



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, 2023

(With Independent Auditors' Reports Thereon)

BMC HEALTH SYSTEM, INC.

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

Table of Contents

	Exhibit
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	I
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	II
Schedule of Findings and Questioned Costs	III
Consolidated Financial Statements with Supplemental Consolidating Information	IV
Supplementary Schedule of Expenditures of Federal Awards	V



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

Exhibit I

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
BMC Health System, Inc.:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited BMC Health System, Inc. and its subsidiaries' (the Health System) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Health System's major federal programs for the year ended September 30, 2023. The Health System's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Health System complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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



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 other 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 2023-001, 2023-002, 2023-003. Our opinion on each major federal program is not modified with respect to these matters.

The Health System's response to the noncompliance findings identified in our audit is 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 response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response 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 functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal



Exhibit I

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 2023-01, 2023-02, and 2023-03 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 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 Supplementary Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the Health System as of and for the year ended September 30, 2023, and have issued our report thereon dated January 31, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Boston, Massachusetts
June 28, 2024



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of BMC Health System, Inc. and its subsidiaries (the Health System), which comprise the Health System's consolidated balance sheet as of September 30, 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 year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 31, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

**Purpose of This Report**

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

KPMG LLP

Boston, Massachusetts
January 31, 2024

BMC HEALTH SYSTEM, INC.
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2023

(1) Summary of Auditors' Results

Consolidated Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted?

Yes No

Federal Awards

Internal control over the major program:

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

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

Unmodified

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

Yes No

Identification of the major programs:

Program title	Assistance listing number (ALN)
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution Research and Development Cluster (R&D)	93.498 Various

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

\$2,677,224

Auditee qualified as low-risk auditee:

Yes No

BMC HEALTH SYSTEM, INC.
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2023

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

None noted.

(3) Findings and Questioned Costs Relating to Federal Award

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

Federal Program: R&D and

Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (PRF) (93.498)

Federal Award Numbers: Various

Federal Award Years: Various

Reference: 2023-001

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

BMC utilizes Workday, a cloud-based system, to provide human resources and payroll applications. BMC’s management of Workday includes maintaining the application system layer of the information technology (IT) control environment and 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 PRF and R&D programs rely on Workday IT application controls.

During our testing, we noted the following deficiencies operating effectiveness of the Workday general IT controls:

- 1) BMC did not perform and document a Workday change review during the fiscal year, such a control would enable management to detect inappropriate changes to the Workday application. Such a report detailing changes to Workday was generated as part of the Uniform Guidance audit, however management did not formally perform and document its review over the report. Upon audit inquiry, the

BMC HEALTH SYSTEM, INC.
Schedule of Findings and Questioned Costs
Year ended September 30, 2023

review was subsequently performed by management and we observed no inappropriate changes were made during the year that would impact the IT application controls relied upon.

- 2) For 1 of 13 employee new or modified Workday access provisioning samples, BMC did not maintain adequate documentation of the access request and approval. Upon audit inquiry, it was determined that access was provided as part of a promotion and was appropriate; however, was not formally documented.

Cause

The conditions above related to the following:

- 1) Management did not formally perform and document their review over the report due to a lack of knowledge of performance and documentation requirements by the control operators.
- 2) The exception occurred due to delays in supervisors' timely reporting of terminations in Infor which delayed the de-provisioning process performed by IT.

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

Not applicable

Statistical Sampling

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

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.

Additionally, we recommend that management review and emphasize the logical access policies and procedures with key personnel responsible for requesting and provisioning access to help ensure that requests for both new and modified access are appropriately obtained and documented for approval of access needed for job responsibilities.

Views of Responsible Officials

Recommendation accepted. Please refer to corrective action plan.

BMC HEALTH SYSTEM, INC.

Schedule of Findings and Questioned Costs

Year ended September 30, 2023

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

Federal Program: R&D
 Provider Relief Fund Provider Relief Fund and American Rescue Plan (ARP)
 Rural Distribution (93.498)

Federal Award Numbers: Various

Federal Award Years: Various

Reference: 2023-002

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

BMC utilizes Infor, a cloud-based system, as the entity's general ledger. BMC 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. Processes that support compliance and administration of the PRF and R&D programs rely on Infor IT application controls.

During our test work, we noted the following deficiencies operating effectiveness of the general IT controls:

- 1) BMC did not have a process in place to perform and document a Infor User Access Review during the fiscal year. Upon audit inquiry, a review was performed to confirm there were no impacts to IT application controls configurations or processes.
- 2) For 4 of 15 employee termination access samples to the Infor system, it was determined the samples were not removed in a timely basis following the employee's termination date. Upon audit inquiry, we obtained system documentation for the 4 users identified as exceptions indicating the related users did not logon to the system past their termination date.

BMC HEALTH SYSTEM, INC.
Schedule of Findings and Questioned Costs
Year ended September 30, 2023

Cause

The conditions above related to the following:

- 1) Management did not formally implement a process or policy to review user access due to reliance on preventative access controls and no established review requirements as of the fiscal year.
- 2) The exceptions occurred due to human oversight during the execution of the de-provisioning process.

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, 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

Not applicable

Statistical Sampling

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

Recommendation

We recommend that management review and emphasize the access management policies and procedures with key personnel to help ensure that an Infor User Access Review is performed.

Additionally, we recommend that management review and emphasize the logical access policies and procedures with key personnel responsible for the timely communication and removal of de-provisioning of users.

Views of Responsible Officials

Recommendation accepted. Please refer to corrective action plan.

BMC HEALTH SYSTEM, INC.
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2023

Federal Agency: United States Department of Health and Human Services (HHS)
Federal Program: R&D Cluster
Federal Award Numbers: Various
Federal Award Years: Various
Reference: 2023-003

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 includes 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 Listings number and Title; the pass-through entity must identify the dollar amount made available under each Federal award and the Assistance Listings Number at time of disbursement; (2 CFE 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:
 - (1) The subrecipient’s prior experience with the same or similar subawards;
 - (2) 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;
 - (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
 - (4) 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.

BMC HEALTH SYSTEM, INC.
Schedule of Findings and Questioned Costs
Year ended September 30, 2023

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. BMC does not have system in place to provide the ALN at the time of disbursement of funds.

During the year ended September 30, 2023, the BMC passed through \$18,031,446 of federal funding to subrecipients. In order to assess the subrecipient's risk of non-compliance, BMC 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 Single Audits, in addition to other factors. As part of our testing related subrecipient monitoring, we identified the following:

1. For 4 of 16 subrecipients selected for testwork BMC 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, BMC did perform monitoring procedures, including review of invoices for reimbursement, review of Research Performance Progress Reports and review of Single Audit reports.

Cause

The condition found was primarily due to the monitoring procedures implemented by BMC do not include a review to ensure that a risk assessment is performed for each active subrecipient and BMC does not have a mechanism in place to provide the ALN at the time of disbursement of funds to the subrecipient.

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.

Recommendation

We recommend BMC implement 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, 2023

We recommend that BMC enhance its processes and internal controls over its reporting to the subrecipients of the federal program to ensure all award identification information required under 45 CFR 75.352(a) is provided to the subrecipients.



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

Independent Auditors' Report

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

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, 2023 and 2022, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Health System as of September 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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



In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 52 through 62 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Boston, Massachusetts
January 31, 2024

BMC HEALTH SYSTEM, INC.

Consolidated Balance Sheets

September 30, 2023 and 2022

(In thousands)

Assets	2023	2022
Current assets:		
Cash and cash equivalents	\$ 1,335,273	1,090,370
Short-term investments	—	146,280
Patient accounts receivable, net	124,662	122,508
Other accounts receivable	343,393	186,876
Current portion of grants receivable	20,779	30,640
Current portion of estimated receivable for final settlements with third-party payors	690	18
Inventories	27,929	24,484
Prepaid expenses and other current assets	53,772	45,868
Current portion of funds held by trustees	78,495	—
Total current assets	<u>1,984,993</u>	<u>1,647,044</u>
Assets limited as to use:		
Board-designated investments	322,261	300,898
Funds held by trustees	118,116	40,472
Donor-restricted investments	362,303	328,572
Reserve funds	113,434	107,190
Total assets limited as to use	<u>916,114</u>	<u>777,132</u>
Other assets:		
Long-term investments	372,520	350,763
Property, plant and equipment, net	1,020,427	986,626
Right of use assets – operating	96,250	91,022
Right of use assets – financing	7,818	8,736
Other noncurrent assets	40,802	36,294
Total assets	<u>\$ 4,438,924</u>	<u>3,897,617</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 946,954	807,317
Claims payable	295,569	199,884
Estimated third party settlements, current	—	7,413
Deferred revenue	28,221	36,695
Current portion of long-term debt and finance leases	13,341	9,318
Other current liabilities	31,653	41,892
Total current liabilities	<u>1,315,738</u>	<u>1,102,519</u>
Long-term liabilities:		
Estimated third party settlements	37,742	53,218
Obligations under financing leases	1,204	6,800
Obligations under operating leases	87,037	79,981
Long-term debt	801,555	595,037
Other long-term liabilities	172,035	174,920
Total liabilities	<u>2,415,311</u>	<u>2,012,475</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions	1,665,684	1,538,916
With donor restrictions	357,929	346,226
Total net assets	<u>2,023,613</u>	<u>1,885,142</u>
Total liabilities and net assets	<u>\$ 4,438,924</u>	<u>3,897,617</u>

See accompanying notes to consolidated financial statements.

BMC HEALTH SYSTEM, INC.

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

Years ended September 30, 2023 and 2022

(In thousands)

	<u>2023</u>	<u>2022</u>
Operating revenue:		
Net patient service revenue	\$ 1,314,426	1,126,099
Capitation revenue	4,103,195	3,045,742
Grants and contract revenue	145,658	176,025
Other revenue	470,034	454,201
Net assets released from restrictions for operations	29,330	22,363
Total operating revenue	<u>6,062,643</u>	<u>4,824,430</u>
Operating expenses:		
Salaries, wages and fringe benefits	1,513,042	1,357,962
Medical costs, supplies and other expenses	4,305,408	3,228,968
Depreciation and amortization	110,852	107,221
Interest expense	22,701	23,431
Research, sponsored programs and community health services	107,539	103,773
Total operating expenses	<u>6,059,542</u>	<u>4,821,355</u>
Income from operations	<u>3,101</u>	<u>3,075</u>
Nonoperating gains, net:		
Investment income (losses)	99,038	(113,022)
Pension benefit, nonservice	(856)	2,813
Other	2,477	(1,623)
Total nonoperating gains (losses), net	<u>100,659</u>	<u>(111,832)</u>
Excess (deficiency) of revenue over expenses	<u>103,760</u>	<u>(108,757)</u>
Income taxes:		
Income tax expense	(3,017)	(2,192)
Total income tax expense	<u>(3,017)</u>	<u>(2,192)</u>
Excess (deficiency) of revenue over expenses, net of income taxes	100,743	(110,949)
Other changes in net assets without donor restrictions:		
Net assets released from restrictions for property, plant and equipment	20,578	8,123
Pension related changes other than net periodic pension costs	5,447	891
Change in net assets without donor restrictions	126,768	(101,935)
Net assets without donor restrictions:		
Beginning of year	1,538,916	1,640,851
End of year	<u>\$ 1,665,684</u>	<u>1,538,916</u>

See accompanying notes to consolidated financial statements.

BMC HEALTH SYSTEM, INC.

Consolidated Statements of Changes in Net Assets

Years ended September 30, 2023 and 2022

(In thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Net assets as of September 30, 2021	\$ 1,640,851	412,092	2,052,943
(Decreases) increases in net assets:			
Deficiency of revenues over expenses	(110,949)	—	(110,949)
Investment income	—	16,296	16,296
Change in net unrealized appreciation (depreciation) on investments	—	(71,950)	(71,950)
Contribution revenue	—	20,274	20,274
Net assets released from restrictions for operations	—	(22,363)	(22,363)
Net assets released from restrictions for property, plant and equipment	8,123	(8,123)	—
Pension related changes other than net periodic pension costs	891	—	891
Total increase in net assets	<u>(101,935)</u>	<u>(65,866)</u>	<u>(167,801)</u>
Net assets as of September 30, 2022	<u>1,538,916</u>	<u>346,226</u>	<u>1,885,142</u>
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 (depreciation) 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	<u>126,768</u>	<u>11,703</u>	<u>138,471</u>
Net assets as of September 30, 2023	<u>\$ 1,665,684</u>	<u>357,929</u>	<u>2,023,613</u>

See accompanying notes to consolidated financial statements.

BMC HEALTH SYSTEM, INC.

Consolidated Statements of Cash Flows
 Years ended September 30, 2023 and 2022
 (In thousands)

	<u>2023</u>	<u>2022</u>
Operating activities:		
Change in net assets	\$ 138,471	(167,801)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	110,852	107,221
Restricted contributions	2,288	(4,728)
Donated securities received	(2,332)	(3,261)
Return on investment of joint venture	574	710
Amortization of bond discount/premium and issuance costs	(4,194)	(1,729)
Discount and provision for bad debt on contributions receivable	—	2,828
Net realized gains and change in unrealized (appreciation) on investments	(71,800)	172,647
Gain on real estate transaction	—	(60,856)
Pension related changes other than net periodic pension costs	(5,447)	(891)
Changes in operating assets and liabilities:		
Grants receivable	9,861	(2,422)
Patient accounts receivable	(2,167)	(10,275)
Other current assets and liabilities	(190,613)	(28,503)
Other noncurrent assets and liabilities	(1,099)	39,121
Estimated final settlements with third-party payors	(19,417)	(85,713)
Claims payable	95,352	32,803
Accounts payable and accrued expenses	136,819	260,988
Net cash provided by operating activities	<u>197,148</u>	<u>250,139</u>
Investing activities:		
Proceeds from sale of investments	558,243	388,141
Proceeds from sale of funds held by trustees	140,220	39,768
Proceeds from sale of property	—	1,256
Purchases of investments	(423,305)	(396,268)
Purchases of funds held by trustees	(296,266)	(39,799)
Purchase of property, plant and equipment	(141,527)	(94,363)
Other investing activities	(206)	—
Net cash used in investing activities	<u>(162,841)</u>	<u>(101,265)</u>
Financing activities:		
Debt issuance costs	(1,453)	—
Proceeds from restricted contributions	(2,288)	4,728
Proceeds from sale of donated securities	2,332	3,261
Proceeds from debt issuance Series G	241,124	—
Repayment of long-term debt and financing leases	(29,119)	(6,948)
Net cash provided by financing activities	<u>210,596</u>	<u>1,041</u>
Increase in cash and cash equivalents	244,903	149,915
Cash and cash equivalents:		
Beginning of year	1,090,370	940,455
End of year	<u>\$ 1,335,273</u>	<u>1,090,370</u>
Supplemental disclosure of cash flow activities:		
Cash paid for interest	\$ 26,761	26,795
Property, plant and equipment included in accounts payable	12,741	9,919
Contributed securities	2,332	3,261
Gift in-kind	500	500

See accompanying notes to consolidated financial statements.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

(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, Univer Development Foundation, Inc. (UDF), East Concord Medical Foundation, Inc. (ECMF), Boston Medical Center Insurance Company, Ltd. (BMCIC), Boston Medical Center Insurance Company, Ltd. of Vermont (BMCIC of Vermont), Boston University Affiliated Physicians, Inc. (BUAP), BMC Integrated Care Services, Inc. (BMCICS), Boston Accountable Care Organization, Inc. (BACO), and Clearway Health, LLC (Clearway). The Health System and each of the subsidiary and affiliated organizations have fiscal years ending September 30, except BUMG and ECMF, which have fiscal years ending June 30.

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

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

In August 2017, WellSense entered into contracts with the Massachusetts Executive Office of Health and Human Services (EOHHS) to serve as an Accountable Care Partnership Plan for its affiliate BACO and three other ACOs. WellSense re-procured its four existing ACO partnerships for the new five-year EOHHS contract that began on April 1, 2023 and added four additional ACO contracts. The Health System and each of the eight ACO partners entered into agreements defining the roles and responsibilities of their ACO partnership.

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

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)

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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.

Faculty, incorporated on October 18, 1994, is a tax-exempt, nonprofit Massachusetts corporation operating exclusively for clinical, charitable, scientific and educational purposes. The Plans, also tax-exempt, nonprofit Massachusetts corporations, were established to operate exclusively for the benefit of BMC and Boston University Chobanian & Avedisian School of Medicine (Chobanian & Avedisian School) (collectively, the Institutions). Faculty is granted the power to approve the Plans' annual operating budgets, physician compensation plans, and managed care contracts. The Plans' purpose is to provide, coordinate and facilitate the delivery of patient care services and to promote the development of an integrated system of delivery to more efficiently and effectively meet the health care needs of the communities served by the Institutions. BUMG's June 30, 2023 and 2022 combined financial statements are consolidated into BMCHS. BMC and Boston University are Faculty's corporate members.

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

ECMF, a tax-exempt, nonprofit Massachusetts corporation involved in real estate development activities, was voluntarily dissolved effective September 21, 2022. BMC and the Trustees of Boston University each appointed one-half of ECMF's directors and BMC guaranteed 100% of the debt of ECMF. All ECMF related assets and liabilities were transferred to BMC, effective August 2021.

BMCIC provides professional and general liability insurance to 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 provided medical stop-loss coverage for the BMC employee health benefit program and WellSense Medicaid program until September 14, 2018, when it became a dormant captive insurance company.

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.

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

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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.

The financial data for the Health System, UDF, ECMF, BUAP, BMCICS, and BACO 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, UDF, ECMF, BMCIC, BMCIC of Vermont, BUAP, BMCICS, BACO, and Clearway. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Cash and Cash Equivalents

Cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less at date of purchase. BMCHS maintained its cash and cash equivalent accounts at thirteen institutions at both September 30, 2023 and 2022. BMCHS monitors the credit worthiness of the institutions and has not experienced any losses associated with deposits at these institutions. For the purpose of the consolidated statements of cash flows, cash equivalents that are reported within assets whose use is limited and long-term investments are reported as cash flows from investing activities.

(c) Short-term Investments

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

(d) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities (marketable investments) are measured at fair value in the consolidated balance sheets primarily based on quoted market prices. 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,

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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.

(e) Assets Limited as to Use

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

(f) 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.

(g) 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 as of September 30, 2023 and 2022.

(h) Inventories

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

(i) Deferred Revenue

Deferred revenue consists primarily of amounts received in advance of the contract period or conditional grants or other 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 \$16,344,000 and \$31,564,000 as of September 30, 2023 and 2022, respectively.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

Included in the deferred revenue is \$0 and \$6,473,000 of deferred employee retention credit at September 30, 2023 and 2022, respectively.

(j) Health Care Cost Recognition

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.

(k) Premium Deficiency

WellSense recognizes a premium deficiency based upon expected premium revenue, medical and administrative expense levels, and remaining contractual obligations under WellSense's historical experience at the product line level. During the fiscal years ended September 30, 2023 and 2022, WellSense recorded \$4,030,000 and \$5,821,000 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 New Hampshire Medicare Advantage product.

(l) 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

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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.

(m) 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, 2023 – July 30, 2023 completed for calendar year 2023.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

In the first simulation method, the WellSense relative premium factors with and without risk selection were developed from the result in the Wakely simulation report, then adjusted for Wakely simulation model bias. 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, 2023 – July 30, 2023 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, 2023 and 2022. The estimated amount WellSense owes relating to this program as of September 30, 2023 and 2022 is \$31,547,000 and \$28,628,000, 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 due to both CMS and the Massachusetts Health Connector for Cost Sharing Reduction as of September 30, 2023 and 2022 of \$10,824,000 and \$11,324,000, respectively, which is included in the accounts payable and accrued expenses line in the accompanying consolidated balance sheets.

(n) Net Assets

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

(o) 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 both a barrier to entitlement and a refund of amounts paid (or a release from an obligation to make future payments) if conditions of the contribution are not met, are not recognized until they become unconditional. Unconditional contributions may be restricted or without restrictions. Contributions are recorded as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets or as net assets without

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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.

(p) Self-Insurance Reserves

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

(q) Professional Liability Insurance Program

BMC and BUMG maintain medical malpractice insurance on a modified claims-made basis for residents, interns and physicians, BMC, BUMG and their employees. Significantly all of this medical malpractice insurance is provided by BMCIC. BMCIC insurance contracts with BMC and BUMG do not transfer significant underwriting risk to BMCIC and therefore a deposit liability is recorded by BMCIC representing the provision on hand to cover liabilities that may arise under the primary professional liability, commercial general liability and excess professional liability policies issued by BMCIC. Premiums are allocated to the deposit liability account, as well as losses, investment income, operating expenses and unrealized holding gains/losses on investments. For BMCHS consolidated financial statements, intercompany related balances are eliminated and a liability for professional liabilities, general and excess professional liabilities, is actuarially developed based on past experience, industry loss 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) 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

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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.

(s) 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 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 2023 or 2022.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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 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 BUMCH and BCH 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.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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

Under the terms of contractual agreements, certain elements of third-party reimbursement are subject to negotiation, audit, and final determination by third-party payors. The accompanying consolidated financial statements include certain estimates of final settlements. In accordance with ASC 606, 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.

During fiscal year 2023 and 2022, BMC recognized net settlements related to Medicare, Medicaid, WellSense, Blue Cross and other payors related to prior years of approximately \$(276,000) and \$(1,453,000), 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 \$137,153,000 and \$102,934,000 in 2023 and 2022, 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 \$6,411,000 in 2023 and \$5,353,000 in 2022 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,

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

was \$91,123,000 in 2023 and \$81,200,000 in 2022 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 \$8,393,000 and \$7,291,000 for the years ended September 30, 2023 and 2022, respectively.

WellSense's most material assessments are its Massachusetts Health Safety Net assessment, which is a surcharge on certain payments to acute hospitals and ambulatory surgical centers for a component of its membership, and the New Hampshire premium tax, which is a 2% premium tax on recognized New Hampshire Medicaid based premiums. For the years ended September 30, 2023 and 2022, WellSense recognized expense of \$22,722,000 and \$19,470,000, 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.

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 \$390,933,000 and \$282,777,000 as of September 30, 2023 and 2022, respectively. Net amounts due from CMS amounted to approximately \$2,541,000 and \$2,106,000 as of September 30, 2023 and 2022, respectively. Net amounts due from the State of New Hampshire amounted to approximately \$42,485,000 and \$29,950,000 as of September 30, 2023 and 2022, respectively. Risk sharing related receivables are recorded as other accounts receivable, net in the consolidated balance sheets (see note 13) 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.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

(y) 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.

(z) Income Taxes

The Health System, BMC, WellSense, Faculty and the Plans, UDF, ECMF, BMCIC, 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). 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, 2023 and 2022. BMCHS annually assesses whether it must recognize UBIT expense. The amounts recognized as UBIT expense were not material to BMCHS's consolidated operations or changes in net assets for the years ended September 30, 2023 and 2022.

No income, capital or premium taxes are levied in the Cayman Islands and BMCIC has been granted an exemption until July 8, 2042, for any taxes that might be introduced. BMCIC intends to conduct its affairs so as not to be liable for taxes in any other jurisdiction, other than withholding tax on certain investments. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

(aa) Reclassifications

Certain amounts reported in the 2022 consolidated financial statements have been reclassified to conform to the 2023 presentation, which includes reclassifying \$71,334,000 of contract labor to salaries, wages and fringe benefits in 2022 that was previously presented in medical costs, supplies and other expenses in the prior year report.

(bb) Recently Adopted Accounting Pronouncements

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (ASU 2016-13), is a standard issued by the Financial Accounting Standards Board (FASB) that introduces a new model for recognizing credit losses on financial instruments. While primarily applicable to financial institutions, it also affects non-financial enterprises that hold financial assets subject to credit risk. The key provision of ASU 2016-13 is the introduction of the Current Expected Credit Loss (CECL) model. Under this model, entities are required to estimate and recognize credit losses based on expected future losses over the life of the financial instrument, rather than waiting for an actual loss event to occur. For non-financial enterprises, this standard primarily affects financial assets such as trade receivables, loans to customers, and debt securities. BMCHS adopted ASU 2016-13 effective October 1, 2022, which did not have a material impact on its net assets at the date of adoption nor did it have a material impact on its operations for the year ended September 30, 2023.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

(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:

	2023		2022	
	At fair value	Cost	At fair value	Cost
	(In thousands)			
Assets limited as to use:				
Cash and cash equivalents	\$ 18,925	18,923	8,960	9,012
Bonds and U.S. Treasury notes	289,825	322,656	284,788	321,438
Private investment funds	512,283	469,218	468,972	452,953
Mutual funds	77,075	88,304	220,140	236,735
Marketable equity securities	95,828	85,376	90,076	92,026
Money market mutual funds	2,115	2,115	2,071	2,071
Asset-backed securities	99,283	107,418	94,400	103,386
Private debt and equity	75,184	67,844	64,296	60,298
Total	1,170,518	1,161,854	1,233,703	1,277,919
Funds held by trustees	196,611	197,471	40,472	43,603
	\$ 1,367,129	1,359,325	1,274,175	1,321,522

Included in private investment funds are alternative investment vehicles, which include commingled funds, with an estimated fair value of approximately \$512,283,000 and \$468,972,000 as of September 30, 2023 and 2022, respectively.

WellSense is required by its contract with MassHealth to maintain a deposit account with the Commonwealth for reserve purposes. The cash reserves were \$1,115,000 and \$1,071,000 as of September 30, 2023 and 2022, respectively, and are included in assets whose use is limited.

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, 2023 and 2022, respectively.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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>2023</u>	<u>2022</u>
	(In thousands)	
Net assets without donor restrictions:		
Dividends and interest	\$ 55,550	19,527
Net realized gains on investments	17,395	10,773
Change in net unrealized appreciation (depreciation) on investments	<u>26,093</u>	<u>(143,322)</u>
Nonoperating activity	<u>99,038</u>	<u>(113,022)</u>
Net assets with donor restrictions:		
Dividends and interest	5,993	4,947
Net realized gains on investments	1,517	11,349
Change in net unrealized appreciation (depreciation) on investments	<u>34,039</u>	<u>(71,950)</u>
	<u>41,549</u>	<u>(55,654)</u>
	<u>\$ 140,587</u>	<u>(168,676)</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 used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. U.S. GAAP provides a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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, 2023 and 2022, 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 investment 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, 2023 and 2022, 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.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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> (In thousands)	<u>Net asset value</u>	<u>Total</u>
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	181,283	—	—	—	181,283
	<u>\$ 196,611</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>196,611</u>

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

The following table presents the financial instruments carried at fair value and is intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets as of September 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u> (In thousands)	<u>Net asset value</u>	<u>Total</u>
Investments:					
Cash and cash equivalents	\$ 8,960	—	—	—	8,960
Bonds and U.S. Treasury notes	63,255	221,533	—	—	284,788
Private investment funds	203,765	104,619	—	160,588	468,972
Mutual funds	220,140	—	—	—	220,140
Marketable equity securities	88,915	1,161	—	—	90,076
Money market mutual funds	2,071	—	—	—	2,071
Asset-backed securities	—	94,400	—	—	94,400
Private debt and equity	—	—	—	64,296	64,296
	<u>\$ 587,106</u>	<u>421,713</u>	<u>—</u>	<u>224,884</u>	<u>1,233,703</u>
Funds held by trustee:					
U.S. government securities/GIC agreements	\$ 19,606	—	—	—	19,606
Money market mutual funds	20,866	—	—	—	20,866
	<u>\$ 40,472</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>40,472</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 2023 and 2022.

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.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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

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

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

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

There were no unfunded commitments as of September 30, 2023 and 2022.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

(5) Liquidity

As of September 30, 2023 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>2023</u>	<u>2022</u>
	(in thousands)	
Financial assets:		
Cash and cash equivalents	\$ 1,335,273	1,090,370
Short-term investments	—	146,280
Patient accounts receivable, net	124,662	122,508
Other current receivables, net	343,393	186,876
Board designated investments	296,629	275,026
Funds functioning as endowment available for operations	25,847	26,389
Total financial assets available within one year	<u>\$ 2,125,804</u>	<u>1,847,449</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 to unused lines of credit aggregating approximately \$150,000,000 that may be used for operations and which certain of the above-referenced assets collateralize should BMC draw down on the line (see note 7). The table above does not include funds subject to third-party restrictions.

(6) Property, Plant and Equipment

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

	<u>Useful life</u>	<u>2023</u>	<u>2022</u>
		(In thousands)	
Land	unlimited	\$ 14,787	15,221
Land improvements	5–40 years	766	766
Buildings	15–45 years	447,512	447,512
Building and leasehold improvements	3–40 years	960,987	885,135
Major movable equipment	3–20 years	793,561	751,699
Construction in progress		89,121	65,187
		<u>2,306,734</u>	<u>2,165,520</u>
Accumulated depreciation and amortization		<u>(1,286,307)</u>	<u>(1,178,894)</u>
Property, plant and equipment, net		<u>\$ 1,020,427</u>	<u>986,626</u>

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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

Depreciation expense amounted to \$109,690,000 and \$106,138,000 for the years ended September 30, 2023 and 2022, respectively. Amortization expense amounted to \$1,162,000 and \$1,083,000 for the years ended September 30, 2023 and 2022, respectively.

Property, plant and equipment with an original cost of \$3,365,000 and \$51,032,000 and net book value of \$1,188,000 and \$8,669,000 was disposed of during the years ended September 30, 2023 and 2022, respectively.

The Master Trust Indenture (note 7) places certain restrictions on property, plant and equipment in terms of the creation of liens and transfers of assets.

As of September 30, 2023 and 2022, assets under finance lease agreements amounted to approximately \$94,988,000 and \$95,028,000, respectively, with accumulated amortization of \$87,170,000 and \$86,292,000, 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 \$54,039,000 and \$54,421,000 as of September 30, 2023 and 2022, respectively.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

(7) Long-Term Debt

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

	<u>Interest rate</u>	<u>2023</u>	<u>2022</u>
		(In thousands)	
Revenue Bonds Series C	3.00–5.25%	\$ —	24,345
Revenue Bonds Series D	4.00–5.00%	158,155	158,155
Revenue Bonds Series E	2.00–5.00%	166,040	169,370
Revenue Bonds Series F	4.00–5.00%	38,065	38,065
Revenue Bonds Series G	4.38–5.25%	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	3,964	4,819
Series O – taxable (Garage)	Varies	1,235	1,501
		<u>779,374</u>	<u>576,255</u>
Less current portion of long-term debt		(7,269)	(7,606)
Revenue Bonds Series C premium		—	3,001
Revenue Bonds Series D premium		5,844	6,113
Revenue Bonds Series E premium		17,929	19,144
Revenue Bonds Series F premium		1,226	1,274
Revenue Bonds Series G premium		8,534	—
Revenue Bonds Series 2016 discount		(139)	(190)
Revenue Bonds Series 2017 discount		(647)	(672)
Revenue Bonds issuance costs		<u>(3,297)</u>	<u>(2,282)</u>
Long-term debt, less current portion		<u>\$ 801,555</u>	<u>595,037</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 sheet.

In February 2023, BMC issued through the Massachusetts Development Finance Agency (MassDevelopment) \$232,415,000 Series G tax-exempt 2023 Revenue Bonds (Series G Revenue Bonds).

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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 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 2052 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). As part of this issuance, BMC defeased \$26,570,000 of the Series B Revenue Bonds, which were issued to finance the cost of demolition of 91 East Concord Street, the design, construction and equipping of the Shapiro Ambulatory Care Center, the design and construction of a two-story addition to the Menino Pavilion, and routine capital expenditures. The interest rate on the Series E Revenue Bonds ranges from 2.00% to 5.00% based on the bonds' maturities. Principal and sinking fund payments will be made annually between 2017 and 2038 and range from \$425,000 to \$19,890,000.

In March 2016, 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. Only a portion of the Series C Revenue Bonds remained outstanding as of September 30, 2022, and the remaining outstanding

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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 \$5,399,000. There are no drawings under the LOCs as of September 30, 2023 and 2022. The LOCs supporting the Series O-1 and O-2 will expire on July 1, 2026. 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, 2023 were 3.81% and 5.58% for the tax exempt and taxable loan, respectively. The interest rates at September 30, 2022 were 1.69% and 2.88% 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 June 2022, BMC renewed the \$150,000,000 commitment which expires June 2024. 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. BMC did not have outstanding borrowings under the Line of Credit as of September 30, 2023 and 2022.

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.

	September 30	
	2023	2022
	(In thousands)	
Construction fund	\$ 155,342	66
Debt service fund	11,061	8,407
Debt service reserve funds	15,390	19,677
Accrued interest receivable	—	66
Workers' compensation reserve fund	14,590	12,030
Other held funds	228	226
	<u>\$ 196,611</u>	<u>40,472</u>

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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

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

Years ending September 30:	
2024	\$ 7,269
2025	7,620
2026	82,990
2027	8,385
2028	61,480
Thereafter	611,630
	<u>\$ 779,374</u>

(8) Leases

Amounts reported for operating and finance leases in the consolidated balance sheets as of September 30, 2023 and 2022 were as follows:

Consolidated balance sheet presentation	2023	2022
	(in thousands)	
Finance leases:		
Right of use assets – financing	\$ 7,818	8,736
Current portion of long term debt and finance leases	\$ 6,072	1,712
Obligations under financing leases	1,204	6,800
	<u>\$ 7,276</u>	<u>8,512</u>
Operating leases:		
Right of use assets – operating	\$ 96,250	91,022
Other current liabilities	\$ 14,429	16,598
Obligations under operating leases	87,037	79,981
	<u>\$ 101,466</u>	<u>96,579</u>

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

The components of lease cost for the year ended September 30, 2023 and 2022 were as follows:

Consolidated statement of operations and changes in net assets without donor restriction presentation		2023	2022
		(in thousands)	
Finance lease cost:			
Amortization of right-of-use assets interest on lease liabilities	Depreciation and amortization expense	\$ 999	1,037
	Interest expense	211	220
	Total finance lease cost	1,210	1,257
Operating lease cost:			
Lease expense	Medical costs, supplies and other expense	16,259	21,771
	Total lease cost	\$ 17,469	23,028

Other information related to leases as of September 20, 2023 and 2022 was as follows:

	2023	2022
	(In thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ (211)	(220)
Operating cash flows from operating leases	(15,601)	(22,806)
Financing cash flows from finance leases	(1,260)	(1,194)
Right-of-use assets obtained in exchange for new finance lease liabilities	329	54
Right-of-use assets obtained in exchange for new operating leases liabilities	15,994	4,731
Weighted average remaining lease term – finance leases	1.78 years	2.51 years
Weighted average remaining lease term – operating leases	10.01 years	11.00 years
Weighted average discount rate – finance leases	2.73 %	2.50 %
Weighted average discount rate – operating leases	3.71	3.48

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

Future lease payments at September 30, 2023 are as follows (in thousands):

	<u>Operating leases</u>	<u>Finance leases</u>
Year ending September 30:		
2024	\$ 15,212	6,162
2025	13,982	287
2026	12,988	283
2027	12,483	276
2028	11,654	276
Thereafter	<u>54,779</u>	<u>269</u>
Total undiscounted lease payments	121,098	7,553
Less net present value adjustment	<u>(19,632)</u>	<u>(277)</u>
Lease liabilities	<u>\$ 101,466</u>	<u>7,276</u>

In June 2022, BMC sold its Newton Pavilion (including the Health Services Building) to the Commonwealth of Massachusetts acting through its Division of Capital Asset Management and Maintenance on behalf of the Commonwealth's Department of Public Health. Upon the sale, BMC recognized a net gain on the sale of the Newton Pavilion of \$69,819,000, while derecognizing the carrying value of the building and remaining deferred rental income at closing.

In 2014, BMC entered into an operating ground and building lease of its Doctors Office Building, of which \$38,422,000 was paid upon commencement of the lease, and will be recognized as rental income over the term of the lease. The deferred rental revenue was \$34,994,000 and \$35,382,000 as of September 30, 2023 and September 30, 2022, respectively.

(9) Donor Restricted Net Assets

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

	<u>2023</u>	<u>2022</u>
	(In thousands)	
Net assets with donor restrictions:		
Research	\$ 169,330	153,836
Buildings and capital	64,313	73,740
Hospital programs	97,452	92,739
Patient care	<u>26,834</u>	<u>25,911</u>
Total with donor restriction net assets	<u>\$ 357,929</u>	<u>346,226</u>

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

(10) Endowments

BMCHS's endowment consists of approximately 371 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, 2023 and 2022, 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, 2023</u>	<u>Original gift</u>	<u>Accumulated gains and losses, net</u> (In thousands)	<u>Total</u>
Donor-restricted endowment funds	\$ 41,929	222,837	264,766
	<u>\$ 41,929</u>	<u>222,837</u>	<u>264,766</u>
<u>September 30, 2022</u>	<u>Original gift</u>	<u>Accumulated gains and losses, net</u> (In thousands)	<u>Total</u>
Donor-restricted endowment funds	\$ 40,113	210,806	250,919
	<u>\$ 40,113</u>	<u>210,806</u>	<u>250,919</u>

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

Changes in endowment net assets for the years ended September 30, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
	(In thousands)	
Endowment net assets at the beginning of year	\$ 250,919	303,345
Investment return:		
Investment income	6,188	12,894
Net unrealized appreciation (depreciation)	<u>28,074</u>	<u>(56,035)</u>
Total investment return (loss)	34,262	(43,141)
Contributions	1,816	465
Appropriation of endowment assets for expenditures	<u>(22,231)</u>	<u>(9,750)</u>
	<u>13,847</u>	<u>(52,426)</u>
Endowment net assets at the end of year	<u>\$ 264,766</u>	<u>250,919</u>

(11) Benefit Plans Available to Employees

BMC has a defined contribution retirement plan under Section 403(b) of the IRC. The plan is also offered to WellSense employees (as of January 1, 2021). Participation in the plan is voluntary. BMC has three employer contribution schedules, one based on years of service and two that are a flat percentage. The contributions under the plan amounted to \$24,179,000 and \$22,431,000 for the years ended September 30, 2023 and 2022, respectively.

Boston University sponsors a defined contribution retirement plan that covers all BUMG physicians and practitioners paid under the common paymaster agreements with the Plans (Faculty Members). Costs related to BUMG are included in the fringe benefit rates described in note 14 (Shared Services Agreement). This retirement plan is available to Faculty Members who have completed two years of service at Boston University and who work at least 50% of a full time schedule and who have an assignment duration of at least nine months. Boston University contributes a core contribution between 4% to 9% of salary to this retirement plan, depending on age, base salary, and an integration level amount adjusted each year by Boston University. This core contribution is automatic and is provided even if the Faculty Member chooses not to contribute to the plan. In addition, Boston University provides a matching contribution, which matches the Faculty Member's contributions dollar for dollar up to an additional 3%. Employer contributions to the Boston University Retirement Plan were suspended from July 1, 2020 through June 30, 2021.

University Hospital provided postretirement medical and life insurance benefits to retirees. These benefits were grandfathered to employees who terminated employment prior to January 1, 1994. Employees who terminated on or before December 31, 1993 were offered a life insurance benefit; employees who terminated on or before July 31, 1993 and had 20 years of services were granted medical benefits. The cost of medical benefits was capped at \$185.00 per month per participant. The accrued benefit costs under this plan are not material to BMCHS as of September 30, 2023 and 2022.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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 \$1,190,000 and \$1,336,000 in the years ended September 30, 2023 and 2022, 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 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 is responsible for the past service cost of former BCH employees.

	<u>2023</u>	<u>2022</u>
	(In thousands)	
Accumulated benefit obligation	\$ 143,137	149,103
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 153,768	203,607
Service cost	1,849	3,073
Interest cost	7,987	5,340
Actuarial gain	(7,464)	(49,269)
Benefits paid	(9,414)	(8,821)
Administrative expense paid	(157)	(162)
Projected benefit obligation at end of year	<u>\$ 146,569</u>	<u>153,768</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 155,668	204,877
Actual return on plan assets	5,117	(40,226)
Benefits paid	(9,414)	(8,821)
Administrative expense paid	(157)	(162)
Fair value of plan assets at end of year	<u>\$ 151,214</u>	<u>155,668</u>

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
	(In thousands)	
Reconciliation of funded status:		
Projected benefit obligation	\$ 146,569	153,768
Fair value of plan assets	<u>151,214</u>	<u>155,668</u>
Funded status recognized in the consolidated balance sheet included within other noncurrent assets	<u>\$ 4,645</u>	<u>1,900</u>

The components of net periodic benefit cost for the years ended September 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
	(In thousands)	
Included in salaries and related benefits:		
Service cost	\$ 1,849	3,073
Included in nonoperating activities:		
Interest cost	7,987	5,339
Expected return on plan assets	(9,242)	(9,418)
Amortization of net loss	<u>2,111</u>	<u>1,266</u>
Nonoperating loss (gain)	<u>856</u>	<u>(2,813)</u>
Net periodic cost	<u>\$ 2,705</u>	<u>260</u>
Weighted average assumptions used to determine the net periodic cost for the period just ended:		
Discount rate	5.36 %	2.68 %
Long-term rate of return	6.13	4.70
Rate of compensation increase	2.50	2.50
Weighted average assumptions used to determine the benefit obligations:		
Discount rate	5.83 %	5.36 %
Rate of compensation increase	2.50	2.50

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
	(In thousands)	
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
New net actuarial (gain) loss	\$ (3,336)	375
Amortization of net loss	<u>(2,111)</u>	<u>(1,266)</u>
	<u>\$ (5,447)</u>	<u>(891)</u>
Amounts recognized in net assets without donor restriction:		
Net actuarial loss	\$ 21,264	26,711
	<u>\$ 21,264</u>	<u>26,711</u>

BMC is expected to recognize \$1,266,000 of net loss as amortization in 2024.

Pension Plan Assets

The Pension Plan weighted average asset allocation as of the measurement dates September 30, 2023 and 2022, respectively, is as follows:

Asset category:	Target allocation fiscal year ending September 30, 2023	Percentage of plan assets at September 30	
		<u>2023</u>	<u>2022</u>
Equity securities	20 %	22 %	18 %
Debt securities	74	72	76
Other	<u>6</u>	<u>6</u>	<u>6</u>
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

The fair value hierarchy of pension plan assets as of September 30, 2023 and 2022 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.

2023					
	Level 1	Level 2	Level 3	Net asset value	Total
	(In thousands)				
Investments:					
Cash and cash equivalents	\$ 3,659	—	—	—	3,659
Fixed income	108,478	—	—	—	108,478
Equities	21,691	—	—	11,564	33,255
Global asset	5,822	—	—	—	5,822
	<u>\$ 139,650</u>	<u>—</u>	<u>—</u>	<u>11,564</u>	<u>151,214</u>
2022					
	Level 1	Level 2	Level 3	Net asset value	Total
	(In thousands)				
Investments:					
Cash and cash equivalents	\$ 1,744	—	—	—	1,744
Fixed income	118,119	—	—	—	118,119
Equities	18,133	—	—	10,365	28,498
Global asset	7,307	—	—	—	7,307
	<u>\$ 145,303</u>	<u>—</u>	<u>—</u>	<u>10,365</u>	<u>155,668</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.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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:

2024	\$	10,210,000
2025		10,716,000
2026		11,219,000
2027		11,700,000
2028		12,030,000
2029–2033		62,897,000

- BMC did not make contributions to the Pension Plan for years ended September 30, 2023 and 2022. BMC does not expect to make contributions to the Pension Plan in 2024.

(12) Net Patient Service Revenue

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

	2023		2022			
	(In thousands)					
Medicare and Medicare Managed Care	\$	429,486	34 %	\$	408,853	33 %
MassHealth		458,766	37		400,284	33
Commercial carriers		305,494	24		317,020	26
No fault and worker's compensation		7,216	1		6,940	1
Self pay and other		50,630	4		90,045	7
	\$	1,251,592	100 %	\$	1,223,142	100 %

For both 2023 and 2022, 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.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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, 2023 and 2022 are as follows:

	2023			Total
	BMC	BUMG	BUAP	
	(In thousands)			
Service lines:				
Hospital – inpatient	\$ 561,554	—	—	561,554
Hospital – outpatient	502,137	—	—	502,137
Physician services	—	193,167	73	193,240
	<u>1,063,691</u>	<u>193,167</u>	<u>73</u>	<u>1,256,931</u>
Eliminations	<u>(285,106)</u>	<u>—</u>	<u>—</u>	<u>(285,106)</u>
	<u>\$ 778,585</u>	<u>193,167</u>	<u>73</u>	<u>971,825</u>

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

	2023			Total
	BMC	BUMG	BUAP	
	(In thousands)			
Method of reimbursement:				
Fee for service	\$ 1,063,691	193,167	73	1,256,931
State supplemental funds and other (a)	342,601	—	—	342,601
Eliminations	<u>(285,106)</u>	<u>—</u>	<u>—</u>	<u>(285,106)</u>
	<u>\$ 1,121,186</u>	<u>193,167</u>	<u>73</u>	<u>1,314,426</u>

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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

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

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

(a) *The increase in state supplemental funds and other revenue pertains primarily to the implementation of the new 1115 waiver in 2023. Refer to note 17 for further discussion of the state supplemental funds and other.*

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 \$304,712,000 and \$250,998,000 in 2023 and 2022, 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, 2018 by the designated intermediaries. Cost reports for 2019 through 2021 have been filed. The 2019 Medicare cost report is under desk review but was still pending the final Notice of Program Reimbursement as of year-end. A provision for the estimated settlements for all open years has been recorded at September 30, 2023 and 2022. In the opinion of management, no material adjustments are expected to result from the audit of 2018 through 2022 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.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

Accounts receivable, prior to reserves established, is summarized as follows as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	(In thousands)	
Patient	\$ 35,578	19,957
Third-party payors	<u>547,146</u>	<u>465,075</u>
Total	582,724	485,032
Implicit and explicit price concessions	<u>(458,062)</u>	<u>(362,524)</u>
Patient accounts receivable, net	<u>\$ 124,662</u>	<u>122,508</u>

(13) 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, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Medicare	29 %	25 %
Medicaid	44	43
HMOs	11	9
Self-Pay	—	1
Commercial	5	10
Blue Cross	6	6
Commonwealth Care	3	3
Other	<u>2</u>	<u>3</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.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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

	<u>Receivable balance</u>	<u>Discounts and allowances</u> (In thousands)	<u>Net receivable</u>
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
HSN supplemental receivable (a)	110,540	—	110,540
Pharmacy and other	126,917	—	126,917
	<u>\$ 347,576</u>	<u>4,183</u>	<u>343,393</u>

- (a) The majority of the increase in the HSN supplemental receivable from September 30, 2022 to September 30, 2023 relates to timing of receipt of payment. Approximately \$90,000 of payments against the receivable were received subsequent to fiscal year-end whereas in the prior year these payments were received prior to fiscal year-end.

Other Health System accounts receivable and respective allowances for doubtful accounts (credit losses) are comprised of the following as of September 30, 2022:

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

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

against prior year allowance for doubtful accounts. The level of the allowance is adjusted based upon the results of management's analysis.

(14) Related Party Transactions

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

Faculty and BMC have significant transactions with each other for operating purposes. During the years ended September 30, 2023 and 2022, BMC provided approximately \$172,776,000 and \$142,048,000, 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 \$24,097,000 and \$12,134,000 as of September 30, 2023 and 2022, respectively.

WellSense and BMC have significant transactions with each other for operating purposes. Total revenue earned by BMC for medical services and pharmacy services provided to WellSense members was \$659,163,000 and \$567,580,000 for the years ended September 30, 2023 and 2022, respectively, and is included in net patient service revenue. In addition, WellSense owed BMC \$24,118,000 and \$19,532,000 as of September 30, 2023 and 2022, respectively, and the amounts due are included in BMC's patient accounts receivable and in WellSense's claims payable. In addition, effective November 2016, WellSense and BMC entered into a ten-year sublease agreement to lease space in Charlestown, MA. The base annual rent under the agreement was \$4,289,000 for the entire sublease period. Rent payments commenced on January 1, 2017. WellSense has historically entered into long-term operating leases for administrative office space at its location in Boston, MA and Manchester, NH. With WellSense's decision to become a remote workforce, WellSense, which subleases space from BMC, successfully negotiated to terminate the Boston lease over a two year period ending September 30, 2023. The original lease terminated on December 31, 2026. The early termination resulted in WellSense recognizing \$3,900,000 of expense, including leasehold improvement accelerated depreciation, in September 2022. The WellSense corporate office will move to a new location during fiscal 2024.

BMCHS and BMC have significant transactions with each other for system-wide purposes. As of September 30, 2023 and 2022, BMCHS owed BMC \$14,236,000 and \$16,226,000, respectively for operating related activities.

BMC and BMCIC have significant transactions with each other for the purpose of providing professional and general liability insurance. Total expenses incurred by BMC related to the insurance provided by BMCIC were \$4,538,000 and \$3,625,000 for the years ended September 30, 2023 and 2022, respectively. BMC has \$28,891,000 and \$14,022,000 of prepaid premiums and retrospective premium credits that were prepaid by BMC to BMCIC as of September 30, 2023 and 2022, respectively. BMC and Faculty recorded a combined insurance recovery receivable and a professional liability claims payable of \$110,286,000 and \$106,159,000 for the years ended September 30, 2023 and 2022, 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.

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 \$35,990,000 and \$33,042,000 for the years ended September 30, 2023 and 2022, respectively, and is

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

included in net patient service revenue and supplies and other expenses. Also as of September 30, 2023 and 2022, WellSense owed Faculty \$2,785,000 and \$1,791,000, respectively.

Faculty's Plans have agreements and participate in hospital affiliated network agreements with various health maintenance organizations (HMOs), through a master contract established by BACO and BMCICS to provide medical services to subscribing participants. Under certain agreements, the Plans earn capitation revenue based on the number of each HMO's participants, regardless of services actually performed by the Plans. In addition, 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 \$1,999,000 and \$1,296,000 was earned for years ended June 30, 2023 and 2022, respectively.

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 Boston University (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 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, 2023 and 2022, respectively.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

(15) 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	(In thousands)	
Accrued at beginning of year	\$ 199,884	167,081
Incurred services:		
Current year	3,703,717	2,745,416
Prior years	<u>(38,098)</u>	<u>(12,182)</u>
Total incurred	<u>3,665,619</u>	<u>2,733,234</u>
Paid claims:		
Current year	3,388,321	2,526,748
Prior years	<u>181,613</u>	<u>173,683</u>
Total paid	<u>3,569,934</u>	<u>2,700,431</u>
Accrued at end of year	<u>\$ 295,569</u>	<u>199,884</u>

Claims expense of \$3,665,619,000 and \$2,733,234,000 for 2023 and 2022, 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, 2023 and 2022, \$38,098,000 and \$12,182,000 have been released from incurred claims attributable to services rendered to insured in the prior year. Favorable/ unfavorable development is generally a result of ongoing analysis of recent loss development trends and therefore, estimates are increased or decreased accordingly.

(16) 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.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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

	2023						
	Patient and member services	Medical education	Research	Mgmt and general	Fundraising efforts	Eliminations	Total
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	\$ 5,608,680	48,070	145,595	1,150,101	10,359	(903,263)	6,059,542

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

	2022						
	Patient and member services	Medical education	Research	Mgmt and general	Fundraising efforts	Eliminations	Total
Operating expenses:							
Salaries, wages and fringe benefits	\$ 983,767	54,163	14,716	328,240	4,942	(27,866)	1,357,962
Medical costs, supplies and other expenses	3,595,948	2,044	17,144	246,397	3,718	(636,283)	3,228,968
Institutional support	—	—	—	123,720	—	(123,720)	—
Corporate allocations	—	—	—	343	—	(343)	—
Depreciation and amortization	68,855	—	6,075	32,291	—	—	107,221
Interest expense	14	—	—	23,417	—	—	23,431
Research, sponsored, and community health services	—	—	103,773	—	—	—	103,773
Operating expenses	\$ 4,648,584	56,207	141,708	754,408	8,660	(788,212)	4,821,355

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.

(17) 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.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

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 \$29,384,986 as of September 30, 2023 and recognized revenue of \$115,383,716 during the year ended September 30, 2023. BMC's total portion of the waiver funding recognized during the years ended September 30, 2023 and 2022 for patient services was \$340,923,000 and \$156,497,000 respectively and is included in net patient service revenue.

Under the initial 1115 waiver awarded in 2018, BMC received additional payments for both Delivery System Reform Incentive Payments (DSRIP) and a Delivery System Transformation Initiatives (DSTI) Glide Path. The DSTI Glide Path funding assists BMC in the transition to a new payment model and the goal of the DSRIP program funding is to provide incentives for ACOs to create infrastructure that would prepare them to manage both the costs of care and health outcomes of their members in a way that results in integrated and coordinated care, while moderating the state's cost trends. DSRIP payments assist as BMC moves into the new ACO payment models that have been set forth by the Commonwealth. The Commonwealth recognizes BMC must make necessary investments in order to achieve downstream cost savings. Revenue recognized under these programs is included in supplemental revenue and was \$0 in 2023 and \$4,800,000 in 2022.

(18) 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.

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

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

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

the need for such adjustments becomes known. Management is unaware of any claims that would cause the final expense for professional and general liability risks to vary materially from the amounts provided.

Reinsurance and Excess Liability Coverage

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 \$122,043,000 and \$117,327,000 for expected claims liabilities as of September 30, 2023 and 2022, respectively, which is included in other long-term liabilities in the accompanying consolidated financial statements.

(20) Coronavirus Pandemic

In January 2020, the Secretary of the U.S. Department of Health and Human Services (HHS) declared a national public health emergency due to a novel strain of coronavirus (COVID-19) and in March 2020 the World Health Organization declared the spread of the virus to be a pandemic. In early March 2020, the Governor of Massachusetts also declared a state of emergency that provided various orders by the Commonwealth's Department of Public Health and other state agencies to respond to COVID-19. BMCHS also implemented significant new safety measures, expanded critical care bed capacity, acquired personal protective equipment, expanded testing capabilities, and redeployed clinical and nonclinical staff to work in areas where the need was most urgent.

During the COVID period, the cancellation of all elective procedures and non-urgent ambulatory visits resulted in a significant reduction in patient volumes during 2020, 2021 and parts of 2022, as well as volatility in patient volume through 2023. In addition to the lost revenue that accompanied the lower patient volumes, BMCHS also experienced a significant increase in operating expenses associated with personnel, the purchase of personal protective equipment, certain pharmaceuticals, and COVID-19 testing supplies. Recovery continued throughout 2023 although most COVID measures and restrictions were removed as the country emerged from the pandemic.

Throughout the pandemic, BMCHS received various forms of government funding and other assistance under the various programs enacted during this time, including the Provider Relief Funds program, the Medicare Accelerated Advance Payment Program, the American Rescue Plan Act (ARPA), and various other smaller programs. No significant funds under any programs were received, recouped or repaid during fiscal year 2023, and no material amounts remain recorded on BMCHS's balance sheet. In fiscal year 2022, no material amounts were received under the Provider Relief Funds nor remained deferred as of year-end. Additionally, \$76,625,000 received under the Medicare Accelerated and Advance Payment Program was recouped against claims for services provided and no material amounts remained deferred as of September 30, 2022. In fiscal years 2023 and 2022, BMCHS recorded \$12,025,000 and \$42,595,000, respectively, of ARPA funding, which was recognized in grants and contract revenue on the consolidated statements of operations and changes in net assets without donor restrictions.

BMC HEALTH SYSTEM, INC.

Notes to Consolidated Financial Statements

September 30, 2023 and 2022

(21) Subsequent Events

BMCHS has assessed the impact of subsequent events through January 31, 2024, 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: BMC executed a 15-year operating lease agreement in December 2023 to lease the research and healthcare facility located at 670 Albany Street, Boston. As a result, BMC recorded both an ROU asset and a lease liability in the amount of \$75,293,000 upon the closing of the lease.

SUPPLEMENTAL CONSOLIDATING INFORMATION

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

	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
Short-term investments	—	—	—	—	—	—	—
Patients accounts receivable, net	128,953	—	22,551	—	15	(26,857)	124,662
Other accounts receivable,	223,104	94,579	7,258	10,099	8,353	—	343,393
Current portion of grants receivable	20,779	—	—	—	—	—	20,779
Current portion of estimated receivable for final settlements with third-party payors	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
Insurance recoveries receivable	—	—	66,172	—	—	(66,172)	—
Current portion of funds held by trustees	78,495	—	—	—	—	—	78,495
Total current assets	<u>613,863</u>	<u>1,323,227</u>	<u>145,188</u>	<u>15,362</u>	<u>37,221</u>	<u>(149,868)</u>	<u>1,984,993</u>
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	<u>913,499</u>	<u>2,615</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>916,114</u>
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
Other noncurrent assets	41,454	—	52	832	—	(1,536)	40,802
Total assets	<u>\$ 2,677,098</u>	<u>1,661,209</u>	<u>197,821</u>	<u>16,988</u>	<u>37,212</u>	<u>(151,404)</u>	<u>4,438,924</u>
Current liabilities:							
Accounts payable and accrued expenses	\$ 292,735	619,991	15,058	4,735	25,552	(11,117)	946,954
Claims payable	—	322,426	—	—	—	(26,857)	295,569
Estimated third party settlements, current	—	—	—	—	—	—	—
Deferred revenue	16,344	5,152	3,589	—	3,136	—	28,221
Current portion of due to related parties	78	14,819	29,883	—	942	(45,722)	—
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	<u>337,350</u>	<u>979,502</u>	<u>115,175</u>	<u>3,946</u>	<u>29,633</u>	<u>(149,868)</u>	<u>1,315,738</u>
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	<u>1,429,562</u>	<u>979,618</u>	<u>122,537</u>	<u>3,946</u>	<u>29,516</u>	<u>(149,868)</u>	<u>2,415,311</u>
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	<u>1,247,536</u>	<u>681,591</u>	<u>75,284</u>	<u>13,042</u>	<u>7,696</u>	<u>(1,536)</u>	<u>2,023,613</u>
Total liabilities and net assets	<u>\$ 2,677,098</u>	<u>1,661,209</u>	<u>197,821</u>	<u>16,988</u>	<u>37,212</u>	<u>(151,404)</u>	<u>4,438,924</u>

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.
Consolidating Supplemental Balance Sheet
September 30, 2022
(In thousands)

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

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, 2023

(in thousands)

	BMC	WellSense	BUMG	Clearway	All other entities	Eliminations	BMCHS
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 expense	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
Income (loss) 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
Gain on disposal of property	—	—	—	—	—	—	—
Other	2,558	—	(81)	—	—	—	2,477
Pension benefit, non-service	(856)	—	—	—	—	—	(856)
Total nonoperating gains, 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	—	—	—	(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	—	—	—	—	—	—	—
Cumulative effect of change in accounting principle	—	—	—	—	—	—	—
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 Operations and Changes in Net Assets without Donor Restrictions

Year ended September 30, 2022

(In thousands)

	BMC	WellSense	BUMG	Clearway	All other entities	Eliminations	BMCHS
Operating revenue:							
Net patient service revenue	\$ 1,194,338	—	190,840	—	69	(259,148)	1,126,099
Capitation revenue	779	3,043,272	1,691	—	—	—	3,045,742
Grants and contract revenue	175,036	—	989	—	—	—	176,025
Institutional support	—	—	134,162	—	—	(134,162)	—
Other revenue	717,463	—	102,304	20,362	5,510	(391,438)	454,201
Net assets released from restrictions for operations	22,363	—	—	—	—	—	22,363
Total operating revenue	2,109,979	3,043,272	429,986	20,362	5,579	(784,748)	4,824,430
Operating expenses:							
Salaries, wages and fringe benefits	792,245	82,254	393,540	9,203	108,586	(27,866)	1,357,962
Medical costs, supplies and other expenses	842,427	2,855,892	47,807	1,746	114,258	(633,162)	3,228,968
Institutional support	123,720	—	—	—	—	(123,720)	—
Corporate allocations	141,358	57,415	13,222	1,564	(213,131)	(428)	—
Depreciation and amortization	104,260	2,319	618	23	1	—	107,221
Interest expense	23,415	—	16	—	—	—	23,431
Research, sponsored programs and community health services	103,768	—	—	—	5	—	103,773
Total operating expenses	2,131,193	2,997,880	455,203	12,536	9,719	(785,176)	4,821,355
Income (loss) from operations	(21,214)	45,392	(25,217)	7,826	(4,140)	428	3,075
Nonoperating gains, net:							
Realized gains	19,505	7,851	2,817	—	126	—	30,299
Unrealized gains	(84,544)	(49,067)	(9,710)	—	—	—	(143,321)
Other	—	—	(1,623)	—	—	—	(1,623)
Pension benefit, nonservice	2,813	—	—	—	—	—	2,813
Total nonoperating gains, net	(62,226)	(41,216)	(8,516)	—	126	—	(111,832)
(Deficiency) excess of revenue over expenses	(83,440)	4,176	(33,733)	7,826	(4,014)	428	(108,757)
Income taxes:							
Income tax expense	—	—	—	(2,192)	—	—	(2,192)
Total income taxes	—	—	—	(2,192)	—	—	(2,192)
(Deficiency) excess of revenue over expenses net of income taxes	(83,440)	4,176	(33,733)	5,634	(4,014)	428	(110,949)
Other changes in unrestricted net assets:							
Net assets transfer (to)/from affiliates	(11,891)	—	6,991	—	4,900	—	—
Net assets released from restrictions for property, plant and equipment	8,123	—	—	—	—	—	8,123
Pension related changes other than net periodic pension costs	891	—	—	—	—	—	891
Donated services (to)/from affiliates	(12,878)	—	13,222	—	—	(344)	—
Change in net assets without donor restrictions	(99,195)	4,176	(13,520)	5,634	886	84	(101,935)
Net assets without donor restriction:							
Beginning of year	1,008,616	539,327	85,264	—	9,264	(1,620)	1,640,851
End of year	\$ 909,421	543,503	71,744	5,634	10,150	(1,536)	1,538,916

See accompanying independent auditors' report.

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

	<u>BMC</u>	<u>WellSense</u>	<u>BUMG</u>	<u>Clearway</u>	<u>All other entities</u>	<u>Eliminations</u>	<u>BMCHS</u>
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 (appreciation) depreciation 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 final settlements with third-party payors	(19,417)	—	—	—	—	—	(19,417)
Claims payable	—	101,742	—	—	(333)	(6,057)	95,352
Accounts payable and accrued expenses	6,500	145,859	(1,790)	3,375	(13,521)	(3,604)	136,819
Net cash (used in) provided by operating activities	<u>(154,212)</u>	<u>363,410</u>	<u>(1,295)</u>	<u>10,690</u>	<u>(21,445)</u>	<u>—</u>	<u>197,148</u>
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	<u>(144,639)</u>	<u>(16,076)</u>	<u>(1,409)</u>	<u>(907)</u>	<u>190</u>	<u>—</u>	<u>(162,841)</u>
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
Proceeds from debt issuance Series G	241,124	—	—	—	—	—	241,124
Repayment of long-term debt and capital leases	(29,296)	—	177	—	—	—	(29,119)
Net cash provided by financing activities	<u>210,419</u>	<u>—</u>	<u>177</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>210,596</u>
Increase (decrease) in cash and cash equivalents	<u>(88,432)</u>	<u>347,334</u>	<u>(2,527)</u>	<u>9,783</u>	<u>(21,255)</u>	<u>—</u>	<u>244,903</u>
Cash and cash equivalents:							
Beginning of year	139,653	861,205	45,634	—	43,878	—	1,090,370
End of year	<u>\$ 51,221</u>	<u>1,208,539</u>	<u>43,107</u>	<u>9,783</u>	<u>22,623</u>	<u>—</u>	<u>1,335,273</u>
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.
Consolidating Supplemental Statement of Cash Flows

Year ended September 30, 2022

(In thousands)

	Medical Center	WellSense	Faculty	Clearway	All other entities	Eliminations	BMCHS
Operating activities:							
Change in net assets	\$ (164,977)	4,176	(13,520)	5,634	886	—	(167,801)
Adjustments to reconcile change in net assets to net cash provided by operating activities:							
Depreciation and amortization	104,260	2,319	618	23	1	—	107,221
Restricted contributions	(4,728)	—	—	—	—	—	(4,728)
Donated securities received	(3,261)	—	—	—	—	—	(3,261)
Return on investment of joint venture	710	—	—	—	—	—	710
Amortization of bond discount/premium and issuance costs	(1,729)	—	—	—	—	—	(1,729)
Loss from disposal of assets	—	744	—	—	1,550	—	2,294
Discount and provision for bad debt on contributions receivable	2,828	—	—	—	—	—	2,828
Net realized gains and change in unrealized (appreciation) depreciation on investments	112,851	51,760	8,107	—	—	(71)	172,647
Gain on real estate transaction	(63,150)	—	—	—	—	—	(63,150)
Pension related changes other than net periodic pension costs	(891)	—	—	—	—	—	(891)
Transfer of net assets	11,891	—	(6,991)	—	(4,900)	—	—
Changes in operating assets and liabilities:							
Grants receivable	(2,422)	—	—	—	—	—	(2,422)
Patient accounts receivable	(8,205)	—	(3,891)	—	(17)	1,838	(10,275)
Other current assets and liabilities	(53,304)	35,650	541	(5,607)	(8,900)	3,117	(28,503)
Other noncurrent assets and liabilities	35,970	3,517	(1,340)	1,514	(540)	—	39,121
Due to/from related parties	(4,106)	4,794	4,788	(2,924)	3,575	(6,127)	—
Estimated final settlements with third-party payors	(89,987)	—	—	—	(134)	4,408	(85,713)
Claims payable	—	34,641	—	—	—	(1,838)	32,803
Accounts payable, accrued expenses and due to/from related parties	30,273	231,015	(3,845)	1,360	3,512	(1,327)	260,988
Net cash (used in) provided by operating activities	<u>(97,977)</u>	<u>368,616</u>	<u>(15,533)</u>	<u>—</u>	<u>(4,967)</u>	<u>—</u>	<u>250,139</u>
Investing activities:							
Proceeds from sale of investments	238,282	150,706	3,676	—	—	—	392,664
Proceeds from sale of funds held by Trustees	39,768	—	—	—	—	—	39,768
Proceeds from sale of property	1,256	—	—	—	—	—	1,256
Purchases of investments	(242,543)	(156,993)	(1,255)	—	—	—	(400,791)
Purchases of funds held by Trustees	(39,799)	—	—	—	—	—	(39,799)
Purchase of property, plant and equipment	(91,037)	(2,819)	(507)	—	—	—	(94,363)
Net cash (used in) provided by investing activities	<u>(94,073)</u>	<u>(9,106)</u>	<u>1,914</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(101,265)</u>
Financing activities:							
Proceeds from restricted contributions	4,728	—	—	—	—	—	4,728
Proceeds from sale of donated securities	3,261	—	—	—	—	—	3,261
Repayment of long-term debt and capital leases	(7,131)	—	183	—	—	—	(6,948)
Net asset transfer (to) from affiliate	(11,891)	—	6,991	—	4,900	—	—
Net cash provided by financing activities	<u>(11,033)</u>	<u>—</u>	<u>7,174</u>	<u>—</u>	<u>4,900</u>	<u>—</u>	<u>1,041</u>
Increase (decrease) in cash and cash equivalents	<u>(203,083)</u>	<u>359,510</u>	<u>(6,445)</u>	<u>—</u>	<u>(67)</u>	<u>—</u>	<u>149,915</u>
Cash and cash equivalents:							
Beginning of year	342,736	501,695	52,079	—	43,945	—	940,455
End of year	<u>\$ 139,653</u>	<u>861,205</u>	<u>45,634</u>	<u>—</u>	<u>43,878</u>	<u>—</u>	<u>1,090,370</u>
Supplemental disclosure of cash flow activities:							
Cash paid for interest	\$ 26,761	—	34	—	—	—	26,795
Change in property, plant and equipment included in accounts payable	9,919	—	—	—	—	—	9,919
Conditional asset retirement obligations	—	—	—	—	—	—	—
Contributed securities	3,261	—	—	—	—	—	3,261
Gift in-kind	—	—	500	—	—	—	500

See accompanying independent auditors' report.

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

	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	Elimination	Consolidated	
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, less allowance	—	232	—	419	185	1,616	679	131	210	32	129	215	349	213	876	343	65	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	126	—	—	15	1,072	12	—	2,138	
Right of use assets – finance	—	—	—	—	96	—	—	—	—	—	—	—	—	—	—	—	—	—	587	—	—	683	
Right of use assets – operating	—	—	—	—	716	—	—	—	—	61	—	—	—	—	—	—	—	—	—	—	—	777	
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	
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	—	—	—	—	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 Consolidating Supplemental Balance Sheets
 June 30, 2022
 (In thousands)

Assets	Division of																						Total			
	Surgery	Anesthesia	Cardiac	Dermatology	ER	Evans	Eye	Family	Corporate	Surgery	Neurology	Neurosurgery	OB/GYN	Orthopedic	Otolaryngology	Pediatrics	Pathology	Plastic Surgery	Psychiatry	Radiology	Rehab	Radiation Oncology		Urology	Eliminations	
Current assets:																										
Cash and cash equivalents	\$	—	169	—	448	151	914	495	95	33,777	222	112	34	109	3,109	849	542	1,115	—	3,149	171	—	45	128	—	45,634
Patients accounts receivable	—	2,442	—	167	886	4,821	1,472	551	886	510	383	701	319	756	2,531	(180)	896	141	—	3,443	1,378	—	245	492	—	21,854
Other accounts receivable, less allowance of \$716 in 2022	—	1	—	276	169	425	18	1,381	740	192	27	—	107	—	8	630	86	—	—	316	354	—	—	—	—	4,690
Current portion due from related parties	—	81	—	341	3,724	3,857	657	840	(7,361)	2,252	1,553	153	949	178	201	659	52	—	(156)	56	—	7	182	—	8,225	
Prepaid expenses and other current assets	—	103	—	119	—	330	—	43	53	—	6	2	21	—	—	16	21	—	—	19	—	6	—	—	739	
Insurance recoveries receivable	—	—	—	—	—	—	—	—	63,696	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	63,696	
Total current assets	\$	—	2,796	—	1,351	4,930	10,047	2,642	2,910	91,415	3,009	2,399	508	1,942	5,818	878	2,743	1,415	—	6,752	1,978	—	303	802	—	144,638
Other assets:																										
Long-term investments	—	—	—	—	4,939	28,080	—	—	5,946	—	—	—	—	—	—	403	4,340	1,042	—	600	—	—	—	—	—	45,350
Property, plant and equipment, net	—	5	—	52	—	732	632	11	17	—	—	—	—	81	—	16	155	—	100	149	—	—	—	—	—	1,950
Right of use assets – operating	—	—	—	—	—	669	121	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	790
Right of use assets – finance	—	—	—	—	—	—	974	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	974
Other noncurrent assets	—	—	—	—	—	—	—	—	36	—	8	—	—	—	—	—	—	—	—	—	4	—	—	—	—	48
Total assets	\$	—	2,801	—	1,403	9,869	39,528	4,369	2,921	97,414	3,009	2,407	508	1,942	5,899	1,281	7,099	2,612	—	7,452	2,131	—	303	802	—	193,750
Liabilities and Net Assets																										
Current liabilities:																										
Accounts payable and accrued expenses	\$	—	420	—	314	1,609	1,787	805	768	4,252	657	97	79	291	1,267	96	1,682	419	—	2,015	221	—	96	(23)	—	16,852
Deferred revenue	—	2,381	—	—	2,280	1,412	694	1,158	13,587	—	2,011	—	400	260	—	—	—	—	—	2,493	312	—	207	—	—	27,195
Current portion of due to related parties	—	—	—	—	—	4,739	—	93	11	22	—	—	—	112	—	136	—	—	—	—	15	—	—	3	—	5,131
Current portion of long-term debt and capital leases	—	—	—	—	—	147	291	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	438
Professional liability claims	—	—	—	—	—	—	—	—	—	63,696	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	63,696
Other current liabilities	—	—	—	—	—	1,033	—	—	—	8	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,041
Total current liabilities	\$	—	2,801	—	314	3,889	9,118	1,790	2,019	81,554	679	2,108	79	691	1,639	96	1,818	419	—	4,508	548	—	303	(20)	—	114,353
Long-term liabilities:																										
Obligations under capital leases	—	—	—	—	—	175	62	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	237
Due to related parties	—	—	—	—	—	—	716	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	716
Long-term debt	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other long-term liabilities	—	—	—	—	—	—	—	—	—	8,700	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6,700
Total liabilities	\$	—	2,801	—	314	3,889	9,293	2,568	2,019	88,254	679	2,108	79	691	1,639	96	1,818	419	—	4,508	548	—	303	(20)	—	122,006
Commitments and contingencies																										
Net assets:																										
Without donor restrictions	—	—	—	1,089	5,980	30,235	1,801	902	9,160	2,330	299	429	1,251	4,260	1,185	5,281	2,193	—	2,944	1,583	—	—	822	—	—	71,744
Total net assets	\$	—	—	1,089	5,980	30,235	1,801	902	9,160	2,330	299	429	1,251	4,260	1,185	5,281	2,193	—	2,944	1,583	—	—	822	—	—	71,744
Total liabilities and net assets	\$	—	2,801	—	1,403	9,869	39,528	4,369	2,921	97,414	3,009	2,407	508	1,942	5,899	1,281	7,099	2,612	—	7,452	2,131	—	303	802	—	193,750

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.

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

June 30, 2023

(In thousands)

	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	Elimination	Consolidated	
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	990	260	8,626	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	15,822	(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	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	14,938	—	14,938	
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	29,678	(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	—	—	—	—	15	—	10	—	106	738	243	—	1,254	
Unrealized gains	—	291	—	—	—	—	—	—	43	—	—	—	—	26	—	17	—	252	1,985	273	—	2,887	
Other	—	—	—	(1)	—	(3)	(5)	—	—	—	—	—	(19)	(12)	—	—	—	—	(41)	—	—	(81)	
Total nonoperating gains, net	—	412	—	—	(9)	(3)	(2)	—	69	—	—	—	(19)	29	—	27	—	358	2,662	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.

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

June 30, 2022

(In thousands)

	Division of Surgery	Anesthesia	Cardiac	Dermatology	ER	Evans	Eye	Family	Corporate	Surgery	Neurology	Neurosurgery	OB/GYN	Orthopedic	Otolaryngology	Pediatrics	Pathology	Plastic Surgery	Psychiatry	Radiology	Rehab	Radiation Oncology	Urology	Eliminations	Total
Operating revenue:																									
Net patient service revenue	\$	12,804	—	2,639	9,802	46,166	15,391	6,188	—	10,058	7,058	1,444	10,088	10,240	4,095	11,507	3,314	—	23,552	11,545	—	1,795	3,154	—	190,840
Capitation revenue		—	—	—	—	209	—	184	1,296	—	—	—	1	—	—	1	—	—	—	—	—	—	—	—	1,691
Grants and contract revenue		—	—	—	—	—	—	—	989	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	989
Institutional support		13,525	—	1,351	5,557	33,403	1,102	6,908	5,503	16,333	3,856	3,808	5,754	3,590	2,186	8,484	3,565	—	9,572	7,914	—	925	826	—	134,162
Other revenue		298	—	2,600	4,609	56,784	1,684	12,833	5,848	3,966	3,720	54	3,508	945	857	10,044	1,475	—	6,286	3,036	—	353	336	(16,934)	102,304
Total operating revenue		26,627	—	6,590	19,968	136,562	18,177	26,113	13,636	30,357	14,634	5,306	19,351	14,775	7,138	30,036	8,354	—	39,412	22,485	—	3,073	4,316	(16,934)	429,986
Operating expenses:																									
Salaries, wages and fringe benefits		24,604	—	5,933	19,382	128,324	10,767	23,725	11,738	27,739	14,144	4,689	17,024	12,367	6,485	27,995	7,324	—	24,530	20,607	—	2,793	3,995	(605)	393,540
Medical costs, supplies and other expenses		2,022	—	687	2,382	9,795	7,539	2,789	10,102	3,648	1,239	637	2,848	1,243	685	2,038	973	—	12,949	1,898	—	273	390	(16,330)	47,807
Corporate Allocations		—	—	—	—	—	—	—	13,222	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	13,222
Depreciation and amortization		1	—	26	2	296	186	4	3	—	—	—	—	13	—	3	56	—	10	18	—	—	—	—	618
Interest expense		—	—	—	—	9	9	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	18
Total operating expenses		26,627	—	6,646	21,766	138,423	18,500	26,518	35,065	31,387	15,383	5,306	19,872	13,623	7,170	30,036	8,353	—	37,489	22,523	—	3,066	4,385	(16,935)	455,203
Income (loss) from operations		—	—	(66)	(1,798)	(1,861)	(323)	(405)	(21,429)	(1,030)	(749)	—	(521)	1,152	(32)	—	1	—	1,923	(28)	—	7	(69)	1	(25,217)
Nonoperating gains (losses), net:																									
Realized gains		—	—	—	241	2,239	—	—	183	2	—	—	—	—	11	115	29	—	17	—	—	—	—	—	2,817
Unrealized gains		—	—	—	(883)	(6,599)	—	—	(1,017)	—	—	—	—	—	(88)	(767)	(176)	—	(100)	—	—	—	—	—	(9,710)
Other		—	—	—	—	(1,583)	—	—	—	—	(1)	—	—	(10)	—	(17)	(3)	—	(9)	—	—	—	—	—	(1,623)
Total nonoperating gains, net		—	—	—	(742)	(5,943)	—	—	(854)	2	(1)	—	—	(10)	(57)	(669)	(150)	—	(92)	—	—	—	—	—	(8,516)
Excess (deficiency) of revenue over expenses		—	—	(66)	(2,540)	(7,804)	(323)	(405)	(22,283)	(1,028)	(750)	—	(521)	1,142	(89)	(669)	(149)	—	1,831	(28)	—	7	(69)	1	(33,733)
Other changes in unrestricted net assets:																									
Donated services (to)/from affiliates		—	—	—	—	—	—	—	13,222	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	13,222
Net assets transfer (to)/from affiliates		—	—	—	57	1,797	1,861	317	405	—	1,031	—	522	123	32	—	—	—	—	27	—	—	69	—	6,991
Change in net assets without donor restrictions	\$	—	—	—	1	(743)	(5,943)	(6)	—	(9,061)	3	—	1	1,265	(57)	(669)	(149)	—	1,831	(1)	—	7	—	1	(13,520)

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.

Note to Supplemental Consolidating Information

September 30, 2023 and 2022

(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, 2023

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	CRDF Global	DAA3-19-65673-1	\$ —	71,440
Agricultural Research Service Total				—	71,440
Economic Research Service:					
Consumer Data and Nutrition Research	10.253	Tufts University	AG9033	25,390	40,731
Economic Research Service Total				25,390	40,731
Department of Agriculture Total				25,390	112,171
Department of Defense:					
Department of the Army:					
Military Medical Research and Development	12.420	Boston University	4500003446	—	1,867
Military Medical Research and Development	12.420	Johns Hopkins University	N/A	—	17,306
Military Medical Research and Development	12.420		Direct	252,916	296,331
Department of the Army Total				252,916	315,504
National Institutes of Health:					
National Institutes of Health	93.RD	Massachusetts Institute of Technology	7000528489	—	(10,121)
National Institutes of Health Total				—	(10,121)
Department of Defense Total				252,916	305,383
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	N/A	—	5,248
Administration for Children and Families Total				—	5,248
Agency for Healthcare Research and Quality:					
National Research Service Awards Health Services Research Training	93.225		Direct	143,407	289,180
Research on Healthcare Costs, Quality and Outcomes	93.226		Direct	128,432	811,538
Agency for Healthcare Research and Quality Total				271,839	1,100,718
Assistant Secretary for Community Planning and Development:					
Emergency Solutions Grant Program	14.231, 14.218	Boston Department of Neighborhood Development	52245	—	5,845
Assistant Secretary for Community Planning and Development Total				—	5,845
Centers for Disease Control and Prevention:					
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073		Direct	71,234	259,936
Centers for Disease Control and Prevention	93.RD		Direct	—	499,805
Injury Prevention and Control Research and State and Community Based Programs	93.136		Direct	386,323	1,342,959
Centers for Disease Control and Prevention Total				457,557	2,102,700
Health Resources and Services Administration:					
Autism Collaboration, Accountability, Research, Education, and Support	93.877	Johns Hopkins University	2005678336	—	149,337
Autism Collaboration, Accountability, Research, Education, and Support	93.877		Direct	19,703	56,837
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		Direct	—	428,424
National Research Service Award in Primary Care Medicine	93.186		Direct	8,764	436,851
Sickle Cell Treatment Demonstration Program	93.365	Johns Hopkins University	N/A	—	37,492
Health Resources and Services Administration Total				28,467	1,108,941
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	—	218,055
Biomedical Advanced Research and Development Authority (BARDA), Biodefense Medical Countermeasure Development	93.360	Versiti Wisconsin, Inc.	100368_BMC	—	44,532
Biomedical Advanced Research and Development Authority (BARDA), Biodefense Medical Countermeasure Development	93.360	Versiti Wisconsin, Inc.	N/A	—	(2,286)
IMMED Office of the Secretary of Health and Human Service Total				—	260,301
National Institutes of Health:					
21st Century Cures Act - Beau Biden Cancer Moonshot	93.353	Massachusetts General Hospital	237447	—	165,907
Aging Research	93.866	Boston University	4500002831	—	248,880
Aging Research	93.866	Boston University	4500003808	—	121,473
Aging Research	93.866	Boston University	4500004390	—	165,517
Aging Research	93.866	Boston University	4500004780	—	339,338
Aging Research	93.866	Boston University	4500004852	—	189,364
Aging Research	93.866	Brigham & Women's Hospital	127,683	—	119,500
Aging Research	93.866	Brigham & Women's Hospital	127625	—	102,295

BMC HEALTH SYSTEM, INC.

Supplementary Schedule of Expenditures of Federal Awards

September 30, 2023

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	Dana Farber	1224604	\$ —	164,881
Aging Research	93.866	Northern California Institute	SHL2120-07	—	13,506
Aging Research	93.866	Northern California Institute	SHL2361-02	—	11,225
Aging Research	93.866	Trustees of Columbia University	5(GG018901-01)	—	5,270
Aging Research	93.866	Tufts Medical Center	5024877_SERV	—	140,580
Aging Research	93.866	Tufts Medical Center	5025373_SERV	—	345,317
Aging Research	93.866		Direct	1,512,109	1,507,535
Alcohol Research Programs	93.273	Boston University	4500004343	—	28,020
Alcohol Research Programs	93.273	Northwestern University	60060439 BMC	—	41,790
Alcohol Research Programs	93.273	Vanderbilt University Medical Center	VUMC95907	—	162,808
Alcohol Research Programs	93.273		Direct	1,683,552	3,082,296
Allergy and Infectious Diseases Research	93.855	Department of Molecular Medicine and Hematology	D1907240-02	—	7,777
Allergy and Infectious Diseases Research	93.855	FHI 360	COVPN3502/REGN2069	—	(486)
Allergy and Infectious Diseases Research	93.855	FHI 360	PO20003170	—	8,069
Allergy and Infectious Diseases Research	93.855	Harvard School Public Health	117116-5121545	—	(22,978)
Allergy and Infectious Diseases Research	93.855	Harvard School Public Health	150274.5115997.0002	—	311,266
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	5UM1AI088632-17 / LDR 25	—	3,877
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	5UM1AI088632-17 / LDR 20 MOD 05	—	1,454
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	LDR 09 MOD 01	—	16,765
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	LDR 21	—	9,561
Allergy and Infectious Diseases Research	93.855	Johns Hopkins University	UM1 AI088632	—	73,796
Allergy and Infectious Diseases Research	93.855	Kephera Diagnostics	2R44 AI136172-03A1	—	6,590
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7141705TCB	—	3,133
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147100JE	—	9,938
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147100KSA	—	26,743
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147101AA	—	52,054
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147101BL	—	27,892
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147101MTHH	—	5,479
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147102NL	—	58,049
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147104AH	—	86,934
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147105JS	—	103,784
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147106KJ	—	42,484
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147292KSA	—	79,468
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147320AJH	—	22,130
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147321BPL	—	8,340
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147323MS	—	20,145
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147324KL	—	14,728
Allergy and Infectious Diseases Research	93.855	The Miriam Hospital	7147325KRJ	—	24,899
Allergy and Infectious Diseases Research	93.855	Trustees of Columbia University	2(GG017990-01)	—	27,745
Allergy and Infectious Diseases Research	93.855	Tufts University	104581-00001	—	18,294
Allergy and Infectious Diseases Research	93.855	University of Alabama	000509701-002	—	(66)
Allergy and Infectious Diseases Research	93.855	University of California, Los Angeles	1560 G ZA993	—	92,298
Allergy and Infectious Diseases Research	93.855		Direct	930,905	2,608,343
Arthritis, Musculoskeletal and Skin Diseases Research	93.840	Brigham & Women's Hospital	117592	—	(15,527)
Arthritis, Musculoskeletal and Skin Diseases Research	93.840	The University of Texas Southwestern Medical Center	GMO210109	—	28,962
Arthritis, Musculoskeletal and Skin Diseases Research	93.840	Yale University	CON-80004012(GR118485)	—	52,731
Biomedical Research and Research Training	93.590	BioSensics, LLC	N/A	—	6,708
Biomedical Research and Research Training	93.590	Boston University	4500003522	—	1,997
Blood Diseases and Resources Research	93.839	Children's Memorial Hospital	901516-BMC	—	(1,084)
Blood Diseases and Resources Research	93.839	Duke University	A035060	—	27,362
Blood Diseases and Resources Research	93.839	Mount Sinai Medical Center	0255-A905-4609	—	9,337
Blood Diseases and Resources Research	93.839	Rutgers, The State University of New Jersey	0477	—	23,980
Blood Diseases and Resources Research	93.839	University of Maryland, Baltimore	20785	—	23,435
Blood Diseases and Resources Research	93.839	University of Pittsburgh	AWD00000392 (135957-4)	—	3,556
Blood Diseases and Resources Research	93.839		Direct	668,318	1,429,422
Cancer Biology Research	93.396	Boston University	4500002812	—	101,828
Cancer Biology Research	93.396	Boston University	4500004466	—	60,368
Cancer Biology Research	93.396	Boston University	4500004467	—	91,136
Cancer Biology Research	93.396	Massachusetts General Hospital	240828	—	381,879
Cancer Cause and Prevention Research	93.393	Boston University	4500003906	—	198,177
Cancer Cause and Prevention Research	93.393	Johns Hopkins University	2005010962	—	111,149
Cancer Cause and Prevention Research	93.393	Tufts Medical Center	5024808_SERV	—	91,942
Cancer Cause and Prevention Research	93.393	Tufts Medical Center	5025024_SERV	—	123,936
Cancer Cause and Prevention Research	93.393	University of California, Irvine	2021-1596	—	19,678
Cancer Cause and Prevention Research	93.393		Direct	143,607	229,586
Cancer Centers Support Grants	93.397	Dana Farber	1205203	—	(2,602)
Cancer Centers Support Grants	93.397	Dana Farber	1230009	—	23,535
Cancer Detection and Diagnosis Research	93.394	Johns Hopkins University	2006156349	—	15,568

BMC HEALTH SYSTEM, INC.
 Supplementary Schedule of Expenditures of Federal Awards
 September 30, 2023

<u>Federal program / pass-through grantor / program or cluster</u>	<u>ALN</u>	<u>Pass-through entity</u>	<u>Direct award or pass-through entity number</u>	<u>Passed to sub-recipients</u>	<u>Total expenditures</u>
Cancer Detection and Diagnosis Research	93.394		Direct	\$ 117,744	497,760
Cancer Detection and Diagnosis Research	93.394		N/A	—	17,938
Cancer Treatment Research	93.395	Leuko Labs Inc.	1226808	—	19,682
Cancer Treatment Research	93.395	Dana Farber	5UG1CA189828-05-MA043	—	142,193
Cancer Treatment Research	93.395	NRG Oncology Foundation, Inc.	1014562_SWOG_BostonMC	—	11
Cancer Treatment Research	93.395	Oregon Health and Science University	13,765	—	437,641
Cancer Treatment Research	93.395	The EMMES Company	N/A	—	3,872
Cancer Treatment Research	93.395	The EMMES Company	1568 G TA	—	22,690
Cardiovascular Diseases Research	93.387	University of California, Los Angeles	GRT65855	—	65,515
Cardiovascular Diseases Research	93.387	Beth Israel Deaconess Hospital	01062552	—	47,075
Cardiovascular Diseases Research	93.387	Beth Israel Deaconess Medical Center	4500003998	—	124,488
Cardiovascular Diseases Research	93.387	Boston University	4500004599	—	304
Cardiovascular Diseases Research	93.387	Brigham & Women's Hospital	113286	—	1
Cardiovascular Diseases Research	93.387	New England Medical Research	N/A	—	100,625
Cardiovascular Diseases Research	93.387	Trustees of Columbia University	1(GG012878-02)	—	8,698
Cardiovascular Diseases Research	93.387	Trustees of Columbia University	3(GG012878-01)	145,329	677,455
Cardiovascular Diseases Research	93.387	Trustees of Columbia University	Direct	198,237	1,187,682
Child Health and Human Development Extramural Research	93.865	Boston University	4500004399	—	78,809
Child Health and Human Development Extramural Research	93.865	Boston University	4500004419	—	48,667
Child Health and Human Development Extramural Research	93.865	Brigham & Women's Hospital	125698	—	65,560
Child Health and Human Development Extramural Research	93.865	Brown University	00002234	—	41,026
Child Health and Human Development Extramural Research	93.865	Florida State University	R01949	—	24,937
Child Health and Human Development Extramural Research	93.865	Johns Hopkins University	2003025892	—	(176)
Child Health and Human Development Extramural Research	93.865	Johns Hopkins University	2005582261	—	80,777
Child Health and Human Development Extramural Research	93.865	Lynntech, Inc.	N/A	—	15,040
Child Health and Human Development Extramural Research	93.865	The Regents of the University of California, San Diego	703799	—	1,414
Child Health and Human Development Extramural Research	93.865	UMass Memorial Health	SUB00000189	—	100,318
Child Health and Human Development Extramural Research	93.865	University of Massachusetts	SUB00000221	—	45,896
Child Health and Human Development Extramural Research	93.865	University of Massachusetts	SUB00000253	—	35,117
Child Health and Human Development Extramural Research	93.865	University of North Carolina	5108777	—	(34)
Child Health and Human Development Extramural Research	93.865	Venova Technologies, Inc.	1R41HD111106-01-S1	—	23,830
Child Health and Human Development Extramural Research	93.865		Direct	703,572	851,274
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Boston University	4500004152	—	17,158
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Boston University	4500004228	—	38,785
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Boston University	4500004249	—	39,779
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Brigham & Women's Hospital	119949	—	17,668
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Brigham & Women's Hospital	122308	—	12,774
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	JAEB Center for Health Research	2,107	—	3,885
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Massachusetts General Hospital	241424	—	66,949
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	New York University	22-A0-00-1008641	—	540,599
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Stanford University	62748656-211232	—	151,990
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	State University of New York at Stony Brook	89194/2/1163728	—	23,991
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	The Scripps Research Institute	5-54314	—	569,048
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Pennsylvania	585234	—	49,510
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Washington, Seattle	UWSC12426	12,737	102,606
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	University of Washington, Seattle	UWSC12427	36,431	95,001
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Washington University	WU-20-277-MOD-3	—	19,430
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		Direct	1,250,390	4,241,645
Drug Abuse and Addiction Research Programs	93.279	American Academy of Child And Adolescent Psychiatry	N/A	—	44
Drug Abuse and Addiction Research Programs	93.279	Boston University	4500002825	—	(4,984)
Drug Abuse and Addiction Research Programs	93.279	Boston University	4500003058	—	88,698
Drug Abuse and Addiction Research Programs	93.279	Boston University	4500003673	—	124,437
Drug Abuse and Addiction Research Programs	93.279	Boston University	4500004176	—	154,094
Drug Abuse and Addiction Research Programs	93.279	Brandeis University	GR403953_BMC	—	(1)
Drug Abuse and Addiction Research Programs	93.279	Brandeis University	GR404598_BMC	—	17,914
Drug Abuse and Addiction Research Programs	93.279	Brigham & Women's Hospital	119805	—	(41,629)
Drug Abuse and Addiction Research Programs	93.279	Brigham & Women's Hospital	127629	—	206,390
Drug Abuse and Addiction Research Programs	93.279	Denver Health and Hospital Authority	A19-001-S005-A04	—	103,966
Drug Abuse and Addiction Research Programs	93.279	Heluna Health	526.0105	—	208,869
Drug Abuse and Addiction Research Programs	93.279	Hennepin Healthcare Research Institute	15390-15	—	201,249
Drug Abuse and Addiction Research Programs	93.279	Hennepin Healthcare Research Institute	15390-16	—	354,455
Drug Abuse and Addiction Research Programs	93.279	Kaiser Permanente	RNG212056-BMC	—	46,953
Drug Abuse and Addiction Research Programs	93.279	Massachusetts General Hospital	237428	—	216,830
Drug Abuse and Addiction Research Programs	93.279	The Miriam Hospital	7147185MLD	—	9,156
Drug Abuse and Addiction Research Programs	93.279	Trustees of Columbia University	2(GG010654-01)	—	63,625
Drug Abuse and Addiction Research Programs	93.279	Tufts University	NIH243	—	51,678
Drug Abuse and Addiction Research Programs	93.279	University of Kentucky	3200004708-22-226	—	114,226
Drug Abuse and Addiction Research Programs	93.279	Weill Cornell Medical College	191194-2	—	11,986

BMC HEALTH SYSTEM, INC.

Supplementary Schedule of Expenditures of Federal Awards

September 30, 2023

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
Drug Abuse and Addiction Research Programs	93.279	Weill Cornell Medical College	201209-2	\$ —	286,438
Drug Abuse and Addiction Research Programs	93.279	Weill Cornell Medical College	211827-4	—	90,692
Drug Abuse and Addiction Research Programs	93.279	Weill Cornell Medical College	222892-3	—	441,168
Drug Abuse and Addiction Research Programs	93.279	Yale University	CON-80004196 (GR119388)	—	65,238
Drug Abuse and Addiction Research Programs	93.279	Yale University	CON-80004422 (GR120727)	—	312,157
Drug Abuse and Addiction Research Programs	93.279		Direct	6,640,142	20,166,441
Environmental Health	93.113	Johns Hopkins University	2005726577	—	122,265
Environmental Health	93.113	Praxis Precision Medicines	1001398-01	—	3,621
Environmental Health	93.113		Direct	—	220,437
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Boston University	4500004685	—	38,803
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	CND Life Sciences	1R44NS117214	—	30,112
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Johns Hopkins University	7R01NS108464-03	—	9,478
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Massachusetts General Hospital	233251	—	126,747
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Massachusetts General Hospital	235400	—	55,777
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Cincinnati	010785-133380	—	320
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University of Cincinnati	012043-133380	—	1,669
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		Direct	—	225,130
Human Genome Research	93.172	Children's Hospital	GENFD0002264636	—	23,682
International Research and Research Training	93.989	Rutgers, The State University of New Jersey	1582	—	12,344
International Research and Research Training	93.989	Trustees of Columbia University	2(GG016095-01)	—	9,307
International Research and Research Training	93.989		Direct	58,742	67,655
Lung Diseases Research	93.838	Brigham & Women's Hospital	N/A	—	727,433
Lung Diseases Research	93.838	Research Triangle Institute	6922-03-COVID-S021	210,626	1,538,582
Mental Health Research Grants	93.242	Boston University	4500004071	—	96,319
Mental Health Research Grants	93.242	Brown University	00001294	—	142,822
Mental Health Research Grants	93.242	Brown University	00002228	—	80,995
Mental Health Research Grants	93.242	Harvard Medical School	151288.5122908.0004	—	3,195
Mental Health Research Grants	93.242	Johns Hopkins University	CO-US-540-5961	—	4,029
Mental Health Research Grants	93.242	Kaiser Foundation Research Institute	RNS210241-BUDG01-BMC-00	—	83,503
Mental Health Research Grants	93.242	Lurie Children's Hospital of Chicago	A23-0120-001/BMC	—	8,933
Mental Health Research Grants	93.242	Massachusetts General Hospital	234070	—	63,689
Mental Health Research Grants	93.242	McLean Hospital	401612	—	65,740
Mental Health Research Grants	93.242	McLean Hospital	401971	—	47,564
Mental Health Research Grants	93.242	Northwestern University	60050956 BMC	—	59,913
Mental Health Research Grants	93.242	Rand Corporation	SCON-00000231	—	47,594
Mental Health Research Grants	93.242	University of Massachusetts	SUB00000235	—	112,141
Mental Health Research Grants	93.242		Direct	104,408	2,108,340
Minority Health and Health Disparities Research	93.307	AltaMed Health Services Corp	N/A	—	(8,882)
Minority Health and Health Disparities Research	93.307	Baylor College of Medicine	7000001468	—	114,907
Minority Health and Health Disparities Research	93.307	Boston University	4500004627	—	110,577
Minority Health and Health Disparities Research	93.307	Fenway Health	3032031-BMC	—	2,367
Minority Health and Health Disparities Research	93.307	Harvard Pilgrim Health Care	PH000883A	—	29,568
Minority Health and Health Disparities Research	93.307	Northwestern University	500759-78050	—	105,504
Minority Health and Health Disparities Research	93.307	Northwestern University	60046231 BMC	—	148,770
Minority Health and Health Disparities Research	93.307	Wake Forest University Health Sciences	127-100730-110219	—	6,888
Minority Health and Health Disparities Research	93.307		Direct	207,949	727,991
National Center for Advancing Translational Sciences	93.350	Boston University	9500311031	—	(3,362)
National Center for Advancing Translational Sciences	93.350	Duke Clinical Research Institute	WBSE: A034559, SPS: 266338	—	15,315
National Center for Advancing Translational Sciences	93.350	University of Utah	10046258-01	—	(833)
National Center for Advancing Translational Sciences	93.350		Direct	644,750	1,215,215
National Institutes of Health	93.RD	Leidos Biomedical Research Inc.	21CTA-DM0013	—	126,522
National Institutes of Health	93.RD	Leidos Biomedical Research Inc.	23X032F1	—	9,613
National Institutes of Health	93.RD	Oregon Health and Science University	1020044-002_BMCC	—	9,285
National Institutes of Health	93.RD		HHSN2752013000171	—	161,393
National Institutes of Health	93.RD		5,950,828	—	107,655
National Institutes of Health	93.RD		75N94020D00004	—	16,736
National Institutes of Health	93.RD		75N94021D00003	—	28,136
National Institutes of Health	93.RD		N/A	—	53,378
National Institutes of Health	93.RD		7,191	—	(275)
Nursing Research	93.361	Tufts Medical Center	5024322_SERV	—	73,382
Nursing Research	93.361	University of Colorado	FY22.342.002	—	95,821
Nursing Research	93.361	University of Massachusetts	SUB00000226	—	9,709
Nursing Research	93.361		Direct	79,443	80,420
Oral Diseases and Disorders Research	93.121		Direct	448,401	805,308
Research and Training in Complementary and Integrative Health	93.213	Butler Hospital	5001651-4	37,780	383,158
Research and Training in Complementary and Integrative Health	93.213	Northwestern University	60047299 BMC	—	(1,357)
Research and Training in Complementary and Integrative Health	93.213		Direct	1,160,105	2,270,694
Research Infrastructure Programs	93.351		Direct	—	249,082

BMC HEALTH SYSTEM, INC.
 Supplementary Schedule of Expenditures of Federal Awards
 September 30, 2023

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 Related to Deafness and Communication Disorders	93.173	Children's Hospital	0002040905	\$ —	274
Research Related to Deafness and Communication Disorders	93.173	Georgia State University	SP00013351-02	—	9,607
Research Related to Deafness and Communication Disorders	93.173	Massachusetts General Hospital	241611	—	168,337
Translation and Implementation Science Research for Heart, Lung, Blood Diseases, and Sleep Disorders	93.840	Massachusetts General Hospital	234862	—	220,035
Translation and Implementation Science Research for Heart, Lung, Blood Diseases, and Sleep Disorders	93.840		Direct	—	174,083
Trans-NIH Research Support	93.310	Massachusetts General Hospital	232124	—	758,248
Trans-NIH Research Support	93.310	University of Ghana	9U54DK116913-10	—	(10,857)
Trans-NIH Research Support	93.310	University of Nevada, Las Vegas	GR14192	—	27,095
Trans-NIH Research Support	93.310	University of North Carolina	5125784	—	185,597
Trans-NIH Research Support	93.310	University of Pittsburgh	AWD00001053(134698-1)	—	44,864
Vision Research	93.867	JAEB Center for Health Research	2254	—	18,328
Vision Research	93.867	JAEB Center for Health Research	UG1EY011751	—	2,336
Vision Research	93.867	Johns Hopkins University	2005131224	—	9,915
Vision Research	93.867	Johns Hopkins University	N/A	—	1,845
Vision Research	93.867	New York University	Direct	—	(6,218)
National Institutes of Health Total				<u>16,995,277</u>	<u>62,472,812</u>
Department of Health and Human Services Total				<u>17,753,140</u>	<u>67,056,565</u>
Department of State:					
Department of State:					
Public Diplomacy Programs	19.040	University of Nebraska Medical Center	45-2402-1031-311	—	(1,074)
Department of State Total				<u>—</u>	<u>(1,074)</u>
National Science Foundation:					
National Science Foundation:					
Biological Sciences	47.074	Hermes Life Sciences, Inc.	1-2111755	—	131,405
National Science Foundation Total				<u>—</u>	<u>131,405</u>
Social Security Administration:					
Social Security Administration:					
Social Security Administration	96.RD	Westat	6464-S-MA02-001	—	640
Social Security Administration Total				<u>—</u>	<u>640</u>
Research and Development Total				<u>18,031,446</u>	<u>67,605,090</u>
Other Programs:					
Corporation for National and Community Service:					
Corporation for National and Community Service:					
AmeriCorps State and National 94.006	94.006		Direct	—	56,695
AmeriCorps Volunteer Generation Fund 94.021	94.021	Massachusetts Service Alliance	YDVI-22-F-0043314093	—	9,071
Corporation for National and Community Service Total				<u>—</u>	<u>65,766</u>
Corporation for National and Community Service Total				<u>—</u>	<u>65,766</u>
Department of Agriculture:					
National Institute of Food and Agriculture:					
Gus Schumacher Nutrition Incentive Program	10.331		Direct	48,681	94,776
National Institute of Food and Agriculture Total				<u>48,681</u>	<u>94,776</u>
Department of Agriculture Total				<u>48,681</u>	<u>94,776</u>
Department of Health and Human Services:					
Administration for Children and Families:					
Assistance for Torture Victims	93.604		Direct	—	405,405
Administration for Children and Families Total				<u>—</u>	<u>405,405</u>
Centers for Disease Control and Prevention:					
Community Health Workers for Public Health Response and Resilient	93.495	Boston Public Health Commission	FY23024652	—	80,562
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	Massachusetts Department of Public Health	INTF3070HH4300522050	—	(1,364)
Health Program for Toxic Substances and Disease Registry	93.161	Children's Hospital	GENFD0002281583	—	7,782
HIV Prevention Activities Health Department Based	93.940	Massachusetts Department of Public Health	INTF4944MM3181926007	—	3,915,057
Prevention of Disease, Disability, and Death by Infectious Diseases	93.084	Stanford University	62346382-148206	(48,219)	117,905
Prevention of Disease, Disability, and Death by Infectious Diseases	93.084		Direct	17,096	62,552
Prevention of Disease, Disability, and Death by Infectious Diseases Total				<u>(31,123)</u>	<u>180,457</u>

BMC HEALTH SYSTEM, INC.
 Supplementary Schedule of Expenditures of Federal Awards
 September 30, 2023

Exhibit V

<u>Federal program / pass-through grantor / program or cluster</u>	<u>ALN</u>	<u>Pass-through entity</u>	<u>Direct award or pass-through entity number</u>	<u>Passed to sub-recipients</u>	<u>Total expenditures</u>
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	American Academy of Pediatrics	1036143	\$ —	32,110
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	National Association of County & City Health Officials	2022- 022807	—	52,611
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health Total				—	84,721
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	—	33,705
Centers for Disease Control and Prevention Total				(31,123)	4,300,920
Centers for Medicare and Medicaid Services: Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829	Bay Cove Human Services	N/A	—	346,714
Centers for Medicare and Medicaid Services Total				—	346,714
Health Resources and Services Administration: COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498		Direct	—	4,596,139
Healthy Start Initiative	93.926	Boston Public Health Commission	FY23025452	—	84,993
HIV Emergency Relief Project Grants	93.914	Boston Public Health Commission	H9AHA36910	—	163
Maternal and Child Health Federal Consolidated Programs	93.110	Massachusetts Department of Public Health	INTF3121H78226732037	—	127,167
Maternal and Child Health Federal Consolidated Programs	93.110		Direct	691,090	1,781,586
Maternal and Child Health Federal Consolidated Programs	93.110	Association of Maternal & Child Health Programs	081922-295	—	5,721
Maternal and Child Health Federal Consolidated Programs Total				691,090	1,914,474
Maternal and Child Health Services Block Grant to the States	93.994	Massachusetts Department of Public Health	INTF3105M03901424004	—	123,652
Mental and Behavioral Health Education and Training Grants	93.732		Direct	30,000	1,101,849
National Organizations of State and Local Officials	93.011		Direct	—	(39,460)
Preventive Medicine Residency	93.117		Direct	—	87,499
Primary Care Training and Enhancement	93.884		Direct	70,342	521,265
Special Projects of National Significance	93.928		Direct	—	235,970
Health Resources and Services Administration Total				791,432	8,626,544
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	—	109,314
IMMED Office of the Secretary of Health and Human Service Total				—	109,314
Office of Assistant Secretary for Health: Advancing System Improvements for Key Issues in Women's Health	93.088		Direct	—	130,656
Family Planning Services	93.217	Action for Boston Community Development	00-549-2160	—	104,829
Family Planning Services	93.217	Action for Boston Community Development	5FPHPA006583	—	85,603
Family Planning Services Total				—	190,432
Office of Assistant Secretary for Health Total				—	321,088
Substance Abuse and Mental Health Services Administration: Assisted Outpatient Treatment	93.997	Massachusetts Trial Court	BMC-5272	—	1,054,660
Block Grants for Community Mental Health Services	93.958	Massachusetts Department of Mental Health	SCDMH822022085460000	—	138,107
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Massachusetts Department of Public Health	INTF2351M03183626052	—	1,437,356
Opioid STR	93.788	American Academy of Addiction Psychiatry	SOR-CARE-16	—	139,156
Opioid STR	93.788	Massachusetts Department of Mental Health	INTF2351M03W21006080	—	1,021,319
Opioid STR	93.788	Massachusetts Department of Public Health	INTF2351M03W21006072	—	330,693
Opioid STR	93.788	Massachusetts Department of Public Health	INTF2351M03W21006078	—	259,870
Opioid STR	93.788	Massachusetts Department of Public Health	INTF2351M03W23163124	—	51,292
Opioid STR Total				—	1,802,330
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	American Academy of Addiction Psychiatry	MFG-2021-8	—	5,996
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	American Academy of Addiction Psychiatry	MFG-21-7	—	59,474
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	American Academy of Addiction Psychiatry	PCS-SMAT19-27	—	(11,868)
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Boston Public Health Commission	FY20021036	—	9,591
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Signature Healthcare Brockton	N/A	—	(25,597)
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	University of California	9808SC	—	(9,398)
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		Direct	—	333,550
Substance Abuse and Mental Health Services Projects of Regional and National Significance Total				—	361,718
Substance Abuse and Mental Health Services Administration Total				—	4,794,171
Department of Health and Human Services Total				760,309	18,904,156
Department of Housing and Urban Development: Assistant Secretary for Community Planning and Development: Emergency Solutions Grant Program	14.231	City of Boston	000000000000000000052055	—	103,670
Emergency Solutions Grant Program	14.231	City of Boston	52055	—	207,138
Assistant Secretary for Community Planning and Development Total				—	310,808
Department of Housing and Urban Development Total				—	310,808

BMC HEALTH SYSTEM, INC.
 Supplementary Schedule of Expenditures of Federal Awards
 September 30, 2023

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
Department of Justice:					
Boards and Divisions Offices:					
Violence Against Women Formula Grants	16.588	Executive Office of Public Safety	SCEPSVAWA17BOSTONMED	\$ —	48,130
Violence Against Women Formula Grants	16.588	Executive Office of Public Safety	SCEPSVAWA19BOSTONMED	—	49,439
Boards and Divisions Offices Total				—	97,569
Office for Victims of Crime:					
Crime Victim Assistance/Discretionary Grants	16.582		Direct	—	9,590
Office for Victims of Crime Total				—	9,590
Office of Justice Programs:					
Congressionally Recommended Awards	16.753		Direct	—	334,649
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA2010BMC100000001	—	280
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA2018BMCIDV000000	(229)	239,644
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA2019BMCICVRT0000	—	763,466
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA2019BMCICWTV0000	—	749,281
Crime Victim Assistance	16.575	Massachusetts Office of Victim Assistance	VOCA2021BMCICSP00000	—	(66,805)
Office of Justice Programs Total				(229)	2,020,515
Department of Justice Total				(229)	2,127,674
Other Programs Total				808,761	21,503,180
Food Cluster:					
Department of Agriculture:					
Food and Nutrition Service:					
Emergency Food Assistance Program (Food Commodities)	10.569		N/A	—	101,584
Food and Nutrition Service Total				—	101,584
Department of Agriculture Total				—	101,584
Food Cluster Total				—	101,584
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	—	30,937
Administration for Community Living Total				—	30,937
Department of Health and Human Services Total				—	30,937
Aging Total				—	30,937
Grand Total				\$ 18,840,207	89,240,791

See accompanying independent auditors' report.

BMC HEALTH SYSTEM, INC.

Notes to the Supplementary Schedule of Expenditure of Federal Awards

Year ended September 30, 2023

(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, 2023. 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 2023, \$101,584 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.