

# **APPENDIX D-1**

## **SolutionHealth Audited Financial Statements FY 20**



## **SolutionHealth, Inc. and Affiliates**

**Consolidated Financial Statements  
and Other Financial Information**

*Years Ended June 30, 2020 and 2019  
With Independent Auditors' Report*

**SOLUTIONHEALTH, INC. AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

June 30, 2020 and 2019

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
SolutionHealth, Inc. and Affiliates

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of SolutionHealth, Inc. and Affiliates (the System), which comprise the consolidated balance sheets as of June 30, 2020 and 2019, the related consolidated statement of operations and changes in net assets, and cash flows for the year ended June 30, 2020, and the related notes to the consolidated financial statements (collectively, the financial statements).

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Trustees  
SolutionHealth, Inc. and Affiliates

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2020 and 2019, and the results of its operations, changes in its net assets and its cash flows for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

**Report on the Consolidated Statements of Operations and Changes in Net Assets and Cash Flows for the Year Ended June 30, 2019**

The consolidated statements of operations and changes in net assets and cash flows of the System for the year ended June 30, 2019 and the related notes to the financial statements were reviewed by us and our report thereon, dated October 11, 2019, stated that, based on our procedures, we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we did not express such an opinion.

*Baker Newman & Noyes LLC*

Manchester, New Hampshire  
October 27, 2020

SOLUTIONHEALTH, INC. AND AFFILIATES

CONSOLIDATED BALANCE SHEETS

June 30, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 203,121,393	\$ 116,825,188
Accounts receivable	62,658,981	84,623,335
Inventories	10,588,440	9,106,154
Prepaid expenses and other receivables	30,058,315	20,891,158
Funds held by trustee	<u>11,064,985</u>	<u>2,193,014</u>
Total current assets	317,492,114	233,638,849
Investments	204,020,926	183,131,831
Assets whose use is limited:		
Funds held by trustee	172,853	3,250
Board designated and donor restricted funds	250,516,001	242,709,247
Employee benefit plans and other	59,817,372	53,401,609
Beneficial interest in perpetual trusts	<u>7,564,017</u>	<u>7,438,506</u>
	318,070,243	303,552,612
Property, plant and equipment, net	355,258,086	330,148,616
Other assets	<u>21,905,525</u>	<u>25,540,561</u>
Total assets	<u>\$1,216,746,894</u>	<u>\$1,076,012,469</u>

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 68,530,485	\$ 56,315,053
Accrued compensation and related taxes	62,422,558	62,040,381
Amounts due to third-party payors	118,832,310	36,889,782
Accrued interest payable	2,285,016	2,335,000
Current portion of long-term debt	<u>14,463,420</u>	<u>9,619,930</u>
Total current liabilities	266,533,789	167,200,146
Accrued pension	155,410,941	110,339,118
Self-insurance reserves other liabilities	94,160,526	80,737,699
Long-term debt, less current portion	<u>247,178,983</u>	<u>219,626,783</u>
Total liabilities	763,284,239	577,903,746
Net assets:		
Without donor restrictions	417,370,977	468,453,743
With donor restrictions	<u>36,091,678</u>	<u>29,654,980</u>
Total net assets	<u>453,462,655</u>	<u>498,108,723</u>
Total liabilities and net assets	<u>\$1,216,746,894</u>	<u>\$1,076,012,469</u>

See accompanying notes.

**SOLUTIONHEALTH, INC. AND AFFILIATES**

**CONSOLIDATED STATEMENTS OF OPERATIONS  
AND CHANGES IN NET ASSETS**

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u> (Unaudited)
Operating revenues:		
Patient service revenues	\$827,889,024	\$ 886,688,241
Disproportionate share hospital revenue	28,420,968	25,763,684
Investment income	8,724,381	8,805,101
Other revenues	<u>70,799,226</u>	<u>45,161,417</u>
Total revenues	935,833,599	966,418,443
Expenses:		
Salaries, wages and employee benefits	607,580,203	597,708,942
Supplies and other expenses	249,750,501	255,294,558
Depreciation and amortization	35,386,352	35,197,221
New Hampshire Medicaid Enhancement Tax	37,050,855	35,358,809
Interest	<u>9,198,267</u>	<u>9,114,045</u>
Total expenses	<u>938,966,178</u>	<u>932,673,575</u>
(Loss) income from operations	(3,132,579)	33,744,868
Nonoperating gains (losses), net:		
Investment (loss) return, net	(932,796)	14,947,048
Contributions, community benefits and other	(2,617,243)	(4,079,710)
Net periodic pension (cost) gain, net of service cost	<u>(433,293)</u>	<u>3,655,190</u>
Nonoperating (losses) gains, net	<u>(3,983,332)</u>	<u>14,522,528</u>
(Deficiency) excess of revenues and nonoperating (losses) gains over expenses	(7,115,911)	48,267,396
Noncontrolling interest in the net gain of consolidated affiliates	—	(47,920)
Pension adjustment	(43,938,189)	(32,907,129)
Transfer of balances between funds	(28,666)	—
Changes in noncontrolling interest in consolidated affiliates	<u>—</u>	<u>(2,160,795)</u>
(Decrease) increase in net assets without donor restrictions	(51,082,766)	13,151,552
Restricted gifts and bequests	6,653,671	7,605,076
Net assets released from restriction for operations	(170,583)	(120,491)
Investment return, net	163,282	277,895
Net unrealized loss on investments	(238,338)	(25,528)
Transfer of balances between funds	<u>28,666</u>	<u>—</u>
Increase in net assets with donor restrictions	<u>6,436,698</u>	<u>7,736,952</u>
(Decrease) increase in net assets	(44,646,068)	20,888,504
Net assets at beginning of year	<u>498,108,723</u>	<u>477,220,219</u>
Net assets at end of year	<u>\$453,462,655</u>	<u>\$ 498,108,723</u>

See Independent Auditors' Report and accompanying notes.



**SOLUTIONHEALTH, INC. AND AFFILIATES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u> (Unaudited)
Operating activities and net (losses) gains:		
(Decrease) increase in net assets	\$ (44,646,068)	\$ 20,888,504
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities and net (losses) gains:		
Depreciation and amortization	35,386,352	35,197,221
Loss on disposal of property, plant and equipment	81,812	8,331
Restricted investment income and net gain on investments	(163,282)	(277,895)
Restricted gifts and bequests	(6,653,671)	(7,605,076)
Bond premium and issuance cost amortization	(309,876)	(323,887)
Pension adjustment	43,938,189	32,907,129
Net realized and unrealized losses (gains) on investments	4,956,965	(11,471,953)
Changes in operating assets and liabilities:		
Accounts receivable	21,964,354	4,434,568
Inventories	(1,482,286)	(2,035,153)
Other current and noncurrent assets	(5,532,121)	(4,081,349)
Accounts payable and accrued expenses	12,215,432	11,462,086
Accrued salaries, wages and related accounts	382,177	3,870,239
Accrued interest	(49,984)	(46,823)
Accrued pension	1,133,634	(3,301,982)
Self-insurance reserves and other liabilities	13,422,827	7,455,855
Amounts payable to third-party payors	<u>81,942,528</u>	<u>4,664,572</u>
Net cash provided by operating activities and net (losses) gains	156,586,982	91,744,387
Investing activities:		
Acquisition of property, plant and equipment	(60,484,165)	(53,268,382)
Net change in assets whose use is limited	(25,309,302)	997,681
Net change in investments	<u>(23,926,360)</u>	<u>(31,835,630)</u>
Net cash used by investing activities	(109,719,827)	(84,106,331)
Financing activities:		
Proceeds from the issuance of long-term debt, net of issuance costs	45,662,271	-
Repayment of long-term debt	(13,050,174)	(9,101,964)
Restricted investment income and net gain on investments	163,282	277,895
Restricted gifts and bequests	<u>6,653,671</u>	<u>7,605,076</u>
Net cash provided (used) by financing activities	<u>39,429,050</u>	<u>(1,218,993)</u>
Increase in cash and cash equivalents	86,296,205	6,419,063
Cash and cash equivalents at beginning of year	<u>116,825,188</u>	<u>110,406,125</u>
Cash and cash equivalents at end of year	<u>\$ 203,121,393</u>	<u>\$ 116,825,188</u>

See Independent Auditors' Report and accompanying notes.