year 2022.

In the first simulation method, the WellSense relative premium factors with and without risk selection were developed from the result in the Wakely simulation report, then adjusted for Wakely simulation model bias, COVID-19 utilization impact and risk margin. The Wakely simulation model bias was based on previous years' experience.

In the second simulation method, the WellSense relative premium factors with and without risk selection were developed from the open-source risk adjustment "SAS" codes and methodology provided by CMS, with the January 1, 2022 – July 30, 2022 WellSense data, then adjusted for WellSense simulation model bias and risk margin. The WellSense simulation model bias was based on the previous years' experience.

WellSense has recorded a payable relating to the risk adjustment program as of September 30, 2022 and 2021. The estimated amount due from WellSense relating to this program as of September 30, 2022 and 2021 is $28,628,000 and $27,861,000, respectively, and is included in the accounts payable and accrued expenses line in the accompanying consolidated balance sheets.

WellSense 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, 2022 and 2021 is $11,324,000 and $26,295,000, respectively, and is included in the accounts payable and accrued expenses line in the accompanying consolidated balance sheets.

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; WellSense, along with hundreds of other carriers offering Qualified Health Plans, participated in substantively identical litigation. With the favorable Supreme Court ruling, WellSense received $1,446,000 relating to its risk corridor receivable for calendar year 2014 in December 2020. Risk corridor receivable was $0 as of September 30, 2022 and 2021.

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Notes to Consolidated Financial Statements

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(n) Net Assets

In accordance with the provisions of 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.

(o) 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 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.

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Notes to Consolidated Financial Statements

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(p) Self-Insurance Reserves

The Health System is self-insured for certain employee health care benefits, professional liabilities, 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.

(q) Professional Liability Insurance Program

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. BMCIC insurance contracts with the Medical Center and BUMG do not transfer significant underwriting risk to BMCIC and therefore a deposit liability is recorded by BMCIC representing 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. For Health System consolidated financial statements, intercompany related balances are eliminated and a liability for professional liabilities, general and excess professional liabilities, is actuarially developed based on past experience, industry loss an trend factors and include a provision for incurred but not reported claims, which is discounted at 4% at a 70% confidence level and is recorded as an other long-term liability.

(r) 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 a performance indicator, the excess (deficiency) of revenues over expenses. Other changes in net assets without donor restrictions which, consistent with U.S. GAAP, that are excluded from the determination of excess (deficiency) 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.

(s) 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 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

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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 2022 or 2021.

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 arrangements 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.

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(ii) Medicaid

The Commonwealth's Office of Medicaid (MassHealth) uses 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 Blue Shield 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.

(t) 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.

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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 2022 and 2021, the Medical Center recognized net settlements from Medicare, Medicaid, WellSense, Blue Cross and other payors related to prior years of approximately $(1,453,000) and $1,779,000, respectively.

(u) 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 $102,934,000 and $90,313,000 in 2022 and 2021, 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.

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 $5,353,000 in 2022 and $5,234,000 in 2021. The total amount paid to the Medical Center through the Health Safety Net, net of program shortfall allocations, was $81,200,000 in 2022 and $86,053,000 in 2021. These receipts cover services for Medical, Professional, Dental and Retail Pharmacy.

WellSense’s most material assessments are its Massachusetts health safety net assessment, which is a surcharge on certain payments to acute hospitals and ambulatory surgical centers for a component of its membership, and the New Hampshire premium tax, which is a 2% premium tax on recognized New Hampshire Medicaid based premiums. For the years ended September 30, 2022 and 2021, WellSense recognized expense of $19,470,000 and $20,809,000, respectively, associated with the two assessments. The assessments are included in the Medical costs, supplies and other expense line of the consolidated statements of operations and changes in net assets without donor restrictions.

Faculty’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 $7,291,000 and $7,154,000 for the years ended September 30, 2022 and 2021, respectively.

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BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

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(v) 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 WellSense product lines receive monthly payments based on current enrollment, as well as retroactive payment adjustments relating to membership retro additions or terminations. Additional revenue relating to services outside the capitation rates, such as maternity, is recognized when earned but paid in arrears.

Also included in capitation revenue are certain risk sharing amounts under WellSense'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 the Commonwealth of Massachusetts amounted to approximately $282,777,000 and $48,403,000 as of September 30, 2022 and 2021, respectively. Net amounts due from CMS amounted to approximately $2,106,000 and $940,000 as of September 30, 2022 and 2021, respectively. Net amounts due from the State of New Hampshire amounted to approximately $29,950,000 and $34,428,000 as of September 30, 2022 and 2021, respectively. Risk sharing related receivables are recorded as other accounts receivable in the consolidated balance sheets (see note 15) and risk sharing payables are recorded in the accounts payable and accrued expense line item on accompanying consolidated balance sheets.

(w) 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.

(x) 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.

(y) Income Taxes

The Health System Corporation, the Medical Center, WellSense, 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. Clearway is considered a disregarded entity of the Health System Corporation for tax purposes and all taxable activities of Clearway are attributed to and reported at the Health System Corporation. All contract related revenue and expense were 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

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material uncertain tax positions that need to be recorded as of September 30, 2022 and 2021. The Health System annually assesses whether it must recognize 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, 2022 and 2021.

No income, capital or premium taxes are levied in the Cayman Islands and BMCIC has been granted an exemption until July 8, 2042, 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.

(z) Reclassifications

Certain amounts reported in the comparative 2021 consolidated financial statements have been reclassified to conform to the 2022 presentation.

(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:

	2022		2021	
	At fair value	Cost	At fair value	Cost
	(In thousands)			
Assets limited as to use:				
Cash and cash equivalents	$ 8,960	9,012	11,721	11,740
Bonds and U.S. Treasury notes	284,788	321,438	306,706	297,623
Private investment funds	468,972	452,953	586,702	462,036
Mutual funds	220,140	236,735	238,603	236,084
Marketable equity securities	90,076	92,026	111,944	82,272
Money market mutual funds	2,071	2,071	2,066	2,066
Asset-backed securities	94,400	103,386	112,720	112,281
Private debt and equity	64,296	60,298	47,052	43,574
Total	1,233,703	1,277,919	1,417,514	1,247,676
Funds held by trustees	40,472	43,603	41,677	41,592
	$ 1,274,175	1,321,522	1,459,191	1,289,268

Included in private investment funds are alternative investment vehicles, including commingled funds, with an estimated fair value of approximately $468,972,000 and $586,702,000 as of September 30, 2022 and 2021, respectively.

WellSense is required by its contract with MassHealth to maintain a deposit account with the Commonwealth for reserve purposes. The cash reserves were $1,071,000 and 1,066,000 as of September 30, 2022 and 2021, respectively, and are included in assets whose use is limited.

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BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

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In connection with its licensure by the Massachusetts Division of Insurance, WellSense has placed on deposit with the Commonwealth a cash equivalent fund holding of $1,000,000. In addition, for licensure in New Hampshire, WellSense 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, 2022 and 2021, respectively.

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

	2022	2021
	(In thousands)	
Net assets without donor restrictions:		
Dividends and interest	$ 19,527	18,074
Net realized gains on investments	10,773	15,365
Change in net unrealized (depreciation) appreciation on investments	(143,322)	29,896
Nonoperating activity	(113,022)	63,335
Net assets with donor restrictions:		
Dividends and interest	4,947	5,357
Net realized gains on investments	11,349	32,753
Change in net unrealized (depreciation) appreciation on investments	(71,950)	34,631
	(55,654)	72,741
	$ (168,676)	136,076

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 consolidated statements of operations and changes in net assets without donor restrictions.

(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.

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BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

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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, 2022 and 2021, 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, 2022 and 2021, 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.

(Continued)

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

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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, 2022:

	Level 1	Level 2	Level 3	Net asset value	Total
			(In thousands)		
Investments:					
Cash and cash equivalents	$ 8,960	—	—	—	8,960
Bonds and U.S. Treasury notes	63,255	221,533	—	—	284,788
Private investment funds	203,765	104,619	—	160,588	468,972
Mutual funds	220,140	—	—	—	220,140
Marketable equity securities	88,915	1,161	—	—	90,076
Money market mutual funds	2,071	—	—	—	2,071
Asset-backed securities	—	94,400	—	—	94,400
Private debt and equity	—	—	—	64,296	64,296
	$ 587,106	421,713	—	224,884	1,233,703
Funds held by trustee:					
U.S. government securities/GIC agreements	$ 19,606	—	—	—	19,606
Money market mutual funds	20,866	—	—	—	20,866
	$ 40,472	—	—	—	40,472

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BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

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:

	Level 1	Level 2	Level 3	Net asset value	Total
			(In thousands)		
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
	$ 685,800	484,130	—	247,584	1,417,514
Funds held by trustee:					
U.S. government securities/GIC agreements	$ 20,795	—	—	—	20,795
Money market mutual funds	20,882	—	—	—	20,882
	$ 41,677	—	—	—	41,677

There were no transfers between Levels 1 through 3 or NAV, as a result of changes in the approach to fair value measurements during 2022 and 2021.

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.

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BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

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The following table presents liquidity information for the financial instruments carried at NAV as of September 30, 2022.

	Investments asset value		
	Net asset value	Redemption frequency	Notice period
		(In thousands)	
Investment type:			
Private investment funds	$ 160,588	Weekly – monthly	3–60 days
Private debt and equity	64,296	illiquid	—
	$ 224,884		

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	—
	$ 247,584		

There were no unfunded commitments as of September 30, 2022 and 2021.

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BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(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:

	2022	2021
	(In thousands)	
Less than one year	$ 10,083	7,424
One year to five years	5,246	9,369
	15,329	16,793
Less discounts and allowance for uncollectible accounts	(2,828)	(1,967)
Contributions receivable, net	$ 12,501	14,826

The discount rate used to calculate the present value of pledges receivable ranged from 2.88%–5.14%, depending upon the anticipated pledge fulfillment, valued at the date of the pledge.

(6) Liquidity

As of September 30, 2022 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:

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 1,090,370	940,455
Short-term investments	146,280	150,383
Patient accounts receivable, net	122,508	112,233
Other current receivables, net	186,876	175,558
Board designated investments	275,026	319,807
Funds functioning as endowment available for operations	26,389	24,071
Total financial assets available within one year	$ 1,847,449	1,722,507

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.

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BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(7) Property, Plant and Equipment

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

	Useful life	2022	2021
		(In thousands)	
Land		$ 15,221	19,057
Land improvements	5–40 years	766	766
Buildings	15–45 years	447,512	465,618
Building and leasehold improvements	3–40 years	885,135	907,614
Major movable equipment	3–20 years	751,699	715,867
Construction in progress		65,187	29,088
		2,165,520	2,138,010
Accumulated depreciation and amortization		(1,178,894)	(1,132,747)
Property, plant and equipment, net		$ 986,626	1,005,263

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

Depreciation expense amounted to $106,138,000 and $100,080,000 for the years ended September 30, 2022 and 2021, respectively. Amortization expense amounted to $1,083,000 and $1,148,000 for the years ended September 30, 2022 and 2021, respectively.

Fully depreciated property, plant and equipment with an original cost of $51,032,000 and $3,947,000 was disposed of during the years ended September 30, 2022 and 2021, 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, 2022 and 2021, assets under capital lease agreements amounted to approximately $95,028,000 and $94,740,000, respectively, with accumulated amortization of $86,292,000 and $85,068,000, 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 Health System has capitalized interest net of amortization in the amount of $54,421,000 and $58,078,000 as of September 30, 2022 and 2021, respectively.

(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, 2022 and 2021. The joint ventures are recorded utilizing the equity method of accounting.

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BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(9) Long-Term Debt

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

	Interest rate	2022	2021
		(In thousands)	
Revenue Bonds Series C	3.00–5.25%	$ 24,345	27,345
Revenue Bonds Series D	4.00–5.00%	158,155	158,155
Revenue Bonds Series E	2.00–5.00%	169,370	172,560
Revenue Bonds Series F	4.00–5.00%	38,065	38,065
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	4,819	5,626
Series O – taxable (Garage)	Varies	1,501	1,752
		576,255	583,503
Less current portion of long-term debt		(7,606)	(7,248)
Revenue Bonds Series C premium		3,001	3,445
Revenue Bonds Series D premium		6,113	6,382
Revenue Bonds Series E premium		19,144	20,359
Revenue Bonds Series F premium		1,274	1,321
Revenue Bonds Series 2016 discount		(190)	(240)
Revenue Bonds Series 2017 discount		(672)	(697)
Revenue Bonds issuance costs		(2,282)	(2,456)
Long-term debt, less current portion		$ 595,037	604,369

The Medical Center, which consolidates BMCIC, 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.

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

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Notes to Consolidated Financial Statements

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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, 2022 and 2021. 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 June 2020, the Medical Center entered into a $150,000,000 Committed Line of Credit, which may be borrowed at any time. In June 2022, the Medical Center renewed the $150,000,000 commitment which expires June 2024. The Medical Center has pledged certain board designated accounts to secure the Committed Line of Credit. The assets of these accounts will collateralize borrowings against the Committed Line of Credit. The Medical Center has not borrowed against the line as of September 30, 2022 and 2021.

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, 2022 and 2021. The LOCs supporting the Series O-1 and O-2 will expire on July 1,

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Notes to Consolidated Financial Statements

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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, 2022 were 1.69% and 2.88% for the tax exempt and taxable loan, respectively. The interest rates at September 30, 2021 were 0.03% and 0.25% 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.

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	
	2022	2021
	(In thousands)	
Construction fund	$ 66	64
Debt service fund	8,407	8,411
Debt service reserve funds	19,677	20,880
Accrued interest receivable	66	66
Workers' compensation reserve fund	12,030	12,030
Other held funds	226	226
	$ 40,472	41,677

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

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Notes to Consolidated Financial Statements

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

Years ending September 30:		
2023	$	7,606
2024		7,983
2025		8,380
2026		83,800
2027		9,241
Thereafter		459,245
	$	576,255

(10) Leases

Amounts reported for operating and finance leases in the consolidated balance sheets as of September 30, 2022 and 2021 were as follows:

Consolidated balance sheet presentation		2022	2021
Finance leases:			
Right of use assets – finance	$	8,736	9,672
Current portion of long term debt and finance leases	$	1,712	1,460
Obligations under finance leases		6,800	7,751
	$	8,512	9,211
Operating leases:			
Right of use assets – operating	$	91,022	80,538
Other current liabilities	$	16,598	19,693
Obligations under operating leases		79,981	73,419
	$	96,579	93,112

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Notes to Consolidated Financial Statements

September 30, 2022 and 2021

The components of lease cost for the year ended September 30, 2022 and 2021 were as follows:

Consolidated statement of operations and changes in net assets without donor restriction presentation			2022	2021
Finance lease cost:				
Amortization of right-of-use assets	Depreciation and amortization expense	$	1,037	926
Interest on lease liabilities	Interest expense		220	164
	Total finance lease cost		1,257	1,090
Operating lease cost:				
Lease expense	Medical costs, supplies and other expense		21,771	21,583
	Total lease cost	$	23,028	22,673

Other information related to leases as of September 20, 2022 and 2021 was as follows:

Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from finance leases	$	(220)	(164)
Operating cash flow from operating leases		(22,806)	(22,147)
Financing cash flows from finance leases		(1,194)	(1,248)
Right-of-use assets obtained in exchange for new finance lease liabilities		54	6,810
Right-of-use assets obtained in exchange for new operating leases liabilities		4,731	1,181
Weighted average remaining lease term – finance leases		2.51 years	3.53 years
Weighted average remaining lease term – operating leases		11.00 years	8.48 years
Weighted average discount rate – finance leases		2.50 %	2.54 %
Weighted average discount rate – operating leases		3.48	3.10

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BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

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Future lease payments at September 30, 2022 are as follows:

	Operating leases	Finance leases
Year ending September 30:		
2023	$ 16,946	1,482
2024	11,234	6,092
2025	10,029	213
2026	9,097	205
2027	8,578	197
Thereafter	60,283	458
Total undiscounted lease payments	116,167	8,647
Less net present value adjustment	(19,588)	(135)
Lease liabilities	$ 96,579	8,512

In June 2022, the Medical Center sold its Newton Pavilion (including the Health Services Building) to the Commonwealth of Massachusetts acting through its Division of Capital Asset Management and Maintenance on behalf of the Commonwealth's Department of Public Health. The Newton Pavilion had previously been under operating lease agreement between these two parties, for which the Medical Center had recognized deferred rental income of $67,768,000 as of September 30, 2021 and $7,500,000 as a liability for a development option provided to the Commonwealth. Upon the sale, the Medical Center recognized a net gain on the sale of the Newton Pavilion of $69,819,000, while derecognizing the carrying value of the building and remaining deferred rental income at closing.

In 2014, the Medical Center entered into an operating ground and building lease of its Doctors Office Building, of which $38,422,000 was paid upon commencement of the lease, and will be recognized as rental over the term of the lease. The deferred rental revenue was $35,382,000 and $35,770,000 as of September 30, 2022 and September 30, 2021, respectively.

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Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(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:

	2022	2021
	(In thousands)	
Net assets with donor restrictions:		
Research	$ 153,836	172,181
Buildings and capital	73,740	109,033
Hospital programs	92,739	100,958
Patient care	25,911	29,920
Total with donor restriction net assets	$ 346,226	412,092

(12) Endowments

The Health System's endowment consists of approximately 389 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 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.

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Notes to Consolidated Financial Statements

September 30, 2022 and 2021

As of September 30, 2022 and 2021, 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:

September 30, 2022	Original gift	Accumulated gains and losses, net	Total
		(In thousands)	
Donor-restricted endowment funds	$ 40,113	210,806	250,919
	$ 40,113	210,806	250,919

September 30, 2021	Original gift	Accumulated gains and losses, net	Total
		(In thousands)	
Donor-restricted endowment funds	$ 39,648	263,697	303,345
	$ 39,648	263,697	303,345

Changes in endowment net assets for the years ended September 30, 2022 and 2021, consisted of the following:

	2022	2021
	(In thousands)	
Endowment net assets at the beginning of year	$ 303,345	260,296
Investment return:		
Investment income	12,894	29,338
Net unrealized (depreciation) appreciation	(56,035)	25,839
Total investment (loss) return	(43,141)	55,177
Contributions	465	—
Appropriation of endowment assets for expenditures	(9,750)	(12,128)
	(52,426)	43,049
Endowment net assets at the end of year	$ 250,919	303,345

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BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(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 WellSense 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 $20,696,000 and $20,508,000 for the years ended September 30, 2022 and 2021, respectively.

WellSense 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 WellSense who did not opt out of participation, and required WellSense to match employees' contributions up to specified limitations. Participants were fully vested in their deferred contributions, rollover contribution accounts, and earnings on those amounts. WellSense terminated its 401(k) Plan on December 31, 2020 and all employees became fully vested in WellSense contributions as of that date. WellSense then became a participating employer in the Boston Medical Center Corporation retirement plan, which is a 403(b) plan. WellSense contributions under this DC Plan and the subsequent 403(b) plan were $1,735,000 and $1,670,000 in 2022 and 2021, 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, 2022 and 2021.

The Health System also offers a nonqualified supplemental executive retirement plan to certain key executives. The Health System's contribution is a percentage based 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 $1,336,000 and $1,263,000 in the years ended September 30, 2022 and 2021, respectively.

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Notes to Consolidated Financial Statements

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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.

		2022	2021
		(In thousands)	
Accumulated benefit obligation	$	153,767	203,607
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	203,607	209,849
Service cost		3,073	3,557
Interest cost		5,340	5,025
Actuarial gain		(49,269)	(6,767)
Benefits paid		(8,821)	(7,907)
Administrative expense paid		(162)	(150)
Projected benefit obligation at end of year	$	153,768	203,607
Change in plan assets:			
Fair value of plan assets at beginning of year	$	204,877	198,571
Actual return on plan assets		(40,226)	14,363
Benefits paid		(8,821)	(7,907)
Administrative expense paid		(162)	(150)
Fair value of plan assets at end of year	$	155,668	204,877

		2022	2021
		(In thousands)	
Reconciliation of funded status:			
Projected benefit obligation	$	153,768	203,607
Fair value of plan assets		155,668	204,877
Funded status recognized in the consolidated balance sheet included within other non-current asset	$	1,900	1,270

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BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

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The components of net periodic benefit cost for the years ended September 30, 2022 and 2021 are as follows:

		2022	2021
		(In thousands)	
Included in salaries and related benefits:			
Service cost	$	3,073	3,557
Included in nonoperating activities:			
Interest cost		5,339	5,024
Expected return on plan assets		(9,418)	(10,309)
Amortization of net loss		1,266	3,559
Nonoperating gain		(2,813)	(1,726)
Net periodic cost	$	260	1,831
Weighted average assumptions used to determine the net periodic cost for the period just ended:			
Discount rate		2.68 %	2.44 %
Long-term rate of return		4.70	5.30
Rate of compensation increase		2.50	3.00
Weighted average assumptions used to determine the benefit obligations:			
Discount rate		5.36 %	2.68 %
Rate of compensation increase		2.50	2.50
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:			
New net actuarial loss (gain)	$	375	(10,822)
Amortization of net loss		(1,266)	(3,559)
	$	(891)	(14,381)
Amounts recognized in net assets without donor restriction:			
Net actuarial loss	$	26,711	27,602
	$	26,711	27,602

BMC is expected to recognize $2,111,000 of net loss as amortization in 2023.

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BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

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Pension Plan Assets

The Pension Plan weighted average asset allocation as of the measurement dates September 30, 2022 and 2021, respectively, is as follows:

	Target allocation fiscal year ending September 30, 2022	Percentage of plan assets at September 30	
		2022	2021
Asset category:			
Equity securities	20 %	18 %	21 %
Debt securities	74	76	74
Other	6	6	5
	100 %	100 %	100 %

The fair value hierarchy of pension plan assets as of September 30, 2022 and 2021 is disclosed in the tables below. The hierarchy and inputs to valuation techniques to measure fair value are the same as those discussed in note 4.

	2022				
	Level 1	Level 2	Level 3	Net asset value	Total
			(In thousands)		
Investments:					
Cash and cash equivalents	$ 1,744	—	—	—	1,744
Fixed income	118,119	—	—	—	118,119
Equities	18,133	—	—	10,365	28,498
Global asset	7,307	—	—	—	7,307
	$ 145,303	—	—	10,365	155,668

	2021				
	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
	$ 191,014	—	—	13,863	204,877

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Notes to Consolidated Financial Statements

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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:

2023	$ 9,773,000
2024	10,313,000
2025	10,783,000
2026	11,270,000
2027	11,716,000
2028–2032	62,328,000

- The Medical Center did not make contributions to the Pension Plan for years ended September 30, 2022 and 2021. The Medical Center does not expect to make contributions to the Pension Plan in 2023.

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BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(14) Net Patient Service Revenue

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

	2022		2021	
	(In thousands)			
Medicare and Medicare Managed Care	$ 408,853	33 %	$ 403,769	34 %
MassHealth	400,284	33	381,516	32
Commercial carriers	317,020	26	319,989	27
No fault and worker's compensation	6,940	1	5,716	—
Self pay and other	90,045	7	80,621	7
	$ 1,223,142	100 %	$ 1,191,611	100 %

For both 2022 and 2021, 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, 2022 and 2021 are as follows:

	2022			
	BMC	BUMG	BUAP	Total
	(In thousands)			
Service lines:				
Hospital – inpatient	$ 539,278	—	—	539,278
Hospital – outpatient	492,955	—	—	492,955
Physician services	—	190,840	69	190,909
	1,032,233	190,840	69	1,223,142
Eliminations	(259,148)	—	—	(259,148)
	$ 773,085	190,840	69	963,994

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Notes to Consolidated Financial Statements

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

	2022			
	BMC	**BUMG**	**BUAP**	**Total**
Method of reimbursement:				
Fee for service	$ 1,032,233	190,840	69	1,223,142
State supplemental funds and other	162,105	—	—	162,105
Eliminations	(259,148)	—	—	(259,148)
	$ 935,190	190,840	69	1,126,099

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

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

	BMC	**BUMG**	**BUAP**	**Total**
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)
	$ 925,225	170,967	227	1,096,419

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 $250,998,000 and $232,369,000 in 2022 and 2021, respectively, which is recognized on a point in time basis. Also included in other operating revenues are parking, cafeteria, and rental income.

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Cost reports supporting third party service revenue have been audited and finalized through September 30, 2018 by the designated intermediaries. Cost reports for 2019 through 2021 have been filed. The 2019 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, 2022 and 2021. In the opinion of management, no material adjustments are expected to result from the audit of 2018 through 2021 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, 2022 and 2021:

	2022	2021
	(In thousands)	
Patient	$ 19,957	23,923
Third-party payors	465,075	404,252
Total	485,032	428,175
Implicit and explicit price concessions	(362,524)	(315,942)
Patient accounts receivable, net	$ 122,508	112,233

(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 payers as of September 30, 2022 and 2021 was as follows:

	2022	2021
Medicare	25 %	27 %
Medicaid	43	38
HMOs	7	8
Self-Pay	—	—
Commercial	13	14
Blue Cross	6	6
Commonwealth Care	3	4
Other	3	3
	100 %	100 %

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All of WellSense'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, 2022:

	Receivable balance	Discounts and allowances	Net receivable
		(In thousands)	
Other hospitals and health centers	$ 21,701	2,333	19,368
Outside contracts	10,336	—	10,336
Contributions receivable	10,083	2,000	8,083
Capitation receivable	55,544	—	55,544
HSN supplemental receivable	29,338	—	29,338
Pharmacy and other	64,207	—	64,207
	$ 191,209	4,333	186,876

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

	Receivable balance	Discounts and allowances	Net receivable
		(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
	$ 177,722	2,164	175,558

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.

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BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(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, 2022 and 2021, the Medical Center provided approximately $142,048,000 and $117,701,000, respectively, to Faculty for professional and support services. Faculty is comprised of physician groups which provide clinical, 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 on a net basis totaled approximately $12,134,000 and $10,367,000 as of September 30, 2022 and 2021, respectively.

WellSense 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 WellSense members was $567,580,000 and $497,011,000 for the years ended September 30, 2022 and 2021, respectively, and is included in net patient service revenue. In addition, WellSense owed the Medical Center $19,532,000 and $17,670,000 as of September 30, 2022 and 2021, respectively, and the amounts due are included in the Medical Center's patient accounts receivable and in WellSense's claims payable. In addition, effective November 2016, WellSense 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. WellSense has historically entered into long-term operating leases for administrative office space at its location in Boston, MA and Manchester, NH. With WellSense's decision to become a remote workforce, WellSense, which subleases space from Boston Medical Center, successfully negotiated to terminate the Boston lease over a two year period ending September 30, 2023. The original lease terminated on December 31, 2026. The early termination resulted in WellSense recognizing $3,900,000 of expense, including leasehold improvement accelerated depreciation, in September 2022. WellSense will continue to have access to roughly 50% of the space through September 2023 and will incur rent for that time period. The corporate office will move to a new location as of October 1, 2023.

The Health System Corporation and the Medical Center have significant transactions with each other for system-wide purposes. As of September 30, 2022 and 2021, the Health System Corporation owed the Medical Center $16,226,000 and $17,592,000, respectively for operating related activities. In addition, the Medical Center transferred $4,900,000 of net assets to the Health System in 2022.

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 $3,625,000 and $6,314,000 for the years ended September 30, 2022 and 2021, respectively. The Medical Center has $14,022,000 and $47,554,000 of prepaid premiums and retrospective premium credits that were prepaid by the Medical Center to BMCIC as of September 30, 2022 and 2021, respectively. The Medical Center and Faculty recorded a combined insurance recovery receivable and a professional liability claims payable of $106,159,000 and $95,712,000 for the years ended September 30, 2022 and 2021, respectively. The Medical Center consolidates BMCIC because it's majority voting interest and ongoing economic interests in BMCIC. The Medical Center accounts for BUMG's interest in BMCIC as a non-controlling interest.

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WellSense and Faculty have transactions with each other for operating purposes. The total revenue earned by Faculty from WellSense related to medical services provided by Faculty to WellSense members was $33,042,000 and $30,129,000 for the years ended September 30, 2022 and 2021, respectively, and is included in net patient service revenue and supplies and other expenses. Also as of September 30, 2022 and 2021, the WellSense owed Faculty $1,791,000 and $1,293,000, 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 surplus of $1,296,000 and $4,035,000 was earned for years ended June 30, 2022 and 2021, respectively.

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 2022, each Plan, with respect to each Faculty Member that the Plan employs, pays BU 26.40% 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 13.00% 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, 2022 and 2021, respectively.

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Notes to Consolidated Financial Statements

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(17) Claims Payable

In conjunction with WellSense 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, 2022 and 2021:

	2022	2021
	(In thousands)	
Accrued at beginning of year	$ 167,081	173,185
Incurred services:		
Current year	2,745,416	2,602,175
Prior years	(12,182)	(45,158)
Total incurred	2,733,234	2,557,017
Paid claims:		
Current year	2,526,748	2,413,053
Prior years	173,683	150,068
Total paid	2,700,431	2,563,121
Accrued at end of year	$ 199,884	167,081

Claims expense of $2,733,234,000 and $2,557,017,000 for 2022 and 2021, 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 WellSense to BMC are eliminated in the Health System's accompanying consolidated financial statements. As of September 30, 2022 and 2021, $12,182,000 and $45,158,000 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.

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Expenses by functional classification for the year ended September 30, 2022 consist of the following:

	2022						
	Patient and member services	Medical education	Research	Mgmt and general	Fundraising efforts	Eliminations	Total
Operating expenses:							
Salaries, wages and fringe benefits	$ 912,542	54,163	12,071	327,497	4,901	(27,866)	1,283,308
Medical costs, supplies and other expenses	3,661,322	2,044	19,789	252,991	3,759	(636,283)	3,303,622
Institutional support	—	—	—	123,720	—	(123,720)	—
Corporate allocations	—	—	—	428	—	(428)	—
Depreciation and amortization	68,855	—	6,075	32,291	—	—	107,221
Interest expense	14	—	—	23,417	—	—	23,431
Research, sponsored, and community health services	—	—	103,773	—	—	—	103,773
Operating expenses	$ 4,642,733	56,207	141,708	760,344	8,660	(788,297)	4,821,355

Expenses by functional classification for the year ended September 30, 2021 consisted 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

Activities that give rise to the eliminations reported in the tables above primarily relate to medical services provided by the Medical Center and BUMG to Wellsense's members, interinstitutional support and allocated systemwide costs.

(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, 2022 was $156,497,000 as compared to $140,492,000 in the prior year and is included in other operating revenue as of September 30, 2022.

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 health outcomes of their members in a way that results in integrated and coordinated care, while moderating the state's cost trends. 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 $4,800,000 in 2022 and $4,502,000 in 2021.

(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 has recorded $117,327,000 and $105,630,000 for expected claims liabilities as of September 30, 2022 and 2021, respectively.

(Continued)

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(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. In June 2020, the Health System ceased using the Newton Pavilion as a temporary COVID-19 treatment facility.

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 reinstituted 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 resulted in a significant reduction in patient volumes during 2020 and parts of 2021, as well as volatility in patient volume in 2022. 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 which included the following programs utilized by the Health System:

1) The Coronavirus Aid, Relief, and Economic Security (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 coronavirus, so long as the expenses and lost revenues have not been reimbursed by other sources. In fiscal 2022 and fiscal 2021, the Health System received $3,460,000 and $5,624,000 of PRF payments of which $3,460,000 and $65,624,000 was recognized in other operating revenue on the consolidated statements of operations and changes in net assets without donor restrictions during the year ended September 30, 2022 and September 30, 2021, respectively; and $0 were deferred and recorded in deferred revenue on the September 30, 2022 and 2021 consolidated balance sheets. As of September 30, 2022, the Health System has reported on of PRF funds (period 1 funding) to the federal government. The reporting period for the remaining $3,460,000 recognized as revenue through September 30, 2022 has not yet commenced and, as such, is subject to possible updated guidance from HHS and other agencies.

(Continued)

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

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 if repaid by October 18, 2022. HHS commenced recouping these advances in April 2021. The Medical Center repaid $76,625,000 and $27,145,000 for the years ended September 30, 2022 and 2021. The remaining balance of $4,165,000 and $80,790,000 is recorded in the current portion of estimated third party settlements on the consolidated balance sheets, as of September 30, 2022 and 2021, respectively.

3) The Employee Retention Credit is a refundable payroll tax credit available to eligible employers carrying on a trade or business in calendar year 2022 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, 2022 and September 30, 2021, 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 $14,123,000 and $28,247,000 as of September 30, 2022 and September 30, 2021, 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% was repaid in December 2022. These deferred payments are interest free.

5) The American Rescue Plan Act (ARPA) of 2021 is an economic stimulus that is meant to speed up the United States' recovery from the economic and health effects caused by the COVID-19 pandemic. This funding package builds upon the CARES Act of March 2020 by providing assistance for eligible state and local governments to respond to the economic impact from the COVID-19 pandemic. The Health System received ARPA funding as a grantee of the COVID-19 Public Health Emergency Hospital Relief Trust Fund, which was established by the Commonwealth of Massachusetts and administered by EOHHS. In fiscal years 2022 and 2021, the Health System recorded $42,595,000 and $0, respectively, of ARPA funding, which was recognized in grants and contract revenue on the consolidated statements of operations and changes in net assets without donor restrictions.

(Continued)

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

(23) Subsequent Events

The Health System has assessed the impact of subsequent events through January 23, 2023, 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.

SUPPLEMENTAL CONSOLIDATING INFORMATION

BMC HEALTH SYSTEM, INC.

Consolidating Supplemental Balance Sheet

September 30, 2022

(In thousands)

Assets	Medical Center	WellSense	Faculty	Clearway	All other entities	Eliminations	The Health System
Current assets:							
Cash and cash equivalents	$ 139,653	861,205	45,634	—	43,878	—	1,090,370
Short-term investments	146,280	—	—	—	—	—	146,280
Patients accounts receivable, net	121,626	—	21,654	—	28	(20,800)	122,508
Other accounts receivable	99,746	73,132	4,690	5,432	3,876	—	186,876
Current portion of grants receivable	30,640	—	—	—	—	—	30,640
Current portion of estimated receivable for final settlements with third-party payors	10,612	—	—	—	—	(10,594)	18
Current portion due from related parties	46,083	—	8,225	2,924	(17,953)	(39,279)	—
Inventories	24,484	—	—	—	—	—	24,484
Prepaid expenses and other current assets	6,117	16,499	739	152	22,361	—	45,868
Insurance recoveries receivable	—	—	63,696	—	—	(63,696)	—
Total current assets	625,241	950,836	144,638	8,508	52,190	(134,369)	1,647,044
Assets limited as to use:							
Board-designated investments	300,898	—	—	—	—	—	300,898
Funds held by Trustees	40,472	—	—	—	—	—	40,472
Donor-restricted investments	328,572	—	—	—	—	—	328,572
Reserve funds	104,619	2,571	—	—	—	—	107,190
Total assets limited as to use	774,561	2,571	—	—	—	—	777,132
Other assets:							
Long-term investments	510	304,903	45,350	—	—	—	350,763
Property, plant and equipment, net	973,234	11,261	1,950	—	181	—	986,626
Right of use assets – operating	89,783	265	974	—	—	—	91,022
Right of use assets – finance	7,946	—	790	—	—	—	8,736
Other noncurrent assets	37,104	—	48	678	—	(1,536)	36,294
Total assets	$ 2,508,379	1,269,836	193,750	9,186	52,371	(135,905)	3,897,617
Liabilities and Net Assets							
Current liabilities:							
Accounts payable and accrued expenses	$ 283,414	474,131	16,852	1,360	39,073	(7,513)	807,317
Claims payable	—	220,684	—	—	—	(20,800)	199,884
Estimated third party settlements, current	7,413	—	—	—	—	—	7,413
Deferred revenue	31,564	—	5,131	—	—	—	36,695
Current portion of due to related parties	11,736	12,157	27,195	—	2,929	(54,017)	—
Current portion of long-term debt and finance leases	8,880	—	438	—	—	—	9,318
Professional liability claims	—	—	63,696	—	—	(63,696)	—
Other current liabilities	19,488	19,168	1,041	2,192	3	—	41,892
Total current liabilities	362,495	726,140	114,353	3,552	42,005	(146,026)	1,102,519
Long-term liabilities:							
Estimated third party settlements	53,002	—	—	—	216	—	53,218
Obligations under finance leases	6,563	—	237	—	—	—	6,800
Due to related parties	(11,657)	—	—	—	—	11,657	—
Obligations under operating leases	79,265	—	716	—	—	—	79,981
Long-term debt	595,037	—	—	—	—	—	595,037
Other long-term liabilities	168,027	193	6,700	—	—	—	174,920
Total liabilities	1,252,732	726,333	122,006	3,552	42,221	(134,369)	2,012,475
Commitments and contingencies							
Net assets:							
Without donor restrictions	909,421	543,503	71,744	5,634	10,150	(1,536)	1,538,916
With donor restrictions	346,226	—	—	—	—	—	346,226
Total net assets	1,255,647	543,503	71,744	5,634	10,150	(1,536)	1,885,142
Total liabilities and net assets	$ 2,508,379	1,269,836	193,750	9,186	52,371	(135,905)	3,897,617

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.

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

Year ended September 30, 2022

(In thousands)

	Medical Center	WellSense	Faculty	Clearway	All other entities	Eliminations	The Health System
Operating revenue:							
Net patient service revenue	$ 1,194,338	—	190,840	—	69	(259,148)	1,126,099
Capitation revenue	779	3,043,272	1,691	—	—	—	3,045,742
Grants and contract revenue	175,036	—	989	—	—	—	176,025
Institutional support	—	—	134,162	—	—	(134,162)	—
Other revenue	717,463	—	102,304	20,362	5,510	(391,438)	454,201
Net assets released from restrictions for operations	22,363	—	—	—	—	—	22,363
Total operating revenue	2,109,979	3,043,272	429,986	20,362	5,579	(784,748)	4,824,430
Operating expenses:							
Salaries, wages and fringe benefits	723,442	79,854	393,409	9,203	105,266	(27,866)	1,283,308
Medical costs, supplies and other expenses	911,230	2,858,292	47,938	1,746	117,578	(633,162)	3,303,622
Institutional support	123,720	—	—	—	—	(123,720)	—
Corporate allocations	141,358	57,415	13,222	1,564	(213,131)	(428)	—
Depreciation and amortization	104,260	2,319	618	23	1	—	107,221
Interest expense	23,415	—	16	—	—	—	23,431
Research, sponsored programs and community health services	103,768	—	—	—	5	—	103,773
Total operating expenses	2,131,193	2,997,880	455,203	12,536	9,719	(785,176)	4,821,355
Income (loss) from operations	(21,214)	45,392	(25,217)	7,826	(4,140)	428	3,075
Nonoperating gains, net:							
Realized gains	19,505	7,851	2,817	—	126	—	30,299
Unrealized gains	(84,544)	(49,067)	(9,710)	—	—	—	(143,321)
Other	—	—	(1,623)	—	—	—	(1,623)
Pension benefit, nonservice	2,813	—	—	—	—	—	2,813
Total nonoperating gains, net	(62,226)	(41,216)	(8,516)	—	126	—	(111,832)
Excess (deficiency) of revenue over expenses	(83,440)	4,176	(33,733)	7,826	(4,014)	428	(108,757)
Income taxes:							
Income tax expense	—	—	—	(2,192)	—	—	(2,192)
Total income taxes	—	—	—	(2,192)	—	—	(2,192)
Excess (deficiency) of revenue over expenses net of income taxes	(83,440)	4,176	(33,733)	5,634	(4,014)	428	(110,949)
Other changes in unrestricted net assets:							
Net assets transfer (to)/from affiliates	(11,891)	—	6,991	—	4,900	—	—
Net assets released from restrictions for property, plant and equipment	8,123	—	—	—	—	—	8,123
Pension related changes other than net periodic pension costs	891	—	—	—	—	—	891
Donated services (to)/from affiliates	(12,878)	—	13,222	—	—	(344)	—
Change in net assets without donor restrictions	(99,195)	4,176	(13,520)	5,634	886	84	(101,935)
Net assets without donor restriction:							
Beginning of year	1,008,616	539,327	85,264	—	9,264	(1,620)	1,640,851
End of year	$ 909,421	543,503	71,744	5,634	10,150	(1,536)	1,538,916

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.

Consolidating Supplemental Statement of Cash Flows

Year ended September 30, 2022

(In thousands)

	Medical Center	WellSense	Faculty	Clearway	All other entities	Eliminations	The Health System
Operating activities:							
Change in net assets	$ (164,977)	4,176	(13,520)	5,634	886	—	(167,801)
Adjustments to reconcile change in net assets to net cash provided by operating activities:							
Depreciation and amortization	104,260	2,319	618	23	1	—	107,221
Restricted contributions	(4,728)	—	—	—	—	—	(4,728)
Donated securities received	(3,261)	—	—	—	—	—	(3,261)
Return on investment of joint venture	710	—	—	—	—	—	710
Amortization of bond discount/premium and issuance costs	(1,729)	—	—	—	—	—	(1,729)
Loss from disposal of assets	—	744	—	—	1,550	—	2,294
Discount and provision for bad debt on contributions receivable	2,828	—	—	—	—	—	2,828
Net realized gains and change in unrealized (appreciation) depreciation on investments	112,851	51,760	8,107	—	—	(71)	172,647
Increase in asset retirement obligation	—	—	—	—	—	—	—
Gain on real estate transaction	(63,150)	—	—	—	—	—	(63,150)
Pension related changes other than net periodic pension costs	(891)	—	—	—	—	—	(891)
Transfer of net assets	11,891	—	(6,991)	—	(4,900)	—	—
Changes in operating assets and liabilities:							
Grants receivable	(2,422)	—	—	—	—	—	(2,422)
Patient accounts receivable	(8,205)	—	(3,891)	—	(17)	1,838	(10,275)
Other current assets and liabilities	(53,304)	29,829	541	(5,607)	(8,900)	3,117	(34,324)
Other noncurrent assets and liabilities	35,970	3,517	(1,340)	1,514	(540)	—	39,121
Due to/from related parties	(4,106)	4,794	4,788	(2,924)	3,575	(6,127)	—
Estimated final settlements with third-party payors	(89,987)	—	—	—	(134)	4,408	(85,713)
Claims payable	—	34,641	—	—	—	(1,838)	32,803
(Decrease) increase in premium deficiency reserve	—	5,821	—	—	—	—	5,821
Accounts payable, accrued expenses and due to/from related parties	30,273	231,015	(3,845)	1,360	3,512	(1,327)	260,988
Net cash provided by (used in) operating activities	(97,977)	368,616	(15,533)	—	(4,967)	—	250,139
Investing activities:							
Proceeds from sale of investments	238,282	150,706	3,676	—	—	—	392,664
Proceeds from sale of funds held by Trustees	39,768	—	—	—	—	—	39,768
Proceeds from sale of property	1,256	—	—	—	—	—	1,256
Purchases of investments	(242,543)	(156,993)	(1,255)	—	—	—	(400,791)
Purchases of funds held by Trustees	(39,799)	—	—	—	—	—	(39,799)
Purchase of property, plant and equipment	(91,037)	(2,819)	(507)	—	—	—	(94,363)
Net cash provided by (used in) investing activities	(94,073)	(9,106)	1,914	—	—	—	(101,265)
Financing activities:							
Proceeds from restricted contributions	4,728	—	—	—	—	—	4,728
Proceeds from sale of donated securities	3,261	—	—	—	—	—	3,261
Repayment of long-term debt and capital leases	(7,131)	—	183	—	—	—	(6,948)
Net asset transfer (to) from affiliate	(11,891)	—	6,991	—	4,900	—	—
Net cash provided by financing activities	(11,033)	—	7,174	—	4,900	—	1,041
Increase (decrease) in cash and cash equivalents	(203,083)	359,510	(6,445)	—	(67)	—	149,915
Cash and cash equivalents:							
Beginning of year	342,736	501,695	52,079	—	43,945	—	940,455
End of year	$ 139,653	861,205	45,634	—	43,878	—	1,090,370
Supplemental disclosure of cash flow activities:							
Cash paid for interest	$ 26,761	—	34	—	—	—	26,795
Change in property, plant and equipment included in accounts payable	9,919	—	—	—	—	—	9,919
Conditional asset retirement obligations	—	—	—	—	—	—	—
Contributed securities	3,261	—	—	—	—	—	3,261
Gift in-kind	—	—	500	—	—	—	500

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.

Boston University Medical Group Consolidating Supplemental Balance Sheets

June 30, 2022

(In thousands)

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	$ —	169	—	448	151	914	495	95	33,777	222	112	34	109	3,109	849	542	1,115	—	3,149	171	—	45	128	—	45,634
Patients accounts receivable	—	2,442	—	167	886	4,521	1,472	551	510	383	701	319	756	2,531	(180)	896	141	—	3,443	1,378	—	245	492	—	21,654
Other accounts receivable	—	1	—	276	169	425	18	1,381	740	152	27	—	107	—	8	630	86	—	316	354	—	—	—	—	4,690
Current portion due from related parties	—	81	—	341	3,724	3,857	657	840	(7,361)	2,252	1,553	153	949	178	201	659	52	—	(156)	56	—	7	182	—	8,225
Prepaid expenses and other current assets	—	103	—	119	—	330	—	43	53	—	6	2	21	—	—	16	21	—	—	19	—	6	—	—	739
Insurance recoveries receivable	—	—	—	—	—	—	—	—	63,696	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	63,696
Total current assets	—	2,796	—	1,351	4,930	10,047	2,642	2,910	91,415	3,009	2,399	508	1,942	5,818	878	2,743	1,415	—	6,752	1,978	—	303	802	—	144,638
Other assets:																									
Long-term investments	—	—	—	—	4,939	28,080	—	—	5,946	—	—	—	—	—	403	4,340	1,042	—	600	—	—	—	—	—	45,350
Property, plant and equipment, net	—	5	—	52	—	732	632	11	17	—	—	—	—	81	—	16	155	—	100	149	—	—	—	—	1,950
Right of use assets – operating	—	—	—	—	—	669	121	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	790
Right of use assets – finance	—	—	—	—	—	—	974	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	974
Other noncurrent assets	—	—	—	—	—	—	—	—	36	—	8	—	—	—	—	—	—	—	—	4	—	—	—	—	48
Total assets	$ —	2,801	—	1,403	9,869	39,528	4,369	2,921	97,414	3,009	2,407	508	1,942	5,899	1,281	7,099	2,612	—	7,452	2,131	—	303	802	—	193,750
Liabilities and Net Assets																									
Current liabilities:																									
Accounts payable and accrued expenses	$ —	420	—	314	1,609	1,787	805	768	4,252	657	97	79	291	1,267	96	1,682	419	—	2,015	221	—	96	(23)	—	16,852
Deferred revenue	—	2,381	—	—	2,280	1,412	694	1,158	13,587	—	2,011	—	400	260	—	—	—	—	2,493	312	—	207	—	—	27,195
Current portion of due to related parties	—	—	—	—	—	4,739	—	93	11	22	—	—	—	112	—	136	—	—	—	15	—	—	3	—	5,131
Current portion of long-term debt and capital leases	—	—	—	—	—	147	291	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	438
Professional liability claims	—	—	—	—	—	—	—	—	63,696	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	63,696
Other current liabilities	—	—	—	—	—	1,033	—	—	8	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,041
Total current liabilities	—	2,801	—	314	3,889	9,118	1,790	2,019	81,554	679	2,108	79	691	1,639	96	1,818	419	—	4,508	548	—	303	(20)	—	114,353
Long-term liabilities:																									
Obligations under capital leases	—	—	—	—	—	175	62	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	237
Due to related parties	—	—	—	—	—	—	716	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	716
Long-term debt	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other long-term liabilities	—	—	—	—	—	—	—	—	6,700	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6,700
Total liabilities	—	2,801	—	314	3,889	9,293	2,568	2,019	88,254	679	2,108	79	691	1,639	96	1,818	419	—	4,508	548	—	303	(20)	—	122,006
Commitments and contingencies																									
Net assets:																									
Without donor restrictions	—	—	—	1,089	5,980	30,235	1,801	902	9,160	2,330	299	429	1,251	4,260	1,185	5,281	2,193	—	2,944	1,583	—	—	822	—	71,744
Total net assets	—	—	—	1,089	5,980	30,235	1,801	902	9,160	2,330	299	429	1,251	4,260	1,185	5,281	2,193	—	2,944	1,583	—	—	822	—	71,744
Total liabilities and net assets	$ —	2,801	—	1,403	9,869	39,528	4,369	2,921	97,414	3,009	2,407	508	1,942	5,899	1,281	7,099	2,612	—	7,452	2,131	—	303	802	—	193,750

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, 2022

(In thousands)

	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
Operating revenue:																									
Net patient service revenue	$ —	12,804	—	2,639	9,802	46,166	15,391	6,188	—	10,058	7,058	1,444	10,088	10,240	4,095	11,507	3,314	—	23,552	11,545	—	1,795	3,154	—	190,840
Capitation revenue	—	—	—	—	—	209	—	184	1,296	—	—	—	1	—	—	1	—	—	—	—	—	—	—	—	1,691
Grants and contract revenue	—	—	—	—	—	—	—	—	989	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	989
Institutional support	—	13,525	—	1,351	5,557	33,403	1,102	6,908	5,503	16,333	3,856	3,808	5,754	3,590	2,196	8,484	3,565	—	9,572	7,914	—	925	826	—	134,162
Other revenue	—	298	—	2,600	4,609	56,784	1,684	12,833	5,848	3,966	3,720	54	3,508	945	857	10,044	1,475	—	6,288	3,036	—	353	336	(16,934)	102,304
Total operating revenue	—	26,627	—	6,590	19,968	136,562	18,177	26,113	13,636	30,357	14,634	5,306	19,351	14,775	7,138	30,036	8,354	—	39,412	22,495	—	3,073	4,316	(16,934)	429,986
Operating expenses:																									
Salaries, wages and fringe benefits	—	24,604	—	5,933	19,376	128,267	10,767	23,725	11,689	27,720	14,144	4,669	17,024	12,367	6,485	27,995	7,324	—	24,530	20,607	—	2,793	3,995	(605)	393,409
Medical costs, supplies and other expenses	—	2,022	—	687	2,388	9,852	7,539	2,789	10,151	3,667	1,239	637	2,848	1,243	685	2,038	973	—	12,949	1,898	—	273	390	(16,330)	47,938
Corporate allocations	—	—	—	—	—	—	—	—	13,222	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	13,222
Depreciation and amortization	—	1	—	26	2	296	186	4	3	—	—	—	—	13	—	3	56	—	10	18	—	—	—	—	618
Interest expense	—	—	—	—	—	8	8	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	16
Total operating expenses	—	26,627	—	6,646	21,766	138,423	18,500	26,518	35,065	31,387	15,383	5,306	19,872	13,623	7,170	30,036	8,353	—	37,489	22,523	—	3,066	4,385	(16,935)	455,203
Income (loss) from operations	—	—	—	(56)	(1,798)	(1,861)	(323)	(405)	(21,429)	(1,030)	(749)	—	(521)	1,152	(32)	—	1	—	1,923	(28)	—	7	(69)	1	(25,217)
Nonoperating gains (losses), net:																									
Realized gains	—	—	—	—	241	2,239	—	—	163	2	—	—	—	—	11	115	29	—	17	—	—	—	—	—	2,817
Unrealized gains	—	—	—	—	(983)	(6,599)	—	—	(1,017)	—	—	—	—	—	(68)	(767)	(176)	—	(100)	—	—	—	—	—	(9,710)
Other	—	—	—	—	—	(1,583)	—	—	—	—	(1)	—	—	(10)	—	(17)	(3)	—	(9)	—	—	—	—	—	(1,623)
Total nonoperating gains, net	—	—	—	—	(742)	(5,943)	—	—	(854)	2	(1)	—	—	(10)	(57)	(669)	(150)	—	(92)	—	—	—	—	—	(8,516)
Excess (deficiency) of revenue over expenses	—	—	—	(56)	(2,540)	(7,804)	(323)	(405)	(22,283)	(1,028)	(750)	—	(521)	1,142	(89)	(669)	(149)	—	1,831	(28)	—	7	(69)	1	(33,733)
Other changes in unrestricted net assets:																									
Donated services (to)/from affiliates	—	—	—	—	—	—	—	—	13,222	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	13,222
Net assets transfer (to)/from affiliates	—	—	—	57	1,797	1,861	317	405	—	1,031	750	—	522	123	32	—	—	—	—	27	—	—	69	—	6,991
Change in net assets without donor restrictions	$ —	—	—	1	(743)	(5,943)	(6)	—	(9,061)	3	—	—	1	1,265	(57)	(669)	(149)	—	1,831	(1)	—	7	—	1	(13,520)

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.

Note to Supplemental Consolidating Information

September 30, 2022 and 2021

(1) Basis of Presentation

The accompanying supplemental consolidating information includes the Consolidating Supplemental Balance Sheet, 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.

Exhibit V

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

BMC HEALTH SYSTEM, INC.

Supplementary Schedule of Expenditures of Federal Awards

September 30, 2022

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	CRDF Global	59-0210-6-004	$ —	89,193
Agricultural Research Service Total				—	89,193
Food and Nutrition Service:					
Consumer Data and Nutrition Research	10.253	Tufts University	AG9033	—	47,173
Food and Nutrition Service Total				—	47,173
Department of Agriculture Total				—	136,366
Department of Defense:					
Department of the Army:					
Military Medical Research and Development	12.420		Direct	95,124	167,536
Department of the Army Total				95,124	167,536
Department of the Air Force:					
Air Force Defense Research Sciences Program	12.RD	Massachusetts Institute of Technology	7000528489	—	35,423
Department of the Air Force Total				—	35,423
Department of Defense Total				95,124	202,959
Department of Health and Human Services:					
Administration for Children and Families:					
Assistance for Torture Victims	93.604		Direct	—	434,946
Family Violence Prevention and Services/Discretionary	93.592	Vermont Network Against Domestic and Sexual Violence	ACYF-EV-1812	—	3,275
Family Violence Prevention and Services/Discretionary	93.592		Direct	—	(17,743)
Administration for Children and Families Total				—	420,478
Agency for Healthcare Research and Quality:					
Research on Healthcare Costs, Quality and Outcomes	93.226	University of Massachusetts	OSP27392-01	—	6,135
Research on Healthcare Costs, Quality and Outcomes	93.226		Direct	21,357	559,998
National Research Service Awards Health Services Research Training	93.225		Direct	161,143	358,043
Agency for Healthcare Research and Quality Total				182,500	924,176
Centers for Disease Control and Prevention:					
CDCP -Centers for Disease Control and Prevention	93.RD		Direct	—	375,615
CDCP -Centers for Disease Control and Prevention	93.RD		Direct	—	65,486
CDCP -Centers for Disease Control and Prevention	93.RD		Direct	—	254,400
Injury Prevention and Control Research and State and Community Based Programs	93.136	Massachusetts Department of Public Health	INTF3416H78500224020	—	(6,799)
Injury Prevention and Control Research and State and Community Based Programs	93.136	University of Michigan	3004806994	—	6,207
Injury Prevention and Control Research and State and Community Based Programs	93.136		Direct	179,872	943,783
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	American Academy of Pediatrics	101034	—	37,669
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	Massachusetts Department of Public Health	INTF3406MM3190428104	47,372	278,522
Birth Defects and Developmental Disabilities – Prevention and Surveillance	93.073		Direct	110,228	337,080
Centers for Disease Control and Prevention Total				337,472	2,291,963
Health Resources and Services Administration:					
Autism Collaboration, Accountability, Research, Education, and Support	93.877		Direct	—	3,296
Maternal and Child Health Federal Consolidated Programs	93.110	Johns Hopkins University	2003650297	—	144,653
National Research Service Award in Primary Care Medicine	93.186		Direct	(20,669)	412,554
Primary Care Medicine and Dentistry Clinician Educator Career Development Awards	93.976		Direct	—	218,806
Sickle Cell Treatment Demonstration Program	93.365	Johns Hopkins University	005492160	—	(3,543)
Sickle Cell Treatment Demonstration Program	93.365	Johns Hopkins University	2 U1EMC27864-08-00	—	30,532
Special Projects of National Significance	93.928		Direct	—	18,284
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		Direct	—	336,981
Health Resources and Services Administration Total				(20,669)	1,161,563
IMMED Office of the Secretary of Health and Human Service:					
Biomedical Advanced Research and Development Authority (BARDA), Biodefense Medical Countermeasure Development	93.360	Duke University	SA-D401-02	—	55,340
Biomedical Advanced Research and Development Authority (BARDA), Biodefense Medical Countermeasure Development	93.360	Versiti Wisconsin, Inc.	1OT2HL156812-01	—	22,580
IMMED Office of the Secretary of Health and Human Service Total				—	77,920
National Institutes of Health:					
21st Century Cures Act – Beau Biden Cancer Moonshot	93.353	Massachusetts General Hospital	237447	—	99,838
Aging Research	93.866	Boston University	4500002831	—	456,151
Aging Research	93.866	Boston University	4500003669	—	534,943
Aging Research	93.866	Boston University	4500003808	—	35,344
Aging Research	93.866	Boston University	4500004522	—	138,907
Aging Research	93.866	Dana Farber	1224605	—	167,669
Aging Research	93.866	Dana Farber	1315501	—	43,008
Aging Research	93.866	Northern California Institute	SHL2120-07	—	36,185
Aging Research	93.866	Northern California Institute	SHL2361-02	—	21,595
Aging Research	93.866	Weill Cornell Medical College	5R01AG060086	—	53,478
Aging Research	93.866		Direct	2,632,324	3,947,826

(Continued)

BMC HEALTH SYSTEM, INC.

Supplementary Schedule of Expenditures of Federal Awards

September 30, 2022

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
Alcohol Research Programs	93.273	Boston University	4500003506	$ —	33,654
Alcohol Research Programs	93.273	Northwestern University	60060439 BMC	—	4,253
Alcohol Research Programs	93.273	Vanderbilt University Medical Center	VUMC95907	—	149,362
Alcohol Research Programs	93.273		Direct	1,252,686	2,536,910
Allergy, Immunology and Transplantation Research	93.855	Boston University	4500002465	—	8,124
Allergy, Immunology and Transplantation Research	93.855	Brigham & Women's Hospital	123884	—	9,835
Allergy, Immunology and Transplantation Research	93.855	Department of Molecular Medicine and Hematology	1R01AI152126-01	—	52,413
Allergy, Immunology and Transplantation Research	93.855	FHI 360	CoVPN3502/REGN2069	—	123,691
Allergy, Immunology and Transplantation Research	93.855	FHI 360	PO20003170	—	4,446
Allergy, Immunology and Transplantation Research	93.855	Harvard School Public Health	1R01AI155765-01	—	78,353
Allergy, Immunology and Transplantation Research	93.855	Harvard School Public Health	5R01AI128344-05	—	69,564
Allergy, Immunology and Transplantation Research	93.855	Johns Hopkins University	5 UM1 AI068632-14 REVISED	—	(5)
Allergy, Immunology and Transplantation Research	93.855	Johns Hopkins University	LDR 09 MOD 01	—	32,231
Allergy, Immunology and Transplantation Research	93.855	Johns Hopkins University	LDR 11	—	19,768
Allergy, Immunology and Transplantation Research	93.855	Johns Hopkins University	LDR 17	—	5,649
Allergy, Immunology and Transplantation Research	93.855	Johns Hopkins University	LDR 18	—	10,772
Allergy, Immunology and Transplantation Research	93.855	Johns Hopkins University	LDR20	—	102,557
Allergy, Immunology and Transplantation Research	93.855	Rutgers, The State University of New Jersey	1,215	—	35,114
Allergy, Immunology and Transplantation Research	93.855	The Miriam Hospital	7141705TCB	—	6,887
Allergy, Immunology and Transplantation Research	93.855	The Miriam Hospital	7147100CGS	—	14,031
Allergy, Immunology and Transplantation Research	93.855	The Miriam Hospital	7147100JE	—	136,055
Allergy, Immunology and Transplantation Research	93.855	The Miriam Hospital	7147100KSA	—	14,465
Allergy, Immunology and Transplantation Research	93.855	The Miriam Hospital	7147101BL	—	20,705
Allergy, Immunology and Transplantation Research	93.855	The Miriam Hospital	7147101CGS	3,695	8,602
Allergy, Immunology and Transplantation Research	93.855	The Miriam Hospital	7147101MTHH	—	35,253
Allergy, Immunology and Transplantation Research	93.855	The Miriam Hospital	7147102NL	—	99,152
Allergy, Immunology and Transplantation Research	93.855	The Miriam Hospital	7147104AH	—	182,079
Allergy, Immunology and Transplantation Research	93.855	The Miriam Hospital	7147105JS	—	113,460
Allergy, Immunology and Transplantation Research	93.855	The Miriam Hospital	7147106KJ	—	5,549
Allergy, Immunology and Transplantation Research	93.855	The Miriam Hospital	P30AI042853	—	10,049
Allergy, Immunology and Transplantation Research	93.855	The Miriam Hospital	P30AI042853-22	—	6,216
Allergy, Immunology and Transplantation Research	93.855	University of Alabama	000509701-002	—	4,309
Allergy, Immunology and Transplantation Research	93.855	University of California, Los Angeles	2UM1AI068636-15	—	38,210
Allergy, Immunology and Transplantation Research	93.855		Direct	1,076,192	3,354,881
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	University of Arizona	428238	—	(5,932)
Biomedical Research and Research Training	93.859	BioSensics, LLC	2 R44 GM123821-02	—	61,444
Biomedical Research and Research Training	93.859	Boston University	4500003522	—	17,836
Biomedical Research and Research Training	93.859	University Of Pittsburgh	0047882(126884-7)	—	(410)
Blood Diseases and Resources Research	93.839	Children's Memorial Hospital	901516-BMC	—	4,565
Blood Diseases and Resources Research	93.839	Duke University	4UH3HL137856-02	—	31,996
Blood Diseases and Resources Research	93.839	Mount Sinai Medical Center	5R01HL142671-03	—	17,915
Blood Diseases and Resources Research	93.839	Rutgers, The State University of New Jersey	0477	—	9,346
Blood Diseases and Resources Research	93.839	University of Massachusetts	N/A	—	(107)
Blood Diseases and Resources Research	93.839	University of Pittsburgh	AWD00000392 (134345-4)	—	14,401
Blood Diseases and Resources Research	93.839		Direct	424,680	960,635
Cancer Biology Research	93.396	Boston University	4500002812	—	133,547
Cancer Biology Research	93.396	Boston University	4500003766	—	93,619
Cancer Biology Research	93.396	Massachusetts General Hospital	240828	—	42,930
Cancer Cause and Prevention Research	93.393	Boston University	4500003906	—	100,122
Cancer Cause and Prevention Research	93.393	Johns Hopkins University	R01CA255349	—	99,355
Cancer Cause and Prevention Research	93.393	University of California, Irvine	2021-1596	—	40,924
Cancer Cause and Prevention Research	93.393		Direct	46,165	140,880
Cancer Centers Support Grants	93.397	Dana Farber Cancer Institute, Inc.	1205201	—	14,757
Cancer Centers Support Grants	93.397	Dana Farber Cancer Institute, Inc.	1230006	—	28,060
Cancer Detection and Diagnosis Research	93.394		Direct	146,357	672,909
Cancer Treatment Research	93.395	Dana Farber Cancer Institute, Inc.	UM1CA186709-06	—	53,035
Cancer Treatment Research	93.395	NRG Oncology Foundation, Inc.	UG1 CA189867	—	271,445
Cancer Treatment Research	93.395	Oregon Health and Science University	UG1CA189974	—	616
Cancer Treatment Research	93.395	The EMMES Company	13,748	—	(10,356)
Cancer Treatment Research	93.395	The EMMES Company	13,765	—	271,507
Cancer Treatment Research	93.395	The EMMES Company	2UM1CA121947-14	—	(19,295)
Cancer Treatment Research	93.395	The EMMES Company	7UM1CA121947	—	45,003
Cancer Treatment Research	93.395	The EMMES Company	7UM1CA121947-15	—	19,673
Cancer Treatment Research	93.395	University of California, Los Angeles	1568 G TA632	—	12,508
Cardiovascular Diseases Research	93.837	Beth Israel Deaconess Hospital	01063602	—	74,645
Cardiovascular Diseases Research	93.837	Beth Israel Deaconess Medical Center	01062552	—	67,916
Cardiovascular Diseases Research	93.837	Boston University	4500003998	—	118,390
Cardiovascular Diseases Research	93.837	Brigham & Women's Hospital	109786	—	10,270
Cardiovascular Diseases Research	93.837	New England Research Institute	U01HL107407	—	1,024
Cardiovascular Diseases Research	93.837	Trustees of Columbia University	1(GG012878-02)	—	(4,320)
Cardiovascular Diseases Research	93.837	Trustees of Columbia University	1R01HL139671-01A1	118,397	633,120
Cardiovascular Diseases Research	93.837	University Of Pittsburgh	AWD00000108 (134474-1)	—	13,178
Cardiovascular Diseases Research	93.837	University Of Pittsburgh	AWD00000940 (133431-2)	—	13,178
Cardiovascular Diseases Research	93.837		Direct	—	523,977
Child Health and Human Development Extramural Research	93.865	Boston University	4500003159	—	32,810
Child Health and Human Development Extramural Research	93.865	Brigham & Women's Hospital	5R21HD103977-02	—	122,492
Child Health and Human Development Extramural Research	93.865	Florida State University	R01949	—	315,871

(Continued)

BMC HEALTH SYSTEM, INC.

Supplementary Schedule of Expenditures of Federal Awards

September 30, 2022

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	Johns Hopkins University	2003025892	$ —	74,753
Child Health and Human Development Extramural Research	93.865	Johns Hopkins University	2005582261	—	9,867
Child Health and Human Development Extramural Research	93.865	The Regents of the University of California, San Diego	703799	—	13,669
Child Health and Human Development Extramural Research	93.865	Umass Memorial Health	SUB00000189	—	42,687
Child Health and Human Development Extramural Research	93.865	University Of North Carolina	5108777	—	29,770
Child Health and Human Development Extramural Research	93.865		Direct	908,567	1,382,067
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Boston University	1R21DK132784-01	—	5,461
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Boston University	4500004152	—	8,761
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Boston University	4500004228	—	9,533
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Brigham & Women's Hospital	119,949	—	16,909
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Brigham & Women's Hospital	122308	—	77,542
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Brigham & Women's Hospital	5R01DK116898-05	—	20,132
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	New York University	2R01DK108803-06A1	—	206,063
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Stanford University	62748656-211232	—	68,305
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	State University of New York At Stony Brook	89194/2/1163728	—	21,389
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	The Scripps Research Institute	5R01DK123038-02	—	288,287
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Pennsylvania	585234	—	6,286
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Washington, Seattle	U2CDK114886	10,931	172,574
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Washington, Seattle	UWSC12427	31,646	117,022
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Washington University	WU-20-277-MOD-3	—	33,637
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		Direct	957,167	3,054,089
Drug Abuse and Addiction Research Programs	93.279	American Academy of Child And Adolescent Psychiatry	K12DA000357	—	545
Drug Abuse and Addiction Research Programs	93.279	Boston University	4500002825	(19,470)	(10,153)
Drug Abuse and Addiction Research Programs	93.279	Boston University	4500003673	—	144,166
Drug Abuse and Addiction Research Programs	93.279	Boston University	4500004176	19,470	239,142
Drug Abuse and Addiction Research Programs	93.279	Boston University	5R01DA045695-03	—	111,575
Drug Abuse and Addiction Research Programs	93.279	Brandeis University	GR403953_BMC	—	(5,044)
Drug Abuse and Addiction Research Programs	93.279	Brigham & Women's Hospital	119805	—	349,948
Drug Abuse and Addiction Research Programs	93.279	Denver Health And Hospital Authority	R01DA042982	—	112,616
Drug Abuse and Addiction Research Programs	93.279	Heluna Health	3R01DA045690-02S1	—	13,757
Drug Abuse and Addiction Research Programs	93.279	Heluna Health	5R01DA045690-04	—	311,816
Drug Abuse and Addiction Research Programs	93.279	Hennepin Healthcare Research Institute	3UG1DA040316-07S2	—	125,301
Drug Abuse and Addiction Research Programs	93.279	Kaiser Foundation Research Institute	RNG003002-BostonMedicalCenter	—	9,910
Drug Abuse and Addiction Research Programs	93.279	Massachusetts General Hospital	235450	—	188,743
Drug Abuse and Addiction Research Programs	93.279	New York University	17-A0-00-1000021-01	—	21,463
Drug Abuse and Addiction Research Programs	93.279	Rand Corporation	SCON-00000439	—	24,710
Drug Abuse and Addiction Research Programs	93.279	The Miriam Hospital	7147185MLD	—	15,642
Drug Abuse and Addiction Research Programs	93.279	Trustees of Columbia University	2(GG010654-01)	—	49,848
Drug Abuse and Addiction Research Programs	93.279	University of Kentucky	3200002473-19-258	—	46,747
Drug Abuse and Addiction Research Programs	93.279	Weill Cornell Medical College	190191-4	—	148,003
Drug Abuse and Addiction Research Programs	93.279	Weill Cornell Medical College	2 P30 DA040500-06A1	—	208,737
Drug Abuse and Addiction Research Programs	93.279	West Virginia University	17-752-BMC	—	70,640
Drug Abuse and Addiction Research Programs	93.279	Yale University	GR109709 (CON-80002424)	—	484,538
Drug Abuse and Addiction Research Programs	93.279		Direct	10,731,499	23,870,059
Environmental Health	93.113	Boston University	4500002019	—	41,851
Environmental Health	93.113	Boston University	4500002463	—	63,642
Environmental Health	93.113		Direct	—	207,491
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Boston University	4500003093	—	(30,127)
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Boston University	4500003956	—	4,443
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	CND Life Sciences	1R44NS117214	—	210
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Johns Hopkins University	7R01NS108464-03	—	(2,494)
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Massachusetts General Hospital	1U19NS115388-01 Revised	—	5,585
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Massachusetts General Hospital	233020	—	6,957
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Massachusetts General Hospital	233251	—	140,893
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	The Regents of the University of California, San Francisco	9668sc	—	6,514
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Cincinnati	010785-133380	—	533
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Cincinnati	5U01NS106513-02	—	1,278
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		Direct	—	136,388
Human Genome Project	93.172	Children's Hospital	GENFD0002264636	—	58,200
International Research and Research Training	93.989	Rutgers, The State University of New Jersey	1582	—	21,519
International Research and Research Training	93.989	Trustees of Columbia University	2(GG016095-01)	—	11,522
Lung Diseases Research	93.838	Brigham & Women's Hospital	1OT2HL161847-01	—	335,227
Lung Diseases Research	93.838	Research Triangle Institute	39-312-0217571-66394L	158,548	963,824
Mental Health Research Grants	93.242	Boston University	4500004071	—	14,020
Mental Health Research Grants	93.242	Brown University	00001294	—	137,943
Mental Health Research Grants	93.242	Johns Hopkins University	CO-US-540-5961	—	25,908
Mental Health Research Grants	93.242	Kaiser Foundation Research Institute	RNG210241-BUDG01-BMC-00	—	56,170
Mental Health Research Grants	93.242	Lurie Children's Hospital of Chicago	N/A	—	756
Mental Health Research Grants	93.242	Massachusetts General Hospital	5R01MH116042-04	—	129,170
Mental Health Research Grants	93.242	McLean Hospital	401612	—	81,008
Mental Health Research Grants	93.242	Northwestern University	60050956 BMC	—	169,095
Mental Health Research Grants	93.242	Rand Corporation	UF1MH121954	—	81,258
Mental Health Research Grants	93.242		Direct	429,147	2,274,941
Minority Health and Health Disparities Research	93.307	Baylor College of Medicine	7000001468	—	49,133
Minority Health and Health Disparities Research	93.307	Fenway Health	R01MD013498	—	9,996

(Continued)

BMC HEALTH SYSTEM, INC.

Supplementary Schedule of Expenditures of Federal Awards

September 30, 2022

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
Minority Health and Health Disparities Research	93.307	Northeastern University	500759-78050	$ —	242,067
Minority Health and Health Disparities Research	93.307	Northwestern University	60046231 BMC	—	226,343
Minority Health and Health Disparities Research	93.307	Wake Forest University Health Sciences	5R01MD011594-04	—	40,442
Minority Health and Health Disparities Research	93.307		Direct	110,897	525,893
National Center for Advancing Translational Sciences	93.350	Boston University	N/A	—	9,112
National Center for Advancing Translational Sciences	93.350	Duke Clinical Research Institute	3U24TR001608-05S4	—	34,658
National Center for Advancing Translational Sciences	93.350		Direct	737,753	1,559,980
NIH -National Institutes of Health	93.RD	Leidos Biomedical Research Inc.	21CTA-DM0013	—	55,493
NIH -National Institutes of Health	93.RD		Direct	245	4,762
NIH -National Institutes of Health	93.RD		Direct	—	55,164
NIH -National Institutes of Health	93.RD		Direct	—	79,460
NIH -National Institutes of Health	93.RD		Direct	—	39,295
Nursing Research	93.361	University of Colorado	FY22.342.002	—	114,165
Nursing Research	93.361		Direct	652,542	916,672
Oral Diseases and Disorders Research	93.121	Boston University	4500003158	—	(5,521)
Oral Diseases and Disorders Research	93.121		Direct	219,214	570,579
Research Related to Deafness and Communication Disorders	93.173	Children's Hospital	PO#00001136626	—	(21,694)
Research Related to Deafness and Communication Disorders	93.173	Georgia State University	SP00013351-02	—	17,130
Research Related to Deafness and Communication Disorders	93.173	Massachusetts General Hospital	241,611	—	3,992
Translation and Implementation Science Research for Heart, Lung, Blood Diseases, and Sleep Disorders	93.840	Massachusetts General Hospital	5R01HL146782-04	—	419,452
Translation and Implementation Science Research for Heart, Lung, Blood Diseases, and Sleep Disorders	93.840		Direct	—	98,706
Trans-NIH Research Support	93.310	Massachusetts General Hospital	1OT2OD026553	—	787,244
Trans-NIH Research Support	93.310	University of Ghana	U54DK116913-09	—	32,519
Trans-NIH Research Support	93.310	University Of North Carolina	5106185	—	201,418
Trans-NIH Research Support	93.310	University Of Pittsburgh	1U01 GM132133-01	—	38,993
Vision Research	93.867	JAEB Center for Health Research	5U10EY011751-20	—	4,095
Vision Research	93.867	JAEB Center for Health Research	5UG1EY011751-25	—	624
Vision Research	93.867	JAEB Center for Health Research	U10EY011751	—	30,435
Vision Research	93.867	JAEB Center for Health Research	UG1EY011751	—	504
Vision Research	93.867	Johns Hopkins University	7R21EY029412-03	—	(3,409)
Vision Research	93.867	New York University	1U10EY026869-01	—	1,496
Vision Research	93.867		Direct	—	264,653
Research and Training in Complementary and Integrative Health	93.213	Butler Hospital	5001651-4	37,780	349,431
Research and Training in Complementary and Integrative Health	93.213	Northwestern University	5R01AT009539-03	—	6,563
Research and Training in Complementary and Integrative Health	93.213		Direct	1,061,528	2,057,847
National Institutes of Health Total				21,747,960	63,859,946
Office of Research Planning Evaluation:					
ORPE -Office of Research Planning Evaluation	93.RD	Antagen Biosciences, Inc.	7,191	—	(1,317)
ORPE -Office of Research Planning Evaluation	93.RD	Antagen Institute for Biomed Research	200-2015-64147	—	1,150
ORPE -Office of Research Planning Evaluation	93.RD	Westat	6101-S069	—	22,990
ORPE -Office of Research Planning Evaluation	93.RD		75N94020D00004	—	11,534
ORPE -Office of Research Planning Evaluation	93.RD		5,950,828	—	112,098
Office of Research Planning Evaluation Total				—	146,455
Office of the Secretary:					
OS -Office of the Secretary	93.RD	Massachusetts Department of Public Health	6207DPHPYD1015201504	—	33,996
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817	Massachusetts General Hospital	6 HITEP180042-01-04	—	50,862
Office of the Secretary Total				—	84,858
Department of Health and Human Services Total				22,247,263	68,967,359
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	—	21,370
National Institute of Justice Total				—	21,370
Department of Justice Total				—	21,370
Department of State:					
Department of State:					
Public Diplomacy Programs	19.040	University of Nebraska Medical Center	45-2402-1031-311	—	79,837
Department of State Total				—	79,837
Department of State Total				—	79,837
National Science Foundation:					
National Science Foundation:					
Biological Sciences	47.074	Hermes Life Sciences, Inc.	1-2111755	—	886
Biological Sciences	47.074	Massachusetts General Hospital	237014	—	(2)
Computer and Information Science and Engineering	47.070	Northeastern University	1831755	—	119,816

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BMC HEALTH SYSTEM, INC.

Supplementary Schedule of Expenditures of Federal Awards

September 30, 2022

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
Mathematical and Physical Sciences	47.049	Boston University	DMS-1664644	$ —	27,634
National Science Foundation Total				—	148,334
National Science Foundation Total				—	148,334
Social Security Administration:					
Social Security Administration:					
Social Security Administration	96.RD	Westat	6464-S-MA02-001	—	34,248
Social Security Administration Total				—	34,248
Social Security Administration Total				—	34,248
Research and Development Total				22,342,387	69,590,473
Other Programs:					
Department of Agriculture:					
National Institute of Food and Agriculture:					
Food Insecurity Nutrition Incentive Grants Program	10.331	Gretchen Swanson Center For Nutrition	N/A	—	170
Food Insecurity Nutrition Incentive Grants Program	10.331		Direct	4,045	240,826
National Institute of Food and Agriculture Total				4,045	240,996
Department of Agriculture Total				4,045	240,996
Department of Health and Human Services:					
Centers for Disease Control and Prevention:					
Health Program for Toxic Substances and Disease Registry	93.161	Boston Children's Hospital	GENFD0002152844	—	23,557
Healthy Brain Initiative	93.334	Boston Public Health Commission	FY 223024858	—	18,154
HIV Prevention Activities Health Department Based	93.940	Massachusetts Department of Public Health	INTF4944MM3181926007	—	4,092,110
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	Massachusetts Department of Public Health	INTF3070HH4300522050	—	92,267
Prevention of Disease, Disability, and Death by Infectious Diseases	93.084	Stanford University	62346382-148206	—	88,407
Prevention of Disease, Disability, and Death by Infectious Diseases	93.084		Direct	29,215	135,892
Centers for Disease Control and Prevention Total				29,215	4,450,387
Health Resources and Services Administration:					
Ending the HIV Epidemic: A Plan for America – Ryan White HIV/AIDS Program Parts A and B	93.686	Boston Public Health Commission	UT8HA33922	—	26,924
Grants for Primary Care Training and Enhancement	93.884		Direct	23,363	547,646
Healthy Start Initiative	93.926	Boston Public Health Commission	PHC 0500107	—	65,660
COVID-19 – HIV Emergency Relief Project Grants	93.914	Boston Public Health Commission	FY 20 021293A	—	144,442
National Organizations Of State and Local Officials	93.011		Direct	—	859,262
Maternal and Child Health Federal Consolidated Programs	93.110		Direct	298,665	1,318,120
Maternal and Child Health Services Block Grant to the States	93.994	Massachusetts Department of Public Health	31058801001	—	130,268
Mental and Behavioral Health Education and Training Grants	93.732		Direct	1,741	1,271,943
COVID-19 – HIV Emergency Relief Project Grants	93.914	Boston Public Health Commission	FY21 021664	—	(163)
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498			—	45,670,855
Health Resources and Services Administration Total				323,769	50,034,957
Office of Population Affairs:					
Family Planning Services	93.217	Action for Boston Community Development	00-549-2160	—	153,532
Office of Population Affairs Total				—	153,532
Substance Abuse and Mental Health Services Administration:					
Block Grants for Community Mental Health Services	93.958	Massachusetts Department of Mental Health	BD-22-1022-DMH08-8210C-66828	—	75,617
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829	Bay Cove Human Services	1H79SM083249-01	—	737,095
Opioid STR	93.788	American Academy of Addiction Psychiatry	1H79 TI083343-01	—	172,573
Opioid STR	93.788	Massachusetts Department of Mental Health	INTF2351M03W21006072	—	230,955
Opioid STR	93.788	Massachusetts Department of Mental Health	INTF2351M03W21006080	—	483,502
Opioid STR	93.788	Massachusetts Department of Public Health	INTF2351M03W19026065	—	(470)
Opioid STR	93.788	Massachusetts Department of Public Health	INTF2351M03W21006078	—	319,897
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	American Academy of Addiction Psychiatry	5H79TI081358-03	—	53,088
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	American Academy of Addiction Psychiatry	MFG-21-7	—	2,996
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	American Academy of Addiction Psychiatry	PCSSMAT19-27	—	108,004
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Boston Public Health Commission	3H79TI080338-03S1	—	32,796
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	University of California	1U79SM080030-01/9808sc	—	5,851
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		Direct	—	362,798
Assisted Outpatient Treatment	93.997	Massachusetts Trial Court	CT 0324 20215001073120213BMC	—	1,005,971
Substance Abuse and Mental Health Services Administration Total				—	3,590,673
Department of Health and Human Services Total				352,984	58,229,549
Department of Housing and Urban Development:					
Assistant Secretary for Community Planning and Development:					
COVID-19 – Emergency Solutions Grant Program	14.231	City of Boston	52055-21	—	79,019
Emergency Solutions Grant Program	14.231	Boston Department of Neighborhood Development	00000000000000000052245	—	120,894
Emergency Solutions Grant Program	14.231	Boston Department of Neighborhood Development	C-55021-22	—	13,372
COVID-19 – Emergency Solutions Grant Program	14.231	City of Boston	E-20-MW-25-0002	—	119,714
Assistant Secretary for Community Planning and Development Total				—	332,999
Department of Housing and Urban Development Total				—	332,999

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Supplementary Schedule of Expenditures of Federal Awards

September 30, 2022

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
Department of Justice:					
Department of Justice:					
Violence Against Women Formula Grants	16.588	Executive Office of Public Safety	SCEPSVAWA17BOSTONMED	$ —	110,505
Department of Justice Total				—	110,505
Office of Justice Programs:					
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA 2018-V2-GX-0064, VOCA 201	—	332,438
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA2016BMCICVRT000	—	789,042
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA2016BMCIDVP00000	—	244,429
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA2019BMCICWTV0000	—	318,130
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA2021BMCIDVP00000	—	31,461
Crime Victim Assistance	16.575	Massachusetts Trial Court		—	(213)
Office of Justice Programs Total				—	1,715,287
Department of Justice Total				—	1,825,792
Other Programs Total				357,029	60,629,336
Food Cluster:					
Agriculture, Department Of (USDA):					
Food and Nutrition Service:					
Emergency Food Assistance Program (Food Commodities)	10.569			—	99,684
Food and Nutrition Service Total				—	99,684
Agriculture, Department Of (USDA) Total				—	99,684
Food Cluster Total				—	99,684
Aging:					
Department of Health and Human Services:					
Administration for Community Living:					
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	City of Boston	00000000000000000051554	—	26,918
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	City of Boston	4B-20	—	825
Administration for Community Living Total				—	27,743
Department of Health and Human Services Total				—	27,743
Aging Total				—	27,743
Grand Total				$ 22,699,416	130,347,236

See accompanying notes to supplementary schedule of expenditure of federal awards.

Exhibit V

BMC HEALTH SYSTEM, INC.

Notes to the Supplementary Schedule of Expenditure of Federal Awards

Year ended September 30, 2022

(1) Basis of Presentation

The accompanying supplementary 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, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the 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 minims cost rate as described in Section 200.414 of the Uniform Guidance.

(4) Noncash Assistance

In 2022, $99,684 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.