

**Berkshire Health Systems, Inc. and Affiliates**

**Audited Consolidated Financial Statements  
and Supplementary Financial Information**

Years ended September 30, 2021 and 2020

Berkshire Health Systems, Inc. and Affiliates  
Audited Consolidated Financial Statements  
and Supplementary Information  
Years ended September 30, 2021 and 2020

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Trustees  
Berkshire Health Systems, Inc.

We have audited the accompanying consolidated financial statements of Berkshire Health Systems, Inc. and Affiliates (the "Health System"), which comprise the consolidated balance sheets as of September 30, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's responsibility for the consolidated financial statements**

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

**Auditors' responsibility**

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

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Berkshire Health Systems, Inc. and Affiliates as of September 30, 2021 and 2020, and the results of their operations, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of matter**

As discussed in Note 2 to the consolidated financial statements, during the year ended September 30, 2021, the Health System adopted Accounting Standard Update 2016-02, *Leases*. Our opinion is not modified with respect to this matter.

**Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures. These additional procedures include comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



New York, New York  
December 23, 2021

# Berkshire Health Systems, Inc. and Affiliates

## Consolidated Balance Sheets

	September 30			September 30	
	2021	2020		2021	2020
<b>Assets</b>			<b>Liabilities and net assets</b>		
Current assets:			Current liabilities:		
Cash and cash equivalents	\$ 192,217,651	\$ 162,361,785	Accounts payable	\$ 26,308,951	\$ 30,490,740
Patient accounts receivable	65,218,732	66,716,688	Accrued salaries and related withholdings	42,509,885	41,629,004
Note and other receivables	10,738,531	10,091,008	Accrued expenses	14,842,276	14,939,181
Inventories	15,732,148	15,607,033	Deferred revenue	899,685	686,458
Funds held by trustees	401,092	3,993,276	Due to third-party payors	102,595,369	62,646,152
Due from managed entities	1,481,405	963,132	Current portion of long-term obligations	-	3,225,000
Prepaid expenses and other current assets	4,489,062	4,634,541			
			Total current liabilities	187,156,166	153,616,535
Total current assets	290,278,621	264,367,463			
			Due to third-party payors	-	59,729,880
			Deferred compensation	23,695,089	18,623,384
Assets whose use is limited:					
Funds designated by Boards	314,747,963	262,517,411	Other liabilities	25,782,281	15,898,924
Funds held as endowments	8,141,444	8,141,444			
Funds held for donor-restricted purposes	30,939,972	25,515,097	Long-term obligations, less current portion	57,801,531	63,970,103
Deferred compensation	23,695,089	18,623,384	Total liabilities	294,435,067	311,838,826
Total assets whose use is limited	377,524,468	314,797,336	Net assets:		
			Without donor restriction	556,726,357	461,439,629
Property and equipment, net	207,125,015	220,708,578	With donor restriction	45,589,433	39,463,978
Other assets	21,822,753	12,869,056	Total net assets	602,315,790	500,903,607
Total assets	\$ 896,750,857	\$ 812,742,433	Total liabilities and net assets	\$ 896,750,857	\$ 812,742,433

# Berkshire Health Systems, Inc. and Affiliates

## Consolidated Statements of Operations and Changes in Net Assets

	<b>Years ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Revenues:		
Patient service revenue	<b>\$ 618,866,729</b>	<b>\$ 535,940,540</b>
Other revenue	<b>122,086,181</b>	<b>111,158,089</b>
Total revenues	<b>740,952,910</b>	<b>647,098,629</b>
Expenses:		
Salaries and wages	<b>343,536,015</b>	<b>335,067,609</b>
Fringe benefits	<b>93,992,444</b>	<b>83,922,463</b>
Supplies and other	<b>240,224,533</b>	<b>220,294,328</b>
Health Safety Net assessment	<b>4,744,531</b>	<b>5,119,960</b>
Depreciation and amortization	<b>35,830,275</b>	<b>34,665,845</b>
Interest	<b>2,168,232</b>	<b>2,613,159</b>
Total expenses	<b>720,496,030</b>	<b>681,683,364</b>
Income (loss) from operations	<b>20,456,880</b>	<b>(34,584,735)</b>
Nonoperating gains:		
Investment gains, net	<b>34,432,209</b>	<b>23,504,278</b>
Net unrealized gains on investments	<b>24,488,664</b>	<b>1,160,047</b>
Gain on advanced refunding of long-term debt	<b>2,154,360</b>	<b>-</b>
Other, net	<b>13,057,017</b>	<b>365,996</b>
Total nonoperating gains	<b>74,132,250</b>	<b>25,030,321</b>
Excess (deficiency) of revenues over expenses	<b>\$ 94,589,130</b>	<b>\$ (9,554,414)</b>

# Berkshire Health Systems, Inc. and Affiliates

## Consolidated Statements of Operations and Changes in Net Assets (Continued)

	<b>Years ended September 30</b>	
	<b>2021</b>	<b>2020</b>
Net assets without donor restrictions:		
Excess (deficiency) of revenues over expenses	\$ 94,589,130	\$ (9,554,414)
Grant funds used for property and equipment	80,163	-
Net assets released from restrictions used for purchase of property and equipment	364,335	386,091
Other	253,100	(741,536)
Increase (decrease) in net assets without donor restrictions	<u>95,286,728</u>	<u>(9,909,859)</u>
Net assets with donor restrictions:		
Restricted contributions	1,460,397	1,912,640
Net realized gains on investments	2,572,966	1,289,199
Net unrealized gains on investments	2,901,992	580,982
Net assets released from restrictions for operating purposes	(445,565)	(1,389,011)
Net assets released from restrictions for purchase of property and equipment	(364,335)	(386,091)
Increase in net assets with donor restrictions	<u>6,125,455</u>	<u>2,007,719</u>
Increase (decrease) in net assets	101,412,183	(7,902,140)
Net assets, beginning of year	<u>500,903,607</u>	<u>508,805,747</u>
Net assets, end of year	<u><u>\$602,315,790</u></u>	<u><u>\$500,903,607</u></u>

*See accompanying notes.*

# Berkshire Health Systems, Inc. and Affiliates

## Consolidated Statements of Cash Flows

	<b>Years ended September 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating activities and net gains</b>		
Increase (decrease) in net assets	<b>\$ 101,412,183</b>	\$ (7,902,140)
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Net unrealized gains on investments	<b>(24,488,664)</b>	(1,160,047)
Realized and unrealized gains on restricted investments	<b>(5,474,958)</b>	(1,870,181)
Amortization of debt discount/premium	<b>(760,083)</b>	(571,718)
Depreciation and amortization	<b>35,830,275</b>	34,665,845
Equity income in Yankee Alliance, LLC	<b>(6,448,513)</b>	(4,839,097)
Restricted contributions	<b>(1,460,397)</b>	(1,912,640)
Gain on advanced refunding of debt	<b>(2,154,360)</b>	-
Effects of changes in operating assets and liabilities:		
Patient accounts receivable	<b>1,497,956</b>	(1,787,051)
Note and other receivables, inventories, prepaid expenses and other current assets	<b>851,305</b>	(2,012,879)
Accounts payable	<b>(4,181,789)</b>	16,377,002
Accrued salaries and related withholdings, accrued expenses, and deferred revenue	<b>(481,261)</b>	14,714,294
Due to third-party payors, net	<b>(19,780,663)</b>	101,455,991
Other liabilities	<b>8,623,441</b>	1,499,919
Net cash provided by operating activities	<b>82,984,472</b>	146,657,298
<b>Investing activities</b>		
Additions to property and equipment, net	<b>(22,163,182)</b>	(34,139,286)
Decrease in funds held by trustees	<b>3,592,184</b>	4,086,729
(Increase) decrease in funds designated by Boards	<b>(27,741,888)</b>	6,798,429
Decrease in funds held for donor-restricted purposes	<b>50,083</b>	50,148
(Increase) decrease in amounts due from managed entities	<b>(243,716)</b>	719,190
Increase in other assets	<b>(1,519,825)</b>	(16,532)
Net cash used in investing activities	<b>(48,026,344)</b>	(22,501,322)



# Berkshire Health Systems, Inc. and Affiliates

## Consolidated Statements of Cash Flows (Continued)

	<b>Years ended September 30</b>	
	<b>2021</b>	<b>2020</b>
<b>Financing activities</b>		
Repayment of long-term obligations	\$ (3,225,000)	\$ (6,330,000)
Advanced refunding of long-term debt	(61,417,292)	-
Proceeds from issuance of long-term debt	58,923,326	-
Payment of deferred financing costs	(843,693)	-
Restricted contributions	1,460,397	1,912,640
Net cash used in financing activities	(5,102,262)	(4,417,360)
Net increase in cash and cash equivalents	29,855,866	119,738,616
Cash and cash equivalents at beginning of year	162,361,785	42,623,169
Cash and cash equivalents at end of year	\$ 192,217,651	\$ 162,361,785
Supplemental disclosure of cash flow information for interest paid	\$ 3,364,783	\$ 2,692,429

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements  
Years ended September 30, 2021 and 2020

## 1. Organization

The consolidated financial statements include the accounts of Berkshire Health Systems, Inc. and its controlled affiliates (collectively, the Health System). The following is a summary of controlled affiliated organizations included in the consolidated financial statements:

Organization	Nature and Purpose
<b>Parent</b>	
Berkshire Health Systems, Inc. (BHS)	The parent corporation which provides support for its controlled affiliates.
<b>Hospitals</b>	
Berkshire Medical Center, Inc. (the Medical Center)	Not-for-profit hospital-operating corporations organized for the delivery of health care services.
Fairview Hospital (the Hospital)	
<b>Management Company</b>	
BHS Management Services, Inc. (BMS)	A corporation that provides management services to the controlled affiliates of BHS and the non-controlled Berkshire Healthcare Systems, Inc. and its affiliates (the Managed Entities).
<b>Physician Practices (the Practices)</b>	
Berkshire Faculty Services, Inc. (BFS)	A corporation that provides medical education, primary care, medical, surgical subspecialty and other physician services for the benefit of the Medical Center and the Hospital.
<b>Other controlled entities</b>	
Berkshire Orthopaedic Associates, Inc.	A single shareholder corporation that provides orthopedic physician services.
Berkshire Family Practice Associates, PC	A professional corporation that provides primary care physician services.
Berkshire Ears Nose Throat and Audiological Associates, PC	A single shareholder corporation that provides specialty physician services.
<b>Others</b>	
Tri-State Medical Management Corp.	A corporation that manages a physician office location for the benefit of the Hospital
Berkshire Indemnity Company SPC, LTD. - BHS Segregated Portfolio (BIC)	A 100% owned segregated portfolio organized in 2003, within Berkshire Indemnity Company SPC, LTD., a Cayman Islands Insurance Captive.
Berkshire Apothecary, Inc	A corporation that manages a pharmacy located in Williamstown

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

**1. Organization (continued)**

BHS controls each of its affiliated entities through its status either as sole corporate member, as sole stockholder or under a management control agreement. BHS, the Medical Center and the Hospital are an obligated group for purposes of various debt financings.

**2. Summary of Significant Accounting Policies**

**Recently Adopted Accounting Pronouncement**

In February 2016, the Financial Accounting Standards Board “FASB” issued Accounting Standards Update “ASU” No. 2016 02, *Leases*, as amended, which requires (1) most leases to be recognized on the balance sheet and (2) disclosure about leasing arrangements. The new standard is effective for fiscal years beginning after December 15, 2019, with early application permitted. The new standard establishes a right of use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of operations.

The Health System adopted the new standard on October 1, 2020 , and elected the option to apply the transition requirements in the standard. Consequently, financial information will not be updated and the disclosures required under the standard will not be provided for dates and periods before October 1, 2020.

The new standard provides a number of optional practical expedients in transition. The Health System has elected the “package of practical expedients,” which permits entities to not reassess conclusions prior to the implementation of the new standard about lease identification, lease classification and initial direct costs.

The most significant effects on the Health System’s consolidated financial statements relate to: (1) the recognition of new ROU assets and lease liabilities on the consolidated balance sheets for existing real estate and equipment operating leases; and (2) providing significant new disclosures about leasing activities.

The impact on the September 30, 2021 consolidated balance sheet is the recognition of the ROU assets, included in other assets in the consolidated balance sheet and corresponding operating lease liabilities of \$2,786,440 based on the present value of the remaining minimum rental payments for existing operating leases.

The new standard also provides practical expedients for an entity’s ongoing accounting. The Health System has elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Health System will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition.

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

## **2. Summary of Significant Accounting Policies (continued)**

### **Principles of Consolidation**

The consolidated financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements include the accounts of the above-named entities. All intercompany balances and transactions have been eliminated.

### **Net Assets with Donor Restriction**

Certain net assets are temporarily restricted and whose use by the Health System has been limited by donors to a specific time period or purpose. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified for operations as a component of other revenue or as net assets without donor restriction for property and equipment purchases, and are reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

Certain net assets have been permanently restricted by donors to be maintained by the Health System in perpetuity.

### **Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The significant management estimates and assumptions relate to the recording patient accounts receivable and patient service revenue, estimated settlements with third-party payors, useful lives of property and equipment, self-insured professional, workers' compensation, and employee health liabilities, asset retirement obligations and the reported fair values of certain of the Health System's assets and liabilities. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents include currency on hand, demand deposits with banks or other financial institutions, and short-term investments with maturities of 90 days or less from the date of purchase. Included in cash and cash equivalents is BIC liquid short-term investments of \$14,748,529 and \$13,750,941 as of September 30, 2021 and 2020, respectively. The carrying values reported in the consolidated balance sheets approximate fair value.

### **Inventories**

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

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

## **2. Summary of Significant Accounting Policies (continued)**

### **Investments and Investment Income**

Investments in equity and debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, and interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrestricted income of endowment funds are reported as other revenue. Investment income from all other general fund investments is reported as non-operating gains.

The Medical Center accounts for its investment in Yankee Alliance, LLC on the equity method of accounting. The Medical Center's ownership in Yankee Alliance, LLC was 25% and 20% for the years ended September 30, 2021 and 2020, respectively. The investment in Yankee Alliance, LLC included in other assets in the consolidated balance sheets as of September 30, 2021 and 2020 was \$17,301,055 and \$10,852,553, respectively. The Medical Center's interest in the earnings of Yankee Alliance, LLC was \$6,448,513 and \$4,839,097 for the years ended September 30, 2021 and 2020, respectively.

### **Property and Equipment**

Property and equipment is recorded at cost or, if received by gift or bequest, at fair value when received. Depreciation is charged to operations using the straight-line method, based upon the estimated useful lives of the depreciable assets. Property and equipment under capital leases is amortized using the straight-line method over the shorter of the lease term or its estimated useful life. Such amortization is included with depreciation and amortization expense. Renovations and improvements which extend the useful lives of property and equipment are capitalized and recorded at cost.

### **Leases**

The Health System determines if an arrangement is a lease at inception of the contract. Right of use assets represent the Health System's right to use the underlying assets for the lease term and lease liabilities represent the Health System's obligation to make lease payments arising from the leases. Right of use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Health System uses an estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. The Health System determines this rate based on information obtained from its bankers, its secured debt fair value and publicly available data for instruments with similar characteristics.

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

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

**Leases (continued)**

The Health System's operating leases are primarily for real estate, including off-campus outpatient facilities, medical office buildings, and corporate and other administrative offices, as well as medical and office equipment. Finance leases are for medical equipment. The real estate lease agreements typically have initial terms of five to ten years, and equipment lease agreements typically have initial terms of three to five years. The Health System does not record leases with an initial term of 12 months or less ("short-term leases") in its consolidated balance sheets.

The Health System's real estate leases may include one or more options to renew, with renewals that typically can extend the lease term from five to ten years. The exercise of lease renewal options is at the Health System's sole discretion. In general, the Health System does not consider renewal options to be reasonably likely to be exercised, therefore, renewal options are generally not recognized as part of right of use assets and lease liabilities. The useful life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. The majority of the medical equipment leases have terms of three years with no renewal options or bargain purchase options, so these assets are depreciated over their lease term.

Certain of the Health System's lease agreements for real estate include payments based on actual common area maintenance expenses. These variable lease payments are recognized in other operating expenses, net, but are not included in the right-of-use asset or liability balances. The Health System's lease agreements do not contain any material residual value guarantees, restrictions or covenants.

**Costs of Borrowing**

Deferred financing costs and original issue premiums, components of long-term obligations, are amortized over the period that the related obligation is outstanding using the effective interest method.

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

## **2. Summary of Significant Accounting Policies (continued)**

### **Patient Service Revenue**

Patient service revenue is reported at the amounts that reflect the consideration to which the Health System is expected to be entitled to in exchange for providing patient care for the Medical Center, the Hospital, the Practices, and any employed physicians. These amounts are due from patients, third-party payors (including insurance companies, managed care organizations and government programs, i.e., Medicare and Medicaid), and others and they include variable consideration for retroactive adjustments due to settlement of future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Generally, patients and third-party payors are billed several days after the services are performed or shortly after discharge. Patient service revenue is recognized in the period in which the performance obligations are satisfied under contracts by transferring services to patients.

Performance obligations are determined based on the nature of the services provided. The Health System recognizes revenues for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. The Health System believes that this method provides an appropriate depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations. Generally, performance obligations are satisfied over time related to patients receiving inpatient acute care services. The Health System measures performance obligations from admission to the point when there are no further services required for the patient, which is generally the time of discharge. The Health System recognizes revenues for performance obligations satisfied at a point in time, which generally relate to patients receiving outpatient services, when: (1) services are provided; and (2) when it is believed the patient does not require additional services.

### **Patient Accounts Receivable**

Patient accounts receivable for which the Health System receives payment under cost reimbursement, prospective payment formulas, or negotiated rates, which cover the majority of patient services, are stated at the estimated net amounts receivable from payers, which are generally less than the established billing rates of the Health System.

When the Health System determines that there is an unconditional right to payment, subject only to the passage of time, the right is treated as a receivable. Patient accounts receivable, including billed accounts and unbilled accounts, which have the unconditional right to payment, and estimated amounts due from third-party payers for retroactive adjustments, are recorded as receivables since the right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. The estimated uncollectible amounts are generally considered implicit price concessions that are recorded as a direct reduction to patient accounts receivable.

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

## **2. Summary of Significant Accounting Policies (continued)**

### **Gifts and Bequests**

Unrestricted gifts and bequests are included in other revenue in the consolidated statements of operations and changes in net assets. Restricted gifts and bequests are credited directly to net assets with donor restriction.

### **Professional Liability Insurance**

The Health System covers its primary hospital and physician professional liability and commercial general liability risk on a claims-made basis with tail coverage through a captive insurance company, BIC. The Health System establishes reserves for unpaid losses, with the assistance of consulting actuaries, based on a combination of industry and hospital-specific data. Management believes these reserves recorded in other liabilities in the accompanying consolidated balance sheets, which total \$14,199,000 and \$11,996,000 at September 30, 2021 and 2020, respectively, are adequate; however, no assurance can be given that the ultimate settlement of losses may not vary materially from the liability recorded. Future adjustments to the amounts recorded resulting from the continual review process, as well as differences between estimates and ultimate payments, will be reflected in the consolidated statements of operations and changes in net assets of future years when such adjustments, if any, become known.

### **Income Taxes**

BHS and its affiliates, except those described below, are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the Code), and are generally exempt from income taxes pursuant to Section 501(a) of the Code.

Tri-State Medical Management, Inc. (Tri-State), Berkshire Orthopedics Associates (BOA), Berkshire Family Practice Associates, PC (FPA), Berkshire Ears, Nose, Throat and Audiological Associates, PC are for-profit corporations. An immaterial provision for income taxes incurred for each corporation has been recorded in these consolidated financial statements.

BIC is a segregated portfolio company organized within a Cayman Islands Insurance Captive and is not subject to income taxes within the United States.

The Health System follows the accounting guidance for uncertainties in income tax positions, which requires that a tax position be recognized or derecognized based on a “more likely than not” threshold. The Health System has determined that there are no such positions, individually or in the aggregate, that are material to the consolidated financial statements.



Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

## **2. Summary of Significant Accounting Policies (continued)**

### **Asset Retirement Obligation**

Conditional asset retirement obligations for certain buildings and land improvements amounted to \$3,675,000 and \$3,120,000 as of September 30, 2021 and 2020, respectively. The change in amounts resulted from \$677,000 and \$66,000 of accretion expense, less \$122,000 and \$85,000 of abatement work for 2021 and 2020, respectively. The obligations are recorded within other liabilities in the accompanying consolidated balance sheets.

### **Reclassification**

Certain reclassifications were made to the 2020 consolidated financial statements to conform to the 2021 presentation. The reclassifications had no effect on the excess of revenues over expenses, or the increase in total net assets as previously reported.

## **3. Impact of the COVID-19 Pandemic**

In March 2020, the World Health Organization declared COVID-19, the disease caused by the novel coronavirus, a pandemic, which started to and continues to spread throughout the United States of America. As a result of the COVID-19 pandemic, the Health System experienced a decline in patient visits, admissions, and medical procedures performed. Elective medical procedures were suspended by state and local governments at varying time periods beginning in mid-March through late May 2020, contributing to a significant decline in patient service revenue due to COVID-19 when compared to historic and forecasted results for that period. Additionally, in response to the pandemic, the Health System incurred additional costs for testing, personal protective equipment, third-party contract services and other operating costs associated with ensuring employee and patient safety while operating during a pandemic. Since late May 2020, the Health System has begun to see increases in its patient visits, admissions, and medical procedures, however, volumes have not returned to pre-pandemic levels. Management is actively monitoring operating revenues and expenses and based on the continuing uncertainties of COVID-19, it is unable to determine if it will have a material impact on its operations for the year ending September 30, 2022.

The Health System received grant payments, which are considered nonexchange transactions, from the federal government distributed under the Coronavirus Aid, Recovery and Economic Security (CARES) Act provider relief funds. For the years ended September 30, 2021 and 2020, the Health System received total provider relief fund payments of \$9,899,742 and \$17,018,833, respectively, which are included in other revenue in the consolidated statement of operations and changes in net assets for the years ended September 30, 2021 and 2020, respectively.

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Notes to Consolidated Financial Statements (Continued)  
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**3. Impact of the COVID-19 Pandemic (continued)**

For the years ended September 30, 2021 and 2020, the Health System received total payments under the CARES Act related to the rural health care distributions of \$300,000 and \$4,659,900, respectively. \$4,501,755 and \$309,760 of these payments are included in other revenue in the statement of operations and changes in net assets for the years ended September 30, 2021 and 2020, respectively. For the year ended September 30, 2021 and 2020, payments of \$148,385 and \$4,350,140 are included due to third-party payors in the consolidated balance sheet since management believes that the conditions to retain these funds are uncertain.

While the federal regulations have not yet been finalized, the Health System believes it has met the conditions to retain these funds. The CARES Act and FEMA payments are subject to audit and compliance with federal regulations and future grant payments are uncertain at this time.

The CARES Act also provided for an expansion of the Medicare Accelerated and Advance Payment Program for patient services. Under the program, the Health System received \$95,316,021 in April 2020, and recorded these payments in due to third-party payors in the consolidated balance sheet at September 30, 2020. The recoupment period began in April 2021 and amounts billed to Medicare for services provided are offset against the advanced payments received until the advance is fully recouped by the Medicare program. During the year ended September 30, 2021, Medicare recouped \$28,252,132 which resulted in \$67,253,897 included in due to third-party payors in the consolidated balance sheet at September 30, 2021. The Health System will have until September 2022, to offset future claims against the advance. If the advance has not been entirely offset by claims at the end of this period, the Health System will be required to repay the remaining amount.

In addition to the CARES Act payments, the Health System received \$5,658,667 in subsidies from the Commonwealth of Massachusetts (Commonwealth) related to the COVID-19 pandemic during 2020 and included such amount in other revenue in 2020.

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Notes to Consolidated Financial Statements (Continued)  
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### 3. Impact of the COVID-19 Pandemic (continued)

In 2021, the Health System obtained a total of \$18,834,229 of loans through banks for the Small Business Administration Paycheck Protection Program (the Program). The loans are designed to provide a direct incentive for small businesses to keep their workers on payroll and can be used to pay for mortgage interest, rent, utilities, worker protection costs related to the effect of the COVID-19 pandemic. The loans accrue interest at 1%. The Health System has received notice that two of its loans have been forgiven. The Health System has recorded \$13,021,572 of forgiveness in its non-operating revenues. The remaining loan is included in in due to third-party payors in the consolidated balance sheet.

### 4. Liquidity and Availability of Resources

As of September 30, 2021 and 2020, the adjusted working capital was \$417,870,418 and \$373,268,339, respectively. The adjusted average days of cash on hand was 270 and 240 for 2021 and 2020, respectively, both of which include internally designated assets limited as to use by Boards.

Financial assets available for general expenditure within one year consist of the following at September 30:

	2021	2020
Cash and cash equivalents	\$ 192,217,651	\$ 162,361,785
Patient accounts receivable	65,218,732	66,716,688
Assets limited as to use - internally designated by Boards	314,747,963	262,517,411
Line of credit - unused	5,000,000	5,000,000
	<u>\$ 577,184,346</u>	<u>\$ 496,595,884</u>

### 5. Third-Party Payment Arrangements

The Medical Center, the Hospital and the Practices maintain agreements with the Centers for Medicare and Medicaid Services under the Medicare Program and the Commonwealth under the Medicaid Program and various other insurance companies. These agreements provide for payment to the Medical Center, the Hospital and the Practices for services rendered to patients covered by these programs based on the applicable regulations or contracts as described below.

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Notes to Consolidated Financial Statements (Continued)  
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**5. Third-Party Payment Arrangements (continued)**

**Medicare**

The Medical Center is paid for Medicare patients under the Prospective Payment System (PPS), the national Medicare system in which hospitals are paid a regionally adjusted standard amount for inpatients adjusted for the patient's diagnosis, and a majority of Medicare outpatient services are paid based upon ambulatory payment classifications (APCs). Certain services are excluded from APCs and are paid under fee schedules or other payment methodologies.

The Hospital is designated as a Critical Access Hospital (CAH) by Medicare. CAHs are reimbursed on a reasonable-cost basis for inpatient and outpatient services.

The Practices receive payments on standard fee schedules.

**Medicaid**

The Commonwealth's Executive Office of Health & Human Services utilizes a prospective payment methodology for acute hospital services provided to Medicaid beneficiaries. Medicaid pays hospitals a case mix adjusted fixed amount per discharge for inpatient services. Outpatient services are based on an Adjudicated Payment per Episode of Care (APEC) methodology. The APEC reimburses hospitals a payment that is specific to each outpatient episode by multiplying an outpatient statewide standard by a case mix weight for that particular case.

The Hospital is reimbursed on a reasonable cost basis for inpatient and outpatient services. The Practices are paid under fee schedules.

The Medical Center and the Hospital contract with various Medicaid HMO's. Payments are based on the Medicaid payment methodology for inpatient services and a percentage of charges or the Medicaid fee schedule for outpatient services.

BHS participates in an Accountable Care Organization (ACO) that insures the majority of Medicaid patients in the Medical Center and the Hospital service area. BHS has recorded an estimate of its liability related to the risk agreement between the ACO and the Commonwealth's Executive Office of Health & Human Services.

**Health Safety Net Program**

The Health Safety Net (HSN) program reimburses hospitals for uncompensated care based on actual services provided at rates approximating the Medicare PPS rates. Reimbursement rates are subject to available funds. The HSN program is partially funded by acute hospitals through an assessment on gross charges billed to non-government payors. The Medical Center and the Hospital have recorded estimates of their final settlements with the HSN program. HSN also pays hospitals incentive payments to support patient access to medical and diagnostic equipment. The Medical Center and the Hospital have recorded their gross obligations to the program as an expense

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
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**5. Third-Party Payment Arrangements (continued)**

in the consolidated statements of operations and changes in net assets. Reimbursement from the HSN program is recorded as patient service revenue. During 2021 and 2020, the Medical Center and the Hospital received \$3,969,621 and \$4,004,722, respectively, for the incentive payments. During 2021 and 2020, the Medical Center and the Hospital received \$49,068 and \$427,436, respectively, from the HSN program for reimbursement of charity care. During 2021 and 2020, the Medical Center and the Hospital paid an assessment into the HSN program of \$4,744,531 and \$5,119,960, respectively.

**Non-governmental Payors and Qualified Health Plans (QHP)**

The Medical Center and the Hospital have entered into contracts with non-governmental payors at a discount on gross charges whereby they are paid on a per case, per diem or percentage of charge basis.

**Third-Party Settlements**

Medicare and Medicaid agreements require the Medical Center and the Hospital to prepare and file settlement reports annually. Net revenue from the Medicare and Medicaid programs accounted for approximately 46% and 14%, and 47% and 13%, respectively, of the Health System's net patient service revenue for the years ended September 30, 2021 and 2020. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation, and noncompliance could result in significant regulatory action, including fines and penalties. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Health System believes that it is in compliance with applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subjected to future government review and interpretations as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. Settlement reports have been submitted for all prior years; final settlements have been made with Medicare through 2016 for the Medical Center and through 2018 for the Hospital. Provisions have been made in the consolidated financial statements for prior and current year estimated final settlements.

Adjustments to estimates of prior-year settlements with third-party payors are reflected in current year patient service revenue and decreased patient service revenue by approximately \$5,946,000 and \$1,346,000 in 2021 and 2020, respectively.

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
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## **6. Charity Care**

The Health System provides care to patients who meet charity care policy criteria without charge or at amounts less than established rates. Because Health System entities do not pursue collection of amounts qualifying as charity care, such amounts are not reported as revenue. The Health System's charity care policy is based on the poverty income guidelines established by the Massachusetts Center for Health Information and Analysis.

If a patient is ineligible for charity care or care at reduced rates because the patient's income exceeds the eligibility guidelines, services rendered are recorded at established rates less any implicit price concession. Any unpaid account receivable balance is written off to implicit price concessions after a reasonable collection effort has been made.

During 2021 and 2020, the Health System provided \$2,687,811 and \$4,070,849 in charity care, respectively, based on established rates. The net cost of charity includes the direct and indirect cost of providing charity care services, offset by revenues received from financial assistance donations. The cost is estimated by utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care. The cost of charity care provided during the years ended September 30, 2021 and 2020, was \$1,127,655 and \$1,626,422, respectively. Donations received to offset charity services provided totaled \$83,110 and \$72,039 for the years ended September 30, 2021 and 2020, respectively.

## **7. Related-Party Transactions**

As of September 30, 2021 and 2020, \$1,481,405 and \$963,132, respectively, was due from the Managed Entities for ongoing management fees and purchased services. The management fee revenue recorded by BMS related to these services was \$17,536,254 and \$16,301,501 for 2021 and 2020, respectively, and is recorded in other revenue in the consolidated statements of operations and changes in net assets.

On August 31, 2009, the Managed Entities issued a promissory note to BHS related to the transfer of Pittsfield Management Systems, Inc. The note bears interest at 2.75% with monthly installments of \$25,308 through September 1, 2024. As of September 30, 2021 and 2020, the note had a balance of \$873,575 and \$1,148,132, respectively, of which \$283,231 and \$275,557 is included in note and other receivables, and \$590,344 and \$872,575 is included in other assets in 2021 and 2020, respectively.

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

## 8. Investments

The composition and classification of investments at September 30, 2021 and 2020, is set forth in the following table. Investments are stated at fair value.

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	<b>\$ 192,217,651</b>	\$ 162,361,785
Funds held by trustees - current	<b>401,092</b>	3,993,276
Assets whose use is limited:		
Funds designated by Boards	<b>314,747,963</b>	262,517,411
Funds held as endowments	<b>8,141,444</b>	8,141,444
Funds held for donor-restricted purposes	<b>30,939,972</b>	25,515,097
Deferred compensation	<b>23,695,089</b>	18,623,384
	<b><u>\$ 570,143,211</u></b>	<b><u>\$ 481,152,397</u></b>

The following is a summary of the composition of cash, investments, and assets whose use is limited as of September 30:

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	<b>\$ 188,829,983</b>	\$ 159,399,079
Equity securities:		
Consumer discretionary and staples	<b>39,412,689</b>	35,111,659
Energy and utilities	<b>10,958,061</b>	8,679,118
Financials	<b>34,280,936</b>	17,880,031
Health care	<b>30,083,706</b>	26,925,221
Industrials and materials	<b>36,289,700</b>	26,993,618
Information technologies	<b>43,543,235</b>	41,820,079
Telecommunication services	<b>18,862,550</b>	15,176,380
Total U.S. equities	<b>213,430,877</b>	172,586,106
Non-U.S. equities	<b>-</b>	9,775,337
U.S. Treasury and U.S. Government Agency debt	<b>29,012,988</b>	18,494,738
Other government debt issues	<b>13,351,175</b>	19,253,972
Corporate debt securities	<b>36,105,601</b>	46,305,113
REITs and mortgage-backed securities	<b>59,444,853</b>	32,056,875
Mutual funds	<b>29,967,734</b>	23,281,177
	<b><u>\$ 570,143,211</u></b>	<b><u>\$ 481,152,397</u></b>

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

**8. Investments (continued)**

Investment income and realized and unrealized gains on investments consisted of the following for the years ended September 30:

	2021	2020
Income:		
Other revenue - interest income	\$ 311,410	\$ 626,416
Nonoperating gains:		
Interest income, net	\$ 11,464,158	\$ 10,253,783
Realized gains on sale of investments	22,968,051	13,250,495
Total investment gains	\$ 34,432,209	\$ 23,504,278
Unrealized gains on investments	\$ 24,488,664	\$ 1,160,047
Other changes in net assets with donor restrictions		
Net realized gains	\$ 2,572,966	\$ 1,289,199
Net unrealized gains	\$ 2,901,992	\$ 580,982

Investment management fees were \$98,574 and \$98,574 for the years ended September 30, 2021 and 2020, respectively.

**Fair Value of Financial Instruments**

As of September 30, 2021, the Health System held certain assets that are required to be measured at fair value on a recurring basis. These include cash and cash equivalents, investments and assets whose use is limited. The valuation techniques used to measure fair value are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs are generally unsupported by market activity. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. For the Health System, investments classified in this level generally include exchange-traded equity and debt securities.

Level 2: Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. For the Health System, investments classified in this level are pooled investment funds which are not traded on an exchange.



Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

**8. Investments (continued)**

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Health System uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, and considers non-performance risk in its assessment of fair value.

Financial instruments carried at fair value, are classified in the tables below in one of the three categories described above as of September 30:

2021	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 186,624,052	\$ 2,205,931	\$ -	\$188,829,983
Equity securities:				
Consumer discretionary and staples	31,038,871	8,373,818	-	39,412,689
Energy and utilities	8,552,839	2,405,222	-	10,958,061
Financials	29,019,306	5,261,630	-	34,280,936
Health care	23,962,390	6,121,316	-	30,083,706
Industrials and materials	31,431,308	4,858,392	-	36,289,700
Information technologies	30,778,971	12,764,264	-	43,543,235
Telecommunication services	13,649,124	5,213,426	-	18,862,550
U.S. Treasury and U.S. Government				
Agency debt	22,079,701	6,933,287	-	29,012,988
Other government debt issues	13,351,175	-	-	13,351,175
Corporate debt securities	32,884,789	3,220,812	-	36,105,601
REITs and mortgage-backed securities	58,250,588	1,194,265	-	59,444,853
Mutual funds	29,967,734	-	-	29,967,734
	<u>\$ 511,590,848</u>	<u>\$ 58,552,363</u>	<u>\$ -</u>	<u>\$570,143,211</u>

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

**8. Investments (continued)**

2020	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 158,972,269	\$ 426,810	\$ -	\$ 159,399,079
Equity securities:				
Consumer discretionary and staples	27,642,726	7,468,933	-	35,111,659
Energy and utilities	6,647,250	2,031,868	-	8,679,118
Financials	14,157,744	3,722,287	-	17,880,031
Health care	21,406,942	5,518,279	-	26,925,221
Industrials and materials	22,991,274	4,002,344	-	26,993,618
Information technologies	30,685,697	11,134,382	-	41,820,079
Telecommunication services	10,803,175	4,373,205	-	15,176,380
Non-U.S. equities	8,582,358	1,192,979	-	9,775,337
U.S. Treasury and U.S. Government				
Agency debt	11,380,967	7,113,771	-	18,494,738
Other government debt issues	19,253,972	-	-	19,253,972
Corporate debt securities	42,786,897	3,518,216	-	46,305,113
REITs and mortgage-backed securities	30,986,936	1,069,939	-	32,056,875
Mutual funds	23,281,177	-	-	23,281,177
	<u>\$ 429,579,384</u>	<u>\$ 51,573,013</u>	<u>\$ -</u>	<u>\$ 481,152,397</u>

Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 assets is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers. The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Health System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The fair value and carrying values of the Health System's financial instruments that are not required to be carried at fair value are as follows as of:

	September 30, 2021		September 30, 2020	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Long-term debt	\$ 59,098,200	\$ 57,801,531	\$ 78,213,100	\$ 67,195,103

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

**9. Property and Equipment**

Property and equipment consisted of the following at September 30:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 17,862,074	\$ 17,835,074
Buildings and building improvements	301,687,949	298,409,722
Fixed equipment	114,410,417	112,219,886
Major movable equipment	278,645,775	268,938,153
	<u>712,606,215</u>	<u>697,402,835</u>
Less accumulated depreciation and amortization	<u>(525,914,244)</u>	<u>(490,169,306)</u>
	186,691,971	207,233,529
Projects in progress	<u>20,433,044</u>	<u>13,475,049</u>
	<u><u>\$ 207,125,015</u></u>	<u><u>\$ 220,708,578</u></u>

Depreciation and amortization expense related to property and equipment for the years ended September 30, 2021 and 2020 was \$35,746,745 and \$34,583,685, respectively.

The estimated cost to complete projects in progress at September 30, 2021 and 2020, was approximately \$2,300,000 and \$1,371,000, respectively.

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
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## 10. Long-Term Obligations

Long-term obligations consisted of the following at September 30:

	<u>2021</u>	<u>2020</u>
Obligated Group:		
Massachusetts Development Finance Agency (MDFA), Revenue Bonds, Berkshire health Systems, Inc. Issues:		
2021 Series I, net of unamortized premium and debt issuance costs of \$9,816,531	\$ 57,801,531	\$ -
2016 Series H	-	815,000
2012 Series G, net of unamortized premium and debt issuance costs of \$3,060,103 in 2020	-	66,380,103
	<u>57,801,531</u>	<u>67,195,103</u>
Less portion classified as current	<u>-</u>	<u>(3,225,000)</u>
Total long-term obligations	<u>\$ 57,801,531</u>	<u>\$ 63,970,103</u>

### Obligated Group

On August 3, 2021, MDFA issued Revenue Bonds, Series I, with a face value of \$47,985,000, which were used to refund the outstanding Series G bonds and pay for certain costs of issuance. The Series I bonds are fixed rate bonds and bear interest at 5.0% per annum with a principal payment ranging from \$3,450,000 to \$6,000,000 maturing in 2031. The advance refunding generated a gain on extinguishment of debt of \$2,154,360, consisting of the write off of the original issue premium and costs of issuance.

On November 18, 2016, MDFA issued Revenue Bonds, Series H, with a face value of \$10,540,000, which were used to refund the outstanding Series F bonds. The Series H bonds are fixed rate bonds and bore interest at 1.41% per annum with a principal payment of \$815,000 matured on October 1, 2020. The Series H bonds were privately placed with a bank.

On May 23, 2012, MDFA issued Revenue Bonds, Series G, with a face value of \$84,490,000, which were used to refund debt and finance additions to property and equipment. The Series G bonds are fixed rate bonds and bear interest at rates ranging from 3.5% to 5.0% per annum and with principal payment ranging from \$2,410,000 to \$7,020,000 maturing in 2031. The Series G bonds were defeased on August 3, 2021 with the issuance of the Series I bonds.

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
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**10. Long-Term Obligations (continued)**

Under a Master Trust Indenture (MTI), Berkshire Medical Center, Fairview Hospital and Berkshire Health Systems (the Obligated Group) granted MDFA a lien on its revenues, excluding revenues related to endowment funds whose principal and income are restricted and not available to be pledged.

**Maturities**

Aggregate maturities of the Health System subsequent to September 30, 2021, are as follows:

Year ending September 30,	
2022	\$ -
2023	4,010,000
2024	4,220,000
2025	4,440,000
2026	4,665,000
2027 and thereafter	<u>30,650,000</u>
Total face maturities	47,985,000
Unamortized bond premiums and debt issuance costs	<u>9,816,531</u>
	<u><u>\$ 57,801,531</u></u>

**11. Funds Held by Trustees**

Under the terms of the agreements with MDFA, certain funds, which are classified as current assets, are required to be maintained as follows at September 30:

	<u>2021</u>	<u>2020</u>
Escrow for long-term obligations:		
Debt service fund	<u>\$ 401,092</u>	<u>\$ 3,993,276</u>

These funds are primarily invested in money market funds and United States Government securities and are carried at fair value.

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
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## 12. Lease Commitments

The following table presents the components of the Health System's right of use assets and liabilities related to leases and their classification as of September 30, 2021:

Component of lease balances	Classification in consolidated balance sheet	2021
<b>Assets</b>		
Operating lease assets	Other assets	\$ 2,786,440
<b>Liabilities</b>		
Operating lease liabilities		
Current	Accrued expenses	\$ 1,493,848
Long-term	Other liabilities	1,294,933
Total operating lease liabilities		<u>\$ 2,788,781</u>

The following table presents the components of lease expense and their classification in the consolidated statement of operations and changes in net assets for the year ended September 30, 2021

Component of lease balances	Classification in consolidated statement of operations and changes in net assets	2021
Operating lease expense	Supplies and other	<u>\$ 1,754,305</u>

The weighted-average lease terms and discount rates for operating leases at September 30, 2021 are as follows:

	2021
Weighted-average remaining lease term (years)	
Operating leases	2 years

Cash flow related to leases for the year ended September 30, 2021 is as follows:

	2021
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows from operating leases	<u>\$ 1,751,964</u>

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

**12. Lease Commitments (continued)**

Minimum rental commitments under noncancelable operating leases for buildings and equipment are as follows:

<b>Year ending September 30,</b>	<u>Operating Leases</u>
2022	\$ 1,532,921
2023	1,076,108
2024	216,171
2025	12,609
	<u>2,837,809</u>
Less imputed discount	(51,369)
	<u><u>\$ 2,786,440</u></u>

**13. Net Assets With Donor Restrictions**

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

	<u>2021</u>	<u>2020</u>
Subject for expenditure for specific purpose:		
Patient care	\$ 1,073,499	\$ 1,044,205
Education	2,626,583	2,626,570
Property and equipment	4,470,466	3,802,919
Scholarship	629,636	626,729
Undistributed appreciation on permanently restricted funds primarily for patient care	28,647,805	23,222,111
Investment to be held in perpetuity, the income from which is restricted as to use primarily for patient care	5,504,205	5,504,205
Investment to be held in perpetuity, the income from which is unrestricted	2,637,239	2,637,239
	<u><u>\$ 45,589,433</u></u>	<u><u>\$ 39,463,978</u></u>

During 2021 and 2020, net assets of \$809,900 and \$1,775,102, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes as noted above.

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Notes to Consolidated Financial Statements (Continued)  
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**13. Net Assets With Donor Restrictions (continued)**

**Interpretation of Relevant Law**

The Commonwealth requires the preservation of the fair value of the original gift as of the date of the donor-restricted endowment, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Medical Center and the Hospital classify as permanently restricted net assets: (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as net assets with donor restrictions until those amounts are appropriated for expenditure. The Medical Center and the Hospital consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, and (6) the investment policies of the Health System.

The following represents the classifications of the Health System endowment funds, as well as the changes in endowments, for the year ended September 30, 2021:

	<b>Restricted by Purpose</b>	<b>Restricted in Perpetuity</b>	<b>Total</b>
Endowment net assets at			
October 1, 2020	<b>\$ 25,843,901</b>	<b>\$ 8,141,444</b>	<b>\$ 33,985,345</b>
Investment income	<b>135,693</b>	<b>-</b>	<b>135,693</b>
Net realized gains on investments	<b>2,437,273</b>	<b>-</b>	<b>2,437,273</b>
Net unrealized gains on investments	<b>2,901,988</b>	<b>-</b>	<b>2,901,988</b>
Endowment net assets at			
September 30, 2021	<b><u>\$ 31,318,855</u></b>	<b><u>\$ 8,141,444</u></b>	<b><u>\$ 39,460,299</u></b>



Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

**13. Net Assets With Donor Restrictions (continued)**

The following represents the classifications of the Health System endowment funds, as well as the changes in endowments, for the year ended September 30, 2020:

	<b>Restricted by Purpose</b>	<b>Restricted in Perpetuity</b>	<b>Total</b>
Endowment net assets at			
October 1, 2019	\$ 23,973,721	\$ 8,141,444	\$ 32,115,165
Investment income	113,905	-	113,905
Net realized gains on investments	1,175,294	-	1,175,294
Net unrealized gains on investments	580,981	-	580,981
Endowment net assets at			
September 30, 2020	<u>\$ 25,843,901</u>	<u>\$ 8,141,444</u>	<u>\$ 33,985,345</u>

**14. Pension Plans**

Pension benefits are available to eligible employees of the Health System through the defined contribution Berkshire Health Systems Partnership Tax Deferred Annuity Retirement Plan (the Plan) and the Berkshire Health Systems 457(b) Deferred Compensation Plan (the 457(b) Plan).

The Plan allows employees of the Health System, age 21 or older, who are regularly scheduled to work at least 20 hours per week, to participate in the Plan upon the completion of one year of service. Employees may contribute up to 21.5% of their base pay.

Each week, the Health System makes a minimum fixed contribution to the Plan from 2.5% to 3.5% of each participant's salary, and a matching contribution of 50% of employee voluntary contributions on the first 4% of a participant's salary for those employees who elect to contribute. Contributions made by the Health System to the Plan in years ended September 30, 2021 and 2020 were \$12,814,297 and \$13,162,924, respectively.

The 457(b) Plan is a non-qualified supplemental retirement plan available to certain executives of BHS. The contribution limit for employees in 2019 was \$19,000. Contributions made by the Health System to the 457(b) Plan in years ended September 30, 2021 and 2020 were \$377,595 and \$344,328, respectively.

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

## 15. Commitments and Contingencies

The Health System, several affiliates and employees of those affiliates are defendants in various civil actions for alleged medical malpractice and other matters. The Health System maintains liability coverage for these actions either through commercial insurance carriers, the Health System's own self-insurance program or both. The Health System defendants are represented in those matters by experienced defense counsel selected by the Health System. Those defense counsel and Health System management are of the opinion that the available coverage for those claims is adequate and that an adverse result in those pending actions will not materially adversely affect the financial position of the Health System.

The Health System has obtained a \$5,000,000 surety bond from an insurance company as security for potential workers' compensation obligations as required by the Commonwealth.

At September 30, 2021 or 2020, there were no amounts outstanding under the Health System's \$5,000,000 secured demand line of credit from TD Bank. Interest is equal to LIBOR plus 1.5%, resulting in an interest rate of 1.64 % at September 30, 2021. The line of credit expense of \$8,875 is recorded in supplies and other on the consolidated statement of operations and changes in net assets. The line of credit expires August 31, 2022.

## 16. Functional Expenses

The Health System provides general health care services to residents within its geographic region. Expenses related to providing these services at September 30, are as follows:

	Year ended September 30, 2021		
	Healthcare Services	General and Administrative	Total
Salaries and wages	\$ 338,244,297	\$ 5,291,718	\$ 343,536,015
Fringe benefits	92,370,986	1,621,458	93,992,444
Supplies and other	191,864,126	48,360,407	240,224,533
Health Safety Net assessment	4,744,531	-	4,744,531
Depreciation and amortization	34,666,607	1,163,668	35,830,275
Interest	2,125,787	42,445	2,168,232
Total	<u>\$ 664,016,334</u>	<u>\$ 56,479,696</u>	<u>\$ 720,496,030</u>

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

**16. Functional Expenses (continued)**

	Year ended September 30, 2020		
	Healthcare Services	General and Administrative	Total
Salaries and wages	\$ 331,497,486	\$ 3,570,123	\$ 335,067,609
Fringe benefits	82,136,045	1,786,418	83,922,463
Supplies and other	167,229,254	53,065,074	220,294,328
Health Safety Net assessment	5,119,960	-	5,119,960
Depreciation and amortization	33,345,234	1,320,611	34,665,845
Interest	2,548,963	64,196	2,613,159
Total	<u>\$ 621,876,942</u>	<u>\$ 59,806,422</u>	<u>\$ 681,683,364</u>

The consolidated financial statements report certain expense categories that are attributable to more than one health care 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, including depreciation and amortization, interest, and other occupancy costs, are allocated to a function based on a square footage basis.

**17. Concentration of Credit Risk**

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

	2021	2020
Medicare	46 %	48 %
Medicaid and connector products	19	19
Commercial insurances	27	25
Patients	8	8
	<u>100 %</u>	<u>100 %</u>

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

**17. Concentration of Credit Risk (continued)**

Revenues from third party payors, the uninsured, and other revenues, net of contractual allowances and discounts at September 30, was as follows:

	<b>2021</b>	2020
Medicare	<b>46 %</b>	47 %
Medicaid and connector products	<b>14</b>	13
Commercial insurances	<b>39</b>	37
Patients	<b>2</b>	2
Patient service revenues	<b>101 %</b>	99 %

**18. Other Operating Revenues**

Other operating revenues consisted of the following:

	<b>2021</b>	2020
Retail Pharmacy	<b>\$ 73,616,072</b>	\$ 57,676,600
Management Services	<b>17,536,254</b>	16,301,501
Grants	<b>4,034,786</b>	4,079,153
Psychiatric and other services	<b>4,134,995</b>	3,938,915
Dietary food sales	<b>1,373,274</b>	1,475,686
Meaningful use & incentives	<b>1,475,191</b>	1,441,852
CARES Act & state COVID-19 grant revenues	<b>17,367,582</b>	23,069,046
Donations used for operational purposes	<b>265,566</b>	1,212,091
Interest Income	<b>311,411</b>	625,838
Rent	<b>891,841</b>	774,953
Miscellaneous	<b>964,026</b>	520,735
Unrestricted donations	<b>115,183</b>	41,719
Total	<b>\$ 122,086,181</b>	\$ 111,158,089

Berkshire Health Systems, Inc. and Affiliates  
Notes to Consolidated Financial Statements (Continued)  
Years ended September 30, 2021 and 2020

**19. Subsequent Events**

The Health System evaluated its September 30, 2021 consolidated financial statements for subsequent events through December 23, 2021, the date the consolidated financial statements were available to be issued. The Health System is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

## **SUPPLEMENTARY FINANCIAL INFORMATION**

# Berkshire Health Systems, Inc. and Affiliates

## Consolidating Balance Sheet

September 30, 2021

<b>Assets</b>	<b>Consolidated</b>	<b>Eliminations and Reclassifications</b>	<b>BHS Management Services, Inc</b>	<b>Berkshire Faculty Services, Inc.</b>	<b>Berkshire Apothecary, Inc.</b>	<b>Other Controlled Entities</b>	<b>Tri-State Medical Management Corp.</b>	<b>Berkshire Indemnity Company SPC, LTD.</b>
Current assets:								
Cash and cash equivalents	\$ 192,217,651	\$ -	\$ 7,136,150	\$ 5,960,465	\$ 1,112	\$ 436,718	\$ -	\$ 14,748,529
Patient accounts receivable	65,218,732	-	-	3,502,474	-	728,511	-	-
Note and other receivables	10,738,531	(1,396,199)	830,646	145,737	45,560	-	5,677	1,442,185
Inventories	15,732,148	-	-	-	168,330	51,910	-	-
Funds held by trustees	401,092	-	-	-	-	-	-	-
Due from managed entities	1,481,405	-	-	-	-	-	-	-
Prepaid expenses and other current assets	4,489,062	-	1,953,171	121,972	-	15,924	(1,040)	-
Due from affiliates	-	-	-	-	-	-	-	-
Total current assets	290,278,621	(1,396,199)	9,919,967	9,730,648	215,002	1,233,063	4,637	16,190,714
Due from affiliates	-	(9,967)	-	-	-	-	-	-
Assets whose use is limited:								
Funds designated by Boards	314,747,963	-	-	-	-	-	-	-
Funds held as endowments	8,141,444	-	-	-	-	-	-	-
Funds held for donor-restricted purposes	30,939,972	-	-	-	-	-	-	-
Deferred compensation	23,695,089	-	7,208,256	6,234,059	-	-	-	-
Total assets whose use is limited	377,524,468	-	7,208,256	6,234,059	-	-	-	-
Property and equipment, net	207,125,015	-	5,076	-	615,408	-	17,143	-
Other assets	21,822,753	-	588,152	202,449	48,060	-	-	-
Investments in subsidiaries	-	(100)	-	-	-	-	-	-
Total assets	\$ 896,750,857	\$ (1,406,266)	\$ 17,721,451	\$ 16,167,156	\$ 878,470	\$ 1,233,063	\$ 21,780	\$ 16,190,714

# Berkshire Health Systems, Inc. and Affiliates

## Consolidating Balance Sheet (Continued)

September 30, 2021

<b>Assets</b>	<b>Obligated Group</b>	<b>Eliminations and Reclassifications</b>	<b>Berkshire Medical Center, Inc.</b>	<b>Fairview Hospital</b>	<b>Berkshire Health Systems, Inc.</b>
Current assets:					
Cash and cash equivalents	\$ 163,934,677	\$ -	\$ 157,791,189	\$ 6,137,117	\$ 6,371
Patient accounts receivable	60,987,747	-	52,355,376	8,632,371	-
Note and other receivables	9,664,925	-	8,974,379	363,652	326,894
Inventories	15,511,908	-	13,852,607	1,659,301	-
Funds held by trustees	401,092	-	381,837	19,255	-
Due from managed entities	1,481,405	-	-	-	1,481,405
Prepaid expenses and other current assets	2,399,035	-	2,417,168	(18,133)	-
Due from affiliates	-	(26,809,701)	-	16,030,490	10,779,211
Total current assets	254,380,789	(26,809,701)	235,772,556	32,824,053	12,593,881
Due from affiliates	9,967	(7,053,575)	7,053,575	9,967	-
Assets whose use is limited:					
Funds designated by Boards	314,747,963	-	280,728,580	34,019,383	-
Funds held as endowments	8,141,444	-	7,883,202	258,242	-
Funds held for donor-restricted purposes	30,939,972	-	29,135,069	1,804,903	-
Deferred compensation	10,252,774	-	9,467,129	785,645	-
Total assets whose use is limited	364,082,153	-	327,213,980	36,868,173	-
Property and equipment, net	206,487,388	-	193,273,760	13,213,628	-
Other assets	20,984,092	-	19,613,430	720,318	650,344
Investments in subsidiaries	100	-	-	-	100
Total assets	\$ 845,944,489	\$ (33,863,276)	\$ 782,927,301	\$ 83,636,139	\$ 13,244,325



# Berkshire Health Systems, Inc. and Affiliates

## Consolidating Balance Sheet (Continued)

September 30, 2021

Liabilities and Net Assets	Consolidated	Eliminations and Reclassifications	BHS Management Services, Inc	Berkshire Faculty Services, Inc.	Berkshire Apothecary, Inc.	Other Controlled Entities	Tri-State Medical Management Corp.	Berkshire Indemnity Company SPC, LTD.
Current liabilities:								
Accounts payable	\$ 26,308,951	\$ -	\$ 3,010,380	\$ 1,147,055	\$ 25,235	\$ 215,929	\$ 665	\$ 110,004
Accrued salaries and related withholdings	42,509,885	-	5,924,388	3,952,030	-	1,206,641	-	-
Accrued expenses	14,842,276	(1,396,199)	748,202	428,115	16,062	499,142	11,148	-
Deferred revenue	899,685	-	37,583	162,776	-	-	-	-
Due to third-party payors	102,595,369	-	-	1,818,165	-	391,840	-	-
Current portion of long-term obligations	-	-	-	-	-	-	-	-
Due to affiliates	-	-	564,174	2,334,585	1,594,224	0	-	-
Total current liabilities	187,156,166	(1,396,199)	10,284,727	9,842,726	1,635,521	2,313,552	11,813	110,004
Due to affiliates	-	(9,967)	-	-	-	-	9,967	-
Due to third-party payors	-	-	-	-	-	-	-	-
Deferred compensation	23,695,089	-	7,208,256	6,234,059	-	-	-	-
Other liabilities	25,782,281	-	228,468	90,371	32,676	-	-	14,208,960
Long-term obligations, less current portion	57,801,531	-	-	-	-	-	-	-
Total liabilities	294,435,067	(1,406,166)	17,721,451	16,167,156	1,668,197	2,313,552	21,780	14,318,964
Net assets:								
Without donor restriction	556,726,357	(100)	-	-	(789,727)	(1,080,489)	-	1,871,750
With donor restriction	45,589,433	-	-	-	-	-	-	-
Total net assets	602,315,790	(100)	-	-	(789,727)	(1,080,489)	-	1,871,750
Total liabilities and net assets	\$ 896,750,857	\$ (1,406,266)	\$ 17,721,451	\$ 16,167,156	\$ 878,470	\$ 1,233,063	\$ 21,780	\$ 16,190,714

# Berkshire Health Systems, Inc. and Affiliates

## Consolidating Balance Sheet (Continued)

September 30, 2021

Liabilities and Net Assets	Obligated Group	Eliminations and Reclassifications	Berkshire Medical Center, Inc.	Fairview Hospital	Berkshire Health Systems, Inc.
Current liabilities:					
Accounts payable	\$ 21,799,683	\$ -	\$ 20,687,339	\$ 1,084,208	\$ 28,136
Accrued salaries and related withholdings	31,426,826	-	28,795,904	2,630,922	-
Accrued expenses	14,535,806	-	12,868,956	1,666,725	125
Deferred revenue	699,326	-	219,435	479,891	-
Due to third-party payors	100,385,364	-	82,780,256	17,605,108	-
Current portion of long-term obligations	-	-	-	-	-
Due to affiliates	(4,492,983)	(26,809,701)	22,316,718	-	-
Total current liabilities	164,354,022	(26,809,701)	167,668,608	23,466,854	28,261
Due to affiliates	-	(7,053,575)	-	-	7,053,575
Due to third-party payors	-	-	-	-	-
Deferred compensation	10,252,774	-	9,467,129	785,645	-
Other liabilities	11,221,806	-	9,908,840	1,312,966	-
Long-term obligations, less current portion	57,801,531	-	55,026,720	2,774,811	-
Total liabilities	243,630,133	(33,863,276)	242,071,297	28,340,276	7,081,836
Net assets:					
Without donor restriction	556,724,923	-	501,052,147	49,510,287	6,162,489
With donor restriction	45,589,433	-	39,803,857	5,785,576	-
Total net assets	602,314,356	-	540,856,004	55,295,863	6,162,489
Total liabilities and net assets	\$ 845,944,489	\$ (33,863,276)	\$ 782,927,301	\$ 83,636,139	\$ 13,244,325

**Berkshire Health Systems, Inc. and Affiliates**  
**Consolidating Statement of Operations and Changes in Net Assets**  
Year ended September 30, 2021

	<b>Consolidated</b>	<b>Eliminations and Reclassifications</b>	<b>BHS Management Services, Inc</b>	<b>Berkshire Faculty Services, Inc.</b>	<b>Berkshire Apothecary, Inc.</b>	<b>Other Controlled Entities</b>	<b>Tri-State Medical Management Corp.</b>	<b>Berkshire Indemnity Company SPC, LTD.</b>
Revenues:								
Patient service revenue	\$ 618,866,729	\$ -	\$ -	\$ 44,302,340	\$ -	\$ 15,005,858	\$ -	\$ -
Other revenue	122,086,181	(59,371,808)	66,552,677	8,213,873	393,878	955,474	109,727	3,619,709
Total revenues	740,952,910	(59,371,808)	66,552,677	52,516,213	393,878	15,961,332	109,727	3,619,709
Expenses:								
Salaries and wages	343,536,015	-	34,642,788	46,660,023	342,734	14,756,007	-	-
Fringe benefits	93,992,444	-	9,535,421	7,453,023	5,664	2,301,373	-	-
Supplies and other	240,224,533	(59,371,808)	29,508,397	17,126,625	572,110	3,460,575	52,884	3,952,173
Health Safety Net assessment	4,744,531	-	-	-	-	-	-	-
Depreciation and amortization	35,830,275	-	1,586	-	92,553	-	4,013	-
Interest	2,168,232	-	-	-	-	5,311	-	-
Total expenses	720,496,030	(59,371,808)	73,688,192	71,239,671	1,013,061	20,523,266	56,897	3,952,173
Income (loss) from operations	20,456,880	-	(7,135,515)	(18,723,458)	(619,183)	(4,561,934)	52,830	(332,464)
Nonoperating gains:								
Investment gains, net	34,432,209	-	-	-	-	-	-	920,617
Net unrealized gains on investments	24,488,664	-	-	-	-	-	-	(204,851)
Gain on advanced refunding of long-term debt	2,154,360	-	-	-	-	-	-	-
Other, net	13,057,017	-	7,135,515	5,886,057	-	-	-	-
Loss on investments in subsidiary		(52,830)	-	-	-	-	-	-
Total nonoperating gains	74,132,250	(52,830)	7,135,515	5,886,057	-	-	-	715,766
Excess (deficiency) of revenues over expenses	\$ 94,589,130	\$ (52,830)	\$ -	\$ (12,837,401)	\$ (619,183)	\$ (4,561,934)	\$ 52,830	\$ 383,302

**Berkshire Health Systems, Inc. and Affiliates**  
**Consolidating Statement of Operations and Changes in Net Assets (Continued)**  
Year ended September 30, 2021

	<b>Consolidated</b>	<b>Eliminations and Reclassifications</b>	<b>BHS Management Services, Inc</b>	<b>Berkshire Faculty Services, Inc.</b>	<b>Berkshire Apothecary, Inc.</b>	<b>Other Controlled Entities</b>	<b>Tri-State Medical Management Corp.</b>	<b>Berkshire Indemnity Company SPC, LTD.</b>
Unrestricted net assets:								
(Deficiency) excess of revenues over expenses	\$ 94,589,130	\$ (52,830)	\$ -	\$ (12,837,401)	\$ (619,183)	\$ (4,561,934)	\$ 52,830	\$ 383,302
Grant funds used for property and equipment	80,163	-	-	-	-	-	-	-
Net assets released from restrictions used for purchase of property and equipment	364,335	-	-	-	-	-	-	-
Equity transfer	-	-	-	12,837,401	-	5,592,459	-	-
Other	253,100	-	-	-	-	253,100	-	-
Investment from Parent	-	52,830	-	-	-	-	(52,830)	-
(Decrease) increase in unrestricted net assets	95,286,728	-	-	-	(619,183)	1,283,625	-	383,302
Restricted net assets:								
Restricted contributions	1,460,397	-	-	-	-	-	-	-
Realized gains on investments	2,572,966	-	-	-	-	-	-	-
Net unrealized (losses) gains on investments	2,901,992	-	-	-	-	-	-	-
Net assets released from restrictions for operating purposes	(445,565)	-	-	-	-	-	-	-
Net assets released from restrictions for purchase of property and equipment	(364,335)	-	-	-	-	-	-	-
Increase in restricted net assets	6,125,455	-	-	-	-	-	-	-
(Decrease) increase in net assets	101,412,183	-	-	-	(619,183)	1,283,625	-	383,302
Net assets, beginning of year	500,903,607	(100)	-	-	(170,544)	(2,364,114)	-	1,488,448
Net assets, end of year	\$602,315,790	\$ (100)	\$ -	\$ -	\$ (789,727)	\$ (1,080,489)	\$ -	\$1,871,750

**Berkshire Health Systems, Inc. and Affiliates**  
**Consolidating Statement of Operations and Changes in Net Assets (Continued)**  
Year ended September 30, 2021

	<b>Obligated Group</b>	<b>Eliminations and Reclassifications</b>	<b>Berkshire Medical Center, Inc.</b>	<b>Fairview Hospital</b>	<b>Berkshire Health Systems, Inc.</b>
Revenues:					
Patient service revenue	\$ 559,558,531	\$ -	\$ 491,123,631	\$ 68,434,900	\$ -
Other revenue	101,612,651	(3,415,381)	96,211,389	8,816,525	118
Total revenues	661,171,182	(3,415,381)	587,335,020	77,251,425	118
Expenses:					
Salaries and wages	247,134,463	-	215,109,060	32,025,403	-
Fringe benefits	74,696,963	-	68,141,177	6,555,786	-
Supplies and other	244,923,577	(3,415,381)	222,567,359	25,771,546	53
Health Safety Net assessment	4,744,531	-	4,195,805	548,726	-
Depreciation and amortization	35,732,123	-	33,228,416	2,503,707	-
Interest	2,162,921	-	2,059,122	103,799	-
Total expenses	609,394,578	(3,415,381)	545,300,939	67,508,967	53
Income (loss) from operations	51,776,604	-	42,034,081	9,742,458	65
Nonoperating gains:					
Investment gains, net	33,511,592	-	30,495,157	3,016,435	-
Net unrealized gains on investments	24,693,515	-	22,113,551	2,579,964	-
Gain on advanced refunding of long-term debt	2,154,360	-	2,049,941	104,419	-
Other, net	35,445	-	7,300	-	28,145
Loss on investments in subsidiary	52,830	-	-	52,830	-
Total nonoperating gains	60,447,742	-	54,665,949	5,753,648	28,145
Excess (deficiency) of revenues over expenses	\$ 112,224,346	\$ -	\$ 96,700,030	\$ 15,496,106	\$ 28,210

# Berkshire Health Systems, Inc. and Affiliates

## Consolidating Statement of Operations and Changes in Net Assets (Continued)

Year ended September 30, 2021

	<b>Obligated Group</b>	<b>Eliminations and Reclassifications</b>	<b>Berkshire Medical Center, Inc.</b>	<b>Fairview Hospital</b>	<b>Berkshire Health Systems, Inc.</b>
Unrestricted net assets:					
(Deficiency) excess of revenues over expenses	\$112,224,346	\$ -	\$ 96,700,030	\$ 15,496,106	\$ 28,210
Grant funds used for property and equipment	80,163	-	-	80,163	-
Net assets released from restrictions used for purchase of property and equipment	364,335	-	147,515	216,820	-
Equity transfer	(18,429,860)	-	(18,228,398)	(201,462)	-
Other	-	-	-	-	-
Investment from Parent	-	-	-	-	-
(Decrease) increase in unrestricted net assets	94,238,984	-	78,619,147	15,591,627	28,210
Restricted net assets:					
Restricted contributions	1,460,397	-	278,074	1,182,323	-
Realized gains on investments	2,572,966	-	2,532,632	40,334	-
Net unrealized (losses) gains on investments	2,901,992	-	2,703,143	198,849	-
Net assets released from restrictions for operating purposes	(445,565)	-	(308,000)	(137,565)	-
Net assets released from restrictions for purchase of property and equipment	(364,335)	-	(147,515)	(216,820)	-
Increase in restricted net assets	6,125,455	-	5,058,334	1,067,121	-
(Decrease) increase in net assets	100,364,439	-	83,677,481	16,658,748	28,210
Net assets, beginning of year	501,949,917		457,178,523	38,637,115	6,134,279
Net assets, end of year	\$602,314,356	\$ -	\$540,856,004	\$55,295,863	\$6,162,489