



**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, 2024

(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 the Major Federal Program**

*Opinion on the 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 the Health System's major federal program for the year ended September 30, 2024. The Health System's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 the major federal program for the year ended September 30, 2024.

*Basis for Opinion on the 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 the 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,



## Exhibit I

*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.

### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-002 and 2024-003. Our opinion on the major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Health System's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Health System is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The Health System's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

### **Report on Internal Control Over Compliance**

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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



## Exhibit I

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-002 and 2024-003, to be significant deficiencies.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Health System's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Health System is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The Health System's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

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

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

We have audited the consolidated financial statements of the Health System as of and for the year ended September 30, 2024, and have issued our report thereon dated February 5, 2025, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*KPMG LLP*

Boston, Massachusetts  
June 27, 2025



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

**Exhibit II**

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

The Board of Trustees  
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, 2024, 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 February 5, 2025.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001, that we consider to be a significant deficiency.

**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*.



## Exhibit II

### Health System's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Health System's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Health System's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

### 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  
February 5, 2025

**BMC HEALTH SYSTEM, INC.**  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2024

**(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)?   X   Yes \_\_\_\_\_ No

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)?   X   Yes \_\_\_\_\_ No

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

Unmodified

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

  X   Yes \_\_\_\_\_ No

Identification of the major program:

<b>Program title</b>	<b>Assistance listing number (ALN)</b>
Research and Development Cluster (R&D)	Various

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

\$2,427,216

Auditee qualified as low-risk auditee:

  X   Yes \_\_\_\_\_ No



**BMC HEALTH SYSTEM, INC.**  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2024

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

**Finding No.: 2024-001 Infor User Access Review**

***Condition***

The Health System utilizes Infor, a cloud-based system, as the entity's general ledger. The Health System's management of Infor includes maintaining the application system layer of the IT control environment and relies on the Infor vendor to support infrastructure layers through SOC 1 reporting.

During our test work, we observed the Health System had not fully implemented a process to perform and document an Infor user access review (UAR) during the fiscal year.

We deemed this to be a significant deficiency in internal controls.

***Criteria***

The Committee of Sponsoring Organizations (COSO) principle 10 states that the organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

***Cause***

The Health System's efforts to design and implement a UAR control process commenced late in fiscal year 2024 and the ongoing efforts were not complete as of September 30, 2024.

***Possible Asserted Effect***

Failure to have a reliable general IT control environment over logical access may result in unauthorized changes being made to Infor, which may result in erroneous reliance on the operating effectiveness of automated IT controls.

***Recommendation***

We recommend management continue to design the UAR control for Infor in accordance with the Health System policies and fully implement the control, once designed.

***Views of Responsible Officials***

Management agrees with the recommendation. Management anticipates the effort to fully implement the UAR process will be complete in fiscal year 2025.

**(3) Findings and Questioned Costs Relating to Federal Award**

**Finding No.: 2024-002 – Subrecipient Monitoring**

**Federal Agency:** United States Department of Health and Human Services (HHS)

**Program Name:** Research and Development Cluster

**BMC HEALTH SYSTEM, INC.**  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2024

**ALN Number:** Various

**Federal Award Year:** Various

***Criteria***

In accordance with 2 CFR 200.332, a pass-through entity (PTE) must:

- a. Ensure that every subaward is clearly identified to the subrecipient as a subaward and included the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(xii) Assistance Listing number (ALN) and Title; the pass-through entity must identify the dollar amount made available under each Federal award and the ALN at time of disbursement (2 CFR section 200.332xxi)

- b. Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

The subrecipient's prior experience with the same or similar subawards;

- (1) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F of this part, and the extent to which the same or similar subaward has been audited as a major program;
- (2) Whether the subrecipient has new personnel or new substantially changed systems; and
- (3) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

Additionally, 45 CFR section 75 303(a) states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

***Condition***

When subawards are made to subrecipients, the pass-through entities are required to communicate the dollar amount made available under each Federal award and the Assistance Listings Number (ALN) at time of disbursement. The Health System does not have system in place to provide the ALN at the time of disbursement of funds.

During the year ended September 30, 2024, the Health System passed through \$15,600,763 of federal funding to subrecipients. In order to assess the subrecipient's risk of non-compliance, The Health System

**BMC HEALTH SYSTEM, INC.**  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2024

has subrecipient monitoring policies and procedures in place which include the use of a risk assessment questionnaire. The risk assessment questionnaire includes considerations consistent with 2 CFR 200.332(b), including the entity's prior experience and results of Uniform Guidance Audits, in addition to other factors. As part of our testing related subrecipient monitoring, we identified that for each of the 10 subrecipients selected for testwork, the Health System did not perform a risk assessment of the entity for purposes of determining the appropriate subrecipient monitoring related to the subaward. However, for these subrecipients, The Health System did perform monitoring procedures, including review of invoices for reimbursement, review of Research Performance Progress Reports, and review of Uniform Guidance Audit reports.

***Cause***

The condition found was primarily due to the monitoring procedures implemented by the Health System do not include a review to ensure that a risk assessment is performed for each active subrecipient, and the Health System does not have a mechanism in place to provide the ALN at the time of disbursement of funds to the subrecipient. The Health System has put efforts into the design and implement a risk assessment control process which commenced late in fiscal year 2024 and the ongoing efforts were not complete as of September 30, 2024.

***Possible Asserted Effect***

Failure to perform an annual risk assessment to determine appropriate subrecipient monitoring procedures may result in insufficient monitoring procedures being performed to detect subrecipient noncompliance with Federal statutes, regulations, and the terms and conditions of the award.

Failure to adequately communicate award identification information could result in the subrecipient not being able to adequately track and report the subawards received resulting in errors being reported on the schedule of expenditures of federal awards within a subrecipient's annual single audit report and not being able to comply with required terms and conditions of the federal award.

***Questioned Costs***

None.

***Statistical Sampling***

The sample was not intended to be, and was not, a statistically valid sample.

***Repeat Finding***

Yes.

***Recommendation***

We recommend management continue to fully implement the designed policies, procedures, and internal controls to ensure subrecipient risk assessments are performed for each subrecipient to determine the appropriate subrecipient monitoring is performed in accordance with 45 CFR 75.352(d) and 45 CFR 75.352(e).

**BMC HEALTH SYSTEM, INC.**  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2024

**Views of Responsible Officials**

Recommendation accepted. Please refer to corrective action plan.

**Finding No.:** 2024-003 – IT General Control Environment

**Federal Agency:** United States Department of Health and Human Services (HHS)

**Federal Program:** Research & Development

**ALN Number:** Various

**Federal Award Years:** Various

**Criteria***Internal Controls*

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, (2 CFR 200) section 200.303(a) states, the non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition**

The Health System utilizes Workday, a cloud-based system, to provide human resources and payroll applications. The Health System’s management of Workday includes maintaining the application system layer of the information technology (IT) control environment. The Health System relies on the Workday vendor to support infrastructure layers through Service Organization Control (SOC) Type-1 reporting. Processes that support compliance and administration of the R&D program rely on Workday IT application controls.

The Health System's management of Infor includes maintaining the application system layer of the IT control environment. The Health System relies on the Info vendor to support infrastructure layers through SOC 1 reporting. Processes that support compliance and administration of the R&D program rely on Infor IT application control.

During our testing, we observed there were no inappropriate changes to the Workday and Infor application controls directly related to specific controls over compliance related to the R&D program, however we noted the following deficiencies in operating effectiveness of the Health System’s general IT controls environment:

- 1) The Health System performed and documented a Workday change review during the fiscal year; however, the supporting document did not include sufficient appropriate evidence demonstrating such

**BMC HEALTH SYSTEM, INC.**

## Schedule of Findings and Questioned Costs

Year ended September 30, 2024

review. Specifically, management maintained an Excel spreadsheet that noted the changes to the business process definitions were appropriate; however, there were no screenshots to document the completeness and accuracy of the report from the system, or evidence of the sign-off by the reviewer. Additionally, we noted appropriate evidence of testing and/or approval was not maintained for 4 of 25 sampled changes during the period.

- 2) The Health System performed a Workday User Access Review (UAR) during the fiscal year and maintained certain evidence demonstrating the UAR occurred, including required access updates; however, the Health System did not maintain specific evidence that all users were reviewed, approved and updated where necessary (i.e. evidence of the completeness & accuracy for pre- and post-user listing was not available).
- 3) With respect to our access removal testing, we noted that the Health System implemented automated controls to remove terminated user access in both Workday and Infor, following processing in Workday. We also tested a sample of 25 terminated users to determine whether their access was removed timely and noted that 9 of the sampled users were not removed timely prior to processing in Workday.

***Cause***

The conditions above relate to the following, respectively:

- 1) The condition occurred because the Health System did not formally define the procedures to establish requirements for the change review, including retaining evidence of the completeness and accuracy of the review. Additionally, management does not have a centralized process for maintaining evidence of testing and approval for changes.
- 2) The condition occurred because the Health System did not formally define the procedures to document a complete and accurate UAR.
- 3) The exception occurred due to delays in supervisors' timely reporting of terminations.

***Possible Asserted Effect***

Failure to have a reliable general IT control environment over logical access and change management may result in unauthorized changes being made to Workday, which may result in erroneous reliance on the operating effectiveness of automated IT controls, over allowability. Failure to have effective internal controls over allowability may result in federal awards being utilized for unallowable expenditures not in accordance with the federal statutes, regulations, and terms and conditions of federal awards.

**Questioned Costs**

None.

***Statistical Sampling***

The sample was not intended to be, and was not, a statistically valid sample.

**BMC HEALTH SYSTEM, INC.**  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2024

***Repeat Finding***

Yes.

***Recommendation***

We recommend that management review and emphasize the change management policies and procedures with key personnel to help ensure that the Workday change review is performed to address change management risks for the system. In addition, we recommend that evidence related to the review, as well as the testing and approval of changes is maintained.

Additionally, we recommend that management maintain documentation of the completeness and accuracy of the user access review to ensure that all users are reviewed, approved, and corrective actions taken.

***Views of Responsible Officials***

Recommendation accepted. Please refer to corrective action plan.



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**Exhibit IV**

## **Independent Auditors' Report**

The Board of Trustees  
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, 2024 and 2023, 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 consolidated financial position of the Health System as of September 30, 2024 and 2023, and the results of its operations, the changes in its net assets, 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.



## Exhibit IV

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.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2025 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  
February 5, 2025



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

## Consolidated Balance Sheets

September 30, 2024 and 2023  
(In thousands)

<b>Assets</b>	<b>2024</b>	<b>2023</b>
Current assets:		
Cash and cash equivalents	\$ 651,092	1,335,273
Patients accounts receivable, net	189,652	124,662
Other accounts receivable, net	409,882	343,393
Current portion of grants receivable	30,560	20,779
Estimated receivable for third-party settlements	2,432	690
Inventories	29,208	27,929
Prepaid expenses and other current assets	54,234	53,772
Risk share receivable	230,781	1,265
Current portion of funds held by trustees	53,959	78,495
Total current assets	1,651,800	1,986,258
Assets limited as to use:		
Board-designated investments	375,104	322,261
Funds held by trustees	60,738	118,116
Donor-restricted investments	418,090	362,303
Reserve funds	118,778	113,434
Total assets limited as to use	972,710	916,114
Other assets:		
Long-term investments	951,710	372,520
Property, plant and equipment, net	1,055,363	1,020,427
Right of use assets – operating	107,259	96,250
Right of use assets – financing	8,917	7,818
Other noncurrent assets	45,044	40,802
Total assets	\$ 4,792,803	4,440,189
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 634,642	567,656
Claims payable	306,944	295,569
Deferred revenue and advances	108,600	28,221
Risk share payable	342,277	380,563
Line of credit	9,820	—
Current portion of long-term debt and financing leases	8,562	13,341
Other current liabilities	34,862	31,653
Total current liabilities	1,445,707	1,317,003
Long-term liabilities:		
Estimated third-party settlements	41,592	37,742
Obligations under financing leases	7,685	1,204
Obligations under operating leases	97,243	87,037
Long-term debt	792,357	801,555
Other long-term liabilities	192,605	172,035
Total liabilities	2,577,189	2,416,576
Commitments and contingencies		
Net assets:		
Without donor restrictions	1,811,252	1,665,684
With donor restrictions	404,362	357,929
Total net assets	2,215,614	2,023,613
Total liabilities and net assets	\$ 4,792,803	4,440,189

See accompanying notes to consolidated financial statements.

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

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

Years ended September 30, 2024 and 2023

(In thousands)

	<u>2024</u>	<u>2023</u>
Operating revenue:		
Net patient service revenue	\$ 1,423,215	1,314,426
Capitation revenue	5,140,397	4,103,195
Grants and contract revenue	122,975	145,658
Other revenue	546,897	470,034
Net assets released from restrictions for operations	<u>36,598</u>	<u>29,330</u>
Total operating revenue	<u>7,270,082</u>	<u>6,062,643</u>
Operating expenses:		
Salaries, wages and fringe benefits	1,652,721	1,513,042
Medical costs, supplies and other expenses	5,462,974	4,305,408
Depreciation and amortization	116,296	110,852
Interest expense	23,046	22,701
Research, sponsored programs and community health services	<u>96,384</u>	<u>107,539</u>
Total operating expenses	<u>7,351,421</u>	<u>6,059,542</u>
(Loss) income from operations	<u>(81,339)</u>	<u>3,101</u>
Nonoperating gains (losses), net:		
Investment income	220,378	99,038
Pension benefit, nonservice	(26)	(856)
Other	<u>(29)</u>	<u>2,477</u>
Total nonoperating gains, net	<u>220,323</u>	<u>100,659</u>
Excess of revenue over expenses	<u>138,984</u>	<u>103,760</u>
Income taxes:		
Income tax expense	<u>(1,269)</u>	<u>(3,017)</u>
Total income tax expense	<u>(1,269)</u>	<u>(3,017)</u>
Excess of revenue over expenses, net of income taxes	137,715	100,743
Other changes in net assets without donor restrictions:		
Net assets released from restrictions for property, plant and equipment	4,332	20,578
Pension related changes other than net periodic pension costs	<u>3,521</u>	<u>5,447</u>
Change in net assets without donor restrictions	145,568	126,768
Net assets without donor restrictions:		
Beginning of year	<u>1,665,684</u>	<u>1,538,916</u>
End of year	<u>\$ 1,811,252</u>	<u>1,665,684</u>

See accompanying notes to consolidated financial statements.

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

## Consolidated Statements of Changes in Net Assets

Years ended September 30, 2024 and 2023  
(In thousands)

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Net assets as of September 30, 2022	\$ 1,538,916	346,226	1,885,142
Increases (decreases) in net assets:			
Excess of revenues over expenses	100,743	—	100,743
Investment income	—	7,510	7,510
Change in net unrealized appreciation on investments	—	34,039	34,039
Contribution revenue	—	20,062	20,062
Net assets released from restrictions for operations	—	(29,330)	(29,330)
Net assets released from restrictions for property, plant and equipment	20,578	(20,578)	—
Pension related changes other than net periodic pension costs	5,447	—	5,447
Total increase in net assets	126,768	11,703	138,471
Net assets as of September 30, 2023	1,665,684	357,929	2,023,613
Increases (decreases) in net assets:			
Excess of revenues over expenses	137,715	—	137,715
Investment income	—	14,534	14,534
Change in net unrealized appreciation on investments	—	51,902	51,902
Contribution revenue	—	20,927	20,927
Net assets released from restrictions for operations	—	(36,598)	(36,598)
Net assets released from restrictions for property, plant and equipment	4,332	(4,332)	—
Pension related changes other than net periodic pension costs	3,521	—	3,521
Total increase in net assets	145,568	46,433	192,001
Net assets as of September 30, 2024	\$ 1,811,252	404,362	2,215,614

See accompanying notes to consolidated financial statements.

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

## Consolidated Statements of Cash Flows

Years ended September 30, 2024 and 2023  
(In thousands)

	<u>2024</u>	<u>2023</u>
Operating activities:		
Change in net assets	\$ 192,001	138,471
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	116,296	110,852
Restricted contributions	(2,572)	2,288
Donated securities received	(804)	(2,332)
Return on investment of joint venture	7,578	574
Amortization of bond discount/premium and issuance costs	(1,578)	(4,194)
Loss on disposal of property and equipment	5,158	—
Net realized gains and change in unrealized appreciation on investments	(202,845)	(71,800)
Pension related changes other than net periodic pension costs	(3,521)	(5,447)
Changes in operating assets and liabilities:		
Grants receivable	(9,781)	9,861
Patient accounts receivable	(64,990)	(2,167)
Other current assets and liabilities	11,042	(190,613)
Other noncurrent assets and liabilities	16,216	(1,099)
Estimated third-party settlements	2,108	(19,417)
Risk share payable	(267,802)	(66,776)
Claims payable	11,375	95,352
Accounts payable and accrued expenses	61,524	203,595
Net cash (used in) provided by operating activities	<u>(130,595)</u>	<u>197,148</u>
Investing activities:		
Proceeds from sale of investments	856,033	558,243
Proceeds from sale of funds held by trustees	141,764	140,220
Purchases of investments	(1,347,129)	(423,305)
Purchases of funds held by trustees	(59,073)	(296,266)
Purchase of property, plant and equipment	(150,294)	(141,527)
Other investing activities	—	(206)
Net cash used in investing activities	<u>(558,699)</u>	<u>(162,841)</u>
Financing activities:		
Debt issuance costs	—	(1,453)
Proceeds from restricted contributions	2,572	(2,288)
Proceeds from sale of donated securities	804	2,332
Borrowings under line of credit	112,782	73,490
Repayments on line of credit	(102,962)	(73,490)
Proceeds from debt issuance Series G	—	241,124
Repayment of long-term debt and financing leases	(8,083)	(29,119)
Net cash provided by financing activities	<u>5,113</u>	<u>210,596</u>
(Decrease) increase in cash and cash equivalents	(684,181)	244,903
Cash and cash equivalents:		
Beginning of year	1,335,273	1,090,370
End of year	<u>\$ 651,092</u>	<u>1,335,273</u>
Supplemental disclosure of cash flow activities:		
Cash paid for interest	\$ 23,347	26,761
Property, plant and equipment included in accounts payable	18,203	12,741
Contributed securities	804	2,332
Gift in-kind	500	500

See accompanying notes to consolidated financial statements.

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

**(1) Organization**

BMC Health System, Inc. (the Health System) is a tax-exempt, nonprofit Massachusetts (MA) corporation that oversees the operations of Boston Medical Center Corporation (BMC), Boston Medical Center Health Plan, Inc., doing business as WellSense Health Plan (WellSense), and various subsidiaries, affiliates and associated services. The Health System was organized effective July 1, 2013.

The consolidated financial statements of the Health System and its subsidiaries and affiliates (BMCHS) include BMC, 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, 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), Clearway Health, LLC (Clearway), BMC Community Hospital Corporation, doing business as Good Samaritan Medical Center (GSMC) and BMC Community Hospital Corporation II, doing business as St. Elizabeth's Medical Center (SEMC). See note 21. The Health System and each of the subsidiary and affiliated organizations have fiscal years ending September 30, except BUMG, which has a fiscal year ending June 30. Effective October 1, 2024, BUMG will be changing its fiscal year to September 30 to align with the rest of BMCHS. See note 21 for further discussion around this fiscal year-end change.

BMC, successor to the former Boston City Hospital (BCH) and the former University Hospital, Inc., was incorporated on July 1, 1996. BMC is a tax-exempt, nonprofit Massachusetts corporation that provides hospital and other health care services, promotes and carries on educational and research activities, and promotes the general health and welfare of the community. The Health System is BMC's sole corporate member.

WellSense is a tax-exempt, nonprofit Massachusetts corporation established on July 1, 1997, which is licensed as a health maintenance organization (HMO) in Massachusetts and New Hampshire. The Health System is WellSense's sole corporate member.

Since October 2017, WellSense has contracted with the Massachusetts Executive Office of Health and Human Services (EOHHS) as one of two managed care organizations (MCOs) serving the Massachusetts MCO Program. Since August 2017, WellSense has contracted with EOHHS to serve as an Accountable Care Partnership Plan (ACPP). Effective April 1, 2023, WellSense has entered into contracts with EOHHS to serve as an ACPP for its affiliate BACO and seven other Accountable Care Organization (ACO) partners. To support these ACPPs, the Health System and each of the eight ACO partners entered into agreements defining the roles and responsibilities of their ACO partnerships.

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) 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 (NH) Medicaid program, and, as of January 1, 2022, WellSense also offers a Medicare Advantage plan in New Hampshire. Beginning on

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

January 1, 2025, WellSense will also offer individual commercial coverage in New Hampshire through the federally-facilitated marketplace.

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, operate exclusively for the benefit of BMC and Boston University Chobanian & Avedisian School of Medicine (Chobanian & Avedisian School) (collectively, the Institutions). The Plans provide, coordinate, and facilitate the delivery of patient care services and 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. Faculty must approve the Plans' annual operating budgets, physician compensation plans, and managed care contracts. BUMG's June 30, 2024 and 2023 combined financial statements are consolidated into BMCHS. BMC and Boston University (BU) are Faculty's corporate members.

BMCIC provides professional, general, and employment practices liability insurance to BMCHS, including BMC 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 BMC and 30% by Faculty. BMCIC is reflected as a consolidated subsidiary of BMC in the accompanying supplemental consolidating 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 BMCHS and, effective September 14, 2018, became a dormant captive insurance company.

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. BMC is BUAP's sole corporate member, and BUAP changed its name to "BMC Affiliated Physicians, Inc." effective October 17, 2024.

BMCISS 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 BMC, BUMG, and some community health centers. BMC is BMCISS' sole corporate member.

BACO, incorporated on February 26, 2015, is a tax-exempt, nonprofit Massachusetts corporation formed to improve the healthcare of the populations that BMC, BUMG physicians, and community health centers serve. BACO is designed to better manage all aspects of healthcare, integrating the resources of BMC, 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 comprised 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 comprised 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.

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

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

GSMC is a nonprofit Massachusetts corporation established on August 14, 2024 to acquire certain assets and liabilities of Good Samaritan Medical Center from Steward Good Samaritan Medical Center, Inc. GSMC has applied for recognition by the Internal Revenue Service of tax-exempt status, and the Health System is GSMC's sole corporate member. See note 21 for a discussion of the acquisition of Good Samaritan Medical Center (the acquisition took place on October 1, 2024, and is a subsequent event to these consolidated financial statements).

SEMC is a nonprofit Massachusetts corporation established on September 4, 2024, to acquire certain assets and liabilities of St. Elizabeth's Medical Center from Steward St. Elizabeth's Medical Center of Boston, Inc. SEMC has applied for recognition by the Internal Revenue Service of tax-exempt status, and the Health System is SEMC's sole corporate member. See note 21 for a discussion of the acquisition of St. Elizabeth's Medical Center (the acquisition was effective on October 1, 2024, and is a subsequent event to these consolidated financial statements).

The financial data for the Health System, BUAP, BMCICS, BACO, GSMC and SEMC 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 BMCHS include the accounts of the Health System, BMC, WellSense, Faculty, BMCIC, BMCIC of Vermont, BUAP, BMCICS, BACO, Clearway, GSMC and SEMC. All significant intercompany accounts and transactions have been eliminated in consolidation.

**(b) Use of Estimates**

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

**(c) 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. BMCHS maintained its cash and cash equivalent accounts at thirteen institutions at both September 30, 2024 and 2023. BMCHS monitors the credit worthiness of the institutions and has put measures in place to minimize credit risk, 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.

**(d) Short-term Investments**

Short-term investments include certain investments in mutual funds and money market mutual funds that BMCHS intended for operations within a year. For the purpose of the consolidated statements of cash flows, BMCHS considers the money market mutual funds as investments.

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

**(e) 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. Certain investments that do not have readily determinable fair values, including private investment funds, are measured at their reported net asset value (NAV), as a practical expedient. Investment income or loss (including realized gains and losses on investments, interest and dividends) for all investments 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 donor restricted class of net assets.

**(f) 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 endowments and other donor restricted net assets.

**(g) Property, Plant and Equipment**

Property, plant and equipment and other long-lived asset 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 finance leases, is provided using the straight-line method over the estimated useful lives of the respective assets consistent with U.S. GAAP and the guidance published by the American Hospital Association which is generally between 3 and 45 years. Land is not depreciated. In the case of assets held under finance leases, depreciation and amortization is recognized over the shorter of the asset life or the term of the lease. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized and amortized over the useful life, or in the case of leased assets, the term of the lease, whichever is shorter. 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 consolidated 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.

**(h) Assessment of Long-Lived Assets**

BMCHS 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 for the years ended September 30, 2024 and 2023.

**(i) Inventories**

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



**(j) Deferred Revenue and Advances**

Deferred revenue and advances consists primarily of amounts received in advance of the contract period or conditional grants or other contributions 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 \$103,045,000 and \$16,344,000 as of September 30, 2024 and 2023, respectively, which includes \$77,000,000 received in 2024 from the Commonwealth related to the anticipated acquisition and operations of GSMC and SEMC.

**(k) Health Care Cost Recognition and Claims Payable**

The delivery network for WellSense consists of BMC 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 as well as a primary care capitation payment model. It also 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 liability for claims payable represents known but unpaid claims and the anticipated cost of claims incurred but unpaid at the balance sheet date. The liability for incurred but unpaid 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 estimates for claims payable may be more or less than the amounts ultimately paid when claims are settled. 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.

Claims payable include amounts billed and not paid as well as an estimate of costs incurred for unbilled services provided as of the statement of financial position date. The actual amount of required reserves and liabilities are determined after a passage of time and the outstanding healthcare cost liability estimates are calculated using historical paid claim data. The estimates are developed for each business line. Historical completion ratios for each business line are calculated for each incurred month. Averages of completion ratios are used to estimate the necessary claim reserves by incurred month. For recent incurred months, reserve estimates are developed by reviewing historical completion factors, estimated loss ratios, and estimated per member per month claim costs and premium rates per member.

The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined. The reserving process has evolved over the course of the COVID-19 pandemic years to accommodate the continuously changing circumstances. It has also evolved with the growth of its MassHealth Medicaid business in 2023. WellSense has developed various monitoring reports and tracking tools to assist with the reserving process. Since the COVID-19 public health emergency ended in May 2023, WellSense continues to monitor the recast results from January 2021 through current periods and the impact of acuity changes due to Medicaid redeterminations. WellSense has adjusted its claim reserves accordingly based on the most updated data points and claim trend.

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

**(l) 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, 2024 and 2023, WellSense recorded \$11,526,000 and \$4,030,000 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 Medicare lines of business.

**(m) Leases**

BMCHS accounts for leases in accordance with ASC Topic 842, *Leases*. BMCHS determines if an arrangement is or contains a lease at contract inception. BMCHS 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.

BMCHS 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. BMCHS often 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, in which case BMCHS uses its incremental borrowing rate as the discount rate for the lease. BMCHS'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 BMCHS does not generally borrow on a collateralized basis, it obtains quotes from its banking partner for collateralized borrowing rates or considers observable market 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 BMCHS has an option to extend that BMCHS 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 BMCHS or BMCHS 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.

BMCHS does not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. BMCHS recognizes the lease payments associated with its short-term leases as an expense as incurred.

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

**(n) Affordable Care Act Reserves**

The Affordable Care Act (ACA) 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; and 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, 2024 – July 31, 2024 completed for calendar year 2024.

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 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, 2024 – July 31, 2024 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, 2024 and 2023. The estimated amount WellSense owes relating to this program as of September 30, 2024 and 2023 is \$54,879,000 and \$31,547,000, respectively, which is included in the accounts payable and accrued expenses line in the accompanying consolidated balance sheets.

WellSense recorded an estimated payable for Cost Sharing Reduction (CSR) due to both CMS and the Massachusetts Health Connector for CSR as of September 30, 2024 and 2023 of \$8,180,000 and \$10,824,000, respectively, which is included in the accounts payable and accrued expenses line in the accompanying consolidated balance sheets.

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

**(o) 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 are:

- Without donor restriction – Net assets that are not subject to donor stipulations restricting their use but may be designated for specific purposes by BMCHS or may be limited by contractual agreements with outside parties.
- With donor restrictions – Net assets with donor restrictions include 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.

**(p) Contributions and Grants**

Contributions and grants received, including unconditional promises to give cash or other assets to BMCHS, are recognized as revenue generally in the period received, at fair value. Conditional contributions, grants or promises to give, which include either 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. BMCHS recognizes indirect revenue at provisional rates, which are subject to audit, for certain U.S. government grants and contracts and negotiated rates for other grants and similar grant-based contracts.

**(q) Professional Liability Insurance Program**

BMC and BUMG maintain medical malpractice insurance on a modified claims-made basis for residents, interns and physicians, and BMC, BUMG, and their employees. Significantly all of this medical malpractice insurance is provided by BMCIC. BMCIC insurance contracts with BMC and

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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 BMCHS consolidated financial statements, intercompany related balances are eliminated and a liability for professional liabilities, and general and excess professional liabilities, is actuarially developed based on past experience, industry loss and trend factors and includes a provision for incurred but not reported claims, all of which is discounted at 4% at a 70% confidence level and is recorded as an other long-term liability.

**(r) Self-Insurance Reserves**

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

**(s) Statements of Operations**

All activities of BMCHS deemed by management to be ongoing or central to the provision of health care services, medical coverage, 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 include a performance indicator, the excess (deficiency) of revenues over expenses. Other changes in net assets without donor restrictions which, consistent with U.S. GAAP, are excluded from the determination of excess (deficiency) of revenues over expenses, include the cumulative effect of changes in accounting principles, contributions of long-lived assets (including assets acquired using contributions which by donor restriction are to be used for the purposes of acquiring the assets), and pension related changes other than net periodic pension costs.

**(t) Net Patient Service Revenue**

Net patient service revenue is reported at the amount that reflects the consideration that BMCHS expects to be entitled to in exchange for providing patient care in accordance with ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606). Generally, BMCHS 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 BMCHS. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. BMCHS believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Health System receiving inpatient acute care services. BMCHS measures the performance obligation from admission into BMCHS 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

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obligations satisfied at a point in time is recognized when goods or services are provided and BMCHS 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, BMCHS 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.

BMCHS utilizes the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. BMCHS 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, BMCHS 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. BMCHS 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 2024 or 2023.

BMCHS 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 BMCHS for services rendered to patients covered by these programs. Summaries of significant payment arrangements are:

(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, although rates between BMC and those plans are separately negotiated and not necessarily the same as Medicare's.

(ii) *Medicaid*

MassHealth uses a prospective payment system for acute hospital services provided to Medicaid beneficiaries. MassHealth pays BMCHS an adjudicated amount per discharge for inpatient services. MassHealth uses an outpatient methodology of payment based on Enhanced Ambulatory

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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*

BMCHS is partially reimbursed for uncompensated care services, defined as charity care and bad debt associated with emergency services, through the Commonwealth's statewide Health Safety Net. Following the merger of BCH and University Hospital, Inc., on July 1, 1996, BMCHS 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, BMCHS 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. BMCHS believes it is in compliance with applicable laws and regulations governing the Medicare and Medicaid programs and that it has made adequate provisions for any adjustments that may result from final settlements.

In addition 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, BMCHS 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 BMCHS 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.

BMCHS 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. BMCHS has classified a portion of the accrual for settlements with third-party payors as short-term liabilities because they are expected to be paid in the next twelve months. BMCHS 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.

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During fiscal year 2024 and 2023, BMC recognized net patient service revenue settlements related to Medicare, Medicaid, WellSense, Blue Cross and other payors related to prior years of approximately \$15,083,000 and \$(276,000), respectively.

**(u) Charity and Uncompensated Care**

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

BMCHS provided free care of \$154,109,000 and \$137,153,000 in 2024 and 2023, 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 enroll in an affordable insurance product offered either by their employer or the Connector Care or face financial penalties. Many of BMC'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. BMC's assessment and contribution into the pool was \$5,686,000 in 2024 and \$6,411,000 in 2023 which is included in medical costs, supplies and other expenses. The total amount recognized by BMC through the Health Safety Net, net of program shortfall allocations, was \$110,362,000 in 2024 and \$91,123,000 in 2023 which is included in net patient service revenue. These receipts cover services for medical, professional, dental and retail pharmacy services. BUMG's Health Safety Net receipts under this program amounted to \$9,932,000 and \$8,393,000 for the years ended September 30, 2024 and 2023, respectively.

Massachusetts Health Safety Net assessment, which is a surcharge on certain WellSense 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, 2024 and 2023, WellSense recognized expense of \$28,275,000 and \$22,722,000, 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.

**(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 is recognized when earned but paid in arrears.



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Capitation rates are adjusted for WellSense average acuity relative to the market. As such, estimates are recorded to either increase or decrease capitation revenue based on quarterly risk score simulations received from MassHealth. Capitation rate adjustments amounted to \$(16,361,000) and \$(51,822,000) for the years September 30, 2024 and 2023 respectively, and flowed through the capitation revenue line of the consolidated statements of operations and changes in net assets without donor restrictions. A capitation rate adjustment liability of \$(74,454,000) and \$(58,093,000) as of September 30, 2024 and 2023, respectively, is included in accounts payable and accrued expenses in the consolidated balance sheet.

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 \$115,259,000 and \$390,933,000 as of September 30, 2024 and 2023, respectively. Net amounts due from CMS amounted to approximately \$2,606,000 and \$2,541,000 as of September 30, 2024 and 2023, respectively. Net amounts due from New Hampshire amounted to approximately \$78,696,000 and \$42,485,000 as of September 30, 2024 and 2023, respectively. Risk sharing related receivables are recorded as other accounts receivable, net in the consolidated balance sheets (see note 6 and 14) and risk sharing payables are recorded in the accounts payable and accrued expenses 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) Other Noncurrent Assets**

Other noncurrent assets primarily consist of investments in joint ventures and long-term pledges. The joint ventures are recorded using the equity method of accounting.

**(y) Income Taxes**

The Health System, BMC, WellSense, Faculty and the Plans, BMCIC of Vermont, BUAP, BMCICS and BACO, are all nonprofit corporations that have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC). GSMC and SEMC are nonprofit corporations and each has applied for IRS recognition of tax-exempt status. Clearway is considered a disregarded entity of BMCHS for tax purposes and all taxable activities of Clearway are attributed to and reported at BMCHS. All contract related revenue and expense are recorded at BMC and evaluated for unrelated business income tax (UBIT).

BMCHS recognizes income tax positions when it is more likely than not that the position will be sustainable based on the merits of the position. Management has concluded that there are no material uncertain tax positions that need to be recorded as of September 30, 2024 and 2023. BMCHS annually assesses whether it must recognize UBIT expense. The amounts recognized as UBIT expense were

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not material to BMCHS's consolidated operations or changes in net assets for the years ended September 30, 2024 and 2023.

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 related to BMCIC has been made in the accompanying consolidated financial statements.

**(z) Reclassifications**

Certain amounts previously reported in the 2023 consolidated financial statements have been reclassified to conform to the 2024 consolidated financial statement 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:

	2024		2023	
	At fair value	Cost	At fair value	Cost
(In thousands)				
Investments and assets limited as to use:				
Cash and cash equivalents	\$ 11,094	11,094	18,925	18,923
Bonds and U.S. Treasury notes	646,524	638,213	289,825	322,656
Private investment funds	689,170	540,845	512,283	469,218
Mutual funds	103,645	107,566	77,075	88,304
Marketable equity securities	94,813	72,771	95,828	85,376
Money market mutual funds	2,174	2,174	2,115	2,115
Asset-backed securities	233,129	231,920	99,283	107,418
Private debt and equity	83,133	72,521	75,184	67,844
Total	1,863,682	1,677,104	1,170,518	1,161,854
Funds held by trustees	114,697	114,606	196,611	197,471
	<u>\$ 1,978,379</u>	<u>1,791,710</u>	<u>1,367,129</u>	<u>1,359,325</u>

Included in private investment funds are alternative investment vehicles, which include commingled funds, with an estimated fair value of approximately \$689,170,000 and \$512,283,000 as of September 30, 2024 and 2023, respectively.

WellSense is required by its contract with MassHealth to maintain a deposit account with the Commonwealth for reserve purposes. The cash reserves were \$1,174,000 and \$1,115,000 as of September 30, 2024 and 2023, respectively, and are included in assets whose use is limited.

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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, 2024 and 2023, respectively.

Total return on BMCHS'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:

	<u>2024</u>	<u>2023</u>
	(In thousands)	
Net assets without donor restrictions:		
Dividends and interest	\$ 86,739	55,550
Net realized gains on investments	12,774	17,395
Change in net unrealized appreciation on investments	<u>120,865</u>	<u>26,093</u>
Nonoperating activity	<u>220,378</u>	<u>99,038</u>
Net assets with donor restrictions:		
Dividends and interest	4,765	5,993
Net realized gains on investments	9,769	1,517
Change in net unrealized appreciation on investments	<u>51,902</u>	<u>34,039</u>
	<u>66,436</u>	<u>41,549</u>
	<u>\$ 286,814</u>	<u>140,587</u>

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

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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.

The following describes the hierarchy of inputs BMCHS 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. BMCHS 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 BMCHS'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 (Level 2).

As of September 30, 2024 and 2023, BMCHS 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 investments are determined to have a readily determinable fair value (RDFV), and from time to time, other 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 included under 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, BMCHS is permitted, as a practical expedient under U.S. GAAP, to estimate the fair value of the investment based on the NAV based on BMCHS's ownership share or units held.

BMCHS believes that these valuations are a reasonable estimate of fair value as of September 30, 2024 and 2023, 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. BMCHS has the ability to liquidate its investments periodically in accordance with the provisions of the respective fund agreements.

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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, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net asset value</u>	<u>Total</u>
	(In thousands)				
Investments:					
Cash and cash equivalents	\$ 11,094	—	—	—	11,094
Bonds and U.S. Treasury notes	216,942	429,582	—	—	646,524
Private investment funds	293,330	116,104	—	279,736	689,170
Mutual funds	103,645	—	—	—	103,645
Marketable equity securities	94,813	—	—	—	94,813
Money market mutual funds	2,174	—	—	—	2,174
Asset-backed securities	—	233,129	—	—	233,129
Private debt and equity	—	—	—	83,133	83,133
	<u>\$ 721,998</u>	<u>778,815</u>	<u>—</u>	<u>362,869</u>	<u>1,863,682</u>
Funds held by trustee:					
U.S. government securities/GIC agreements	\$ 16,171	—	—	—	16,171
Money market mutual funds	<u>98,526</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>98,526</u>
	<u>\$ 114,697</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>114,697</u>

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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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net asset value</u>	<u>Total</u>
	(In thousands)				
Investments:					
Cash and cash equivalents	\$ 18,925	—	—	—	18,925
Bonds and U.S. Treasury notes	70,985	218,840	—	—	289,825
Private investment funds	219,997	110,819	—	181,467	512,283
Mutual funds	77,075	—	—	—	77,075
Marketable equity securities	95,366	462	—	—	95,828
Money market mutual funds	2,115	—	—	—	2,115
Asset-backed securities	—	99,283	—	—	99,283
Private debt and equity	—	—	—	75,184	75,184
	<u>\$ 484,463</u>	<u>429,404</u>	<u>—</u>	<u>256,651</u>	<u>1,170,518</u>
Funds held by trustee:					
U.S. government securities/GIC agreements	\$ 15,328	—	—	—	15,328
Money market mutual funds	<u>181,283</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>181,283</u>
	<u>\$ 196,611</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>196,611</u>

There were no transfers between Levels 1 through 3 or NAV, as a result of changes in the approach to fair value measurements during 2024 and 2023.

BMC'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 BMCHS 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, BMC 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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The following table presents liquidity information for the financial instruments carried at NAV as of September 30, 2024.

	<b>Investments asset value</b>		
	<b>Net asset value</b>	<b>Redemption frequency</b>	<b>Notice period</b>
		(In thousands)	
Investment type:			
Private investment funds	\$ 279,736	Weekly – monthly	3–60 days
Private debt and equity	83,133	illiquid	—
	<u>\$ 362,869</u>		

The following table presents liquidity information for the financial instruments carried at NAV as of September 30, 2023.

	<b>Investments asset value</b>		
	<b>Net asset value</b>	<b>Redemption frequency</b>	<b>Notice period</b>
		(In thousands)	
Investment type:			
Private investment funds	\$ 181,467	Weekly – monthly	3–60 days
Private debt and equity	75,184	illiquid	—
	<u>\$ 256,651</u>		

There were no unfunded commitments as of September 30, 2024 and 2023.

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## Notes to Consolidated Financial Statements

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**(5) Liquidity**

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

	<u>2024</u>	<u>2023</u>
	(in thousands)	
Financial assets:		
Cash and cash equivalents	\$ 651,092	1,335,273
Patient accounts receivable, net	189,652	124,662
Other current receivables, net	409,882	343,393
Board designated investments	348,640	296,629
Funds functioning as endowment available for operations	<u>32,964</u>	<u>25,847</u>
Total financial assets available within one year	\$ <u>1,632,230</u>	<u>2,125,804</u>

BMCHS'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, BMCHS has access an unused line of credit aggregating approximately \$140,000,000 that may be used for operations and which certain of the above-referenced assets collateralize should BMC draw down on the line (see note 8). The table above does not include funds subject to third-party restrictions.

**(6) Risk Share Receivables (Payables)**

In connection with its contracts with MassHealth and New Hampshire, underwriting gains and losses beyond certain risk corridors are shared. The risk sharing payable encompasses contract net settlements



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over multiple years. The schedule below describes the various components of risk sharing receivables/(payables) as of September 30:

	<u>2024</u>	<u>2023</u>
	(in thousands)	
Net receivables		
MassHealth ACO risk share receivable through contract year 12/31/2024	\$ 180,640	—
MassHealth MCO risk share receivable through contract year 12/31/2024	4,406	—
Joint venture risk share receivable	14,482	—
New Hampshire risk share receivable	<u>31,253</u>	<u>1,265</u>
	<u>\$ 230,781</u>	<u>1,265</u>
Net payables		
MassHealth ACO payable through contract year 12/31/2020	\$ —	(21,292)
MassHealth ACO payable through contract year 12/31/2021	(17,853)	(88,569)
MassHealth ACO payable through contract year 12/31/2022	(91,407)	(108,976)
MassHealth ACO payable through contract year 12/31/2023	(169,326)	(101,789)
MassHealth MCO payable through contract year 12/31/2020	—	(974)
MassHealth MCO payable through contract year 12/31/2021	(2,979)	(9,946)
MassHealth MCO payable through contract year 12/31/2022	(25,630)	(21,697)
MassHealth MCO payable through contract year 12/31/2023	(18,089)	(16,849)
Joint venture risk share (payable)	<u>(16,993)</u>	<u>(10,471)</u>
	<u>(342,277)</u>	<u>(380,563)</u>
Risk share payable, net	<u>\$ (111,496)</u>	<u>(379,298)</u>

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

**(7) Property, Plant and Equipment**

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

	<u>Useful life</u>	<u>2024</u>	<u>2023</u>
		(In thousands)	
Land	unlimited	\$ 14,627	14,787
Land improvements	5–40 years	749	766
Buildings	15–45 years	446,326	447,512
Building and leasehold improvements	3–40 years	1,093,229	996,008
Major movable equipment	3–20 years	839,356	793,561
Construction in progress		68,414	89,121
		<u>2,462,701</u>	<u>2,341,755</u>
Accumulated depreciation and amortization		<u>(1,407,338)</u>	<u>(1,321,328)</u>
Property, plant and equipment, net		<u>\$ 1,055,363</u>	<u>1,020,427</u>

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

Depreciation expense amounted to \$115,538,000 and \$109,690,000 for the years ended September 30, 2024 and 2023, respectively. Amortization expense amounted to \$758,000 and \$1,162,000 for the years ended September 30, 2024 and 2023, respectively.

Property, plant and equipment with an original cost of \$34,406,000 and \$3,365,000 and net book value of \$5,158,000 and \$1,188,000 was disposed of during the years ended September 30, 2024 and 2023, respectively.

The Master Trust Indenture (note 8) places certain restrictions on property, plant and equipment in terms of the creation of liens and transfers of assets.

As of September 30, 2024 and 2023, assets under finance lease agreements amounted to approximately \$96,119,000 and \$94,988,000, respectively, with accumulated amortization of \$87,202,000 and \$87,170,000, respectively. Amortization expense is included with depreciation and amortization expense in the consolidated statements of operations and changes in net assets without donor restrictions. BMCHS has capitalized interest net of amortization in the amount of \$52,231,000 and \$54,039,000 as of September 30, 2024 and 2023, respectively.

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

**(8) Long-Term Debt**

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

	<u>Interest rate</u>	<u>2024</u>	<u>2023</u>
		(In thousands)	
Revenue Bonds Series D	4.00–5.00%	\$ 158,155	158,155
Revenue Bonds Series E	2.00–5.00%	162,565	166,040
Revenue Bonds Series F	4.00–5.00%	38,065	38,065
Revenue Bonds Series G	4.38–5.25%	229,310	231,915
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	3,058	3,964
Series O – taxable (Garage)	Varies	952	1,235
		<u>772,105</u>	<u>779,374</u>
Less current portion of long-term debt		(7,620)	(7,269)
Revenue Bonds Series D premium		5,576	5,844
Revenue Bonds Series E premium		16,711	17,929
Revenue Bonds Series F premium		1,179	1,226
Revenue Bonds Series G premium		8,236	8,534
Revenue Bonds Series 2016 discount		(96)	(139)
Revenue Bonds Series 2017 discount		(622)	(647)
Revenue Bonds issuance costs		<u>(3,112)</u>	<u>(3,297)</u>
Long-term debt, less current portion		<u>\$ 792,357</u>	<u>801,555</u>

BMC, which consolidates BMCIC, is currently the sole member of the Obligated Group. The column entitled “BMC” in the supplemental consolidating information of the consolidated financial statements represents the Obligated Group.

The Amended and Restated Master Trust Indenture (MTI) 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, Series O Bonds and Series G Revenue Bonds. Per the terms of the MTI, the various bond tranches described previously and below are secured by the gross receipts of the Obligated Group as well as a mortgage on BMC’s leasehold interests in certain buildings and associated land parcels. Additionally, the Series D Revenue Bonds are secured by a debt service reserve fund, which is included in Assets Limited as to Use on the consolidated balance sheets.

In February 2023, BMC issued through the Massachusetts Development Finance Agency (MassDevelopment) \$232,415,000 Series G tax-exempt 2024 Revenue Bonds (Series G Revenue Bonds). The bonds were issued primarily to refinance the remaining portion of Series C tax-exempt Revenue 2012 Bonds (Series C Revenue Bonds) and finance a portion of the Clinical Inpatient Expansion Project. The

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

interest rate on the Series G Revenue Bonds ranges from 4.38% to 5.25% based upon bond maturities. Principal and sinking fund payments will be made annually between 2023 and 2053 and range from \$500,000 to \$40,860,000.

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

In September 2016, BMC 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). 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, BMC 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, BMC 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, BMC refunded the Authority's then outstanding 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 at the time of refunding 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 come due annually between 2017 and 2029 and range from \$2,720,000 and \$4,070,000. In connection with the sales of the three parcels, BMC defeased the allocable portion of the outstanding bonds in January 2015, to avoid potential negative tax consequences. Series C Revenue Bonds were fully refunded in February 2023 as part of the Series G Revenue Bond issuance.

Included in BMC's debt is approximately \$5,199,000 of the Authority's variable rate demand bonds (VRDBs), and Capital Asset Program Issue 2009 Series O-1 and O-2. BMC 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 \$4,210,000. There are no drawings under the LOCs as of September 30, 2024 and 2023. The LOCs supporting the Series O-1 and O-2 will expire on July 1, 2026.

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 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, 2024 were 3.74% and 5.41% for the tax exempt and taxable loan, respectively. The interest rates at September 30, 2023 were 3.81% and 5.58% 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.

In June 2020, BMC entered into a \$150,000,000 Committed Line of Credit, which may be borrowed at any time. In July 2024, BMC renewed the \$150,000,000 Committed Line of Credit which expires July 2026. BMC 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. Borrowings under the line of credit bear a variable rate of interest based on the Secured Overnight Financing Rate (SOFR) plus 0.65% (5.61% at September 30, 2024). BMC had \$9,820,000 outstanding under the Line of Credit as of September 30, 2024 and did not have outstanding borrowings under the Line of Credit as of September 30, 2023.

The MTI maintains the financial covenant requiring BMC to maintain an annual debt service coverage ratio of at least 1.10 to 1.

BMC has escrowed the following funds with bond trustees under the Series C, D, E, F and G 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.

	<b>September 30</b>	
	<b>2024</b>	<b>2023</b>
	(In thousands)	
Construction fund	\$ 70,182	155,342
Debt service fund	12,717	11,061
Debt service reserve funds	16,221	15,390
Workers' compensation reserve fund	14,890	14,590
Other held funds	687	228
	<u>\$ 114,697</u>	<u>196,611</u>

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

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

Notes to Consolidated Financial Statements  
September 30, 2024 and 2023

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

Years ending September 30:	
2025	\$ 7,620
2026	82,990
2027	8,385
2028	61,480
2029	9,430
Thereafter	602,200
	<u>\$ 772,105</u>

**(9) Leases**

Amounts reported for operating and finance leases in the consolidated balance sheets as of September 30, 2024 and 2023 were as follows:

<u>Consolidated balance sheet presentation</u>	<u>2024</u>	<u>2023</u>
	(in thousands)	
Finance leases:		
Right of use assets – financing	\$ <u>8,917</u>	<u>7,818</u>
Current portion of long term debt and finance leases	\$ 942	6,072
Obligations under financing leases	<u>7,685</u>	<u>1,204</u>
	<u>\$ 8,627</u>	<u>7,276</u>
Operating leases:		
Right of use assets – operating	\$ <u>107,259</u>	<u>96,250</u>
Other current liabilities	\$ 17,018	14,429
Obligations under operating leases	<u>97,243</u>	<u>87,037</u>
	<u>\$ 114,261</u>	<u>101,466</u>

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## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

The components of lease cost for the year ended September 30, 2024 and 2023 were as follows:

<b>Consolidated statement of operations and changes in net assets without donor restriction presentation</b>		<b>2024</b>	<b>2023</b>
		(in thousands)	
Finance lease cost:			
Amortization of right-of-use assets interest on lease liabilities	Depreciation and amortization expense	\$ 634	999
	Interest expense	265	211
	Total finance lease cost	899	1,210
Operating lease cost:			
Lease expense	Medical costs, supplies and other expense	12,122	16,259
	Total lease cost	\$ 13,021	17,469

Other information related to leases as of September 20, 2024 and 2023 was as follows:

	2024	2023
	(In thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ (265)	(211)
Operating cash flows from operating leases	(14,685)	(15,601)
Financing cash flows from finance leases	(814)	(1,260)
Right-of-use assets obtained in exchange for new finance lease liabilities	38	329
Right-of-use assets obtained in exchange for new operating leases liabilities	21,911	15,994
Weighted average remaining lease term – finance leases	2.15 years	1.78 years
Weighted average remaining lease term – operating leases	11.36 years	10.01 years
Weighted average discount rate – finance leases	4.97 %	2.73 %
Weighted average discount rate – operating leases	6.52	3.71

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

Future lease payments at September 30, 2024 are as follows (in thousands):

	<b>Operating leases</b>	<b>Finance leases</b>
Year ending September 30:		
2025	\$ 18,298	969
2026	17,148	7,547
2027	16,416	285
2028	14,884	285
2029	12,184	205
Thereafter	<u>85,903</u>	<u>65</u>
Total undiscounted lease payments	164,833	9,356
Less net present value adjustment	<u>(50,572)</u>	<u>(728)</u>
Lease liabilities	<u>\$ 114,261</u>	<u>8,628</u>

In December 2023, BMC, as tenant, entered into a 15-year operating lease agreement to lease the research and healthcare facility located at 670 Albany Street in Boston, Massachusetts. As a result, BMC recorded both a ROU asset and a corresponding lease liability in the amount of \$75,293,000 upon the closing of the lease. ROU asset and lease liability balances as of September 30, 2024 were \$72,944,000 and \$73,289,000, respectively.

In 2014, BMC, as landlord, entered into an operating ground and building lease of its Doctors Office Building, of which \$38,422,000 was received upon commencement of the lease, and will be recognized as rental income over the term of the lease. The deferred rental revenue was \$34,606,000 and \$34,994,000 as of September 30, 2024 and September 30, 2023, respectively.

**(10) 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:

	<b>2024</b>	<b>2023</b>
	(In thousands)	
Net assets with donor restrictions:		
Research	\$ 192,002	169,330
Buildings and capital	74,084	64,313
Hospital programs	109,886	97,452
Patient care	<u>28,390</u>	<u>26,834</u>
Total donor restriction net assets	<u>\$ 404,362</u>	<u>357,929</u>



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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

**(11) Endowments**

BMCHS's endowment consists of approximately 388 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.

BMCHS 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, BMCHS 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 BMCHS in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, BMCHS 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.

As of September 30, 2024 and 2023, the Heath System did not have board-designated funds included in the endowment. The endowment net asset composition by type of fund consisted of the following:

<u>September 30, 2024</u>	<u>Original gift</u>	<u>Accumulated gains and losses, net</u> (In thousands)	<u>Total</u>
Donor-restricted endowment funds	\$ <u>43,641</u>	<u>268,145</u>	<u>311,786</u>
	\$ <u>43,641</u>	<u>268,145</u>	<u>311,786</u>
<u>September 30, 2023</u>	<u>Original gift</u>	<u>Accumulated gains and losses, net</u> (In thousands)	<u>Total</u>
Donor-restricted endowment funds	\$ <u>41,929</u>	<u>222,837</u>	<u>264,766</u>
	\$ <u>41,929</u>	<u>222,837</u>	<u>264,766</u>

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

Changes in endowment net assets for the years ended September 30, 2024 and 2023, consisted of the following:

	<u>2024</u>	<u>2023</u>
	(In thousands)	
Endowment net assets at the beginning of year	\$ 264,766	250,919
Investment return:		
Investment income	12,547	6,188
Net unrealized appreciation	<u>44,814</u>	<u>28,074</u>
Total investment return	57,361	34,262
Contributions	1,712	1,816
Appropriation of endowment assets for expenditures	<u>(12,053)</u>	<u>(22,231)</u>
	<u>47,020</u>	<u>13,847</u>
Endowment net assets at the end of year	<u>\$ 311,786</u>	<u>264,766</u>

**(12) Benefit Plans Available to Employees**

BMC and WellSense have a defined contribution retirement plan under Section 403(b) of the IRC. Participation in the plan is voluntary. There are three employer contribution schedules, one based on years of service and two that are a flat percentage. The contributions under the plan amounted to \$28,238,000 and \$24,179,000 for the years ended September 30, 2024 and 2023, respectively.

BU 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 15 (Shared Services Agreement). This retirement plan is available to Faculty Members who have completed two years of service at BU and who work at least 50% of a full-time schedule and who have an assignment duration of at least nine months. BU 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 BU. This core contribution is automatic and is provided even if the Faculty Member chooses not to contribute to the plan. In addition, BU provides a matching contribution, which matches the Faculty Member's contributions dollar for dollar up to an additional 3%.

BMCHS also offers a nonqualified supplemental executive retirement plan to certain key executives. BMCHS'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. BMCHS's contribution for this plan was \$1,337,000 and \$1,190,000 in the years ended September 30, 2024 and 2023, respectively.

BMC 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

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

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 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 of Boston is responsible for the past service cost of former BCH employees.

	<b>2024</b>	<b>2023</b>
	(In thousands)	
Accumulated benefit obligation	\$ 155,502	143,137
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 146,569	153,768
Service cost	1,588	1,849
Interest cost	8,255	7,987
Actuarial gain (loss)	13,032	(7,464)
Benefits paid	(9,632)	(9,414)
Administrative expense paid	(169)	(157)
Projected benefit obligation at end of year	<u>\$ 159,643</u>	<u>146,569</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 151,214	155,668
Actual return on plan assets	24,782	5,117
Benefits paid	(9,632)	(9,414)
Administrative expense paid	(169)	(157)
Fair value of plan assets at end of year	<u>\$ 166,195</u>	<u>151,214</u>
	<b>2024</b>	<b>2023</b>
	(In thousands)	
Reconciliation of funded status:		
Projected benefit obligation	\$ 159,643	146,569
Fair value of plan assets	<u>166,195</u>	<u>151,214</u>
Funded status recognized in the consolidated balance sheet included within other noncurrent assets	<u>\$ 6,552</u>	<u>4,645</u>

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

The components of net periodic benefit cost for the years ended September 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
	(In thousands)	
Included in salaries and related benefits:		
Service cost	\$ 1,588	1,849
Included in nonoperating activities:		
Interest cost	8,255	7,987
Expected return on plan assets	(9,495)	(9,242)
Amortization of net loss	<u>1,266</u>	<u>2,111</u>
Nonoperating loss	<u>26</u>	<u>856</u>
Net periodic cost	<u>\$ 1,614</u>	<u>2,705</u>
Weighted average assumptions used to determine the net periodic cost for the period just ended:		
Discount rate	5.83 %	5.36 %
Long-term rate of return	6.50	6.13
Rate of compensation increase	2.50	2.50
Weighted average assumptions used to determine the benefit obligations:		
Discount rate	4.88 %	5.83 %
Rate of compensation increase	2.50	2.50
	<u>2024</u>	<u>2023</u>
	(In thousands)	
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
New net actuarial (gain) loss	\$ (2,255)	(3,336)
Amortization of net loss	<u>(1,266)</u>	<u>(2,111)</u>
	<u>\$ (3,521)</u>	<u>(5,447)</u>
Amounts recognized in net assets without donor restriction:		
Net actuarial loss	\$ <u>17,743</u>	<u>21,264</u>
	<u>\$ 17,743</u>	<u>21,264</u>

BMC is expected to recognize \$250,000 of net loss as amortization in 2025.

**BMC HEALTH SYSTEM, INC.**

**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2024 and 2023

**(a) Pension Plan Assets**

The Pension Plan weighted average asset allocation as of the measurement dates September 30, 2024 and 2023, respectively, is as follows:

	Target allocation fiscal year ending September 30, 2024	Percentage of plan assets at September 30	
		2024	2023
Asset category:			
Equity securities	15 %	17 %	22 %
Debt securities	80	79	72
Other	5	4	6
	100 %	100 %	100 %

The fair value hierarchy of pension plan assets as of September 30, 2024 and 2023 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.

		2024			
		Level 1	Level 2	Level 3	Net asset value
		(In thousands)			
Investments:					
Cash and cash equivalents	\$	1,657	—	—	—
Fixed income		130,726	—	—	—
Equities		18,776	—	—	9,845
Global asset		5,191	—	—	—
	\$	156,350	—	—	9,845
					166,195

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

<b>2023</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Net asset value</b>
	<b>Total</b>			
	(In thousands)			
Investments:				
Cash and cash equivalents	\$ 3,659	—	—	3,659
Fixed income	108,478	—	—	108,478
Equities	21,691	—	—	11,564
Global asset	5,822	—	—	5,822
	<u>\$ 139,650</u>	<u>—</u>	<u>—</u>	<u>11,564</u>
				<u>151,214</u>

BMC contracts with a consulting firm for financial consulting services for the Pension Plan. The consultants provide BMC's Investment Committee and management with financial analysis and recommendations on target allocations and investment managers. BMC'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) BMC's ability and willingness to incur market risk. The Investment Committee has oversight responsibility for the pension plan assets but has delegated 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-2021.

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

**(b) 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 (in thousands):

2025	\$	10,668
2026		11,197
2027		11,677
2028		12,026
2029		12,358
2030–2033		63,319

BMC did not make contributions to the Pension Plan for years ended September 30, 2024 and 2023. BMC does not expect to make contributions to the Pension Plan in 2025.

**(13) Net Patient Service Revenue**

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

	2024		2023	
	(In thousands)			
Medicare and Medicare				
Managed Care	\$ 476,404	35 %	\$ 429,486	34 %
MassHealth	471,126	34	458,766	37
Commercial carriers	352,300	26	305,494	24
No fault and worker's				
compensation	8,318	1	7,216	1
Self pay and other	57,651	4	50,630	4
	<u>\$ 1,365,799</u>	<u>100 %</u>	<u>\$ 1,251,592</u>	<u>100 %</u>

For both 2024 and 2023, 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.

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

BMCHS's primary geographic areas are Boston and surrounding metropolitan areas at the BMC, BUMG, and BUAP locations. The composition of net patient care service revenue based on lines of business and method of reimbursement for the years ended September 30, 2024 and 2023 are as follows:

		2024				
		BMC	BUMG	BUAP	Eliminations	Total
		(In thousands)				
Service lines:						
Hospital – inpatient	\$	626,274	—	—	—	626,274
Hospital – outpatient		541,703	—	—	—	541,703
Physician services		—	197,730	92	—	197,822
		1,167,977	197,730	92	—	1,365,799
Eliminations		—	—	—	(309,516)	(309,516)
	\$	1,167,977	197,730	92	(309,516)	1,056,283

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

		2024				
		BMC	BUMG	BUAP	Eliminations	Total
		(In thousands)				
Method of reimbursement:						
Fee for service	\$	1,167,977	197,730	92	(309,516)	1,056,283
State supplemental funds and other		366,932	—	—	—	366,932
	\$	1,534,909	197,730	92	(309,516)	1,423,215



**BMC HEALTH SYSTEM, INC.**

**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2024 and 2023

		2023				
		BMC	BUMG	BUAP	Eliminations	Total
		(In thousands)				
Service lines:						
Hospital – inpatient	\$	561,554	—	—	—	561,554
Hospital – outpatient		502,137	—	—	—	502,137
Physician services		—	193,167	73	—	193,240
		1,063,691	193,167	73	—	1,256,931
Eliminations		—	—	—	(285,106)	(285,106)
	\$	1,063,691	193,167	73	(285,106)	971,825

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

		2023				
		BMC	BUMG	BUAP	Eliminations	Total
		(In thousands)				
Method of reimbursement:						
Fee for service	\$	1,063,691	193,167	73	(285,106)	971,825
State supplemental funds and other		342,601	—	—	—	342,601
	\$	1,406,292	193,167	73	(285,106)	1,314,426

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 \$375,995,000 and \$304,712,000 in 2024 and 2023, respectively, which is recognized on a point in time basis. Also included in other operating revenues are parking, cafeteria, and rental income.

Cost reports supporting third party service revenue have been audited and finalized through September 30, 2020 by the designated intermediaries. Cost reports for 2021 through 2023 have been filed, but are pending desk review. A provision for the estimated settlements for all open years has been recorded at September 30, 2024 and 2023. In the opinion of management, no material adjustments are expected to result from the audit of 2021 through 2023 cost reports. BMCHS 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.

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

Accounts receivable, prior to reserves established, is summarized as follows as of September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
	(In thousands)	
Patient	\$ 31,331	35,578
Third-party payors	<u>753,609</u>	<u>547,146</u>
Total	784,940	582,724
Implicit and explicit price concessions	<u>(595,288)</u>	<u>(458,062)</u>
Patient accounts receivable, net	<u>\$ 189,652</u>	<u>124,662</u>

**(14) Concentration of Credit Risk**

BMCHS provides health care services to residents within its geographic location. BMCHS 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, 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Medicare	28 %	29 %
Medicaid	43	44
HMOs	11	11
Commercial	6	5
Blue Cross	7	6
Commonwealth Care	3	3
Other	<u>2</u>	<u>2</u>
	<u>100 %</u>	<u>100 %</u>

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

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

Other Health System accounts receivable and respective allowances for doubtful accounts (credit losses) are comprised of the following as of September 30, 2024:

	<b>Receivable balance</b>	<b>Discounts and allowances</b> (In thousands)	<b>Net receivable</b>
Other hospitals and health centers	\$ 20,369	2,588	17,781
Outside contracts	3,009	—	3,009
Contributions receivable	8,492	1,920	6,572
Capitation receivable	50,501	—	50,501
Supplemental receivables	82,750	—	82,750
Pharmacy and other	249,269	—	249,269
	<u>\$ 414,390</u>	<u>4,508</u>	<u>409,882</u>

Other Health System accounts receivable and respective allowances for doubtful accounts (credit losses) are comprised of the following as of September 30, 2023:

	<b>Receivable balance</b>	<b>Discounts and allowances</b> (In thousands)	<b>Net receivable</b>
Other hospitals and health centers	\$ 24,242	4,183	20,059
Outside contracts	14,452	—	14,452
Contributions receivable	7,086	—	7,086
Capitation receivable	64,339	—	64,339
Supplemental receivables	110,540	—	110,540
Pharmacy and other	126,917	—	126,917
	<u>\$ 347,576</u>	<u>4,183</u>	<u>343,393</u>

These receivables represent current amounts from the other accounts receivable balance. From the outset of the transaction, management regularly assesses the adequacy of the allowance for doubtful accounts by performing ongoing evaluation of the balances, including such factors as the credit worthiness of the borrower, 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.

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

**(15) Related Party Transactions**

The following summary of significant transactions among BMCHS entities (referred to as “related party transactions”) eliminate upon consolidation.

During the years ended September 30, 2024 and 2023, BMC provided approximately \$191,688,000 and \$172,776,000, respectively, to Faculty for professional and support services. Faculty is comprised of physician groups that provide clinical, teaching, and other services to BMC. In addition, BMC and Faculty have trustees in common. BMC has various notes receivable and other receivables from Faculty, which on a net basis totaled approximately \$30,432,000 and \$24,097,000 as of September 30, 2024 and 2023, respectively.

Total revenue earned by BMC for medical services and pharmacy services provided to WellSense members was \$729,301,000 and \$659,163,000 for the years ended September 30, 2024 and 2023, respectively, and is included in net patient service revenue and other operating revenue recognized by BMC. In addition, WellSense owed BMC \$26,673,000 and \$24,118,000 as of September 30, 2024 and 2023, respectively, and the amounts due are included in BMC’s patient accounts receivable and in WellSense’s claims payable.

WellSense and BMC also have an intercompany loan agreement. Under the loan agreement, WellSense and BMC may each, from time to time, request funds from the other to address short-term needs for general working capital. As of June 30, 2024, WellSense had a \$100,000,000 receivable relating to this intercompany loan agreement from BMC. In July 2024, the WellSense Board of Trustees voted to convert the intercompany loan to a net asset transfer to BMC. No amounts were outstanding under this agreement as of September 30, 2024.

BMCHS and BMC have significant transactions with each other for system-wide purposes. As of September 30, 2024 and 2023, BMCHS owed BMC \$10,030,000 and \$14,236,000, respectively for operating related activities.

BMC and BMCIC have significant transactions with each other for the purpose of providing professional, general, and employment practices liability insurance. Total expenses incurred by BMC related to the insurance provided by BMCIC were \$8,021,000 and \$4,538,000 for the years ended September 30, 2024 and 2023, respectively. BMC has \$40,607,000 and \$28,891,000 of prepaid premiums and retrospective premium credits that were prepaid by BMC to BMCIC as of September 30, 2024 and 2023, respectively. BMC and Faculty recorded a combined insurance recovery receivable and a professional liability claims payable of \$105,347,000 and \$110,286,000 for the years ended September 30, 2024 and 2023, respectively. BMC consolidates BMCIC because of its majority ownership interest and ongoing economic interests in BMCIC. BMC accounts for BUMG’s interest in BMCIC as a non-controlling interest.

BMC and GSMC entered into an intercompany loan agreement in September 2024 for a loan from BMC to GSMC of up to \$75,000,000. No amounts were outstanding under the agreement at September 30, 2024.

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 \$44,139,000 and \$35,990,000 for the years ended September 30, 2024 and 2023, respectively, and is included in net patient service revenue and supplies and other expenses. Also as of September 30, 2024 and 2023, WellSense owed Faculty \$3,032,000 and \$2,785,000, respectively.

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

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, BMC 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 \$4,829,000 and \$1,999,000 was earned for years ended June 30, 2024 and 2023, respectively.

**(a) Shared Services Agreement**

Faculty Members are employed by the individual Plans. Faculty Members serve the benefit of BMC (by providing clinical services) and the Chobanian & Avedisian School (by serving as faculty members of the Chobanian & Avedisian School). The Plans have each entered into a common paymaster agreement with BMC and the Trustees of BU. For 2023, each Plan, with respect to each Faculty Member that the Plan employs, pays BU 26.4% 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 BMC for medical malpractice insurance premiums for each Faculty Member. BMC 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 BMC 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 the Chobanian & Avedisian School 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, 2024 and 2023, respectively.

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

**(16) Claims Payable**

In conjunction with WellSense programs, BMCHS 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
	(In thousands)	
Accrued at beginning of year	\$ 295,569	199,884
Incurred services:		
Current year	4,729,160	3,703,717
Prior years	<u>1,470</u>	<u>(38,098)</u>
Total incurred	<u>4,730,630</u>	<u>3,665,619</u>
Paid claims:		
Current year	4,396,944	3,388,321
Prior years	<u>322,311</u>	<u>181,613</u>
Total paid	<u>4,719,255</u>	<u>3,569,934</u>
Accrued at end of year	\$ <u>306,944</u>	<u>295,569</u>

Claims expense of \$4,730,630,000 and \$3,665,619,000 for 2024 and 2023, 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 BMCHS's accompanying consolidated financial statements. As of September 30, 2024 and 2023, \$(1,470,000) and \$38,098,000 have been (incurred) 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.

**(17) Functional Expenses**

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

**BMC HEALTH SYSTEM, INC.**

**Exhibit IV**

Notes to Consolidated Financial Statements

September 30, 2024 and 2023

Expenses by functional classification for the year ended September 30, 2024 consist of the following:

	<b>2024</b>						
	<b>Patient and member services</b>	<b>Medical education</b>	<b>Research</b>	<b>Mgmt and general</b>	<b>Fundraising efforts</b>	<b>Eliminations</b>	<b>Total</b>
Operating expenses:							
Salaries, wages and fringe benefits	\$ 962,939	52,039	18,022	649,500	4,501	(34,280)	1,652,721
Medical costs, supplies and other expenses	5,704,081	1,631	29,772	533,642	1,848	(808,000)	5,462,974
Institutional support	—	—	—	173,464	—	(173,464)	—
Corporate allocations	—	—	—	1,038	—	(1,038)	—
Depreciation and amortization	70,603	—	6,572	39,121	—	—	116,296
Interest expense	5	—	—	24,771	—	(1,730)	23,046
Research, sponsored programs and community health services	—	—	96,384	—	—	—	96,384
Operating expenses	<u>\$ 6,737,628</u>	<u>53,670</u>	<u>150,750</u>	<u>1,421,536</u>	<u>6,349</u>	<u>(1,018,512)</u>	<u>7,351,421</u>

Expenses by functional classification for the year ended September 30, 2023 consisted of the following:

	<b>2023</b>						
	<b>Patient and member services</b>	<b>Medical education</b>	<b>Research</b>	<b>Mgmt and general</b>	<b>Fundraising efforts</b>	<b>Eliminations</b>	<b>Total</b>
Operating expenses:							
Salaries, wages and fringe benefits	\$ 928,922	45,734	12,116	550,839	4,462	(29,031)	1,513,042
Medical costs, supplies and other expenses	4,624,315	2,336	19,634	374,804	5,897	(721,578)	4,305,408
Institutional support	—	—	—	153,004	—	(153,004)	—
Corporate allocations	(12,957)	—	—	12,607	—	350	—
Depreciation and amortization	68,342	—	6,357	36,153	—	—	110,852
Interest expense	7	—	—	22,694	—	—	22,701
Research, sponsored programs and community health services	51	—	107,488	—	—	—	107,539
Operating expenses	<u>\$ 5,608,680</u>	<u>48,070</u>	<u>145,595</u>	<u>1,150,101</u>	<u>10,359</u>	<u>(903,263)</u>	<u>6,059,542</u>

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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

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

**(18) 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 secured CMS approval of a Section 1115 demonstration waiver under which funds were available for safety net provider supplemental payments to eligible hospitals between state fiscal years 2018 and 2022, subject to those hospitals complying with program requirements. In FY 2023, EOHHS received federal approval to expand and extend its innovative Medicaid (MassHealth) Section 1115 waiver through December 2027.

The expanded waiver agreement builds on previous reforms by extending and expanding key initiatives including ACOs, the Community Partners program that provides wrap-around behavioral health and long-term services and supports for high-risk members, the Flexible Services program that provides nutrition and housing supports, and expanded behavioral health services. The agreement also authorizes new initiatives, including annual investments in health equity, an expanded hospital assessment and a value-based payment program for primary care.

The new waiver funding includes \$659,720,000 for Safety Net Provider Payments, Health Equity and Clinical quality incentives that are contingent on achieving specific reporting or performance metrics. BMC recorded an incentive waiver receivable of \$101,674,000 as of September 30, 2024 and recognized revenue of \$121,617,000 during the year ended September 30, 2024. BMC's total portion of the waiver funding recognized during the years ended September 30, 2024 and 2023 for patient services was \$366,932,000 and \$340,923,000 respectively and is included in net patient service revenue.

**(19) Commitments and Contingencies**

BMCHS is, in the normal course of business, subject to complaints, claims and litigation as well as periodic reviews, investigations, audits and administrative proceedings. BMCHS, 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 BMCHS's consolidated financial statements.

**(20) Self-Insurance****(a) 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



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

## Notes to Consolidated Financial Statements

September 30, 2024 and 2023

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.

**(b) Reinsurance and Excess Liability Coverage**

BMCHS 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. BMCHS 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 BMCHS of their primary obligation with respect to losses incurred. BMCHS would be liable for claims ceded to reinsurers in the event such reinsurers are unable to meet their obligations.

BMCHS has recorded \$116,976,000 and \$122,043,000 for expected claims liabilities as of September 30, 2024 and 2023, respectively, which is included in other long-term liabilities in the accompanying consolidated financial statements.

**(21) Subsequent Events**

BMCHS has assessed the impact of subsequent events through February 5, 2025, the date the audited financial statements were issued, and have concluded that other than otherwise disclosed in these consolidated financial statements, there were no events that require adjustment to the audited consolidated financial statements or disclosure in the notes to the consolidated financial statements except as follows:

On October 1, 2024, BUMG adopted a change in fiscal year-end from June 30 to September 30. The primary purpose of the change is to better align BUMG's fiscal year-end with that of all BMCHS entities. Adoption of the change in fiscal year is not expected to have a material impact on BMCHS's consolidated financial statements.

On October 1, 2024, GSMC and SEMC acquired the operations of, and certain assets and liabilities of, Good Samaritan Medical Center and St Elizabeth's Medical Center for cash consideration of approximately \$137,300,000. The addition of these two hospitals to BMCHS maintains access and continuity of care for members of the communities served by BMC and WellSense, builds on BMC's existing clinical relationships in both areas, and strengthens the network in the region. The acquisition qualifies, and will be accounted for, as a business combination and will be accounted for as such. As a result of limited time since the acquisition date and the effort required to obtain all necessary information, the initial accounting for the business combination is incomplete at the time of the issuance of these consolidated financial statements.

**SUPPLEMENTAL CONSOLIDATING INFORMATION**

**BMC HEALTH SYSTEM, INC.**  
Consolidating Supplemental Balance Sheet  
September 30, 2024  
(In thousands)

**Exhibit IV**

Assets	BMC	WellSense	BUMG	Clearway	All other entities	Eliminations	BMCHS
Current assets:							
Cash and cash equivalents	\$ 93,449	357,190	45,126	20,756	134,571	—	651,092
Patients accounts receivable, net	192,650	—	26,513	—	6	(29,517)	189,652
Other accounts receivable, net	237,694	163,176	6,456	4,305	(1,749)	—	409,882
Current portion of grants receivable	30,560	—	—	—	—	—	30,560
Estimated receivable for third-party settlements	5,715	—	—	—	—	(3,283)	2,432
Current portion due from related parties	79,690	—	6,352	—	(18,979)	(67,063)	—
Inventories	29,208	—	—	—	—	—	29,208
Prepaid expenses and other current assets	5,513	29,217	645	280	18,579	—	54,234
Risk share receivable	—	230,781	—	—	—	—	230,781
Insurance recoveries receivable	—	—	63,208	—	—	(63,208)	—
Current portion of funds held by trustees	53,959	—	—	—	—	—	53,959
Total current assets	728,438	780,364	148,300	25,341	132,428	(163,071)	1,651,800
Assets limited as to use:							
Board-designated investments	375,104	—	—	—	—	—	375,104
Funds held by Trustees	60,738	—	—	—	—	—	60,738
Donor-restricted investments	418,090	—	—	—	—	—	418,090
Reserve funds	116,104	2,674	—	—	—	—	118,778
Total assets limited as to use	970,036	2,674	—	—	—	—	972,710
Other assets:							
Long-term investments	230	898,971	52,509	—	—	—	951,710
Property, plant and equipment, net	1,037,022	13,818	1,836	2,696	(9)	—	1,055,363
Right of use assets – operating	100,451	6,339	469	—	—	—	107,259
Right of use assets – financing	8,297	—	620	—	—	—	8,917
Due from related parties	30,000	—	—	—	—	(30,000)	—
Other noncurrent assets	37,395	—	48	2,505	6,632	(1,536)	45,044
Total assets	\$ 2,911,869	1,702,166	203,782	30,542	139,051	(194,607)	4,792,803
<b>Liabilities and Net Assets</b>							
Current liabilities:							
Accounts payable and accrued expenses	307,971	290,801	19,107	5,353	23,609	(12,199)	634,642
Claims payable	—	336,461	—	—	—	(29,517)	306,944
Deferred revenue and advances	26,045	—	2,657	—	79,898	—	108,600
Risk share payable	—	342,277	—	—	—	—	342,277
Current portion of due to related parties	78	13,341	35,342	7,967	1,419	(58,147)	—
Line of credit	9,820	—	—	—	—	—	9,820
Current portion of long-term debt and financing leases	8,512	—	50	—	—	—	8,562
Professional liability claims	—	—	63,208	—	—	(63,208)	—
Other current liabilities	18,152	16,565	292	(142)	(5)	—	34,862
Total current liabilities	370,578	999,445	120,656	13,178	104,921	(163,071)	1,445,707
Long-term liabilities:							
Estimated third-party settlements	41,808	—	—	—	(216)	—	41,592
Obligations under financing leases	7,654	—	31	—	—	—	7,685
Due to related parties	—	—	—	—	30,000	(30,000)	—
Obligations under operating leases	87,701	9,365	177	—	—	—	97,243
Long-term debt	792,357	—	—	—	—	—	792,357
Other long-term liabilities	185,779	—	6,826	—	—	—	192,605
Total liabilities	1,485,877	1,008,810	127,690	13,178	134,705	(193,071)	2,577,189
Commitments and contingencies							
Net assets:							
Without donor restrictions	1,021,630	693,356	76,092	17,364	4,346	(1,536)	1,811,252
With donor restrictions	404,362	—	—	—	—	—	404,362
Total net assets	1,425,992	693,356	76,092	17,364	4,346	(1,536)	2,215,614
Total liabilities and net assets	2,911,869	1,702,166	203,782	30,542	139,051	(194,607)	4,792,803

See accompanying independent auditors' report.

**BMC HEALTH SYSTEM, INC.**  
Consolidating Supplemental Balance Sheet  
September 30, 2023  
(In thousands)

**Exhibit IV**

Assets	BMC	WellSense	BUMG	Clearway	All other entities	Eliminations	BMCHS
Current assets:							
Cash and cash equivalents	\$ 51,221	1,208,539	43,107	9,783	22,623	—	1,335,273
Patients accounts receivable, net	128,953	—	22,551	—	15	(26,857)	124,662
Other accounts receivable, net	223,104	94,579	7,258	10,099	8,353	—	343,393
Current portion of grants receivable	20,779	—	—	—	—	—	20,779
Estimated receivable for third-party settlements	7,473	—	—	—	—	(6,783)	690
Current portion due from related parties	68,937	—	5,250	(4,828)	(19,303)	(50,056)	—
Inventories	27,929	—	—	—	—	—	27,929
Prepaid expenses and other current assets	6,972	20,109	850	308	25,533	—	53,772
Risk share receivable	—	1,265	—	—	—	—	1,265
Insurance recoveries receivable	—	—	66,172	—	—	(66,172)	—
Current portion of funds held by trustees	78,495	—	—	—	—	—	78,495
Total current assets	613,863	1,324,492	145,188	15,362	37,221	(149,868)	1,986,258
Assets limited as to use:							
Board-designated investments	322,261	—	—	—	—	—	322,261
Funds held by Trustees	118,116	—	—	—	—	—	118,116
Donor-restricted investments	362,303	—	—	—	—	—	362,303
Reserve funds	110,819	2,615	—	—	—	—	113,434
Total assets limited as to use	913,499	2,615	—	—	—	—	916,114
Other assets:							
Long-term investments	230	323,307	48,983	—	—	—	372,520
Property, plant and equipment, net	1,005,631	11,873	2,138	794	(9)	—	1,020,427
Right of use assets – operating	95,286	187	777	—	—	—	96,250
Right of use assets – financing	7,135	—	683	—	—	—	7,818
Due from related parties	—	—	—	—	—	—	—
Other noncurrent assets	41,454	—	52	832	—	(1,536)	40,802
Total assets	\$ 2,677,098	1,662,474	197,821	16,988	37,212	(151,404)	4,440,189
<b>Liabilities and Net Assets</b>							
Current liabilities:							
Accounts payable and accrued expenses	\$ 292,735	240,693	15,058	4,735	25,552	(11,117)	567,656
Claims payable	—	322,426	—	—	—	(26,857)	295,569
Deferred revenue and advances	16,344	5,152	3,589	—	3,136	—	28,221
Risk share payable	—	380,563	—	—	—	—	380,563
Current portion of due to related parties	78	14,819	29,883	—	942	(45,722)	—
Line of credit	—	—	—	—	—	—	—
Current portion of long-term debt and financing leases	13,136	—	205	—	—	—	13,341
Professional liability claims	—	—	66,172	—	—	(66,172)	—
Other current liabilities	15,057	17,114	268	(789)	3	—	31,653
Total current liabilities	337,350	980,767	115,175	3,946	29,633	(149,868)	1,317,003
Long-term liabilities:							
Estimated third-party settlements	37,859	—	—	—	(117)	—	37,742
Obligations under financing leases	1,179	—	25	—	—	—	1,204
Due to related parties	—	—	—	—	—	—	—
Obligations under operating leases	86,526	—	511	—	—	—	87,037
Long-term debt	801,555	—	—	—	—	—	801,555
Other long-term liabilities	165,093	116	6,826	—	—	—	172,035
Total liabilities	1,429,562	980,883	122,537	3,946	29,516	(149,868)	2,416,576
Commitments and contingencies							
Net assets:							
Without donor restrictions	889,607	681,591	75,284	13,042	7,696	(1,536)	1,665,684
With donor restrictions	357,929	—	—	—	—	—	357,929
Total net assets	1,247,536	681,591	75,284	13,042	7,696	(1,536)	2,023,613
Total liabilities and net assets	\$ 2,677,098	1,662,474	197,821	16,988	37,212	(151,404)	4,440,189

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, 2024  
(in thousands)

**Exhibit IV**

	BMC	WellSense	BUMG	Clearway	All other entities	Eliminations	BMCHS
Operating revenue:							
Net patient service revenue	\$ 1,534,909	—	197,730	—	92	(309,516)	1,423,215
Capitation revenue	15,170	5,124,054	4,601	—	—	(3,428)	5,140,397
Grants and contract revenue	122,975	—	—	—	—	—	122,975
Institutional support	—	—	188,893	—	—	(188,893)	—
Other revenue	897,091	—	125,593	35,503	2,617	(513,907)	546,897
Net assets released from restrictions for operations	36,598	—	—	—	—	—	36,598
Total operating revenue	2,606,743	5,124,054	516,817	35,503	2,709	(1,015,744)	7,270,082
Operating expenses:							
Salaries, wages and fringe benefits	917,954	144,012	467,260	23,225	134,550	(34,280)	1,652,721
Medical costs, supplies and other expenses	1,156,264	4,947,901	54,424	3,868	108,517	(808,000)	5,462,974
Institutional support	173,464	—	—	—	—	(173,464)	—
Corporate allocations	179,979	41,055	12,790	3,134	(235,920)	(1,038)	—
Depreciation and amortization	109,538	5,889	603	266	—	—	116,296
Interest expense	24,769	—	7	—	—	(1,730)	23,046
Research, sponsored programs and community health services	96,384	—	—	—	—	—	96,384
Total operating expenses	2,658,352	5,138,857	535,084	30,493	7,147	(1,018,512)	7,351,421
(Loss) income from operations	(51,609)	(14,803)	(18,267)	5,010	(4,438)	2,768	(81,339)
Nonoperating gains (losses), net:							
Realized gains	26,587	70,471	2,518	580	1,087	(1,730)	99,513
Unrealized gains	60,972	56,097	3,796	—	—	—	120,865
Pension benefit, nonservice	(26)	—	—	—	—	—	(26)
Other	—	—	(29)	—	—	—	(29)
Total nonoperating gains (losses), net	87,533	126,568	6,285	580	1,087	(1,730)	220,323
(Deficiency) excess of revenue over expenses before income taxes	35,924	111,765	(11,982)	5,590	(3,351)	1,038	138,984
Income taxes:							
Income tax expense	—	—	—	(1,269)	—	—	(1,269)
Total income taxes	—	—	—	(1,269)	—	—	(1,269)
(Deficiency) excess of revenue over expenses net of income taxes	35,924	111,765	(11,982)	4,321	(3,351)	1,038	137,715
Other changes in unrestricted net assets:							
Net assets transfer (to)/from affiliates	100,000	(100,000)	—	—	—	—	—
Net assets released from restrictions for property, plant and equipment	4,332	—	—	—	—	—	4,332
Pension related changes other than net periodic pension costs	3,521	—	—	—	—	—	3,521
Donated services (to)/from affiliates	(11,752)	—	12,790	—	—	(1,038)	—
Change in net assets without donor restrictions	132,025	11,765	808	4,321	(3,351)	—	145,568
Net assets without donor restriction:							
Beginning of year	889,605	681,591	75,284	13,043	7,697	(1,536)	1,665,684
End of year	\$ 1,021,630	693,356	76,092	17,364	4,346	(1,536)	1,811,252

See accompanying independent auditors' report.

**BMC HEALTH SYSTEM, INC.**

**Exhibit IV**

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

Year ended September 30, 2023  
(in thousands)

	<b>BMC</b>	<b>WellSense</b>	<b>BUMG</b>	<b>Clearway</b>	<b>All other entities</b>	<b>Eliminations</b>	<b>BMCHS</b>
Operating revenue:							
Net patient service revenue	\$ 1,406,292	—	193,167	—	73	(285,106)	1,314,426
Capitation revenue	2,490	4,098,700	2,615	—	—	(610)	4,103,195
Grants and contract revenue	145,658	—	—	—	—	—	145,658
Institutional support	—	—	168,359	—	—	(168,359)	—
Other revenue	763,332	—	110,851	40,574	4,813	(449,536)	470,034
Net assets released from restrictions for operations	29,330	—	—	—	—	—	29,330
Total operating revenue	2,347,102	4,098,700	474,992	40,574	4,886	(903,611)	6,062,643
Operating expenses:							
Salaries, wages and fringe benefits	846,481	116,325	427,391	20,926	130,950	(29,031)	1,513,042
Medical costs, supplies and other expenses	1,016,288	3,821,925	47,486	6,022	135,265	(721,578)	4,305,408
Institutional support	153,004	—	—	—	—	(153,004)	—
Corporate allocations	165,638	73,819	14,938	3,109	(257,854)	350	—
Depreciation and amortization	105,952	4,160	627	113	—	—	110,852
Interest expense	22,692	—	9	—	—	—	22,701
Research, sponsored programs and community health services	107,539	—	—	—	—	—	107,539
Total operating expenses	2,417,594	4,016,229	490,451	30,170	8,361	(903,263)	6,059,542
(Loss) income from operations	(70,492)	82,471	(15,459)	10,404	(3,475)	(348)	3,101
Nonoperating gains (losses), net:							
Realized gains	33,092	37,555	1,254	22	1,022	—	72,945
Unrealized gains	5,144	18,062	2,887	—	—	—	26,093
Pension benefit, nonservice	(856)	—	—	—	—	—	(856)
Other	2,558	—	(81)	—	—	—	2,477
Total nonoperating gains (losses), net	39,938	55,617	4,060	22	1,022	—	100,659
(Deficiency) excess of revenue over expenses before income taxes	(30,554)	138,088	(11,399)	10,426	(2,453)	(348)	103,760
Income taxes:							
Income tax expense	—	—	—	(3,017)	—	—	(3,017)
Total income taxes	—	—	—	(3,017)	—	—	(3,017)
(Deficiency) excess of revenue over expenses net of income taxes	(30,554)	138,088	(11,399)	7,409	(2,453)	(348)	100,743
Other changes in unrestricted net assets:							
Net assets transfer (to)/from affiliates	—	—	—	—	—	—	—
Net assets released from restrictions for property, plant and equipment	20,578	—	—	—	—	—	20,578
Pension related changes other than net periodic pension costs	5,449	—	—	—	—	—	5,449
Donated services (to)/from affiliates	(15,289)	—	14,939	—	—	348	(2)
Change in net assets without donor restrictions	(19,816)	138,088	3,540	7,409	(2,453)	—	126,768
Net assets without donor restriction:							
Beginning of year	909,421	543,503	71,744	5,634	10,150	(1,536)	1,538,916
End of year	\$ 889,605	681,591	75,284	13,043	7,697	(1,536)	1,665,684

See accompanying independent auditors' report.

**BMC HEALTH SYSTEM, INC.**  
Consolidating Supplemental Statement of Cash Flows  
Year ended September 30, 2024  
(In thousands)

**Exhibit IV**

	<b>BMC</b>	<b>WellSense</b>	<b>BUMG</b>	<b>Clearway</b>	<b>All other entities</b>	<b>Eliminations</b>	<b>BMCHS</b>
Operating activities:							
Change in net assets	\$ 178,456	11,765	808	4,322	(3,350)	—	192,001
Adjustments to reconcile change in net assets to net cash provided by operating activities:							
Depreciation and amortization	109,538	5,889	603	266	—	—	116,296
Restricted contributions	(2,572)	—	—	—	—	—	(2,572)
Donated securities received	(804)	—	—	—	—	—	(804)
Return on investment of joint venture	7,578	—	—	—	—	—	7,578
Amortization of bond discount/premium and issuance costs	(1,578)	—	—	—	—	—	(1,578)
Loss on sale of property and equipment	5,158	—	—	—	—	—	5,158
Discount and provision for bad debt on contributions receivable	—	—	—	—	—	—	—
Net realized gains and change in unrealized (appreciation) on investments	(138,137)	(58,832)	(5,876)	—	—	—	(202,845)
Pension related changes other than net periodic pension costs	(3,521)	—	—	—	—	—	(3,521)
Transfer of net assets	100,000	(100,000)	—	—	—	—	—
Changes in operating assets and liabilities:							
Grants receivable	(9,781)	—	—	—	—	—	(9,781)
Patient accounts receivable	(63,697)	—	(3,962)	—	9	2,660	(64,990)
Other current assets and liabilities	(5,961)	(83,406)	130	6,469	93,810	—	11,042
Other noncurrent assets and liabilities	21,477	3,097	(53)	(1,673)	(6,632)	—	16,216
Due to/from related parties	(40,753)	(1,478)	4,357	3,139	30,153	4,582	—
Estimated third-party settlements	5,707	—	—	—	(99)	(3,500)	2,108
Risk share payable, net	—	(267,802)	—	—	—	—	(267,802)
Claims payable	—	14,035	—	—	—	(2,660)	11,375
Accounts payable and accrued expenses	10,453	49,842	4,049	205	(1,943)	(1,082)	61,524
Net cash (used in) provided by operating activities	171,563	(426,890)	56	12,728	111,948	—	(130,595)
Investing activities:							
Proceeds from sale of investments	449,438	404,245	2,350	—	—	—	856,033
Proceeds from sale of funds held by Trustees	141,764	—	—	—	—	—	141,764
Purchases of investments	(425,993)	(921,136)	—	—	—	—	(1,347,129)
Purchases of funds held by Trustees	(59,073)	—	—	—	—	—	(59,073)
Purchase of property, plant and equipment	(140,770)	(7,568)	(201)	(1,755)	—	—	(150,294)
Other investing activities	—	—	—	—	—	—	—
Net cash (used in) provided by investing activities	(34,634)	(524,459)	2,149	(1,755)	—	—	(558,699)
Financing activities:							
Proceeds from restricted contributions	2,572	—	—	—	—	—	2,572
Proceeds from sale of donated securities	804	—	—	—	—	—	804
Borrowings under line of credit	112,782	—	—	—	—	—	112,782
Repayments on line of credit	(102,962)	—	—	—	—	—	(102,962)
Repayment of long-term debt and financing leases	(7,897)	—	(186)	—	—	—	(8,083)
Net asset transfer (to) from affiliate	(100,000)	100,000	—	—	—	—	—
Net cash provided by financing activities	(94,701)	100,000	(186)	—	—	—	5,113
Increase (decrease) in cash and cash equivalents	42,228	(851,349)	2,019	10,973	111,948	—	(684,181)
Cash and cash equivalents:							
Beginning of year	51,221	1,208,539	43,107	9,783	22,623	—	1,335,273
End of year	\$ 93,449	357,190	45,126	20,756	134,571	—	651,092
Supplemental disclosure of cash flow activities:							
Cash paid for interest	\$ 25,070	—	7	—	—	(1,730)	23,347
Property, plant and equipment included in accounts payable	17,524	266	—	413	—	—	18,203
Contributed securities	804	—	—	—	—	—	804
Gift in-kind	—	—	500	—	—	—	500

See accompanying independent auditors' report.

**BMC HEALTH SYSTEM, INC.**  
Consolidating Supplemental Statement of Cash Flows  
Year ended September 30, 2023  
(In thousands)

**Exhibit IV**

	BMC	WellSense	BUMG	Clearway	All other entities	Eliminations	BMCHS
Operating activities:							
Change in net assets	\$ (8,112)	138,088	3,540	7,408	(2,453)	—	138,471
Adjustments to reconcile change in net assets to net cash provided by operating activities:							
Depreciation and amortization	105,952	4,160	627	113	—	—	110,852
Restricted contributions	2,288	—	—	—	—	—	2,288
Donated securities received	(2,332)	—	—	—	—	—	(2,332)
Return on investment of joint venture	574	—	—	—	—	—	574
Amortization of bond discount/premium and issuance costs	(4,194)	—	—	—	—	—	(4,194)
Discount and provision for bad debt on contributions receivable	—	—	—	—	—	—	—
Net realized gains and change in unrealized depreciation (appreciation) on investments	(61,760)	(7,099)	(2,941)	—	—	—	(71,800)
Pension related changes other than net periodic pension costs	(5,447)	—	—	—	—	—	(5,447)
Changes in operating assets and liabilities:							
Grants receivable	9,861	—	—	—	—	—	9,861
Patient accounts receivable	(7,327)	—	(897)	—	—	6,057	(2,167)
Other current assets and liabilities	(147,309)	(21,959)	(5,229)	(7,804)	(4,501)	(3,811)	(190,613)
Other noncurrent assets and liabilities	(634)	(43)	(268)	(154)	—	—	(1,099)
Due to/from related parties	(22,855)	2,662	5,663	7,752	(637)	7,415	—
Estimated third-party settlements	(19,417)	—	—	—	—	—	(19,417)
Risk share payable, net	—	(66,776)	—	—	—	—	(66,776)
Claims payable	—	101,742	—	—	(333)	(6,057)	95,352
Accounts payable and accrued expenses	6,500	212,635	(1,790)	3,375	(13,521)	(3,604)	203,595
Net cash (used in) provided by operating activities	(154,212)	363,410	(1,295)	10,690	(21,445)	—	197,148
Investing activities:							
Proceeds from sale of investments	422,661	135,182	400	—	—	—	558,243
Proceeds from sale of funds held by Trustees	140,220	—	—	—	—	—	140,220
Purchases of investments	(275,727)	(146,486)	(1,092)	—	—	—	(423,305)
Purchases of funds held by Trustees	(296,266)	—	—	—	—	—	(296,266)
Purchase of property, plant and equipment	(135,124)	(4,772)	(724)	(907)	—	—	(141,527)
Other investing activities	(403)	—	7	—	190	—	(206)
Net cash (used in) provided by investing activities	(144,639)	(16,076)	(1,409)	(907)	190	—	(162,841)
Financing activities:							
Debt issuance costs	(1,453)	—	—	—	—	—	(1,453)
Proceeds from restricted contributions	(2,288)	—	—	—	—	—	(2,288)
Proceeds from sale of donated securities	2,332	—	—	—	—	—	2,332
Borrowings under line of credit	73,490	—	—	—	—	—	73,490
Repayments on line of credit	(73,490)	—	—	—	—	—	(73,490)
Proceeds from debt issuance Series G	241,124	—	—	—	—	—	241,124
Repayment of long-term debt and financing leases	(29,296)	—	177	—	—	—	(29,119)
Net cash provided by financing activities	210,419	—	177	—	—	—	210,596
Increase (decrease) in cash and cash equivalents	(88,432)	347,334	(2,527)	9,783	(21,255)	—	244,903
Cash and cash equivalents:							
Beginning of year	139,653	861,205	45,634	—	43,878	—	1,090,370
End of year	\$ 51,221	1,208,539	43,107	9,783	22,623	—	1,335,273
Supplemental disclosure of cash flow activities:							
Cash paid for interest	\$ 26,761	—	—	—	—	—	26,761
Property, plant and equipment included in accounts payable	12,741	—	—	—	—	—	12,741
Contributed securities	2,332	—	—	—	—	—	2,332
Gift in-kind	—	—	500	—	—	—	500

See accompanying independent auditors' report.



**BMC HEALTH SYSTEM, INC.**  
Boston University Medical Group Consolidating Supplemental Balance Sheets  
June 30, 2024  
(In thousands)

**Exhibit IV**

Assets	Anesthesia	Emergency	Dermatology	Ophthalmology	Family Medicine	Surgery	Radiation Oncology	Pathology	Neurology	Neurosurgery	OB/GYN	Orthopedics	Psychiatry	Radiology	Otolaryngology	Urology	Pediatrics	Medicine	BUMG Corporate	Eliminations	Total
Current assets:																					
Cash and cash equivalents	\$ (1,461)	66	1,002	305	55	1,657	26	1,022	50	31	47	3,289	2,296	132	973	184	69	981	34,402	—	45,126
Patients accounts receivable, net	6,000	1,183	165	1,231	603	743	251	133	649	430	855	2,819	3,755	1,744	(250)	386	1,020	4,819	(23)	—	26,513
Other accounts receivable, net	—	309	298	19	2,269	110	—	71	13	—	88	25	321	696	250	—	400	767	840	—	6,456
Current portion due from related parties	—	—	207	—	778	724	13	211	169	50	2,467	—	—	—	—	141	52	1,540	—	—	6,352
Prepaid expenses and other current assets	301	4	66	44	64	—	—	7	—	—	—	—	6	5	—	—	19	62	100	—	645
Insurance recoveries receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	63,208	—	63,208
Total current assets	4,840	1,562	1,738	1,566	3,769	3,234	290	1,444	881	511	3,437	6,133	6,378	2,577	973	711	1,560	8,169	98,527	—	148,300
Other assets:																					
Long-term investments	—	5,990	—	—	—	—	—	1,226	—	—	—	—	708	—	474	—	5,256	31,844	7,011	—	52,509
Property, plant and equipment, net	4	—	6	386	2	—	—	115	—	—	—	58	146	104	—	—	13	991	11	—	1,836
Right of use assets – operating	—	—	—	451	—	—	—	—	18	—	—	—	—	—	—	—	—	—	—	—	469
Right of use assets – financing	—	—	—	116	—	—	—	—	—	—	—	—	—	—	—	—	—	504	—	—	620
Other noncurrent assets	—	—	—	—	5	—	—	—	7	—	—	—	—	—	—	—	—	—	36	—	48
Total assets	\$ 4,844	7,552	1,744	2,519	3,776	3,234	290	2,785	906	511	3,437	6,191	7,232	2,681	1,447	711	6,829	41,508	105,585	—	203,782
<b>Liabilities and Net Assets</b>																					
Current liabilities:																					
Accounts payable and accrued expenses	\$ 670	161	654	508	840	905	75	408	242	82	59	139	1,476	982	181	(103)	1,027	2,273	8,528	—	19,107
Deferred revenue	—	—	—	—	—	—	—	—	—	—	—	104	25	8	—	—	6	2,514	—	—	2,657
Current portion of due to related parties	4,174	2,588	—	900	2,936	—	215	—	646	—	3,378	1,041	3,831	107	11	—	—	—	15,515	—	35,342
Current portion of long-term debt and financing leases	—	—	—	24	—	—	—	—	—	—	—	—	—	—	—	—	—	26	—	—	50
Professional liability claims	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	63,208	—	63,208
Other current liabilities	—	—	—	274	—	—	—	—	18	—	—	—	—	—	—	—	—	—	—	—	292
Total current liabilities	4,844	2,749	654	1,706	3,776	905	290	408	906	82	3,437	1,284	5,332	1,097	192	(103)	1,033	4,813	87,251	—	120,656
Long-term liabilities:																					
Obligations under financing leases	—	—	—	31	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	31
Obligations under operating leases	—	—	—	177	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	177
Long-term debt	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other long-term liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6,826	—	6,826
Total liabilities	4,844	2,749	654	1,914	3,776	905	290	408	906	82	3,437	1,284	5,332	1,097	192	(103)	1,033	4,813	94,077	—	127,690
Commitments and contingencies																					
Net assets:																					
Without donor restrictions	—	4,803	1,090	605	—	2,329	—	2,377	—	429	—	4,907	1,900	1,584	1,255	814	5,796	36,695	11,508	—	76,092
Total net assets	—	4,803	1,090	605	—	2,329	—	2,377	—	429	—	4,907	1,900	1,584	1,255	814	5,796	36,695	11,508	—	76,092
Total liabilities and net assets	\$ 4,844	7,552	1,744	2,519	3,776	3,234	290	2,785	906	511	3,437	6,191	7,232	2,681	1,447	711	6,829	41,508	105,585	—	203,782

See accompanying independent auditors' report.

**BMC HEALTH SYSTEM, INC.**  
Boston University Medical Group Consolidating Supplemental Balance Sheets  
June 30, 2023  
(In thousands)

**Exhibit IV**

Assets	Family										Radiation										BUMG			
	Anesthesia	Emergency	Dermatology	Ophthalmology	Medicine	Surgery	Oncology	Pathology	Neurology	Neurosurgery	OB/GYN	Orthopedics	Psychiatry	Radiology	Otolaryngology	Urology	Pediatrics	Medicine	Corporate	Eliminations	Total			
Current assets:																								
Cash and cash equivalents	\$ 41	123	716	243	22	1,330	18	649	21	20	20	3,557	578	52	888	154	556	159	33,960	—	43,107			
Patients accounts receivable, net	1,303	861	260	1,196	654	615	275	136	562	386	829	2,571	5,486	1,353	(163)	379	962	4,522	364	—	22,551			
Other accounts receivable, net	—	232	419	185	1,616	679	131	210	32	129	215	349	213	876	343	115	261	1,303	—	—	7,258			
Current portion due from related parties	49	589	271	—	—	277	—	144	353	1	—	—	—	140	—	84	115	314	2,912	1	5,250			
Prepaid expenses and other current assets	393	14	93	23	46	—	6	—	6	—	26	—	—	19	—	—	18	121	85	—	850			
Insurance recoveries receivable	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	66,172	—	66,172			
Total current assets	1,786	1,819	1,759	1,647	2,338	2,901	430	1,139	974	536	1,090	6,477	6,417	2,300	1,152	713	2,111	9,017	100,582	—	145,188			
Other assets:																								
Long-term investments	—	5,350	—	—	—	—	—	1,111	—	—	—	—	641	—	429	—	4,697	30,392	6,363	—	48,983			
Property, plant and equipment, net	5	—	22	515	7	—	—	131	—	—	—	69	164	128	—	—	15	1,072	12	—	2,138			
Right of use assets – operating	—	—	—	716	—	—	—	—	61	—	—	—	—	—	—	—	—	—	—	—	777			
Right of use assets – financing	—	—	—	96	—	—	—	—	—	—	—	—	—	—	—	—	—	587	—	—	683			
Other noncurrent assets	—	—	—	—	5	—	—	—	7	—	—	—	—	4	—	—	—	—	36	—	52			
Total assets	\$ 1,791	7,169	1,781	2,974	2,350	2,901	430	2,381	1,042	536	1,090	6,546	7,222	2,430	1,581	713	6,823	41,068	106,993	—	197,821			
<b>Liabilities and Net Assets</b>																								
Current liabilities:																								
Accounts payable and accrued expenses	515	1,212	692	428	391	571	69	119	590	107	34	375	1,333	252	370	(101)	1,536	3,615	2,950	—	15,058			
Current portion of due to related parties	1,276	—	—	1,064	1,271	—	361	—	391	—	251	1,153	2,917	594	—	—	—	20,605	—	—	29,883			
Deferred revenue	—	—	—	—	—	—	—	—	—	—	—	99	—	—	—	—	6	3,484	—	—	3,589			
Current portion of long-term debt and financing leases	—	—	—	30	—	—	—	—	—	—	—	—	—	—	—	—	—	175	—	—	205			
Professional liability claims	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	66,172	—	66,172			
Other current liabilities	—	—	—	266	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2	—	268			
Total current liabilities	1,791	1,212	692	1,788	1,662	571	430	119	981	107	285	1,627	4,250	846	370	(101)	1,542	7,274	89,729	—	115,175			
Long-term liabilities:																								
Obligations under financing leases	—	—	—	25	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	25			
Obligations under operating leases	—	—	—	450	—	—	—	—	61	—	—	—	—	—	—	—	—	—	—	—	511			
Long-term debt	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—			
Other long-term liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6,826	—	6,826			
Total liabilities	1,791	1,212	692	2,263	1,662	571	430	119	1,042	107	285	1,627	4,250	846	370	(101)	1,542	7,274	96,555	—	122,537			
Net assets:																								
Without donor restrictions	—	5,957	1,089	711	688	2,330	—	2,262	—	429	805	4,919	2,972	1,584	1,211	814	5,281	33,794	10,438	—	75,284			
Total net assets	—	5,957	1,089	711	688	2,330	—	2,262	—	429	805	4,919	2,972	1,584	1,211	814	5,281	33,794	10,438	—	75,284			
Total liabilities and net assets	\$ 1,791	7,169	1,781	2,974	2,350	2,901	430	2,381	1,042	536	1,090	6,546	7,222	2,430	1,581	713	6,823	41,068	106,993	—	197,821			

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, 2024  
(In thousands)

**Exhibit IV**

	Anesthesia	Emergency	Dermatology	Ophthalmology	Family Medicine	Surgery	Radiation Oncology	Pathology	Neurology	Neurosurgery	OB/GYN	Orthopedics	Psychiatry	Radiology	Otolaryngology	Urology	Pediatrics	Medicine	BUMG Corporate	Eliminations	Total
Operating revenue:																					
Net patient service revenue	12,022	12,008	3,492	16,056	7,137	12,669	1,859	3,391	6,303	1,861	10,282	12,979	19,450	13,900	4,376	3,102	11,019	45,824	—	—	197,730
Capitation revenue	—	—	—	—	570	—	—	—	—	—	—	—	—	—	—	—	—	2,285	1,746	—	4,601
Grants and contract revenue	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutional support	16,405	10,542	2,537	1,486	6,189	20,908	1,611	4,510	6,911	4,753	7,912	4,564	15,509	11,502	3,126	1,464	11,654	54,193	1,117	—	188,893
Other revenue	297	2,254	2,284	446	13,647	4,435	325	1,622	2,977	66	3,094	1,387	10,716	2,348	1,209	327	10,529	61,756	19,269	(13,397)	125,993
Total operating revenue	30,724	24,804	8,313	17,989	27,543	38,012	3,795	9,523	16,191	6,682	21,288	16,830	45,675	27,750	8,711	4,893	35,487	163,519	20,386	(13,397)	516,617
Operating expenses:																					
Salaries, wages and fringe benefits	28,656	23,071	7,366	10,128	26,014	33,017	3,476	8,301	15,142	5,841	20,127	16,610	34,084	25,173	7,741	4,397	32,679	149,820	16,254	(637)	467,260
Medical costs, supplies and other expenses	2,068	3,527	932	7,804	2,991	4,995	332	1,176	1,217	841	4,433	2,307	12,705	2,554	971	496	2,851	14,276	708	(12,760)	54,424
Corporate Allocations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	12,790	—	12,790
Depreciation and amortization	—	—	16	158	4	—	—	45	—	—	—	12	16	23	—	—	2	324	3	—	603
Interest expense	—	—	—	4	—	—	—	—	—	—	—	—	—	—	—	—	—	3	—	—	7
Total operating expenses	30,724	26,598	8,314	18,094	29,009	38,012	3,808	9,522	16,359	6,682	24,560	18,929	46,805	27,750	8,712	4,893	35,532	164,423	29,755	(13,397)	535,084
Income (loss) from operations	—	(1,794)	(1)	(106)	(1,466)	—	(13)	1	(168)	—	(3,272)	1	(1,130)	—	(1)	—	(45)	(904)	(9,369)	—	(18,267)
Nonoperating gains (losses), net:																					
Realized gains	—	168	2	—	—	4	—	37	—	—	—	—	44	—	15	—	148	1,331	769	—	2,518
Unrealized gains	—	472	—	—	—	—	—	77	—	—	—	—	25	—	30	—	412	2,474	306	—	3,796
Other	—	—	—	—	—	(5)	—	—	—	—	—	(13)	(11)	—	—	—	—	—	—	—	(29)
Total nonoperating gains, net	—	640	2	—	—	(1)	—	114	—	—	—	(13)	58	—	45	—	560	3,805	1,075	—	6,285
Excess (deficiency) of revenue over expenses	—	(1,154)	1	(106)	(1,466)	(1)	(13)	115	(168)	—	(3,272)	(12)	(1,072)	—	44	—	515	2,901	(8,294)	—	(11,982)
Other changes in unrestricted net assets:																					
Donated services (to)/from affiliates	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	12,790	—	12,790
Net assets transfer (to)/from affiliates	—	—	—	—	778	—	13	—	168	—	2,467	—	—	—	—	—	—	—	(3,426)	—	—
Change in net assets without donor restrictions	—	(1,154)	1	(106)	(688)	(1)	—	115	—	—	(805)	(12)	(1,072)	—	44	—	515	2,901	1,070	—	808

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, 2023  
(In thousands)

Exhibit IV

	Anesthesia	Emergency	Surg Associates	Dermatology	Ophthalmology	Family Medicine	Surgery	Radiation Oncology	Pathology	Neurology	Neurosurgery	OB/GYN	Orthopedics	Psychiatry	Radiology	Otolaryngology	Urology	Pediatrics	Medicine	BUMG Corporate	Eliminations	Total
Operating revenue:																						
Net patient service revenue	10,767	10,655	—	3,148	15,227	6,042	11,902	2,054	3,284	5,928	1,791	10,219	12,513	22,007	12,768	4,416	3,075	11,794	45,577	—	—	193,167
Capitation revenue	—	—	—	—	—	617	—	—	—	—	—	—	—	—	—	—	—	794	1,204	—	—	2,615
Grants and contract revenue	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutional support	16,431	10,527	—	1,791	1,052	6,547	18,775	1,504	3,802	5,155	4,183	8,831	3,727	12,657	9,550	2,908	1,644	10,955	44,973	3,347	—	168,359
Other revenue	344	2,119	—	2,904	556	13,164	4,163	107	1,721	3,344	138	3,253	1,073	5,389	3,124	890	260	8,636	59,572	12,475	(12,471)	110,851
Total operating revenue	27,542	23,301	—	7,843	16,835	26,370	34,840	3,665	8,807	14,427	6,112	22,303	17,313	40,053	25,442	8,314	4,979	32,169	151,326	15,622	(12,471)	474,992
Operating expenses:																						
Salaries, wages and fringe benefits	25,102	20,877	—	6,961	10,272	23,798	31,024	3,352	7,700	13,532	5,650	19,319	14,753	26,516	23,317	7,562	4,544	30,132	138,859	14,724	(603)	427,391
Medical costs, supplies and other expenses	2,439	2,858	—	852	7,470	2,780	3,815	314	1,059	1,514	462	3,430	1,869	13,524	2,101	752	443	2,393	11,264	14	(11,867)	47,486
Corporate Allocations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Depreciation and amortization	1	—	—	29	170	4	—	—	48	—	—	—	12	14	23	—	—	2	322	2	—	627
Interest expense	—	—	—	—	3	—	—	—	—	—	—	—	—	—	—	—	—	—	6	—	—	9
Total operating expenses	27,542	23,735	—	7,842	17,915	26,582	34,839	3,666	8,807	15,046	6,112	22,749	16,634	40,054	25,441	8,314	4,987	32,527	150,451	20,678	(12,470)	490,451
Income (loss) from operations	—	(434)	—	1	(1,080)	(212)	1	(1)	—	(619)	—	(446)	679	(1)	1	—	(8)	(358)	875	(13,856)	(1)	(15,459)
Nonoperating gains (losses), net:																						
Realized gains	—	121	—	1	(9)	—	3	—	26	—	—	—	—	16	—	10	—	106	738	243	—	1,254
Unrealized gains	—	291	—	—	—	—	—	—	43	—	—	—	26	—	—	17	—	252	1,985	273	—	2,987
Other	—	—	—	(1)	—	(3)	(5)	—	—	—	—	—	(19)	(12)	—	—	—	—	(41)	—	—	(81)
Total nonoperating gains, net	—	412	—	—	(9)	(3)	(2)	—	69	—	—	—	(19)	29	—	27	—	358	2,682	516	—	4,060
Excess (deficiency) of revenue over expenses	—	(22)	—	1	(1,089)	(215)	(1)	(1)	69	(619)	—	(446)	660	28	1	27	(8)	—	3,557	(13,340)	(1)	(11,399)
Other changes in unrestricted net assets:																						
Donated services (to)/from affiliates	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	14,939	—	14,939
Net assets transfer (to)/from affiliates	—	—	—	—	—	—	—	—	—	319	—	—	—	—	—	—	—	—	—	(319)	—	—
Change in net assets without donor restrictions	—	(22)	—	1	(1,089)	(215)	(1)	(1)	69	(300)	—	(446)	660	28	1	27	(8)	—	3,557	1,280	(1)	3,540

See accompanying independent auditors' report.

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

## Note to Supplemental Consolidating Information

September 30, 2024 and 2023

**(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 BMCHS 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 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.

**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS**

**BMC HEALTH SYSTEM, INC.**  
Supplementary Schedule of Expenditures of Federal Awards  
September 30, 2024

**Exhibit V**

Federal program / pass-through grantor / program or cluster	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	Civilian Research and Development Foundation Global	DAA3-19-65673-1	\$ —	58,351
Agricultural Research Service Total				—	58,351
Economic Research Service:					
Consumer Data and Nutrition Research	10.253	Tufts University	AG9033	—	1,133
Economic Research Service Total				—	1,133
Department of Agriculture Total				—	59,484
Department of Defense:					
Department of the Army:					
Military Medical Research and Development	12.420	Boston University	4500003446	—	16
Military Medical Research and Development	12.420	Johns Hopkins University	N/A	—	(17,396)
Military Medical Research and Development	12.420		Direct	197,061	777,634
Department of the Army Total				197,061	760,344
National Defense, Emergency Preparedness, and Energy Program					
National Defense, Emergency Preparedness, and Energy Program	93.RD	Massachusetts Institute of Technology	FA8702-15-D-0001	—	118,676
National Defense, Emergency Preparedness, and Energy Program Total				—	118,676
Department of Defense Total				197,061	879,020
Department of Health and Human Services:					
Administration for Children and Families:					
Family Violence Prevention and Services/Discretionary	93.592	Vermont Network Against Domestic and Sexual Violence	CON-80005051(GR123745)	—	26,286
Administration for Children and Families Total				—	26,286
Agency for Healthcare Research and Quality:					
National Research Service Awards Health Services Research Training	93.225		Direct	—	253,419
Research on Healthcare Costs, Quality and Outcomes	93.226	Harvard Pilgrim Health Care	AH000972	—	69,666
Research on Healthcare Costs, Quality and Outcomes	93.226	Rand Corporation	SCON-00000623	—	40,582
Research on Healthcare Costs, Quality and Outcomes	93.226		Direct	137,102	1,394,584
Agency for Healthcare Research and Quality Total				137,102	1,758,251
Centers for Disease Control and Prevention:					
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	Massachusetts Department of Public Health	CON-80005051(GR123745)	—	29,046
Centers for Disease Control and Prevention	93.RD		Direct	—	117,596
Centers for Disease Control and Prevention	93.RD		Direct	—	162,926
Injury Prevention and Control Research and State and Community Based Programs	93.136		Direct	85,220	541,946
Centers for Disease Control and Prevention Total				85,220	851,514
Health Resources and Services Administration:					
Autism Collaboration, Accountability, Research, Education, and Support	93.877	Johns Hopkins University	2005678336	—	188,714
Autism Collaboration, Accountability, Research, Education, and Support	93.877		Direct	141	3,008
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		Direct	—	372,876
National Research Service Award in Primary Care Medicine	93.186		Direct	9,982	288,326
Sickle Cell Treatment Demonstration Program	93.365	Johns Hopkins University	CON-80005051(GR123745)	—	30,515
Sickle Cell Treatment Demonstration Program	93.365	Johns Hopkins University	U1E27864	—	8,705
Health Resources and Services Administration Total				10,123	892,144
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	—	(22,317)
Biomedical Advanced Research and Development Authority (BARDA), Biodefense Medical Countermeasure Development	93.360	Versiti Wisconsin, Inc.	1001384-BMC	—	101
IMMED Office of the Secretary of Health and Human Service Total				—	(22,216)
National Institutes of Health:					
21st Century Cures Act - Beau Biden Cancer Moonshot	93.353	Massachusetts General Hospital	237447	—	84,964
21st Century Cures Act - Beau Biden Cancer Moonshot	93.353		Direct	—	16,986
21st Century Cures Act - Precision Medicine Initiative	93.368	Massachusetts General Hospital	245,604	—	12,767
Aging Research	93.866	Boston University	4500002831	—	144,717
Aging Research	93.866	Boston University	4500003669	—	199,706
Aging Research	93.866	Boston University	4500003808	—	200,581
Aging Research	93.866	Boston University	4500004780	—	680,113
Aging Research	93.866	Boston University	4500004652	—	164,250
Aging Research	93.866	Boston University	4500004982	—	(52,006)
Aging Research	93.866	Brigham and Women's Hospital	127625	—	3,694
Aging Research	93.866	Brigham and Women's Hospital	127683	—	184,661
Aging Research	93.866	Brigham and Women's Hospital	129670	—	87,520
Aging Research	93.866	Dana Farber Cancer Institute	1315501	—	(70,999)
Aging Research	93.866	Dana Farber Cancer Institute	CON-80005051(GR123745)	—	25,739
Aging Research	93.866	Northern California Institute	SHL2120-07	—	9,935

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Exhibit V

Federal program / pass-through grantor / program or cluster	ALN	Pass-through entity	Direct award or pass-through entity number	Passed to sub-recipients	Total expenditures
Aging Research	93.866	Northern California Institute	SHL2361-02	\$ —	19,993
Aging Research	93.866	Trustees of Columbia University	5(GG018901-01)	—	85,030
Aging Research	93.866	Tufts Medical Center	5024877_SERV	—	131,841
Aging Research	93.866	Tufts Medical Center	5025373_SERV	—	(25,192)
Aging Research	93.866	Tufts Medical Center	CON-80005051(GR123745)	—	31,219
Aging Research	93.866	University of Massachusetts	016677-9140	—	29,978
Aging Research	93.866		Direct	—	129,541
Alcohol Research Programs	93.273	Boston University	CON-80005051(GR123745)	—	34,764
Alcohol Research Programs	93.273	Brandeis University	GR404718	—	44,992
Alcohol Research Programs	93.273	Northwestern University	60080439 BMC	—	78,058
Alcohol Research Programs	93.273	Vanderbilt University Medical Center	VUMC95907	—	119,005
Alcohol Research Programs	93.273		Direct	1,644,270	2,715,521
Allergy and Infectious Diseases Research	93.855	Boston University	4500005113	—	7,330
Allergy and Infectious Diseases Research	93.855	Columbia University	2(GG017990-01)	—	49,296
Allergy and Infectious Diseases Research	93.855	Department of Molecular Medicine and Hematology	CON-80005051(GR123745)	—	24,574
Allergy and Infectious Diseases Research	93.855	FHI 360	P020003170	—	(671)
Allergy and Infectious Diseases Research	93.855	Harvard Medical School	152058.5124494.0004	—	113,707
Allergy and Infectious Diseases Research	93.855	Harvard School Public Health	110274.5115997.0002	—	110,703
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	5UM1AI068632-17 / LDR 25	—	3,156
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	5UM1AI068632-17/ LDR 20 MOD 05	—	13,067
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	LDR 17	—	(46,317)
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	LDR 18	—	(5,427)
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	LDR 21	—	3,797
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	LDR20	—	80,845
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	UM1 AI068632	—	8,731
Allergy and Infectious Diseases Research	93.855	Kephera Diagnostics	2R44 AI136172-03A1	—	64,259
Allergy and Infectious Diseases Research	93.855	Kephera Diagnostics	CON-80005051(GR123745)	—	58,987
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7141705TGB	—	(3)
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147100JE	—	2,898
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147101AA	—	(12,385)
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147101MTHH	—	(1,095)
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147102NL	—	226
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147105JS	—	(1,404)
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147106KJ	—	(9,521)
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147292KSA	—	1,097
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147320AJH	—	126,807
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147323MS	—	109,363
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147324KL	—	117,105
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147343KAS	—	110,159
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	CON-80005051(GR123745)	—	48,396
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	Direct	—	100,723
Allergy and Infectious Diseases Research	93.855	Tufts University	CON-80005051(GR123745)	—	24,789
Allergy and Infectious Diseases Research	93.855	University of Alabama	000509701-002	—	(2,939)
Allergy and Infectious Diseases Research	93.855	University of California, Los Angeles	1560 G ZA993	—	66,714
Allergy and Infectious Diseases Research	93.855		Direct	786,023	3,419,796
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Harvard University	AH001019	—	39,358
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Massachusetts General Hospital	242,917	—	99,389
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	The University of Texas Southwestern Medical Center	GMO210109	—	14,294
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Yale University	CON-80004012(GR118485)	—	(8,327)
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Yale University	CON-80005051(GR123745)	—	58,391
Blood Diseases and Resources Research	93.839	New York University	21-A2-00-1004666	—	10,710
Blood Diseases and Resources Research	93.839	Rutgers, The State University of New Jersey	0477	—	(3,248)
Blood Diseases and Resources Research	93.839	University of Maryland, Baltimore	20,785	—	51,204
Blood Diseases and Resources Research	93.839		Direct	388,790	1,457,325
Cancer Biology Research	93.396	Boston University	4500002812	—	(1,487)
Cancer Biology Research	93.396	Boston University	4500004467	—	60,792
Cancer Biology Research	93.396	Boston University	4500005041	—	57,780
Cancer Biology Research	93.396	Massachusetts General Hospital	240828	—	639,308
Cancer Cause and Prevention Research	93.393	Boston University	4500003906	—	299,367
Cancer Cause and Prevention Research	93.393	Brigham and Women's Hospital	CON-80005051(GR123745)	—	34,938
Cancer Cause and Prevention Research	93.393	Johns Hopkins University	2005010962	—	108,378
Cancer Cause and Prevention Research	93.393	Massachusetts General Hospital	243673	—	21,063
Cancer Cause and Prevention Research	93.393	Tufts Medical Center	5024808_SERV	—	187,368
Cancer Cause and Prevention Research	93.393	Tufts Medical Center	5025024_SERV	—	296,714
Cancer Cause and Prevention Research	93.393	University of California, Irvine	2021-1596	—	40,898
Cancer Cause and Prevention Research	93.393		Direct	(10,000)	(24,472)
Cancer Centers Support Grants	93.397	Dana Farber Cancer Institute	1230009	—	13,265
Cancer Detection and Diagnosis Research	93.394	Boston University	4500004777	—	117,293
Cancer Detection and Diagnosis Research	93.394	Johns Hopkins University	2006156349	—	208,007
Cancer Detection and Diagnosis Research	93.394	Leuko Labs, Inc.	N/A	—	(1,331)



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Federal program / pass-through grantor / program or cluster	ALN	Pass-through entity	Direct award or pass-through entity number	Passed to sub-recipients	Total expenditures
Cancer Detection and Diagnosis Research	93.394	University of California, Los Angeles	1559 GWC176	\$ —	10,787
Cancer Detection and Diagnosis Research	93.394		Direct	90,232	184,584
Cancer Treatment Research	93.395	Dana Farber	1226808	—	(7,040)
Cancer Treatment Research	93.395	Dana Farber	1226909	—	67,302
Cancer Treatment Research	93.395	NRG Oncology Foundation, Inc.	1384-1047	—	182,783
Cancer Treatment Research	93.395	5UG1CA189828-MA043		—	4,464
Cancer Treatment Research	93.395	Oregon Health and Science University	1013080_SIWOG_BostonMC	—	3,722
Cancer Treatment Research	93.395	The EMMES Company	13,765	—	170,380
Cancer Treatment Research	93.395	The EMMES Company	13,992	—	1,714
Cancer Treatment Research	93.395	University of California, Los Angeles	1568 G TA632	—	41,300
Cardiovascular Diseases Research	93.837	Beth Israel Deaconess Medical Center	01062552	—	18,843
Cardiovascular Diseases Research	93.837	Beth Israel Deaconess Medical Center	GR165855	—	36,192
Cardiovascular Diseases Research	93.837	Boston University	4500003998	—	(18,561)
Cardiovascular Diseases Research	93.837	Boston University	4500004599	—	48,539
Cardiovascular Diseases Research	93.837	Columbia University	3(GG012878-01)	104,754	608,647
Cardiovascular Diseases Research	93.837	Northwestern University	60,066,435	—	13,801
Cardiovascular Diseases Research	93.837	University of California	14809sc	—	9,117
Cardiovascular Diseases Research	93.837		Direct	107,194	1,317,498
Child Health and Human Development Extramural Research	93.865	Boston University	4500004399	—	95,734
Child Health and Human Development Extramural Research	93.865	Boston University	4500004419	—	37,737
Child Health and Human Development Extramural Research	93.865	Brigham and Women's Hospital	125698	—	(12,811)
Child Health and Human Development Extramural Research	93.865	Brown University	00002234	—	196,916
Child Health and Human Development Extramural Research	93.865	Johns Hopkins University	2005562261	—	43,237
Child Health and Human Development Extramural Research	93.865	University of Massachusetts	SUB00000221	—	80,582
Child Health and Human Development Extramural Research	93.865	University of Massachusetts	SUB00000253	—	113,009
Child Health and Human Development Extramural Research	93.865	University of Massachusetts Memorial Health	SUB00000189	—	5,664
Child Health and Human Development Extramural Research	93.865	Venova Technologies, Inc.	1R41HD111106-01-S1	—	71,968
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Boston University	Direct	163,708	683,686
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Boston University	4500004228	—	41,698
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Boston University	4500004249	—	96,352
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Boston University	4500004911	—	(14,256)
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Brigham and Women's Hospital	119949	—	(1,023)
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Brigham and Women's Hospital	122308	—	(24,910)
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	JAEB Center for Health Research	CON-80005051(GR123745)	—	22,840
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Massachusetts General Hospital	241424	—	47,119
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	New York University	22-A0-00-1008641	—	161,241
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Stanford University	62748656-211232	—	4,117
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Stanford University	63205304-247133	—	237,313
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Stanford University	CON-80005051(GR123745)	—	22,105
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	State University of New York at Stony Brook	89194/2/1163728	—	14,278
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	The Scripps Research Institute	5-54314	—	150,556
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Massachusetts	SUB00000410	—	16,492
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Pennsylvania	CON-80005051(GR123745)	9,304	34,104
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Utah	10055841-45-BMCC	—	1,488
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Washington, Seattle	UWSC12426	—	(11,977)
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Washington, Seattle	UWSC15587	—	45,091
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Washington University	WU-20-277-MOD-3	—	45,115
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		Direct	1,041,893	4,541,955
Drug Abuse and Addiction Research Programs	93.279	Bay State Medical	15-259	—	252,866
Drug Abuse and Addiction Research Programs	93.279	Boston University	4500002825	—	(103,133)
Drug Abuse and Addiction Research Programs	93.279	Boston University	4500003058	—	38,929
Drug Abuse and Addiction Research Programs	93.279	Boston University	4500003673	—	129,644
Drug Abuse and Addiction Research Programs	93.279	Boston University	4500004176	—	162,537
Drug Abuse and Addiction Research Programs	93.279	Brandeis University	GR404598_BMC	—	61,638
Drug Abuse and Addiction Research Programs	93.279	Brigham and Women's Hospital	119805	—	(195,576)
Drug Abuse and Addiction Research Programs	93.279	Brigham and Women's Hospital	127629	—	271,067
Drug Abuse and Addiction Research Programs	93.279	Columbia University	2(GG010654-01)	—	73,372
Drug Abuse and Addiction Research Programs	93.279	Heluna Health	526.0105	—	111,709
Drug Abuse and Addiction Research Programs	93.279	Hennepin Healthcare Research Institute	15390-15	—	98,299
Drug Abuse and Addiction Research Programs	93.279	Hennepin Healthcare Research Institute	15390-16	—	143,674
Drug Abuse and Addiction Research Programs	93.279	Hennepin Healthcare Research Institute	15471-15	—	113,243
Drug Abuse and Addiction Research Programs	93.279	Hennepin Healthcare Research Institute	15562-28	—	57,554
Drug Abuse and Addiction Research Programs	93.279	Kaiser Permanente	RNG003002-BostonMedicalCenter	—	(24,375)
Drug Abuse and Addiction Research Programs	93.279	Kaiser Permanente	RNG212056-BMC	—	2,163
Drug Abuse and Addiction Research Programs	93.279	Massachusetts General Hospital	237428	—	216,419
Drug Abuse and Addiction Research Programs	93.279	McLean Hospital	401108	—	(16,664)
Drug Abuse and Addiction Research Programs	93.279	San Diego State University Research Foundation	SA10175 A0 5B167A-B 7807	—	50,730
Drug Abuse and Addiction Research Programs	93.279	The Miriam Hospital	7147185MLD	—	12,611
Drug Abuse and Addiction Research Programs	93.279	Tufts Medical Center	5026916_SERV	—	14,040
Drug Abuse and Addiction Research Programs	93.279	Tufts University	NH243	—	21,491
Drug Abuse and Addiction Research Programs	93.279	University of Cincinnati	013764-00045	—	13,172
Drug Abuse and Addiction Research Programs	93.279	University of Cincinnati	013764-00046	—	4,137
Drug Abuse and Addiction Research Programs	93.279	University of Kentucky	3200004708-22-226	—	37,171
Drug Abuse and Addiction Research Programs	93.279	University of Pittsburgh	AWD00000584 (139108-4)	—	59,009
Drug Abuse and Addiction Research Programs	93.279	Weill Cornell Medical College	201209-2	—	285,546
Drug Abuse and Addiction Research Programs	93.279	Weill Cornell Medical College	11827-4	—	(14,665)
Drug Abuse and Addiction Research Programs	93.279	Weill Cornell Medical College	222892-3	—	(37,094)
Drug Abuse and Addiction Research Programs	93.279	Weill Cornell Medical College	232109-3	—	493,867
Drug Abuse and Addiction Research Programs	93.279	Weill Cornell Medical College	CON-80005051(GR123745)	—	95,437

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Drug Abuse and Addiction Research Programs	93.279	Worcester Polytechnic Institute	11509-GR	\$ —	150,965
Drug Abuse and Addiction Research Programs	93.279	Yale University	CON-80004427 (GR120762)	—	50,900
Drug Abuse and Addiction Research Programs	93.279	Yale University	CON-80005051 (GR123745)	—	57,190
Drug Abuse and Addiction Research Programs	93.279	Yale University	CON-80005055 (GR123749)	—	415,843
Drug Abuse and Addiction Research Programs	93.279	Yale University	CON-80005269 (GR125111)	—	210,601
Drug Abuse and Addiction Research Programs	93.279	Yale University	Direct	7,618,815	17,845,538
Environmental Health	93.113	Boston University	450002019	—	(10,075)
Environmental Health	93.113	Johns Hopkins University	2005726577	—	125,131
Environmental Health	93.113	Johns Hopkins University	CON-80005051 (GR123745)	—	21,342
Environmental Health	93.113	Praxis Precision Medicines	1001398-01	—	4,360
Environmental Health	93.113	Praxis Precision Medicines	Direct	—	149,008
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Boston University	4500004685	—	12,535
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Johns Hopkins University	7R01NS108464-03	—	45,460
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Massachusetts General Hospital	233251	—	293,836
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Massachusetts General Hospital	235400	—	195,840
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Cincinnati	012043-133380	—	3,837
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Cincinnati	012340-133380	—	31
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Cincinnati	013888-133380	—	19,078
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Cincinnati	Direct	—	347,219
Human Genome Research	93.172	Boston Children's Hospital	GENFD0002264636	—	12,582
International Research and Research Training	93.989	Kwame Nkrumah University of Science and Technology	CoHSP103	—	40,104
International Research and Research Training	93.989	Rutgers, The State University of New Jersey	1562	—	3,085
International Research and Research Training	93.989	Rutgers, The State University of New Jersey	Direct	105,624	306,781
Lung Diseases Research	93.838	Brigham and Women's Hospital	OT2HL161847-01	—	611,953
Lung Diseases Research	93.838	Duke University	383000909	—	132,420
Lung Diseases Research	93.838	Duke University	383001278 (SPS 282235)	—	25,934
Lung Diseases Research	93.838	Duke University	383001279 (SPS 281174)	—	57,742
Lung Diseases Research	93.838	Research Triangle Institute	6922-03-COVID-S021	128,907	1,403,758
Lung Diseases Research	93.838	University of Cincinnati	CON-80005051 (GR123745)	—	29,037
Lung Diseases Research	93.838	Westat	6922-03-COVID-S021	—	5,046
Mental Health Research Grants	93.242	Beth Israel Deaconess Medical Center	01063386	—	36,810
Mental Health Research Grants	93.242	Boston University	4500004071	—	164,636
Mental Health Research Grants	93.242	Brown University	00001294	—	101,023
Mental Health Research Grants	93.242	Brown University	00002228	—	108,961
Mental Health Research Grants	93.242	Dimagi, Inc.	9R44MH117956-02 (SBIR PHASE II)	—	(111)
Mental Health Research Grants	93.242	Harvard Medical School	151288.5122908.0004	—	1,858
Mental Health Research Grants	93.242	Johns Hopkins University	CO-US-540-5961	—	400
Mental Health Research Grants	93.242	Kaiser Foundation Research Institute	RNG210241-BUDG01-BMC-00	—	48,279
Mental Health Research Grants	93.242	Lurie Children's Hospital of Chicago	A23-0120-001/BMC	—	15,559
Mental Health Research Grants	93.242	Massachusetts General Hospital	234070	—	8,086
Mental Health Research Grants	93.242	McLean Hospital	401971	—	(2,175)
Mental Health Research Grants	93.242	McLean Hospital	402064	—	118,594
Mental Health Research Grants	93.242	Northwestern University	60050956 BMC	—	56,289
Mental Health Research Grants	93.242	Rand Corporation	SCON-00000231	—	13,756
Mental Health Research Grants	93.242	University of Massachusetts	SUB00000235	—	3,547
Mental Health Research Grants	93.242	University of Massachusetts	Direct	399,425	1,910,368
Minority Health and Health Disparities Research	93.307	Boston University	4500004627	—	124,134
Minority Health and Health Disparities Research	93.307	Fenway Health	3032031-BMC	—	(3,901)
Minority Health and Health Disparities Research	93.307	Harvard Pilgrim Health Care	CON-80005051 (GR123745)	—	33,616
Minority Health and Health Disparities Research	93.307	Northeastern University	500759-78050	—	117,818
Minority Health and Health Disparities Research	93.307	Northwestern University	60046231 BMC	—	(43,963)
Minority Health and Health Disparities Research	93.307	Tufts Medical Center	1228909	—	54,028
Minority Health and Health Disparities Research	93.307	Wake Forest University Health Sciences	127-100730-110219	—	(7,864)
Minority Health and Health Disparities Research	93.307	Wake Forest University Health Sciences	Direct	30,020	97,140
National Center for Advancing Translational Sciences	93.350	American BioOptics, LLC.	FY18-001	—	350,792
National Center for Advancing Translational Sciences	93.350	American BioOptics, LLC.	Direct	—	(5,734)
National Institutes of Health	93.RD	Leidos Biomedical Research, Inc.	21CTA-DM0013	—	593
National Institutes of Health	93.RD	Leidos Biomedical Research, Inc.	23X032F1	18,167	334,610
National Institutes of Health	93.RD	Oregon Health and Science University	CON-80005051 (GR123745)	—	34,479
National Institutes of Health	93.RD	Oregon Health and Science University	Direct	—	82,526
National Institutes of Health	93.RD	Oregon Health and Science University	Direct	—	58,377
National Institutes of Health	93.RD	Oregon Health and Science University	Direct	—	61,463
National Institutes of Health	93.RD	Oregon Health and Science University	Direct	—	33,032
National Institutes of Health	93.RD	Oregon Health and Science University	Direct	—	17,107
Nursing Research	93.361	University of Colorado	FY22.342.002	—	147,072
Nursing Research	93.361	University of Massachusetts	SUB00000226	—	65,044
Nursing Research	93.361	University of Massachusetts	Direct	—	17
Oral Diseases and Disorders Research	93.121	Rhode Island Department of Health	7137973	—	102,900
Oral Diseases and Disorders Research	93.121	Rhode Island Department of Health	Direct	338,732	781,277
Research and Training in Complementary and Integrative Health	93.213	Butler Hospital	5001651-4	37,780	315,420
Research and Training in Complementary and Integrative Health	93.213	Cambridge Health Alliance	NIA	—	(10,031)
Research and Training in Complementary and Integrative Health	93.213	Tufts Medical Center	5025372_SERV	—	243,370
Research and Training in Complementary and Integrative Health	93.213	University of Pittsburgh	AWD00007873 (139447-1)	—	217,849
Research and Training in Complementary and Integrative Health	93.213	University of Pittsburgh	Direct	1,131,508	1,922,169

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Federal program / pass-through grantor / program or cluster	ALN	Pass-through entity	Direct award or pass-through entity number	Passed to sub-recipients	Total expenditures
Research Related to Deafness and Communication Disorders	93.173	Boston Children's Hospital	PO#00001136626	\$ —	1
Research Related to Deafness and Communication Disorders	93.173	Massachusetts General Hospital	241611	—	90,294
Research Related to Deafness and Communication Disorders	93.173	Massachusetts General Hospital	242791	—	192,400
Research Related to Deafness and Communication Disorders	93.173	Massachusetts General Hospital	242792	—	53,405
Research Related to Deafness and Communication Disorders	93.173	Massachusetts General Hospital	CON-80005051(GR123745)	—	22,772
Translation and Implementation Science Research for Heart, Lung, Blood Diseases, and Sleep Disorders	93.840	Massachusetts General Hospital	234862	—	172,776
Translation and Implementation Science Research for Heart, Lung, Blood Diseases, and Sleep Disorders	93.840		Direct	—	(17,661)
Trans-NIH Research Support	93.310	Massachusetts General Hospital	232124	—	442,738
Trans-NIH Research Support	93.310	University of Nevada, Las Vegas	GR18072	—	(1,689)
Trans-NIH Research Support	93.310	University of North Carolina	5125784	—	(35,368)
Trans-NIH Research Support	93.310	University of North Texas Health Science Center at Fort Worth	RF00280-SUB00309	—	296,537
Trans-NIH Research Support	93.310	University of Pittsburgh	CON-80005051(GR123745)	—	29,696
Vision Research	93.867	JAEB Center for Health Research	4.985	—	20,222
Vision Research	93.867	JAEB Center for Health Research	2254	—	39,421
Vision Research	93.867	JAEB Center for Health Research	2-SRA-2022-1207	—	5,381
Vision Research	93.867	JAEB Center for Health Research	CON-80005051(GR123745)	—	2,022
Vision Research	93.867	JAEB Center for Health Research	N/A	—	9,809
Vision Research	93.867	JAEB Center for Health Research	UG1EY011751	—	20,660
Vision Research	93.867	New York University	106.171	—	8,873
Vision Research	93.867		Direct	—	(15,894)
National Institutes of Health Total				14,135,144	56,943,133
Department of Health and Human Services Total				14,367,589	60,449,112
Department of State:					
Department of State:					
Public Diplomacy Programs	19.040	University of Nebraska Medical Center	45-2402-1031-311	—	(58,955)
Department of State Total				—	(58,955)
DHHS -Department of Health and Human Services					
National Institutes of Health					
National Institutes of Health	93.RD		Direct	—	61,627
National Institutes of Health Total				—	61,627
National Science Foundation					
Biological Sciences					
Biological Sciences	47.074	Hermes Life Sciences, Inc.	1-2111755	—	56,204
Biological Sciences Total				—	56,204
Mathematical and Physical Sciences					
Mathematical and Physical Sciences	47.049	Boston University	4500002711	—	10,387
Mathematical and Physical Sciences Total				—	10,387
Research and Development Total				14,564,650	61,456,879
Other Programs:					
Corporation for National and Community Service					
Corporation for National and Community Service:					
AmeriCorps State and National 94.006	94.006		Direct	—	49,575
AmeriCorps Volunteer Generation Fund 94.021	94.021	Massachusetts Service Alliance	YCPI-23-043314093	—	11,838
AmeriCorps Volunteer Generation Fund 94.021	94.021	Massachusetts Service Alliance	YDVI-22-F-0043314093	—	(6)
AmeriCorps Volunteers In Service to America 49.013	94.013		Direct	—	74,931
Corporation for National and Community Service Total				—	136,338
Corporation for National and Community Service Total				—	136,338
Department of Agriculture:					
National Institute of Food and Agriculture:					
Gus Schumacher Nutrition Incentive Program	10.331		Direct	42,398	65,539
National Institute of Food and Agriculture Total				42,398	65,539
Department of Agriculture Total				42,398	65,539
Department of Health and Human Services:					
Administration for Children and Families:					
Assistance for Torture Victims	93.604		Direct	—	423,079
Administration for Children and Families Total				—	423,079
Centers for Disease Control and Prevention:					
Assistance Programs for Chronic Disease Prevention and Control	93.945		Direct	219,914	1,640,430
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073		Direct	21,654	369,507
Community Health Workers for Public Health Response and Resilient	93.495	Boston Public Health Commission	FY23024652	—	(13,947)
HIV Prevention Activities Health Department Based	93.940	Massachusetts Department of Public Health	INTF4944MM3181926007	—	3,466,022
Injury Prevention and Control Research and State and Community Based Programs	93.136	Boston Public Health Commission	FY25026875	—	97,871
Injury Prevention and Control Research and State and Community Based Programs	93.136, 93.959	Massachusetts Department of Public Health	INTF2400M78246334582	—	167,874
Prevention of Disease, Disability, and Death by Infectious Diseases	93.084	Boston University	4500005185	—	63,170
Prevention of Disease, Disability, and Death by Infectious Diseases	93.084	Stanford University	62346382-148206	48,219	188,754
Prevention of Disease, Disability, and Death by Infectious Diseases	93.084		Direct	—	577
Prevention of Disease, Disability, and Death by Infectious Diseases Total				48,219	252,501

**BMC HEALTH SYSTEM, INC.**  
Supplementary Schedule of Expenditures of Federal Awards  
September 30, 2024

Federal program / pass-through grantor / program or cluster	ALN	Pass-through entity	Direct award or pass-through entity number	Passed to sub-recipients	Total expenditures
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	American Academy of Pediatrics	101.445	\$ —	15,011
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	National Association of County and City Health Officials	2022- 022807	—	(2,198)
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health Total				—	12,813
The Healthy Brain Initiative: Technical Assistance to Implement Public Health Actions related to Cognitive Health, Cognitive Impairment, and Caregiving at the State and Local Levels	93.334	Boston Public Health Commission	FY23024858	—	416
The Healthy Brain Initiative: Technical Assistance to Implement Public Health Actions related to Cognitive Health, Cognitive Impairment, and Caregiving at the State and Local Levels	93.334	Boston Public Health Commission	FY24026268	—	43,646
Centers for Disease Control and Prevention Total				289,787	6,037,133
Community Prevention Coalitions (Partnership) Demonstration Grant				—	2,472
Community Prevention Coalitions (Partnership) Demonstration Grant	93.194	Boston Public Health Commission	FY20 021016	—	2,472
Community Prevention Coalitions (Partnership) Demonstration Grant Total				—	2,472
Health Resources and Services Administration:					
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		Direct	—	(844)
Healthy Start Initiative	93.926	Boston Public Health Commission	FY23025452	—	56,777
HIV Emergency Relief Project Grants	93.914	Boston Public Health Commission	FY21 022415A	—	(117)
Maternal and Child Health Federal Consolidated Programs	93.110	Massachusetts Department of Public Health	INTF3121H78226732037	—	137,561
Maternal and Child Health Federal Consolidated Programs	93.110		Direct	386,675	1,480,900
Maternal and Child Health Federal Consolidated Programs Total				386,675	1,618,461
Maternal and Child Health Services Block Grant to the States	93.994	Massachusetts Department of Public Health	CON-80005051(GR123745)	—	30,114
Maternal and Child Health Services Block Grant to the States	93.994	Massachusetts Department of Public Health	INTF3105M03901424004	—	86,450
Mental and Behavioral Health Education and Training Grants	93.732	Boston University	4,500,004,886	—	55,415
Mental and Behavioral Health Education and Training Grants	93.732		Direct	20,000	912,672
National Organizations of State and Local Officials	93.011		Direct	—	651
Preventive Medicine Residency	93.117		Direct	54,280	306,337
Primary Care Training and Enhancement	93.884		Direct	71,284	576,992
Special Projects of National Significance	93.928		Direct	—	351,018
Health Resources and Services Administration Total				532,239	3,993,926
IMMED Office of the Secretary of Health and Human Service:					
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817	Massachusetts General Hospital	241937	—	94,336
Policy Research and Evaluation Grants	93.239	Boston University	4500004812	—	5,593
IMMED Office of the Secretary of Health and Human Service Total				—	99,929
Office of Assistant Secretary for Health:					
Advancing System Improvements for Key Issues in Women's Health	93.088		Direct	18,645	277,234
Family Planning Services	93.217	Action for Boston Community Development	00-549-2160	—	76,307
Family Planning Services	93.217	Action for Boston Community Development	CON-80005051(GR123745)	—	22,737
Family Planning Services	93.217	Action for Boston Community Development	JZ8RQC4EMDZ5	—	159,618
Family Planning Services Total				—	258,662
Office of Assistant Secretary for Health Total				18,645	535,896
Substance Abuse and Mental Health Services Administration:					
Assisted Outpatient Treatment	93.997	Massachusetts Trial Court	BMC-5272	—	1,012,077
Block Grants for Community Mental Health Services	93.958	Massachusetts Department of Mental Health	SCDMH8220025PTRPBM2	—	63,463
Block Grants for Community Mental Health Services	93.958	Massachusetts Department of Mental Health	DMHEARLYPSYCHO24TO33	—	219,596
Block Grants for Community Mental Health Services	93.958	Massachusetts Department of Mental Health	SCDMH8220025PTRPBM1	—	22,047
Block Grants for Community Mental Health Services	93.958	Massachusetts Department of Mental Health	SCDMH822022085460000	—	96,999
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Massachusetts Department of Public Health	INTF2351M03183626052	—	1,706,959
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Massachusetts Department of Public Health	INTF2400M78500824511	67,031	636,382
Opioid STR	93.788	American Academy of Addiction Psychiatry	SOR/TOR-22-17	—	261,480
Opioid STR	93.788	American Academy of Addiction Psychiatry	SOR-CARE-16	—	(32,168)
Opioid STR	93.788	American Academy of Addiction Psychiatry	STATES 16-13 52	—	3,925
Opioid STR	93.788	Massachusetts Department of Mental Health	INTF2342M03236528003	—	133,438
Opioid STR	93.788	Massachusetts Department of Mental Health	INTF2351M03W21006080	86,013	740,925
Opioid STR	93.788	Massachusetts Department of Public Health	CON-80005051(GR123745)	—	317,791
Opioid STR	93.788	Massachusetts Department of Public Health	INTF2351M03183626147	—	75
Opioid STR	93.788	Massachusetts Department of Public Health	INTF2351M03W19026065	—	(13,705)
Opioid STR	93.788	Massachusetts Department of Public Health	INTF2351M03W21006078	—	(1,812)
Opioid STR	93.788	Massachusetts Department of Public Health	INTF2351M03W23163124	—	328,526
Opioid STR Total				86,013	1,738,475
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		Direct	—	362,184
Substance Abuse and Mental Health Services Projects of Regional and National Significance Total				—	362,184
Substance Abuse and Mental Health Services Administration Total				153,044	5,860,202
Department of Health and Human Services Total				993,715	16,952,637
Department of Housing and Urban Development:					
Assistant Secretary for Community Planning and Development:					
Emergency Solutions Grant Program	14.231	City of Boston	0000000000000000000052055	—	(12,642)
Assistant Secretary for Community Planning and Development Total				—	(12,642)
Department of Housing and Urban Development Total				—	(12,642)

**BMC HEALTH SYSTEM, INC.**  
Supplementary Schedule of Expenditures of Federal Awards  
September 30, 2024

Federal program / pass-through grantor / program or cluster	ALN	Pass-through entity	Direct award or pass-through entity number	Passed to sub-recipients	Total expenditures
Department of Justice:					
Boards and Divisions Offices:					
Violence Against Women Formula Grants	16.588	Executive Office of Public Safety	CON-80005051(GR123745)	\$ —	32,505
Violence Against Women Formula Grants	16.588	Executive Office of Public Safety	SCEPSSFY24VAVABMCD23	—	83,475
Violence Against Women Formula Grants	16.588	Executive Office of Public Safety	SCEPSVAWA19BOSTONMED	—	(6,666)
Boards and Divisions Offices Total				—	109,314
Office of Justice Programs:					
Congressionally Recommended Awards	16.753		Direct	—	285,351
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	CON-80005051(GR123745)	—	33,114
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA2018BMCIDV000000	—	153,800
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA2019BMCICVRT0000	—	656,433
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA2019BMCICWTV0000	—	580,970
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA2021BMCICSP000000	—	(909)
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	City of Boston	000000000000000000055898	—	80,673
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	University of Massachusetts	CON-80005051(GR123745)	—	29,833
Office of Justice Programs Total				—	1,819,265
Department of Justice Total				—	1,928,579
Other Programs Total				1,036,113	19,070,451
Medicaid Cluster:					
Department of Health and Human Services					
Centers for Medicare and Medicaid Services					
Medical Assistance Program	93.778	University of Wisconsin-Madison	0000002155	—	25,755
Centers for Medicare and Medicaid Services Total				—	25,755
Department of Health and Human Services Total				—	25,755
Medicaid Cluster Total				—	25,755
Food Cluster:					
Department of Agriculture:					
Food and Nutrition Service:					
Emergency Food Assistance Program (Food Commodities)	10.569		Direct	—	109,957
Food and Nutrition Service Total				—	109,957
Department of Agriculture Total				—	109,957
Food Cluster Total				—	109,957
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	000000000000000000056570	—	250,401
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	City of Boston	4B-23	—	(6,253)
Administration for Community Living Total				—	244,148
Department of Health and Human Services Total				—	244,148
Aging Total				—	244,148
Grand Total				\$ 15,600,763	80,907,190

See accompanying independent auditors' report.

**BMC HEALTH SYSTEM, INC.**

## Notes to the Supplementary Schedule of Expenditure of Federal Awards

Year ended September 30, 2024

**(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, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Health System, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Health System.

**(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**(3) Indirect Rate**

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

**(4) Noncash Assistance**

In 2024, \$109,957 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.

**Prior Year Finding Update - Fiscal Year Ended September 30, 2023**

Date: June 27, 2025

**Audit Report Reference: 2023-001**

Anticipated Completion Date: December 31, 2024

**Corrective Action Plan:**

- 1) For the Workday change review, management has been re-educated on the importance of this review as well as how to complete it completely and timely. Management will perform this review for the fiscal year ended September 30, 2024 and each subsequent fiscal year. Additionally, this review will be timely reviewed by somebody separate from the preparer and the documentation of the review and subsequent approval will be retained in Boston Medical Center Health System's (Health System) records.
- 2) For the access provisioning deficiency, management has been re-educated on the importance of following policy with respect to granting new access to Workday, including that this granting of access be appropriately documented and approved prior to the date of provisioning said access. Additionally, documentation of the approval of access will be properly retained in the company's records.

**Corrective Action Status: On-going**

**Corrective Action Update:**

1. Human Resources Information Systems (HRIS) leadership audited Workday change access for fiscal year 2024 (Oct. 2023-Sept. 2024). HRIS is continuing to research tools to centralize change controls, ensuring timely and documented approval. Until centralized change control is executed, HRIS will conduct routine audits.
2. HRIS audited employee roles and permissions within Workday and made changes to employee access in accordance with their current roles. HRIS has updated and communicated the process for access changes, which include:
  - a. All access requests must be submitted to HRIS and approved by a manager or HRIS leadership.

- b. Conduct a monthly audit of security roles and users within Workday to ensure that permissions are updated appropriately. Any discrepancies will be addressed immediately.

**Audit Report Reference: 2023-002**

Anticipated Completion Date: September 30, 2025

Corrective Action Plan:

- 1) For the Infor user access review deficiency:
  - a. Management has scoped and performed limited access reviews in FY2024 related to privileged administrative access.
  - b. Management has worked to identify financially significant Infor user security roles in order to properly scope and implement business user access reviews starting in FY2024, noting that the implementation timeframe will span FY2024 and FY2025.
  - c. IT management will be working with operational management to educate as to how to properly perform access reviews, and then to implement those reviews starting in FY2024 and FY2025.
  - d. Once reviews have been performed, IT management will assess the results and terminate any access deemed to be unnecessary. As part of this process IT management will perform risk assessment procedures for these users if deemed necessary (e.g. if no other controls are in place to mitigate the perceived risk, etc.).
- 2) For the access termination deficiency:
  - a. Management completed an education session for Health System leaders in FY24 which included the importance of the termination process including timeliness of employee terminations by the business to HR and IT via the established pathways of communication of these items.
  - b. The established process would automatically allow for very timely termination of access provided that initial notification was timely.
  - c. Communication and/or education about timely termination of employees will be repeated at intervals throughout the year in order to reinforce the message and account for changes in management personnel, who are tasked with this process.



Corrective Action Status: **On-going**

Corrective Action Update:

Corrective action plan scheduled for completion by end of fiscal year 2025 (Sept. 30, 2025).  
Corrective action is on-going and on-track. Finding 2023-002 was a repeat finding for fiscal year end September 30, 2024, included as a finding in the Health System's financial statement audit and reported in fiscal year end single audit as finding 2024-001.

**Audit Report Reference: 2023-003**

Anticipated Completion Date: September 30, 2024

Corrective Action Plan:

- 1) Review of Risk Assessments for current active subawards: We will conduct a review of all current subrecipients and document a risk assessment for each by the end of FY24. All new active subawards beginning October 1, 2024, will follow the updated SOPs and policies to ensure compliance and consistency.
- 2) Updating SOPs: We will update the Standard Operating Procedures (SOPs) pertaining to Subaward Issuance (Risk Assessments, Monitoring, Reporting, etc.) to ensure continuity and consistency, regardless of personnel changes. The updated SOPs will include specific steps for subaward issuance and will be reviewed and updated annually as necessary.

Corrective Action Status: **Complete**

Corrective Action Update:

- 3) Review of Risk Assessments for current active subawards: Sponsored Programs Administration (SPA) has conducted a review of all current subrecipients and completed and documented a risk assessment for those institutions.
- 4) Updating SOP: SPA has completed and operationalized an update to its SOP for risk assessments. Risk assessments are maintained in a system that tracks and notifies when an active subrecipient is due for a new assessment. SPA performs a risk assessment for all new subrecipients prior to executing agreements with those institutions. SPA also hired a new position to manage subawards and risk assessments, increasing the resources dedicated to the process.

**Management Response and Corrective Action Plan Findings for Fiscal Year End  
September 30, 2024**

Date: June 27, 2025

**Audit Report Reference: 2024-002**

**Program name: Research and Development**

**Completion Date: October 30, 2024**

Finding 2024-002 is a repeat finding (2023-003) from fiscal year end September 30, 2023. Boston Medical Center Health System (Health System) completed its corrective action plan for 2023-003 in October, 2024.

Sponsored Programs Administration (SPA) completed both elements of the 2023-003 corrective action plans:

- SPA documented a risk assessment for all active subrecipients to ensure the total population was complete and up-to-date.
- SPA revised and updated the standard operating procedures for subrecipient risk assessments.

The auditors noted in 2024-002 that risk assessments were not complete prior to the execution of agreements for subrecipients tested. However, risk assessments were performed for all subrecipients by October 2024. The repeat finding is a result of the timing of the Health Systems review and implementation of an updated SOP. Going forward, all new amendments and new subrecipient agreements will have a risk assessment prior to execution that complies with our new SOP.

As noted by the auditors, for all subrecipients tested during fiscal year end September, 2024 the Health System performed monitoring procedures, including review of invoices for reimbursement, review of Research Performance Progress Reports, review of Uniform Guidance Audit reports, and review of debarment or suspension.

The Health System believes that the corrective action for 2023-003 and 2024-002 are complete and no further corrective action is required.

Person Responsible: Tyler Flack - Senior Director, Sponsored Programs Finance

E-mail address: [Tyler.Flack@bmc.org](mailto:Tyler.Flack@bmc.org)

**Audit Report Reference: 2024-003**  
**Program name: Research and Development**  
**Completion Date: September 30, 2025**

Finding 2024-003 is a repeat finding (2023-001) from fiscal year end September 30, 2023. The Health System implemented change controls and audit of employee permissions per the corrective action plan for 2023-001. The corrective actions for repeat finding 2024-003 addresses documentation of performed controls and training for employees involved in the control activities.

**Workday Change Review:**

The HRIS team will continue with a change review audit as they have done in the previous year with a few enhancements to increase auditability. The Sr. HRIS Manager will send official communication to the HRIS team to initiate the end-of-year change review. This email will provide a clear timeline for the audit period with a hard deadline. Once complete, the HR Compliance Manager and/or the Sr. HRIS Manager will issue a written communication to document the completion of the review summary of findings (if any), and corrective actions taken (if applicable). This will remedy the issue of missing approval documentation. The team will also be reeducated around the need to document written approval and testing for changes throughout the year.

**Workday Security Review:**

The HRIS team will continue to conduct an audit of security roles and users within Workday to ensure that permissions are updated appropriately. The HRIS Analyst will generate reports for the Sr. HRIS Manager's review, identifying any required changes. The analyst will then make these updates in Workday, followed by a new report for verification. Upon successful verification, the Sr. HRIS Manager will send a formal written communication of the approved changes.

**Workday Terminations:**

To address the access provisioning deficiency as it relates to terminating employees, the management team will be re-trained in the importance of adhering to timely terminations of employees in Workday.

**Person Responsible: Ashley Cesarano - HR Compliance and Workplace Accommodations Manager; Karen Alvarado – Senior Manager HRIS**

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