Exhibit 4

Audited Consolidated Financial Statements for Fiscal Year Ending September 30, 2023 – CMC Healthcare System and Affiliates

CMC Healthcare System, Inc.

Consolidated Financial Statements

Years Ended September 30, 2023 and 2022
With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
CMC Healthcare System, Inc.

Opinion

We have audited the consolidated financial statements of CMC Healthcare System, Inc. (the System), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the System as of September 30, 2023 and 2022, and the results of its operations, changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Financial Statements section of our report. We are required to be independent of the 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the System adopted the provisions of Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, and all subsequent ASUs that modified Topic 842, effective October 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Board of Trustees
CMC Healthcare System, Inc.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Baker Newman & Noyes LLC

Manchester, New Hampshire
February 23, 2024

CMC HEALTHCARE SYSTEM, INC.

CONSOLIDATED BALANCE SHEETS

September 30, 2023 and 2022

ASSETS

	2023	2022
Current assets:		
Cash and cash equivalents	$ 18,377,579	$ 48,137,435
Short-term investments	541,194	3,603,910
Accounts receivable	68,821,375	71,670,095
Inventories	3,798,671	3,816,582
Other current assets	15,642,014	14,877,493
Total current assets	107,180,833	142,105,515
Property, plant and equipment, net	144,537,076	147,163,130
Operating lease right-of-use assets	22,947,345	–
Intangible assets and other	16,363,173	17,259,975
Assets whose use is limited:		
Pension and insurance obligations	20,647,212	20,598,446
Board designated and donor restricted investments and restricted grants	146,298,745	147,238,360
Held by trustee under revenue bond agreements	1,153,980	1,119,341
Total assets whose use is limited	168,099,937	168,956,147
Total assets	$459,128,364	$475,484,767

LIABILITIES AND NET ASSETS

	2023	2022
Current liabilities:		
Accounts payable and accrued expenses	$ 45,981,490	$ 35,814,497
Accrued salaries, wages and related accounts	23,419,850	26,307,107
Amounts payable to third-party payors	9,503,057	11,525,383
Current portion of long-term debt and finance lease liabilities	5,849,394	4,412,597
Current portion of operating lease liabilities	3,543,127	–
Total current liabilities	88,296,918	78,059,584
Accrued pension and other liabilities, less current portion	72,792,784	99,930,612
Long-term debt and finance lease liabilities, less current portion	159,275,886	163,899,257
Operating lease liabilities, less current portion	20,752,352	–
Total liabilities	341,117,940	341,889,453
Net assets:		
Without donor restrictions	103,379,683	104,501,558
With donor restrictions	14,630,741	29,093,756
Total net assets	118,010,424	133,595,314
Total liabilities and net assets	$459,128,364	$475,484,767

See accompanying notes.

CMC HEALTHCARE SYSTEM, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended September 30, 2023 and 2022

	2023	2022
Operating revenues:		
Patient service revenues	$ 491,192,042	$ 485,629,986
Other revenue	22,837,207	38,750,311
Disproportionate share funding	23,598,275	21,383,859
Total operating revenues	537,627,524	545,764,156
Operating expenses:		
Salaries, wages and fringe benefits	335,004,602	324,681,384
Supplies and other	204,182,904	195,348,186
New Hampshire Medicaid enhancement tax	23,814,464	22,288,821
Depreciation and amortization	13,565,630	13,267,183
Interest	6,620,055	5,126,170
Total operating expenses	583,187,655	560,711,744
Loss from operations	(45,560,131)	(14,947,588)
Nonoperating gains (losses):		
Investment income (loss), net	19,676,109	(23,254,605)
Net periodic pension cost, other than service cost	(59,980)	(1,368,472)
Contributions without donor restrictions	288,176	295,134
Development costs	(585,648)	(697,147)
Other nonoperating expenses and losses	(1,171,011)	(3,153,518)
Total nonoperating gains (losses), net	18,147,646	(28,178,608)
Deficiency of revenues and gains (losses) over expenses	(27,412,485)	(43,126,196)
Unrealized appreciation (depreciation) on investments	35,744	(24,002)
Change in fair value of interest rate swap agreement	(5,056)	540,490
Assets released from restriction used for capital	376,524	495,416
Pension-related changes other than net periodic pension cost	25,883,398	34,287,805
Change in net assets without donor restrictions	(1,121,875)	(7,826,487)
Net assets without donor restrictions at beginning of year	104,501,558	112,328,045
Net assets without donor restrictions at end of year	$ 103,379,683	$ 104,501,558

See accompanying notes.

CMC HEALTHCARE SYSTEM, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years Ended September 30, 2023 and 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Balances at September 30, 2021	$112,328,045	$ 30,567,921	$142,895,966
Deficiency of revenues and losses over expenses	(43,126,196)	–	(43,126,196)
Restricted investment income	–	55,047	55,047
Changes in interest in perpetual trust	–	(1,965,979)	(1,965,979)
Donor restricted contributions	–	1,981,812	1,981,812
Unrealized depreciation on investments	(24,002)	(328,700)	(352,702)
Change in fair value of interest rate swap agreement	540,490	–	540,490
Assets released from restriction used for operations	–	(720,929)	(720,929)
Assets released from restriction used for capital	495,416	(495,416)	–
Pension-related changes other than net periodic pension cost	34,287,805	–	34,287,805
	(7,826,487)	(1,474,165)	(9,300,652)
Balances at September 30, 2022	104,501,558	29,093,756	133,595,314
Deficiency of revenues and losses over expenses	(27,412,485)	–	(27,412,485)
Restricted investment income	–	75,294	75,294
Changes in interest in perpetual trust	–	374,025	374,025
Donor restricted contributions	–	1,195,164	1,195,164
Return of donor restricted contribution	–	(15,032,182)	(15,032,182)
Unrealized appreciation (depreciation) on investments	35,744	(125,397)	(89,653)
Change in fair value of interest rate swap agreement	(5,056)	–	(5,056)
Assets released from restriction used for operations	–	(573,395)	(573,395)
Assets released from restriction used for capital	376,524	(376,524)	–
Pension-related changes other than net periodic pension cost	25,883,398	–	25,883,398
	(1,121,875)	(14,463,015)	(15,584,890)
Balances at September 30, 2023	$103,379,683	$ 14,630,741	$118,010,424

See accompanying notes.

CMC HEALTHCARE SYSTEM, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2023 and 2022

	2023	2022
Operating activities:		
Change in net assets	$ (15,584,890)	$ (9,300,652)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	13,565,630	13,267,183
Pension-related changes other than net periodic pension cost	(25,883,398)	(34,287,805)
Restricted gifts and investment income	13,761,724	(2,036,859)
Net realized and unrealized (gains) losses on investments	(14,221,621)	27,295,072
Change in interest in perpetual trust	(374,025)	1,965,979
Change in fair value of interest rate swap agreement	5,056	(540,490)
Bond discount/premium and issuance cost amortization	(216,731)	(228,187)
Noncash lease expense	1,348,134	–
Changes in operating assets and liabilities:		
Accounts receivable	2,848,720	(110,588)
Inventories	17,911	96,136
Other current assets	(156,201)	4,970,308
Other assets	896,802	1,297,731
Accounts payable and accrued expenses	10,166,993	(615,822)
Accrued salaries, wages and related accounts	(2,887,257)	431,276
Amounts payable to third-party payors	(2,022,326)	(40,760,143)
Accrued pension and other liabilities	(1,272,968)	(10,332,217)
Net cash used by operating activities	(20,008,447)	(48,889,078)
Investing activities:		
Purchases of property, plant and equipment	(9,566,890)	(14,135,480)
Net change in assets held by trustee under revenue bond agreements	(34,639)	131,069
Proceeds from sales of investments	56,730,477	12,086,715
Purchases of investments	(38,789,586)	(16,399,928)
Net cash provided (used) by investing activities	8,339,362	(18,317,624)
Financing activities:		
Payments on long-term debt	(4,612,008)	(3,423,689)
Proceeds from issuance of long-term debt	332,699	6,258,900
Bond issuance costs	(49,738)	–
Restricted gifts and investment income	(13,761,724)	1,529,259
Net cash (used) provided by financing activities	(18,090,771)	4,364,470
Decrease in cash and cash equivalents	(29,759,856)	(62,842,232)
Cash and cash equivalents at beginning of year	48,137,435	110,979,667
Cash and cash equivalents at end of year	$ 18,377,579	$ 48,137,435

CMC HEALTHCARE SYSTEM, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2023 and 2022

Supplemental disclosure of noncash transactions:
During 2023 and 2022, the System entered into finance lease liabilities to finance certain equipment totaling $1,359,204 and $1,409,797, respectively.
During 2023, the System accrued for the return of a donor restricted contribution totaling $15,032,182. See Note 13.

See Note 7 with respect to certain additional noncash activities related to leases.

See accompanying notes.

1. Organization

CMC Healthcare System, Inc. (the System) is a New Hampshire voluntary corporation. The System is recognized as a Section 501(c)(3) tax-exempt organization formed effective July 1, 2001. The System functioned as the parent company and sole member of Catholic Medical Center (the Medical Center) (until December 31, 2016, as discussed below), Catholic Medical Center Physician Practice Associates, Inc. (PPA), Alliance Enterprises, Inc. (Enterprises), Alliance Resources, Inc. (Resources), Alliance Ambulatory Services, Inc. (AAS), Alliance Health Services, Inc. (AHS) and St. Peter's Home, Inc. (SPH). During fiscal year 2023, AHS ended its physician integration and lease agreement and will no longer be providing physician services.

On December 30, 2016, the System became affiliated with Huggins Hospital (HH), a 25-bed critical access hospital in Wolfeboro, New Hampshire, and Monadnock Community Hospital (MCH), a 25-bed critical access hospital in Peterborough, New Hampshire, through the formation of a common parent, GraniteOne Health (GraniteOne). GraniteOne is a New Hampshire voluntary corporation that is recognized as being a Section 501(c)(3) tax-exempt and "supporting organization" within the meaning of Section 509(a)(3) of the Internal Revenue Code of 1986, as amended (the Code). GraniteOne serves as the sole member of HH and MCH and co-member of the Medical Center, along with the System. GraniteOne is governed by a thirteen-member Board of Trustees appointed by each of the respective hospitals within the GraniteOne system. The GraniteOne Board of Trustees governs the GraniteOne system through the existence and execution of reserved powers to approve certain actions by the Boards of Trustees of each of the hospitals. Through GraniteOne, this more integrated healthcare system enhances the affiliated hospitals' ability to coordinate the delivery of patient care, implement best practices, eliminate inefficiencies and collaborate on regional healthcare planning. These efforts strengthen the hospitals' ability to meet the healthcare needs of their respective communities and provide for a more seamless patient experience across the continuum of care. The accompanying consolidated financial statements for the years ended September 30, 2023 and 2022 do not include the accounts and activity of GraniteOne, HH and MCH.

Pursuant to the Affiliation Agreement that formed GraniteOne, the Medical Center, HH and MCH each had a right, after two years of GraniteOne, to evaluate whether they would continue participation in the system. The time period on this limited right to withdraw had been extended a number of times while the proposed combination with D-HH was under review. Upon the termination of the combination efforts with D-HH, the Medical Center, MCH and HH each assessed their continued participation in GraniteOne and after a six-month review process, each concluded it was best to withdraw from GraniteOne and subsequently provided the required notice on October 28, 2022. On June 16, 2023, the parties submitted a Joint Notice to the Director of Charitable Trusts pursuant to New Hampshire RSA 7:19-b to the State of New Hampshire and received the Director of Charitable Trusts no action report on December 1, 2023 clearing the way for the parties to complete the disaffiliation. The parties' respective boards will be meeting in February 2024 to provide final approvals and the disaffiliation is anticipated to be completed before the end of the second quarter in fiscal year 2024.

1. Organization (Continued)

The System has incurred significant net operating losses in recent years, including operating losses of $45,560,131 and $14,947,588 in 2023 and 2022, respectively. Continued net operating losses may, among other outcomes, reduce available financial assets and liquidity resources, and also hinder the System's ability to comply with its debt covenants. Management has evaluated the System's liquidity, future profitability, cash flows, and financing requirements for the coming twelve months and has concluded it has sufficient cash flows to meet its obligations over the next year from the date of the issuance of these consolidated financial statements. Cost cutting measures and other strategies have been implemented by the System which management believes will result in improved operating results and cash flows. Refer to Note 3 for a summary of assets and other liquidity resources available at September 30, 2023 to meet the System's upcoming general expenditures, debt payments and other obligations.

On September 26, 2023, the System and HCA Healthcare, Inc. signed a nonbinding letter of intent (LOI) to explore the potential acquisition of substantially all of the assets of the System. If the transaction were to be executed, the System will continue to be operated as a Catholic healthcare system subject to the Ethical and Religious Directives for Catholic Health Care Services. This nonbinding LOI is the first step in a potential lengthy process that may include due diligence, negotiation of a definitive agreement, review and approval of the Board of Trustees, approval by the Roman Catholic Bishop of the Diocese of Manchester and federal and state regulatory approval processes.

2. Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting.

Principles of Consolidation

The consolidated financial statements include the accounts of the Medical Center, PPA, Enterprises, Resources, AAS, AHS and SPH. Significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 as of the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. Significant Accounting Policies (Continued)

Income Taxes

The System and all related entities, with the exception of Enterprises, are not-for-profit corporations as described in Section 501(c)(3) of the Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Management evaluated the System's tax positions and concluded the System has maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment to the consolidated financial statements.

Enterprises is a for-profit organization and, in accordance with federal and state tax laws, files income tax returns, as applicable. There was no significant provision for income taxes for the years ended September 30, 2023 and 2022. There are no significant deferred tax assets or liabilities. Enterprises has concluded there are no significant uncertain tax positions requiring disclosure and there is no material liability for unrecognized tax benefits. It is the policy of Enterprises to recognize interest related to unrecognized tax benefits in interest expense and penalties in income tax expense.

Charity Care and Community Benefits

The System has a formal charity care policy under which patient care is provided to patients who meet certain criteria without charge or at amounts less than its established rates. The System does not pursue collection of amounts determined to qualify as charity care; therefore, they are not reported as revenues.

Of the System's $583,187,655 total expenses reported for the year ended September 30, 2023, an estimated $7,000,000 arose from providing services to charity patients. Of the System's $560,711,744 total expenses reported for the year ended September 30, 2022, an estimated $5,000,000 arose from providing services to charity patients. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the System's total expenses divided by gross patient service revenue.

Concentration of Credit Risk

Financial instruments which subject the System to credit risk consist primarily of cash equivalents, accounts receivable and investments. The risk with respect to cash equivalents is minimized by the System's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The System's accounts receivable are primarily due from third-party payors and amounts are presented net of expected explicit and implicit price concessions, including estimated implicit price concessions from uninsured patients. The System's investment portfolio consists of diversified investments, which are subject to market risk. Investments that exceeded 10% of investments include the Fidelity Government Portfolio as of September 30, 2023 and Fidelity 500 Index Fund as of September 30, 2022.

2. Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include certificates of deposit with maturities of three months or less when purchased and investments in overnight deposits at various banks. Cash and cash equivalents exclude amounts whose use is limited by board designation and amounts held by trustees under revenue bond and other agreements. The System maintains approximately $16,000,000 and $43,000,000 at September 30, 2023 and 2022, respectively, of its cash and cash equivalent accounts with a single institution. The System has not experienced any losses associated with deposits at this institution.

Accounts Receivable

Patient accounts receivable for which the unconditional right to payment exists are receivables if the right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. Accounts receivable at September 30, 2023 and 2022 reflect the fact that any estimated uncollectible amounts are generally considered implicit price concessions that are a direct reduction to accounts receivable rather than allowance for doubtful accounts. At September 30, 2023 and 2022, estimated implicit price concessions of $21,152,072 and $22,938,402, respectively, have been recorded as reductions to accounts receivable balances to enable the System to record revenues and accounts receivable at the estimated amounts expected to be collected.

Accounts receivable as of September 30, 2023, 2022 and 2021 are $68,821,375, $71,670,095 and $71,559,507, respectively.

Inventories

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

Related Party Activity

The Medical Center has engaged in various transactions with GraniteOne, HH and MCH. The Medical Center recognized approximately $3.1 million and $3.0 million in revenue from these related parties for the years ended September 30, 2023 and 2022, respectively, which is reflected within other revenues in the accompanying consolidated statements of operations. The Medical Center also incurred expenses to these related parties of approximately $242,000 and $1.9 million for the years ended September 30, 2023 and 2022, respectively, of which $242,000 and $300,000, respectively, is reflected within operating expenses. Additionally, approximately $1.6 million for the year ended September 30, 2022 is reflected within nonoperating gains (losses) in the accompanying 2022 consolidated statement of operations. As of September 30, 2023 and 2022, the Medical Center had a net amount due from these related parties of approximately $1.3 million and $2.0 million, respectively, which is reflected within other current assets in the accompanying consolidated balance sheets. See also Note 1.

2. Significant Accounting Policies (Continued)

Property, Plant and Equipment

Property, plant and equipment is stated at cost at time of purchase or fair value at the time of donation, less accumulated depreciation. The System's policy is to capitalize expenditures for major improvements and charge maintenance and repairs currently for expenditures which do not extend the lives of the related assets. The provisions for depreciation and amortization have been determined using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives. See also Note 5. Assets which have been purchased but not yet placed in service are included in construction in progress and no depreciation expense is recorded.

Conditional Asset Retirement Obligations

The System recognizes the fair value of a liability for legal obligations associated with asset retirements in the year in which the obligation is incurred, in accordance with Accounting Standards Codification (ASC) 410-20, *Accounting for Asset Retirement Obligations*. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long lived asset. The liability is accreted to its present value each year, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of operations.

As of September 30, 2023 and 2022, $1,005,151 and $1,021,362, respectively, of conditional asset retirement obligations are included within accrued pension and other liabilities in the accompanying consolidated balance sheets.

Goodwill

The System reviews its goodwill and other long-lived assets annually to determine whether the carrying amount of such assets is impaired. Upon determination that an impairment has occurred, these assets are reduced to fair value. The net carrying value of goodwill is $4,490,154 at September 30, 2023 and 2022, and is reflected within intangible assets and other in the accompanying consolidated balance sheets. There were no impairments recorded for the years ended September 30, 2023 or 2022.

2. Significant Accounting Policies (Continued)

Patient Service Revenues

Revenues generally relate to contracts with patients in which the System's performance obligations are to provide health care services to patients. Revenues are recorded during the period obligations to provide health care services are satisfied. Performance obligations for inpatient services are generally satisfied over a period of days. Performance obligations for outpatient services are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payor (Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) and the transaction prices for the services provided are dependent upon the terms provided by Medicare and Medicaid or negotiated with managed care health plans and commercial insurance companies, the third-party payors. The payment arrangements with third-party payors for the services provided to related patients typically specify payments at amounts less than standard charges. Medicare generally pays for inpatient and outpatient services at prospectively determined rates based on clinical, diagnostic and other factors. Services provided to patients having Medicaid coverage are generally paid at prospectively determined rates per discharge, per identified service or per covered member. Agreements with commercial insurance carriers, managed care and preferred provider organizations generally provide for payments based upon predetermined rates per diagnosis, per diem rates or discounted fee-for-service rates. Management continually reviews the revenue recognition process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals.

The collection of outstanding receivables for Medicare, Medicaid, managed care payers, other third-party payors and patients is the System's primary source of cash and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the aging of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed. The estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections at facilities that represent a majority of hospital revenues and accounts receivable (the "hindsight analysis") as a primary source of information in estimating the collectability of accounts receivable. Management performs the hindsight analysis regularly, utilizing rolling twelve-month accounts receivable collection and write-off data. Management believes its regular updates to the estimated implicit price concession amounts provide reasonable estimates of revenues and valuations of accounts receivable. These routine, regular changes in estimates have not resulted in material adjustments to the valuations of accounts receivable or period-to-period comparisons of operations.

2. Significant Accounting Policies (Continued)

Retirement Benefits

The Catholic Medical Center Pension Plan (the Plan) provides retirement benefits for certain employees of the Medical Center and PPA who have attained age twenty-one and work at least 1,000 hours per year. The Plan consists of a benefit accrued to July 1, 1985, plus 2% of plan year earnings (to legislative maximums) per year. The System's funding policy is to contribute amounts to the Plan sufficient to meet minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as may be determined to be appropriate from time to time. The Plan is intended to constitute a plan described in Section 414(k) of the Code, under which benefits derived from employer contributions are based on the separate account balances of participants in addition to the defined benefits under the Plan.

Effective January 1, 2008 the Medical Center decided to close participation in the Plan to new participants. As of January 1, 2008, current participants continued to participate in the Plan while new employees receive a higher matching contribution to the tax-sheltered annuity benefit program discussed below.

During 2011, the Board of Trustees voted to freeze the accrual of benefits under the Plan effective December 31, 2011.

The Plan was amended effective as of May 1, 2016 to provide a limited opportunity for certain terminated vested participants to elect an immediate lump sum or annuity distribution option.

Effective June 30, 2023, the Board of Trustees approved the merger of the New Hampshire Medical Laboratories Retirement Income Plan, a related plan administered by Catholic Medical Center, into the Plan. See Note 9.

The System also maintains tax-sheltered annuity benefit programs in which it matches one half of employee contributions up to 3% of their annual salary, depending on date of hire, plus an additional 0% - 2% based on tenure. The System made matching contributions under the program of $5,213,092 and $4,068,003 for the years ended September 30, 2023 and 2022, respectively.

During 2007, the Medical Center created a nonqualified deferred compensation plan covering certain employees under Section 457(b) of the Code. Under the plan, a participant may elect to defer a portion of their compensation to be held until payment in the future to the participant or his or her beneficiary. Consistent with the requirements of the Code, all amounts of deferred compensation, including but not limited to any investments held and all income attributable to such amounts, property, and rights will remain subject to the claims of the Medical Center's creditors, without being restricted to the payment of deferred compensation, until payment is made to the participant or their beneficiary. No contributions were made by the System for the years ended September 30, 2023 or 2022.

2. Significant Accounting Policies (Continued)

The System also provides a noncontributory supplemental executive retirement plan covering certain former executives of the Medical Center, as defined. The System's policy is to accrue costs under this plan using the "Projected Unit Credit Actuarial Cost Method" and to amortize past service costs over a fifteen year period. Benefits under this plan are based on the participant's final average salary, social security benefit, retirement income plan benefit, and total years of service. Certain investments have been designated for payment of benefits under this plan and are included in assets whose use is limited–pension and insurance obligations.

During 2007, the System created a supplemental executive retirement plan covering certain executives of the Medical Center under Section 457(f) of the Code. The System recorded compensation expense of $275,407 and $577,252 for the years ended September 30, 2023 and 2022, respectively, related to this plan.

Employee Fringe Benefits

The System has an "earned time" plan. Under this plan, each qualifying employee "earns" hours of paid leave for each pay period worked. These hours of paid leave may be used for vacations, holidays, or illness. Hours earned but not used are vested with the employee and are paid to the employee upon termination. The System expenses the cost of these benefits as they are earned by the employees.

Debt Issuance Costs/Original Issue Discount or Premium

The debt issuance costs incurred to obtain financing for the System's construction and renovation programs and refinancing of prior bonds and the original issue discount or premium are amortized to interest expense using the effective interest method over the repayment period of the bonds. The original issue discount or premium and debt issuance costs are presented as a reduction of long-term debt.

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include assets held by trustees under indenture agreements, pension and insurance obligations, designated assets set aside by the Board of Trustees, over which the Board retains control and may, at its discretion, subsequently use for other purposes, and donor-restricted investments.

Net Assets With Donor Restrictions

Gifts are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. Donated investments, supplies and equipment are reported at fair value at the date of receipt. Unconditional promises to give cash and other assets are reported at fair value at the date of the receipt of the promise. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of operations as either net assets released from restrictions (for noncapital related items) or as net assets released from restrictions used for capital purchases (capital related items). Some net assets with donor restrictions have been restricted by donors to be maintained by the System in perpetuity.

2. Significant Accounting Policies (Continued)

Except for contributions related to capital purchases, donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions within net assets without donor restrictions in the accompanying consolidated financial statements.

Pledges Receivable

Pledges receivable are recognized as revenue when the unconditional promise to give is made. Pledges expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows is measured utilizing risk-free rates of return adjusted for market and credit risk established at the time a contribution is received.

Investments and Investment Income (Loss)

Investments are carried at fair value in the accompanying consolidated balance sheets. See Note 8 for further discussion regarding fair value measurements. Investment income (loss) (including realized gains and losses on investments, interest and dividends) and the net change in unrealized gains and losses on equity securities are included in the deficiency of revenues and gains (losses) over expenses in the accompanying consolidated statements of operations, unless the income or loss is restricted by donor or law. The change in net unrealized gains and losses on debt securities is reported as a separate component of the change in net assets without donor restrictions, except declines that are determined by management to be other than temporary, which are reported as an impairment charge (included in the deficiency of revenues and gains (losses) over expenses). No such losses were recorded in 2023 or 2022.

Derivative Instruments

Derivatives are recognized as either assets or liabilities in the consolidated balance sheets at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivatives are recognized either in the deficiency of revenues and gains (losses) over expenses or net assets, depending on whether the derivative is speculative or being used to hedge changes in fair value or cash flows. See also Note 6.

Beneficial Interest in Perpetual Trust

The System is the beneficiary of trust funds administered by trustees or other third parties. Trusts wherein the System has the irrevocable right to receive the income earned on the trust assets in perpetuity are recorded as net assets with donor restrictions at the fair value of the trust at the date of receipt. Income distributions from the trusts are reported as investment income that increase net assets without donor restrictions, unless restricted by the donor. Annual changes in the fair value of the trusts are recorded as increases or decreases to net assets with donor restrictions.

2. Significant Accounting Policies (Continued)

Endowment, Investment and Spending Policies

In accordance with the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), the System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the fund; (b) the purpose of the organization and the donor-restricted endowment fund; (c) general economic conditions; (d) the possible effect of inflation and deflation; (e) the expected total return from income and the appreciation of investments; (f) other resources of the organization; and (g) the investment policies of the organization.

Spending policies may be adopted by the System, from time to time, to provide a stream of funding for the support of key programs. The spending policies are structured in a manner to ensure that the purchasing power of the assets is maintained while providing the desired level of annual funding to the programs. The System currently has a policy allowing interest and dividend income earned on investments to be used for operations with the goal of keeping principal, including its appreciation, intact.

The System's investment policies provide guidance for the prudent and skillful management of invested assets with the objective of preserving capital and maximizing returns. The invested assets include endowment, specific purpose and board designated funds.

Endowment funds are identified as perpetual in nature, intended to provide support for current or future operations and other purposes identified by the donor. These funds are managed with disciplined longer-term investment objectives and strategies designed to accommodate relevant, reasonable, or probable events.

Specific purpose funds are temporary in nature, restricted as to time or purpose as identified by the donor or grantor. These funds have various intermediate/long-term time horizons associated with specific identified spending objectives.

Board designated funds have various intermediate/long-term time horizons associated with specific spending objectives as determined by the Board of Trustees.

Management of these assets is designed to maximize total return while preserving the capital values of the funds, protecting the funds from inflation and providing liquidity as needed. The objective is to provide a real rate of return that meets inflation, plus 4% to 5%, over a long-term time horizon.

The System targets a diversified asset allocation that places emphasis on achieving its long-term return objectives within prudent risk constraints.

Performance Indicator

Deficiency of revenues and gains (losses) over expenses is comprised of operating revenues and expenses and nonoperating gains and losses. For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains or losses, which include contributions without donor restrictions, development costs, net investment income or loss (including realized gains and losses on the sales of investments and unrealized gains and losses on equity investments), net periodic pension costs (other than service cost), other nonoperating expenses and losses, and contributions to community agencies.

2. Significant Accounting Policies (Continued)

Federal Grant Revenue and Expenditures

Revenues and expenses under federal grant programs are recognized as the related expenditure is incurred.

Malpractice Loss Contingencies

The System has a claims-made basis policy for its malpractice insurance coverage. A claims-made basis policy provides specific coverage for claims reported during the policy term. The System has established a reserve to cover professional liability exposure, which may not be covered by insurance. The possibility exists, as a normal risk of doing business, that malpractice claims in excess of insurance coverage may be asserted against the System. In the event a loss contingency should occur, the System would give it appropriate recognition in its consolidated financial statements in conformity with accounting standards. The System expects to be able to obtain renewal or other coverage in future years.

In accordance with Accounting Standards Update (ASU) No. 2010-24, "*Health Care Entities*" (Topic 954): *Presentation of Insurance Claims and Related Insurance Recoveries*, at September 30, 2023 and 2022, the System recorded a liability of $13,103,644 and $14,397,448, respectively, related to estimated professional liability losses covered under this policy. At September 30, 2023 and 2022, the System also recorded a receivable of $9,432,894 and $10,429,948, respectively, related to estimated recoveries under insurance coverage for recoveries of the potential losses. These amounts are included in accrued pension and other liabilities, and intangible assets and other, respectively, on the consolidated balance sheets.

Workers' Compensation

The System maintains workers' compensation insurance under a self-insured plan. The plan offers, among other provisions, certain specific and aggregate stop-loss coverage to protect the System against excessive losses. The System has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued workers' compensation losses of $1,833,435 and $2,370,808 at September 30, 2023 and 2022, respectively, have been discounted at 1.25% and, in management's opinion, provide an adequate reserve for loss contingencies. At September 30, 2023, $891,220 and $942,215 is recorded within accounts payable and accrued expenses and accrued pension and other liabilities, respectively, in the accompanying consolidated balance sheet. The System has also recorded $114,822 and $158,710 within other current assets and intangible assets and other, respectively, in the accompanying consolidated balance sheet to limit the accrued losses to the retention amount at September 30, 2023. At September 30, 2022, $1,050,109 and $1,320,699 is recorded within accounts payable and accrued expenses and accrued pension and other liabilities, respectively, in the accompanying consolidated balance sheet. The System has also recorded $148,287 and $255,402 within other current assets and intangible assets and other, respectively, in the accompanying consolidated balance sheet to limit the accrued losses to the retention amount at September 30, 2022.

2. Significant Accounting Policies (Continued)

Health Insurance

The System has a self-funded health insurance plan. The plan is administered by an insurance company and the System has employed independent actuaries to estimate unpaid claims, and those claims incurred but not reported at fiscal year end. The System was insured above a stop-loss amount of approximately $1.5 million and $1.1 million at September 30, 2023 and 2022, respectively, on individual claims. Estimated unpaid claims, and those claims incurred but not reported, at September 30, 2023 and 2022 of $3,095,690 and $3,079,700, respectively, are reflected in the accompanying consolidated balance sheets within accounts payable and accrued expenses.

Functional Expense Allocation

The costs of providing program services and other activities have been summarized on a functional basis in Note 11. Accordingly, costs have been allocated among program services and supporting services benefitted.

Advertising Costs

The System expenses advertising costs as incurred, and such costs totaled approximately $1,107,000 and $1,203,000 for the years ended September 30, 2023 and 2022, respectively.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The standard, including subsequently issued amendments, collectively referred to as Accounting Standards Codification (ASC) 842, *Leases*, established the principles that lessees and lessors will apply to report useful information to users of financial statements about the amount, timing and uncertainty of cash flows arising from a lease. ASC 842 did not have a significant impact on lessor accounting. The System adopted this standard using the modified retrospective transition approach as applied to leases existing as of or entered into after the adoption date (October 1, 2022) in fiscal year 2023. See Note 7 for a discussion of the System's adoption of this standard and its impact on the consolidated financial statements and related disclosures.

At the inception of an arrangement, the System determines whether the arrangement is, or contains, a lease based on the unique facts and circumstances present in the arrangement. A lease is a contract, or part of a contract, that conveys the right to control the use of identified property or equipment (an identified asset) for a period of time in exchange for consideration. The System determines if the contract conveys the right to control the use of an identified asset for a period of time. The System assesses throughout the period of use whether the System has both of the following: (1) the right to obtain substantially all of the economic benefits from use of the identified asset, and (2) the right to direct the use of the identified asset. This determination is reassessed if the terms of the contract are changed.

2. Significant Accounting Policies (Continued)

Leases are classified as operating or finance leases based on the terms of the lease agreement and certain characteristics of the identified asset. Leases with a term greater than one year are recognized on the balance sheet as right-of-use assets and lease liabilities, as applicable.

The interest rate implicit in lease contracts is typically not readily determinable. As a result, the System has elected to utilize a risk-free rate as the rate to discount lease payments.

Lease liabilities are initially recorded based on the present value of lease payments over the expected remaining lease term. Lease payments are comprised of fixed and in-substance fixed contract consideration. The System has made a policy election not to separate lease components, nonlease components, and noncomponents. The right-of-use asset is based on the lease liability, adjusted for certain items such as lease prepayments or lease incentives received. Finance lease assets are amortized on a straight-line basis, with interest costs reported separately, over the lesser of the useful life of the leased asset or lease term. Operating lease expense is recognized on a straight-line basis. Variable lease payments are expensed as incurred.

Certain lease agreements may include rental payments that are adjusted periodically for inflation or other variables. In addition to rent, the leases may require the System to pay additional amounts for taxes, insurance, maintenance and other expenses, which are generally referred to as nonlease components. Except for when the costs are fixed, such adjustments to rental payments and variable nonlease components are treated as variable lease payments and recognized in the period in which the obligation for these payments was incurred. Variable lease components and variable nonlease components are not measured as part of the right-of-use asset and liability. Only when lease components and their associated nonlease components are fixed are they accounted for as a single lease component and recognized as part of a right-of-use asset and liability. Total contract consideration is allocated to the combined fixed lease and nonlease component. This policy election applies consistently to all asset classes under lease agreements.

The System assesses at the commencement of a lease any options to extend or terminate the lease agreement, and will include in the lease term any extensions or renewals which it determines it is reasonably certain to exercise. Assumptions made at the lease commencement date are re-evaluated upon the occurrence of certain events, including a lease modification. A lease modification results in a separate contract when the modification grants the lessee an additional right-of-use not included in the original lease and when lease payments increase commensurate with the standalone price for the additional right-of-use. When a lease modification results in a separate contract, it is accounted for in the same manner as a new lease.

The System subleases certain lease arrangements. Sublease activity is not material to the consolidated financial statements.

2. Significant Accounting Policies (Continued)

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The COVID-19 pandemic has significantly affected employees, patients, systems, communities and business operations, as well as the U.S. economy and financial markets. Since the declaration of the pandemic, the System has received approximately $49.8 million of accelerated Medicare payments (see Note 4), approximately $33.5 million related to the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act) Provider Relief Funds (PRF), approximately $14.1 million from the Governor's Office of Emergency Relief and Recovery (GOFERR) (under the CARES Act) and approximately $2.2 million in rural payments related to the *American Rescue Plan Act* (ARPA). Distributions from the PRF, GOFERR and ARPA are not subject to repayment, provided the System is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for healthcare-related expenses or lost revenue attributable to COVID-19. Such payments are accounted for as government grants, and are recognized on a systematic and rational basis as other income once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met. Based on an analysis of the compliance and reporting requirements of the PRF, GOFERR and ARPA and the impact of the pandemic on operating results through September 30, 2022, the System recognized approximately $15.1 million of the funding, which was recorded within other revenue in the accompanying consolidated statement of operations for the year ended September 30, 2022. No amounts related to PRF, GOFERR or ARPA were recognized within other revenue during the year ended September 30, 2023. The remaining funds were recognized within other revenue during previous years.

The CARES Act also provided for a deferral of payments of the employer portion of payroll tax incurred during the pandemic, allowing half of such payroll taxes to be deferred until December 2021, and the remaining half until December 2022. At September 30, 2022, the System had deferred balances of payroll taxes totaling approximately $3.7 million which were recorded within accrued salaries, wages and related accounts on the accompanying 2022 consolidated balance sheet. Amounts were fully repaid during the year ended September 30, 2023.

The System will continue to monitor compliance with the terms and conditions of the PRF, GOFERR and ARPA and other potential assistance programs and available grants, and the impact of the pandemic on revenues and expenses. If the System is unable to attest to or comply with current or future terms and conditions, the System's ability to retain some or all of the distributions received may be impacted.

Subsequent Events

Management of the System evaluated events occurring between the end of the System's fiscal year and February 23, 2024, the date the consolidated financial statements were available to be issued.

3. Financial Assets and Liquidity Resources

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, consisted of the following at September 30, 2023:

Cash and cash equivalents	$18,377,579
Short-term investments	541,194
Accounts receivable	68,821,375
	$87,740,148

To manage liquidity, the System maintains sufficient cash and cash equivalent balances to support daily operations throughout the year. Cash and cash equivalents include bank deposits, money market funds, and other similar vehicles that generate a return on cash and provide daily liquidity to the System. In addition, the System has board-designated assets that can be utilized at the discretion of management to help fund both operational needs and/or capital projects. As of September 30, 2023, the balance in board-designated assets was approximately $116 million.

4. Patient Service Revenues

The System maintains contracts with the Social Security Administration ("Medicare") and the State of New Hampshire Department of Health and Human Services ("Medicaid"). The System is paid a prospectively determined fixed price for each Medicare and Medicaid inpatient acute care service depending on the type of illness or the patient's diagnosis related group classification. Capital costs and certain Medicare and Medicaid outpatient services are also reimbursed on a prospectively determined fixed price. The System receives payment for other Medicaid outpatient services on a reasonable cost basis which are settled with retroactive adjustments upon completion and audit of related cost finding reports. The percentage of patient service revenues earned from the Medicare and Medicaid programs was 37% and 3%, respectively, for the year ended September 30, 2023 and 37% and 4%, respectively, for the year ended September 30, 2022.

Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in patient service revenues in the year that such amounts become known. Such differences increased patient service revenues by approximately $3.2 million for the year ended September 30, 2023. Such differences decreased patient service revenues by approximately $36,000 for the year ended September 30, 2022. Settlements for the Medical Center have been finalized through 2019 for Medicare and Medicaid.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The System believes that it is in compliance with all applicable laws and regulations; compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs (Note 15).

4. Patient Service Revenues (Continued)

As discussed in Note 2, during fiscal year 2020, the System requested accelerated Medicare payments as provided for in the CARES Act, which allowed for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. One year from the date of receipt of the advance payments (beginning April 2021) 25% of the advances were recouped in the first eleven months. An additional 25% of the advances were recouped in the next six months, with the entire amount repayable in 29 months. Any outstanding balance after 29 months was repayable at a 4% interest rate. During the third quarter of fiscal 2020, the System received approximately $49.0 million from these accelerated Medicare payment requests. All amounts were paid in full by September 30, 2022 and there was no remaining liability as of September 30, 2022.

The System also maintains contracts with certain commercial carriers, health maintenance organizations, preferred provider organizations and state and federal agencies. The basis for payment under these agreements includes prospectively determined rates per discharge and per day, discounts from established charges and fee schedules. The System does not currently hold reimbursement contracts which contain financial risk components.

An estimated breakdown of patient service revenues by major payor sources is as follows for the years ended September 30:

	2023	2022
Private payors (includes coinsurance and deductibles)	$285,102,590	$276,393,439
Medicaid	14,044,761	20,162,881
Medicare	183,100,699	181,435,250
Self-pay	8,943,992	7,638,416
	$491,192,042	$485,629,986

Medicaid Enhancement Tax and Disproportionate Share Payment

Under the State of New Hampshire's (the State) tax code, the State imposes a Medicaid Enhancement Tax (MET) equal to 5.40% of the Medical Center's patient service revenues with certain exclusions. The amount of tax incurred by the Medical Center for the years ended September 30, 2023 and 2022 was $23,814,464 and $22,288,821, respectively.

In the fall of 2010, in order to remain in compliance with stated federal regulations, the State of New Hampshire adopted a new approach related to Medicaid disproportionate share funding (DSH) retroactive to July 1, 2010. Unlike the former funding method, the State's approach led to a payment that was not directly based on, and did not equate to, the level of tax imposed. As a result, the legislation created some level of losses at certain New Hampshire hospitals, while other hospitals realized gains. DSH payments from the State are recorded in operating revenues and amounted to $23,598,275 and $21,383,859 for the years ended September 30, 2023 and 2022, respectively, net of reserves referenced below.

4. Patient Service Revenues (Continued)

The Centers for Medicare and Medicaid Services (CMS) has completed audits of the State's program and the disproportionate share payments made by the State from 2011 through 2019, the first years that those payments reflected the amount of uncompensated care provided by New Hampshire hospitals. It is possible that subsequent years will also be audited by CMS. The System has recorded reserves to address its potential exposure based on the audit results to date or any future redistributions.

5. Property, Plant and Equipment

The major categories of property, plant and equipment are as follows at September 30:

	2023	2022
Land and land improvements	$ 16,985,158	$ 4,706,700
Buildings and improvements	145,676,492	143,581,379
Fixed equipment	45,823,551	45,685,309
Movable equipment	142,177,096	135,055,783
Construction in progress	13,038,309	24,957,824
	363,700,606	353,986,995
Less accumulated depreciation and amortization	(219,163,530)	(206,823,865)
Net property, plant and equipment	$ 144,537,076	$ 147,163,130

6. Long-Term Debt and Finance Lease Liabilities

Long-term debt and finance lease liabilities consist of the following at September 30:

	2023	2022
New Hampshire Health and Education Facilities Authority (the Authority) Revenue Bonds:		
Series 2012 Bonds with interest ranging from 4.00% to 5.00% per year and principal payable in annual installments ranging from $1,175,000 to $1,665,000 through July 2032	$ 12,775,000	$ 13,900,000
Series 2015A Bonds with interest at a fixed rate of 4.35% per year and principal payable in annual installments ranging from $185,000 to $1,655,000 through July 2040. Amended and restated in 2023, as discussed below	18,620,000	19,750,000
Series 2015B Bonds with variable interest subject to interest rate swap described below and principal payable in annual installments ranging from $445,000 to $665,000 through July 2036. Amended and restated in 2023, as discussed below	6,985,000	7,420,000
Series 2017 Bonds with interest ranging from 3.38% to 5.00% per year and principal payable in annual installments ranging from $2,900,000 to $7,545,000 beginning in July 2033 through July 2044	61,115,000	61,115,000
	99,495,000	102,185,000

6. Long-Term Debt and Finance Lease Liabilities (Continued)

	2023	2022
Construction loans – see below	$ 18,488,254	$ 18,531,163
MOB LLC note payable – see below	6,862,500	7,096,500
Term loan – see below	34,410,000	35,000,000
Finance lease liabilities (see Note 7)	3,309,785	2,672,981
Unamortized original issue premiums/discounts	3,684,089	4,005,529
Unamortized debt issuance costs	(1,124,348)	(1,179,319)
	165,125,280	168,311,854
Less current portion	(5,849,394)	(4,412,597)
	$159,275,886	$163,899,257

The Authority Revenue Bonds

In December 2012, the Medical Center, in connection with the Authority, issued $35,275,000 of tax-exempt fixed rate revenue bonds (Series 2012). Under the terms of the loan agreements, the Medical Center has granted the Authority a first collateralized interest in all gross receipts and a mortgage lien on existing and future property, plant and equipment. The proceeds of the Series 2012 bond issue were used to advance refund the remaining 2002A Bonds, advance refund certain 2002B Bonds, pay off a short term CAN note and fund certain capital purchases.

On September 3, 2015, the Authority issued $32,720,000 of Revenue Bonds, Catholic Medical Center Issue, Series 2015, consisting of the $24,070,000 aggregate principal amount Series 2015A Bonds and the $8,650,000 aggregate principal amount Series 2015B Bonds sold via direct placement to a financial institution. Although the Series 2015B Bonds were issued, they were not drawn on until July 1, 2016, as discussed below. Under the terms of the loan agreements, the Medical Center has granted the Authority a first collateralized interest in all gross receipts and a mortgage lien on existing and future property, plant and equipment. The Series 2015A Bonds were issued to provide funds for the purpose of (i) advance refunding a portion of the outstanding 2006 Bonds in an amount of $20,655,000 to the first call date of July 1, 2016, (ii) funding certain construction projects and equipment purchases in an amount of approximately $3,824,000, and (iii) paying the costs of issuance related to the Series 2015 Bonds. The Series 2015B Bonds were structured as drawdown bonds. On July 1, 2016, the full amount available under the Series 2015B Bonds totaling $8,650,000 was drawn upon and the proceeds in combination with cash contributed by the Medical Center totaling $555,000 were used to currently refund the remaining balance of the Series 2006 Bonds totaling $9,205,000. On April 1, 2023, the Series 2015A and Series 2015B Bonds were amended and restated to extend the tenor, amend certain covenants and provide for certain interest rate changes. The Series 2015A Bonds will continue to be amortized in line with the existing schedule, with a final maturity of July 1, 2040, subject to a mandatory tender seven years from the date of closing on the new commitment (April 1, 2030). The interest rate is a 7-year fixed rate equal to TD Bank's 7/17 Open Cost of Funds (COF) rate plus 0.65%, multiplied by 81.5% (4.35% at the date of closing). The Series 2015B Bonds will continue to be amortized in line with the existing schedule, with a final maturity of July 1, 2036, subject to a mandatory tender seven years from the date of closing on the new commitment (April 1, 2030). The interest rate is a variable rate equal to the Term Secured Overnight Financing Rate (SOFR) plus 1.35%, multiplied by 81.5%, adjusted monthly (5.44% at September 30, 2023).

6. Long-Term Debt and Finance Lease Liabilities (Continued)

On September 1, 2017, the Authority issued $61,115,000 of Revenue Bonds, Catholic Medical Center Issue, Series 2017. The Series 2017 Bonds were issued to fund various construction projects and equipment purchases, as well as pay certain costs of issuance related to the Series 2017 Bonds. Under the terms of the loan agreements, the Medical Center has granted the Authority a first collateralized interest in all gross receipts and a mortgage lien on existing and future property, plant and equipment.

The Medical Center has an agreement with the Authority, which provides for the establishment of various funds, the use of which is generally restricted to the payment of debt, as well as a construction fund related to the Series 2017 Bonds. These funds are administered by a trustee, and income earned on certain of these funds is similarly restricted.

Construction Loans

On July 1, 2019, the Medical Center established a nonrevolving line of credit up to $10,000,000 with a bank in order to fund the expansion of the Medical Center. The line of credit bore interest at the LIBOR lending rate plus 0.75%. Advances from the line of credit were available through July 1, 2021, at which time the then outstanding line of credit balance automatically converted to a term loan. Upon conversion, the Medical Center began making monthly payments of principal and interest, assuming a 30-year level monthly principal and interest payment schedule, with a final maturity of July 1, 2029. The bank computed the schedule of principal payments based on the interest rate applicable on the conversion date (0.85%). Payments of interest only were due on a monthly basis until the conversion date. The Medical Center has pledged gross receipts as collateral. During fiscal year 2023, the Medical Center converted the underlying index from LIBOR to SOFR. As of September 30, 2023 and 2022, the balance outstanding under the converted term loan is $9,375,052 and $9,656,857, respectively.

On March 20, 2020, the Medical Center established a second nonrevolving line of credit up to $10,000,000 with a bank in order to further fund certain costs related to the expansion of the Medical Center. The line of credit bore interest at the LIBOR lending rate plus 0.75%. Advances from the line of credit were available through March 20, 2022, at which time the then outstanding line of credit balance was to automatically convert to a term loan. During 2022, the conversion date was extended through December 31, 2022. Upon conversion, the Medical Center began making monthly payments of principal and interest, assuming a 30-year level monthly principal and interest payment schedule, with a final maturity of March 20, 2030. The bank computed the schedule of principal payments based on the interest rate applicable on the conversion date (5.12%). Payments of interest only were due on a monthly basis until the conversion date. The Medical Center has pledged gross receipts as collateral. During fiscal year 2023, the Medical Center converted the underlying index from LIBOR to SOFR. As of September 30, 2023, the balance of the converted loan is $9,113,202. As of September 30, 2022, the Medical Center had drawn $8,874,306 on this line of credit.

6. Long-Term Debt and Finance Lease Liabilities (Continued)

MOB LLC Note Payable

On March 27, 2018, the MOB LLC (a subsidiary of Enterprises) refinanced an existing note payable to a term loan totaling $8,130,000. Interest is fixed at 3.71% and is payable monthly. Principal payments of $19,500 are due in monthly installments beginning May 1, 2018, and continuing until March 27, 2028, at which time the remaining unpaid principal and interest shall be due in full. During 2021, the fixed interest rate on this note payable was modified to a fixed rate of 4.52%. All other payment terms remained the same. Under the terms of the loan agreement, the Medical Center and MOB LLC (the Obligated Group) has granted the bank a first collateralized interest in all gross receipts and a mortgage lien on existing and future property, plant and equipment. The Medical Center and the System also guarantee the note payable.

Term Loan

On August 21, 2020, the Medical Center entered into a term loan with TD Bank totaling $35,000,000 with the proceeds to be used for general working capital and liquidity purposes, as well as to pay the costs of issuance related to the term loan. Interest was fixed at 2.11%, and payments of interest only were due on a monthly basis through August 21, 2023, at which time the full principal amount outstanding was due, along with any accrued and unpaid interest. The Medical Center has pledged gross receipts as collateral, and the term loan is further secured by a mortgage until such time the aforementioned Authority bonds are no longer outstanding. On April 1, 2023, this term loan was amended and restated to extend the tenor, amend certain covenants and provide for certain interest rate changes. The new term is a 7-year term with amortization based on a 20-year schedule, with a final maturity in 2030. The interest rate is a fixed rate equal to the bank's 7-year COF rate, plus 0.95% (6.09% at September 30, 2023).

The aggregate principal payments due on the revenue bonds, finance lease liabilities and other debt obligations for each of the five years ending September 30 and thereafter are as follows:

2024	$ 5,849,394
2025	6,265,487
2026	6,481,304
2027	6,707,199
2028	12,323,729
Thereafter	124,938,426
	$162,565,539

Interest paid by the System totaled $6,848,036 and $5,370,357 for the years ended September 30, 2023 and 2022, respectively.

6. Long-Term Debt and Finance Lease Liabilities (Continued)

Debt Covenants

In conjunction with the revenue bonds, construction loans and term loan outlined above, the Medical Center is required to maintain a minimum debt service coverage ratio of 1.20 and a cash to debt requirement of 0.60. The Medical Center, as well as the Obligated Group for the MOB LLC note payable, was in compliance with all required debt covenants as of September 30, 2023 and 2022. During 2023, in conjunction with the restatements and amendments previously discussed for the Series 2015A and Series 2015B Bonds and the term loan, certain debt covenants were modified. These modifications include the requirement for the minimum debt service coverage ratio to be tested quarterly, along with the definition and thresholds for hard and soft defaults of 1.00 and 1.20, respectively. In addition, if at any time the Obligated Group's public rating falls to BBB- (or equivalent) or lower, the unrestricted cash to debt ratio of 0.60 must be tested semi-annually, until such time the lowest rating returns to BBB (or equivalent) or higher.

Derivatives

The Medical Center uses derivative financial instruments principally to manage interest rate risk. In January 2016, the Medical Center entered into an interest rate swap agreement with an initial notional amount of $8,650,000 in connection with its Series 2015B Bond issuance. The swap agreement hedges the Medical Center's interest exposure by effectively converting interest payments from variable rates to a fixed rate. The swap agreement is designated as a cash flow hedge of the underlying variable rate interest payments, and changes in the fair value of the swap agreement are reported as a change in net assets without donor restrictions. Under this agreement, the Medical Center pays a fixed rate equal to 1.482%, and receives a variable rate of 69.75% of the one-month SOFR rate (3.79% at September 30, 2023). Payments under the swap agreement began August 1, 2016 and the agreement will terminate August 1, 2025.

The fair value of the Medical Center's interest rate swap agreement amounted to $258,412 and $263,468 as of September 30, 2023 and 2022, respectively, which has been recorded within intangible assets and other and accrued pension and other liabilities in the accompanying consolidated balance sheets. The change in the fair value of this derivative of $(5,056) and $540,490, respectively, has been included within the consolidated statements of changes in net assets as a change in net assets without donor restrictions for the years ended September 30, 2023 and 2022. During 2023, in connection with the amended and restated Series 2015B Bonds discussed above, the interest rate on the above swap agreement was converted from LIBOR to SOFR. Further, the Medical Center was provided with the option to extend the swap agreement maturity to match the new tenor of the Series 2015B Bonds. The Medical Center did not exercise this option.

7. Leases

Adoption of ASC Topic 842, Leases (ASC 842)

The System leases various office space under operating leases, as well as equipment under finance leases. ASC 842 became effective for the System on October 1, 2022 and was adopted using the modified retrospective method for all leases that had commenced as of the effective date, along with certain available practical expedients. The System elected to recognize any effects of applying the new standard as a cumulative-effect adjustment to the opening balance of net assets in the period of adoption, which there were none. In addition, the System elected to adopt the package of practical expedients permitted under the transition guidance within the new standard. The practical expedient package applied to leases that commenced prior to the effective date of the new standard and permits a reporting entity not to: i) reassess whether any expired or existing contracts are or contain leases, ii) reassess the historical lease classification for any expired or existing leases, and iii) reassess initial direct costs for any existing leases. The reporting results for fiscal year 2023 reflect the application of ASC 842 guidance while the historical results for fiscal year 2022 were prepared under the guidance of ASC 840. The adoption of the new standard did not have a significant impact upon the System's consolidated statements of operations, changes in net assets and cash flows. The adoption of the new standard resulted in the following impact to the 2023 consolidated balance sheet: 1) no significant change in the carrying values of assets and liabilities related to the System's finance leases, previously referred to as capital leases, and 2) the recording of right-of-use assets and corresponding lease liabilities pertaining to the System's operating leases, adjusting for the existing balances of deferred rent liabilities as of the transition date.

Right-of-use assets and lease liabilities are reported in the System's 2023 consolidated balance sheet as follows:

Operating leases:	
Operating lease right-of-use assets	$22,947,345
Current portion of operating lease liabilities	$ 3,543,127
Operating lease liabilities, less current portion	20,752,352
Total operating lease liabilities	$24,295,479
Finance leases:	
Property and equipment, net	$ 3,467,625
Current portion of finance lease liabilities	$ 891,079
Finance lease liabilities, less current portion	2,418,706
Total finance lease liabilities	$ 3,309,785

7. Leases (Continued)

Description	Consolidated Statement of Operations Classification	
Operating lease expense	Supplies and other	$3,304,135
Variable lease costs	Supplies and other	1,367,058
Finance lease costs:		
Amortization of right-of-use assets	Depreciation and amortization	$ 689,077
Interest on lease liabilities	Interest expense	66,202

Supplemental Cash Flow Information

Cash flow included in the measurement of lease liabilities for fiscal year 2023 were as follows:

Operating leases – operating cash flows (fixed payments)	$ 3,535,186
Operating cash flows for finance leases (interest payments)	66,202
Finance cash flows for finance leases (liability reduction)	749,729
Noncash lease activity:	
Operating leases - right-of-use assets and operating lease liabilities recorded upon adoption of ASU 842	24,919,877
Operating leases - right-of-use assets obtained in exchange for new operating lease liabilities	29,800
Finance leases – right-of-use assets obtained in exchange for new finance lease liabilities	1,359,204

Lease Term and Discount Rate

Lease term and discount rate are as follows for the fiscal year ended September 30, 2023:

Weighted-average remaining lease term (in years):	
Operating leases	3.94
Finance leases	3.76
Weighted-average discount rate:	
Operating leases	3.90%
Finance leases	3.34%

7. Leases (Continued)

As of September 30, 2023, maturities of operating and finance lease liabilities for each of the following five years and thereafter were as follows:

	Operating Leases	Finance Leases
2024	$ 3,603,570	$ 988,348
2025	3,408,608	975,803
2026	2,986,177	823,418
2027	2,430,654	609,995
2028	2,448,720	138,493
Thereafter	14,583,043	–
Total minimum future lease payments	29,460,772	3,536,057
Less imputed interest	(5,165,293)	(226,272)
Total lease liabilities	$24,295,479	$3,309,785

As of September 30, 2022, future minimum lease payments prepared under the previous guidance of ASC 840 were as follows:

2023	$ 4,134,352
2024	3,531,176
2025	3,175,034
2026	2,061,557
2027	718,943
Thereafter	561,132
	$14,182,194

The net carrying value of assets held under finance leases was $2,797,497 at September 30, 2022. Rental expenses under operating leases for the year ended September 30, 2022 was $5,490,951.

8. Investments and Assets Whose Use is Limited

Short-term investments and assets whose use is limited (including pledges receivable) are comprised of the following at September 30:

	2023		2022	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	$ 41,777,327	$ 41,777,327	$ 27,178,175	$ 27,178,175
U.S. federal treasury obligations	48,715,061	48,772,227	2,476,435	2,595,002
Marketable equity securities	39,329,935	35,799,815	96,725,936	106,124,416
Fixed income securities	29,348,428	30,736,273	38,156,929	42,683,533
Private investment funds	–	–	7,179,211	4,527,110
Pledges receivable	1,059,323	1,059,323	1,829,416	1,829,416
Due from private investment fund	9,019,377	9,019,377	–	–
	$169,249,451	$167,164,342	$173,546,102	$184,937,652

The System fully redeemed its private investment fund at net asset value totaling $9,019,377 as of September 30, 2023. The System considers the redemption within investments as these funds are to be fully reinvested within its investment portfolio. Accordingly, this redemption is included within investments as due from private investment fund at September 30, 2023. On October 4, 2023, the System received the cash from this fund redemption totaling $9,019,377.

Pledges receivable are due as follows at September 30:

	2023	2022
In one year or less (included in other current assets)	$ 608,320	$ 986,045
Between one and five years	461,070	860,179
	1,069,390	1,846,224
Less unamortized discount	(10,067)	(16,808)
	$1,059,323	$1,829,416

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 entity's 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. The standard describes 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.

8. Investments and Assets Whose Use is Limited (Continued)

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the System for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 — Observable inputs such as quoted prices in active markets;

Level 2 — Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3 — Unobservable inputs in which there is little or no market data.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- *Market approach* – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- *Income approach* – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques).

In determining the appropriate levels, the System performs a detailed analysis of the assets and liabilities. There have been no changes in the methodologies used at September 30, 2023 and 2022.

The following are descriptions of the valuation methodologies used:

U.S. Federal Treasury Obligations and Fixed Income Securities

The fair value is determined by using broker or dealer quotations, external pricing providers, or alternative pricing sources with reasonable levels of price transparency. The System holds fixed income mutual funds and exchange traded funds, governmental and federal agency debt instruments, municipal bonds, corporate bonds, and foreign bonds which are primarily classified as Level 1 within the fair value hierarchy.

Marketable Equity Securities

Marketable equity securities are valued based on stated market prices and at the net asset value of shares held by the System at year end, which generally results in classification as Level 1 within the fair value hierarchy.

8. Investments and Assets Whose Use is Limited (Continued)

Private Investment Funds

The System invests in private investment funds that consist primarily of limited partnership interests in investment funds, which, in turn, invest in diversified portfolios predominantly comprised of equity and fixed income securities, as well as options, futures contracts, and some other less liquid investments. Management has approved procedures pursuant to the methods in which the System values these investments, which ordinarily will be the amount equal to the pro-rata interest in the net assets of the limited partnership, as such value is supplied by, or on behalf of, each investment manager from time to time, usually monthly and/or quarterly.

System management is responsible for the fair value measurements of investments reported in the consolidated financial statements. Such amounts are generally determined using audited financial statements of the funds and/or recently settled transactions. Because of inherent uncertainty of valuation of certain private investment funds, the estimate of the fund manager or general partner may differ from actual values, and differences could be significant. Management believes that reported fair values of its private investment funds at the consolidated balance sheet dates are reasonable. As previously discussed, the System fully redeemed its private investment fund at net asset value totaling $9,019,377 as of September 30, 2023.

Fair Value on a Recurring Basis

The following table presents information about the System's assets and liabilities measured at fair value on a recurring basis based upon the lowest level of significant input to the valuations at September 30, 2023:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 41,777,327	$ –	$ –	$ 41,777,327
U.S. federal treasury obligations	48,715,061	–	–	48,715,061
Marketable equity securities	39,329,935	–	–	39,329,935
Fixed income securities	29,348,428	–	–	29,348,428
Total investments at fair value	$159,170,751	$ –	$ –	159,170,751
Investments measured at net asset value:				
Due from private investment fund				9,019,377
Total investments at fair value				168,190,128
Interest rate swap agreement	$ –	$ –	$258,412	258,412
Total assets at fair value				$168,448,540

Total investments, excluding pledges receivable, net, included the following as of September 30, 2023:

Short-term investments	$ 541,194
Assets whose use is limited	167,648,934
	$168,190,128

8. Investments and Assets Whose Use is Limited (Continued)

The following table presents information about the System's assets and liabilities measured at fair value on a recurring basis based upon the lowest level of significant input to the valuations at September 30, 2022:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 27,178,175	$ –	$ –	$ 27,178,175
U.S. federal treasury obligations	2,476,435	–	–	2,476,435
Marketable equity securities	96,725,936	–	–	96,725,936
Fixed income securities	38,156,929	–	–	38,156,929
	$164,537,475	$ –	$ –	164,537,475
Investments measured at net asset value:				
Private investment funds				7,179,211
Total investments at fair value				171,716,686
Interest rate swap agreement	$ –	$ –	$263,468	263,468
Total assets at fair value				$171,980,154

Total investments, excluding pledges receivable, net, included the following as of September 30, 2022:

Short-term investments	$ 3,603,910
Assets whose use is limited	168,112,776
	$171,716,686

There were no significant purchases, issues or transfers into or out of Level 3 for the years ended September 30, 2023 or 2022.

Net Asset Value Per Share

The following table discloses the fair value and redemption frequency of those assets whose fair value is estimated using the net asset value per share practical expedient at September 30, 2022:

Category	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
Private investment funds	$ 7,179,211	$ –	Monthly	5 day notice

As previously discussed, the System fully redeemed its private investment fund at net asset value totaling $9,019,377 as of September 30, 2023.

8. Investments and Assets Whose Use is Limited (Continued)

Investment Strategies

U.S. Federal Treasury Obligations and Fixed Income Securities

The primary purpose of these investments is to provide a highly predictable and dependable source of income, preserve capital, reduce the volatility of the total portfolio, and hedge against the risk of deflation or protracted economic contraction.

Marketable Equity Securities

The primary purpose of equity investments is to provide appreciation of principal and growth of income with the recognition that this requires the assumption of greater market volatility and risk of loss. The total equity portion of the portfolio will be broadly diversified according to economic sector, industry, number of holdings and other characteristics, including style and capitalization. The System may employ multiple equity investment managers, each of whom may have distinct investment styles. Accordingly, while each manager's portfolio may not be fully diversified, it is expected that the combined equity portfolio will be broadly diversified.

Private Investment Funds

The primary purpose of private investment funds is to provide further portfolio diversification and to reduce overall portfolio volatility by investing in strategies that are less correlated with traditional equity and fixed income investments. Private investment funds may provide access to strategies otherwise not accessible through traditional equities and fixed income such as derivative instruments, real estate, distressed debt and private equity and debt. As previously discussed, the System fully redeemed its private investment fund at net asset value totaling $9,019,377 as of September 30, 2023.

Fair Value of Other Financial Instruments

Other financial instruments consist of accounts receivable, pledges receivable, accounts payable and accrued expenses and amounts payable to third-party payors. The fair value of these financial instruments approximates their relative book values as these financial instruments have short-term maturities or are recorded at amounts that approximate fair value.

9. Retirement Benefits

As discussed in Note 2, effective June 30, 2023, the Board of Trustees approved the merger of the New Hampshire Medical Laboratories Retirement Income Plan (NHML Plan), a related plan administered by Catholic Medical Center, into the Catholic Medical Center Pension Plan. The NHML Plan offered a lump sum window prior to the merger and incurred a one-time settlement charge of $105,593, which is reflected as a component of net periodic pension cost, other than service cost in the accompanying 2023 consolidated statement of operations.

9. Retirement Benefits (Continued)

A reconciliation of the changes in the Catholic Medical Center Pension Plan, the Medical Center's Supplemental Executive Retirement Plan and the New Hampshire Medical Laboratories Retirement Income Plan projected benefit obligations and the fair value of assets for the years ended September 30, 2023 and 2022, and a statement of funded status of the plans for both years are as follows:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan		New Hampshire Medical Laboratories Retirement Income Plan	
	2023	2022	2023	2022	2023	2022
Changes in benefit obligations:						
Projected benefit obligations at beginning of year	$ (250,340,503)	$(333,300,327)	$ (2,297,109)	$ (3,404,278)	$ (2,188,673)	$ (2,819,916)
Service cost	(1,600,000)	(1,600,000)	–	–	(20,000)	(30,000)
Interest cost	(13,172,161)	(9,442,623)	(111,605)	(69,258)	(106,776)	(70,760)
Benefits paid	11,637,657	10,516,182	240,028	248,345	–	173,488
Actuarial gain	18,090,881	81,777,574	409,617	928,082	–	536,341
Expenses paid	(1,670,165)	1,708,691	–	–	–	22,174
Plan merger	(2,315,449)	–	–	–	2,315,449	–
Projected benefit obligations at end of year	(239,369,740)	(250,340,503)	(1,759,069)	(2,297,109)	–	(2,188,673)
Changes in plan assets:						
Fair value of plan assets at beginning of year	184,305,566	230,969,065	–	–	2,375,361	3,094,944
Actual return (loss) on plan assets	24,053,969	(40,221,086)	–	–	–	(523,921)
Employer contributions	–	5,782,460	240,028	248,345	–	–
Benefits paid	(11,637,657)	(10,516,182)	(240,028)	(248,345)	–	(173,488)
Expenses paid	(1,670,165)	(1,708,691)	–	–	–	(22,174)
Plan merger	2,375,361	–	–	–	(2,375,361)	–
Fair value of plan assets at end of year	197,427,074	184,305,566	–	–	–	2,375,361
Funded status of plan at September 30	$ (41,942,666)	$ (66,034,937)	$ (1,759,069)	$ (2,297,109)	$ –	$ 186,688
Amounts recognized in the balance sheets consist of:						
Current liability	$ –	$ –	$ (229,167)	$ (278,033)	$ –	$ –
Noncurrent (liability) asset	(41,942,666)	(66,034,937)	(1,529,902)	(2,019,076)	–	186,688
	$ (41,942,666)	$ (66,034,937)	$ (1,759,069)	$ (2,297,109)	$ –	$ 186,688

The current portion of accrued pension costs included in the above amounts for the System amounted to $229,167 and $278,033 at September 30, 2023 and 2022, respectively, and has been included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

The amounts recognized in net assets without donor restrictions for the years ended September 30 consist of:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan		New Hampshire Medical Laboratories Retirement Income Plan	
	2023	2022	2023	2022	2023	2022
Amounts recognized in the balance sheets – total plan:						
Net assets without donor restrictions:						
Net loss	$ (77,814,822)	$(101,879,882)	$ (302,106)	$ (758,834)	$ –	$ (1,362,239)
Net amount recognized	$ (77,814,822)	$(101,879,882)	$ (302,106)	$ (758,834)	$ –	$ (1,352,239)

9. Retirement Benefits (Continued)

Net periodic pension cost includes the following components for the years ended September 30:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan		New Hampshire Medical Laboratories Retirement Income Plan	
	2023	2022	2023	2022	2023	2022
Service cost	$ 1,600,000	$ 1,600,000	$ –	$ –	$ 20,000	$ 30,000
Interest cost	13,172,161	9,442,623	111,605	69,258	106,776	70,760
Expected return on plan assets	(15,282,508)	(13,219,077)	–	–	(185,284)	(174,310)
Amortization of actuarial loss	1,948,726	4,980,228	46,661	127,763	36,250	71,227
Settlement loss	–	–	–	–	105,593	–
Net periodic pension cost	$ 1,438,379	$ 2,803,774	$ 158,266	$ 197,021	$ 83,335	$ (2,323)

Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions for the years ended September 30, 2023 and 2022 consist of:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan		New Hampshire Medical Laboratories Retirement Income Plan	
	2023	2022	2023	2022	2023	2022
Net (gain) loss	$ (23,442,144)	$ (28,342,395)	$ (409,617)	$ (928,082)	$ –	$ 161,890
Amortization of actuarial loss	(1,984,976)	(4,980,228)	(46,661)	(127,763)	–	(71,227)
Net amount recognized	$ (25,427,120)	$ (33,322,623)	$ (456,278)	$ (1,055,845)	$ –	$ 90,663

The investments of the plans are comprised of the following at September 30:

	Target Allocation		Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan		New Hampshire Medical Laboratories Retirement Income Plan	
	2023	2022	2023	2022	2023	2022	2023	2022
Cash and cash equivalents	0.0%	0.0%	1.8%	2.3%	0.0%	0.0%	0.0%	2.3%
Equity securities	70.0	70.0	66.4	61.8	0.0	0.0	0.0	61.8
Fixed income securities	20.0	20.0	25.2	30.5	0.0	0.0	0.0	30.5
Other	10.0	10.0	6.6	5.4	0.0	0.0	0.0	5.4
	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%	0.0%	100.0%

The assumption for the long-term rate of return on plan assets has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

The weighted-average assumptions used to determine the defined benefit pension plan obligations at September 30 are as follows:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan		New Hampshire Medical Laboratories Retirement Income Plan	
	2023	2022	2023	2022	2023	2022
Discount rate	5.87%	5.39%	5.67%	5.18%	N/A	5.32%
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A

9. Retirement Benefits (Continued)

The weighted-average assumptions used to determine the defined benefit pension plan net periodic benefit costs for the years ended September 30 are as follows:

	Catholic Medical Center Pension Plan		Pre-1987 Supplemental Executive Retirement Plan		New Hampshire Medical Laboratories Retirement Income Plan	
	2023	2022	2023	2022	2023	2022
Discount rate	5.39%	2.81%	5.18%	2.13%	5.32%/5.62%*	2.55%
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A
Expected long-term return on plan assets	7.40%	6.30%	N/A	N/A	7.40%	6.30%

* 5.32% for the NHML Plan at September 30, 2022 and 5.62% after settlement at November 1, 2022.

The System expects to make employer contributions totaling approximately $935,000 to the Catholic Medical Center Pension Plan and Pre-1987 Supplemental Executive Retirement Plan for the fiscal year ending September 30, 2024.

The benefits, which reflect expected future service, as appropriate, expected to be paid for the years ending September 30 are as follows:

	Catholic Medical Center Pension Plan	Pre-1987 Supplemental Executive Retirement Plan
2024	$12,744,963	$235,574
2025	13,679,534	225,450
2026	14,371,878	214,468
2027	15,185,988	202,688
2028	15,870,045	190,196
2029 - 2033	86,613,174	748,658

The System contributed $240,028 to the Pre-1987 Supplemental Executive Retirement Plan for the year ended September 30, 2023. No contributions were made to the Catholic Medical Center Pension Plan or the NHML Plan for the year ended September 30, 2023. The System contributed $5,782,460 and $248,345 to the Catholic Medical Center Pension Plan and the Pre-1987 Supplemental Executive Retirement Plan, respectively, for the year ended September 30, 2022. No contributions were made to the NHML Plan for the year ended September 30, 2022. The System plans to make any necessary contributions during the upcoming fiscal 2024 year to ensure the plans continue to be adequately funded given the current market conditions.

9. Retirement Benefits (Continued)

The following fair value hierarchy table presents information about the financial assets of the above plans measured at fair value on a recurring basis based upon the lowest level of significant input valuation as of September 30:

	Level 1	Level 2	Level 3	Total
2023				
Cash and cash equivalents	$ 3,512,434	$ –	$ –	$ 3,512,434
Marketable equity securities	131,185,587	–	–	131,185,587
Fixed income securities	49,684,039	–	–	49,684,039
	$184,382,060	$ –	$ –	184,382,060
Investments measured at net asset value:				
Private investment funds				13,045,014
Total investments at fair value				$197,427,074
2022				
Cash and cash equivalents	$ 4,366,905	$ –	$ –	$ 4,366,905
Marketable equity securities	115,436,173	–	–	115,436,173
Fixed income securities	56,839,258	–	–	56,839,258
	$176,642,336	$ –	$ –	176,642,336
Investments measured at net asset value:				
Private investment funds				10,038,591
Total investments at fair value				$186,680,927

10. Charity Care and Community Benefits

The System rendered charity care in accordance with its formal charity care policy, which, at established charges, amounted to $21,794,470 and $14,981,481 for the years ended September 30, 2023 and 2022, respectively. Also, the System provides community service programs, without charge, such as the Medication Assistance Program, Community Education and Wellness, Patient Transport, and the Parish Nurse Program. The costs of providing these programs amounted to $941,599 and $876,500 for the years ended September 30, 2023 and 2022, respectively.

11. Functional Expenses

The System provides general health care services to residents within its geographic location including inpatient, outpatient and emergency care. Expenses related to providing these services are as follows at September 30:

	Healthcare Services	General and Administrative	Total
2023			
Salaries, wages and fringe benefits	$287,797,321	$47,207,281	$335,004,602
Supplies and other	165,023,651	39,159,253	204,182,904
New Hampshire Medicaid enhancement tax	23,814,464	–	23,814,464
Depreciation and amortization	7,535,378	6,030,252	13,565,630
Interest	5,197,385	1,422,670	6,620,055
	$489,368,199	$93,819,456	$583,187,655
2022			
Salaries, wages and fringe benefits	$282,214,354	$42,467,030	$324,681,384
Supplies and other	157,788,260	37,559,926	195,348,186
New Hampshire Medicaid enhancement tax	22,288,821	–	22,288,821
Depreciation and amortization	7,122,925	6,144,258	13,267,183
Interest	4,028,867	1,097,303	5,126,170
	$473,443,227	$87,268,517	$560,711,744

The consolidated financial statements report certain expense categories that are attributable to more than one healthcare service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, such as depreciation and interest, are allocated to a function based on square footage. Supporting activities that are not directly identifiable with one or more healthcare programs are classified as general and administrative. If it is impossible or impractical to make a direct identification, allocation of the expenses were made according to management's estimates. Employee benefits are allocated in accordance with the ratio of salaries and wages of the functional classes. Specifically identifiable costs are assigned to the function which they are identified to.

12. Concentration of Credit Risk

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows at September 30:

	2023	2022
Medicare	48%	40%
Medicaid	9	13
Commercial insurance and other	21	19
Patients (self pay)	7	8
Anthem Blue Cross	15	20
	100%	100%

13. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at September 30:

	2023	2022
Funds subject to use or time restrictions:		
Capital acquisitions	$ 3,064,994	$17,336,612
Healthcare services	1,094,676	1,143,769
Indigent care	726,804	676,640
Pledges receivable	1,059,323	1,829,416
	5,945,797	20,986,437
Funds of perpetual duration	564,379	360,779
Perpetual trusts	8,120,565	7,746,540
	$14,630,741	$29,093,756

During fiscal year 2023, due to various events that occurred and having an impact on the Medical Center's plans for a building expansion, the Medical Center prepared to return a donor contribution of approximately $15 million. Subsequent to year end, the Medical Center returned the contribution to the donor totaling $15,032,182. Such amount is recorded as a liability as of September 30, 2023 within accounts payable and accrued expenses in the accompanying 2023 consolidated balance sheet.

14. Investments in Joint Ventures

AAS has a 44% ownership interest in the Bedford Ambulatory Surgical Center. AAS accounts for its investment in this joint venture under the equity method.

AAS has a 50% ownership interest in the Alliance Urgent Care Services, LLC. AAS accounts for its investment in this joint venture under the equity method.

Selected financial information relating to the above entities for the years ended September 30, 2023 and 2022 is not shown as such amounts are not significant to the consolidated financial statements.

15. Commitments and Contingencies

Litigation

Various legal claims, generally incidental to the conduct of normal business, are pending or have been threatened against the System. The System intends to defend vigorously against these claims. While ultimate liability, if any, arising from any such claim is presently indeterminable, it is management's opinion that the ultimate resolution of these claims will not have a material adverse effect on the financial condition of the System.

Regulatory

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Government activity continues with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Compliance with such laws and regulations are subject to government review and interpretations as well as regulatory actions unknown or unasserted at this time.