

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

The University of Vermont Health Network Inc. and Subsidiaries
Years Ended September 30, 2022 and 2021
With Report of Independent Auditors

Ernst & Young LLP



The University of Vermont Health Network Inc. and Subsidiaries

Consolidated Financial Statements and
Supplementary Information

Years Ended September 30, 2022 and 2021

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Report of Independent Auditors

The Board of Trustees
The University of Vermont Health Network Inc.

Opinion

We have audited the consolidated financial statements of The University of Vermont Health Network Inc. and its subsidiaries (the Network), which comprise the consolidated balance sheet as of September 30, 2022, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Network at September 30, 2022, and the results of its operations, changes in its net assets and its cash flows for the year 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 (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Network, 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.

Report of Other Auditors on September 30, 2021 Financial Statements

The consolidated financial statements of the Network for the year ended September 30, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on January 27, 2022.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating balance sheets as of September 30, 2022 and consolidating statements of operations for the year then ended, as well as the Financial Responsibility Supplemental Schedule Related to U.S. Department of Education Title IV Regulations as of and for the year ended September 31, 2022, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst + Young LLP

January 26, 2023

The University of Vermont Health Network Inc. and Subsidiaries

Consolidated Balance Sheets

	September 30	
	2022	2021
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 295,562	\$ 442,413
Short-term investments	23,129	19,069
Current portion of assets whose use is limited or restricted	8,444	9,926
Patient and other trade accounts receivable	307,672	303,360
Inventories	75,401	69,731
Receivables from third-party payors	16,972	12,411
Prepaid and other current assets	53,890	52,355
Total current assets	781,070	909,265
Assets whose use is limited or restricted:		
Board-designated assets	604,113	851,773
Assets held by trustee under bond indenture agreements	229	5,057
Restricted assets	90,093	105,214
Donor-restricted assets for specific purposes	52,813	65,251
Donor-restricted assets for perpetual endowment	47,372	44,850
Total assets whose use is limited or restricted	794,620	1,072,145
Property and equipment, net	849,798	878,032
Operating lease right of use assets, net	60,346	63,036
Finance lease right of use assets, net	3,103	3,777
Other	37,756	35,492
Total assets	\$ 2,526,693	\$ 2,961,747
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 46,436	\$ 47,945
Accrued expenses and other liabilities	107,466	73,084
Accrued payroll and related benefits	152,200	153,624
Current installments of long-term debt	48,824	33,089
Current portion of third-party payor settlements	17,778	41,576
Incurred but not reported claims	27,999	24,900
Operating lease right of use obligations	13,429	12,914
Finance lease right of use obligations	1,353	1,266
Current portion of contract liabilities	29,891	98,884
Total current liabilities	445,376	487,282
Long-term liabilities:		
Long-term debt, net of current installments	639,635	676,965
Malpractice and workers' compensation claims, net of current portion	48,466	47,936
Pension and other postretirement benefit obligations	16,644	22,204
Third-party payor settlements, net of current portion	9,077	20,261
Operating lease right of use obligations, net of current portion	48,212	51,228
Finance lease right of use obligations, net of current portion	1,531	2,007
Contract liabilities, net of current portion	-	26,130
Other	10,728	32,263
Total long-term liabilities	774,293	878,994
Total liabilities	1,219,669	1,366,276
Net assets:		
Without donor restrictions	1,196,932	1,468,017
With donor restrictions:		
Time or purpose	62,698	77,423
Perpetual	47,394	50,031
Total with donor restrictions	110,092	127,454
Total net assets	1,307,024	1,595,471
Total liabilities and net assets	\$ 2,526,693	\$ 2,961,747

See accompanying notes.

The University of Vermont Health Network Inc. and Subsidiaries

Consolidated Statements of Operations

	Years Ended September 30	
	2022	2021
	<i>(In Thousands)</i>	
Revenue and other support without donor restrictions		
Net patient service revenue before Enhanced Medicaid Graduate Medical Education revenues	\$ 2,046,549	\$ 1,864,621
Enhanced Medicaid Graduate Medical Education revenues – Hospital	21,388	10,975
Enhanced Medicaid Graduate Medical Education revenues – Professional	31,112	19,025
Net patient service revenue	2,099,049	1,894,621
Fixed prospective payment revenue	263,820	242,414
Premium revenue	6,291	10,333
Outpatient and specialty pharmacy revenue	228,182	192,696
Net assets released from restrictions	56,162	97,466
Other revenue	115,978	81,994
Total revenue and other support without donor restrictions	2,769,482	2,519,524
Expenses		
Salaries, payroll taxes, and fringe benefits	1,760,240	1,517,615
Supplies and other	738,911	650,224
Purchased services	141,979	113,637
Provider tax	108,989	98,560
Depreciation and amortization	100,722	95,657
Interest expense	20,313	20,175
Total expenses	2,871,154	2,495,868
(Loss) income from operations	(101,672)	23,656
Nonoperating gains (losses)		
Investment income	55,160	39,208
Change in fair value of interest rate swap agreements	13,324	7,039
Other components of pension income (expense)	5,753	(43,158)
Net change in unrealized (losses) gains on investments	(238,915)	79,403
Other	(4,620)	(20,161)
Total nonoperating (losses) gains, net	(169,298)	62,331
(Deficiency) excess of revenue over expenses	(270,970)	85,987
Net change in unrealized losses on fixed-income investments	(3,118)	(699)
Net assets released from restrictions for capital purchases	1,977	8,483
Pension related adjustments	1,148	84,230
Transfers and other	(122)	(516)
(Decrease) increase in net assets without donor restrictions	\$ (271,085)	\$ 177,485

See accompanying notes.

The University of Vermont Health Network Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets

	Years Ended September 30	
	2022	2021
	<i>(In Thousands)</i>	
Changes in net assets without donor restrictions		
(Deficiency) excess of revenue over expenses	\$ (270,970)	\$ 85,987
Net change in unrealized losses on fixed income investments	(3,118)	(699)
Net assets released from restrictions for capital purchases	1,977	8,483
Pension related adjustments	1,148	84,230
Transfers and other	(122)	(516)
(Decrease) increase in net assets without donor restrictions	<u>(271,085)</u>	<u>177,485</u>
Changes in net assets with donor restrictions		
Gifts, grants, and bequests	56,203	104,184
Investment (loss) income	(1,585)	1,097
Net change in unrealized (losses) gains on investments	(12,120)	11,085
Net realized gains on investments	1,839	2,240
Net assets released from restrictions used in operations	(55,767)	(97,466)
Net assets released from restrictions used for capital purchases	(1,977)	(8,483)
Change in beneficial interest in perpetual trusts	(3,717)	3,199
Transfer of net assets	(238)	(1,108)
(Decrease) increase in net assets with donor restrictions	<u>(17,362)</u>	<u>14,748</u>
(Decrease) increase in net assets	<u>(288,447)</u>	<u>192,233</u>
Net assets		
Beginning of year	<u>1,595,471</u>	<u>1,403,238</u>
End of year	<u>\$ 1,307,024</u>	<u>\$ 1,595,471</u>

See accompanying notes.

The University of Vermont Health Network Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Years Ended September 30	
	2022	2021
	<i>(In Thousands)</i>	
Operating activities		
(Decrease) increase in net assets	\$ (288,447)	\$ 192,233
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	100,722	95,657
Contributions restricted for long-term use	(604)	(228)
Pension related adjustments	(1,148)	(84,230)
Gain (loss) on disposal of property and equipment	(18)	249
Gain on interest rate swap agreements	(13,324)	(7,039)
Realized and unrealized losses (gains) on investments	203,635	(124,858)
Undistributed (gains) losses of affiliated companies	(5,211)	15,929
Change in beneficial interest in perpetual trusts	3,717	(3,199)
Amortization of operating right of use assets	15,225	17,810
(Decrease) increase in cash resulting from a change in:		
Patient and other accounts receivable	(4,312)	(46,753)
Other current and noncurrent assets	(4,873)	16,477
Accounts payable and accrued expenses	33,358	18,612
Accrued payroll and related expenses	(1,424)	9,255
Other current and noncurrent liabilities	(4,581)	3,482
Estimated settlements with third-party payor settlements	(39,543)	(2,096)
Pension and other postretirement benefit obligations	(1,388)	29,535
Right-of-use lease liabilities and assets	(16,633)	(16,258)
Medicare accelerated and advance payments	(95,123)	15,737
Net cash (used in) provided by operating activities	<u>(119,972)</u>	<u>130,315</u>
Investing activities		
Purchases of property and equipment	(71,168)	(65,577)
Proceeds from sale of property and equipment	18	117
Purchase of investments	(84,165)	(165,807)
Proceeds from sale of investments	149,292	49,120
Change in bond proceeds deposited with trustees	-	1,156
Net cash used in investing activities	<u>(6,023)</u>	<u>(180,991)</u>
Financing activities		
Proceeds from contributions restricted for long-term use	604	228
Payments on long-term debt	(29,949)	(29,592)
Borrowings on line of credit	13,000	18,000
Repayments on line of credit	(3,200)	(19,500)
Repayment of finance lease	(1,311)	(2,701)
Net cash used in financing activities	<u>(20,856)</u>	<u>(33,565)</u>
Net decrease in cash and cash equivalents	(146,851)	(84,241)
Cash and cash equivalents		
Beginning of year	442,413	526,654
End of year	<u>\$ 295,562</u>	<u>\$ 442,413</u>
Supplemental cash flow information		
Cash paid during the year for interest	\$ 20,159	\$ 19,523
Capital expenditures included in accounts payable	<u>\$ 4,184</u>	<u>\$ 4,667</u>

See accompanying notes.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended September 30, 2022 and 2021

1. Organization

The University of Vermont Health Network Inc. (UVM Health Network or the Network) is a not-for-profit, tax-exempt Vermont corporation and the sole corporate member of University of Vermont Medical Center, Inc. (UVM Medical Center), University of Vermont Health Network Medical Group, Inc. (UVMHN Medical Group), University of Vermont Health Network – Central Vermont Medical Center, Inc. (CVMC), University of Vermont Health Network – Porter Medical Center, Inc. (PMC), University of Vermont Health Network – Champlain Valley Physicians Hospital (CVPH), University of Vermont Health Network – Elizabethtown Community Hospital (ECH), University of Vermont Health Network – Alice Hyde Medical Center (AHMC), University of Vermont Health Network – Community Providers, Inc. (CPI), UVM Health Network Health Ventures, Inc., Health Network Ventures Holding, LLC, VMC Indemnity Company Ltd. (VMCIC), University of Vermont Health Network – Home Health & Hospice (HH&H), and OneCare Vermont Accountable Care Organization, LLC (OCV). UVM Health Network's purpose is to establish an integrated regional health care system for the development of a highly coordinated health care network to improve the quality, increase the efficiencies, and lower the costs of health care delivery in the regions it serves.

UVM Medical Center is a teaching hospital with 562 licensed beds that, in affiliation with The University of Vermont (UVM), serves as Vermont's academic medical center. As a regional referral center, UVM Medical Center provides advanced level care throughout Vermont and Northern New York, with a full-time emergency department which is certified as a Level 1 Trauma Center. It is UVM Medical Center's mission to improve the health of the people in the communities it serves by integrating patient care, education, and research in a caring environment. As a charitable organization, UVM Medical Center enacts its mission through community benefit programs, many in collaborative partnership with other community-based organizations. These include, but are not limited to, community wellness programs, education, direct grants, free access to a community health resource center, direct financial assistance to patients, and other subsidized programs.

UVM Medical Center is the sole member of University of Vermont Health Network Specialty Care Transport, LLC, University of Vermont Medical Center Skilled Nursing, LLC, University of Vermont Medical Center Foundation, Inc., and University of Vermont Medical Center Executive Services, LLC. Medical Education Center Condominium Association, Inc. is partly owned by UVM Medical Center.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization (continued)

UVMHN Medical Group serves as the governing organization for physicians employed to provide clinical services to affiliated, member hospitals of UVM Health Network. The purpose of the UVMHN Medical Group is to advance the clinical care, education, and training missions of UVM Health Network and its affiliated member hospitals, and the education, training, and research missions of the University of Vermont College of Medicine.

CVMC provides health care services under three distinct business units: Central Vermont Hospital, Woodridge Rehabilitation and Nursing (Woodridge), and the Central Vermont Medical Group Practice. CVMC works collaboratively to meet the needs and improve the health of central Vermont residents. As the sole community hospital of Central Vermont, CVMC provides 24-hour emergency care, 122 licensed beds, and has a full spectrum of inpatient and outpatient services. Woodridge offers 153 licensed beds for long-term and short-term rehabilitative care.

PMC serves as a parent holding company for three subsidiaries: Porter Hospital, Inc. (Porter Hospital), Helen Porter Nursing Home (HPNH), and Porter Real Estate Holdings, LLC (PREH). Porter Hospital operates a 25 licensed bed Critical Access Hospital. HPNH operates a 98 bed long-term community-oriented skilled healthcare and rehabilitation center. PREH is a single-member LLC real estate holding company. All operate facilities in Middlebury, Vermont.

CVPH is the sole member of CVPH Foundation (Foundation) and Valcour Imaging, Inc. Lake Champlain Physician Services, P.C. (LCPS) exists to further the charitable purposes of CVPH through the practice of medicine. CVPH controls LCPS through management agreements. CVPH operates 300 licensed inpatient beds and a 34-bed skilled nursing facility.

ECH, located in Elizabethtown, Essex County, New York, is a 25-bed hospital designated by the Centers of Medicare and Medicaid Services (CMS) as a Critical Access Hospital. ECH provides inpatient, outpatient, and emergency care services for residents in Essex County and admitting physicians are primarily practitioners in the local area.

AHMC operates 76 licensed beds, 135 nursing facility beds and a 30 bed assisted living program in Malone, New York, in addition to providing emergency and outpatient services.

CPI includes Mediquest Corp., Emergency Medical Transport of CVPH, Inc., and Champlain Valley Health Network, Inc.

UVM Health Network Ventures is a for-profit holding company that holds the various for-profit investment activities of UVM Health Network.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization (continued)

Health Network Ventures Holding, LLC is a limited liability company with 501(c)(3) status that holds various investment activities of UVM Health Network.

VMCIC is incorporated in Vermont as a wholly-owned subsidiary of UVM Health Network. VMCIC provides claims made coverage for physician and hospital medical professional liability and general liability risks of UVM Health Network.

HH&H provides home care and hospice services to residents of Chittenden and Grand Isle Counties in Vermont.

Effective October 1, 2021 UVM Health Network is the sole corporate member of OCV. OCV is a 501(c)(3) statewide accountable care organization that comprises an extensive network of providers across a full continuum of care, including hospitals in Vermont and New Hampshire, hundreds of primary and specialty care physicians, federally qualified health centers, designated agencies for mental health and substance use, skilled nursing facilities, home health agencies, and area agencies on aging. UVM Medical Center, CVMC and PMC participate in OCV risk-sharing contracts and paid participation fees to OCV totaling \$11,347,000 and \$9,361,000, recorded as purchased services expense, for the years ending September 30, 2022 and 2021, respectively. Additionally, UVM Medical Center provides various administrative services to OCV, including the processing of payroll and accounts payable transactions. All OCV personnel are UVM Medical Center employees. OCV reimburses UVM Medical Center for all administrative and payroll-related costs, which totaled \$12,774,000 and \$11,345,000 for the years ending September 30, 2022 and 2021, respectively. While UVM Health Network is the sole corporate member of OCV, it does not control the relationship and does not meet the accounting criteria for consolidation. Therefore OCV is not consolidated into the accompanying UVM Health Network financial statements.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of UVM Health Network and its controlled subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Related-Party Transactions

The entities comprising UVM Health Network provide various inter-entity services to their affiliates. These consist of human resources, information systems and telecommunications, general accounting, and other services. Charges are based on the approximate cost to provide the services and are allocated between the entities based on an agreed-upon method, which reflects the approximate level of usage by each entity. Such inter-entity charges and all intercompany balances between the entities eliminate in consolidation.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenues and expenses reported during the period. Significant estimates include implicit and explicit price concessions related to net patient service revenue, receivables and accruals for estimated settlements with third-party payors, contingencies, self-insurance program liabilities, accrued medical claims, and pension and postretirement costs. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less when purchased, excluding amounts classified as assets whose use is limited or restricted.

Most of UVM Health Network's banking activity, including cash and cash equivalents, is maintained with multiple regional banks. Cash deposits exceed federal insurance limits. It is UVM Health Network's policy to monitor these banks' financial strength on an ongoing basis.

UVM Health Network has elected to treat all cash equivalents held within investment portfolios as short-term investments.

Inventories

Inventories are stated using the lesser of average cost or net realizable value.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Prepaid and Other Current Assets

Prepaid and other current assets include miscellaneous non-trade receivables and prepaid expenses primarily related to software maintenance and other contracts.

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted primarily includes board-designated assets, assets held by trustees under indenture agreements, donor-restricted assets, and restricted assets held for insurance-related liabilities. Board-designated assets may be used at the Board's discretion. A significant portion of these assets consists of investments.

Investments and Investment Income

UVM Health Network consolidates all non-pension investment assets into a pooled/unitized structure to gain efficiencies in portfolio management, simplify trades, and reduce trading and investment manager fees. Each participating entity owns a percentage share of each asset class defined as cash, domestic equity, international equity, fixed income and liquid alternative investments. Trading is executed at the asset class level and allocated to each investment portfolio based on their pro-rata ownership of the class. Fair value of the asset class is determined by aggregating the fair value of the underlying investments within each class.

Investments in equity securities and mutual funds with readily determinable fair values and all investments in debt securities are recorded at fair value. Investment income or loss (including realized gains and losses on investments, interest, dividends, and unrealized gains and losses on equity securities and mutual funds), to the extent not capitalized, is included in nonoperating gains (losses), net of direct investment expenses, unless the income or gain (loss) is restricted by donor or law. Effective in fiscal year 2022, a portion of accumulated investment gains is reclassified from nonoperating gains (losses) to other revenue (see Note 7). Realized gains or losses on the sale of investments are determined by use of average costs. Unrealized gains and losses on debt securities are excluded from the deficiency (excess) of revenue over expenses.

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 financial statements.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

UVM Health Network reviews its debt securities annually to identify those for which fair value is below cost, then makes a determination as to whether the investment should be considered other-than-temporarily impaired.

Property and Equipment

Property and equipment acquisitions are recorded at cost or, in the case of gifts, at fair value at the date of the gift. Depreciation is recorded over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Such amortization is included in depreciation and amortization expense in the consolidated financial statements.

Depreciation is calculated using the following estimated useful lives:

Land improvements	2–25 years
Leasehold improvements	2–30 years
Building and improvements	5–40 years
Equipment, furniture, and fixtures	3–30 years

Gifts of long-lived assets, such as land, buildings, or equipment are reported as support without donor restrictions and are excluded from the deficiency (excess) of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions on how the assets are to be used, and gifts that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, expiration of donor restrictions is reported when the donated or acquired long-lived assets are placed in service.

Leases

UVM Health Network recognizes a right of use asset representing the right to use the underlying leased asset and a lease liability representing the obligation to make lease payments at the commencement date of a lease. The right of use asset is measured at its cost less subsequent accumulated amortization and accumulated impairment loss, with adjustments arising from remeasurements of the lease liability, if applicable. The right of use asset is amortized over the shorter of the asset's useful life or the lease term on a straight-line basis from the commencement date of the lease and is classified as operating lease right of use assets, net, or finance lease right of use assets, net, in the consolidated financial statements.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. When measuring the present value, the lease payments are discounted using the interest rate implicit in the lease. If such implicit rate cannot be readily determined, a risk-free rate is used. The lease liability is subsequently increased by interest expense recognized and reduced by lease payments made.

Lease liabilities are classified as operating lease right of use obligations or finance lease right of use obligations and classified as current or long-term, as applicable.

Lease payments on short-term leases (i.e., lease term of 12 months or less at the commencement date) are charged to expense on a straight-line basis over the period of the lease as a practical expedient.

Impairment of Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less costs to sell.

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets, net of investment income on borrowed assets held by trustees, is capitalized as a component of the cost of acquiring those assets. Approximately \$701,000 and \$1,524,000 of interest was capitalized during the years ended September 30, 2022 and 2021, respectively. Net deferred financing costs totaled \$1,914,000 and \$2,118,000 at September 30, 2022 and 2021, respectively. Such amounts are reported as an offset to long-term debt and are amortized over the period of the related obligations using the effective interest method. Accumulated amortization of deferred financing costs totaled \$1,946,000 and \$1,742,000 at September 30, 2022 and 2021, respectively.

Net Assets with Donor Restrictions

Net assets with donor restrictions include those whose use by UVM Health Network has been restricted by donors or law for a specific purpose, time period, or both, either temporarily or in perpetuity.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of operations and changes in net assets.

Consolidated Statements of Operations

Transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and other support and expenses without donor restrictions. Peripheral or incidental transactions are reported as nonoperating gains (losses).

(Deficiency) Excess of Revenue Over Expenses

The consolidated statements of operations include the (deficiency) excess of revenue over expenses as the performance indicator. Changes in net assets without donor restrictions excluded from the deficiency (excess) of revenue over expenses primarily include net change in unrealized gains and losses on fixed-income investments, contributions of long-lived assets (including assets acquired using contributions restricted by donors for acquiring such assets), pension related adjustments and transfers and other items.

Performance Indicator

UVM Health Network's measure of operations as presented in the consolidated statements of operations includes revenue from health care services, pharmacy revenue, grants and contracts revenue, the allocation of endowment spending for operations and other revenues. Operating expenses are reported on the consolidated statements of operations by natural classification.

Enhanced Medicaid Graduate Medical Education Revenues (Hospital and Professional)

Under an Amendment to the Vermont State Medicaid Plan TN#11-019 (the State Plan Amendment), UVM Medical Center receives increased Vermont Medicaid payments to support graduate medical education (GME) beginning in fiscal year 2013. The State Plan Amendment provided for enhanced Medicaid payments of GME through two funding mechanisms: (1) payments to "qualified teaching hospitals" and (2) payments to "qualified teaching physicians." Under the definitions contained in the State Plan Amendment, UVM Medical Center is a qualified teaching hospital and physicians employed by UVM Medical Group are qualified teaching physicians.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

The nonfederal source of these payments was provided by UVM from its governmental appropriations from the State of Vermont (the State). UVM has entered into a contract with the State to provide the annual nonfederal share of GME payments for the State's fiscal year. UVM Medical Center expects that UVM will enter into similar contracts for subsequent years, though there is no assurance of this. UVM Medical Center entered into a contract with the State to assess and monitor program benefits to Medicaid beneficiaries, and to report to the State annually on certain quality measures and improvement focus areas for Medicaid beneficiaries pertaining to UVM Medical Center's GME programs. Under this contract, the State agrees to provide GME payments to UVM Medical Center during the State fiscal year. UVM Medical Center expects to enter into similar contracts with the State for future years, but these are subject to continued funding by UVM of the nonfederal source. The State, UVM Medical Center and UVM have also entered into a Memorandum of Understanding (MOU), dated July 1, 2021 through June 30, 2025 that describes the State Plan Amendment and these funding arrangements.

UVM Medical Center recognized enhanced GME revenue under the State Plan Amendment totaling \$52,500,000 and \$30,000,000 for the fiscal years ended September 30, 2022 and 2021, respectively. Under the MOU, UVM Health Network expects future payments to total \$30,000,000 per year; however both UVM and the State retain the right to discontinue GME payments at any time in the future.

Outpatient and Specialty Pharmacy Revenue

Pharmacy revenue consists of sales of pharmaceuticals and related products, including 340B revenue. UVM Health Network recognizes these revenue sources in accordance with *Revenue from Contracts with Customers (Topic 606)* in the amounts that reflect the consideration to which it expects to be entitled in exchange for prescriptions.

Other Revenue

In addition to patient service revenue, UVM Health Network also recognizes revenue related to nonpatient transactions. These transactions consist primarily of contract revenues, cafeteria sales, parking garage income, and rental income. Revenue from these transactions is recognized when obligations under the terms of the respective contracts are satisfied and is measured at the amount of consideration UVM Health Network expects to receive from those services.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

During the year ended September 30, 2022, UVM Health Network recognized \$30,000,000 within other revenue related to business interruption insurance recoveries in response to claims submitted for an information technology security incident experienced on October 28, 2020. As a result of this cyberattack, UVM Health Network suspended user access to information technology applications. While the information technology applications were offline, management believes that patient care was delivered safely and effectively utilizing established back-up processes, including offline documentation methods.

Net Assets Released From Restrictions Used for Operations

Net assets are released from restrictions and used for operations when the donor-imposed restrictions associated with the net assets have been satisfied.

Grants and Contracts

UVM Health Network receives sponsored support from governmental and private sources. Certain sponsored arrangements are considered exchange agreements, and revenue under these agreements is recognized based on UVM Health Network's fulfillment of the contract as "other revenue" in the statements of operations, which is typically based on costs incurred or the achievement of milestones. Federal grants and other sponsored research are considered non-exchange transactions and are recognized when donor-imposed conditions (if any) have been met. Expirations of donor restrictions on net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and as net assets released from restrictions and net assets released from restrictions used for capital purchases in the statements of operations. UVM Health Network had \$3,490,000 and \$5,027,000 in awarded research grants and contracts for which the condition has not yet been met as of September 30, 2022 and 2021, respectively, recorded within accrued expenses on the balance sheets. There were no funds received during the years ended September 30, 2022 or 2021 that required a reclassification to deferred revenue.

Malpractice and Workers' Compensation Claims

The liabilities for outstanding losses and loss-related expenses and the related provision for losses and loss-related expenses include estimates for malpractice losses incurred but not reported, losses pending settlement, and for workers' compensation claims and underwriting expenses. Such liabilities are based on estimates and, while management believes the amounts provided are adequate, there is at least a reasonable possibility that recorded estimates will change by a material

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

amount in the near term. The calculations of such estimates and the resulting liabilities are actuarially determined annually and any adjustments required are reflected in estimated incurred but not reported medical claims.

Income Taxes

Entities within UVM Health Network, with the exception of entities specifically named below, are incorporated and recognized by the Internal Revenue Service (IRS) as tax-exempt under Section 501(c)(3) of the Internal Revenue Code (the Code). Accordingly, the IRS has determined that these organizations are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Health Network Ventures Holding, LLC, University of Vermont Health Network Specialty Care Transport, LLC, University of Vermont Medical Center Skilled Nursing, LLC, University of Vermont Medical Center Executive Services, LLC, Valcour Imaging, Inc., and Porter Real Estate Holdings, LLC, are single-member limited liability corporations. As such, for tax purposes, these organizations are treated as divisions of their sole member. Earnings and losses are passed through to the owners, which are tax-exempt, and are treated in the same manner for tax purposes. No provision for federal income taxes has been recorded in the accompanying consolidated financial statements for these organizations. UVM Health Network Health Ventures, Inc., Medical Education Center Condominium Association, Inc., Mediquest Corp., Emergency Medical Transport of CVPH, Inc., and Champlain Valley Health Network, Inc. are taxable corporations for which the provision for income taxes is immaterial to the accompanying consolidated financial statements.

Provider Tax Payments

The states of Vermont and New York operate provider tax programs related to certain patient service revenues and operating cash receipts, respectively, collectively referred to as provider tax expenses.

Defined Benefit Pension and Other Postretirement Benefit Plans

UVM Health Network recognizes the overfunded or underfunded status of its defined benefit pension and other postretirement benefit plans (collectively, postretirement benefit plans) in the consolidated balance sheets. Changes in the funded status of the plans are reported in the year in which the changes occur as a change in net assets without donor restrictions presented below the deficiency (excess) of revenue over expenses in the consolidated statements of operations and changes in net assets.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (also referred to as an exit price). 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.

GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumption about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

UVM Health Network uses the following fair value hierarchy to present its fair value disclosures:

- Level 1 Quoted (unadjusted) prices for identical assets or liabilities in active markets. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 Other observable inputs, either directly or indirectly, including:
 - Quoted prices for identical or similar assets in nonactive markets (few transactions, limited information, noncurrent prices, high variability over time).
 - Inputs other than quoted prices that are observable for the asset (interest rates, yield curves, volatilities, default rates).
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Pricing inputs are generally unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Certain investments are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient and have not been classified in the above fair value hierarchy.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Equities, Mutual Funds, Money Market Funds, and Real Estate Investment Trusts

The fair values of equities, mutual funds, money market funds, and real estate investment trusts are based on quoted market prices and are categorized as Level 1 or Level 2 based on the nature of the inputs.

Debt Securities

The estimated fair values of debt securities are based on quoted market prices or other market data for the same or comparable instruments and transactions. The marketable debt securities classified as Level 1 are classified based on quoted prices of the actual debt instruments in active markets. The marketable debt securities classified as Level 2 are classified based on observable market prices for similar securities traded in less active markets. Marketable debt instruments are priced using: nonbinding market consensus prices corroborated with observable market data; quoted market prices for similar instruments; or pricing models, such as a discounted cash flow model, with all significant inputs derived from or corroborated with observable market data. These Level 2 debt securities primarily include corporate bonds, notes and other debt securities.

Beneficial Interest in Perpetual Trusts

The estimated fair values of UVM Health Network's beneficial interests in perpetual trusts are based on information provided by the trustees. Such information is generally based on a pro rata interest in the net assets of the underlying investments. The assets held in trust consist primarily of cash equivalents and marketable securities. Perpetual trusts are measured using the fair value of the assets contributed to the trusts, and therefore are categorized as Level 3.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Hedge Funds

The fair values of investments in hedge funds are primarily determined using calculated net asset value (NAV) as a practical expedient. The hedge funds invest primarily in securities whose underlying values are based on Level 1 inputs. The fund managers receive prices from nationally recognized pricing services based on observable market transactions. Certain of the underlying securities held by the funds are listed on recognized securities exchanges and valued at the closing price ascertained by the respective exchange.

Interest Rate Swap Agreements

Interest rate swap agreements are valued at the present value of the estimated series of cash flows resulting from the exchange of fixed rate payments for floating rate payments from the counterparty over the remaining life of the contract from the balance sheet date. Each floating rate payment is calculated based on forward market rates at each respective payment date. The valuation based on estimated cash flows is obtained from third parties and assessed by management for reasonableness. Because the inputs used to value the contract can generally be corroborated by market data, the fair value is categorized as Level 2.

3. Current and Upcoming Accounting Guidance

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, loans and certain other instruments, entities will be required to use a new forward looking “expected loss” model that generally will result in earlier recognition of credit losses than under today’s incurred loss model. ASU 2016-13 is effective for annual periods beginning after December 15, 2022. The Network has not completed the process of evaluating the impact of ASU 2016-13 on its consolidated financial statements.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Patient Service Revenue

UVM Health Network uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing patient service revenue on an individual contract basis. The portfolios primarily consist of major financial or payor classes for all types of revenue. Based on historical collection trends and other analysis, UVM Health Network believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

Patient service revenue is reported at the amount that reflects the consideration to which UVM Health Network expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of ongoing and future audits, reviews, and investigations. Generally, UVM Health Network bills patients and third-party payors several days after services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by UVM Health Network. Revenue for performance obligations satisfied over time is recognized based on charges incurred in relation to total expected or actual charges. UVM Health Network believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services. UVM Health Network measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and UVM Health Network believes it is not required to provide additional goods or services to the patient.

Under the provisions of Topic 606, amounts related to services provided to patients that have not been billed and that do not meet the conditions of unconditional right to payment at the end of the reporting period are contract assets. Contract assets consist primarily of services that have been provided to patients who are still receiving inpatient care at the end of the reporting period. Contract assets are included in patient and other trade accounts receivable in the accompanying consolidated balance sheets at September 30, 2022 and 2021. Contract assets are \$19,206,000 and \$18,074,000 as of September 30, 2022 and 2021, respectively.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Patient Service Revenue (continued)

Because all of its performance obligations relate to contracts with a duration of less than one year, UVM Health Network has elected to apply the optional exemption provided in Topic 606 and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

UVM Health Network determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors and discounts provided to uninsured patients in accordance with UVM Health Network's policy (explicit price concessions), and implicit price concessions. UVM Health Network determines its estimates of explicit price concessions based on contractual agreements, its discount policies, and historical experience. UVM Health Network determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

UVM Health Network has agreements with third-party payors that provide for payments to UVM Health Network at amounts different from its established rates.

Medicare

Inpatient acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient rehabilitation services are paid based on a prospective per discharge methodology. These rates vary according to a patient classification system based upon services provided, the patient's level of functionality and other factors. Outpatient services are paid based upon a prospective standard rate for procedures performed or services rendered. UVM Health Network is reimbursed for cost-reimbursable items at tentative rates, with final settlement determined after submission of annual cost reports by UVM Health Network and audits thereof by the Medicare Audit Contractor. Medicare reimbursement for professional billings is paid based on a standard fee schedule that is determined by CMS.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Patient Service Revenue (continued)

Medicaid

Inpatient services rendered to Vermont Medicaid program beneficiaries are paid at prospectively determined rates per discharge. As with Medicare, payments are based on a diagnosis-related group (DRG) system that is based on clinical, diagnostic, and other factors. In Vermont, additional reimbursement for inpatient rehabilitation and neonatal cases is paid through a per diem add-on. In Vermont, additional reimbursement for inpatient psychiatric cases is based on a per diem rate calculation, including adjustments for diagnostic factors and length of stay. Outpatient services rendered to Vermont Medicaid beneficiaries are paid based upon a prospective standard rate. Certain laboratory, mammography, therapy, and dialysis services are paid on a fee schedule. Outpatient services rendered to New York Medicaid beneficiaries are paid under an Ambulatory Patient Group (APG). Ancillary services get bundled into the clinic visit and are paid under an APG. Medicaid payments for professional services are determined by a standard fee schedule.

Managed Care and Commercial Insurers

Services rendered to patients with commercial insurance are generally paid at standard charges, less a negotiated discount or according to DRG or negotiated fee schedules.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the UVM Health Network'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 UVM Health Network. In addition, the contracts UVM Health Network has with commercial payors also provide for retroactive audit and review of claims. UVM Health Network is not aware of any allegations of non-compliance that could have a material adverse effect on the accompanying consolidated financial statements and believes that it is in compliance in all material respects with all applicable laws and regulations.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Patient Service Revenue (continued)

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of 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 UVM Health Network's historical settlement activity, including an assessment to ensure it is probable that a significant reversal in cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Changes in prior-year estimates decreased net patient service revenue by approximately \$11,943,000 and \$1,243,000 in the years ended September 30, 2022 and 2021, respectively.

There are various proposals at the federal and state levels that could, among other things, significantly reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of or revisions to health care reform that has been or will be enacted by the federal and state governments, cannot be determined presently. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on UVM Health Network. Additionally, certain payors' payment rates for various years have been appealed by UVM Health Network. If the appeals are successful, additional income applicable to those years could be realized.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. UVM Health Network also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. UVM Health Network estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change. For the years ended September 30, 2022 and 2021, revenue recognized due to changes in UVM Health Network's estimates of implicit price concessions for performance obligations satisfied in prior years was not significant.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Patient Service Revenue (continued)

Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended September 30, 2022 and 2021, was not significant.

Consistent with UVM Health Network's mission, care is provided to patients regardless of their ability to pay (see Note 5). Therefore, UVM Health Network has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts UVM Health Network expects to collect based on its collection history with those patients.

UVM Medical Center, CVMC and PMC receive monthly fixed prospective payments for services provided by hospitals (and hospital-owned practices) participating in the Vermont Medicaid Next Generation Accountable Care Organization (Medicaid ACO) Pilot Program and the CMS Vermont Modified Next Generation ACO Model (Medicare ACO). Under these arrangements, monthly per member payments are received in advance of the services being performed and recognized as revenue in the month to which they relate. Medicaid and Medicare fee-for-service payments continue for all other non-hospital providers in the ACO, for all providers who are not a part of the ACO, and for all services that are not included in the fixed prospective payment. UVM Health Network is responsible for both the cost and quality of care for each attributed member. This is true whether that person uses little or no care or whether they require services consistently throughout the year. UVM Medical Center, CVMC and PMC recognize their share of annual contract settlements, which include shared savings or losses and quality incentives, as an increase or decrease to fixed prospective payment revenue. UVM Medical Center, CVMC and PMC also participate in an accountable care program with BlueCross BlueShield of Vermont, under which they continue to be paid on a fee-for-service basis. Quality incentives and shared savings or losses under this contract are recorded as increases or decreases to patient service revenue.

CVPH, through the Adirondack Regional Medical Home Pilot, which was established as a joint venture initiative of medical providers and public and private insurers to transform healthcare delivery in the rural, upstate New York region, receives monthly fixed prospective payments for the provision of care management services. This is a monthly, per member payment received in advance of the services being performed and recognized as revenue in the month to which it relates.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Patient Service Revenue (continued)

For services provided under Fee for Service (FFS) and Fixed Prospective Payment (FPP) arrangements, composition by payor for the years ended September 30 is as follows:

	2022			2021		
	Total	FFS	FPP	Total	FFS	FPP
Medicare	36%	28%	8%	35%	27%	8%
Medicaid	11	7	4	11	7	4
Contracted Commercial	46	46	–	47	47	–
Noncontracted Insurers	7	7	–	7	7	–

5. Charity Care and Community Service

UVM Health Network provides care to patients who meet certain criteria under its charity care policies without charge or at amounts less than its established rates. Because UVM Health Network does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

The amount of charges foregone for services and supplies furnished under UVM Health Network's charity care policy aggregated approximately \$29,723,000 and \$25,082,000 for the years ended September 30, 2022 and 2021, respectively.

Approximately \$13,412,000 and \$11,118,000 of UVM Health Network's total expenses for the years ended September 30, 2022 and 2021, respectively, arose from providing services to charity care patients. The estimated costs of providing charity care services is calculated by application of a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on UVM Health Network's total expenses divided by gross patient service revenue. For the years ended September 30, 2022 and 2021, respectively, UVM Health Network used \$137,000 and \$414,000 in charitable endowment earnings to help defray the costs of indigent care.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Financial Assets and Liquidity Resources

As of September 30, 2022, and 2021, respectively, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, consisted of the following:

	2022	2021
	<i>(In Thousands)</i>	
Liquidity and availability		
Cash and cash equivalents	\$ 295,562	\$ 442,413
Short-term investments	23,129	19,069
Current portion of assets whose use is limited or restricted	8,444	9,926
Patient and other trade accounts receivable, net	307,672	303,360
Receivables from third-party payors	16,972	12,411
Financial assets available at year end for current use	<u>\$ 651,779</u>	<u>\$ 787,179</u>

UVM Health Network’s board designated assets can be used for capital and operating expenditures at the direction of UVM Health Network Board.

UVM Health Network’s endowment funds consist of donor-restricted funds. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

To manage liquidity, UVM Health Network maintains sufficient cash and cash equivalent balances to support daily operations throughout the year. Cash and cash equivalents include bank deposits, CDs, money market funds, and other similar vehicles that generate a return on cash and provide daily liquidity to UVM Health Network. Short-term investments without donor restriction are also utilized to generate a higher yield on balances versus cash and cash equivalents, and to provide UVM Health Network with an additional layer of liquidity for daily operations if needed. UVM Health Network also maintains a line of credit in the amount of \$50,000,000 for use by UVM Health Network entities that are part of the UVM Medical Center Obligated Group. As of September 30, 2022, and 2021, the amount outstanding under this line of credit was \$12,800,000 and \$3,000,000, respectively.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Financial Assets and Liquidity Resources (continued)

Additionally, AHMC and HH&H have lines of credit of \$1,500,000 each, of which no amounts were outstanding at September 30, 2022 and 2021. Each of these lines of credit can be used to support short-term cash and working capital needs. In addition, UVM Health Network has designated assets without donor restriction that can be utilized at the discretion of management to help fund both operational needs and capital projects. As of September 30, 2022, and 2021, the balance in board designated assets was \$604,113,000 and \$851,773,000, respectively.

7. Investments, Including Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted, at September 30, 2022 and 2021, consisted of the following:

	2022	2021
	<i>(In Thousands)</i>	
Equities	\$ 43,692	\$ 70,060
Mutual funds:		
Bond funds	338,873	460,468
United States Treasury obligation funds	2,172	10,304
International equity funds	180,720	217,590
Domestic equity funds	167,302	240,943
Real estate funds	33,142	40,264
Total mutual funds	<u>722,209</u>	<u>969,569</u>
Money market funds	5,095	5,877
United States Treasury notes	13,899	3,543
Bonds and notes	15,682	17,463
Beneficial interest in perpetual trusts	17,620	21,467
Hedge funds	–	4,823
Venture capital funds and partnerships	3,792	2,592
	<u>821,989</u>	<u>1,095,394</u>
Less: Current portion	(8,444)	(9,926)
Less: Pooled investments included in short-term investments	(18,925)	(13,323)
	<u>\$ 794,620</u>	<u>\$ 1,072,145</u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Investments, Including Assets Whose Use is Limited or Restricted (continued)

The following tables present information as of September 30, 2022 and 2021, about UVM Health Network's financial assets and liabilities that are measured at fair value on a recurring basis:

	2022				Fair Value
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	NAV as Practical Expedient	
	<i>(In Thousands)</i>				
Equities	\$ 43,964	\$ –	\$ –	\$ –	\$ 43,964
Mutual funds:					
Bond funds	340,797	–	–	–	340,797
United States Treasury obligation funds	20	–	–	–	20
International equity funds	183,180	–	–	–	183,180
Domestic equity funds	167,763	–	–	–	167,763
Commodity funds	1,082	–	–	–	1,082
Real estate funds	33,153	–	–	–	33,153
Total mutual funds	725,995	–	–	–	725,995
Money market funds	5,241	–	–	–	5,241
United States Treasury notes	13,899	–	–	–	13,899
Bonds and notes	–	15,682	–	–	15,682
Beneficial interest in perpetual trusts	–	–	17,620	–	17,620
Venture capital funds and partnerships	–	–	–	3,792	3,792
	\$ 789,099	\$ 15,682	\$ 17,620	\$ 3,792	\$ 826,193
Interest rate swap agreements	\$ –	\$ 6,627	\$ –	\$ –	\$ 6,627

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Investments, Including Assets Whose Use is Limited or Restricted (continued)

	2021				
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	NAV as Practical Expedient	Fair Value
	<i>(In Thousands)</i>				
Equities	\$ 70,713	\$ –	\$ –	\$ –	\$ 70,713
Mutual funds:					
Bond funds	462,539	–	–	–	462,539
United States Treasury obligation funds	10,304	–	–	–	10,304
International equity funds	218,010	–	–	–	218,010
Domestic equity funds	242,157	–	–	–	242,157
Commodity funds	1,297	–	–	–	1,297
Real estate funds	40,315	–	–	–	40,315
Total mutual funds	974,622	–	–	–	974,622
Money market funds	5,917	–	–	–	5,917
United States Treasury Notes	3,543	–	–	–	3,543
Bonds and notes	–	17,463	–	–	17,463
Beneficial interest in perpetual trusts	–	–	21,467	–	21,467
Hedge funds	–	–	–	4,823	4,823
Venture capital and partnerships	–	–	–	2,592	2,592
	<u>\$ 1,054,795</u>	<u>\$ 17,463</u>	<u>\$ 21,467</u>	<u>\$ 7,415</u>	<u>\$ 1,101,140</u>
Interest rate swap agreements	\$ –	\$ 19,951	\$ –	\$ –	\$ 19,951

The table below summarizes the investments in certain entities with fair value at NAV as a practical expedient as of September 30, 2022 and 2021. There were no transfers between levels as of September 30, 2022 and 2021.

Category of Investment	2022					
	Fair Value	Unfunded Commitments	Remaining Life, if Applicable	Redemption Terms, If Currently Eligible	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
	<i>(In Thousands)</i>					
Venture capital funds and partnerships	\$ 3,792	\$ 980	8 years	None	None	None

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Investments, Including Assets Whose Use is Limited or Restricted (continued)

Category of Investment	2021						
	Fair Value	Unfunded Commitments	Remaining Life, if Applicable	Redemption Terms, If Currently Eligible	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End	
	<i>(In Thousands)</i>						
Hedge funds	\$ 4,823	\$ –	Not applicable	60 – 95 days notice, quarterly	Either not under lock or have a lock of one year or less.	None	
Venture capital funds and partnerships	2,592	1,470	8 years	None	None	None	

The fair value of the assets and change in the value of the assets measured using significant unobservable inputs (Level 3) were related to beneficial interests in perpetual trusts.

A roll forward of the Level 3 fair value measurements (defined above) for the years ended September 30, 2022 and 2021, is as follows:

	2022	2021
	Beneficial Interest in Perpetual Trusts	Beneficial Interest in Perpetual Trusts
	<i>(In Thousands)</i>	
Beginning of year	\$ 21,467	\$ 18,268
Withdrawals	(130)	–
Change in beneficial interest in perpetual trusts	(3,717)	3,199
End of year	<u>\$ 17,620</u>	<u>\$ 21,467</u>

Investment income included in nonoperating gains (losses) for the years ended September 30, 2022 and 2021, is as follows:

	2022	2021
	<i>(In Thousands)</i>	
Interest and dividend income	\$ 24,682	\$ 20,058
Realized gains and losses, net	39,187	19,150
Reclassification of accumulated investment gains	(8,709)	–
	<u>\$ 55,160</u>	<u>\$ 39,208</u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Property and Equipment

A summary of property and equipment, net at September 30, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
	<i>(In Thousands)</i>	
Land	\$ 38,795	\$ 38,795
Land improvements	16,788	26,294
Leasehold improvements	88,370	77,028
Buildings	1,114,235	1,123,317
Equipment, furniture, and fixtures	731,174	690,501
	<u>1,989,362</u>	<u>1,955,935</u>
Less: Accumulated depreciation	<u>(1,161,198)</u>	<u>(1,157,446)</u>
	828,164	798,489
Construction-in-progress	21,634	79,543
	<u>\$ 849,798</u>	<u>\$ 878,032</u>

UVM Health Network sold, traded-in or wrote off approximately \$96,620,000 and \$8,395,000 in fully depreciated property and equipment in the years ended September 30, 2022 and 2021, respectively. In conjunction with these sales, trade-ins or disposals, a gain (loss) of \$18,000 and \$(249,000) was recorded in the years ended September 30, 2022 and 2021, respectively.

UVM Health Network recorded depreciation expense of \$100,372,000 and \$94,770,000 for the years ended September 30, 2022 and 2021, respectively.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt

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

	2022	2021
	<i>(In Thousands)</i>	
Vermont Educational and Health Buildings Financing Agency Hospital Revenue Bonds		
Series 2008A Bonds, variable rate (1.76% and 0.03% at September 2022 and 2021, respectively), payable through 2031	\$ 54,706	\$ 54,706
Series 2013A Bonds, fixed rate (2.60%), payable through December 2027	26,413	26,738
Series 2015A Bonds, fixed rate (2.27%), payable through December 2023	8,930	11,175
Series 2016A Bonds, fixed rate (3.00% to 5.00%), payable through 2036 (including unamortized premium of \$18,153 and \$19,364 at September 30, 2022 and 2021, respectively)	172,913	177,856
Series 2016B Bonds, fixed rate (3.13% to 5.00%), payable through 2046 (including unamortized premium of \$9,421 and \$9,810 at September 30, 2022 and 2021, respectively)	98,421	98,810
Series 2015A Bonds, fixed rate (2.85%), put option on August 1, 2025	11,163	11,867
Other long-term debt		
Bank of America Loan, fixed rate (2.90%), payable through April 1, 2030	75,000	75,000
TD Bank Loan, fixed rate (2.09%), payable through June 1, 2035	74,945	74,945
Bank of America Loan, fixed rate (2.92%), payable through 2027	22,928	27,926
KeyBank Loan, fixed rate (3.05%), payable through 2023	7,445	13,215
Series 2016A Bonds, variable rate (2.81% and 1.20% at September 30, 2022 and 2021, respectively), payable through July 1, 2042	11,005	11,615
Series 2016B Bonds, variable rate (2.52% and 0.79% at September 30, 2022 and 2021, respectively), payable through July 1, 2042	13,440	14,185
Community Bank Loan, fixed rate (3.38%), payable through 2027	11,382	11,995
Series 2013A Bonds, variable rate (0.07% at September 30, 2021), repaid in 2022, (including unamortized discount of \$329 at September 30, 2021)	-	22,410
Bank of America Loan, fixed rate (3.60%) payable through June 1, 2032	21,545	-
TD Bank Loan, fixed rate (3.59%), interest only payments, through April 2020, payable through April 2030	7,906	8,722
TD Bank Loan, fixed rate (3.73%), payable through November 1, 2025	1,399	1,808
TD Bank Loan, fixed rate (3.87%), payable through September 1, 2033	14,441	15,472
TD Bank Loan, fixed rate (2.44%), payable through December 20, 2029	12,136	13,621
M&T Bank Loan, variable rate (3.61% and 1.14% at September 30, 2022 and 2021, respectively), payable through September 30, 2028	4,704	4,196
Bank of America Loan, fixed rate (3.08%), payable through March 1, 2032	3,585	-
Lines of credit	12,800	3,000
Other debt	23,166	32,910
	<u>690,373</u>	<u>712,172</u>
Less: Current installments of long-term debt	(48,824)	(33,089)
Less: Unamortized debt issuance costs	(1,914)	(2,118)
Long-term debt, net current installments	<u>\$ 639,635</u>	<u>\$ 676,965</u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt (continued)

Obligated Group

UVM Medical Center, UVM Health Network, CVMC, CVPH and ECH are the members of The University of Vermont Medical Center Obligated Group (Obligated Group) at September 30, 2022 and 2021.

The Master Trust Indenture contains provisions permitting the addition, withdrawal or consolidation of members of the Obligated Group under certain conditions. The Master Trust Indenture constitutes joint and several obligations of the members of the Obligated Group and covers all issued bonds and loans by the Obligated Group members.

As of September 30, 2022, AHMC, HH&H, and PMC are not part of the Obligated Group.

Series 2008A Bonds (UVM Medical Center)

On May 21, 2008, UVM Medical Center, in connection with the Vermont Educational and Health Buildings Financing Agency (VEHBFA), issued \$54,706,000 of tax-exempt variable-rate hospital revenue bonds (Series 2008A). The Series 2008A bonds are collateralized by an irrevocable letter of credit from a bank in the amount of \$55,334,000 (covers principal of \$54,706,000 and interest of \$628,000), which expires in 2026. The interest rate on the Series 2008A bonds is set weekly and payable through 2031, at which time the principal balance is due. Series 2008A bondholders have the option to put the bonds back to UVM Medical Center. Such bonds would be subject to remarketing efforts by UVM Medical Center's remarketing agent. To the extent that such remarketing efforts were unsuccessful, the nonmarketable bonds would be purchased from the proceeds of the letter of credit. Monthly payments of principal on the letter of credit borrowings would commence on the first calendar day of the first month that commences more than one year after the borrowing. The 2008A letter of credit was not drawn upon as of September 30, 2022. Repayment in full of the letter of credit would be required by the earlier of four years from the date of the borrowing under the letter of credit or the stated expiration date, currently, April 30, 2026. The repayment of principal under the letter of credit would be as follows: \$21,176,000 in year two, \$21,176,000 in year three and \$12,354,000 in the final year.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt (continued)

Series 2013A Bonds (UVM Medical Center)

Previously outstanding 2000A Bonds were partially refunded in 2011. The remaining \$32,550,000 balance of the initial aggregate principal amount of the Series 2000A Bonds with maturities between December 2025 and December 2027 were refunded in March 2013 and replaced with a tax-exempt direct bank private placement with TD Bank (the 2013A bonds), in the aggregate principal amount of \$29,500,000 with a final maturity date in December 2027. As part of the agreement, the Series 2013A bonds are subject to an optional tender by the bank for purchase by UVM Medical Center in whole or in part, at a redemption price equal to the principal amount tendered plus accrued and unpaid interest beginning March 1, 2023 and on any date thereafter. The Series 2013A bonds carry a fixed interest rate of 2.60%.

The remaining \$26,412,500 par amount of 2013A Bonds will be paid off on March 1, 2023 and replaced with a tax-exempt, fixed rate loan issued through VEHBFA and purchased by TD Bank. The debt will carry an interest rate of 4.17%, match the amortization of the current debt and will mature on December 1, 2027. In accordance with this refinancing agreement, the 2013A bonds are excluded from current liabilities at September 30, 2022.

Series 2015A Bonds (UVM Medical Center)

The remaining \$30,480,000 par of the initial aggregate principal amount of previously outstanding Series 2004A Bonds, were refunded in January 2015 and replaced with a tax-exempt direct bank private placement with Key Government Finance issued through VEHBFA (the 2015A bonds), in the aggregate principal amount of \$23,840,000 with a final maturity date in December 2023. Debt service reserve fund proceeds of \$6,640,000 were used to pay down the par amount of the new bonds. The Series 2015A bonds carry a fixed interest rate of 2.27%.

Series 2016A Bonds (UVM Medical Center)

The remaining \$192,965,000 par of the initial aggregate principal amount of previously outstanding Series 2004B and 2007A Bonds, with maturities between December 2016 and December 2036, were advance refunded in February 2016 and replaced with a tax-exempt public bond issued through VEHBFA (the 2016A bonds), in the aggregate principal amount of \$176,375,000 with a final maturity date in December 2036. The Series 2016A bonds carry fixed interest rates ranging between 3.00% – 5.00%. The initial premium on the 2016A bonds was \$27,500,000.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt (continued)

Series 2016B Bonds (UVM Medical Center)

On July 28, 2016, UVM Medical Center, in connection with the VEHBFA, issued \$89,000,000 of tax-exempt fixed rate hospital revenue bonds (Series 2016B). The Series 2016B bonds carry fixed interest rates ranging from 3.13% – 5.00%, with an average coupon of 4.54%, and mature on December 31, 2046. The Series 2016B Bonds were labeled “Green Bonds” as a result of their usage to finance the Miller Building Project for which UVM Medical Center received LEED Gold status in October 2022. The purpose of the “Green Bonds” label was to allow investors to invest directly in an environmentally beneficial project.

Series 2015A Bonds (PMC)

PMC issued \$15,750,000 VEHBFA Revenue Bond Refunding Series 2015A on August 1, 2015 with a fixed rate of 2.85%, payable in monthly payments of \$69,000 for Porter Hospital and \$17,000 for HPNH. The bonds were purchased by M&T Bank, are collateralized by gross receipts and are payable through August 1, 2035, with a bank put option on or after August 1, 2025. The indenture requires PMC to meet certain covenants annually.

Bank of America Loan (UVM Health Network)

On April 27, 2020, UVM Health Network borrowed \$75,000,000 from Bank of America. The loan is a taxable fixed rate private bank placement payable through April 1, 2030 and carries an interest rate of 2.90%. The loan is to be used for future capital projects and/or working capital needs across the Network.

TD Bank Loan (UVM Health Network)

On June 26, 2020, UVM Health Network borrowed \$75,000,000 from TD Bank. The loan is a taxable fixed rate private bank placement payable through June 1, 2035 and carries an interest rate of 2.09%. The loan is to be used for future capital projects and working capital needs across UVM Health Network.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt (continued)

2017 Bank of America Loan (UVM Medical Center)

On March 31, 2017 UVM Medical Center issued \$50,000,000 in new debt through Bank of America. The loan is to fund future capital projects and working capital as needed and is a taxable fixed rate direct placement loan. The loan carries an interest rate of 2.92% and matures on March 31, 2027.

2011 Key Bank Loan (UVM Medical Center)

On December 29, 2011 UVM Medical Center redeemed \$54,175,000 par of its previously outstanding VEHBFA Bonds and replaced certain maturities with a taxable fixed rate direct placement loan with Key Bank. The loan carries an interest rate of 3.05% and matures on December 1, 2023.

Series 2016A and 2016B Bonds (CVPH)

On October 31, 2016, CVPH, through the Clinton County Capital Resource Corporation, issued \$14,255,000 of tax-exempt variable rate hospital revenue refunding bonds (Series 2016A CVPH) and \$17,425,000 of tax-exempt variable rate hospital revenue refunding bonds (Series 2016B CVPH). The Series 2016A bonds are bank qualified bonds payable in annual installments ranging from \$355,000 to \$785,000, plus interest at one-month LIBOR times 65% plus 115 basis points adjusted monthly through July 1, 2042. The Series 2016B bonds are bank qualified bonds, payable in annual installments ranging from \$440,000 and \$960,000, plus interest at one-month LIBOR times 70% plus 72.8 basis points adjusted monthly through July 1, 2042.

2017 Community Bank Loan (CVPH)

In January 2017, CVPH refinanced the remaining \$14,600,000 par of its previously outstanding loan with Community Bank. The new loan is a taxable fixed rate loan with an interest rate of 3.38% and matures on January 25, 2027.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt (continued)

Series 2013A Bonds (AHMC)

On June 14, 2022, AHMC paid off the remaining \$21,545,000 par of their 2013A Bonds issued through the Franklin County Civic Development Corporation, terminated the associated direct pay letter of credit with HSBC Bank and issued a new loan of \$21,545,000 with Bank of America. The new debt is a taxable fixed rate direct placement with an interest rate of 3.60%. Principal is paid annually on October 1 and the loan matures on June 1, 2032.

TD Bank Loan (AHMC)

On March 29, 2018, AHMC borrowed \$10,000,000 from TD Bank. The loan is a taxable fixed rate private bank placement that is payable through March 29, 2030 and carries an interest rate of 3.59%. The loan is secured by a joint and several obligation of UVM Medical Center, as guarantor, and each other member of the Obligated Group and is for future capital projects and/or working capital needs.

TD Bank Loan (UVM Medical Center)

On August 18, 2018, UVM Medical Center borrowed \$18,313,223 from TD Bank to finance the purchase of two medical office buildings. The loan is a taxable fixed rate private bank placement payable through September 1, 2033 and carries an interest rate of 3.87%.

TD Bank Loan (CVMC)

On December 20, 2019, CVMC borrowed \$16,000,000 from TD Bank. The loan is a taxable fixed rate private bank placement payable through December 20, 2029 and carries an interest rate of 2.44%. The loan was used to reimburse CVMC for previous capital projects that were paid for with cash.

M&T Bank Loan (UVM Medical Center)

On September 30, 2013, UVM Medical Center entered into a mortgage for property (Holly Court) in the amount of \$9,903,000. The mortgage is payable through September 2028, and bears interest at a variable rate equal to one-month LIBOR plus 105 basis points (3.61% at September 30, 2022). Concurrent with the issuance of the Holly Court mortgage, an interest rate swap was entered into whereby UVM Medical Center pays a fixed rate of 2.67% and receives a variable rate of one-month LIBOR (see Note 10).

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt (continued)

2022 Bank of America Loan (ECH) – Refinance of Series 2011 Bonds (ECH)

On June 1, 2022, ECH paid off the remaining \$3,665,000 par of their Series 2011 Bonds with Key Bank (issued by the Essex County Capital Resource Corporation) and issued a new loan with Bank of America in the amount of \$3,665,000. The new loan is a taxable fixed rate direct placement loan with an interest rate of 3.08%. Principal is due in quarterly installments through March 1, 2032.

Scheduled Maturities of Long-Term Debt

As of September 30, 2022, scheduled maturities of long-term debt, not including a net unamortized premium and deferred financing costs of \$27,885,000 for the next five years and thereafter are as follows:

	<i>(In Thousands)</i>
Years ending September 30:	
2023	\$ 48,824
2024	39,862
2025	36,351
2026	46,351
2027	52,751
Thereafter	438,349
	<u>\$ 662,488</u>

Loan Covenants

Under the terms of the Master Trust Indenture agreement, the UVM Medical Center has granted a mortgage on substantially all of its property and an interest in its gross receipts, and the Obligated Group is required to meet certain covenant requirements. In addition, the indenture provides for restrictions on, among other things, additional indebtedness and dispositions of property of the Obligated Group. As of September 30, 2022 and 2021, the Obligated Group was in compliance with all financial covenants. AHMC and PMC are also required to meet certain covenant requirements for their long-term debt. As of September 30, 2022 and 2021, AHMC and PMC were in compliance with all financial covenants.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt (continued)

Lines of Credit

AHMC has an uncollateralized available line of credit in the amount of \$1,500,000 at September 30, 2022. The interest rate is set at a floating rate equal to prime plus 100 basis points (7.25% at September 30, 2022). At September 30, 2022 and 2021, AHMC had no borrowings under the line of credit.

HH&H has a revolving \$1,500,000 line of credit payable on demand with Community Bank N.A., collateralized by HH&H personal property (accounts receivable, machinery, equipment, furniture and fixtures), with a variable interest rate equal to the prime rate with a 4.75% floor. There is no outstanding balance of September 30, 2022 and 2021. The maturity date for the line of credit is February 28, 2023.

As of September 30, 2022, UVM Health Network has two available lines of credit in the amounts of \$20,000,000, and \$30,000,000. The \$20,000,000 line is with TD Bank and is less the face value of all letters of credit that may be issued by the lender for the benefit of the Network. The line of credit is available to each member of the Obligated Group and is collateralized by a joint and several obligation of UVM Health Network and each member of the Obligated Group. The interest rate is set at a floating rate equal to one-month LIBOR plus 40 basis points (3.16% at September 30, 2022), adjusted monthly. At September 30, 2022, CVPH had borrowings of \$10,000,000 and CVMC had borrowings of \$2,800,000. CVMC had borrowings of \$3,000,000 at September 30, 2021. The maturity date for the line of credit is October 1, 2023.

The \$30,000,000 line of credit is with Bank of America and is available to each member of the Obligated Group. The line of credit is collateralized by a joint and several obligation of UVM Health Network and each member of the Obligated Group. The interest rate is set (as chosen by UVMHN at the time of each advance) at a floating rate equal to the daily, one-month, two-month, or three-month Bloomberg Short-Term Bank Yield Index plus 50 basis points, adjusted at the end of the chosen interest rate period. As of September 30, 2022, there were no advances on this line of credit. The line also carries an unused fee of 0.10% per annum, payable quarterly in arrears, and the maturity date is October 14, 2022.

Guarantor

As of September 30, 2022, UVM Medical Center is the guarantor of the 2022 AHMC loan with Bank of America, the 2018 TD Bank loan at AHMC, and guarantor of a line of credit between OneCare Vermont and TD Bank.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Interest Rate Swap Agreements

For certain variable rate debt (presently or previously outstanding), interest rate swap agreements are used to manage interest rate risk and hedge the risk of cash flow volatility. The table below summarizes UVM Health Network's swap agreements. None of the swap agreements require collateral posting. Both UVM Health Network and the counterparties in the interest rate swap agreements are exposed to credit risk in the event of nonperformance or early termination of the agreements. In addition, each agreement may be terminated following the occurrence of certain events, at which time UVM Health Network or the counterparty may be required to make a termination payment to the other.

Swap	Bond Series	Notional Amount		Counterparty	Expiration Date	Pay		
		September 30, 2022	September 30, 2021			Fixed	Receive Floating	
<i>(In Thousands)</i>								
LIBOR Swap (Series B-1)	2008A	\$ 27,595	\$ 27,595	Citibank, NA	October 28, 2032	3.76%	66.5% of LIBOR + 32bps	
LIBOR Swap (Series B-2)	2008A	27,595	27,595	Citibank, NA	November 4, 2032	3.76%	66.5% of LIBOR + 32bps	
LIBOR Swap	Holly Court Loan	4,704	5,379	Peoples United Bank	October 2, 2028	2.67%	One-month LIBOR	
LIBOR Swap	Previously outstanding Series 2007B (refinanced with Series 2016B)	9,430	9,715	Key Bank	July 1, 2042	4.06%	68.0% of LIBOR	
LIBOR Swap	Previously outstanding Series 2007A (refinanced with 2016A)	14,915	15,350	Key Bank	July 1, 2042	4.00%	65.0% of LIBOR	
SIFMA Swap	Series 2011	–	3,865	Key Bank	December 1, 2021	3.24%	65.0% of LIBOR	

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Interest Rate Swap Agreements (continued)

The fair value of interest rate swap agreements, all of which are recorded as other long-term liabilities at September 30 is as of follows:

	<u>2022</u>	<u>2021</u>
	<i>(In Thousands)</i>	
2008A Swaps	\$ (3,305)	\$ (11,222)
Holly Court Loan	165	(350)
2007B Swap	(1,337)	(3,243)
2007A Swap	(2,150)	(5,105)
2011 Swap	—	(31)
	<u>\$ (6,627)</u>	<u>\$ (19,951)</u>

The amount of gain recognized in the statement of operations for swap agreements at September 30 is as follows:

	<u>2022</u>	<u>2021</u>
	<i>(In Thousands)</i>	
2008A Swaps	\$ 7,917	\$ 3,863
Holly Court Loan	515	242
2007B Swap	1,906	1,100
2007A Swap	2,955	1,705
2011 Swap	31	129
	<u>\$ 13,324</u>	<u>\$ 7,039</u>

UVM Health Network also made payments on the interest rate swap agreements of \$2,557,000 and \$3,152,000 for the years ended September 30, 2022 and 2021, which are included in interest expense on the statements of operations.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Leases

UVM Health Network has operating and finance leases primarily for real estate, including medical office buildings, corporate and other administrative offices, as well as for medical and office equipment. UVM Health Network determines if an arrangement is a lease at inception of the contract. When evaluating contracts for embedded leases, UVM Health Network exercises judgment to determine if there is an explicit or implicit identified asset in the contract and if UVM Health Network controls the use of that asset. As a practical expedient, UVM Health Network made an accounting policy election for all asset classes not to separate lease components from non-lease components in the event that the agreement contains both.

Certain real estate leases have renewal options, and the lease term includes options to extend or terminate the lease when it is reasonably certain that UVM Health Network will exercise that option. Real estate lease agreements typically have initial terms of five to ten years, and equipment lease agreements typically have initial terms of three years.

The table below presents certain information related to the lease costs for finance and operating leases:

	<u>2022</u>	<u>2021</u>
	<i>(In Thousands)</i>	
Operating lease cost	\$ 15,225	\$ 16,189
Finance lease cost:		
Amortization of right-of-use assets	1,596	1,621
Interest on lease liabilities	47	71
Total finance lease cost	<u>1,643</u>	<u>1,692</u>
Short term lease cost	712	771
Variable lease cost	3,022	3,168
Total lease cost	<u>\$ 20,602</u>	<u>\$ 21,820</u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Leases (continued)

Supplemental consolidated balance sheet information related to operating and finance leases is as follows:

	<u>2022</u>	<u>2021</u>
Weighted-average remaining lease term:	4.28	7.44
Operating leases	1.13	2.93
Finance leases		
Weighted-average discount rate:		
Operating leases	1.23%	0.99%
Finance leases	1.51%	1.58%

The table below presents supplemental cash flow information related to leases:

	<u>2022</u>	<u>2021</u>
	<i>(In Thousands)</i>	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	\$ 15,333	\$ 15,921
Operating cash flows for finance leases	47	71
Financing cash flows for finance leases	1,311	1,864
Right of use assets obtained in exchange for new operating lease liabilities	11,159	7,673
Right of use assets obtained in exchange for new finance lease liabilities	922	1,627

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Leases (continued)

Future minimum lease payments at September 30, 2022 are as follows:

	Finance	Operating	Total
	<i>(In Thousands)</i>		
2023	\$ 1,391	\$ 14,269	\$ 15,660
2024	1,181	12,636	13,817
2025	356	10,171	10,527
2026	14	7,220	7,234
2027	–	4,284	4,284
Thereafter	–	18,437	18,437
Total minimum lease payments	2,942	67,017	69,959
Less: Imputed interest	58	5,376	5,434
Total lease liabilities	<u>\$ 2,884</u>	<u>\$ 61,641</u>	<u>\$ 64,525</u>

12. Net Assets

Net Assets with Donor Restrictions

At September 30, 2022 and 2021, net assets with donor restrictions are available for the following purposes:

	2022	2021
	<i>(In Thousands)</i>	
Indigent care	\$ 17,198	\$ 21,137
Education and research	28,827	34,472
Children's programs	9,413	9,996
Capital projects and other health care services	53,021	59,887
Long-term care services at Woodridge	1,633	1,962
	<u>\$ 110,092</u>	<u>\$ 127,454</u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Net Assets (continued)

Perpetual Endowment Funds

UVM Health Network's perpetual endowment funds consist of 131 funds established for a variety of purposes. UVM Health Network does not currently have any unrestricted funds designated by the Board to function as endowment. Accordingly, for the purposes of this disclosure, endowment funds include only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

UVM Health Network has interpreted relevant state laws for the states in which it operates as requiring realized and unrealized gains on net assets with donor restrictions to be retained as donor restricted until appropriated by the Board and expended. These state laws allow the Board to appropriate the net appreciation of net assets with donor restrictions as is prudent considering UVM Health Network's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. In the years ended September 30, 2022 and 2021, \$1,249,000 and \$1,326,000, respectively, was appropriated from such funds.

As a result of this interpretation, UVM Health Network classifies net assets with donor restrictions as the original value of the gifts donated to the endowment when explicit donor stipulations requiring permanent maintenance of the historical fair value are present, and (b) the original value of subsequent gifts to the endowment when explicit donor stipulations requiring permanent maintenance of the historical fair value are present. The remaining portion of the donor-restricted endowment fund is comprised of accumulated gains not required to be maintained in perpetuity. These amounts are classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the donor's stipulations. UVM Health Network considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: duration and preservation of the fund, purposes of the donor-restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation or depreciation of investments, other resources of UVM Health Network, and the investment policies of UVM Health Network.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Net Assets (continued)

Endowment Asset Composition and Changes in Endowment Assets

Changes in donor endowment funds consisted of the following:

	Without Donor Restrictions	Time Restricted	Perpetual Endowments
	<i>(In Thousands)</i>		
Balance at October 1, 2020	\$ —	\$ 35,651	\$ 28,213
Investment return on donor restricted assets	1,466	11,603	—
Transfers	—	(136)	136
Contributions	—	144	215
Appropriations	(1,466)	(1,897)	—
Balance at September 30, 2021	—	45,365	28,564
Investment return on donor restricted assets	(3,717)	(11,194)	—
Transfers	—	(90)	90
Contributions	—	1,321	1,120
Appropriations	3,717	(1,965)	—
Balance at September 30, 2022	<u>\$ —</u>	<u>\$ 33,437</u>	<u>\$ 29,774</u>

Beneficial Interest in Perpetual Trusts

The above amounts exclude UVM Health Network's beneficial interest in perpetual trusts, which are not within management's investment control. Such beneficial interests totaled \$17,620,000 and \$21,467,000 at September 30, 2022 and 2021, respectively.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Net Assets (continued)

Charitable Remainder Trust

UVM Health Network has received an irrevocable charitable remainder trust for which UVM Health Network does not serve as trustee. For this trust, UVM Health Network recorded its beneficial interest in those assets as contribution revenue and other assets at the present value of the expected future cash inflows. Trusts are recorded at the date UVM Health Network has been notified of the trust's existence and sufficient information regarding the trust has been accumulated to form the basis for an accrual. Changes in the value of these assets are recorded in net assets with donor restrictions.

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires UVM Health Network to retain as a fund of perpetual duration. UVM Health Network has a policy that does not allow spending from underwater endowments. At September 30, 2022 and 2021, there were no funds with deficiencies.

Investment Return Objectives and Spending Policy

UVM Health Network has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Under this policy, the endowment assets are invested in a manner to generate returns at least equal to and preferably greater than the consumer price index. To satisfy its return objective, UVM Health Network targets a diversified asset allocation that provides for a balanced portfolio.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Professional Liability and Other Contingencies

Professional Liability

UVM Health Network is insured against professional liability under a claims-made insurance policy with VMCIC, its wholly owned subsidiary. VMCIC has reinsurance with commercial carriers for coverage above a self-insured per claim retainage amount of:

UVM Medical Center	\$	5,000,000	per occurrence limit
CVMC		1,000,000	per occurrence limit
CVPH		2,000,000	per occurrence limit
ECH		2,000,000	per occurrence limit
PMC		1,000,000	per occurrence limit
AHMC		1,000,000	per occurrence limit
HHH		1,000,000	per occurrence limit

The annual aggregate limit is \$20,000,000 for Professional Liability.

VMCIC has a Commercial General Liability policy with coverage limits per claim retainage amount of:

UVM Medical Center	\$	2,000,000	per occurrence limit
CVMC		1,000,000	per occurrence limit
CVPH		1,000,000	per occurrence limit
ECH		1,000,000	per occurrence limit
PMC		1,000,000	per occurrence limit
AHMC		1,000,000	per occurrence limit
HHH		1,000,000	per occurrence limit

The annual aggregate limit is \$10,000,000 for Commercial General Liability.

The reserves for outstanding professional liability losses at UVM Health Network have been discounted at a rate of 3.0% at September 30, 2022 and 2021, resulting in a decrease in the reserve for professional liability of approximately \$2,529,000 and \$2,656,000 at September 30, 2022 and 2021, respectively. The current portion of the professional liability is \$9,074,000 and \$9,921,000 at September 30, 2022 and 2021, respectively.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Professional Liability and Other Contingencies (continued)

As a result of changes in estimates of incurred events in prior years, primarily for professional liability, the estimate of incurred losses decreased by approximately \$6,538,000 and \$6,220,000 for the years ended September 30, 2022 and 2021, respectively.

Workers' Compensation

UVM Health Network, excluding AHMC (discussed below), is also self-insured for workers' compensation claims, and maintains an excess insurance policy to limit its exposure on claims up to \$1,000,000 and \$750,000 per occurrence for UVM Medical Center and CVPH, respectively, in the year ended September 30, 2022, with a \$50,000,000 aggregate limit for UVM Medical Center. CVPH's workers' compensation claim reserve is secured by a letter of credit and reimbursement agreement in the amount of \$10,511,000, which has an expiration date of September 30, 2023.

The workers compensation insurance policy year for AHMC renews September 1 each year. AHMC's potential workers' compensation exposure covers the period from September 1, 2012 to September 30, 2022. A related liability of approximately \$1,316,000 and \$1,243,000 has been recorded at September 30, 2022 and 2021, respectively.

The reserves for outstanding losses for UVM Medical Center workers' compensation have been discounted at a rate of 0.16% and 0.24%, resulting in a decrease in reserves of approximately \$28,000 and \$44,000 for the years ended September 30, 2022 and 2021, respectively.

Employee Health and Dental Insurance

UVM Health Network maintains a self-insured plan for employee health and dental insurance. Under the terms of the plans, employees and their dependents are eligible for participation and, as such, UVM Medical Center, PMC, HH&H, CVPH, AHMC, ECH and CVMC are responsible for paying claims and third-party administrator costs. UVM Health Network, with the exception of CVPH New York State Nurses Association and Service Employees International Union (SEIU) unions, maintained a stop-loss insurance policy for its medical plan to limit its exposure on nondomestic claims to the first \$650,000, per member per plan year, of which \$100,000 is covered by VMCIC. CVPH maintains a stop-loss insurance policy for its medical plan to limit its exposure on nondomestic claims to the first \$300,000, per member per plan year ending September 30, 2022, of which \$100,000 of each entity's exposure is covered by VMCIC with an aggregate of \$500,000.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Professional Liability and Other Contingencies (continued)

Other Contingencies

UVM Health Network and its subsidiaries are parties in various legal proceedings and potential claims arising in the ordinary course of 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 does not believe that the resolution of these matters will have a material adverse effect on UVM Health Network's consolidated balance sheets or statements of operations.

Collective Bargaining Agreements

At September 30, 2022, approximately 33% of UVM Health Network's employees are union employees who are covered under the terms of various collective bargaining agreements. Agreements representing approximately 21% of union employees (7% of total employees) will expire within the next year and are currently being renegotiated.

14. Pension Plans

Substantially all employees of UVM Health Network are covered under various noncontributory defined benefit pension plans, various defined contribution pension plans, or combinations thereof. Total expense for these plans consists of the following:

	Year Ended September 30,	
	2022	2021
	<i>(In Thousands)</i>	
Defined benefit plans	\$ (4,180)	\$ 44,831
Defined contribution plans	48,810	46,000
	<u>\$ 44,630</u>	<u>\$ 90,831</u>

Information regarding UVM Health Network's benefit obligations, plan assets, funded status, expected cash flows and net periodic (benefit)/cost for the pension plans follows.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Pension Plans (continued)

Benefit Obligations

	<u>2022</u>	<u>2021</u>
	<i>(In Thousands)</i>	
Changes in benefit obligations		
Projected benefit obligations – beginning of year	\$ (333,951)	\$ (461,658)
Service cost	(1,573)	(1,673)
Interest cost	(9,659)	(11,761)
Benefits paid	13,373	20,197
Settlements	38,789	111,542
Actuarial gain	70,604	10,030
Plan amendment	–	(646)
Administrative expenses paid	6	18
Projected benefit obligation – end of year	<u>\$ (222,411)</u>	<u>\$ (333,951)</u>
Accumulated benefit obligation	<u>\$ (221,283)</u>	<u>\$ (333,962)</u>
Changes in plan assets		
Fair value of plan assets – beginning of year	\$ 312,470	\$ 384,036
Actual (loss) gain on plan assets	(54,044)	43,450
Employer contributions	2,533	16,741
Benefits paid	(13,373)	(20,197)
Settlements	(38,789)	(111,542)
Administrative expenses paid	(6)	(18)
Fair value of plan assets – end of year	208,791	312,470
Funded status of the plan (long-term)	(13,620)	(21,481)
Funded status of plans – asset	3,024	723
Funded status of plans – (liability)	<u>\$ (16,644)</u>	<u>\$ (22,204)</u>

During fiscal year 2021, UVM Health Network completed a retiree annuity purchase as part of a de-risking strategy around its UVM Medical Center plan. This annuity purchase, along with some lump-sum acceptances, are reported in the tables below. Other actuarial gains were driven by changes in the discount rate for the years ended September 30, 2022 and 2021.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Pension Plans (continued)

CVPH and CVMC completed a retiree annuity purchase initiative as part of a de-risking strategy around its various plans in November 2021. Retiree monthly benefits ranging up to \$750 were bundled into a single offering that settled the obligation for 1,051 participants.

The reconciliation of the unrecognized actuarial gains and losses for the years ended September 30, 2022 and 2021, is as follows:

	2022	2021
	<i>(In Thousands)</i>	
Unrecognized actuarial (gains) losses – beginning of year	\$ (952)	\$ 83,278
Net amortized during year	2,382	(16,530)
Settlements	(860)	(50,725)
Net prior service cost amortized during year	(26)	1,027
Net gain during year	(2,644)	(18,002)
Unrecognized actuarial gains – end of year	<u>\$ (2,100)</u>	<u>\$ (952)</u>

Net gain during the year resulted from assumption changes and the partial settlement at CVPH.

The components of the net periodic (benefit) cost for the years ended September 30, 2022 and 2021 are as follows:

	2022	2021
	<i>(In Thousands)</i>	
Service cost	\$ 1,573	\$ 1,673
Interest cost	9,659	11,761
Settlements	860	50,725
Expected return on plan assets	(16,309)	(21,494)
Amortization of unrecognized net loss	37	2,166
Net periodic (benefit) cost	<u>\$ (4,180)</u>	<u>\$ 44,831</u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Pension Plans (continued)

The assumptions used in accounting for the defined benefit pension plan are as follows:

	<u>2022</u>	<u>2021</u>
Weighted-average assumptions used to determine the benefit liability		
Discount rates	5.7%	3.0%
Rates of increase in future compensation levels	3.0	3.0
Weighted-average assumptions used to determine expense		
Discount rates	3.0	2.0–2.8
Rates of increase in future compensation levels	3.0	3.0–3.5
Expected long-term rate of return on plan assets	5.5–6.7	5.5–7.3

The expected long-term rate of return for UVM Health Network plans' total assets is based on the expected return of each of its asset categories, weighted based on the median of the allocation for each class. Equity securities are expected to return 9% to 11% over the long-term, while cash and fixed income is expected to return between 5% and 6%. Based on historical experience, UVM Health Network expects that the plans' asset managers will provide a modest (0.5% to 1.0% per annum) premium to their respective market benchmark indices.

Plan Assets

UVM Health Network's pension plans' weighted-average asset allocations as of September 30, 2022 and 2021, by asset category, are as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Target</u>	<u>Actual</u>	<u>Target</u>	<u>Actual</u>
	<u>Allocation</u>	<u>Allocation</u>	<u>Allocation</u>	<u>Allocation</u>
Cash & Equivalents	–%	2%	–%	–%
Fixed Income	50–60	66	50–60	60
Domestic Equity	11–25	17	11–25	21
International Equity	9–20	13	9–20	16
Real Estate	0–5	2	0–5	3

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Pension Plans (continued)

The following table presents information, as of September 30, 2022 and 2021, about UVM Health Network's pension assets that are measured at fair value on a recurring basis:

	2022		
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Fair Value
	<i>(In Thousands)</i>		
Money market	\$ 4,273	\$ —	\$ 4,273
Mutual funds			
Bond funds	14,234	—	14,234
International equity funds	26,183	—	26,183
Domestic equity funds	35,693	—	35,693
Real estate funds	3,811	—	3,811
Total mutual funds	<u>79,921</u>	<u>—</u>	<u>79,921</u>
United States Treasury notes	13,383	—	13,383
Bonds and notes	—	111,214	111,214
	<u>\$ 97,577</u>	<u>\$ 111,214</u>	<u>\$ 208,791</u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Pension Plans (continued)

	2021		Fair Value
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	
	<i>(In Thousands)</i>		
Money market	\$ 7,615	\$ –	\$ 7,615
Mutual funds			
Bond funds	6,252	–	6,252
International equity funds	51,384	–	51,384
Domestic equity funds	64,483	–	64,483
Real estate funds	7,894	–	7,894
Total mutual funds	<u>130,013</u>	<u>–</u>	<u>130,013</u>
United States Treasury notes	36,679	–	36,679
Bonds and notes	–	138,163	138,163
	<u>\$ 174,307</u>	<u>\$ 138,163</u>	<u>\$ 312,470</u>

As of September 30, 2022, and 2021, there were no Level 3 investments. There were no transfers between levels for the years ended September 30, 2022 and 2021.

The investment strategy established for pension plan assets is to meet present and future benefit obligations to all participants and beneficiaries, cover reasonable expenses incurred to provide such benefits, and provide a total return that maximizes the ratio of assets to liabilities by maximizing investment return at the appropriate level of risk.

Cash Flows – Contributions

UVM Health Network expects to contribute \$5,963,000 to its pension plans in the year ending September 30, 2023.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Pension Plans (continued)

Cash Flows – Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

Years ending September 30:	(In Thousands)
2023	\$ 14,211
2024	14,973
2025	15,660
2026	16,184
2027	16,682
2028–2032	85,309

In October 2022, CMVC and PMC adopted plan amendments, following Board of Trustees approval, to terminate their pension plans in fiscal year 2024. The anticipated termination has been communicated to plan participants.

Multi-Employer Defined Benefit Plan

UVM Health Network participates in multi-employer defined benefit pension plans. UVM Health Network makes cash contributions to these plans under the terms of collective-bargaining agreements that cover its union employees based on a fixed rate and hours of service per week worked by the covered employees. The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers; (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (3) if UVM Health Network chooses to stop participating in some of its multi-employer plans, UVM Health Network may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. The measurement dates for the following plans are as of June 30 and December 31, as applicable.

As required by collective bargaining agreements, UVM Health Network is obligated to contribute to the 1199 SEIU multi-employer plan on behalf of union employees at a contribution rate required by the plan's Trustees for participation in the fund, in the amounts and on the dates determined by the Trustees.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Pension Plans (continued)

UVM Health Network has contributed cash and recorded expenses of \$6,261,000 and \$6,739,000 for the multi-employer defined benefit plans for the years ended September 30, 2022 and 2021, respectively.

The following table includes additional disclosure information related to the following pension funds:

Pension Fund	EIN/Pension Plan Number	Zone Status Pension Protection Act		FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration date of Collective-Bargaining Agreement
		September 30, 2022	September 30, 2021			
1199 SEIU Health Care Employees Pension Fund	13-3604862-001	Green	Green	N/A	No	April 30, 2024
1199 SEIU Regional Pension Fund	16-1112391	Green	Green	N/A	No	June 30, 2023

Members of UVM Health Network were not listed on the Plans' Forms 5500 as providing more than 5 percent of the total contributions.

Postretirement Health Benefits

In addition to providing pension benefits, UVM Medical Center sponsors a defined benefit postretirement health care plan for retired employees. Substantially all of UVM Medical Center's employees who are at least age 55 with 15 years of service and all employees who are eligible for retirement may become eligible for such benefits. The postretirement health care plan is contributory with retiree contributions adjusted annually. The marginal cost method is used for accounting purposes for postretirement healthcare benefits.

As of September 30, 2022 and 2021, the premiums paid by retirees did not exceed the costs and an accumulated postretirement benefit obligation of \$147,000 and \$0, respectively, was recorded. The plan does not have any assets as of September 30, 2022 and 2021. Net assets without donor restrictions at September 30, 2022 and 2021, include unrecognized actuarial loss of \$147,000 and \$0, respectively. Assumptions used in accounting for the plan include a discount rate of 5.36%, a current health care cost trend rate of 6.50%, an ultimate health care cost trend rate of 4.75%, the year of ultimate trend rate of 2028, and census data as of January 1, 2022.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Concentrations of Credit Risk

UVM Health Network grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. The mix of net receivables from patients and third-party payors at September 30, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Medicare	25%	25%
Medicaid	7	9
Contracted Commercial	46	42
Noncontracted Insurers	14	16
Patients	8	8
	<u>100%</u>	<u>100%</u>

16. Transactions with UVM

UVM Medical Center’s Affiliation Agreement with UVM was renewed as of September 1, 2022 and extends through August 31, 2032. The Affiliation Agreement expresses the shared goals of UVM and UVM Medical Center for teaching, clinical care and research, documents the many points of close collaboration between the two organizations, provides the underpinnings for UVM Medical Center’s status as an academic medical center, and obligates UVM Medical Center to provide substantial, annual financial support to UVM. The current Affiliation Agreement provides for three components of financial support to UVM: (1) payments by UVM Medical Center, known as the “commitment,” to fund two costs: (a) a portion of the salary, benefits and related expenses paid through UVM to physician-faculty who are jointly employed by both UVM and UVMHN Medical Group and, (b) a portion of the cost of UVM facilities, utilities and other campus operating expenses that are not paid or reimbursed by any form of federal funding; (2) an academic support payment paid by UVM Medical Center, and (3) a Dean’s Tax paid by UVM Medical Group. The amounts of the commitment approximated \$59,639,000 and \$45,157,000 in the years ended September 30, 2022 and 2021, respectively. In addition, UVM Medical Center reimburses UVM for equipment rental, research, and certain other administrative expenses through the commitment.

UVM Medical Center made academic support payments to UVM in monthly installments. The annual amount of the academic support payment was \$8,848,000 and \$8,543,000 in the years ended September 30, 2022 and 2021, respectively. Under the current affiliation agreement, the base amount for academic support payments increased for \$9,806,000 in fiscal year 2023, with an inflationary increase in the years thereafter.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Transactions with UVM (continued)

Under the Affiliation Agreement, the Dean's Tax is paid to UVM by UVM Medical Center in an amount equal to 2.3% of the Medical Group's net patient service revenues exclusive of all Medicaid revenues for that fiscal year. The amount of the Dean's Tax approximated \$4,836,000 and \$4,826,000 in the years ended September 30, 2022 and 2021, respectively. Additionally, a guaranteed payment of \$1,000,000 in Dean's Taxes on UVM Medical Group patient service revenues of community-based physicians was recorded in the years ended September 30, 2022 and 2021.

17. Functional Expenses

UVM Health Network provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended September 30, 2022 and 2021 are as follows:

	2022		
	Healthcare Service	Administrative Support	Total
	<i>(In Thousands)</i>		
Salary, payroll taxes and fringe benefits	\$ 1,486,739	\$ 273,501	\$ 1,760,240
Supplies and other	464,728	274,183	738,911
Purchased services	72,236	69,743	141,979
Provider tax	108,989	–	108,989
Depreciation and amortization	52,907	47,815	100,722
Interest expense	10,327	9,986	20,313
	<u>\$ 2,195,926</u>	<u>\$ 675,228</u>	<u>\$ 2,871,154</u>
	2021		
	Healthcare Service	Administrative Support	Total
	<i>(In Thousands)</i>		
Salary, payroll taxes and fringe benefits	\$ 1,263,761	\$ 253,854	\$ 1,517,615
Supplies and other	425,784	224,440	650,224
Purchased services	72,042	41,595	113,637
Provider tax	98,560	–	98,560
Depreciation and amortization	64,229	31,428	95,657
Interest expense	12,212	7,963	20,175
	<u>1,936,588</u>	<u>559,280</u>	<u>2,495,868</u>
Other components of pension expense	–	43,158	43,158
	<u>\$ 1,936,588</u>	<u>\$ 602,438</u>	<u>\$ 2,539,026</u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Functional Expenses (continued)

Expenses are presented by functional classification in accordance with the overall service mission of the organization. Each functional classification displays all expenses related to the underlying operations by natural classification. Depreciation expense is allocated based on square footage occupancy. Interest expense on external debt is allocated to the functional categories which have benefited from the proceeds of the external debt. Plant operations and maintenance represents space related costs which are allocated to the functional categories directly and/or based on the square footage occupancy.

18. COVID-19

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic and the United States federal government declared COVID-19 a national emergency. Federal, state and local government policies resulted in a substantial portion of the population remaining at home and forced the closure of certain businesses, which had an impact on the Network's patient volumes and revenues for most services. UVM Health Network quickly developed and implemented an emergency response to the situation to ensure the safety of its patients and staff across the Network. A key decision was made to postpone elective and non-urgent care in mid-March. Several factors drove that decision, including efforts to reduce the spread of COVID-19, conservation of personal protective equipment (PPE), and at the urging of the Centers for Disease Control and United States Surgeon General, who in March urged all hospitals to reduce the number of elective procedures and visits. During this time, the Network has also experienced significant price increases in, and utilization of, medical supplies, particularly personal protective equipment, as global supply lines were disrupted by the pandemic.

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide economic assistance to a wide array of industries to ease the financial impact of COVID-19. The CARES Act authorized funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Relief Fund). Payments from the Relief Fund are to be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the recipient for health care related expenses and/or lost revenues attributable to coronavirus and are not required to be repaid except where Relief Funds received exceed the actual amounts of eligible health care related expenses and/or lost revenues as defined by the United States Department of Health and Human Services (HHS), provided the recipients attest to and comply with the terms and conditions. HHS has issued several Post-Payment Notices of Reporting Requirements and published responses to frequently asked questions (FAQs) regarding the Relief Fund distributions.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. COVID-19 (continued)

On December 27, 2020, the Consolidated Appropriations Act, 2021 (CAA) was signed into law. CAA appropriated additional funding for COVID-19 response and relief through the Relief Fund to reimburse health care entities for health care-related expenses or lost revenues attributable to COVID-19. CAA also provided several changes to the administration of the Relief Fund. For any payment, including both general and targeted distributions, received by an eligible health care provider that is a subsidiary of a parent organization, the parent organization may allocate all or any portion of the distribution among any other eligible subsidiaries. CAA also clarified the methods available to calculate lost revenues.

HHS distributions from the Relief Fund include general distributions and targeted distributions, to support hospitals in high impact areas and rural providers, for service periods as determined by HHS. Additionally, funds are available to reimburse providers for COVID-19 related treatment of uninsured patients. The recognized revenue by the Network, as summarized below, has been determined based on applicable accounting guidance, the most recent Post-Payment Notice of Reporting Requirements and FAQs that the Network has interpreted as being applicable to the accompanying consolidated financial statements. Management will continue to monitor communications from HHS applicable to the Relief Fund distributions. If unable to attest to or comply with the current or future terms and conditions, the Network's ability to retain some or all of the distributions received may be impacted.

As part of the CARES Act, CMS expanded its Accelerated and Advance Payment Program which allows participants to receive expedited payments during periods of national emergencies. During April 2020, the Network received approximately \$148.5 million of expedited payments for future services. Under this program, the Network continued to submit claims as usual. The advances are subject to recoupment through the provision of Medicare services beginning twelve months after receipt of funding under the following methodology: 25% of reimbursement to be withheld for the following 11 months and 50% of reimbursement to be withheld for the succeeding six months, with any remaining balance to be paid within twenty-nine months from the date of initial payment. Recoupment of the advanced payments began in April 2021, in accordance with the terms and conditions of the program, with \$95 million and \$23 million repaid as of September 30, 2022 and 2021, respectively. The remaining balance will be repaid during 2023.

Under the CARES Act, the Network has elected to defer the payment of the employer portion of social security taxes that otherwise would have been due between March 27, 2020 and December 31, 2020. The CARES Act requires that 50% of the total deferred amount be paid by

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. COVID-19 (continued)

December 31, 2021, with the remaining balance due by December 31, 2022. The Network paid \$7 million of deferred taxes in December 2021; the remaining balance will be repaid in December 2022.

In 2022 and 2021, the Network applied for reimbursement for qualifying expenses under the Federal Emergency Management Agency (FEMA) Disaster Relief Fund and received reimbursement payment advances of approximately \$0.3 million and \$9.9 million in 2022 and 2021, respectively. The advances received in 2022 and 2021 relate to project worksheets totaling over \$17.8 million submitted by the Network to FEMA under its streamlined submission process. The Network will be finalizing project worksheets previously submitted to allow for submission of expenses incurred during subsequent periods. The Network also intends to submit additional applications for funding of costs incurred through the end of the defined period. The ultimate amount that the Network may be reimbursed is uncertain.

The following table summarizes the impact of the various provisions in the CARES Act and other funding sources to UVM Health Network's consolidated financial statements as of and for the years ended September 30:

	2022	2021
	<i>(In Thousands)</i>	
Recognized in the consolidated statements of operations:		
Relief Funds included in net assets released from restrictions	\$ 52,191	\$ 40,924
Employee Retention Credit included in salaries, wages, and benefit expenses	82	—
CARES Act benefits in operating margin	52,273	40,924
State provider relief funds included in net assets released from restrictions	162	39,447
FEMA funds included in net assets released from restrictions	2,588	9,609
Total recognized in (loss) income from operations	<u>\$ 55,023</u>	<u>\$ 89,980</u>
Liabilities recognized in the consolidated balance sheets:		
Deferred payroll taxes in other current liabilities	\$ 6,190	\$ 6,967
Medicare accelerated and advance payments in current liabilities	29,891	98,884
Medicare accelerated and advance payments in noncurrent liabilities	—	26,130
Deferrals and advance payments in total liabilities	<u>\$ 36,081</u>	<u>\$ 131,981</u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. COVID-19 (continued)

As the impact of COVID-19 continues to evolve, the impact on UVM Health Network's operations are uncertain and will depend on future developments. UVM Health Network 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, UVM Health Network continues to evaluate the impact of new and changed laws and 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.

19. Department of Education Title IV – Financial Responsibility Ratios

During September 2019, the United States Department of Education issued regulations, effective for audit reporting filed after June 30, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV regulations. The information as of and for the year ended September 30, 2022 is as follows (in thousands):

Secured and unsecured related party receivable	\$ 4,970
Unsecured related party receivables	4,970
Property, plant and equipment, net	
Property, plant and equipment, net at September 30, 2021	\$ 878,032
Property, plant and equipment, net acquired with debt during 2022	–
Property, plant and equipment, net acquired without debt during 2022	29,675
Net change in construction in progress	(57,909)
Total property, plant and equipment, net, at September 30, 2022	<u><u>\$ 849,798</u></u>
Total revenues and gains, net without donor restrictions	
Total operating revenue	\$ 2,769,482
Interest income and realized gains	63,869
	<u><u>\$ 2,833,351</u></u>
Right-of-use assets at September 30, 2022	
Operating lease right of use assets, net	\$ 60,346
Finance lease right of use assets, net	3,103
	<u><u>\$ 63,449</u></u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Department of Education Title IV – Financial Responsibility Ratios (continued)

Right-of-use assets at September 30, 2021

Operating lease right of use assets, net	\$ 63,036
Finance lease right of use assets, net	3,777
	<u>\$ 66,813</u>

Long-term debt at September 30, 2022

Current installments of long-term debt	\$ 48,824
Long-term debt, net of current installments	639,635
	<u>\$ 688,459</u>

Long-term debt at September 30, 2021

Current installments of long-term debt	\$ 33,089
Long-term debt, net of current installments	676,965
	<u>\$ 710,054</u>

Right-of-use liabilities at September 30, 2022

Operating lease right of use liabilities, current	\$ 13,429
Finance lease right of use liabilities, current	1,353
Operating lease right of use liabilities, long-term	48,212
Finance lease right of use liabilities, long-term	1,531
	<u>\$ 64,525</u>

Right-of-use liabilities at September 30, 2021

Operating lease right of use liabilities, current	\$ 12,914
Finance lease right of use liabilities, current	1,266
Operating lease right of use liabilities, long-term	51,228
Finance lease right of use liabilities, long-term	2,007
	<u>\$ 67,415</u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Subsequent Events

On December 6, 2022, UVM Health Network borrowed \$100,000,000 from TD Bank. The loan is a taxable fixed rate private bank placement that is payable through December 1, 2037 and carries an interest rate of 4.40%. The loan is secured by a joint and several obligation of the Obligated Group and is to be used for future capital projects and working capital needs across UVM Health Network.

UVM Health Network has assessed the impact of subsequent events through January 26, 2023, the date the audited consolidated financial statements were issued and has concluded that there were no such events that require adjustment to the audited consolidated financial statements or disclosure in the notes to the audited financial statements, except as previously disclosed.

Supplementary Information

The University of Vermont Health Network –
Central Vermont Medical Center Inc. and Subsidiaries

Consolidating Balance Sheet

September 30, 2022

	Central Vermont Hospital and Medical Group Practice	Woodridge Rehabilitation and Nursing	CVMC Eliminations	Total CVMC
	<i>(In Thousands)</i>			
Assets				
Current assets				
Cash and cash equivalents	\$ 7,496	\$ (10)	\$ –	\$ 7,486
Short-term investments	–	–	–	–
Current portion of assets whose use is limited or restricted	–	–	–	–
Patient and other trade accounts receivable, net	30,872	1,943	–	32,815
Due from related parties	13,174	–	(13,174)	–
Inventories	5,582	–	–	5,582
Receivables from third-party payors	–	–	–	–
Prepaid and other current assets	962	–	–	962
Total current assets	58,086	1,933	(13,174)	46,845
Assets whose use is limited or restricted:				
Board-designated assets	41,456	2,451	–	43,907
Assets held by trustee under bond indenture agreements	–	–	–	–
Restricted assets	2,993	–	–	2,993
Donor-restricted assets for specific purposes	3,903	–	–	3,903
Donor-restricted assets for perpetual endowment	3,301	–	–	3,301
Total assets whose use is limited or restricted	51,653	2,451	–	54,104
Property and equipment, net	57,339	3,709	–	61,048
Operating lease right of use assets, net	8,242	25	–	8,267
Finance lease right of use assets, net	–	–	–	–
Other	3,521	–	–	3,521
Total assets	\$ 178,841	\$ 8,118	\$ (13,174)	\$ 173,785
Liabilities and net assets				
Current liabilities				
Accounts payable	\$ 5,357	\$ 423	\$ –	\$ 5,780
Accrued expenses and other liabilities	3,298	10	–	3,308
Accrued payroll and related benefits	16,253	946	–	17,199
Current installments of long-term debt	6,532	–	–	6,532
Current portion of third-party payor settlements	4,362	–	–	4,362
Due to related parties	22,773	13,174	(13,174)	22,773
Incurred but not reported claims	2,017	481	–	2,498
Operating lease right of use obligations	1,731	12	–	1,743
Finance lease right of use obligations	–	–	–	–
Current portion of contract liabilities	–	–	–	–
Total current liabilities	62,323	15,046	(13,174)	64,195
Long-term debt, net of current installments	11,732	–	–	11,732
Malpractice and workers' compensation claims, net of current portion	–	–	–	–
Pension and other postretirement benefit obligations	–	–	–	–
Third-party payor settlements, net of current portion	–	–	–	–
Due to related parties, long term	–	–	–	–
Operating lease right of use obligations, net of current portion	6,468	13	–	6,481
Finance lease right of use obligations, net of current portion	–	–	–	–
Other	–	–	–	–
Total long-term liabilities	18,200	13	–	18,213
Total liabilities	80,523	15,059	(13,174)	82,408
Net assets:				
Without donor restriction	90,930	(6,975)	–	83,955
With donor restriction	–	–	–	–
Time or purpose	4,087	34	–	4,121
Perpetual	3,301	–	–	3,301
Total with donor restrictions	7,388	34	–	7,422
Total net assets	98,318	(6,941)	–	91,377
Total liabilities and net assets	\$ 178,841	\$ 8,118	\$ (13,174)	\$ 173,785

The University of Vermont Health Network –
Champlain Valley Physicians Hospital and Subsidiaries

Consolidating Balance Sheet

September 30, 2022

	Champlain Valley Physicians Hospital		CVPH	
	Medical Center	LCPS	Foundation	Total CVPH
	<i>(In Thousands)</i>			
Assets				
Current assets				
Cash and cash equivalents	\$ 11,802	\$ 63	\$ 557	\$ 12,422
Short-term investments	8,328	–	2,968	11,296
Current portion of assets whose use is limited or restricted	–	–	–	–
Patient and other trade accounts receivable, net	61,436	(230)	–	61,206
Due from related parties	–	–	–	–
Inventories	6,926	–	–	6,926
Receivables from third-party payors	5,053	–	–	5,053
Prepaid and other current assets	4,936	–	394	5,330
Total current assets	<u>98,481</u>	<u>(167)</u>	<u>3,919</u>	<u>102,233</u>
Assets whose use is limited or restricted:				
Board-designated assets	18,178	–	–	18,178
Assets held by trustee under bond indenture agreements	14	–	–	14
Restricted assets	4,355	–	–	4,355
Donor-restricted assets for specific purposes	–	–	3,283	3,283
Donor-restricted assets for perpetual endowment	1,344	–	346	1,690
Total assets whose use is limited or restricted	<u>23,891</u>	<u>–</u>	<u>3,629</u>	<u>27,520</u>
Property and equipment, net	88,781	–	–	88,781
Operating lease right of use assets, net	19,593	–	–	19,593
Finance lease right of use assets, net	2,016	–	–	2,016
Other	3,093	–	787	3,880
Total assets	<u>\$ 235,855</u>	<u>\$ (167)</u>	<u>\$ 8,335</u>	<u>\$ 244,023</u>
Liabilities and net assets				
Current liabilities				
Accounts payable	\$ 9,064	\$ –	\$ –	\$ 9,064
Accrued expenses and other liabilities	13,384	–	–	13,384
Accrued payroll and related benefits	24,876	–	–	24,876
Current installments of long-term debt	12,825	–	–	12,825
Current portion of third-party payor settlements	–	–	–	–
Due to related parties	29,036	265	43	29,344
Incurred but not reported claims	658	–	–	658
Operating lease right of use obligations	2,479	–	–	2,479
Finance lease right of use obligations	842	–	–	842
Current portion of contract liabilities	25,190	–	–	25,190
Total current liabilities	<u>118,354</u>	<u>265</u>	<u>43</u>	<u>118,662</u>
Long-term debt, net of current installments	37,908	–	–	37,908
Malpractice and workers' compensation claims, net of current portion	9,541	–	–	9,541
Pension and other postretirement benefit obligations	14,939	–	–	14,939
Third-party payor settlements, net of current portion	–	–	–	–
Due to related parties, long term	–	–	–	–
Operating lease right of use obligations, net of current portion	17,391	–	–	17,391
Finance lease right of use obligations, net of current portion	953	–	–	953
Other	3,770	–	86	3,856
Total long-term liabilities	<u>84,502</u>	<u>–</u>	<u>86</u>	<u>84,588</u>
Total liabilities	<u>202,856</u>	<u>265</u>	<u>129</u>	<u>203,250</u>
Net assets:				
Without donor restriction	31,655	(432)	3,451	34,674
With donor restriction				
Time or purpose	–	–	4,409	4,409
Perpetual	1,344	–	346	1,690
Total with donor restrictions	<u>1,344</u>	<u>–</u>	<u>4,755</u>	<u>6,099</u>
Total net assets	<u>32,999</u>	<u>(432)</u>	<u>8,206</u>	<u>40,773</u>
Total liabilities and net assets	<u>\$ 235,855</u>	<u>\$ (167)</u>	<u>\$ 8,335</u>	<u>\$ 244,023</u>

The University of Vermont Medical Center Obligated Group

Consolidating Balance Sheet

September 30, 2022

	UVM Medical Center	Central Vermont Medical Center	Champlain Valley Physicians Hospital Center	Elizabethtown Community Hospital	UVM Health Network	Obligated Group Eliminations	Total UVM Medical Center Obligated Group
<i>(In Thousands)</i>							
Assets							
Current assets							
Cash and cash equivalents	\$ 127,854	\$ 7,486	\$ 11,802	\$ 17,551	\$ 97,247	\$ –	\$ 261,940
Short-term investments	3,112	–	8,328	8,721	–	–	20,161
Current portion of assets whose use is limited or restricted	–	–	–	–	–	–	–
Patient and other trade accounts receivable, net	179,658	32,815	61,436	9,754	–	–	283,663
Due from related parties	48,249	–	–	–	16,219	(36,552)	27,916
Inventories	58,162	5,582	6,926	850	–	–	71,520
Receivables from third-party payors	10,714	–	5,053	–	–	–	15,767
Prepaid and other current assets	34,471	962	4,936	1,094	3,779	284	45,526
Total current assets	462,220	46,845	98,481	37,970	117,245	(36,268)	726,493
Assets whose use is limited or restricted:							
Board-designated assets	420,337	43,907	18,178	2,991	83,415	–	568,828
Assets held by trustee under bond indenture agreements	215	–	14	–	–	–	229
Restricted assets	9,920	2,993	4,355	–	695,428	(645,463)	67,233
Donor-restricted assets for specific purposes	39,529	3,903	–	645	–	–	44,077
Donor-restricted assets for perpetual endowment	30,454	3,301	1,344	329	–	–	35,428
Total assets whose use is limited or restricted	500,455	54,104	23,891	3,965	778,843	(645,463)	715,795
Property and equipment, net	605,729	61,048	88,781	33,640	–	–	789,198
Operating lease right of use assets, net	29,009	8,267	19,593	1,706	–	–	58,575
Finance lease right of use assets, net	959	–	2,016	–	–	–	2,975
Other	30,979	3,521	3,093	210	50,302	(15,621)	72,484
Total assets	\$ 1,629,351	\$ 173,785	\$ 235,855	\$ 77,491	\$ 946,390	\$ (697,352)	\$ 2,365,520
Liabilities and net assets							
Current liabilities							
Accounts payable	\$ 28,276	\$ 5,780	\$ 9,064	\$ 643	\$ –	\$ –	\$ 43,763
Accrued expenses and other liabilities	77,419	3,308	13,384	1,228	6,053	42	101,434
Accrued payroll and related benefits	88,776	17,199	24,876	3,285	–	–	134,136
Current installments of long-term debt	21,997	6,532	12,825	833	4,000	–	46,187
Current portion of third-party payor settlements	8,050	4,362	–	1,768	–	–	14,180
Due to related parties	–	22,773	29,036	122	–	(51,931)	–
Incurred but not reported claims	1,271	2,498	658	195	12,706	–	17,328
Operating lease right of use obligations	7,922	1,743	2,479	589	–	–	12,733
Finance lease right of use obligations	433	–	842	–	–	–	1,275
Current portion of contract liabilities	–	–	25,190	1,313	–	–	26,503
Total current liabilities	234,144	64,195	118,354	9,976	22,759	(51,889)	397,539
Long-term debt, net of current installments	393,967	11,732	37,908	12,407	145,945	–	601,959
Malpractice and workers' compensation claims, net of current portion	7,405	–	9,541	–	–	–	16,946
Pension and other postretirement benefit obligations	147	–	14,939	–	–	–	15,086
Third-party payor settlements, net of current portion	2,624	–	–	5,851	–	–	8,475
Due to related parties, long term	–	–	–	–	–	–	–
Operating lease right of use obligations, net of current portion	22,130	6,481	17,391	1,117	–	–	47,119
Finance lease right of use obligations, net of current portion	527	–	953	–	–	–	1,480
Other	5,376	–	3,770	–	–	–	9,146
Total long-term liabilities	432,176	18,213	84,502	19,375	145,945	–	700,211
Total liabilities	666,320	82,408	202,856	29,351	168,704	(51,889)	1,097,750
Net assets:							
Without donor restriction	885,610	83,955	31,655	47,109	777,686	(645,463)	1,180,552
With donor restriction	–	–	–	–	–	–	–
Time or purpose	46,967	4,121	–	680	–	–	51,768
Perpetual	30,454	3,301	1,344	351	–	–	35,450
Total with donor restrictions	77,421	7,422	1,344	1,031	–	–	87,218
Total net assets	963,031	91,377	32,999	48,140	777,686	(645,463)	1,267,770
Total liabilities and net assets	\$ 1,629,351	\$ 173,785	\$ 235,855	\$ 77,491	\$ 946,390	\$ (697,352)	\$ 2,365,520

The University of Vermont Health Network –
Porter Medical Center Inc. and Subsidiaries

Consolidating Balance Sheet

September 30, 2022

	Porter Hospital	Helen Porter Nursing Home	Porter Real Estate Holdings	Porter Medical Center Eliminations	Total Porter Medical Center
	<i>(In Thousands)</i>				
Assets					
Current assets					
Cash and cash equivalents	\$ 7,686	\$ 1,341	\$ 2,746	\$ –	\$ 11,773
Short-term investments	–	–	–	–	–
Current portion of assets whose use is limited or restricted	–	34	–	–	34
Patient and other trade accounts receivable, net	10,677	2,062	–	–	12,739
Due from related parties	11,541	2,993	822	(15,356)	–
Inventories	2,436	16	–	–	2,452
Receivables from third-party payors	710	–	–	–	710
Prepaid and other current assets	600	58	47	–	705
Total current assets	33,650	6,504	3,615	(15,356)	28,413
Assets whose use is limited or restricted:					
Board-designated assets	24,895	–	981	–	25,876
Assets held by trustee under bond indenture agreements	–	–	–	–	–
Restricted assets	1,905	–	–	–	1,905
Donor-restricted assets for specific purposes	873	578	–	–	1,451
Donor-restricted assets for perpetual endowment	4,911	–	–	–	4,911
Total assets whose use is limited or restricted	32,584	578	981	–	34,143
Property and equipment, net	13,914	2,413	502	(58)	16,771
Operating lease right of use assets, net	1,222	–	–	–	1,222
Finance lease right of use assets, net	–	–	–	–	–
Other	–	–	2,162	(2,162)	–
Total assets	\$ 81,370	\$ 9,495	\$ 7,260	\$ (17,576)	\$ 80,549
Liabilities and net assets					
Current liabilities					
Accounts payable	\$ 757	\$ 54	\$ –	\$ –	\$ 811
Accrued expenses and other liabilities	1,706	578	77	–	2,361
Accrued payroll and related benefits	7,398	982	522	–	8,902
Current installments of long-term debt	583	142	–	–	725
Current portion of third-party payor settlements	140	–	–	–	140
Due to related parties	5,131	12,252	436	(16,097)	1,722
Incurred but not reported claims	281	–	–	–	281
Operating lease right of use obligations	401	–	–	–	401
Finance lease right of use obligations	–	–	–	–	–
Current portion of contract liabilities	14	–	–	–	14
Total current liabilities	16,411	14,008	1,035	(16,097)	15,357
Long-term debt, net of current installments	8,383	2,054	–	–	10,437
Malpractice and workers' compensation claims, net of current portion	–	–	–	–	–
Pension and other postretirement benefit obligations	1,446	266	(154)	–	1,558
Third-party payor settlements, net of current portion	600	–	–	–	600
Due to related parties, long term	–	–	–	–	–
Operating lease right of use obligations, net of current portion	839	–	–	–	839
Finance lease right of use obligations, net of current portion	–	–	–	–	–
Other	–	–	–	–	–
Total long-term liabilities	11,268	2,320	(154)	–	13,434
Total liabilities	27,679	16,328	881	(16,097)	28,791
Net assets:					
Without donor restriction	47,933	(7,411)	6,379	(1,479)	45,422
With donor restriction					
Time or purpose	847	578	–	–	1,425
Perpetual	4,911	–	–	–	4,911
Total with donor restrictions	5,758	578	–	–	6,336
Total net assets	53,691	(6,833)	6,379	(1,479)	51,758
Total liabilities and net assets	\$ 81,370	\$ 9,495	\$ 7,260	\$ (17,576)	\$ 80,549

The University of Vermont Health Network Inc. and Subsidiaries

Consolidating Balance Sheet

September 30, 2022

	Total UVM Medical Center Obligated Group	Alice Hyde Medical Center	Porter Medical Center	UVM Health Network Home Health & Hospice	Other Entities	Eliminations	Total UVM Health Network
	<i>(In Thousands)</i>						
Assets							
Current assets							
Cash and cash equivalents	\$ 261,940	\$ 15,923	\$ 11,773	\$ 3,413	\$ 2,513	\$ –	\$ 295,562
Short-term investments	20,161	–	–	–	2,968	–	23,129
Current portion of assets whose use is limited or restricted	–	–	34	–	8,410	–	8,444
Patient and other trade accounts receivable, net	283,663	7,338	12,739	3,208	724	–	307,672
Due from related parties	27,916	–	–	–	–	(27,916)	–
Inventories	71,520	1,228	2,452	–	201	–	75,401
Receivables from third-party payors	15,767	415	710	80	–	–	16,972
Prepaid and other current assets	45,526	1,470	705	304	5,866	19	53,890
Total current assets	726,493	26,374	28,413	7,005	20,682	(27,897)	781,070
Assets whose use is limited or restricted:							
Board-designated assets	568,828	3,027	25,876	6,382	–	–	604,113
Assets held by trustee under bond indenture agreements	229	–	–	–	–	–	229
Restricted assets	67,233	381	1,905	–	70,539	(49,965)	90,093
Donor-restricted assets for specific purposes	44,077	178	1,451	3,824	3,283	–	52,813
Donor-restricted assets for perpetual endowment	35,428	184	4,911	6,503	346	–	47,372
Total assets whose use is limited or restricted	715,795	3,770	34,143	16,709	74,168	(49,965)	794,620
Property and equipment, net	789,198	36,194	16,771	6,097	1,538	–	849,798
Operating lease right of use assets, net	58,575	549	1,222	–	–	–	60,346
Finance lease right of use assets, net	2,975	129	–	–	(1)	–	3,103
Other	72,484	880	–	10	11,895	(47,513)	37,756
Total assets	\$ 2,365,520	\$ 67,896	\$ 80,549	\$ 29,821	\$ 108,282	\$ (125,375)	\$ 2,526,693
Liabilities and net assets							
Current liabilities							
Accounts payable	\$ 43,763	\$ 917	\$ 811	\$ 543	\$ 402	\$ –	\$ 46,436
Accrued expenses and other liabilities	101,434	1,927	2,361	1,145	2	597	107,466
Accrued payroll and related benefits	134,136	6,020	8,902	2,794	785	(437)	152,200
Current installments of long-term debt	46,187	1,903	725	–	9	–	48,824
Current portion of third-party payor settlements	14,180	3,190	140	269	(1)	–	17,778
Due to related parties	–	3,492	1,722	5,639	3,701	(14,554)	–
Incurred but not reported claims	17,328	1,316	281	–	9,074	–	27,999
Operating lease right of use obligations	12,733	294	401	–	1	–	13,429
Finance lease right of use obligations	1,275	77	–	–	1	–	1,353
Current portion of contract liabilities	26,503	3,374	14	–	–	–	29,891
Total current liabilities	397,539	22,510	15,357	10,390	13,974	(14,394)	445,376
Long-term debt, net of current installments	601,959	27,238	10,437	–	1	–	639,635
Malpractice and workers' compensation claims, net of current portion	16,946	–	–	–	31,520	–	48,466
Pension and other postretirement benefit obligations	15,086	–	1,558	–	–	–	16,644
Third-party payor settlements, net of current portion	8,475	–	600	1	1	–	9,077
Due to related parties, long term	–	2,200	–	–	12,822	(15,022)	–
Operating lease right of use obligations, net of current portion	47,119	255	839	–	(1)	–	48,212
Finance lease right of use obligations, net of current portion	1,480	51	–	–	–	–	1,531
Other	9,146	1,165	–	330	87	–	10,728
Total long-term liabilities	700,211	30,909	13,434	331	44,430	(15,022)	774,293
Total liabilities	1,097,750	53,419	28,791	10,721	58,404	(29,416)	1,219,669
Net assets:							
Without donor restriction	1,180,552	13,021	45,422	8,773	45,123	(95,959)	1,196,932
With donor restriction							
Time or purpose	51,768	1,272	1,425	3,824	4,409	–	62,698
Perpetual	35,450	184	4,911	6,503	346	–	47,394
Total with donor restrictions	87,218	1,456	6,336	10,327	4,755	–	110,092
Total net assets	1,267,770	14,477	51,758	19,100	49,878	(95,959)	1,307,024
Total liabilities and net assets	\$ 2,365,520	\$ 67,896	\$ 80,549	\$ 29,821	\$ 108,282	\$ (125,375)	\$ 2,526,693

The University of Vermont Health Network –
Central Vermont Medical Center Inc. and Subsidiaries

Consolidating Statement of Operations

Year Ended September 30, 2022

	Central Vermont Hospital and Medical Group Practice	Woodridge Rehabilitation and Nursing	Total CVMC
	<i>(In Thousands)</i>		
Revenue and other support without donor restrictions			
Net patient service revenue before Enhanced Medicaid Graduate Medical Education revenues	\$ 169,996	\$ 15,795	\$ 185,791
Enhanced Medicaid Graduate Medical Education revenues – Hospital	–	–	–
Enhanced Medicaid Graduate Medical Education revenues – Professional	–	–	–
Net patient service revenue	169,996	15,795	185,791
Fixed prospective payment revenue	52,175	2,421	54,596
Premium revenue	1,801	–	1,801
Outpatient and specialty pharmacy revenue	8,904	–	8,904
Net assets released from restrictions	4,261	1,384	5,645
Other revenue	5,891	440	6,331
Total revenue and other support without donor restriction	243,028	20,040	263,068
Expenses			
Salaries, payroll taxes and fringe benefits	160,402	19,491	179,893
Supplies and other	59,504	2,828	62,332
Purchased services	15,778	435	16,213
Provider tax	13,189	753	13,942
Depreciation and amortization	6,928	416	7,344
Interest expense	479	1	480
Total expenses	256,280	23,924	280,204
Loss from operations	(13,252)	(3,884)	(17,136)
Nonoperating gains (losses)			
Investment income	3,013	–	3,013
Change in interest in investment pool	(77)	(632)	(709)
Change in fair value of interest rate swap agreements	–	–	–
Other components of pension income	2,542	420	2,962
Net change in unrealized losses on investments	(14,670)	–	(14,670)
Other	435	–	435
Total nonoperating losses	(8,757)	(212)	(8,969)
Deficiency of revenue over expenses	(22,009)	(4,096)	(26,105)
Net change in unrealized losses on fixed-income investments	–	–	–
Net assets released from restrictions for capital purchases	–	20	20
Pension related adjustments	(2,486)	–	(2,486)
Transfers and other	500	–	500
Decrease in net assets without donor restrictions	\$ (23,995)	\$ (4,076)	\$ (28,071)

The University of Vermont Health Network –
Champlain Valley Physicians Hospital and Subsidiaries

Consolidating Statement of Operations

Year Ended September 30, 2022

	Champlain Valley Physicians Hospital Medical Center	LCPS	CVPH Foundation	Total CVPH
	<i>(In Thousands)</i>			
Revenue and other support without donor restrictions				
Net patient service revenue before Enhanced Medicaid Graduate Medical Education revenues	\$ 362,458	\$ (237)	\$ –	\$ 362,221
Enhanced Medicaid Graduate Medical Education revenues – Hospital	–	–	–	–
Enhanced Medicaid Graduate Medical Education revenues – Professional	–	–	–	–
Net patient service revenue	362,458	(237)	–	362,221
Fixed prospective payment revenue	–	–	–	–
Premium revenue	–	–	–	–
Outpatient and specialty pharmacy revenue	12,055	–	–	12,055
Net assets released from restrictions	8,903	–	400	9,303
Other revenue	6,462	1	648	7,111
Total revenue and other support without donor restriction	389,878	(236)	1,048	390,690
Expenses				
Salary, payroll taxes and fringe benefits	293,975	(1)	455	294,429
Supplies and other	91,885	10	68	91,963
Purchased services	17,955	76	713	18,744
Provider tax	1,232	–	–	1,232
Depreciation and amortization	13,179	–	–	13,179
Interest expense	2,093	–	–	2,093
Total expenses	420,319	85	1,236	421,640
Loss from operations	(30,441)	(321)	(188)	(30,950)
Nonoperating gains (losses)				
Investment income	(425)	–	(60)	(485)
Change in interest in investment pool	(8,826)	–	(646)	(9,472)
Change in fair value of interest rate swap agreements	4,862	–	–	4,862
Other components of pension income	2,358	–	–	2,358
Net change in unrealized losses on investments	–	–	–	–
Other	208	–	14	222
Total nonoperating losses	(1,823)	–	(692)	(2,515)
Deficiency of revenue over expenses	(32,264)	(321)	(880)	(33,465)
Net change in unrealized losses on fixed-income investments	–	–	–	–
Net assets released from restrictions for capital purchases	564	–	–	564
Pension related adjustments	2,752	–	–	2,752
Transfers and other	(491)	–	–	(491)
Decrease in net assets without donor restrictions	\$ (29,439)	\$ (321)	\$ (880)	\$ (30,640)

The University of Vermont Medical Center Obligated Group

Consolidating Statement of Operations

Year Ended September 30, 2022

	UVM Medical Center	Central Vermont Medical Center	Champlain Valley Physicians Hospital Medical Center	Elizabethtown Community Hospital	UVM Health Network	Obligated Group Eliminations	Total UVM Medical Center Obligated Group
<i>(In Thousands)</i>							
Revenue and other support without donor restrictions							
Net patient service revenue before Enhanced Medicaid Graduate Medical Education revenues	\$ 1,256,550	\$ 185,791	\$ 362,458	\$ 47,405	\$ –	\$ (647)	\$ 1,851,557
Enhanced Medicaid Graduate Medical Education revenues – Hospital	21,388	–	–	–	–	–	21,388
Enhanced Medicaid Graduate Medical Education revenues – Professional	31,112	–	–	–	–	–	31,112
Net patient service revenue	1,309,050	185,791	362,458	47,405	–	(647)	1,904,057
Fixed prospective payment revenue	188,414	54,596	–	–	–	–	243,010
Premium revenue	4,017	1,801	–	–	–	–	5,818
Outpatient and specialty pharmacy revenue	198,770	8,904	12,055	2,462	–	–	222,191
Net assets released from restrictions	32,778	5,645	8,903	2,208	–	–	49,534
Other revenue	92,600	6,331	6,462	1,717	–	(944)	106,166
Total revenue and other support without donor restriction	1,825,629	263,068	389,878	53,792	–	(1,591)	2,530,776
Expenses							
Salary, payroll taxes and fringe benefits	1,059,669	179,893	293,975	33,281	–	3,310	1,570,128
Supplies and other	537,932	62,332	91,885	7,920	–	(3,178)	696,891
Purchased services	80,958	16,213	17,955	5,681	–	(1,922)	118,885
Provider tax	85,420	13,942	1,232	146	–	–	100,740
Depreciation and amortization	68,233	7,344	13,179	3,693	–	–	92,449
Interest expense	16,144	480	2,093	394	–	–	19,111
Total expenses	1,848,356	280,204	420,319	51,115	–	(1,790)	2,598,204
(Loss) income from operations	(22,727)	(17,136)	(30,441)	2,677	–	199	(67,428)
Nonoperating gains (losses)							
Investment income	(7,086)	3,013	(425)	(54)	62,697	(6,179)	51,966
Change in interest in investment pool	(119,544)	(709)	(8,826)	(2,312)	(16,572)	147,963	–
Change in fair value of interest rate swap agreements	8,431	–	4,862	–	–	–	13,293
Other components of pension income	166	2,962	2,358	–	–	–	5,486
Net change in unrealized losses on investments	(3,447)	(14,670)	–	–	(245,617)	29,618	(234,116)
Other	(2,985)	435	208	–	–	(198)	(2,540)
Total nonoperating losses	(124,465)	(8,969)	(1,823)	(2,366)	(199,492)	171,204	(165,911)
(Deficiency) excess of revenue over expenses	(147,192)	(26,105)	(32,264)	311	(199,492)	171,403	(233,339)
Net change in unrealized losses on fixed-income investments	–	–	–	–	–	–	–
Net assets released from restrictions for capital purchases	293	20	564	403	–	–	1,280
Pension related adjustments	670	(2,486)	2,752	–	–	–	936
Transfers and other	(30,666)	500	(491)	–	73,950	(14,033)	29,260
(Decrease) increase in net assets without donor restrictions	\$ (176,895)	\$ (28,071)	\$ (29,439)	\$ 714	\$ (125,542)	\$ 157,370	\$ (201,863)

The University of Vermont Health Network –
Porter Medical Center Inc. and Subsidiaries

Consolidating Statement of Operations

Year Ended September 30, 2022

	Porter Hospital	Helen Porter Nursing Home	Porter Real Estate Holdings	Porter Medical Center Eliminations	Total Porter Medical Center
	<i>(In Thousands)</i>				
Revenue and other support without donor restrictions					
Net patient service revenue before Enhanced Medicaid Graduate Medical Education revenues	\$ 77,901	\$ 10,685	\$ –	\$ (49)	\$ 88,537
Enhanced Medicaid Graduate Medical Education revenues – Hospital	–	–	–	–	–
Enhanced Medicaid Graduate Medical Education revenues – Professional	–	–	–	–	–
Net patient service revenue	77,901	10,685	–	(49)	88,537
Fixed prospective payment revenue	20,810	–	–	–	20,810
Premium revenue	473	–	–	–	473
Outpatient and specialty pharmacy revenue	1,511	–	–	–	1,511
Net assets released from restrictions	2,631	398	–	–	3,029
Other revenue	1,945	124	5,381	(5,075)	2,375
Total revenue and other support without donor restriction	105,271	11,207	5,381	(5,124)	116,735
Expenses					
Salary, payroll taxes and fringe benefits	65,480	13,094	4,184	(50)	82,708
Supplies and other	16,415	1,765	212	(85)	18,307
Purchased services	11,357	1,089	505	(4,990)	7,961
Provider tax	5,588	482	–	–	6,070
Depreciation and amortization	2,930	233	24	–	3,187
Interest expense	272	65	–	–	337
Total expenses	102,042	16,728	4,925	(5,125)	118,570
Income (loss) from operations	3,229	(5,521)	456	1	(1,835)
Nonoperating gains (losses)					
Investment income	230	1	3	–	234
Change in interest in investment pool	(5,320)	–	–	–	(5,320)
Change in fair value of interest rate swap agreements	–	–	–	–	–
Other components of pension income	210	35	22	–	267
Net change in unrealized gains (losses) on investments	–	–	–	–	–
Other	71	–	58	(58)	71
Total nonoperating (losses) gains	(4,809)	36	83	(58)	(4,748)
(Deficiency) excess of revenue over expenses	(1,580)	(5,485)	539	(57)	(6,583)
Net change in unrealized losses on fixed-income investments	–	–	–	–	–
Net assets released from restrictions for capital purchases	61	614	–	–	675
Pension related adjustments	166	28	18	–	212
Transfers and other	(300)	500	(500)	–	(300)
(Decrease) increase in net assets without donor restrictions	\$ (1,653)	\$ (4,343)	\$ 57	\$ (57)	\$ (5,996)

The University of Vermont Health Network Inc. and Subsidiaries

Consolidating Statement of Operations

Year Ended September 30, 2022

	Total UVM Medical Center Obligated Group	Alice Hyde Medical Center	Porter Medical Center	UVM Health Network Home Health & Hospice	Other Entities	Eliminations	Total UVM Health Network
<i>(In Thousands)</i>							
Revenue and other support without donor restrictions							
Net patient service revenue before Enhanced Medicaid							
Graduate Medical Education revenues	\$ 1,851,557	\$ 79,681	\$ 88,537	\$ 24,023	\$ 3,293	\$ (542)	\$ 2,046,549
Enhanced Medicaid Graduate Medical Education revenues – Hospital	21,388	–	–	–	–	–	21,388
Enhanced Medicaid Graduate Medical Education revenues – Professional	31,112	–	–	–	–	–	31,112
Net patient service revenue	1,904,057	79,681	88,537	24,023	3,293	(542)	2,099,049
Fixed prospective payment revenue	243,010	–	20,810	–	–	–	263,820
Premium revenue	5,818	–	473	–	–	–	6,291
Outpatient and specialty pharmacy revenue	222,191	4,480	1,511	–	–	–	228,182
Net assets released from restrictions	49,534	3,484	3,029	–	115	–	56,162
Other revenue	106,166	3,468	2,375	1,104	9,957	(7,092)	115,978
Total revenue and other support without donor restriction	2,530,776	91,113	116,735	25,127	13,365	(7,634)	2,769,482
Expenses							
Salary, payroll taxes and fringe benefits	1,570,128	68,185	82,708	23,608	14,398	1,213	1,760,240
Supplies and other	696,891	20,198	18,307	3,727	7,188	(7,400)	738,911
Purchased services	118,885	9,064	7,961	4,476	3,040	(1,447)	141,979
Provider tax	100,740	1,094	6,070	1,085	–	–	108,989
Depreciation and amortization	92,449	3,822	3,187	608	656	–	100,722
Interest expense	19,111	783	337	–	82	–	20,313
Total expenses	2,598,204	103,146	118,570	33,504	25,364	(7,634)	2,871,154
Loss from operations	(67,428)	(12,033)	(1,835)	(8,377)	(11,999)	–	(101,672)
Nonoperating gains (losses)							
Investment income	51,966	11	234	(406)	3,409	(54)	55,160
Change in interest in investment pool	–	(471)	(5,320)	(1,727)	(646)	8,164	–
Change in fair value of interest rate swap agreements	13,293	–	–	–	31	–	13,324
Other components of pension income	5,486	–	267	–	0	–	5,753
Net change in losses gains on investments	(234,116)	–	–	–	(14,758)	9,959	(238,915)
Other	(2,540)	14	71	1,272	192	(3,629)	(4,620)
Total losses	(165,911)	(446)	(4,748)	(861)	(11,772)	14,440	(169,298)
Deficiency of revenue over expenses	(233,339)	(12,479)	(6,583)	(9,238)	(23,771)	14,440	(270,970)
Net change in unrealized losses on fixed-income investments	–	–	–	–	(3,118)	–	(3,118)
Net assets released from restrictions for capital purchases	1,280	21	675	–	1	–	1,977
Pension related adjustments	936	–	212	–	–	–	1,148
Transfers and other	29,260	(425)	(300)	500	8,349	(37,506)	(122)
Decrease in net assets without donor restrictions	\$ (201,863)	\$ (12,883)	\$ (5,996)	\$ (8,738)	\$ (18,539)	\$ (23,066)	\$ (271,085)

Financial Responsibility Supplemental Schedule
Related to U.S. Department of Education Title
IV Regulations

The University of Vermont Health Network Inc. and Subsidiaries

Financial Responsibility Supplemental Schedule

Reference to Financial Statements and/or Notes	Ratio Element	Amount
		<i>(In Thousands)</i>
Primary reserve ratio		
Expendable net assets:		
Consolidated Balance Sheet	Net assets without donor restrictions	\$ 1,196,932
Consolidated Balance Sheet	Net assets with donor restrictions	110,092
Note 19. Financial Responsibility Ratios	Secured and unsecured related party receivable	4,970
Note 19. Financial Responsibility Ratios	Unsecured related party receivables	4,970
Note 19. Financial Responsibility Ratios	Property, plant and equipment, net at September 30, 2021	878,032
Note 19. Financial Responsibility Ratios	Property, plant and equipment, net acquired with debt during 2022	-
Note 19. Financial Responsibility Ratios	Property, plant and equipment, net acquired without debt during 2022	29,675
Note 19. Financial Responsibility Ratios	Net change in construction in progress	(57,909)
Note 19. Financial Responsibility Ratios	Total property, plant and equipment, net, at September 30, 2022	<u>\$ 849,798</u>
Note 19. Financial Responsibility Ratios	Lease right-of-use assets at September 30, 2021	66,813
Note 19. Financial Responsibility Ratios	Lease right-of-use assets at September 30, 2022	63,449
Not applicable	Intangible assets	-
Consolidated Balance Sheet	Post-employment and pension liabilities	13,620
Note 19. Financial Responsibility Ratios	Long-term debt at September 30, 2021	710,054
Note 19. Financial Responsibility Ratios	Long-term debt at September 30, 2022	688,459
Note 19. Financial Responsibility Ratios	Right-of-use liabilities at September 30, 2021	67,415
Note 19. Financial Responsibility Ratios	Right-of-use liabilities at September 30, 2022	64,525
Not applicable	Annuities with donor restrictions	-
Consolidated Balance Sheet	Term endowments with donor restrictions	62,698
Consolidated Balance Sheet	Restricted in perpetuity	47,394
Consolidated Balance Sheet	Total net assets with donor restrictions	<u>\$ 110,092</u>
Total expenses and losses:		
Consolidated Statements of Operations	Total expenses without donor restrictions	\$ 2,871,154
Consolidated Statements of Operations	Change in net unrealized gains and losses on investments whose use is limited	238,915
Consolidated Statements of Operations	Change in net unrealized gains and losses on other than trading investments whose use is limited	3,118
Consolidated Statements of Operations	Other components of pension income (expense)	5,753
Equity ratio		
Modified net assets:		
Consolidated Balance Sheet	Net assets without donor restrictions	1,196,932
Consolidated Balance Sheet	Net assets with donor restrictions	110,092
Not applicable	Intangible assets	-
Note 19. Financial Responsibility Ratios	Secured and unsecured related party receivable	4,970
Note 19. Financial Responsibility Ratios	Unsecured related party receivables	4,970
Modified Assets:		
Consolidated Balance Sheet	Total assets	2,526,693
Note 19. Financial Responsibility Ratios	Lease right-of-use assets at September 30, 2022	63,449
Note 19. Financial Responsibility Ratios	Lease right-of-use liabilities at September 30, 2022	64,525
Note 19. Financial Responsibility Ratios	Secured and unsecured related party receivable	4,970
Note 19. Financial Responsibility Ratios	Unsecured related party receivables	4,970
Net income ratio		
Consolidated Statements of Changes in Net Assets	Change in net assets without donor restrictions	(271,085)
Note 19. Financial Responsibility Ratios	Total revenue and gains, net without donor restriction	2,591,318

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