

# **Cape Cod Healthcare, Inc. and Affiliates**

**Consolidated Financial Statements and  
Supplemental Consolidating Information  
September 30, 2022 and 2021**

# Cape Cod Healthcare, Inc. and Affiliates

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September 30, 2022 and 2021

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## **Report of Independent Auditors**

To the Board of Trustees of Cape Cod Healthcare, Inc.

### ***Opinion***

We have audited the accompanying consolidated financial statements of Cape Cod Healthcare, Inc. and affiliates ("Healthcare"), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of operations and changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Healthcare as of September 30, 2022 and 2021, and the results of its operations, changes in its 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 audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Healthcare and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 consolidated 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 Healthcare's ability to continue as a going concern for one year after the date the financial statements are issued.

### ***Auditors' Responsibilities for the Audit of the Consolidated 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 US 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 US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 Healthcare's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Healthcare'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.

### ***Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplemental consolidating information as of and for the year ended September 30, 2022 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements, nor is it intended to present the financial position, results of operations, changes in net assets and cash flows of the individual companies. The supplemental consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

Boston, Massachusetts  
January 12, 2023

**Cape Cod Healthcare, Inc. and Affiliates**  
**Consolidated Balance Sheets**  
**September 30, 2022 and 2021**

	2022	2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 50,140,496	\$ 51,813,764
Short-term investments	63,808,518	173,802,037
Patient accounts receivable	86,869,561	88,754,351
Current portion of pledges receivable, net	3,256,845	4,851,495
Other receivables, net	14,618,249	18,410,929
Current portion of funds whose use is limited or restricted	6,274,841	14,036,586
Supplies	18,476,161	17,186,727
Prepaid expenses and other current assets	10,038,860	10,482,822
Total current assets	253,483,531	379,338,711
Long-term investments	430,732,904	489,799,887
Funds whose use is limited or restricted	55,868,193	66,557,334
Property and equipment, net	329,875,741	334,506,847
Software assets, net	51,895,428	55,950,281
Right-of-use assets - operating	17,459,426	19,066,285
Pledges receivable, net of current portion	12,667,450	13,044,386
Other assets	5,851,404	5,698,317
Total assets	<u>\$ 1,157,834,077</u>	<u>\$ 1,363,962,048</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current portion of long-term debt and finance lease obligations	\$ 11,120,783	\$ 14,530,556
Current portion of operating lease obligations	4,848,883	4,552,464
Accounts payable and accrued expenses	131,039,165	114,510,560
Estimated settlements with third-party payors	17,951,350	24,149,835
COVID-19 advanced payments	-	128,644,578
Other current liabilities	6,701,729	8,732,520
Total current liabilities	171,661,910	295,120,513
Interest rate swap liabilities	16,830	343,233
Other liabilities	53,693,419	54,881,167
Long-term debt and finance lease obligations, net of current portion	94,860,360	105,980,970
Long-term operating lease obligations, net of current portion	12,838,900	14,647,142
Total liabilities	<u>333,071,419</u>	<u>470,973,025</u>
Net assets		
Without donor restrictions	746,593,557	808,868,458
With donor restrictions	78,169,101	84,120,565
Total net assets	<u>824,762,658</u>	<u>892,989,023</u>
Total liabilities and net assets	<u>\$ 1,157,834,077</u>	<u>\$ 1,363,962,048</u>

The accompanying notes are an integral part of these consolidated financial statements.

**Cape Cod Healthcare, Inc. and Affiliates**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended September 30, 2022 and 2021**

	2022	2021
<b>Operating revenue</b>		
Patient service revenue	\$ 940,678,698	\$ 873,425,539
Other revenue	60,812,782	52,915,201
COVID-19 grant revenue	19,881,151	17,243,886
Net assets released from restrictions	<u>3,465,756</u>	<u>2,993,473</u>
Total operating revenue	<u>1,024,838,387</u>	<u>946,578,099</u>
<b>Operating expenses</b>		
Salaries and wages	382,765,485	347,605,387
Physicians' salaries and fees	135,454,426	121,041,395
Employee benefits	118,410,335	110,485,763
Supplies and other	352,923,100	330,825,459
Depreciation and other non-cash items	38,598,792	43,333,786
Interest	<u>2,996,005</u>	<u>4,587,133</u>
Total operating expenses	<u>1,031,148,143</u>	<u>957,878,923</u>
Loss from operations	<u>(6,309,756)</u>	<u>(11,300,824)</u>
<b>Nonoperating gains (losses)</b>		
Investment income	6,089,328	10,762,212
Realized gains on investments, net	10,105,485	30,806,227
Change in net unrealized (losses) gains on equity investments	(80,357,355)	34,916,603
Loss on extinguishment of debt	-	(6,281,254)
Impairment of goodwill	-	(31,056,470)
Net contributions	9,343,025	7,420,224
Change in fair value of interest rate swaps	326,403	321,815
Other nonoperating gains (losses)	<u>4,222,206</u>	<u>(2,491,756)</u>
Total nonoperating (losses) gains, net	<u>(50,270,908)</u>	<u>44,397,601</u>
(Deficit) excess of revenue and gains over expenses and losses	(56,580,664)	33,096,777
<b>Other changes in net assets without donor restrictions</b>		
Change in net unrealized losses on investments	(6,928,166)	(2,839,819)
Net assets released from restrictions used for capital purposes	<u>1,233,929</u>	<u>6,571,568</u>
(Decrease) increase in net assets without donor restrictions	<u>(62,274,901)</u>	<u>36,828,526</u>
<b>Net assets with donor restrictions</b>		
Investment income	741,530	249,149
Net contributions	6,482,516	14,515,322
Net realized and unrealized (losses) gains on investments	(3,226,619)	2,879,403
Change in value of beneficial interest in perpetual trusts	(5,204,609)	3,409,968
Change in value of split interest agreements	(44,597)	205,385
Net assets released from restrictions for operations	(3,465,756)	(2,993,473)
Net assets released from restrictions for capital purposes	<u>(1,233,929)</u>	<u>(6,571,568)</u>
(Decrease) increase in net assets with donor restrictions	<u>(5,951,464)</u>	<u>11,694,186</u>
Total (decrease) increase in net assets	(68,226,365)	48,522,712
<b>Net assets</b>		
Beginning of year	892,989,023	844,466,311
End of year	<u>\$ 824,762,658</u>	<u>\$ 892,989,023</u>

The accompanying notes are an integral part of these consolidated financial statements.

# Cape Cod Healthcare, Inc. and Affiliates

## Consolidated Statements of Cash Flows

### Years Ended September 30, 2022 and 2021

	2022	2021
<b>Cash flows from operating activities</b>		
(Decrease) increase in net assets	\$ (68,226,365)	\$ 48,522,712
Adjustments to reconcile change in net assets to net cash used in operating activities		
Changes in fair value of interest rate swaps	(326,403)	(321,815)
Loss on extinguishment of debt	-	166,299
Gain on disposal of equipment	(1,544,467)	-
Depreciation and other non-cash items	38,598,792	43,333,786
Amortization of right-of-use asset	5,124,946	4,985,786
Impairment of goodwill	-	31,056,470
Restricted contributions received and investment income	(7,826,522)	(7,205,423)
Net realized and change in net unrealized gains on investments	87,399,194	(70,554,117)
(Decrease) increase in cash resulting from a change in		
Patient accounts receivable	1,884,790	(8,441,243)
Pledges and other receivables	5,764,267	(2,856,522)
Supplies	(1,289,435)	(2,290,134)
Prepaid expenses and other current assets	443,962	(1,796,277)
Other assets	(197,683)	1,969,302
Software assets	(2,121,627)	(10,947,381)
Accounts payable and accrued expenses	16,777,557	(20,748,961)
Estimated settlements with third-party payors	(6,198,484)	(421,250)
COVID-19 advanced payments	(128,644,578)	(41,484,594)
Lease liabilities	(5,029,909)	(4,852,465)
Other liabilities	924,758	6,383,096
Net cash used in operating activities	(64,487,207)	(35,502,731)
<b>Cash flows from investing activities</b>		
Additions to property and equipment	(28,538,297)	(17,228,929)
Purchase of investments	(185,388,815)	(458,818,302)
Proceeds from sale of investments	277,358,179	508,152,471
Acquisition of business, net of cash acquired	-	(9,067,120)
Net cash provided by investing activities	63,431,067	23,038,120
<b>Cash flows from financing activities</b>		
Repayment of long-term debt and finance leases	(14,596,226)	(14,050,981)
Restricted contributions received and investment income	7,826,522	7,205,423
Payment of debt issuance costs	-	(270,844)
Net cash used in financing activities	(6,769,704)	(7,116,402)
Net decrease in cash, cash equivalent and restricted cash	(7,825,844)	(19,581,013)
<b>Cash, Cash Equivalents, and Restricted Cash</b>		
Beginning of year	61,732,421	81,313,434
End of year	\$ 53,906,577	\$ 61,732,421
<b>Supplemental disclosures</b>		
Purchases of property and equipment included in accounts payable	\$ 4,079,932	\$ 1,674,264
Cash paid for interest	3,229,371	5,872,236
Proceeds from issuance of debt	-	69,400,000
Use of proceeds to refinance debt	-	(69,400,000)
Reconciliation of cash, cash equivalents and restricted cash:		
	2022	2021
Cash and cash equivalents on the consolidated balance sheet	\$ 50,140,496	\$ 51,813,764
Cash in funds whose use is limited or restricted	3,766,081	9,918,657
Total cash, cash equivalents, and restricted cash	\$ 53,906,577	\$ 61,732,421

The accompanying notes are an integral part of these consolidated financial statements.

# Cape Cod Healthcare, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### September 30, 2022 and 2021

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#### 1. Organization

The consolidated financial statements include the accounts of Cape Cod Healthcare, Inc. ("CCHC") and its controlled affiliates (collectively, "Healthcare"). Transactions and balances between entities have been eliminated in consolidation. The following is a summary of affiliated organizations which are controlled by Healthcare and included in the consolidated financial statements:

Cape Cod Healthcare, Inc. ("CCHC")	A not-for-profit corporation that serves as the parent company of various entities providing health care services to the residents and visitors of Cape Cod, Massachusetts.
Cape Cod Hospital ("CCH")	A not-for-profit acute care hospital located in Hyannis, Massachusetts.
Falmouth Hospital Association, Inc. ("Falmouth Hospital")	A not-for-profit acute care hospital located in Falmouth, Massachusetts.
Cape Cod Healthcare Foundation, Inc. ("CCHC Foundation")	A not-for-profit corporation organized to provide development and fundraising support to Healthcare.
Medical Affiliates of Cape Cod, Inc.	A not-for-profit medical group practice.
Visiting Nurse Association of Cape Cod, ("VNA of Cape Cod")	A not-for-profit provider of home health services.
JML Care Center, Inc. ("JML Care Center")	A not-for-profit skilled nursing and rehabilitation facility.
Cape and Islands Health Services II, Inc. ("Cape and Islands")	A not-for-profit corporation organized to provide various nonhospital health care services.
Falmouth Assisted Living, Inc., d/b/a Heritage at Falmouth ("Heritage at Falmouth")	A not-for-profit assisted living facility.
Cape Cod Human Services, Inc. ("Human Services")	A not-for-profit provider of outpatient mental health services.
Cape Health Insurance Company ("CHICO")	A for-profit captive insurance company that provides medical professional and general liability insurance to Healthcare.
Cape Cod Research Institute ("CCRI")	A not-for-profit that conducts clinical research and related educational activities, primarily in the areas of interventional cardiology and heart disease.
Cape Cod Hospital Medical Office Building ("MOB")	A for-profit provider of leased and subleased space to CCH and related affiliates.

Assets of individual organizations within the consolidated group may not be available to satisfy the obligations of other members of the consolidated group.



# Cape Cod Healthcare, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### September 30, 2022 and 2021

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## 2. Summary of Significant Accounting Policies

### Basis of Accounting

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

### Revenue Recognition

Healthcare's patient service revenue (PSR) is reported at the amount that reflects the consideration to which Healthcare expects to be reimbursed for providing patient care. These amounts are due from patients, third-party payors (including both private commercial and public government payors) and others. It also includes variable consideration for retroactive revenue adjustments stemming from settlements of audits and reviews. Healthcare bills patients and third-party payors several days after services are rendered or the patient is discharged from the hospital. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. Revenue recognized for performance obligations satisfied over time primarily relate to patients in Healthcare's hospitals receiving inpatient acute care services. Healthcare measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to the patient, which is generally at the time of discharge. For other services, including outpatient, physician and urgent care services, revenue is recognized for performance obligations satisfied at a point in time when the services are provided, and no further services are deemed necessary. Healthcare believes that these methods provide a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period relate to contracts with patients with durations of less than one year.

The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged which occurs within days of the end of the reporting period.

Gross charges reflect established charges. Gross charges are not the same as actual pricing and they generally do not reflect what Healthcare is ultimately entitled to for services it provides. Therefore, gross charges are not displayed in Healthcare's consolidated statement of operations and changes in net assets. Healthcare is paid amounts negotiated with insurance companies or set by government entities which are typically less than established or standard charges. Gross charges are used to calculate certain governmental and managed care payments. Healthcare determines the transaction price based on standard charges for goods and services provided, reduced by explicit and implicit price concessions.

### Explicit Price Concessions

Agreements with third party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors is as follows:

**Medicare:** Certain inpatient acute services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors (DRG's or Diagnostic Related Groups). Cost-based reimbursement may be applicable for certain services. Outpatient services are paid using prospectively determined rates. Physician services are paid based on established fee schedules.

# **Cape Cod Healthcare, Inc. and Affiliates**

## **Notes to Consolidated Financial Statements**

### **September 30, 2022 and 2021**

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**Medicaid:** Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.

**Commercial and Other:** Payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Laws and regulations concerning government programs including Medicare and Medicaid are complex and subject to varying interpretations. Compliance with such laws and regulations may be subject to government review and interpretation and non-compliance could result in significant regulatory actions including fines, penalties, and potential exclusion from related programs. There can be no assurance that regulatory authorities will not challenge Healthcare's compliance with these laws and regulations and it is not possible to determine the impact (if any) such claims or penalties would have upon Healthcare. The contracts Healthcare has with commercial payors also provide for retroactive audit and review of claims. Healthcare is not aware of any claims, disputes, or unsettled matters with any payor that would materially affect its revenues for which it has not adequately provided in the accompanying consolidated financial statements.

Settlements with third-party payors for retroactive adjustments due to audits or reviews are considered variable consideration and are included in the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and Healthcare's historical settlement activity including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on the availability of new information or as years are settled and no longer are subject to audit or review.

Variances between preliminary estimates of patient service revenue and final third-party settlements are included in patient service revenue in the year in which the settlement or change in estimate occurs. During 2022 and 2021, changes in prior year estimates (decreased)/increased patient service revenue by approximately \$(267,000) and \$4,890,000, respectively.

#### **Implicit Price Concessions**

Patients who are covered by third-party payors are generally responsible for related deductibles and coinsurance which vary in amount per contract. Healthcare also provides services to uninsured patients and offers those uninsured patients a discount from standard charges. The discount offered to uninsured patients reduces the transaction price at the time of billing. Healthcare further reduces the transaction price for patients with deductibles and coinsurance and from those who are uninsured through implicit price concessions based on historical collection experience and current market conditions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of change.

**Cape Cod Healthcare, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2022 and 2021**

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Accounts receivable is summarized as follows at September 30, 2022 and 2021:

	2022	2021
<b>Receivables</b>		
Third-party payors	\$ 83,838,003	\$ 84,858,415
Patients	<u>3,031,558</u>	<u>3,895,936</u>
	<u>\$ 86,869,561</u>	<u>\$ 88,754,351</u>

Patient service revenue for the years ended September 30, 2022 and 2021 is summarized as follows:

	2022	2021
<b>Patient service revenue</b>		
Third-party payors	\$ 900,104,524	\$ 835,789,740
Patients	<u>40,574,174</u>	<u>37,635,799</u>
	<u>\$ 940,678,698</u>	<u>\$ 873,425,539</u>

Healthcare provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Healthcare does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue. The charity care policy is based on the poverty income guidelines established by the Massachusetts Division of Healthcare Finance and Policy. If a patient is ineligible because his or her income exceeds the eligibility guidelines, an estimate of uncollectible accounts receivable is recorded as an implicit price concession. During 2022 and 2021, Healthcare provided approximately \$26,569,000 and \$31,103,000 in charity care, respectively. The estimated costs of providing charity care services are based on data derived from Healthcare's ratio of cost to charges. During 2022 and 2021, Healthcare received approximately \$2,198,000 and \$2,164,000, respectively, from the Health Safety Net (HSN) for reimbursement of charity care.

Free care and charity care services are partially reimbursed to acute care hospitals through the statewide HSN established by the Massachusetts Health Care Reform Law (Chapter 58 of the Acts of 2006). A portion of the funding for the HSN is paid by hospitals through a statewide hospital assessment that has been set by the Massachusetts Legislature, beginning in 2014, at \$160,000,000 plus 50% of the estimated cost of administering the HSN and related assessments, as determined by the Massachusetts Secretary of Administration and Finance. Beginning in 2017, the Commonwealth of Massachusetts increased the assessment by \$257,500,000 to generate Federal matching funds to support a 5-year Delivery System Reform Incentive Payment ("DSRIP") investment in providers who participate in MassHealth Accountable Care Organization ("ACO") models. These monies are returned to hospitals in the form of incentive payments distributed through the MassHealth Management Care Organization ("MCO") using a pay-for-performance methodology. All acute care hospitals in the State are assessed their share of this total statewide hospital assessment. The assessment was \$422,809,000 for each of the years ended September 30, 2022 and 2021, based on each hospital's charges for private sector payors.

Healthcare has recorded its assessment to the HSN as a deduction from patient service revenue of \$7,669,000 and \$8,010,000 for the years ended September 30, 2022 and 2021, respectively, in the consolidated statements of operations and changes in net assets. Reimbursement for uncompensated care has been recorded as patient service revenue. MCO incentive payments resulted in \$4,987,000 and \$4,070,000 in additional reimbursement to Healthcare for the years ended September 30, 2022 and 2021, respectively.

**Cape Cod Healthcare, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2022 and 2021**

Healthcare has elected the practical expedient to not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component because Healthcare's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. In certain instances, Healthcare does enter into payment agreements with patients that allow payments in excess of one year. For those cases, any financing component is not deemed to be significant.

Healthcare has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the sources of revenues by payors and service lines.

The composition of patient service revenue by primary payor as of September 30, 2022 and 2021 were as follows:

Payor Group	2022		2021	
	Patient Service Revenue	% of Total	Patient Service Revenue	% of Total
Medicare	\$ 410,033,000	43%	\$ 383,025,249	44%
Managed Medicare	92,019,315	10%	76,099,445	9%
Medicaid	42,830,337	4%	27,257,199	3%
Managed Medicaid	82,327,638	9%	76,993,920	9%
Other Government	<u>15,959,665</u>	<u>2%</u>	<u>13,750,375</u>	<u>2%</u>
Total Government Payors	643,169,955	68%	577,126,188	67%
Managed Commercial	240,794,292	26%	230,042,912	26%
Other Commercial	46,205,248	5%	48,907,090	5%
Self Pay	7,960,811	1%	11,946,663	1%
All Other	<u>2,548,392</u>	<u>0%</u>	<u>5,402,686</u>	<u>1%</u>
<b>Total</b>	<b>\$ 940,678,698</b>	<b>100%</b>	<b>\$ 873,425,539</b>	<b>100%</b>

The composition of patient service revenue by service line as of September 30, 2022 and 2021 was as follows:

	2022			
	Inpatient	Outpatient	Other	Total
Acute care	\$ 359,983,038	\$ 428,152,008	\$ 4,338,523	\$ 792,473,569
Physician practices	-	90,529,558	-	90,529,558
Home care	-	43,949,139	-	43,949,139
Skilled nursing	9,259,583	-	-	9,259,583
Behavioral health	-	1,960,982	-	1,960,982
Assisted living	-	-	2,505,867	2,505,867
<b>Total</b>	<b>\$ 369,242,621</b>	<b>\$ 564,591,687</b>	<b>\$ 6,844,390</b>	<b>\$ 940,678,698</b>

  

	2021			
	Inpatient	Outpatient	Other	Total
Acute care	\$ 357,871,906	\$ 378,988,702	\$ 172,095	\$ 737,032,703
Physician practices	-	76,245,839	-	76,245,839
Home care	-	46,372,371	-	46,372,371
Skilled nursing	9,311,416	-	-	9,311,416
Behavioral health	-	1,888,755	-	1,888,755
Assisted living	-	-	2,574,455	2,574,455
<b>Total</b>	<b>\$ 367,183,322</b>	<b>\$ 503,495,667</b>	<b>\$ 2,746,550</b>	<b>\$ 873,425,539</b>

# **Cape Cod Healthcare, Inc. and Affiliates**

## **Notes to Consolidated Financial Statements**

### **September 30, 2022 and 2021**

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#### **COVID-19 Grant Revenue and Advance Payments**

In response to the disruptions that the COVID-19 pandemic has caused in operations of health care organizations, on March 27, 2020 the Federal Government passed the Coronavirus Aid, Relief, and Economic Stimulus Act (CARES Act) which made funds available to Healthcare through various provisions of the legislation. Healthcare received and recognized Federal CARES Act provider relief funding of \$11,570,000 and \$12,327,000 for the years ended September 30, 2022 and 2021, respectively. Healthcare also received and recognized \$3,405,000 from Emergency Management Agency and \$2,969,000 grant from Public Health Emergency Hospital Relief Trust Fund for the year ended September 30, 2022. In addition, Healthcare recognized COVID-19 grant revenue from the Commonwealth of Massachusetts of \$577,000 and \$377,000, for the years ended September 30, 2022 and 2021, respectively. For the years ended September 30, 2022 and 2021 Healthcare received and recognized \$1,360,000 and \$4,540,000 in COVID-19 grant revenue related to the American Rescue Plan (ARP) act, which was passed by the Federal Government in March of 2021. Combined totals of \$19,881,000 and \$17,244,000 were recorded as COVID-19 grant revenue on the consolidated statement of operations and changes in net assets for the years ended September 30, 2022 and 2021, respectively. Healthcare recognized revenue related to the CARES Act provider relief and ARP Act fundings based on information contained in laws and regulations, as well as interpretations issued by the Department of Health and Human Services that was publicly available at September 30, 2022 and 2021. Healthcare recognized Commonwealth of Massachusetts grant revenue based on the information provided by the State.

In addition, Healthcare received \$170,129,000 in advanced payments from the Centers for Medicare and Medicaid Services (CMS) Accelerated and Advanced Payments Program reported as COVID 19 Advance Payments on the consolidated balance sheet for the year ending September 30, 2020. The Medicare advanced payments started to be recouped in April of 2021 and the Medicaid advance repayment started in October 2021. The balance for Medicare and Medicaid accelerated payments as of September 30, 2022 and September 30, 2021 is \$0 and \$128,645,000 respectively.

Healthcare continues to address the challenges and impacts of the COVID-19 pandemic including protecting the health and safety of employees and patients as well as assessing the availability of personal protective equipment, ICU beds, ventilators, and other needed supplies to be better positioned for potential surges. Additionally, Healthcare continues to evaluate the impact of new or changes to laws, regulations and the environment at the federal, state, and local levels including vaccination mandates for healthcare workers and the potential effect on hospital staffing and operations.

#### **Other Revenue**

Other revenue primarily consists of revenue from retail pharmacies, which Healthcare records as customer revenues in the amounts that reflect the consideration to which it expects to be entitled in exchange for the prescription. Other revenue also includes collection fees, joint venture income, trust investment income, distributions from perpetual trusts, grant revenue, rental income and revenue from other non-patient related services.

#### **Use of Estimates**

The preparation of the accompanying consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are made in the areas of patient accounts

# **Cape Cod Healthcare, Inc. and Affiliates**

## **Notes to Consolidated Financial Statements**

### **September 30, 2022 and 2021**

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receivable, pledges receivable, investments, interest rate swap liabilities, accrued expenses and estimated settlements with third-party payors.

#### **Excess of Revenue and Gains Over Expenses and Losses**

The consolidated statements of operations and changes in net assets include excess of revenue and gains over expenses and losses. Changes in net assets without donor restrictions which are excluded from the excess of revenue and gains over expenses and losses, consistent with industry practice, include unrealized gains and losses on debt investments, contributions of long-lived assets (include assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets), and net assets released from restriction used for purchase of property and equipment.

#### **Consolidated Statements of Operations and Changes in Net Assets**

In the accompanying consolidated statements of operations and changes in net assets, transactions deemed by management to be ongoing to the provision of health care services are reported as operating revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

#### **Endowment**

Healthcare has an endowment spending policy, as approved by the Board of Trustees, which aims to preserve the purchasing power of the endowment. Under this policy, 4.75% of a three-year moving average of market values can be expended for operations. The long-term performance objective of the endowment portfolio is to attain an average annual total return that exceeds Healthcare's spending rate plus inflation within acceptable levels of risk over a full market cycle. To achieve its long-term rate of return objectives, Healthcare relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield.

#### **Net Assets with Donor Restrictions**

Net assets with donor restrictions are those whose use by Healthcare has been limited by donors to a specific time period or purpose and the historical dollar amount of gifts which are required by donors to be held in perpetuity. Such funds are generally restricted to support indigent care, health care services and the purchase of property and equipment. In accordance with Healthcare policies and the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") enacted by the Commonwealth of Massachusetts, Healthcare includes accumulated realized and unrealized net gains of endowment funds, which are available for Board appropriation, within net assets with donor restrictions. Net assets with donor restrictions also include approximately \$15,924,000 and \$17,896,000 at September 30, 2022 and 2021, respectively, related to unconditional promises to give with payments due in future periods, and other funds whose use has been limited by donors.

Net assets with donor restrictions include the historical dollar amount of gifts which are required by donors to be held in perpetuity, the income from which is expendable to support indigent care, health care services and the purchase of property and equipment. The earnings from perpetual trusts are recorded in other revenue as they are available and used for health care services.

Healthcare has interpreted state law as requiring realized and unrealized gains of endowment funds to be retained until appropriated by the Board and expended. State law allows the Board to appropriate so much of the net appreciation of endowment funds as is prudent considering Healthcare's long- and short-term needs, present and anticipated financial requirements, expected total return on investments, price-level trends, and general economic conditions. Amounts appropriated during the years ended September 30, 2022 and 2021, amounted to approximately

# **Cape Cod Healthcare, Inc. and Affiliates**

## **Notes to Consolidated Financial Statements**

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\$1,162,000 and \$1,117,000, respectively. These amounts are included in net assets released from restrictions in the consolidated statements of operations and changes in net assets.

#### **Gifts**

Unconditional promises to give cash and other assets to Healthcare are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the conditions are met. Gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, 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 consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as gifts without donor restrictions in the accompanying statement of operations and changes in net assets.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less at the date of purchase.

#### **Funds Whose Use is Limited or Restricted**

Funds whose use is limited or restricted include funds held by trustees under bond indenture agreements and funds contributed by donors for specific purposes, perpetual trusts and endowment funds.

#### **Derivative Instruments**

All derivatives are recognized on the balance sheet at fair value. Healthcare designates at inception whether the derivative contract is considered hedging or non hedging in accordance with existing accounting guidance for derivative instruments and hedging activities. For those instruments designated as hedges, Healthcare formally documents at inception all relationships between the hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various accounting hedges. Healthcare's derivatives are used to minimize the variability in cash flows of interest-bearing liabilities caused by changes in interest rates. Changes in the fair value of derivatives designated for hedging activities that are highly effective are recorded as a component of other changes in net assets. Hedge ineffectiveness, if any, is recorded in excess of revenue and gains over expenses and losses. For those instruments not designated as hedges, changes in the fair value of derivatives are recorded in nonoperating gains (losses).

#### **Patient Accounts Receivable**

Healthcare receives payments for services rendered from federal and state agencies (under the Medicare and Medicaid programs), managed care payors, commercial insurance companies, and patients. Patient accounts receivable are reported net of explicit and implicit price concessions. The level of price concessions is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in federal and state governmental and private employer health care coverage and other collection indicators.

#### **Investments and Investment Income**

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value in the accompanying consolidated balance sheets.

Investments in mutual funds, collective trusts, limited liability companies, limited partnerships and private equity partnerships, are recorded at their reported net asset value or amounts provided by

# **Cape Cod Healthcare, Inc. and Affiliates**

## **Notes to Consolidated Financial Statements**

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the fund manager and are reviewed by management for reasonableness and approved by the Investment Committee. Investments held to satisfy current liabilities, generally understood to be those liabilities to be paid within one year, are classified as current and investments intended to be held greater than one year are classified as long term. Investment income or loss (including realized gains and losses on investments, interest and dividends and the change in unrealized gains and losses on equity investments) for assets under Healthcare's control is included in the excess of revenue and gains over expenses and losses, unless the income is restricted by donor or law. The change in unrealized gains and losses on debt investments is excluded from the excess of revenue and gains over expenses and losses. Investment income on proceeds of borrowings that are held by a trustee, to the extent not capitalized, and investment income on funds whose use is limited for capital purchases are generally reported as other revenue or as a change in net assets with donor restrictions. All other investment income, realized gains or losses on investments, and the change in unrealized gains and losses on equity investments without donor restrictions are reported as nonoperating gains or losses.

A write-down in the cost basis of debt securities is recorded when the decline in fair value of debt securities below cost has been judged to be other-than-temporary. Depending on any donor-imposed restrictions on the investments, the amount of the write-down is reported as a realized loss in either net assets with donor restrictions or in excess of revenue and gains over expenses and losses as a component of income from investments, with no adjustment to the cost basis for subsequent recoveries of fair value.

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets and consolidated statements of operations and changes in net assets. When applicable, fair value is based on quoted market prices.

#### **Supplies**

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

#### **Property and Equipment**

Property and equipment are recorded at cost, less accumulated depreciation. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Gifts of long-lived assets such as land, buildings, or equipment are reported at fair value at the date of the contribution as support without donor restriction and are excluded from the excess of revenue and gains over expenses and losses, unless explicit donor stipulations specify how the assets are to be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restriction. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings	25-40 years
Building improvements	5-25 years
Furniture and equipment	3-20 years
Software	3-15 years



# **Cape Cod Healthcare, Inc. and Affiliates**

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Equipment leased under finance leases and leasehold improvements are amortized using the straight-line method over the shorter of the lease term including extensions that are reasonably assured or the estimated useful life of the asset. Such amortization is included within depreciation expense.

#### **Leases**

Healthcare determines if an arrangement is a lease at inception. Operating leases are included in the Right-of-use assets - operating, Current portion of operating lease obligations, and Long-term operating lease obligations, net of current portion on its consolidated balance sheets. Finance leases are included in the Property and equipment, net, Current portion of long-term debt and finance lease obligations, and Long-term debt and finance lease obligations, net of current portion on its consolidated balance sheets.

Right-of-use (ROU) assets represent Healthcare's right to use an underlying asset for the lease term and lease liabilities represent Healthcare's obligation to make lease payments arising from the lease.

Finance leases, right-of-use assets- operating, and lease obligations are recognized at commencement date based on the present value of lease payments over the lease term. As Healthcare's leases do not provide an implicit rate, Healthcare uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The incremental borrowing rate, for each identified lease, is the rate of interest Healthcare would have to pay to borrow on a collateralized basis over a similar term. Finance leases and right-of-use assets - operating are reduced for any lease incentives. Healthcare's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

#### **Goodwill and Intangible Assets**

Healthcare's goodwill primarily related to the acquisitions of Emerald LLC, The Cardiovascular Specialists, LLC, Cape Cod Cardiology, LLC, Bayside Surgical Center, and the purchase of Shields share of a radiation therapy joint venture. Goodwill is recorded when the fair value of the assets acquired is less than the fair value of the liabilities assumed plus consideration transferred, if any, as detailed under ASC 958, Not-for-Profit Entities: Mergers and Acquisitions. Healthcare assesses goodwill at least annually for impairment or more frequently if certain events or circumstances warrant and recognizes an impairment charge for the amount by which the carrying amount of goodwill exceeds its fair value. For the year ended September 30, 2021, Healthcare's fair value assessment reflected a number of significant management assumptions and estimates including Healthcare's forecasts of future net patient service revenue, operating expenses and capital expenditures and Healthcare's estimated discount rate. Through this assessment, it was determined that the carrying amount of Healthcare's reporting unit exceeded its fair value by more than the goodwill balance of \$31,056,000. As such, the full goodwill asset was considered impaired and a charge of \$31,056,000 was recorded during the year ended September 30, 2021.

#### **Asset Retirement Obligations**

Asset retirement obligations reported in accounts payable and accrued expenses are legal obligations associated with the retirement of long-lived assets. The liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, Healthcare records changes in the liability resulting from the passage of time and

# **Cape Cod Healthcare, Inc. and Affiliates**

## **Notes to Consolidated Financial Statements**

### **September 30, 2022 and 2021**

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revisions to either the timing or the amount of the original estimate of undiscounted cash flows. Healthcare reduces the liabilities when the related obligations are settled.

#### **Costs of Borrowing**

Interest cost incurred on borrowed funds, net of interest income earned on such funds, during the period of construction of capital assets is capitalized as a component of the costs of acquiring those assets. Capitalized interest costs of \$117,000 and \$86,000 were recorded for the years ended September 30, 2022 and 2021, respectively.

#### **Deferred Financing Costs**

Deferred financing costs consist of legal, financing, and other related costs incurred in connection with the issuance of outstanding bonds. Deferred financing costs are recorded as a reduction of long-term debt and are being amortized using the straight-line method, which approximates the effective-interest method, over the term of the bonds. Original issue discount, which is recorded as a reduction of the long-term debt, is being amortized using the straight-line method, which approximates the effective-interest method, over the term of the related bonds.

#### **Professional Liability Costs**

Healthcare is self-insured for certain professional liability claims. Estimated losses and claims are accrued as incurred. Healthcare has provided for the cost of claims paid during the current period, as well as estimates of the liability for claims incurred but not yet paid, in the accompanying consolidated financial statements. The liability for professional liability losses and loss-adjustment expenses includes an amount, based on an independent actuarial study discounted at a rate of 3%, for losses determined from loss reports, individual cases, and based on past experience, adjusted for the risk of adverse deviation. Such liabilities are necessarily based on estimates and, while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. As a result, there is a reasonable possibility that recorded estimates may change by a material amount in the near term.

#### **Self-Insurance Reserves**

Healthcare is generally self-insured for employee healthcare, workers' compensation and certain other employee benefits. These costs are accounted for on an accrual basis to include estimates of future payments for claims incurred prior to year-end.

#### **Income Taxes**

CCHC and its affiliates, other than MOB and CHICO, have been recognized by the Internal Revenue Service as tax-exempt non-profit organizations under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and accordingly, are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

CHICO has received an undertaking from the Cayman Islands Government exempting it from taxes on income until June 8, 2024.

#### **Fair Value Measurements**

Healthcare follows accounting guidance which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The estimated fair value amounts reported in the accompanying consolidated financial statements and related notes have been determined by Healthcare using available market information and valuation methodologies described below. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates

# Cape Cod Healthcare, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### September 30, 2022 and 2021

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presented herein may not be indicative of the amounts that Healthcare could realize in a current market exchange. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

### 3. Liquidity and Availability of Resources

Healthcare is substantially supported by revenue from its operations. In addition, Healthcare holds financial assets for specific purposes and are limited as to use. Thus, financial assets reported on the accompanying balance sheet may not be available for general expenditure within one year.

Healthcare's financial assets at September 30, 2022 and 2021 available to meet cash needs for general expenditures within one year from the balance sheet date are:

	2022	2021
Cash and cash equivalents	\$ 50,140,496	\$ 51,813,764
Short term investments	63,808,518	173,802,037
Other current receivables	14,618,249	18,410,929
Current portion of pledge receivables without donor restrictions, net	946,322	879,054
Patient accounts receivable	86,869,561	88,754,351
	<u>\$ 216,383,146</u>	<u>\$ 333,660,135</u>

Healthcare's ability to meet its cash needs is dependent on timely collection of patient accounts receivable and maintaining a high level of inpatient occupancy and outpatient visits. While Healthcare does not intend to spend from long-term investments, long-term investments of approximately \$430,733,000 and \$489,800,000 as of September 30, 2022 and 2021, respectively, could be made available if necessary, subject to the redemption terms described in Note 6.

Healthcare has a line of credit available that provides for advances of up to \$15,000,000 for working capital needs. Amounts borrowed are due on demand and bear interest at the applicable LIBOR interest rate in effect at the time of the borrowing. Borrowings under the line of credit are guaranteed by the following affiliated entities: CCHC Foundation, CCH, Falmouth Hospital, JML Care Center, Human Services, and VNA of Cape Cod. There were no amounts outstanding under this line-of-credit agreement at September 30, 2022 and 2021, respectively.

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**4. Property and Equipment**

Property and equipment at September 30, 2022 and 2021 consisted of the following:

	<b>2022</b>	<b>2021</b>
Land	\$ 22,131,681	\$ 30,034,704
Land improvements	18,730,608	20,806,577
Buildings and improvements	458,475,933	449,773,676
Fixed equipment	46,846,795	45,199,546
Major movable equipment	282,387,243	273,931,471
Assets under finance leases	<u>2,239,936</u>	<u>2,239,936</u>
	830,812,196	821,985,910
Accumulated depreciation and amortization	<u>(521,093,512)</u>	<u>(490,290,425)</u>
Property and equipment, net	309,718,684	331,695,485
Construction in progress	<u>20,157,057</u>	<u>2,811,362</u>
	<u>\$ 329,875,741</u>	<u>\$ 334,506,847</u>

Depreciation expense for the years ended September 30, 2022 and 2021 was \$34,465,000 and \$39,178,000 respectively. Depreciation and other non-cash items on the statement of operations and changes in net assets for the year ending September 30, 2022 and 2021 includes \$4,134,000 and \$4,155,000 in software amortization expenses.

**5. Investments**

In accordance with the appropriate guidance for healthcare organizations, investments and investments limited as to use are reported at fair value at September 30, 2022 and 2021. The composition of these investments is as follows:

	<b>September 30, 2022</b>	
	<b>Cost</b>	<b>Fair Value</b>
Cash and cash equivalents	\$ 138,136,854	\$ 138,136,854
Common and preferred stock	50,695	50,695
Mutual funds	293,243,001	279,081,271
Fixed income securities	47,900,674	40,679,112
Private equity partnerships	350,634	655,829
Pooled income fund	201,019	186,240
Collective trusts	25,805,611	33,144,063
Limited liability companies and limited partnerships	<u>43,498,762</u>	<u>44,155,471</u>
	549,187,250	536,089,535
Perpetual trusts held by third party	<u>-</u>	<u>20,594,921</u>
	<u>\$ 549,187,250</u>	<u>\$ 556,684,456</u>

**Cape Cod Healthcare, Inc. and Affiliates**  
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	<b>September 30, 2021</b>	
	<b>Cost</b>	<b>Fair Value</b>
Cash and cash equivalents	\$ 255,095,688	\$ 255,095,688
Common and preferred stock	2,506,710	2,506,710
Mutual funds	267,342,141	328,023,902
Fixed income securities	45,202,944	45,213,686
Private equity partnerships	330,614	738,097
Pooled income fund	200,245	229,997
Collective trusts	28,140,337	39,179,321
Limited liability companies and limited partnerships	<u>40,255,746</u>	<u>47,408,912</u>
	639,074,425	718,396,313
Perpetual trusts held by third party	<u>-</u>	<u>25,799,531</u>
	<u>\$ 639,074,425</u>	<u>\$ 744,195,844</u>

Debt securities with unrealized depreciation are reviewed each quarter to determine whether these investments are other-than-temporarily impaired. Marketable investments with fair value below cost are subject to a review, which considers factors including the anticipated holding period for the investment, extent and duration of below cost valuation, and the nature of the underlying holdings as applicable. A write down is recorded when the impairment on debt investments has been judged to be other-than-temporary.

No unrealized losses were considered to be other-than temporary as of September 30, 2022 or 2021.

Funds whose use is limited consist of the following:

	<b>September 30, 2022</b>		<b>September 30, 2021</b>	
	<b>Current Portion</b>	<b>Long-Term Portion</b>	<b>Current Portion</b>	<b>Long-Term Portion</b>
<b>Externally designated funds</b>				
Deferred compensation plan	\$ 938,887	\$ 14,445,659	\$ 1,320,925	\$ 16,098,471
Debt service fund	\$ 79		\$ 2,172,945	
Investments with donor restrictions	5,335,875	20,827,613	10,542,716	24,659,332
Perpetual trusts held by third party	<u>-</u>	<u>20,594,921</u>	<u>-</u>	<u>25,799,531</u>
	<u>\$ 6,274,841</u>	<u>\$ 55,868,193</u>	<u>\$ 14,036,586</u>	<u>\$ 66,557,334</u>

## 6. Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date (also referred to as "exit price"). Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. In determining fair value, the use of various valuation approaches, including market, income and cost approaches, is permitted.

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#### **Fair Value Hierarchy**

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. The fair value hierarchy requires the reporting entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. In addition, for hierarchy classification purposes, the reporting entity should not look through the form of an investment to the nature of the underlying securities held by an investee.

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

- Level 1      Valuations using quoted prices in active markets for identical assets or liabilities. Valuations of these products do not require a significant degree of judgment.
- Level 2      Valuations using observable inputs other than Level 1 prices such as quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in markets that are not active; broker or dealer quotations; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3      Valuations using unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Net Asset Value ("NAV") of the securities held by collective trusts, Limited Liability Companies (LLCs), Limited Liability Partnerships (LLPs), private equity partnerships, or mutual funds that do not have readily determinable fair values are determined by the fund manager and are based on appraisals, or other estimates that require varying degrees of judgement. If no public market exists for the investment securities, the fair value is determined by the fund manager taking into consideration, among other things, the cost of the securities, prices of recent placements of securities of the same issuer and subsequent developments concerning the companies to which the securities relate. Healthcare has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of September 30, 2022 and 2021.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Healthcare 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 following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

#### **Cash and Temporary Investments**

Cash and temporary investments include short-term, highly liquid investments and the fair values are based on quoted market prices.

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#### ***Mutual Funds, U.S. Government Securities, Common and Preferred Stock, and Pooled Income Fund***

The fair values of mutual funds, fair values of U.S. government securities, the fair values of common and preferred stock, and the fair value of the pooled income fund in Level 1 are based on quoted market prices for identical or similar assets in active markets.

#### ***Collective Trusts, LLCs, LLPs and Private Equity Partnerships***

The estimated fair values of collective trusts, LLCs, LLPs, and private equity partnerships are determined based upon the NAV provided by the fund managers and assessed for reasonableness by management. Such information is generally based on Healthcare's pro-rata interest in the net assets of the underlying investments.

#### ***Beneficial Interest Lead Trusts Held by Third Party***

Charitable lead trust assets are valued using Healthcare's pro-rata interest in the current fair value of the underlying assets, less estimated future payments discounted to a single present value using market rates at the date of the contribution adjusted for a market risk premium, based on the expected date of the transfer of the remaining assets to Healthcare.

#### ***Perpetual Trusts Held by Third Party***

The estimated fair values of Healthcare's perpetual lead trust, where Healthcare does not serve as trustee, is determined based upon information provided by the trustee and assessed for reasonableness by management. Such information is generally based on Healthcare's pro-rata interest in the net assets of the underlying investments to be received in perpetuity as distributions from the trust.

#### ***Interest Rate Swaps***

The valuation of interest rate swaps is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market based inputs, including interest rate curves and implied volatilities.

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The following tables summarize fair value measurements at September 30, 2022 for financial assets and liabilities measured at fair value on a recurring basis:

	2022				
	Quoted prices in active markets for identical items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	Total Fair Value at September 30, 2022
<b>Assets</b>					
<b>Investments</b>					
Cash and temporary investments	\$ 134,996,636	\$ 3,140,218	\$ -	\$ -	\$ 138,136,854
Mutual funds	240,459,965	38,621,306	-	-	279,081,271
Fixed income securities	19,891,600	20,787,512	-	-	40,679,112
Common and preferred stock	50,695	-	-	-	50,695
Pooled income fund	186,240	-	-	-	186,240
Private equity partnerships <sup>(a)</sup>	-	-	-	655,829	655,829
Limited liability companies and limited partnerships <sup>(a)</sup>	-	-	-	44,155,471	44,155,471
Collective trusts <sup>(a)</sup>	-	-	-	33,144,063	33,144,063
Total investments, fair value	395,585,136	62,549,036	-	77,955,363	536,089,535
Perpetual trusts held by third party	-	-	20,594,921	-	20,594,921
Beneficial interest lead trusts held by third party	-	-	212,806	-	212,806
Total assets, fair value	\$ 395,585,136	\$ 62,549,036	\$ 20,807,727	\$ 77,955,363	\$ 556,897,262
<b>Liabilities</b>					
Interest rate swaps	\$ -	\$ 16,830	\$ -	\$ -	\$ 16,830
Total liabilities, fair value	\$ -	\$ 16,830	\$ -	\$ -	\$ 16,830

- (a) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in Footnote 5.



# Cape Cod Healthcare, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### September 30, 2022 and 2021

The following tables summarize fair value measurements at September 30, 2021 for financial assets and liabilities measured at fair value on a recurring basis:

	2021				
	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	Total Fair Value at September 30, 2021
<b>Assets</b>					
Investments					
Cash and temporary investments	\$ 252,419,693	\$ 2,675,995	\$ -	\$ -	\$ 255,095,688
Mutual funds	282,865,095	45,158,807	-	-	328,023,902
Fixed income securities	20,704,096	24,509,590	-	-	45,213,686
Common and preferred stock	2,506,710	-	-	-	2,506,710
Pooled income fund	229,997	-	-	-	229,997
Private equity partnerships <sup>(a)</sup>	-	-	-	738,097	738,097
Limited liability companies and limited partnerships <sup>(a)</sup>	-	-	-	47,408,912	47,408,912
Collective trusts <sup>(a)</sup>	-	-	-	39,179,321	39,179,321
Total investments, fair value	558,725,591	72,344,392	-	87,326,330	718,396,313
Perpetual trusts held by third party	-	-	25,799,531	-	25,799,531
Beneficial interest lead trusts held by third party	-	-	254,664	-	254,664
Total assets, fair value	\$ 558,725,591	\$ 72,344,392	\$ 26,054,195	\$ 87,326,330	\$ 744,450,508
<b>Liabilities</b>					
Interest rate swaps	\$ -	\$ 343,233	\$ -	\$ -	\$ 343,233
Total liabilities, fair value	\$ -	\$ 343,233	\$ -	\$ -	\$ 343,233

- (b) (b) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in Footnote 5.

The following table is a roll-forward of investments classified by Healthcare within Level 3 as defined previously for the year ended September 30, 2022 and 2021:

<b>Balances at September 30, 2020</b>	\$ 22,739,223
Change in value of perpetual trust held by third party	3,409,969
Change in value of beneficial lead trusts held by third party	(94,997)
<b>Balances at September 30, 2021</b>	26,054,195
Change in value of perpetual trust held by third party	(5,204,609)
Change in value of beneficial lead trusts held by third party	(41,859)
<b>Balances at September 30, 2022</b>	\$ 20,807,727

Split-interest agreements held by third parties are valued based on the group annuity mortality table and the expected rate of return. As of September 30, 2022, and 2021, the discount rate used in performing the present value calculations was 4%.

There were no significant transfers into or out of Levels 1 and 2 for the years ended September 30, 2022 or 2021.

# Cape Cod Healthcare, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### September 30, 2022 and 2021

The following table summarizes all investments recorded at NAV at September 30, 2022 and 2021, categorized based on the risk and return characteristics of the investments, and excluding Level 1 investments based on their daily redemption feature.

	Fair Value			Redemption	Redemption
	2022	2021		Frequency	Notice Period
Collective trusts	\$ 33,144,063	\$ 39,179,321		Daily-Monthly	10 days
Private equity	655,829	738,097		Illiquid	None
Limited liability companies and limited partnerships	44,155,471	47,408,912		Monthly-Annually	15-95 Days
	<u>\$ 77,955,363</u>	<u>\$ 87,326,330</u>			

## 7. Employee Retirement Plans

Healthcare sponsors several defined contribution plans which generally cover employees who have completed the minimum service requirements defined by the plans. The contributions vary by plan but generally approximate 2% of eligible wages. Additionally, the plans allow for employee contributions which are matched by Healthcare up to certain limits. Pension expense under the defined contribution plans totaled approximately \$13,329,000 and \$13,245,000 in 2022 and 2021, respectively, and was recorded within employee benefits expense on the consolidated statements of operations and changes in net assets.

### Deferred Compensation Plan

Healthcare has two deferred compensation plans structured in accordance with Sections 457(b) and 457(f) of the Internal Revenue Code of 1986, as amended, which are titled respectively, the Cape Cod Healthcare 457(b) Voluntary Personal Deferral Plan and the Cape Cod Healthcare 457(f) Voluntary Personal Deferral Plan (collectively referred to as the "Plans"). Under the 457(f) Plan, eligible employees can elect to defer and contribute a percentage or set dollar amount of their annual compensation to be accumulated on a tax-deferred basis. Under the Plans, Healthcare may, but is not required to, contribute certain amounts on behalf of eligible participants. Such funds remain Healthcare assets until the designated funds have vested to the eligible participants(s) in accordance with vesting criteria. These assets are subject to Healthcare's creditors in the event of insolvency.

During the years ended September 30, 2022 and 2021, Healthcare recorded compensation expense of approximately \$1,601,000 and \$1,942,000, respectively, in connection with employer contributions to the Plans. Healthcare has established an account into which the non-vested portions of the deferred compensation in the Plans are invested. The fair value of this account was \$15,385,000 and \$17,419,000 at September 30, 2022 and 2021, respectively, and has been recorded within funds whose use is limited or restricted on the consolidated balance sheet.

# Cape Cod Healthcare, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### September 30, 2022 and 2021

#### 8. Long-term Debt and Finance Leases

Long-term debt at September 30, 2022 and 2021 consisted of the following:

Issue	2022 Rate	2021 Rate	Final Maturity	2022	2021
Massachusetts Development Finance Agency ("MDFA") Hospital Revenue Bonds					
Fixed Rate					
Cape Cod Healthcare Obligated Group—Series 2021A	2.48 %	2.48 %	2036	\$ 46,250,181	\$ 49,058,680
Cape Cod Healthcare Obligated Group—Series 2021B	1.22 %	1.22 %	2028	15,828,464	18,509,637
Cape Cod Healthcare Obligated Group—Series 2017	2.57 %	2.57 %	2032	37,093,290	40,298,930
Cape Cod Healthcare Obligated Group—Series 2012A	2.66 %	2.66 %	2022	-	2,580,000
Variable Rate direct placement with commercial lender					
Cape Cod Healthcare Obligated Group —Series E	1.01 %	1.01 %	2022	-	981,334
Notes payable					
Cape Cod Hospital	3.65 %	3.65 %	2022	-	131,599
Cape Cod Healthcare	3.53 %	3.53 %	2025	4,111,674	5,978,671
Finance lease obligations	n/a	n/a	n/a	3,195,898	3,541,554
				106,479,507	121,080,405
Unamortized premium (original issue discount), net				-	(4,672)
Unamortized issuance cost				(498,364)	(564,207)
Current portion				<u>(11,120,783)</u>	<u>(14,530,556)</u>
Total long-term debt				<u>\$ 94,860,360</u>	<u>\$ 105,980,970</u>

On December 23, 2004, the Cape Cod Healthcare Obligated Group issued \$65,000,000 of Massachusetts Development Finance Agency (MDFA) Series D Variable Rate Demand Revenue Bonds (the "Series D Bonds"). The Series D Bonds were collateralized by a bond insurance policy issued by Assured Guaranty. Proceeds from the Series D Bonds were used to satisfy a number of capital improvements at CCH, including an inpatient bed tower and cardiac catheterization facilities.

On February 16, 2010, Healthcare converted the Series D Bonds from variable rate demand bonds to fixed rate bonds in the amount of \$62,400,000.

On February 1, 2017, the Cape Cod Healthcare Obligated group issued 15 year \$52,315,000 direct placement Series 2017 bonds with a fixed rate of 2.57%. The bonds are fully amortized upon final maturity in 2032. The entire net proceeds from Series 2017, in addition to \$5,206,000 of funds previously held with the Series D bond trustee, were used to refund the existing Series D bonds. The retirement of Series D was comprised of \$51,455,000 par value and \$4,993,000 of interest prepayment. Bond issuance costs of \$396,000 will be amortized over the life of the bonds.

On June 18, 2008, the Cape Cod Healthcare Obligated Group issued \$36,710,000 of MDFA Series E Variable Rate Bonds (the "Series E Bonds"). The bond proceeds, net of issuance costs of \$262,000, were used to refund the majority of a bridge loan Healthcare issued in March 2008 totaling \$38,925,000. On February 12, 2009, the Series E Bonds were increased by \$2,215,000 in order to repay the bridge loan that was outstanding as of September 30, 2008. The Series E Bonds are collateralized by a pledge of gross receipts and mortgages on the property and equipment of the core hospital campuses.

## **Cape Cod Healthcare, Inc. and Affiliates**

### **Notes to Consolidated Financial Statements**

#### **September 30, 2022 and 2021**

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On January 12, 2012, Healthcare fully converted its Series E Variable Rate Bonds in the amount of \$29,440,000 via a direct placement with a commercial lender. The direct placement is a LIBOR-based loan with a ten year term. The loan amount had a final maturity in 2022.

On February 24, 2012, Healthcare issued ten year direct placement Series 2012A bonds with a commercial bank at a fixed rate of 2.66%. The bonds had a final maturity in 2022. The proceeds were used to retire Series B Bonds of \$11,435,000 and to partially retire \$13,890,000 of Series C Bonds.

On July 11, 2013, the Cape Cod Healthcare Obligated Group issued \$50,000,000 of Series 2013 MDFA Hospital Revenue Bonds with a final maturity date in 2042. Bond issuance costs of \$496,000 are being amortized over the life of the bonds. The Series 2013 bonds were issued with an original issue premium totaling \$832,000 which is recorded in long-term debt. The premium is being amortized using the effective interest method over the life of the bonds. The bonds are collateralized by an interest in the Obligated Group's gross receipts and the mortgages on core hospital campuses.

Proceeds from the Series 2013 bonds were used in part to refund the outstanding 2001 Series C bonds of \$23,060,000, which were retired with an additional premium of \$115,000. The remaining proceeds were used to satisfy a number of capital improvements at CCH and Falmouth Hospital including emergency room expansions.

On September 23, 2014, the Cape Cod Healthcare Obligated Group entered into a 10 year, \$17,200,000 term loan agreement with a commercial bank at a fixed rate of 3.53%. The proceeds net of issuance costs of \$76,000 were used to refinance three outstanding notes totaling \$16,429,000.

On September 29, 2014, the Cape Cod Healthcare Obligated group issued 15 year, \$24,000,000 direct placement Series 2014 bonds with a fixed rate of 3.37%. The bonds are fully amortized upon final maturity in 2029. Bond issuance costs of \$243,000 are being amortized over the life of the bonds.

On May 7, 2021, the Cape Cod Healthcare Obligated group issued 15 year \$50,000,000 direct placement Series 2021A bonds with a fixed rate of 2.48%. The bonds are fully amortized upon final maturity in 2036. The entire net proceeds from Series 2021A, were used to refund the existing Series 2013 bonds. The retirement of Series 2013 was comprised of \$50,000,000 par value, \$6,115,000 of interest prepayment, and write off of bond issue premium of \$615,000 and bond issuance costs of \$258,000. Bond issuance costs of \$195,000 will be amortized over the life of the bonds.

On May 7, 2021, the Cape Cod Healthcare Obligated group issued 7 year \$19,400,000 direct placement Series 2021B bonds with a fixed rate of 1.223%. The bonds are fully amortized upon final maturity in 2028. The entire net proceeds from Series 2021B, were used to refund the existing Series 2014 bonds. The retirement of Series 2014 included the write off of \$523,000 of bond issuance costs. Bond issuance costs of \$76,000 will be amortized over the life of the bonds.

# Cape Cod Healthcare, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### September 30, 2022 and 2021

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#### Loan Covenants

Several of the loan agreements contain covenants and financial ratios which require compliance by the various organizations. Certain of the agreements also provide for restrictions on, among other things, transfers, additional indebtedness, and dispositions of property, the most restrictive of which is the ratio of income available for debt service.

#### The Obligated Group

The Series E, 2012A, 2017, 2021A, and 2021B Bonds are equally and ratably collateralized under the loan and trust agreements. At September 30, 2022, the Cape Cod Healthcare Obligated Group consisted of CCHC, CCHC Foundation, CCH and Falmouth Hospital.

All obligations issued under the Cape Cod Healthcare Obligated Group debt agreements or the Falmouth Hospital debt agreements will be joint and several obligations of the Cape Cod Healthcare Obligated Group, and equally and ratably collateralized by interests in the gross receipts of the Cape Cod Healthcare Obligated Group and the property subject to the mortgages.

#### Future Maturities

Aggregate future maturities of long-term obligations, including finance lease obligations:

Year	Future Maturities
2023	\$ 11,120,783
2024	11,282,891
2025	9,547,271
2026	9,550,161
2027	9,764,719
Thereafter	55,213,682
	<u>\$ 106,479,507</u>

## 9. Split Interest Agreements and Outside Trusts

Healthcare is obligated to make quarterly distributions to the beneficiaries of certain gift annuities (split-interest arrangements). The estimated net present value of these obligations totaled \$613,000 and \$655,000 at September 30, 2022 and 2021, respectively, and are included in other liabilities in the accompanying consolidated balance sheets. Upon the death of each of the beneficiaries, the related obligations of Healthcare terminate.

Healthcare is the trustee of a pooled income fund. This fund is divided into units, and contributions of donors' life income gifts are pooled and invested as a group. Donors are assigned a specific number of units based on the proportion of the fair value of their contributions to the total fair value of the pooled income fund on the date of the donors' entry into the pool. Each donor receives the actual income earned on those units until his/her death. Upon the death of the donor, the donor's interest in the trust will revert to Healthcare and will be without donor restriction. The estimated net present value of these obligations totaled \$118,000 and \$114,000 at September 30, 2022 and 2021, respectively, are included in other liabilities in the accompanying consolidated balance sheets. Healthcare holds beneficial interests in certain irrevocable charitable remainder trusts for which Healthcare does not serve as trustee. Healthcare records its beneficial interest in those

**Cape Cod Healthcare, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**September 30, 2022 and 2021**

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trusts as contribution revenue and other assets at the present value of the expected future cash inflows. Such trusts are recorded at the date Healthcare has been notified of the trust's existence and sufficient information regarding the trust has been accumulated to form the basis for an asset. Changes in the value of these assets related to the amortization of the discount or revisions in the income beneficiary's life expectancy are recorded as a change in value of split interest agreements within net assets with donor restrictions.

Healthcare is also the beneficiary of certain perpetual trusts held and administered by others. The present values of the estimated future cash receipts from the trusts are recognized as beneficial interests in those assets as investments and contribution revenues at the date Healthcare is notified of the establishment of the trust and sufficient information regarding the trust has been obtained by Healthcare. Distributions from the trusts are recorded as investment income in the period they are received. Changes in fair value of the trusts are recorded as a change in beneficial interest in perpetual trusts within net assets with donor restrictions.

**10. Pledges Receivable**

Pledges receivable represent unconditional promises to give. These amounts are reported at their present value, discounted at rates ranging from 3.83% to 4.25% and 0.53% to 1.32% as of September 30, 2022 and 2021, respectively, and are recorded net of an allowance for uncollectible amounts. Pledges receivable at September 30, 2022 and 2021 are expected to be collected as follows:

	2022	2021
Amounts due		
Within one year	\$ 3,768,401	\$ 5,419,463
In one to five years	12,435,486	13,347,808
In more than five years	850,000	165,000
	17,053,887	18,932,271
Present value discount	(618,035)	(468,422)
Allowance for uncollectible amounts	(511,557)	(567,968)
	<u>\$ 15,924,295</u>	<u>\$ 17,895,881</u>

**11. Net Assets with Donor Restrictions**

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

	2022	2021
<b>Non-endowed funds</b>		
Healthcare services	\$ 9,074,841	\$ 10,438,058
Buildings	27,855,102	23,513,237
Purchase of equipment	<u>34,526</u>	<u>34,526</u>
	36,964,469	33,985,821
<b>Endowment funds</b>		
Healthcare services	36,074,085	40,914,389
Amounts available for expenditure	<u>5,130,547</u>	<u>9,220,355</u>
	41,204,632	50,134,744
	<u>\$ 78,169,101</u>	<u>\$ 84,120,565</u>

# Cape Cod Healthcare, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### September 30, 2022 and 2021

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#### Endowment

Healthcare's endowment consists of donor restricted endowment funds for a variety of purposes plus split interest agreements, and other net assets. The endowments are classified and reported based on the existence of donor-imposed restrictions.

Healthcare has interpreted UPMIFA as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Healthcare classifies as net assets with donor restrictions, (a) the original value of 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 cumulative return on endowment is also classified as net assets with donor restriction until those amounts are appropriated for expenditure by Healthcare in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Healthcare considers the following factors in making a determination to appropriate or accumulate endowment funds: the duration and preservation of the fund; the purposes of the organization and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the organization; and the investment policies of the organization. The organization's policy is to not spend more than the cumulative earnings of endowment funds.

The following presents the endowment net asset composition by type of fund as of September 30, 2022 and 2021 and the changes in endowment assets for the years ended September 30, 2022 and 2021:

<b>Endowment net assets at September 30, 2020</b>	<b>\$ 43,621,531</b>
Investment return	6,590,633
Gifts	1,039,075
Appropriation of endowment assets for expenditure	<u>(1,116,495)</u>
<b>Endowment net assets at September 30, 2021</b>	<b>50,134,744</b>
Investment return	(8,152,097)
Gifts	384,054
Appropriation of endowment assets for expenditure	<u>(1,162,069)</u>
<b>Endowment net assets at September 30, 2022</b>	<b>\$ 41,204,632</b>

#### Endowment Funds with Deficits

From time to time, the fair value of net assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). This deficit was immaterial to the financial statements as of September 30, 2022 and 2021.

**Cape Cod Healthcare, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
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**12. Functional Expenses**

Total operating expenses by function are as follows:

	<b>2022</b>		
	<b>Healthcare services</b>	<b>General and administrative</b>	<b>Totals</b>
Salaries and wages	\$ 335,938,811	\$ 46,826,674	\$ 382,765,485
Physicians' salaries and fees	134,234,436	1,219,990	135,454,426
Employee benefits	107,012,351	11,397,984	118,410,335
Supplies and other	336,036,637	16,886,463	352,923,100
Depreciation and other non-cash items	33,910,791	4,688,001	38,598,792
Interest	2,667,018	328,987	2,996,005
	<u>\$ 949,800,044</u>	<u>\$ 81,348,099</u>	<u>\$ 1,031,148,143</u>
	<b>2021</b>		
	<b>Healthcare services</b>	<b>General and administrative</b>	<b>Totals</b>
Salaries and wages	\$ 302,399,962	\$ 45,205,425	\$ 347,605,387
Physicians' salaries and fees	119,889,300	1,152,095	121,041,395
Employee benefits	99,115,586	11,370,177	110,485,763
Supplies and other	303,008,129	27,817,330	330,825,459
Depreciation and other non-cash items	37,879,915	5,453,871	43,333,786
Interest	4,098,753	488,380	4,587,133
	<u>\$ 866,391,645</u>	<u>\$ 91,487,278</u>	<u>\$ 957,878,923</u>

**13. Commitments and Contingencies**

**Leases**

Leases with a term greater than twelve months have been recognized on the balance sheet. Certain lease agreements require payment of variable costs including property taxes, insurance, maintenance and repairs. Variable costs are excluded from the right-of-use assets and liability. Lease and non-lease components of agreements are not separated. Certain leases contain rental escalation clauses and renew options that are included in lease payment calculations when appropriate. The estimated incremental borrowing rate is used to discount the lease payment amounts.

Healthcare recorded \$3,616,000 and \$4,499,000 of right-of-use assets in exchange for new operating lease liabilities during the year ended September 30, 2022 and 2021.

Lease terms and discount rates as of September 30, 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Weighted-average operating leases remaining lease term	4.81	5.48
Weighted-average finance lease remaining lease term	14.57	13.52
Weighted-average operating lease discount rate	3.69%	4.00%
Weighted-average finance lease discount rate	4.00%	4.00%



**Cape Cod Healthcare, Inc. and Affiliates**  
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The components of lease expense consist of the following for the year ended September 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Operating lease expense	\$ 5,840,080	\$ 5,814,831
Finance lease expense:		
Amortization of lease assets	343,967	333,229
Interest on lease liabilities	345,330	362,302
Total financing lease expense	<u>\$ 689,297</u>	<u>\$ 695,531</u>

Supplemental cash flow information related to leases for the year ended September 30, 2022 and 2021 is as follows:

	<b>2022</b>	<b>2021</b>
Cash paid for amounts included in the measurement lease liabilities:		
Operating cash flows from operating leases	\$ 5,758,337	\$ 5,681,510
Financing cash flows from finance leases	697,812	736,039
	<u>\$ 6,456,149</u>	<u>\$ 6,417,549</u>

Commitments related to noncancelable operating and finance leases for each of the next five years and thereafter are as follows:

<b>Years Ending September 30,</b>	<b>Operating Leases</b>	<b>Finance Leases</b>	<b>Total</b>
2023	\$ 5,429,123	\$ 688,006	\$ 6,117,129
2024	4,807,708	502,256	5,309,964
2025	3,700,309	386,485	4,086,794
2026	1,629,579	351,292	1,980,871
2027	1,306,480	351,292	1,657,772
Thereafter	<u>2,591,515</u>	<u>4,158,658</u>	<u>6,750,173</u>
Total lease payments	19,464,714	6,437,989	25,902,703
Less: Interest	(1,776,931)	(3,242,091)	(5,019,022)
Total lease obligations	<u>\$ 17,687,783</u>	<u>\$ 3,195,898</u>	<u>\$ 20,883,681</u>

Future minimum lease commitments under non-cancelable operating and capital leases as of September 30, 2021 were as follows:

<b>Years Ending September 30,</b>	<b>Operating Leases</b>	<b>Capital Leases</b>	<b>Total</b>
2022	\$ 5,234,050	\$ 690,984	\$ 5,925,034
2023	4,274,321	688,006	4,962,327
2024	3,837,222	502,256	4,339,478
2025	3,232,115	386,485	3,618,600
2026	1,321,420	351,292	1,672,712
Thereafter	<u>3,628,983</u>	<u>4,509,951</u>	<u>8,138,934</u>
Total lease payments	21,528,111	7,128,974	28,657,085
Less: Interest	(2,328,505)	(3,587,420)	(5,915,925)
Total lease obligations	<u>\$ 19,199,606</u>	<u>\$ 3,541,554</u>	<u>\$ 22,741,160</u>

# **Cape Cod Healthcare, Inc. and Affiliates**

## **Notes to Consolidated Financial Statements**

### **September 30, 2022 and 2021**

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#### **Malpractice Insurance**

Healthcare is self-insured for professional and general liability insurance coverage as funded through CHICO, a wholly-owned CCHC affiliate domiciled in the Cayman Islands. CHICO provides the professional liability insurance coverage on a modified claims-made basis, and the general liability claims on an occurrence basis. Liability limits are set annually at \$2,000,000 per medical incident and \$6,000,000 in the aggregate. Effective for the policy year starting June 1, 2019, CHICO's maximum retention in any one policy year is \$14,000,000; that maximum retention had been \$8,000,000 for all prior policy years effective June 1, 2008 and, prior to that date, the maximum retention was \$10,000,000. Since June 1, 2008, CHICO has maintained reinsurance for 100% of the losses above the underlying policy limits/retention, up to a maximum limitation of \$25,000,000 per policy year (increased to \$30,000,000 effective June 1, 2019). For all policy years prior to June 1, 2008, CCHC maintained excess insurance coverage with a maximum limitation up to \$25,000,000 per policy year. Under the claims-made policies, coverage is provided by CHICO when a claim is first reported during a policy term and its incident date is on or after the retroactive date. The reserves for outstanding losses at Healthcare have been discounted at a rate of 3% at both September 30, 2022 and 2021, resulting in a recorded professional liability reserve of \$38,386,000 and \$33,808,000 at September 30, 2022 and 2021, respectively. Of this amount, \$34,858,000 and \$30,352,000 is included in other liabilities and \$3,528,000 and \$3,456,000 is included in accounts payable and accrued expense as of September 30, 2022 and 2021, respectively.

#### **Workers' Compensation**

Healthcare provides certain workers' compensation coverage on a self-insured basis. The liability, including an estimate for claims incurred but not reported, at September 30, 2022 and 2021, of approximately \$11,097,000 and \$7,278,000, respectively, is included in accounts payable and accrued expenses.

#### **Health Insurance Plan**

Healthcare is self-insured for its employee health insurance plan. As such, Healthcare recorded a liability of \$6,474,000 and \$6,456,000, for claims incurred but not reported at September 30, 2022 and 2021 respectively, which is included in accounts payable and accrued expenses.

#### **Other Contingencies**

CCHC and its affiliates are parties in various legal proceedings and potential claims arising in the ordinary course of its business. In addition, the health care industry as a whole is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to government review and interpretation as well as regulatory actions, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services. Management believes that CCHC and its affiliates are in compliance with current laws and regulations and does not believe that these matters will have a material adverse effect on CCHC and its affiliates consolidated financial statements.

At September 30, 2022 and 2021, Healthcare had commitments totaling approximately \$6,887,000 and \$1,295,000, respectively, related to construction projects.

At September 30, 2022 Healthcare has incurred \$78,806,000 in costs related to the electronic medical record software project, of which \$59,799,000 has been recorded as software assets on the consolidated balance sheet and are being amortized over 15 years. Of these costs, \$11,518,000 represent the software license fee which will be paid in equal installments through fiscal 2024.

# Cape Cod Healthcare, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### September 30, 2022 and 2021

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#### 14. Concentration of Credit Risk

Financial instruments that potentially subject Healthcare to concentrations of credit risk are patient and other accounts receivable, cash and cash equivalents, derivatives, and investments. CCHC and its affiliates are located in the Cape Cod area of Massachusetts. The entities grant credit without collateral to their patients, many of whom are local residents and are insured under third-party payor agreements.

Accounts receivable from patients and third-party payors at September 30, 2022 and 2021, were as follows:

	2022	2021
BlueCross and BlueShield	15%	15%
Medicare	42%	43%
Medicaid	4%	3%
Other third-party payors	24%	26%
Patients	15%	13%
	100%	100%

A significant portion of the accounts receivable from other third-party payors (commercial insurance companies and HMOs) is derived from two Massachusetts managed care companies. Although management expects amounts recorded as net accounts receivable to be collectible, this concentration of credit risk is expected to continue in the near term.

#### 15. Subsequent Events

Healthcare has assessed the impact of subsequent events through January 12, 2023, the date that the audited consolidated financial statements were issued and has concluded that there were no events that require adjustment to the audited consolidated financial statements or disclosure in the footnotes to the audited consolidated financial statements.

## **Supplemental Consolidating Information**

Cape Cod Healthcare, Inc. and Affiliates  
Consolidating Balance Sheet  
September 30, 2022

	Total	Eliminations	CCHC	CCHC Foundation	Cape Cod Hospital	Falmouth Hospital Association	Cape and Islands	VNA of Cape Cod	Human Services	Falmouth Assisted Living	JML Care Center	Cape Cod Medical Office Building	Captive Insurance	Cape Cod Research Institute	Medical Affiliates
<b>Assets</b>															
Current Assets:															
Cash and cash equivalents	\$ 50,140,496	\$ -	\$ 8,049,392	\$ 29,771,895	\$ 3,251,477	\$ 1,617,440	\$ -	\$ 933,418	\$ 707,919	\$ 331,904	\$ 511,962	\$ -	\$ 971,615	\$ 4,562	\$ 3,988,9 2
Short-term investments	63,808,518	-	-	50,695	22,241,992	2,894,527	-	-	-	-	-	-	38,621,304	-	-
Patient accounts receivables	86,869,561	-	-	-	58,636,786	16,535,154	-	4,373,669	146,325	21,990	546,055	-	-	-	6,609,582
Current portion of pledges receivable, net	3,256,845	-	-	3,256,845	-	-	-	-	-	-	-	-	-	-	-
Other receivables, net	14,618,249	(2,338,364)	6,371,480	110,563	4,344,174	1,351,197	517,011	219,825	-	-	-	-	3,108,139	-	934,2 4
Insurance recovery receivable	-	(34,858,165)	34,858,165	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of funds whose use is limited or restricted	6,274,841	-	2,704,624	3,559,655	70	9	-	-	-	-	10,483	-	-	-	-
Supplies	18,476,161	-	957,655	-	13,841,837	3,597,313	-	-	-	-	79,356	-	-	-	-
Prepaid expenses and other current assets	10,038,860	-	7,163,497	15,131	2,192,870	278,900	2,693	87,482	7,480	-	-	-	10,894	-	279,913
Due from affiliates	-	(110,881,630)	35,414,793	16,836,134	47,787,690	-	491,979	6,197,776	3,259,932	761,219	-	-	-	132,107	-
Total current assets	253,483,531	(148,078,159)	95,519,606	53,600,918	152,296,896	26,274,540	1,011,683	11,812,170	4,121,656	1,115,113	1,147,856	-	42,711,952	136,669	11,812,631
Long-term investments	430,732,904	(158,081,873)	150,600,192	-	245,540,535	161,958,790	-	15,627,917	-	14,128,434	958,909	-	-	-	-
Funds whose use is limited or restricted	55,868,193	(68,507,447)	55,672,329	-	44,086,340	15,108,610	-	6,067,325	-	195,864	3,245,172	-	-	-	-
Property and equipment, net	329,875,741	-	50,211,445	152,881	185,739,511	66,826,363	58,917	4,127,595	21,723	2,418,614	17,832,810	15,000	-	-	2,470,882
Software assets, net	51,895,428	-	51,895,428	-	-	-	-	-	-	-	-	-	-	-	-
Right-of-use assets - operating	17,459,426	-	12,016,761	70,736	2,175,783	1,029,617	49,465	735,275	110,880	-	-	-	-	-	1,270,909
Pledges receivable, net of current portion	12,667,450	-	-	12,667,450	-	-	-	-	-	-	-	-	-	-	-
Other assets	5,851,404	(2,166,846)	7,502,396	-	515,854	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 1,157,834,077	\$ (376,834,325)	\$ 423,418,157	\$ 66,491,985	\$ 630,354,919	\$ 271,197,920	\$ 1,120,065	\$ 38,370,282	\$ 4,254,259	\$ 17,858,025	\$ 23,184,747	\$ 15,000	\$ 42,711,952	\$ 136,669	\$ 15,554,422
<b>Liabilities and Net Assets</b>															
Current liabilities															
Current portion of long-term debt and finance lease obligations	11,120,783	-	308,103	-	7,920,284	2,837,087	-	55,309	-	-	-	-	-	-	-
Current portion of operating lease obligations	4,848,883	-	2,411,112	70,735	796,558	385,896	31,231	404,799	88,506	-	-	-	-	-	660,046
Accounts payable and accrued expenses	131,039,165	-	57,110,764	184,858	46,144,373	11,707,775	308,184	3,224,186	100,013	162,482	806,135	3,100	193,497	-	11,093,798
Professional liability claims	-	(34,858,165)	34,858,165	-	-	-	-	-	-	-	-	-	-	-	-
Estimated settlements with third-party payors	17,951,350	-	-	-	13,553,106	4,398,244	-	-	-	-	-	-	-	-	-
Due to affiliates	-	(110,881,630)	66,777,411	3,024,474	3,912,941	15,546,261	414,865	2,153,792	733,354	229,977	13,131,712	4,096	-	149,532	4,803,215
Other current liabilities	6,701,729	(604,719)	4,835,913	-	1,058,832	7,655	-	702,255	-	-	55,803	-	604,719	-	41,271
Total current liabilities	171,661,910	(146,344,514)	166,301,468	3,280,067	73,386,094	34,882,918	754,280	6,540,341	921,873	392,459	13,993,650	7,196	798,216	149,532	16,598,330
Interest rate swap liabilities	16,830	-	-	-	16,830	-	-	-	-	-	-	-	-	-	-
Other liabilities	53,693,419	(1,733,645)	15,478,814	-	-	-	-	-	-	201,364	-	-	39,746,886	-	-
Long-term debt and finance lease obligations, net of current portion	94,860,360	-	2,942,563	-	75,237,781	16,587,680	-	92,336	-	-	-	-	-	-	-
Long-term operating lease obligations, net of current portion	12,838,900	-	9,820,957	-	1,379,420	644,890	19,104	339,236	22,374	-	-	-	-	-	612,919
Total liabilities	333,071,419	(148,078,159)	194,543,802	3,280,067	150,020,125	52,115,488	773,384	6,971,913	944,247	593,823	13,993,650	7,196	40,545,102	149,532	17,211,249
Net Assets															
Without donor restrictions	746,593,557	(160,248,720)	185,677,813	30,651,274	436,241,213	203,973,822	346,681	22,926,370	3,310,012	17,264,202	5,945,926	7,804	2,166,850	(12,863)	(1,656,827)
With donor restrictions	78,169,101	(68,507,446)	43,196,542	32,560,644	44,093,581	15,108,610	-	8,471,999	-	-	3,245,171	-	-	-	-
Total net assets	824,762,658	(228,756,166)	228,874,355	63,211,918	480,334,794	219,082,432	346,681	31,398,369	3,310,012	17,264,202	9,191,097	7,804	2,166,850	(12,863)	(1,656,827)
Total liabilities and net assets	\$ 1,157,834,077	\$ (376,834,325)	\$ 423,418,157	\$ 66,491,985	\$ 630,354,919	\$ 271,197,920	\$ 1,120,065	\$ 38,370,282	\$ 4,254,259	\$ 17,858,025	\$ 23,184,747	\$ 15,000	\$ 42,711,952	\$ 136,669	\$ 15,554,422

The accompanying note is an integral part of this supplemental consolidating information.

Cape Cod Healthcare, Inc. and Affiliates  
Cape Cod Healthcare Consolidating Statement of Operations and Changes in Net Assets  
Year Ended September 30, 2022

	Total	Eliminations	CCHC	CCHC Foundation	Cape Cod Hospital	Falmouth Hospital Association	Cape and Islands	VNA of Cape Cod	Human Services	Falmouth Assisted Living	JML Care Center	Cape Cod Medical Office Building	Captive Insurance	Cape Cod Research Institute	Medical Affiliates
<b>Operating revenue</b>															
Patient service revenue	\$ 940,678,698	\$ -	\$ -	\$ -	\$ 620,342,431	\$ 172,131,138	\$ -	\$ 43,949,139	\$ 1,960,982	\$ 2,505,867	\$ 9,259,583	\$ -	\$ -	\$ -	\$ 90,529,558
Other revenue	60,812,782	(90,215,772)	129,018,134	8	10,671,312	2,614,234	6,096,608	624,297	13,313	514,759	16,878	-	631,345	-	827,666
COVID-19 grant revenue	19,881,151	-	1,246	-	15,495,595	3,500,122	-	237,120	-	-	591,450	-	-	-	55,618
Net assets released from restrictions	3,465,756	-	138,395	-	1,854,830	657,948	-	693,134	-	-	119,052	-	-	-	2,397
Total operating revenue	1,024,838,387	(90,215,772)	129,157,775	8	648,364,168	178,903,442	6,096,608	45,503,690	1,974,295	3,020,626	9,986,963	-	631,345	-	91,415,239
<b>Operating expenses</b>															
Salaries and wages	382,765,485	-	32,414,614	-	212,378,503	66,902,093	2,749,591	26,923,104	1,432,366	1,354,943	6,732,742	-	-	-	31,877,529
Physicians' salaries and fees	135,454,426	-	4,599,478	-	67,114,346	12,901,077	51,996	280,400	852,201	-	60,600	-	-	-	49,594,328
Employee benefits	118,410,335	-	6,419,328	-	66,090,856	19,907,621	1,190,689	8,112,626	427,377	405,463	1,857,933	-	-	-	13,998,442
Supplies and other	352,923,100	(89,560,720)	73,812,013	-	261,289,613	69,118,426	793,768	9,669,271	504,113	1,570,394	4,266,027	37,179	(5,709,749)	(170)	27,132,935
Depreciation and other non-cash items	38,598,792	-	10,615,886	-	19,131,837	6,516,405	39,232	428,156	25,749	230,794	1,035,473	-	-	-	575,260
Interest	2,996,005	-	301,105	-	2,174,145	513,515	-	7,240	-	-	-	-	-	-	-
Total operating expenses	1,031,148,143	(89,560,720)	128,162,424	-	628,179,300	175,859,137	4,825,276	45,420,797	3,241,806	3,561,594	13,952,775	37,179	(5,709,749)	(170)	123,178,494
(Loss) income from operations	(6,309,756)	(655,052)	995,351	8	20,184,868	3,044,305	1,271,332	82,893	(1,267,511)	(540,968)	(3,965,812)	(37,179)	6,341,094	170	(31,763,255)
<b>Nonoperating gains (losses)</b>															
Investment income	6,089,328	(1,989,054)	2,811,103	-	3,078,480	1,972,796	-	169,584	-	170,680	7,128	-	(131,389)	-	-
Realized gains on investments, net	10,105,485	(3,133,482)	3,298,152	(46,163)	5,005,832	3,293,863	-	284,819	-	290,232	11,211	-	1,101,021	-	-
Change in net unrealized (losses) gains on equity investments	(80,357,355)	23,161,942	(27,853,086)	-	(38,223,057)	(25,458,722)	-	(1,996,447)	-	(2,251,558)	(97,903)	-	(7,638,524)	-	-
Net contributions	9,343,025	(4,463,683)	-	9,343,025	2,430,920	626,467	-	1,391,817	-	6,450	8,029	-	-	-	-
Change in fair value of interest rate swaps	326,403	-	-	-	326,403	-	-	-	-	-	-	-	-	-	-
Other nonoperating gains	4,222,206	-	2,696,482	-	1,434,493	91,231	-	-	-	-	-	-	-	-	-
Total nonoperating (losses) gains, net	(50,270,908)	13,575,723	(19,047,349)	9,296,862	(25,946,929)	(19,474,365)	-	(150,227)	-	(1,784,196)	(71,535)	-	(6,668,892)	-	-
(Deficit) excess of revenue and gains over expenses and losses	(56,580,664)	12,920,671	(18,051,998)	9,296,870	(5,762,061)	(16,430,060)	1,271,332	(67,334)	(1,267,511)	(2,325,164)	(4,037,347)	(37,179)	(327,798)	170	(31,763,255)
<b>Other changes in net assets without donor restrictions</b>															
Change in net unrealized losses on investments	(6,928,166)	2,311,931	(2,439,256)	-	(3,831,816)	(2,536,188)	-	(197,818)	-	(225,639)	(9,380)	-	-	-	-
Net assets released from restrictions used for capital purposes	1,233,929	-	9,868	-	642,283	-	-	-	-	-	581,778	-	-	-	-
Transfer to (from) affiliates	-	(70,778)	(1,470,471)	1,506,205	(21,473,240)	(7,203,360)	(1,391,379)	(45,642)	1,300,186	-	-	35,039	-	-	28,813,440
(Decrease) increase in net assets without donor restriction	(62,274,901)	15,161,824	(21,951,857)	10,803,075	(30,424,834)	(26,169,608)	(120,047)	(310,794)	32,675	(2,550,803)	(3,464,949)	(2,140)	(327,798)	170	(2,949,815)
<b>Net assets with donor restrictions</b>															
Investment Income	741,530	(729,884)	741,530	-	176,299	390,782	-	129,258	-	-	33,545	-	-	-	-
Net contributions	6,482,516	(6,316,231)	-	6,482,516	3,754,082	1,300,692	-	259,182	-	-	1,002,275	-	-	-	-
Net realized and unrealized (losses) gains on investments	(3,226,619)	3,109,408	(3,226,618)	-	(476,187)	(1,559,480)	-	(648,657)	-	-	(425,085)	-	-	-	-
Change in value of beneficial interest in perpetual trusts	(5,204,609)	5,204,609	(5,204,608)	-	(4,889,782)	(103,932)	-	(210,896)	-	-	-	-	-	-	-
Change in value of split interest agreements	(44,597)	44,597	(44,597)	-	5,670	(39,212)	-	(11,055)	-	-	-	-	-	-	-
Net assets released from restrictions for operations	(3,465,756)	3,324,964	(2,858,591)	(607,165)	(158,307)	(2,354,471)	-	(693,134)	-	-	(119,052)	-	-	-	-
Net assets released from restrictions for capital purposes	(1,233,929)	1,231,306	-	(1,241,173)	(642,284)	-	-	-	-	-	(581,778)	-	-	-	-
Transfer to (from) affiliates	-	-	284,054	(284,054)	-	-	-	-	-	-	-	-	-	-	-
(Decrease) increase in net assets with donor restrictions	(5,951,464)	5,868,769	(10,308,830)	4,350,124	(2,230,509)	(2,365,621)	-	(1,175,302)	-	-	(90,095)	-	-	-	-
Total (decrease) increase in net assets	(68,226,365)	21,030,593	(32,260,687)	15,153,199	(32,655,343)	(28,535,229)	(120,047)	(1,486,096)	32,675	(2,550,803)	(3,555,044)	(2,140)	(327,798)	170	(2,949,815)
<b>Net assets</b>															
Beginning of year	892,989,023	(249,786,759)	261,135,042	48,058,719	512,990,137	247,617,661	466,728	32,884,465	3,277,337	19,815,005	12,746,141	9,944	2,494,648	(13,033)	1,292,988
End of year	\$ 824,762,658	\$ (228,756,166)	\$ 228,874,355	\$ 63,211,918	\$ 480,334,794	\$ 219,082,432	\$ 346,681	\$ 31,398,369	\$ 3,310,012	\$ 17,264,202	\$ 9,191,097	\$ 7,804	\$ 2,166,850	\$ (12,863)	\$ (1,656,827)

The accompanying note is an integral part of this supplemental consolidating information.

**Cape Cod Healthcare, Inc. and Affiliates**  
**Cape Cod Healthcare Obligated Group Consolidating Balance Sheet**  
**September 30, 2022**

	<b>Total</b>	<b>Other Entities and Eliminations</b>	<b>Total Obligated Group</b>	<b>Eliminations</b>	<b>CCHC</b>	<b>CCHC Foundation</b>	<b>Cape Cod Hospital</b>	<b>Falmouth Hospital Association</b>
<b>Assets</b>								
Current Assets:								
Cash and cash equivalents	\$ 50,140,496	\$ 7,450,292	\$ 42,690,204	\$ -	\$ 8,049,392	\$ 29,771,895	\$ 3,251,477	\$ 1,617,440
Short-term investments	63,808,518	38,621,304	25,187,214	-	-	50,695	22,241,992	2,894,527
Patient accounts receivables	86,869,561	11,697,621	75,171,940	-	-	-	58,636,786	16,535,154
Current portion of pledges receivable, net	3,256,845	-	3,256,845	-	-	3,256,845	-	-
Other receivables, net	14,618,249	369,664	14,248,585	2,071,171	6,371,480	110,563	4,344,174	1,351,197
Insurance recovery receivable	-	-	-	(34,858,165)	34,858,165	-	-	-
Current portion of funds whose use is limited or restricted	6,274,841	10,483	6,264,358	-	2,704,624	3,559,655	70	9
Supplies	18,476,161	79,356	18,396,805	-	957,655	-	13,841,837	3,597,313
Prepaid expenses and other current assets	10,038,860	388,462	9,650,398	-	7,163,497	15,131	2,192,870	278,900
Due from affiliates	-	(12,600,808)	12,600,808	(87,437,809)	35,414,793	16,836,134	47,787,690	-
Total current assets	253,483,531	46,016,374	207,467,157	(120,224,803)	95,519,606	53,600,918	152,296,896	26,274,540
Long-term investments	430,732,904	-	430,732,904	(127,366,613)	150,600,192	-	245,540,535	161,958,790
Funds whose use is limited or restricted	55,868,193	195,864	55,672,329	(59,194,950)	55,672,329	-	44,086,340	15,108,610
Property and equipment, net	329,875,741	26,945,541	302,930,200	-	50,211,445	152,881	185,739,511	66,826,363
Software assets, net	51,895,428	-	51,895,428	-	51,895,428	-	-	-
Right-of-use assets - operating	17,459,426	2,166,529	15,292,897	-	12,016,761	70,736	2,175,783	1,029,617
Pledges receivable, net of current portion	12,667,450	-	12,667,450	-	-	12,667,450	-	-
Other assets	5,851,404	(2,166,846)	8,018,250	-	7,502,396	-	515,854	-
Total assets	<u>\$ 1,157,834,077</u>	<u>\$ 73,157,462</u>	<u>\$ 1,084,676,615</u>	<u>\$ (306,786,366)</u>	<u>\$ 423,418,157</u>	<u>\$ 66,491,985</u>	<u>\$ 630,354,919</u>	<u>\$ 271,197,920</u>
<b>Liabilities and Net Assets</b>								
Current liabilities								
Current portion of long-term debt and finance lease obligations	11,120,783	55,309	11,065,474	-	308,103	-	7,920,284	2,837,087
Current portion of operating lease obligations	4,848,883	1,184,582	3,664,301	-	2,411,112	70,735	796,558	385,896
Accounts payable and accrued expenses	131,039,165	15,891,395	115,147,770	-	57,110,764	184,858	46,144,373	11,707,775
Professional liability claims	-	-	-	(34,858,165)	34,858,165	-	-	-
Estimated settlements with third-party payors	17,951,350	-	17,951,350	-	-	-	13,553,106	4,398,244
Due to affiliates	-	(1,823,278)	1,823,278	(87,437,809)	66,777,411	3,024,474	3,912,941	15,546,261
Other current liabilities	6,701,729	799,329	5,902,400	-	4,835,913	-	1,058,832	7,655
Total current liabilities	171,661,910	16,107,337	155,554,573	(122,295,974)	166,301,468	3,280,067	73,386,094	34,882,918
Interest rate swap liabilities	16,830	-	16,830	-	-	-	16,830	-
Other liabilities	53,693,419	36,143,434	17,549,985	2,071,171	15,478,814	-	-	-
Long-term debt and finance lease obligations, net of current portion	94,860,360	92,336	94,768,024	-	2,942,563	-	75,237,781	16,587,680
Long-term operating lease obligations, net of current portion	12,838,900	993,633	11,845,267	-	9,820,957	-	1,379,420	644,890
Total liabilities	333,071,419	53,336,740	279,734,679	(120,224,803)	194,543,802	3,280,067	150,020,125	52,115,488
Net assets								
Without donor restriction	746,593,557	17,416,048	729,177,509	(127,366,613)	185,677,813	30,651,274	436,241,213	203,973,822
With donor restrictions	78,169,101	2,404,674	75,764,427	(59,194,950)	43,196,542	32,560,644	44,093,581	15,108,610
Total net assets	824,762,658	19,820,722	804,941,936	(186,561,563)	228,874,355	63,211,918	480,334,794	219,082,432
Total liabilities and net assets	<u>\$ 1,157,834,077</u>	<u>\$ 73,157,462</u>	<u>\$ 1,084,676,615</u>	<u>\$ (306,786,366)</u>	<u>\$ 423,418,157</u>	<u>\$ 66,491,985</u>	<u>\$ 630,354,919</u>	<u>\$ 271,197,920</u>

The accompanying note is an integral part of this supplemental consolidating information.

**Cape Cod Healthcare, Inc. and Affiliates**  
**Cape Cod Healthcare Obligated Group Consolidating Statement of Operations and Changes in Net Assets**  
**Year Ended September 30, 2022**

	Total	Other Entities and Eliminations	Total Obligated Group	Eliminations	CCHC	CCHC Foundation	Cape Cod Hospital	Falmouth Hospital Association
<b>Operating revenue</b>								
Patient service revenue	\$ 940,678,698	\$ 148,205,129	\$ 792,473,569	\$ -	\$ -	\$ -	\$ 620,342,431	\$ 172,131,138
Other revenue	60,812,782	(519,365)	61,332,147	(80,971,541)	129,018,134	8	10,671,312	2,614,234
COVID-19 grant revenue	19,881,151	884,188	18,996,963	-	1,246	-	15,495,595	3,500,122
Net assets released from restrictions	<u>3,465,756</u>	<u>814,583</u>	<u>2,651,173</u>	<u>-</u>	<u>138,395</u>	<u>-</u>	<u>1,854,830</u>	<u>657,948</u>
Total operating revenue	<u>1,024,838,387</u>	<u>149,384,535</u>	<u>875,453,852</u>	<u>(80,971,541)</u>	<u>129,157,775</u>	<u>8</u>	<u>648,364,168</u>	<u>178,903,442</u>
<b>Operating expenses</b>								
Salaries and wages	382,765,485	71,070,275	311,695,210	-	32,414,614	-	212,378,503	66,902,093
Physicians' salaries and fees	135,454,426	50,839,525	84,614,901	-	4,599,478	-	67,114,346	12,901,077
Employee benefits	118,410,335	25,992,530	92,417,805	-	6,419,328	-	66,090,856	19,907,621
Supplies and other	352,923,100	28,720,055	324,203,045	(80,017,007)	73,812,013	-	261,289,613	69,118,426
Depreciation and other non-cash items	38,598,792	2,334,664	36,264,128	-	10,615,886	-	19,131,837	6,516,405
Interest	<u>2,996,005</u>	<u>7,240</u>	<u>2,988,765</u>	<u>-</u>	<u>301,105</u>	<u>-</u>	<u>2,174,145</u>	<u>513,515</u>
Total expenses	<u>1,031,148,143</u>	<u>178,964,289</u>	<u>852,183,854</u>	<u>(80,017,007)</u>	<u>128,162,424</u>	<u>-</u>	<u>628,179,300</u>	<u>175,859,137</u>
(Loss) income from operations	<u>(6,309,756)</u>	<u>(29,579,754)</u>	<u>23,269,998</u>	<u>(954,534)</u>	<u>995,351</u>	<u>8</u>	<u>20,184,868</u>	<u>3,044,305</u>
<b>Nonoperating gains (losses)</b>								
Investment income	6,089,328	(131,389)	6,220,717	(1,641,662)	2,811,103	-	3,078,480	1,972,796
Realized gains (losses) on investments, net	10,105,485	1,101,021	9,004,464	(2,547,220)	3,298,152	(46,163)	5,005,832	3,293,863
Change in net unrealized (losses) gains on equity investments	(80,357,355)	(7,638,524)	(72,718,831)	18,816,034	(27,853,086)	-	(38,223,057)	(25,458,722)
Net contributions	9,343,025	-	9,343,025	(3,057,387)	-	9,343,025	2,430,920	626,467
Change in fair value of interest rate swaps	326,403	-	326,403	-	-	-	326,403	-
Other nonoperating gains	<u>4,222,206</u>	<u>-</u>	<u>4,222,206</u>	<u>-</u>	<u>2,696,482</u>	<u>-</u>	<u>1,434,493</u>	<u>91,231</u>
Total nonoperating (losses) gains, net	<u>(50,270,908)</u>	<u>(6,668,892)</u>	<u>(43,602,016)</u>	<u>11,569,765</u>	<u>(19,047,349)</u>	<u>9,296,862</u>	<u>(25,946,929)</u>	<u>(19,474,365)</u>
(Deficit) excess of revenue and gains over expenses and losses	(56,580,664)	(36,248,646)	(20,332,018)	10,615,231	(18,051,998)	9,296,870	(5,762,061)	(16,430,060)
<b>Other changes in net assets without donor restrictions</b>								
Change in net unrealized losses on investments	(6,928,166)	-	(6,928,166)	1,879,094	(2,439,256)	-	(3,831,816)	(2,536,188)
Net assets released from restrictions used for capital purposes	1,233,929	581,778	652,151	-	9,868	-	642,283	-
Transfer to (from) affiliates	<u>-</u>	<u>28,411,472</u>	<u>(28,411,472)</u>	<u>229,394</u>	<u>(1,470,471)</u>	<u>1,506,205</u>	<u>(21,473,240)</u>	<u>(7,203,360)</u>
Decrease (increase) in net assets without donor restriction	<u>(62,274,901)</u>	<u>(7,255,396)</u>	<u>(55,019,505)</u>	<u>12,723,719</u>	<u>(21,951,857)</u>	<u>10,803,075</u>	<u>(30,424,834)</u>	<u>(26,169,608)</u>
<b>Net assets with donor restrictions</b>								
Investment Income	741,530	-	741,530	(567,081)	741,530	-	176,299	390,782
Net contributions	6,482,516	-	6,482,516	(5,054,774)	-	6,482,516	3,754,082	1,300,692
Net realized and unrealized (losses) gains on investments	(3,226,619)	-	(3,226,619)	2,035,666	(3,226,618)	-	(476,187)	(1,559,480)
Change in value of beneficial interest in perpetual trusts	(5,204,609)	-	(5,204,609)	4,993,713	(5,204,608)	-	(4,889,782)	(103,932)
Change in value of split interest agreements	(44,597)	-	(44,597)	33,542	(44,597)	-	5,670	(39,212)
Net assets released from restrictions for operations	(3,465,756)	-	(3,465,756)	2,512,778	(2,858,591)	(607,165)	(158,307)	(2,354,471)
Net assets released from restrictions for capital purposes	(1,233,929)	-	(1,233,929)	649,528	-	(1,241,173)	(642,284)	-
Transfer to (from) affiliates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,054</u>	<u>(284,054)</u>	<u>-</u>	<u>-</u>
(Decrease) increase in net assets with donor restriction	<u>(5,951,464)</u>	<u>-</u>	<u>(5,951,464)</u>	<u>4,603,372</u>	<u>(10,308,830)</u>	<u>4,350,124</u>	<u>(2,230,509)</u>	<u>(2,365,621)</u>
Total (decrease) increase in net assets	(68,226,365)	(7,255,396)	(60,970,969)	17,327,091	(32,260,687)	15,153,199	(32,655,343)	(28,535,229)
<b>Net assets</b>								
Beginning of year	<u>892,989,023</u>	<u>27,076,118</u>	<u>865,912,905</u>	<u>(203,888,654)</u>	<u>261,135,042</u>	<u>48,058,719</u>	<u>512,990,137</u>	<u>247,617,661</u>
End of year	<u>\$ 824,762,658</u>	<u>\$ 19,820,722</u>	<u>\$ 804,941,936</u>	<u>\$ (186,561,563)</u>	<u>\$ 228,874,355</u>	<u>\$ 63,211,918</u>	<u>\$ 480,334,794</u>	<u>\$ 219,082,432</u>

The accompanying note is an integral part of this supplemental consolidating information.



**Cape Cod Healthcare, Inc. and Affiliates**  
**Note to Supplemental Consolidating Information**  
**September 30, 2022**

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**1. Basis of presentation**

The accompanying supplemental consolidating information includes the consolidating balance sheets and the consolidating statement of operations and changes in net assets of the individual consolidated entities of Healthcare as of and for the year ended September 30, 2022. All intercompany accounts and transactions between entities have been eliminated in consolidation. The consolidating information presented has been prepared in accordance with accounting principles generally accepted in the United States of America consistent with the consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements and is not required as part of the basic financial statements.

The following supplemental information also includes the consolidating balance sheet and the consolidating statement of operations and changes in net assets of the Cape Cod Healthcare Obligated Group as of and for the year ended September 30, 2022. The Cape Cod Healthcare Obligated Group consists of CCHC, CCHC Foundation, CCH and Falmouth Hospital. All intercompany accounts and transactions between these entities have been eliminated in consolidation. The consolidating information presented has been prepared in accordance with accounting principles general accepted in the United States of America consistent with the consolidated financial statements. The consolidating information of the Cape Cod Healthcare Obligated Group is presented for purposes of additional analysis of the consolidated financial statements and is not required as part of the basic financial statements.