# MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES

Consolidated Financial Statements, Schedules
and Schedule of Expenditures of Federal Awards

December 31, 2021 and 2020

**MOHAWK VALLEY HEALTH SYSTEM**
**AND SUBSIDIARIES**

Index

# INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Mohawk Valley Health System:

## Report on the Audit of the Consolidated Financial Statements

### *Opinion*

We have audited the accompanying consolidated financial statements of Mohawk Valley Health System and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mohawk Valley Health System and Subsidiaries as of December 31, 2021 and 2020, and the results of their operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Mohawk Valley Health System and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

**Report on the Audit of the Consolidated Financial Statements, Continued**

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from 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 and *Government Auditing Standards* 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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 Mohawk Valley Health System and Subsidiaries' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mohawk Valley Health System and Subsidiaries' 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.


(Continued)

Fust Charles Chambers LLP
CERTIFIED PUBLIC ACCOUNTANTS



**Report on the Audit of the Consolidated Financial Statements, Continued**

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying financial responsibility data in Schedule 1, as required by the U.S. Department of Education, the consolidating information in Schedules 2 and 3 and the schedule of expenditures of federal awards and notes, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis of the consolidated financial statements and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2022, on our consideration of Mohawk Valley Health System and Subsidiaries' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mohawk Valley Health System and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mohawk Valley Health System and Subsidiaries' internal control over financial reporting and compliance.

Fust Charles Chambers LLP

**Fust Charles Chambers LLP**

Syracuse, New York
June 29, 2022, except for note 18 and
our report on the Supplementary Information,
which is dated September 30, 2022

## MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2021 and 2020

| Assets | 2021 | 2020 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 36,542,060 | 34,529,309 |
| Investments | 216,315,807 | 155,326,507 |
| Escrow deposit | 1,232,917 | 1,253,733 |
| Assets limited as to use | 39,666,409 | 37,833,162 |
| Patient accounts receivable, net | 57,506,871 | 50,945,274 |
| Other current assets | 22,695,754 | 24,976,583 |
| Inventories | 16,960,470 | 15,056,165 |
| Prepaid expenses | 5,365,312 | 3,493,335 |
| Due from affiliates, net | 6,300 | 3,150 |
| Total current assets | 396,291,900 | 323,417,218 |
| Investments, net of current portion | 4,528,164 | 4,528,164 |
| Assets limited as to use, net of current portion | 194,215,103 | 192,310,254 |
| Property and equipment, net | 428,485,284 | 282,549,124 |
| Operating lease right-of-use assets | 9,384,218 | 11,655,850 |
| Other assets | 23,736,068 | 23,184,737 |
| Total assets | $ 1,056,640,737 | 837,645,347 |

| Liabilities and Net Assets | | 2021 | 2020 |
|---|---|---|---|
| Current liabilities: | | | |
| Current portion of long-term debt | $ | 5,955,000 | 5,060,000 |
| Current portion of finance lease obligations | | 2,068,911 | 2,354,957 |
| Current portion of operating lease liabilities | | 1,875,280 | 2,115,937 |
| Accounts payable and accrued expenses | | 58,929,813 | 52,613,996 |
| Accrued payroll, payroll taxes and benefits | | 27,962,427 | 21,232,070 |
| Current portion of estimated self-insured liabilities | | 5,228,491 | 6,003,613 |
| Contract liability - Medicare Accelerated and Advance Payment Program | | 9,684,358 | 21,943,609 |
| Refundable advance | | - | 25,000,000 |
| Estimated third-party payor settlements, net | | 36,140,285 | 33,517,637 |
| Other current liabilities | | 9,198,647 | 4,695,495 |
| Total current liabilities | | 157,043,212 | 174,537,314 |
| Long-term debt, net of current portion: | | | |
| Revenue bonds | | 329,903,000 | 262,124,443 |
| Finance lease obligations | | 5,401,294 | 7,026,923 |
| Total long-term debt, net of current portion | | 335,304,294 | 269,151,366 |
| Operating lease liabilities, net of current portion | | 8,029,299 | 9,891,899 |
| Accrued pension liability | | 36,106,891 | 57,458,285 |
| Contract liability - Medicare Accelerated and Advance Payment Program, net of current portion | | - | 8,056,391 |
| Other liabilities | | 29,687,671 | 35,578,952 |
| Estimated self-insured liabilities, net of current portion | | 19,441,200 | 14,024,969 |
| Total liabilities | | 585,612,567 | 568,699,176 |
| Net assets: | | | |
| Without donor restrictions | | 236,154,532 | 163,975,999 |
| With donor restrictions | | 234,873,638 | 104,970,172 |
| Total net assets | | 471,028,170 | 268,946,171 |
| Commitments, contingencies and uncertainties (notes 2, 5, 9 and 12) | | | |
| Total liabilities and net assets | $ | 1,056,640,737 | 837,645,347 |

See accompanying notes to consolidated financial statements.

**MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES**

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|---|---|
| Revenues, gains and other support without donor restrictions: | | |
| Net patient service revenue | $ 539,662,903 | 466,992,592 |
| Pandemic Relief Fund grants | 3,916,388 | 33,530,705 |
| Premium revenue | 12,742,135 | 16,003,707 |
| Other operating revenue | 31,944,479 | 41,220,154 |
| Net assets released from restrictions used for operations | 1,506,096 | 979,078 |
| Total revenues, gains and other support without donor restrictions | 589,772,001 | 558,726,236 |
| Expenses: | | |
| Salaries and wages | 267,124,226 | 256,741,454 |
| Employee benefits | 49,175,091 | 53,644,649 |
| Supplies and other | 248,581,893 | 218,694,709 |
| Depreciation and amortization | 20,906,754 | 21,394,410 |
| Interest | 2,034,839 | 2,234,892 |
| New York State gross receipts taxes | 2,580,627 | 2,122,055 |
| Total expenses | 590,403,430 | 554,832,169 |
| Net gain (loss) from operations | (631,429) | 3,894,067 |
| Other revenue (expense): | | |
| Investment income, net of fees | 21,709,523 | 15,065,129 |
| Other components of net periodic pension cost | (3,878,129) | (3,778,348) |
| Gain on sale of dialysis assets | 3,867,720 | - |
| Contributions and other | 31,287,545 | (821,905) |
| Total other revenue, net | 52,986,659 | 10,464,876 |
| Excess of revenues over expenses | $ 52,355,230 | 14,358,943 |



(Continued)

**MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES**

Consolidated Statements of Operations and Changes in Net Assets, Continued

| | 2021 | 2020 |
|---|---|---|
| Changes in net assets without donor restrictions: | | |
| Excess of revenues over expenses | $ 52,355,230 | 14,358,943 |
| Pension related changes other than net periodic pension cost | 20,137,523 | (4,784,901) |
| Contributions used for capital acquisitions | 151,379 | 6,191 |
| Other | (465,599) | (6,149) |
| Increase in net assets without donor restrictions | 72,178,533 | 9,574,084 |
| Changes in net assets with donor restrictions: | | |
| Contributions | 6,278,320 | 5,032,097 |
| Investment income, net of fees | 803,904 | 256,071 |
| Grant for capital acquisitions | 124,327,338 | 59,161,041 |
| Net assets released from restrictions | (1,506,096) | (979,078) |
| Increase in net assets with donor restrictions | 129,903,466 | 63,470,131 |
| Total increase in net assets | 202,081,999 | 73,044,215 |
| Net assets at beginning of year | 268,946,171 | 195,901,956 |
| Net assets at end of year | $ 471,028,170 | 268,946,171 |

See accompanying notes to consolidated financial statements.

**MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended December 31, 2021 and 2020

| | | 2021 | 2020 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Change in net assets | $ | 202,081,999 | 73,044,215 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | |
| Depreciation and amortization | | 20,906,754 | 21,394,410 |
| Amortization of debt issuance costs | | 465,237 | 437,258 |
| Amortization of bond premium | | (720,306) | (720,308) |
| Net gains and losses on investments and assets limited as to use | | (19,767,891) | (19,693,048) |
| Pension related changes other than net periodic pension cost | | (20,137,523) | 4,784,901 |
| Other components of net periodic pension cost | | 3,878,129 | 3,778,348 |
| Amortization of unearned lease income | | (34,707) | (47,573) |
| Gain (loss) on disposal of property and equipment | | (3,769,691) | 32,636 |
| Change in grants receivable | | - | (6,889,151) |
| Contributions used for capital acquisitions | | (151,379) | (306,690) |
| Restricted grants received | | (124,327,338) | (52,271,890) |
| Changes in operating assets and liabilities: | | | |
| Patient receivables | | (6,561,597) | 13,717,022 |
| Inventories, prepaid expenses and other assets | | (12,083,006) | 5,030,588 |
| Due from affiliates, net | | (3,150) | 10,852 |
| Accounts payable, accrued expenses and other liabilities | | 10,570,555 | 960,273 |
| Accrued pension liability | | (5,092,000) | (4,748,200) |
| Estimated self-insured liabilities | | 1,725,496 | 327,286 |
| Contract liability - Medicare Accelerated and Advance Payment Program | | (20,315,642) | 30,000,000 |
| Refundable advance | | (25,000,000) | 25,000,000 |
| Right-of-use operating leases | | - | 51,000 |
| Estimated third-party payor settlements, net | | 2,622,648 | 28,472,440 |
| Net cash provided by operating activities | | 4,286,588 | 122,364,369 |
| Cash flows from investing activities: | | | |
| Purchases of property and equipment | | (164,694,894) | (97,313,929) |
| Proceeds from sale of property and equipment | | 6,300,585 | 4,647 |
| Changes in assets limited as to use, net | | 45,105,298 | (54,926,107) |
| Changes in investments, net | | (90,064,803) | 18,012,652 |
| (Increase) decrease in escrow deposit | | 35,068 | (47,217) |
| Change in other assets | | (110,102) | 679,497 |
| Net cash used in investing activities | | (203,428,848) | (133,590,457) |

**MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES**

Consolidated Statement of Cash Flows, Continued

| | 2021 | 2020 |
|---|---|---|
| Cash flows from financing activities: | | |
| Proceeds from long-term debt | 77,174,078 | - |
| Payments on revolving note payable, net | - | (2,343,016) |
| Payments of debt issuance costs | (3,185,452) | - |
| Principal payments on long-term debt and finance lease obligations | (6,971,675) | (8,917,242) |
| Grant proceeds received for capital acquisitions | 134,000,933 | 52,271,890 |
| Minimum direct financing lease payments received | - | 501,523 |
| Contributions used for capital acquisitions | 151,379 | 306,690 |
| Net cash provided by financing activities | 201,169,263 | 41,819,845 |
| Increase in cash, cash equivalents and restricted cash equivalents | 2,027,003 | 30,593,757 |
| Cash, cash equivalents and restricted cash equivalents at beginning of year | 34,768,686 | 4,174,929 |
| Cash, cash equivalents and restricted cash equivalents at end of year | $ 36,795,689 | 34,768,686 |

See accompanying notes to consolidated financial statements.

(1) Description of Organization and Summary of Significant Accounting Policies

(a) Organization

The consolidated financial statements include the accounts of Mohawk Valley Health System (MVHS) and subsidiaries (the Corporation). The Corporation is a not-for-profit health care delivery system providing inpatient, outpatient, emergency care, cancer treatment, rehabilitation, laboratory, dialysis, maternity, childcare, long term care, home care, surgical, psychiatric and community services to residents of the Mohawk Valley region.

MVHS is the sole corporate member of Faxton-St. Luke's Healthcare (Healthcare), St. Elizabeth Medical Center (Medical Center), St. Luke's Home Residential Health Care Facility, Inc. d/b/a MVHS Rehabilitation and Nursing Center (Home), Senior Network Health, LLC (SNH), Visiting Nurse Association of Utica and Oneida County, Inc. (VNA), and Mohawk Valley Health System Foundation (MVHS Foundation). The Corporation is governed by a self-perpetuating Board of Directors.

The Medical Center includes the accounts of St. Elizabeth Medical Center Foundation, Inc. (SEMC Foundation), of which the Medical Center is the sole corporate member.

(b) New Accounting Guidance

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*, which requires disclosure of the reasons for significant gains and losses related to changes in the benefit obligation. Certain disclosures are no longer required including amounts in net assets expected to be recognized as components of net periodic benefit cost over the next year. The Corporation adopted ASU 2018-14 for the years ended December 31, 2021 and December 31, 2020.

(c) Basis of Accounting

The accompanying consolidated financial statements include the accounts of MVHS, Healthcare, Medical Center, Home, SNH, VNA and MVHS Foundation. For financial statement reporting purposes, MVHS is considered the reporting entity. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(d) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) Collective Bargaining Agreements

At December 31, 2021, the Corporation has approximately 50% of its employees working under collective bargaining agreements. One agreement expired in March 2022. The Corporation continues to operate under the expired agreement and a new agreement is under negotiation. One agreement expired in December 2021 and a new agreement was approved in 2022.

(f) Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturity of three months or less, excluding temporary or restricted investments included in investments and assets limited as to use.

(g) Escrow Deposit and Contingent Reserve

SNH is required by the New York State Insurance Department to maintain an escrow deposit equal to the greater of five percent of the current year's projected medical expenses or $100,000. At December 31, 2021 and 2020, SNH was in compliance with the escrow deposit requirement.

SNH must also maintain statutory net worth (member's equity) equal to or in excess of at least five percent of net premium revenue in 2021 and 2020. The guidance related to this calculation requires management to evaluate if certain assets, including transactions with affiliates, should be considered non-admitted assets and excluded from member's equity on the statutory accounting principles (SAP) basis. SNH has concluded that in 2021 and 2020 all related party receivables qualify as economic transactions due to expectation of repayment and therefore should be considered admitted assets under SAP. Therefore, at December 31, 2021 and 2020, SNH was in compliance with statutory net worth requirements.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(h) Investments and Assets Limited as to Use

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets based on quoted market prices. Investment income or loss (including realized gains and losses on investments, unrealized gains and losses on equity securities, interest, and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on debt securities are excluded from the excess of revenues over expenses. The specific cost identification method is used when computing realized gains or losses on investments sold.

Certain investments that do not have readily determinable fair values are valued by using the net asset value (NAV) per share (or its equivalent), as a practical expedient permitted under the Fair Value Measurement Topic of the FASB Accounting Standards Codification.

The Corporation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Corporation's net assets.

The Corporation evaluates debt securities for other-than-temporary impairment on an annual basis and more frequently when economic or market conditions warrant such evaluation. The Corporation evaluated the near-term prospects of the issuer in relation to the severity and duration of impairment. Based upon the evaluation and the Corporation's ability and intent to hold the securities for a reasonable period of time sufficient for a forecasted recovery of fair value, the Corporation does not consider the securities in an unrealized loss position to be other-than-temporarily impaired at December 31, 2021 or 2020.

(i) Inventories

Inventories are stated at the lower of average cost or net realizable value.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(j) Property and Equipment

Property and equipment acquisitions are recorded at cost, if purchased, or at fair value at the date of acquisition when acquired by gift. Depreciation is calculated over the estimated useful life of each class of depreciable asset ranging from 2 - 40 years using the straight-line method. Property and equipment under finance leases and leasehold improvements are amortized on the straight-line method over the lesser of the lease term or the estimated useful life of the asset. Amortization of equipment under finance leases and leasehold improvements is included in depreciation and amortization expense. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets, such as land, buildings or equipment are reported as contributions without donor restrictions and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(k) Unamortized Debt Issuance Costs

Debt issuance costs are amortized using the straight-line method, which approximates the effective interest method, over the terms of the related debt. At December 31, 2021 and 2020, accumulated amortization on debt issuance costs was approximately $908,000 and $443,000, respectively. Amortization expense amounted to approximately $465,000 and $437,000 in 2021 and 2020, respectively, and is included in interest expense within the consolidated statements of operations and changes in net assets.

(l) Insurance Claims and Related Recoveries

The Corporation recognizes liabilities associated with malpractice claims or similar contingent liabilities when the incidents that give rise to the claims occur. Further, the liability shall not be presented net of anticipated insurance recoveries. Any amounts expected to be reimbursed from an insurance company are presented in other assets.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(m) Contributions and Pledges Receivable

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional contributions or intents to give are recorded at fair value when donor-imposed stipulations have been substantially met. Such contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the consolidated statements of operations and changes in net assets.

The Corporation records contributions that are due in future periods as pledge receivables. Contributions that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. In subsequent years, this discount is accreted and recorded as additional contribution revenue in accordance with donor imposed restrictions, if any.

(n) Classification of Net Assets

Net assets without donor restrictions are available for general use and not subject to donor-imposed restrictions. These net assets may be used at the discretion of the Corporation's management and board of directors and may be subject to self-imposed limits by action of the governing board. Board-designated net assets may be earmarked for future programs, investments, contingencies, purchases or other uses. Net assets without donor restrictions and without board-designation are known as undesignated net assets. The Board of Directors has designated certain net assets without donor restriction for the following uses:

*Designated by the SEMC Foundation Board* - Investments designated to provide financial support to the Medical Center for operational needs as they arise.

Net assets with donor restrictions are those that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and are limited by donors to a specific time period or purpose. Other donor restrictions are perpetual in nature, as stipulated by the donor.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(o) Net Assets with Donor Restrictions (Endowment Funds)

The Corporation maintains various donor-restricted and board-designated funds whose purpose is to provide long-term support for its charitable programs. In classifying such funds for consolidated financial statement purposes as either with donor restrictions or without donor restrictions, the Board of Directors looks to the explicit directions of the donor where applicable and the provisions of the laws of the State of New York. To constitute an endowment under New York State law, the restriction must arise from a clearly expressed donor limitation, not a limitation from within the beneficiary organization. The Board of Directors has determined that, absent donor stipulations to the contrary, the provisions of New York State law do not impose donor restrictions on the income or capital appreciation derived from the original gift. Therefore, all income and appreciation derived from the original gift are transferred to net assets without donor restrictions absent any restrictions on the use made by the donor. Net assets with donor restrictions consist of endowment funds and are included in the consolidated balance sheets as assets limited as to use and long-term investments.

The Corporation utilizes an investment strategy that emphasizes preservation of principal and total return consistent with prudent levels of risk. Investments are allocated over a diversified portfolio of multiple asset classes.

*Interpretation of Relevant Law*

The Corporation has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the original fair value of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. NYPMIFA allows the Board of Directors to appropriate the net appreciation of net assets with donor restrictions as is prudent considering the Corporation's long and short-term needs, present and anticipated financial requirements, and expected total return on its investments, price level trends, and general economic conditions.

As a result of this interpretation, the Corporation classifies net assets with donor restrictions as (a) 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. The Corporation 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 of investments, other resources of the Corporation, and the investment policies of the Corporation.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(o) Net Assets with Donor Restrictions (Endowment Funds), Continued

*Underwater Endowment Funds*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Corporation to retain as a fund of perpetual duration. If the situation were to occur, the deficiency would be recorded in the Corporation's net assets with donor restrictions. A deficiency did not exist at December 31, 2021 or 2020.

*Return Objectives, Strategies, Spending Policy and Investment Objectives*

The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are to be invested in a well-diversified asset mix that can be expected to generate acceptable long-term returns at an acceptable level of risk. The Corporation targets a diversified asset allocation that places a greater emphasis on equity-based investments and bonds to achieve its long-term return objectives within prudent risk constraints.

The Corporation has a policy of immediately making available for expenditure and recording as without donor restrictions the current yield (interest and dividends) of donor-restricted endowments as earned during the year to purchase capital assets or to support health care services based on the donor's request and that preserves the endowments purchasing power through maintaining all capital appreciation (realized and unrealized) within the endowment funds.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(o) Net Assets with Donor Restrictions (Endowment Funds), Continued

*Changes in Endowment Net Assets*

| | 2021 | | |
|---|---|---|---|
| | Without donor restrictions | With donor restrictions | Total |
| Endowment net assets, January 1 | $ 3,906,284 | 5,941,755 | 9,848,039 |
| Investment return: | | | |
| Investment income | 89,136 | 118,491 | 207,627 |
| Net gain (realized and unrealized) | 593,163 | 999,346 | 1,592,509 |
| Transfer of earnings over historical value | - | (568,973) | (568,973) |
| Endowment net assets, December 31 | $ 4,588,583 | 6,490,619 | 11,079,202 |

| | 2020 | | |
|---|---|---|---|
| | Without donor restrictions | With donor restrictions | Total |
| Endowment net assets, January 1 | $ 3,410,539 | 5,907,075 | 9,317,614 |
| Investment return: | | | |
| Investment income | 93,777 | 167,962 | 261,739 |
| Net gain (realized and unrealized) | 401,968 | 454,447 | 856,415 |
| Transfer of earnings over historical value | - | (564,804) | (564,804) |
| Net assets released from restrictions | - | (22,925) | (22,925) |
| Endowment net assets, December 31 | $ 3,906,284 | 5,941,755 | 9,848,039 |

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(p) Net Patient Service Revenue and Patient Accounts Receivable

Net patient service revenue is reported at the amount that reflects the consideration to which the Corporation 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 audits, reviews, and investigations. Generally, the Corporation bills the patients and third-party payors several days after the 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 the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation believes that this method provides a reasonable 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 care services, outpatient (physician practices, emergency department, home care, clinics and ambulatory care center) services or skilled nursing services. The Corporation measures the performance obligation from admission into an inpatient stay facility or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. The Corporation measures the performance obligation when the service is provided for skilled nursing services.

As substantially all of its performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) 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 referred to above are primarily related to in-house acute care at the end of the reporting period. The performance obligations for in-house acute care patients are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(p) Net Patient Service Revenue and Patient Accounts Receivable, Continued

In assessing collectibility, the Corporation uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient, outpatient, and skilled nursing revenue. Based on historical collection trends and other analyses, the Corporation believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

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

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

***Medicare*** - Generally, inpatient acute care and outpatient services are paid at prospectively determined rates per discharge, day or visit based on clinical, diagnostic, and other factors. Physician services are paid based upon established fee schedules.

***Medicaid*** - Inpatient acute care and outpatient services are paid at prospectively determined rates promulgated by the New York State Department of Health.

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

## (1) Description of Organization and Summary of Significant Accounting Policies, Continued

### (p) Net Patient Service Revenue and Patient Accounts Receivable, Continued

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Corporation 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 December 31, 2021 and 2020, revenue due to changes in estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years was not significant. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as provision for bad debts.

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 healthcare 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 Corporation’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 the Corporation.

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 the Corporation’s historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with 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. Adjustments arising from a change in the estimated settlements increased net patient service revenue by approximately $366,000 in 2021 and decreased net patient service revenue by approximately $7,093,000 in 2020.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(p) Net Patient Service Revenue and Patient Accounts Receivable, Continued

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. Therefore, the Corporation 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 the Corporation expects to collect based on its collection history with those patients.

The Corporation determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. The following tables provide details of these factors.

The composition of net patient service revenue by primary payor for the years ended December 31, is as follows:

| | 2021 | | | |
|---|---|---|---|---|
| | Government payors | Commercial insurance and others | Self-pay | Total |
| Net patient service revenue | $ 375,778,244 | 154,564,416 | 9,320,243 | 539,662,903 |

| | 2020 | | | |
|---|---|---|---|---|
| | Government payors | Commercial insurance and others | Self-pay | Total |
| Net patient service revenue | $ 329,131,722 | 132,509,760 | 5,351,110 | 466,992,592 |

Revenue from patient's deductibles and coinsurance are included in the categories presented above based on the primary payor.

## (1) Description of Organization and Summary of Significant Accounting Policies, Continued

### (p) Net Patient Service Revenue and Patient Accounts Receivable, Continued

The composition of net patient service revenue based on line of business for the years ended December 31, is as follows:

| | 2021 | 2020 |
|---|---|---|
| Inpatient | $ 232,931,481 | 198,676,437 |
| Outpatient | 292,217,528 | 255,158,197 |
| Skilled nursing facility | 14,543,894 | 13,157,958 |
| | $ 539,662,903 | 466,992,592 |

*Patient Accounts Receivable*

At December 31, patient accounts receivable, net is comprised of the following components:

| | 2021 | 2020 |
|---|---|---|
| Patient receivables | $ 52,539,792 | 45,567,106 |
| Contract assets | 4,967,079 | 5,378,168 |
| | $ 57,506,871 | 50,945,274 |

Contract assets are related to in-house hospital patients who were provided services during the reporting period but were not discharged as of the reporting date and for which the Corporation does not have the right to bill until patient is discharged.

The Corporation has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Corporation's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Corporation does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(p) Net Patient Service Revenue and Patient Accounts Receivable, Continued

The Corporation grants unsecured credit to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 was as follows:

| | 2021 | 2020 |
|---|---|---|
| Medicare | 39% | 48% |
| Medicaid | 19% | 17% |
| Private payors | 8% | 7% |
| Insurance and all others | 34% | 28% |
| | 100% | 100% |

The Corporation's allowance for doubtful accounts was not significant at December 31, 2021 and 2020.

(q) Premium Revenue

SNH administers an agreement with New York State to provide a long-term care services benefit package to dually-eligible Medicare/Medicaid recipients under a partial risk contract. Under this agreement, SNH receives monthly capitation payments based on the number of enrollees, regardless of services actually performed. The agreement with New York State expires on December 31, 2021. As of June 29, 2022, a new executed contract extension has not been received. SNH continues to operate under the existing contract and management fully anticipates such extension is forthcoming. Retroactive adjustments are included in the recognition of premium revenue on an estimated basis in the period of the related services are rendered and adjusted in future periods as adjustments become known.

(r) Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Corporation does not pursue collection of such amounts, they are not reported as net patient service revenue. During 2021 and 2020, costs incurred by the Corporation in the provision of charity care were based on the ratio of the Corporation's costs to gross charges and approximated $718,000 and $801,000, respectively.

(s) Delivery System Reform Incentive Payment Program

In April 2014, the Governor of the State of New York announced federal approval of a Medicaid 1115 waiver amendment that enabled the State to reinvest $8 billion in federal savings generated by Medicaid Redesign Team (MRT) reforms into the State's health care system. The Delivery System Reform Incentive Payment (DSRIP) program promotes community-level collaborations and focus on systems reform, specifically a goal to achieve a 25 percent reduction in avoidable hospital use over five years.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(s) Delivery System Reform Incentive Payment Program, Continued

Certain members of the Corporation are members in the CNY Care Collaborative (CNYCC) organized under the DSRIP program. The involvement with the CNYCC is to implement care transformation in patient care services. Funding for CNYCC is based on the members' collective success in reporting and achieving predefined results in system transformation, clinical management, and population health. Certain payments under the DSRIP program are subject to meeting specified performance criteria and other requirements which may be evaluated in future periods. The Corporation recorded approximately $15,327,000 during 2020, as other operating revenue on the consolidated statements of operations and changes in net assets. The term of the DSRIP program ran through 2020 and the Corporation did not receive additional payments in 2021.

(t) Refundable Advance

Refundable advance consists of amounts received in advance by the Corporation for upcoming events and for contributions to be recognized in future periods based on related agreements. Revenue is recognized in the period in which it is earned.

During 2020, the Corporation entered into a Gift Pledge Agreement (gift agreement) under which the Corporation received a $50 million contribution from a donor. The gift agreement specified that the contribution would be split into two $25 million pieces, an initial gift and an additional gift.

The initial gift was received by the Corporation in December 2020. The gift agreement created a barrier with a related right of return for the initial gift that was overcome in March 2021. Therefore, the initial gift is recorded as a refundable advance in the consolidated balance sheet at December 31, 2020 and recorded as contribution revenue without donor restrictions for the year ended December 31, 2021.

The additional gift is a matching gift whereby the donor pledges an additional $25 million, payment of which shall be made in 10 equal annual installments of $2.5 million beginning in 2021 and ending in 2030. Each installment of the additional gift is predicated on the Corporation raising additional funds from other private donors. Due to the conditional nature of the additional gift, the Corporation will record the additional gift as installments are earned. During 2021, the Corporation met the additional fundraising conditions and received the $2.5 million installment, which was recorded as contribution revenue without donor restrictions for the year ended December 31, 2021.

(1) Description of Organization and Summary of Significant Accounting Policies, Continued

(u) Excess of Revenues over Expenses

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include pension related changes other than net periodic benefit cost, changes in unrealized gains and losses on debt securities, the effective portion of gains and losses on derivative instruments, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

(v) Income Taxes

The Corporation, except SNH, is comprised of not-for-profit corporations and have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

SNH is a single member New York State limited liability company. Accordingly, it is treated as a disregarded entity for tax purposes and is considered a division of MVHS.

As of December 31, 2021 and 2020, the Corporation did not have any unrecognized tax benefits or any related accrued interest or penalties. The tax years open to examination by federal and state taxing authorities are 2018 through 2021. The Corporation does not anticipate the total unrecognized tax benefits will change in the next twelve months.

(w) Concentration of Credit Risk

The Corporation invests cash and cash equivalents with financial institutions, and has determined that the amount of credit exposure at any one financial institution is immaterial to the Corporation's financial position.

(x) Reclassifications

Certain 2020 amounts have been reclassified to conform to the 2021 consolidated financial statement presentation.

(y) Subsequent Events

Subsequent events have been evaluated through June 29, 2022, which is the date consolidated financial statements were issued.

(2) Coronavirus Pandemic

*Pandemic*

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. The COVID-19 pandemic resulted in various restrictive measures mandated by New York State such as limits on elective surgeries, social distancing, quarantines and shelter-in-place orders.

As the impact of COVID-19 continues to evolve, the impact on the Corporation's operations are uncertain and will depend on future developments. The Corporation 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, and other needed supplies to be better positioned for potential surges and comply with regulations. Because of these and other uncertainties, the Corporation cannot estimate the length or severity of the pandemic's impact on the business. Any resulting decreases in cash flows and operating performance may have an impact on significant accounting estimates, including price concessions related to uninsured patient accounts and potential impairments of long-lived assets.

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. Subsequent to the CARES Act, there were several pieces of legislation that were signed into law that continued and/or enhanced various provisions within the CARES Act, including the Paycheck Protection Program and Health Care Enhancement Act on April 24, 2020, the Paycheck Protection Program Flexibility Act on June 5, 2020, the Consolidated Appropriations Act, 2021 on December 27, 2020, and the American Rescue Plan Act of 2021 on March 11, 2021.

*Provider Relief Fund and Rural Payment Grants*

During 2021, the Corporation received approximately $4,584,000 in payments from the Provider Relief Fund (PRF) under the CARES Act and approximately $3,260,000 in rural payments under the American Rescue Plan Act of 2021 (ARP). Approximately $3,979,000 is recorded as deferred revenue within other current liabilities on the balance sheet at December 31, 2021. During 2020, the Corporation received and recognized approximately $33,531,000 in payments from the PRF under the CARES Act. The Corporation recognizes PRF and ARP rural payments as revenue when the related conditions are substantially met. PRF and ARP rural payments provide funding from the U.S. Department of Health and Human Services (HHS) to healthcare providers to support healthcare-related expenses or lost revenue attributable to COVID-19. Funds received from HHS represent payments to providers and do not need to be repaid as long as the Corporation complies with certain terms and conditions imposed by HHS, including reporting and compliance requirements.

(2) Coronavirus Pandemic, Continued

*Centers for Medicare and Medicaid Services Expanded Accelerated and Advance Payments Program*

In April 2020, September 2020 and October 2020, the Corporation received payments totalling $30,000,000 in accelerated or advance payments under the CMS Expanded Accelerated and Advance Payments Program. These funds were recorded as a contract liability in the consolidated balance sheet. In accordance with the program, recoupment began in April 2021. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29th month at a rate of 4 percent annual interest assessment. As of December 31, 2021, the remaining balance of the advance payments to be recouped amounted to approximately $9,684,000, which is being classified as a current contract liability in the accompanying consolidated balance sheet.

*Deferment of Employer Side Social Security Payments*

As allowed under the CARES Act, the Corporation has deferred the employer portion of social security taxes from March 27, 2020 to December 31, 2020 amounting to approximately $9,908,000. The deferred employer portion of social security taxes is to be paid over a two year period and is split evenly between accrued payroll, payroll taxes and benefits (current) and other long-term liabilities on the consolidated balance sheet at December 31, 2020. At December 31, 2021, the Corporation had approximately $4,754,000 remaining in deferred employer portion of social security taxes. The entire balance is classified current at December 31, 2021 as the remaining balance must be paid during 2022.

*Federal Emergency Management Agency Funds*

During 2021, the Corporation submitted applications totalling approximately $4,249,000 to the Federal Emergency Management Agency (FEMA) related to emergency protective measures costs incurred related to the coronavirus pandemic, all of which was recognized in other operating revenue in the consolidated statements of operations and changes in net assets as a result of satisfying the conditions established by FEMA. As of December 31, 2021, approximately $3,652,000 is reflected as a receivable recorded in other current assets, which was received in January 2022.

(3) Liquidity and Availability of Financial Assets

Financial assets available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows at December 31:

| | 2021 | 2020 |
|---|---|---|
| Cash and cash equivalents | $ 36,542,060 | 34,529,309 |
| Investments | 220,843,971 | 159,854,671 |
| Assets limited as to use | 233,881,512 | 230,143,416 |
| Escrow deposit | 1,232,917 | 1,253,733 |
| Patient accounts receivable, net | 57,506,871 | 50,945,274 |
| Pledges receivable | 8,108,791 | 6,247,009 |
| Other assets | 10,749,221 | 14,546,950 |
| Due from affiliates, net | 6,300 | 3,150 |
| Total financial assets | 568,871,643 | 497,523,512 |
| Less amounts not available to be used within one year: | | |
| Investments and assets limited as to use | (200,870,770) | (195,234,010) |
| Other assets | (350,000) | (200,000) |
| Pledges receivable | (4,592,000) | (4,716,000) |
| Financial assets not available to be used within one year | (205,812,770) | (200,150,010) |
| Financial assets available to meet general expenditures within one year | $ 363,058,873 | 297,373,502 |

As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

In the event of an unanticipated liquidity need, members of the Obligated Group can draw upon the Obligated Group's $30,000,000 revolving note payable (note 8), of which approximately $15,908,000 is available at December 31, 2021 for general expenditures. Additionally, MVHS could draw upon the Obligated Group's $20,000,000 revolving note payable (note 8) all of which is available at December 31, 2021 for costs related to the new hospital project.

(4) Investments and Assets Limited as to Use

At December 31, investments and assets limited as to use, at fair value, are comprised of the following:

| | | 2021 | 2020 |
|---|---|---|---|
| Assets limited as to use: | | | |
| Internally designated cash | $ | 9,684,358 | 55,000,000 |
| Held in escrow - cash and cash equivalents | | 950,000 | 250,000 |
| Restricted by donors: | | | |
| Cash and cash equivalents | | 250,000 | 117,493 |
| Common stock | | 1,800,968 | 1,416,182 |
| Exchange traded funds | | 299,907 | 291,627 |
| Mutual funds | | 664,397 | 742,929 |
| Government and agency obligations | | 285 | 594 |
| Domestic corporate bonds | | 5,479 | 173,848 |
| Total restricted by donors | | 3,021,036 | 2,742,673 |
| Held under bond agreement: | | | |
| Cash and cash equivalents | | 60,867,608 | 8,177,634 |
| U.S. government and agency debt securities | | 159,358,510 | 163,237,677 |
| | | 220,226,118 | 171,415,311 |
| Accrued investment income | | - | 735,432 |
| | | 220,226,118 | 172,150,743 |
| Total assets limited as to use | $ | 233,881,512 | 230,143,416 |
| Investments, including escrow deposit: | | | |
| Cash and cash equivalents | $ | 5,229,377 | 2,865,805 |
| Common stock | | 30,500 | 30,077 |
| Exchange traded funds | | 20,219,598 | 17,436,967 |
| Mutual funds | | 171,333,658 | 115,665,272 |
| Pooled investment funds | | 19,591,309 | 19,676,878 |
| Domestic corporate bonds | | 9,040,365 | 6,986,654 |
| Government and agency obligations | | 191 | 390 |
| | | 225,444,998 | 162,662,043 |
| Accrued investment income | | 214,897 | - |
| Total investments | $ | 225,659,895 | 162,662,043 |

## (4) Investments and Assets Limited as to Use, Continued

The above amounts are included in the accompanying consolidated financial statements as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Cash and cash equivalents | $ | 3,583,007 | 1,553,639 |
| Escrow deposit | | 1,232,917 | 1,253,733 |
| Investments - current | | 216,315,807 | 155,326,507 |
| Assets limited as to use - current | | 39,666,409 | 37,833,162 |
| Investments - long term | | 4,528,164 | 4,528,164 |
| Assets limited as to use - long term | | 194,215,103 | 192,310,254 |
| | $ | 459,541,407 | 392,805,459 |

## (5) Property and Equipment

Property and equipment is comprised of the following at December 31:

| | | 2021 | 2020 |
|---|---|---|---|
| Land and land improvements | $ | 17,100,155 | 17,442,925 |
| Buildings and improvements | | 204,710,102 | 229,101,113 |
| Fixed equipment | | 87,218,676 | 101,690,132 |
| Movable equipment | | 175,166,325 | 179,581,931 |
| Property and equipment under finance leases | | 21,950,428 | 21,820,009 |
| | | 506,145,686 | 549,636,110 |
| Less accumulated depreciation and amortization | | (375,039,246) | (408,295,329) |
| | | 131,106,440 | 141,340,781 |
| Construction-in-progress | | 297,378,844 | 141,208,343 |
| Property and equipment, net | $ | 428,485,284 | 282,549,124 |

In April 2017, MVHS was notified by the New York State Department of Health of an award of $300 million granted under the Statewide Health Care Facility Transformation Program. This program provides funds to health care providers for the purpose of strengthening and protecting continued access to health care services in communities throughout New York State which are associated with a merger, consolidation or significant corporate restructuring activity that is part of an overall transformation plan intended to create a financially sustainable system of care. This award will be used by MVHS to consolidate inpatient care from Healthcare and Medical Center into one, new integrated health campus. During 2021 and 2020, MVHS vouchered for expenditures of approximately $124,327,000 and $59,161,000, respectively. A receivable of approximately $9,674,000 was recorded in other current assets on the consolidated balance sheets in 2020.

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(5) Property and Equipment, Continued

The cost projection for the new campus is estimated to be $611 million for a 702,000 square-foot facility. The remaining $311 million will come from MVHS capital, bonds and fundraising. This project is expected to be completed in 2023. Approximately $296,652,000 and $140,374,000 is included within construction-in-progress related to the new integrated healthcare facility at December 31, 2021 and 2020, respectively. MVHS has signed certain contracts related to the project, which include remaining commitments of approximately $246 million at December 31, 2021.

Depreciation and amortization expense amounted to approximately $20,907,000 and $21,394,000 for the years ended December 31, 2021 and 2020, respectively.

(6) Direct Financing Lease

In 2001, Healthcare completed construction of a medical office building with a cost of approximately $5 million on land owned by an affiliate of Slocum-Dickson Medical Group, P.C. (SDMG). The building is leased to SDMG under a direct financing lease for minimum lease payments of approximately $45,000 per month through November 2021. As the lease was paid off by SDMG during 2021, there was no receivable recorded on the consolidated balance sheet at December 31, 2021.

The direct financing lease, included in other assets in the consolidated balance sheets, at December 31, 2020 is as follows:

| | |
|---|---|
| Minimum lease payments receivable | $ 528,144 |
| Unearned lease income | (34,707) |
| Net investment in direct financing lease | 493,437 |
| Less current portion, included in other current assets | 493,437 |
| Long-term net investment in direct financing lease, included in other assets | $ - |

(7) Extended Sick Leave

Certain Corporation employees are permitted to accumulate unused extended sick leave time up to specified maximum amounts. The Corporation accrues the estimated expense related to extended sick leave based on pay rates currently in effect. Upon retirement, employees who have met certain criteria shall have the option to receive payment or receive sick leave credits to pay for post-employment health insurance payments based upon the formula in place. The Corporation has accrued an estimated liability of approximately $9,552,000 and $10,230,000 at December 31, 2021 and 2020, respectively, for these anticipated termination payments.

(7) Extended Sick Leave, Continued

Amounts are included in the accompanying consolidated financial statements as follows at December 31:

| | 2021 | 2020 |
|---|---|---|
| Accrued payroll, payroll taxes and benefits | $ 1,232,000 | 1,015,000 |
| Other liabilities - long-term | 8,321,000 | 9,215,000 |
| | $ 9,553,000 | 10,230,000 |

(8) Short-Term Borrowings

On November 21, 2019, MVHS, Healthcare and Medical Center together entered into a revolving note payable agreement with a bank for $30,000,000. The revolving note payable is secured on a parity basis by the Master Trust Indenture Obligation issued on November 21, 2019 to secure the obligations of the Members of the Obligated Group (MVHS, Healthcare and Medical Center) relating to the Oneida County Local Development Corporation Revenue Bonds Series 2019A (Series 2019A) and Series 2019B (Series 2019B) (note 9). The revolving note payable bears an interest rate at either the LIBOR daily, one-month, three-month or six-month periods on short-term borrowings and bears a monthly interest rate at one month LIBOR plus one hundred basis points (1.10% at December 31, 2021) on long-term borrowings. The revolving note payable is available through November 30, 2023.

At December 31, 2021 and 2020, a portion of the Obligated Group's revolving note payable was reserved for six letters of credit totalling approximately $14,000,000, primarily related to self-insured liabilities. The revolving note payable contains financial covenants, including a debt service coverage ratio requirement and a days cash on hand requirement. At December 31, 2021 and 2020, the Obligated Group was in compliance with the covenants.

On November 21, 2019, the Obligated Group also entered into a revolving note payable agreement with a bank for $20,000,000 to provide interim financing for the new hospital project. The revolving note payable is secured on a parity basis by the Master Trust Indenture Obligation issued on November 21, 2019 to secure the obligations of the members of the Obligated Group relating to the Series 2019A and Series 2019B Bonds. The revolving note payable bears an interest rate at either the LIBOR daily, one-month, three-month or six-month periods on short-term borrowings and bears a monthly interest rate at one month LIBOR plus one hundred basis points (1.10% at December 31, 2021) on long-term borrowings. The revolving note payable is available through November 29, 2022.

## (8) Short-Term Borrowings, Continued

At December 31, 2021 and 2020, the Obligated Group had no borrowings outstanding on the revolving note payable. The revolving note payable contains financial covenants including a debt service coverage ratio requirement and a days cash on hand requirement. At December 31, 2021 and 2020, the Obligated Group was in compliance with the covenants.

## (9) Long-Term Debt and Lease Obligations

Long-term debt consists of the following at December 31:

| | 2021 | 2020 |
|---|---|---|
| Series 2019 A Bonds (a) | $ 236,785,000 | 236,785,000 |
| Series 2019 B Bonds (a) | 17,320,000 | 22,380,000 |
| Series 2021 A Bonds (b) | 69,260,000 | - |
| Finance lease obligations (c) | 7,470,205 | 9,381,880 |
| | 330,835,205 | 268,546,880 |
| Less unamortized debt issuance costs | (12,998,861) | (10,278,646) |
| Plus unamortized bond premium | 25,491,861 | 18,298,089 |
| Less current portion: | | |
| Debt | (5,955,000) | (5,060,000) |
| Finance lease obligations | (2,068,911) | (2,354,957) |
| Long-term debt, net of current portion | $ 335,304,294 | 269,151,366 |

(a) The Obligated Group under the Master Trust Indenture (Master Indenture), dated as of March 1, 1998, as supplemented and amended, includes MVHS, Healthcare and Medical Center. In November 2019, the Obligated Group issued, through the Oneida County Local Development Corporation, Tax-Exempt Multi-Mode Revenue Bonds (Mohawk Valley Health System Project) Series 2019A (Series 2019A) in the amount of $236,785,000 and Taxable Multi-Mode Revenue Bonds (Mohawk Valley Health System Project) Series 2019B (Series 2019B) in the amount of $25,950,000. Related debt issuance costs of approximately $10,728,000 will be amortized over the life of the Bonds. The proceeds from the Series 2019 bonds are being used to finance or reimburse certain costs relating to the new hospital project, purchase of certain equipment at Medical Center and Healthcare, implementation of Electronic Health Records (EHR) at Medical Center and Healthcare, and to satisfy certain outstanding obligations.

(9) Long-Term Debt and Lease Obligations, Continued

The Series 2019A bonds mature on December 1, 2049 and bear interest at rates ranging between 3.00% and 5.00% with semi-annual payments due on June 1 and December 1, that commenced June 2020. Through 2024 interest only payments are due. Principal payments range from $950,000 to $10,755,000 for the years 2025 through 2040. At that time the Obligated Group is required to make annual sinking fund payments to be used for mandatory redemption of the Series 2019A Bonds ranging from $11,080,000 to $12,105,000 through December 2044 and $12,470,000 to $14,585,000 through 2049. The premium on the Series 2019A Bonds was approximately $19,775,000.

The Series 2019B bonds mature on December 1, 2025 and bear interest at rates ranging between 2.252% and 2.727% with semi-annual payments due on June 1 and December 1, that commenced June 2020. Principal payments range from $3,680,000 to $5,955,000 for the years 2022 through 2025.

(b) The Obligated Group under the Master Trust Indenture (Master Indenture), dated as of March 1, 1998, as supplemented and amended, includes MVHS, Healthcare and the Medical Center (Obligated Group). In October 2021, the Obligated Group issued, through the Oneida County Local Development Corporation, Tax-Exempt Multi-Mode Revenue Bonds (Mohawk Valley Health System Project) Series 2021A (Series 2021A) in the amount of $69,260,000. Related debt issuance costs of approximately $3,185,000 are being amortized over the life of the Bonds. The proceeds from the Series 2021 bonds are being used to finance or reimburse certain costs relating to the new hospital project.

The Series 2021A bonds mature on December 31, 2051 and bear interest at rates ranging between 3.00% and 4.00% with annual payments due on December 31, which commenced December 2021. Through 2023 interest only payments are due. Obligated Group principal payments range from $920,000 to $1,480,000 beginning for the years 2024 through 2041. At that time the Obligated Group is required to make annual sinking fund payments to be used for mandatory redemption of the Series 2021A Bonds ranging from $1,545,000 to $1,800,000 through December 2046, $1,880,000 to $2,030,000 through 2049, and $17,280,000 to $17,935,000 through 2051. The premium on the Series 2021A Bonds was approximately $8,661,000.



(Continued)

(9) Long-Term Debt and Lease Obligations, Continued

Each member of the Obligated Group is jointly and severally liable for all the obligations of the members issued pursuant to the Master Indenture. The bonds are insured and collateralized by the Obligated Group's gross receipts and the new hospital project. As of December 31, 2021 and 2020, the aggregate outstanding balance of all obligations under the Master Indenture totalled approximately $323,365,000 and $259,165,000.

Under the terms of the Master Indenture, the Obligated Group is required to meet certain covenant requirements. In addition, the Master Indenture provides for restrictions on among other things, additional indebtedness. The Obligated Group was in compliance with these covenants at December 31, 2021 and 2020.

(c) The Corporation has operating and finance leases for real estate, personal property and equipment. The Corporation determines if an arrangement is a lease at the inception of a contract. Leases with an initial term of twelve months or less are not recorded on the consolidated balance sheets.

The Corporation has lease agreements which require payments for lease and non-lease components and has elected to account for these as a single lease component. For leases that commenced before the effective date of ASU 2016-02, the Corporation elected the permitted practical expedients to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases.

Right-of-use assets represent the Corporation's right to use an underlying asset during the lease term, and lease liabilities represent the Corporation's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at the commencement date, based on the net present value of lease payments over the lease term. The Corporation's lease terms include options to extend or terminate the lease and these options are recorded when the Corporation is reasonably certain the options will be exercised.

As most of the Corporation's operating leases do not provide an implicit rate, the Corporation uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Corporation considers recent debt issuances as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates. Finance lease agreements generally include an interest rate that is used to determine the present value of future lease payments. Operating fixed lease expense and finance lease depreciation expense are recognized on a straight-line basis over the lease term. Variable lease costs are not significant to total lease expense.

(9) Long-Term Debt and Lease Obligations, Continued

Operating and finance lease right-of-use assets and lease liabilities as of December 31 are as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| **Operating leases** | | | |
| Right-of-use assets: | | | |
| Operating lease assets | $ | 9,384,218 | 11,655,850 |
| Lease liabilities: | | | |
| Current portion of operating lease liabilities | | 1,875,280 | 2,115,937 |
| Operating lease liabilities, net of current portion | | 8,029,299 | 9,891,899 |
| Total operating lease liabilities | $ | 9,904,579 | 12,007,836 |

| | | 2021 | 2020 |
|---|---|---|---|
| **Finance leases** | | | |
| Right-of-use assets: | | | |
| Property and equipment, net | $ | 10,453,869 | 13,738,284 |
| Lease liabilities: | | | |
| Current portion of finance lease obligations | | 2,068,911 | 2,354,957 |
| Long-term debt, net of current portion | | 5,401,294 | 7,026,923 |
| Total finance lease liabilities | $ | 7,470,205 | 9,381,880 |

Operating expenses for the leasing activity of the Corporation as lessee for the years ended December 31 is as follows:

| | Classification | | 2021 | 2020 |
|---|---|---|---|---|
| Operating lease expense | Supplies and other expenses | $ | 1,995,801 | 2,186,120 |
| Short-term lease costs | Supplies and other expenses | | 6,960,298 | 7,500,536 |
| Financing lease interest | Interest expense | | 232,992 | 324,628 |
| Financing lease amortization | Depreciation and amortization | | 1,411,849 | 1,384,015 |
| Total lease costs | | $ | 10,600,940 | 11,395,229 |

(9) Long-Term Debt and Lease Obligations, Continued

Approximately $1,023,000 and $301,000 related to the leasing activity of the Corporation as lessee for the years ended December 31, 2021 and 2020, respectively, was capitalized as the lease is part of the construction for the new integrated health campus.

Cash paid for amounts included in the measurement of lease liabilities for the years ended December 31 is approximately as follows:

| | 2021 | 2020 |
|---|---|---|
| Operating cash flows from operating leases | $ 1,995,801 | 2,186,120 |
| Operating cash flows from finance leases | 232,992 | 324,628 |
| Financing cash flows from finance leases | 1,911,502 | 3,053,487 |
| Total | $ 4,140,295 | 5,564,235 |

Right-of-use assets obtained in exchange for new lease obligations for the year ended December 31, 2020 are as follows:

| | |
|---|---|
| Operating leases | $ 6,370,000 |
| Finance leases | - |
| Total | $ 6,370,000 |

There were no right-of-use assets obtained in exchange for new lease obligations for the year ended December 31, 2021.

Average lease terms and discount rates were as follows at December 31:

| | 2021 | 2020 |
|---|---|---|
| Weighted average remaining lease term (years): | | |
| Operating leases | 5.8 | 7.5 |
| Finance leases | 5.4 | 6.1 |
| Weighted average discount rates: | | |
| Operating leases | 3.25% | 3.25% |
| Finance leases | 3.55% | 3.62% |

(9) Long-Term Debt and Lease Obligations, Continued

The table below reflects principal payments and the present value of future minimum lease payments over the next five years and beyond.

| | Long-term debt | Finance leases | Total | Operating leases |
|---|---|---|---|---|
| Years ending December 31: | | | | |
| 2022 | $ 5,955,000 | 2,401,635 | 8,356,635 | 1,917,812 |
| 2023 | 3,680,000 | 2,005,992 | 5,685,992 | 1,614,324 |
| 2024 | 4,625,000 | 1,881,150 | 6,506,150 | 1,602,190 |
| 2025 | 5,900,000 | 723,959 | 6,623,959 | 1,405,431 |
| 2026 | 6,205,000 | 600,379 | 6,805,379 | 993,457 |
| Thereafter | 297,000,000 | 674,800 | 297,674,800 | 3,651,670 |
| Total payments | $ 323,365,000 | 8,287,915 | 331,652,915 | 11,184,884 |
| Less amounts representing interest | | (817,710) | (817,710) | (1,280,305) |
| Present value of lease obligations | | 7,470,205 | 330,835,205 | 9,904,579 |
| Less current portion | | (2,068,911) | (8,023,911) | (1,875,280) |
| Lease obligations, net of current portion | | $ 5,401,294 | 335,304,294 | 8,029,299 |

## (10) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

| | 2021 | 2020 |
|---|---|---|
| Time or purpose: | | |
| New Integrated Health Campus | 223,356,289 | 94,100,435 |
| Renovations | 2,608,916 | 2,602,917 |
| Programs and other | 1,234,636 | 1,067,815 |
| Children's Miracle Network | 1,104,363 | 1,105,688 |
| Scholarship assistance | 391,166 | 305,777 |
| Continuous Learning Center | 121,354 | 120,353 |
| Donor-restricted endowments | 463,569 | 73,842 |
| | 229,280,293 | 99,376,827 |
| Perpetual: | | |
| The below perpetual amounts represent the corpus of the donor-restricted gifts. Income from these gifts is expendable for the following purposes: | | |
| Investments, the income from which is to support charity care, health care services, scholarships and facility maintenance | 5,593,345 | 5,593,345 |
| | $ 234,873,638 | 104,970,172 |

## (11) Pension Plans

*Medical Center Pension Plan*

The Medical Center has a noncontributory defined benefit plan covering substantially all of its full-time employees prior to April 1, 2013. Benefits are based on compensation and years of service. In 2003, the Medical Center applied for and received a favorable determination that its defined benefit plan is that of a nonelecting church plan under Section 410(d) of the Internal Revenue Code. Under status as a church plan, the Medical Center has elected to contribute the minimum amounts calculated as if the plan were subject to ERISA funding requirements.

Effective December 31, 2010, the Plan was amended to freeze benefit accruals for non-bargaining unit members. Effective January 1, 2012, the Plan was amended to freeze benefit accruals for the employees of one of the collective bargaining units. Effective April 1, 2013, the Plan was amended to freeze benefit accruals for the final collective bargaining unit.

(11) Pension Plans, Continued

*Medical Center Pension Plan, Continued*

The following table presents the changes in the Medical Center's benefit obligation and plan assets and funded status as of December 31:

| | 2021 | 2020 |
|---|---|---|
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | $ 148,045,614 | 133,149,364 |
| Interest cost | 4,724,627 | 5,226,866 |
| Actuarial (gain) loss | (9,390,125) | 14,094,144 |
| Benefits paid | (4,843,859) | (4,424,760) |
| Benefit obligation at end of year | $ 138,536,257 | 148,045,614 |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | 90,587,329 | 79,506,128 |
| Actual return on plan assets, net | 11,711,033 | 10,947,806 |
| Employer contributions | 5,092,000 | 4,673,200 |
| Benefits and administrative expenses paid | (4,960,996) | (4,539,805) |
| Fair value of plan assets at end of year | 102,429,366 | 90,587,329 |
| Funded status and accrued pension liability | $ (36,106,891) | (57,458,285) |

The Medical Center had $26,993,276 and $47,130,799 of actuarial net losses in net assets without donor restrictions as of December 31, 2021 and 2020, respectively, which have not yet been recognized as other components of net periodic pension cost.

Significant components of gains and losses impacting the benefit obligation include changes in the discount rate and updates to the mortality assumptions.

The other components of net periodic pension cost for the years ended December 31:

| | 2021 | 2020 |
|---|---|---|
| Administrative costs | $ 115,000 | 108,000 |
| Interest cost | 4,724,627 | 5,226,866 |
| Expected return on plan assets | (6,357,795) | (5,789,992) |
| Amortization of unrecognized net loss | 5,396,297 | 4,233,474 |
| Net periodic pension cost | $ 3,878,129 | 3,778,348 |

The other components of net periodic pension cost other than the service cost component are included in other components of net period pension cost in the consolidated statements of operations and changes in net assets.



(Continued)

(11) Pension Plans, Continued

*Medical Center Pension Plan, Continued*

The weighted average assumptions used to determine projected benefit obligations at December 31 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Discount rate | 3.74% | 3.25% |
| Expected long-term return on plan assets | 7.50% | 7.50% |

The weighted average assumptions used to determine net periodic pension cost for the years ended December 31 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Discount rate | 3.25% | 4.00% |
| Expected long-term return on plan assets | 7.50% | 7.50% |

The Medical Center's defined benefit plan's investment objectives are to emphasize total return specifically through long-term growth of capital while avoiding excessive risk, and to achieve a balanced return of current income and modest growth of principal. In order to achieve these objectives, the Medical Center has established the following asset allocation guidelines:

| Asset Class | Minimum | Maximum | Preferred |
|---|---|---|---|
| Large cap equity | 30% | 50% | 41% |
| Small cap equity | - | 15% | 5% |
| Mid cap equity | - | 15% | 6% |
| International equity | - | 25% | 16% |
| Fixed income | 20% | 80% | 32% |
| Cash and cash equivalents | - | 5% | - |

The expected long-term rate of return on plan assets is reviewed annually, taking into consideration the asset allocation, historical returns on the types of assets held, and the current economic environment. Based on these factors, it is expected that the pension assets will earn an average of 7.50% per annum.

(11) Pension Plans, Continued

*Medical Center Pension Plan, Continued*

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 or 2020.

*Money market fund*: Valued at amortized cost which approximates fair value.

*Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end and closed-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

*Alternative investments:* The investments consist of partnership and hedge funds. These securities are estimated using current information obtained from the general partner or investment manager for the respective funds. Investments in private equity partnerships are generally estimated using partner's capital balances, and their fair value of investments are generally estimated using the NAV as a practical expedient.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present by level, within the fair value hierarchy, the Plan's assets as of December 31:

| | Assets at fair value as of December 31, 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets in fair value hierarchy: | | | | |
| Money market fund | $ - | 848,892 | - | 848,892 |
| Mutual funds | 85,287,455 | - | - | 85,287,455 |
| Investments measured at NAV: | | | | |
| Alternative investments | - | - | - | 16,392,019 |
| | $ 85,287,455 | 848,892 | - | 102,429,366 |

(11) Pension Plans, Continued

*Medical Center Pension Plan, Continued*

| | Assets at fair value as of December 31, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets in fair value hierarchy: | | | | |
| Money market fund | $ - | 412,567 | - | 412,567 |
| Mutual funds | 74,536,037 | - | - | 74,536,037 |
| Investments measured at NAV: | | | | |
| Alternative investments | - | - | - | 15,638,725 |
| | $ 74,536,037 | 412,567 | - | 90,587,329 |

The Medical Center expects to contribute $5,803,000 to its defined benefit plan in 2022.

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

| | Benefit payments |
|---|---|
| 2022 | $ 5,803,015 |
| 2023 | 6,153,718 |
| 2024 | 6,374,762 |
| 2025 | 6,602,804 |
| 2026 | 6,858,451 |
| 2027 - 2031 | 36,842,075 |

*Other Plans*

The Medical Center also offers a 401(k) defined contribution retirement plan to substantially all of its non-union employees. Members of UFCW collective bargaining unit receive contributions equal to other participants, however their plan assets are administered by representatives selected by UFCW. Effective March 3, 2013, members of the New York State Nurses Association were admitted to the plan in conjunction with the freezing of the defined benefit plan as discussed above. Each year participants may contribute up to 75% of eligible pre-tax compensation, as defined in the Plan, subject to maximum annual additions allowed by law. Employees that are not covered by UFCW collective bargaining unit are eligible to receive a safe harbor contribution equal to 3% of compensation. Further, non-union employees are eligible for a discretionary match on their contributions based on years of service as detailed below:

| Years of service | % of employer contribution (up to 4%) |
|---|---|
| 1 - 9 | 50% (or 2% in most cases) |
| 10 - 19 | 75% (or 3% in most cases) |
| 20+ | 100% (or 4% in most cases) |

(11) Pension Plans, Continued

*Other Plans, Continued*

The Medical Center also offers a 457(b) plan covering certain highly compensated employees. Participants may contribute amounts up to statutory limits on an annual basis. Under the plan the Medical Center may contribute between 2% and 4% of earnings over the 401(k) annual maximum amount depending on the employee's years of service. An asset and liability representing the total amount invested in the 457(b) plan totalling approximately $1,648,000 and $1,300,000 has been recorded as an other long-term asset and other long-term liability at December 31, 2021 and 2020, respectively.

Healthcare sponsors a 401(k) plan that covers substantially all full-time non-union employees. Healthcare contributes 4% of eligible compensation to the plan (5% for employees hired before December 1, 2001). Healthcare also makes a matching contribution up to 100% of the first 4% of employee contributions to the 401(k) plan. Healthcare also sponsors a 403(b) plan that covers union and certain other employees. Healthcare contributes 5% of eligible compensation to the plan and also makes a matching contribution for employees with 5 years of service, up to 100% of the first 5% of employee contributions to the 403(b) plan.

The Home maintains defined contribution retirement plans which cover all employees who have completed one year of service and are age twenty-one or older. Participants may contribute a percentage of compensation, but not in excess of the maximum allowed under the Internal Revenue Code. The plans provide for matching contributions based on participant contributions at varying percentages of the participant's compensation for the year. In addition, under one plan, the Home will contribute a fixed amount up to 4% of the participant's compensation.

SNH maintains defined contribution retirement plans which cover all employees who have completed one year of service and are age twenty-one or older. Participants may contribute a percentage of compensation, but not in excess of the maximum allowed under the Internal Revenue Code. The plans provide for matching contributions based on participant contributions at varying percentages of the participant's compensation for the year. In addition, under one plan, SNH will contribute a fixed amount up to 5% of the participant's compensation.

VNA sponsors two defined contribution pension plans covering substantially all employees. VNA matches employee contributions up to specified limits.

Subsequent to the first pay period in May 2020, the Corporation suspended matching contributions due to impacts from the COVID-19 pandemic. The Corporation resumed pension contributions the second pay period of October 2020. Pension expense under all defined contribution plans aggregated approximately $10,342,000 and $7,797,000 for the Corporation in 2021 and 2020, respectively.

(12) Contingencies

*Professional Liability Insurance*

Professional liability insurance coverage is provided under a claims-made based policy for Healthcare and Medical Center and an occurrence-based policy for the Home, VNA and SNH, which provide for $1,000,000 coverage for each claim, not to exceed $3,000,000 in aggregate annual coverage. Healthcare and the Medical Center's insurance policy includes a per claim $50,000 uninsured deductible, not to exceed $250,000 in aggregate annual coverage. In addition, the Corporation has purchased excess insurance policies. Claims alleging malpractice have been asserted against the Corporation and are currently in various stages of litigation. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted relating to services provided to patients. Accrued malpractice losses in management's opinion provide an adequate reserve for loss contingencies. The Corporation has accrued a liability included in other liabilities of approximately $18,104,000 and $19,084,000 at December 31, 2021 and 2020, respectively. A corresponding receivable included in other assets of approximately $16,932,000 and $18,062,000 at December 31, 2021 and 2020, respectively, has been recorded to record anticipated recoveries from the insurance company. If the claims-made policy is not renewed or replaced with equivalent insurance, claims based on occurrences during the claims-made coverage period but reported subsequent to such a change will be uninsured. Healthcare and the Medical Center have a right under their present policy to acquire extended coverage if they decide to terminate their claims-made coverage. Healthcare and the Medical Center intend to renew their coverage on a claims-made basis and do not expect any difficulty in renewing the policies as they become due.

*Self-Insured Risks*

The Corporation is self-insured for employee healthcare costs. The Corporation has obtained a stop loss coverage policy for healthcare costs to supplement its self-insurance coverage. An accrual for healthcare claims, including those incurred but not reported, is included in the current portion of estimated self-insured liabilities.

(12) Contingencies, Continued

*Workers' Compensation Insurance*

Healthcare is primarily self-insured for employee workers' compensation and disability claims along with certain of its affiliates for certain years 2007 and prior. Beginning in 2015, Healthcare and certain of its affiliates enrolled in a high deductible plan with an insurance company with a deductible of $500,000 for each employee and occurrence, and an aggregate deductible of $7,900,000 for 2016, $8,150,000 for 2017 and $15,000,000 for 2018 through 2021. Self-insured and high deductible liabilities are based on claims filed and estimates for claims incurred but not reported. As required by the State of New York Workers' Compensation Board, the Corporation has purchased letters of credit to guarantee payment of workers' compensation claims. Stop loss insurance for losses exceeding certain amounts has been purchased for workers' compensation. Each affiliate is jointly and severally liable for the satisfaction of all obligations. These liabilities are recorded at discounted amounts using a 3% interest rate in 2021 and 2020. From 2010 to 2014, certain entities of the Corporation, excluding the Medical Center, were insured in a retrospectively rated workers' compensation and disability policy and premiums are accrued based on the ultimate cost of the experience to date of the entities. The Corporation has accrued a liability included in other liabilities and a corresponding receivable in other assets for anticipated recoveries from the insurance company of approximately $7,250,000 and $5,515,000 at December 31, 2021 and 2020, respectively.

Prior to January 1, 2012, the Medical Center obtained coverage for workers compensation insurance through the Healthcare Underwriters Mutual Risk Management Group (Group). The Medical Center is one of four members of the Group. The Group is an unincorporated association of healthcare providers in the upstate region of New York State and was organized under a trust agreement for the purpose of establishing a workers' compensation self-insurance group. The Group is governed by a board of trustees consisting of one trustee for each member. Members of the Group are jointly and severally liable for Group activities and liabilities. The Group is no longer active and has been in the process of settling outstanding claims since December 31, 2011. In addition, management of the Medical Center monitors the financial stability of the Group on an ongoing basis and have determined that future assessment payments would not be significant.

(12) Contingencies, Continued

*Workers' Compensation Insurance, Continued*

The Medical Center has been self-insured for these liabilities for certain years 2017 and prior. During 2018, the Medical Center enrolled in a high deductible plan with an insurance company with a deductible of $500,000 for each employee and occurrence, and an aggregate deductible of $15,000,000. Losses from asserted and unasserted workers compensation claims are discounted at 3.00% and accrued based on actuarial estimates that incorporate the Medical Center's past experience, the nature of each claim or incident, relevant trend factors, and estimated recoveries, if any, on unsettled claims. The Medical Center has accrued approximately $8,183,000 and $6,166,000 as of December 31, 2021 and 2020, respectively. These accruals are part of estimated self-insured liabilities on the consolidated balance sheets. In conjunction with the self-insurance program, the Medical Center is required to post a letter of credit with the State of New York Workers Compensation Board. This letter of credit totalled approximately $4,643,000 and $4,983,000 as of December 31, 2021 and 2020, respectively.

(13) Affiliated Entity

The following are approximate dollar amounts of significant transactions and balances with affiliated entity:

*Mohawk Valley EC, LLC*

Healthcare, the Medical Center and Mohawk Valley EC Holdings, LLC entered into an agreement for the purpose of owning and operating a single-specialty ambulatory surgery center, exclusively providing gastroenterology services in Oneida County. As part of the agreement, the three members formed the Mohawk Valley EC, LLC (MVEC), a New York limited liability company. Healthcare and the Medical Center each maintain a 20% interest and sharing ratio in MVEC. The amount recognized as a gain based on the Corporation's share is approximately $274,000 for the year ended December 31, 2021 and a loss of approximately $272,000 for the year ended December 31, 2020.

The Corporation recognizes income or loss from this joint venture in other operating revenue.

Receivables from the affiliate are approximated as follows as of December 31:

| | 2021 | 2020 |
|---|---|---|
| Other | $ 6,300 | 3,150 |

(14) Asset Purchase Agreement with MVNY Partners LLC

On March 1, 2021, Healthcare entered into an Asset Purchase Agreement (APA) to sell certain assets associated with dialysis services to MVNY Partners LLC (MVNY) for $7,000,000. Healthcare sold certain assets with a net book value of approximately $2,300,000 to MVNY and received payment of $6,300,000, resulting in a gain on sale of approximately $3,900,000. The APA calls for $700,000 of the purchase price will be held in escrow, with $300,000 to be released to Healthcare on March 1, 2022 and the remaining $400,000 will be released on the earlier of the operating certificate transfer or March 1, 2023.

On March 1, 2021, Healthcare and MVNY entered into an operating asset transfer agreement whereby upon receiving appropriate approvals, the operating certificates for the outpatient dialysis clinics will transfer from Healthcare to MVNY in exchange for $3,000,000. Until the operating certificate transfer is complete, Healthcare will continue to operating the dialysis clinics under an administrative services agreement that was entered into with MVNY.

(15) Consolidated Statements of Cash Flows - Supplemental Disclosures

The Corporation's non-cash activity and cash payments for interest as of or for the years ended December 31 were approximately as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Cash paid for interest | $ | 9,571,000 | 9,694,000 |
| Property and equipment acquisitions included in accounts payable | | 16,376,000 | 11,702,000 |

The following table provides a reconciliation of cash, cash equivalents and restricted cash equivalents reported within the consolidated balance sheets that sum to the total of the same amounts shown in the consolidated statements of cash flows at December 31:

| | | 2021 | 2020 |
|---|---|---|---|
| Cash and cash equivalents | $ | 36,542,060 | 34,529,309 |
| Restricted cash equivalents included in escrow deposit | | 253,629 | 239,377 |
| Total cash, cash equivalents and restricted cash equivalents shown in the consolidated statements of cash flows | $ | 36,795,689 | 34,768,686 |

Restricted cash equivalents relate to amounts required to be set aside by an agreement with New York State for the payment of medical expenses.



(Continued)

(16) Functional Expenses

The Corporation provides general healthcare services to residents of the Mohawk Valley Region. Expenses related to providing these services are as follows for the years ended December 31:

| | 2021 | | | |
|---|---|---|---|---|
| | Healthcare services | General and administrative | Fundraising | Total |
| Salaries and wages | $ 235,624,102 | 31,500,124 | - | 267,124,226 |
| Employee benefits | 43,516,021 | 5,659,070 | - | 49,175,091 |
| Supplies and other | 221,384,800 | 27,120,409 | 76,684 | 248,581,893 |
| Depreciation and amortization | 15,283,270 | 5,623,484 | - | 20,906,754 |
| Interest | 597,042 | 1,437,797 | - | 2,034,839 |
| New York State gross receipts taxes | 2,580,627 | - | - | 2,580,627 |
| Total expenses | $ 518,985,862 | 71,340,884 | 76,684 | 590,403,430 |

| | 2020 | | | |
|---|---|---|---|---|
| | Healthcare services | General and administrative | Fundraising | Total |
| Salaries and wages | $ 228,514,566 | 28,226,888 | - | 256,741,454 |
| Employee benefits | 47,333,618 | 6,311,031 | - | 53,644,649 |
| Supplies and other | 194,513,913 | 24,109,845 | 70,891 | 218,694,709 |
| Depreciation and amortization | 15,496,731 | 5,897,679 | - | 21,394,410 |
| Interest | 743,169 | 1,491,723 | - | 2,234,892 |
| New York State gross receipts taxes | 2,122,055 | - | - | 2,122,055 |
| Total expenses | $ 488,724,112 | 66,037,166 | 70,891 | 554,832,169 |

The consolidated financial statements report certain categories of expenses that are attributable to more than one functional expense category. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization on a combination of square footage utilized and moveable equipment utilized, as well as employee benefits which are allocated based on salary expense.

(17) Fair Value of Financial Instruments

The Fair Value Measurement Topic of the FASB Accounting Standards Codification requires disclosures that categorize assets and liabilities measured at fair value based on a fair value hierarchy. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety.

The following methods and assumptions were used by the Corporation in estimating the fair value of its financial instruments:

*Cash and Cash Equivalents:* The amount reported on the consolidated balance sheets for cash and cash equivalents approximates fair value and money market funds are valued at the net asset value (NAV) reported by the financial institutions.

*Mutual Funds, Exchange Traded Funds and Common Stock:* The fair values, which are the amounts reported on the consolidated balance sheets, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

*Pooled Investment Funds*: Fair values are based on NAV per share as determined by the fund's investment manager or general partner.

*U.S. Government and Agency Debt Securities and Domestic and International Corporate Bonds:* Consists of the Corporation's directly owned securities and the Corporation's investment in securities that are issued by the U.S. government or publicly owned government-sponsored enterprises. Securities owned directly by the Corporation and securities issued by the U.S. government or publicly owned government-sponsored enterprises are valued based on quoted market prices or dealer quotes where available (Level 1 measurements). If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or, if necessary, matrix pricing from a third party pricing vendor to determine fair value (Level 2 measurements). Matrix prices are based on quoted prices for securities with similar coupons, ratings, and maturities, rather than on specific bids and offers for the designated security.



(Continued)

## (17) Fair Value of Financial Instruments, Continued

The following tables present information about assets that are measured at fair value on a recurring basis as of December 31 and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities. The Corporation considers a security that trades at least weekly to have an active market. Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

| | | Fair value measurements at December 31, 2021 | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Cash and cash equivalents | $ 3,583,007 | 3,583,007 | - | - |
| Assets limited as to use: | | | | |
| Cash and cash equivalents | 71,751,966 | 71,751,966 | - | - |
| Common stock | 1,800,968 | 1,800,968 | - | - |
| Exchange traded funds | 299,907 | 299,907 | - | - |
| Mutual funds | 664,397 | 664,397 | - | - |
| Domestic corporate bonds | 5,479 | - | 5,479 | - |
| Government and agency obligations | 159,358,795 | - | 159,358,795 | - |
| Investments: | | | | - |
| Cash and cash equivalents | 1,646,370 | 1,646,370 | - | - |
| Common stock | 30,500 | 30,500 | - | - |
| Exchange traded funds | 20,219,598 | 20,219,598 | - | - |
| Mutual funds | 171,333,658 | 171,333,658 | - | - |
| Pooled investment funds: | | | | |
| Hedge funds | 8,522,834 | - | - | - |
| Real estate funds | 11,068,475 | - | - | - |
| Domestic corporate bonds | 9,040,365 | - | 9,040,365 | - |
| Government and agency obligations | 191 | - | 191 | - |
| Total assets at fair value | $ 459,326,510 | 271,330,371 | 168,404,830 | - |

(17) Fair Value of Financial Instruments, Continued

| | | Fair value measurements at December 31, 2020 | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Cash and cash equivalents | $ 1,553,639 | 1,553,639 | - | - |
| Assets limited as to use: | | | | |
| Cash and cash equivalents | 63,545,127 | 63,545,127 | - | - |
| Common stock | 1,416,182 | 1,416,182 | - | - |
| Exchange traded funds | 291,627 | 291,627 | - | - |
| Mutual funds | 742,929 | 742,929 | - | - |
| Domestic corporate bonds | 173,848 | - | 173,848 | - |
| Government and agency obligations | 163,238,271 | - | 163,238,271 | - |
| Investments: | | | | |
| Cash and cash equivalents | 1,312,166 | 1,312,166 | - | - |
| Common stock | 30,077 | 30,077 | - | - |
| Exchange traded funds | 17,436,967 | 17,436,967 | - | - |
| Mutual funds | 115,665,272 | 115,665,272 | - | - |
| Pooled investment funds: | | | | |
| Hedge funds | 7,013,243 | - | - | - |
| Real estate funds | 5,936,051 | - | - | - |
| Foreign equity funds | 6,727,584 | - | - | - |
| Domestic corporate bonds | 6,986,654 | - | 6,986,654 | - |
| Government and agency obligations | 390 | - | 390 | - |
| Total assets at fair value | $ 392,070,027 | 201,993,986 | 170,399,163 | - |

(17) Fair Value of Financial Instruments, Continued

The following is a summary of the investments whose NAV approximates fair value and the related redemption restrictions associated with each major category at December 31:

| | 2021 | | |
|---|---|---|---|
| Pooled investment funds | Total fair value | Redemption frequency | Redemption notice periods |
| Hedge funds | $ 8,522,834 | Monthly | 90 days |
| Real estate funds | 11,068,475 | Monthly | None |
| | $ 19,591,309 | | |

| | 2020 | | |
|---|---|---|---|
| Pooled investment funds | Total fair value | Redemption frequency | Redemption notice periods |
| Hedge funds | $ 7,013,243 | Monthly | 90 days |
| Real estate funds | 5,936,051 | Monthly | None |
| Foreign equity funds | 6,727,584 | Monthly | 10 days |
| | $ 19,676,878 | | |

*Hedge Funds*

Hedge fund strategies involve funds with investment managers who have the authority to invest in various asset classes at their discretion and who have the ability to employ multiple investments strategies within their respective portfolios. Investment strategies may include the following categories: merger arbitrage, distressed, long/short credit, fixed income arbitrage and convertible arbitrage. These funds attempt to reduce individual manager risk by allocating capital among multiple investment managers. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly.

(17) Fair Value of Financial Instruments, Continued

*Real Estate Funds*

Real estate funds hold interests in publicly traded equity securities issued by real estate investment trusts ("REIT"), private real estate partnerships, and privately held REIT's. Strategies of these funds often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Corporation's interests in shares or units of these funds, because of the liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

*Foreign Equity Funds*

Foreign equity funds are invested in a diversified portfolio of equity securities of companies ordinarily located in any country other than the United States and Canada. The funds are controlled by an investment manager.

(18) Financial Responsibility Standards

The Medical Center participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited financial statements submitted through ED's eZ-Audit system. The composite score has been and will continue to be based on three ratios: Primary Reserve, Equity and Net Income. These ratios utilize the following financial data of the Medical Center, which are not otherwise presented in the consolidated financial statements or other notes to the consolidated financial statements, as of and for the year ended December 31, 2021:

## (18) Financial Responsibility Standards, Continued

| Required input per standards | Ratio(s) Uses | | Amount |
|---|---|---|---|
| | | $ | |
| Net deficit without donor restrictions | Primary reserve | | (9,064,198) |
| Net assets with donor restrictions | Primary reserve | | 1,962,564 |
| Property and equipment, net (includes construction in progress and capital leases) | Primary reserve | 57,208,642 | |
| Property and equipment, net - pre-implementation (inc. cap leases) | Primary reserve | | 36,711,194 |
| Property and equipment, net - post-implementation with outstanding debt (inc. cap leases) | Primary reserve | | 7,031,321 |
| Property and equipment - post-implementation without outstanding debt | Primary reserve | | 13,220,374 |
| Construction in Process | Primary reserve | | 245,753 |
| Lease right-of-use asset, net | Primary reserve | | 1,502,840 |
| Post-employment and pension liabilities | Primary reserve | | 36,106,891 |
| Total long-term debt (inc. cap leases) | Primary reserve | 34,002,170 | |
| Long-term debt - for long term purposes pre-implementation (inc. cap leases) | Primary reserve | | 19,453,000 |
| Long-term debt - for long term purposes post-implementation (inc. cap leases) | Primary reserve | | 8,415,000 |
| Post-implementation right-of-use obligations | Primary reserve | | 1,553,840 |
| Net assets with donor restrictions: restricted in perpetuity | Primary reserve | | 1,068,143 |
| Net assets with donor restrictions: other for purpose or time | Primary reserve | | 894,421 |
| Total expenses without donor restrictions | Primary reserve | | 212,521,230 |
| Other components of net period pension costs | Primary reserve | | (3,878,129) |
| Pension related changes other than net periodic pension cost | Primary reserve | | 20,137,523 |
| Net deficit without donor restrictions | Equity | | (9,064,198) |
| Net assets with donor restrictions | Equity | | 1,962,564 |
| Total assets | Equity | | 133,239,350 |
| Change in net deficit without donor restrictions | Net income | | 18,198,065 |
| Total operating revenue and other additions (gains) | Net income | | 211,966,229 |
| Investment return appropriated for spending | Net income | | 2,638,922 |
| Non-operating revenue and other gains (losses) | Net income | | 70,118 |

**MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES**

Supplementary Schedule of Financial Responsibility Data

As of and for the year ended December 31, 2021

| Location in financial statement or related notes | Financial element | | Amount |
|---|---|---|---|
| *Primary Reserve Ratio: Expendable Net Assets:* | | | |
| Note 18 - Financial Responsibility Standards | Net deficit without donor restrictions | $ | (9,064,198) |
| Note 18 - Financial Responsibility Standards | Net assets with donor restrictions | | 1,962,564 |
| Note 18 - Financial Responsibility Standards | Property and equipment, net (includes construction in progress and capital leases) | 57,208,642 | - |
| Note 18 - Financial Responsibility Standards | Property and equipment, net - pre-implementation (inc. cap leases) | | 36,711,194 |
| Note 18 - Financial Responsibility Standards | Property and equipment, net - post-implementation with outstanding debt (inc. cap leases) | | 7,031,321 |
| Note 18 - Financial Responsibility Standards | Property and equipment - post-implementation without outstanding debt | | 13,220,374 |
| Note 18 - Financial Responsibility Standards | Construction in Process | | 245,753 |
| Note 18 - Financial Responsibility Standards | Lease right-of-use asset, net | | 1,502,840 |
| Note 18 - Financial Responsibility Standards | Post-employment and pension liabilities | | 36,106,891 |
| Note 18 - Financial Responsibility Standards | Total long-term debt (inc. cap leases) | 34,002,170 | - |
| Note 18 - Financial Responsibility Standards | Long-term debt - for long term purposes pre-implementation (inc. cap leases) | | 19,453,000 |
| Note 18 - Financial Responsibility Standards | Long-term debt - for long term purposes post-implementation (inc. cap leases) | | 8,415,000 |
| Note 18 - Financial Responsibility Standards | Post-implementation right-of-use obligations | | 1,553,840 |
| Note 18 - Financial Responsibility Standards | Net assets with donor restrictions: restricted in perpetuity | | 1,068,143 |
| Note 18 - Financial Responsibility Standards | Net assets with donor restrictions: other for purpose or time | | 894,421 |
| *Primary Reserve Ratio: Expenses and Losses:* | | | |
| Note 18 - Financial Responsibility Standards | Total expenses without donor restrictions | | 212,521,230 |
| Note 18 - Financial Responsibility Standards | Other components of net period pension costs | | (3,878,129) |
| Note 18 - Financial Responsibility Standards | Pension related changes other than net periodic pension cost | | 20,137,523 |
| *Equity Ratio: Modified Net Assets:* | | | |
| Note 18 - Financial Responsibility Standards | Net deficit without donor restrictions | | (9,064,198) |
| Note 18 - Financial Responsibility Standards | Net assets with donor restrictions | | 1,962,564 |
| *Equity Ratio: Modified Assets* | | | |
| Note 18 - Financial Responsibility Standards | Total assets | | 133,239,350 |
| *Net Income Ratio:* | | | |
| Note 18 - Financial Responsibility Standards | Change in net deficit without donor restrictions | | 18,198,065 |
| Note 18 - Financial Responsibility Standards | Total operating revenue and other additions (gains) | | 211,966,229 |
| Note 18 - Financial Responsibility Standards | Investment return appropriated for spending | | 2,638,922 |
| Note 18 - Financial Responsibility Standards | Non-operating revenue and other gains (losses) | | 70,118 |

See accompanying independent auditors' report.

Schedule 2

**MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES**

Consolidating Balance Sheet

December 31, 2021
with comparative consolidated totals for 2020

| Assets | Faxton-St. Luke's Healthcare | St. Elizabeth Medical Center and Affiliate | St. Luke's Home Residential Health Care Facility, Inc. | Mohawk Valley Health System Foundation | Senior Network Health, LLC | Visiting Nurse Association of Utica and Oneida County, Inc. | Mohawk Valley Health System | Eliminations | Consolidated | Consolidated 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Current assets: | | | | | | | | | | |
| Cash and cash equivalents | $ 16,784,130 | 1,010,384 | 2,945,334 | 8,956,141 | 6,446,785 | 54,619 | 344,667 | - | 36,542,060 | 34,529,309 |
| Investments | 155,211,403 | 28,334,351 | - | 31,014,664 | 1,755,389 | - | - | - | 216,315,807 | 155,326,507 |
| Escrow deposit | - | - | - | - | 1,232,917 | - | - | - | 1,232,917 | 1,253,733 |
| Assets limited as to use | 5,128,112 | 5,506,246 | - | - | - | - | 29,032,051 | - | 39,666,409 | 37,833,162 |
| Patient accounts receivable, net | 33,978,717 | 21,576,933 | 1,285,808 | - | 26,203 | 639,210 | - | - | 57,506,871 | 50,945,274 |
| Other current assets | 8,820,365 | 5,627,731 | 98,481 | 8,108,791 | 14,705 | 6,009 | 19,672 | - | 22,695,754 | 24,976,583 |
| Inventories | 9,147,694 | 7,703,011 | 109,765 | - | - | - | - | - | 16,960,470 | 15,056,165 |
| Prepaid expenses | 3,707,567 | 1,450,659 | 131,300 | 70,495 | - | 5,291 | - | - | 5,365,312 | 3,493,335 |
| Due from affiliates, net | 9,002,818 | - | 6,762,209 | 235,283 | 723,167 | 120,645 | 147,277 | (16,985,099) | 6,300 | 3,150 |
| Total current assets | 241,780,806 | 71,209,315 | 11,332,897 | 48,385,374 | 10,199,166 | 825,774 | 29,543,667 | (16,985,099) | 396,291,900 | 323,417,218 |
| Interest in MVHS Foundation | 3,758,557 | - | - | - | - | - | 15,832,856 | (19,591,413) | - | - |
| Investment in affiliates | - | - | - | - | - | - | 7,044,960 | (7,044,960) | - | - |
| Due from affiliates, net of current portion | - | - | 3,872,435 | - | - | - | - | (3,872,435) | - | - |
| Investments, net of current portion | 4,528,164 | - | - | - | - | - | - | - | 4,528,164 | 4,528,164 |
| Assets limited as to use, net of current portion | - | 970,427 | - | 2,050,609 | - | - | 191,194,067 | - | 194,215,103 | 192,310,254 |
| Property and equipment, net | 63,499,845 | 57,208,642 | 9,906,962 | 932,624 | 208,469 | 77,036 | 296,651,706 | - | 428,485,284 | 282,549,124 |
| Operating lease right-of-use assets | 2,265,116 | 1,502,840 | - | - | - | - | 5,616,262 | - | 9,384,218 | 11,655,850 |
| Other assets | 20,329,089 | 2,348,126 | 695,924 | - | 96,929 | - | 266,000 | - | 23,736,068 | 23,184,737 |
| Total assets | $ 336,161,577 | 133,239,350 | 25,808,218 | 51,368,607 | 10,504,564 | 902,810 | 546,149,518 | (47,493,907) | 1,056,640,737 | 837,645,347 |

(Continued)

**MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES**

Consolidating Balance Sheet, Continued

December 31, 2021
with comparative consolidated totals for 2020

| Liabilities and Net Assets (Deficit) | Faxton-St. Luke's Healthcare | St. Elizabeth Medical Center and Affiliate | St. Luke's Home Residential Health Care Facility, Inc. | Mohawk Valley Health System Foundation | Senior Network Health, LLC | Visiting Nurse Association of Utica and Oneida County, Inc. | Mohawk Valley Health System | Eliminations | Consolidated | Consolidated 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Current liabilities: | | | | | | | | | | |
| Current portion of long-term debt | $ 3,458,000 | 82,000 | - | - | - | - | 2,415,000 | - | 5,955,000 | 5,060,000 |
| Current portion of finance lease obligations | 1,078,979 | 989,932 | - | - | - | - | - | - | 2,068,911 | 2,354,957 |
| Current portion of operating lease liabilities | 892,302 | 490,267 | - | - | - | - | 492,711 | - | 1,875,280 | 2,115,937 |
| Accounts payable and accrued expenses | 25,361,244 | 14,700,278 | 652,444 | 314,767 | 809,108 | 101,561 | 16,994,478 | (4,067) | 58,929,813 | 52,613,996 |
| Accrued payroll, payroll taxes and benefits | 17,838,375 | 8,908,790 | 626,709 | - | 111,795 | 476,758 | - | - | 27,962,427 | 21,232,070 |
| Current portion of estimated self-insured liabilities | 2,808,748 | 1,301,009 | 491,201 | - | 295,932 | 331,601 | - | - | 5,228,491 | 6,003,613 |
| Contract liability - Medicare Accelerated and Advance Payment Program | 4,178,112 | 5,506,246 | - | - | - | - | - | - | 9,684,358 | 21,943,609 |
| Refundable advance | - | - | - | - | - | - | - | - | - | 25,000,000 |
| Estimated third-party payor settlements, net | 12,623,129 | 19,239,323 | 2,157,728 | - | 2,120,105 | - | - | - | 36,140,285 | 33,517,637 |
| Due to affiliates, net | - | 5,338,022 | - | 187,397 | - | - | 9,769,850 | (15,295,269) | - | - |
| Other current liabilities | 6,286,725 | 2,269,699 | 465,278 | - | - | 176,945 | - | - | 9,198,647 | 4,695,495 |
| Total current liabilities | 74,525,614 | 58,825,566 | 4,393,360 | 502,164 | 3,336,940 | 1,086,865 | 29,672,039 | (15,299,336) | 157,043,212 | 174,537,314 |
| Long-term debt, net of current portion: | | | | | | | | | | |
| Revenue bonds | 18,697,196 | 30,309,682 | - | - | - | - | 280,896,122 | - | 329,903,000 | 262,124,443 |
| Finance lease obligations | 2,780,738 | 2,620,556 | - | - | - | - | - | - | 5,401,294 | 7,026,923 |
| Total long-term debt, net of current portion | 21,477,934 | 32,930,238 | - | - | - | - | 280,896,122 | - | 335,304,294 | 269,151,366 |
| Operating lease liabilities, net of current portion | 1,372,814 | 1,063,573 | - | - | - | - | 5,592,912 | - | 8,029,299 | 9,891,899 |
| Accrued pension liability | - | 36,106,891 | - | - | - | - | - | - | 36,106,891 | 57,458,285 |
| Due to affiliates, net of current portion | 3,524,210 | - | - | - | - | 4,633,986 | 390,000 | (8,548,196) | - | - |
| Contract liability - Medicare Accelerated and Advance Payment Program, net of current portion | - | - | - | - | - | - | - | - | - | 8,056,391 |
| Other liabilities | 26,508,067 | 1,794,996 | 936,036 | - | 96,929 | 351,643 | - | - | 29,687,671 | 35,578,952 |
| Estimated self-insured liabilities, net of current portion | 8,617,495 | 9,619,720 | 1,178,250 | - | 25,735 | - | - | - | 19,441,200 | 14,024,969 |
| Total liabilities | 136,026,134 | 140,340,984 | 6,507,646 | 502,164 | 3,459,604 | 6,072,494 | 316,551,073 | (23,847,532) | 585,612,567 | 568,699,176 |
| Net assets (deficit): | | | | | | | | | | |
| Without donor restrictions | 191,817,523 | (9,064,198) | 19,300,572 | 30,038,165 | 7,044,960 | (5,169,684) | 6,242,156 | (4,054,962) | 236,154,532 | 163,975,999 |
| With donor restrictions | 8,317,920 | 1,962,564 | - | 20,828,278 | - | - | 223,356,289 | (19,591,413) | 234,873,638 | 104,970,172 |
| Total net assets (deficit) | 200,135,443 | (7,101,634) | 19,300,572 | 50,866,443 | 7,044,960 | (5,169,684) | 229,598,445 | (23,646,375) | 471,028,170 | 268,946,171 |
| Total liabilities and net assets (deficit) | $ 336,161,577 | 133,239,350 | 25,808,218 | 51,368,607 | 10,504,564 | 902,810 | 546,149,518 | (47,493,907) | 1,056,640,737 | 837,645,347 |

See accompanying independent auditor's report.

**MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES**

Consolidating Statement of Operations and Changes in Net Assets (Deficit)

Year ended December 31, 2021
with comparative consolidated totals for 2020

| | Faxton-St. Luke's Healthcare | St. Elizabeth Medical Center and Affiliate | St. Luke's Home Residential Health Care Facility, Inc. | Mohawk Valley Health System Foundation | Senior Network Health, LLC | Visiting Nurse Association of Utica and Oneida County, Inc. | Mohawk Valley Health System | Eliminations | Consolidated | Consolidated 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues, gains and other support without donor restrictions: | | | | | | | | | | |
| Net patient service revenue | $ 315,692,329 | 204,221,538 | 15,712,837 | - | 202,863 | 5,631,710 | - | (1,798,374) | 539,662,903 | 466,992,592 |
| Pandemic Relief Fund grants | 2,251,858 | 1,430,538 | 229,409 | - | - | 4,583 | - | - | 3,916,388 | 33,530,705 |
| Premium revenue | - | - | - | - | 12,742,135 | - | - | - | 12,742,135 | 16,003,707 |
| Other operating revenue | 26,260,045 | 6,135,463 | 2,163,688 | - | 2,970 | 11,473 | 1,082,722 | (3,711,882) | 31,944,479 | 41,220,154 |
| Net assets released from restrictions used for operations | - | 178,690 | - | 1,327,406 | - | - | - | - | 1,506,096 | 979,078 |
| Total revenues, gains and other support without donor restrictions | 344,204,232 | 211,966,229 | 18,105,934 | 1,327,406 | 12,947,968 | 5,647,766 | 1,082,722 | (5,510,256) | 589,772,001 | 558,726,236 |
| Expenses: | | | | | | | | | | |
| Salaries and wages | 155,514,141 | 96,416,363 | 9,225,019 | 402,507 | 1,621,741 | 3,944,455 | - | - | 267,124,226 | 256,741,454 |
| Employee benefits | 28,262,877 | 16,867,573 | 2,535,593 | 68,006 | 449,507 | 991,535 | - | - | 49,175,091 | 53,644,649 |
| Supplies and other | 148,379,447 | 88,923,964 | 4,644,264 | 1,641,806 | 9,603,454 | 577,955 | 65,774 | (5,254,771) | 248,581,893 | 218,694,709 |
| Depreciation and amortization | 11,037,181 | 8,569,941 | 1,191,174 | 210 | 73,855 | 34,393 | - | - | 20,906,754 | 21,394,410 |
| Interest | 688,789 | 1,018,041 | - | - | - | - | 328,009 | - | 2,034,839 | 2,234,892 |
| New York State gross receipts taxes | 1,111,898 | 725,348 | 743,381 | - | - | - | - | - | 2,580,627 | 2,122,055 |
| Total expenses | 344,994,333 | 212,521,230 | 18,339,431 | 2,112,529 | 11,748,557 | 5,548,338 | 393,783 | (5,254,771) | 590,403,430 | 554,832,169 |
| Net gain (loss) from operations | (790,101) | (555,001) | (233,497) | (785,123) | 1,199,411 | 99,428 | 688,939 | (255,485) | (631,429) | 3,894,067 |
| Other revenue (expense): | | | | | | | | | | |
| Investment income, net of fees | 18,264,100 | 2,638,922 | - | 839,354 | (32,853) | - | - | - | 21,709,523 | 15,065,129 |
| Other components of net periodic pension cost | - | (3,878,129) | - | - | - | - | - | - | (3,878,129) | (3,778,348) |
| Gain on sale of dialysis assets | 3,867,720 | - | - | - | - | - | - | - | 3,867,720 | - |
| Contributions and other | 3,688,587 | 70,118 | - | 27,528,840 | - | - | - | - | 31,287,545 | (821,905) |
| Total other revenue (expense), net | 25,820,407 | (1,169,089) | - | 28,368,194 | (32,853) | - | - | - | 52,986,659 | 10,464,876 |
| Excess (deficiency) of revenues over expenses | $ 25,030,306 | (1,724,090) | (233,497) | 27,583,071 | 1,166,558 | 99,428 | 688,939 | (255,485) | 52,355,230 | 14,358,943 |

(Continued)

**MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES**

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

Year ended December 31, 2021
with comparative consolidated totals for 2020

| | Faxton-St. Luke's Healthcare | St. Elizabeth Medical Center and Affiliate | St. Luke's Home Residential Health Care Facility, Inc. | Mohawk Valley Health System Foundation | Senior Network Health, LLC | Visiting Nurse Association of Utica and Oneida County, Inc. | Mohawk Valley Health System | Eliminations | Consolidated | Consolidated 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Changes in net assets (deficit) without donor restrictions: | | | | | | | | | | |
| Excess (deficiency) of revenues over expenses | $ 25,030,306 | (1,724,090) | (233,497) | 27,583,071 | 1,166,558 | 99,428 | 688,939 | (255,485) | 52,355,230 | 14,358,943 |
| Pension related changes other than net periodic pension cost | - | 20,137,523 | - | - | - | - | - | - | 20,137,523 | (4,784,901) |
| Contributions used for capital acquisitions | 522,219 | 250,231 | - | - | 179,733 | - | - | (800,804) | 151,379 | 6,191 |
| Dividend | - | - | - | - | (290,000) | - | 290,000 | - | - | - |
| Other | - | (465,599) | - | - | - | - | - | - | (465,599) | (6,149) |
| Changes in net assets (deficit) without donor restrictions | 25,552,525 | 18,198,065 | (233,497) | 27,583,071 | 1,056,291 | 99,428 | 978,939 | (1,056,289) | 72,178,533 | 9,574,084 |
| Changes in net assets with donor restrictions: | | | | | | | | | | |
| Contributions | - | - | - | 6,278,320 | - | - | - | - | 6,278,320 | 5,032,097 |
| Investment income, net of fees | - | 548,864 | - | 255,040 | - | - | - | - | 803,904 | 256,071 |
| Grant for capital acquisitions | - | - | - | - | - | - | 124,327,338 | - | 124,327,338 | 59,161,041 |
| Net assets released from restrictions | - | (178,690) | - | (1,327,406) | - | - | - | - | (1,506,096) | (979,078) |
| Change in interest in net assets of MVHS Foundation | 245,247 | - | - | - | - | - | 4,928,516 | (5,173,763) | - | - |
| Change in net assets with donor restrictions | 245,247 | 370,174 | - | 5,205,954 | - | - | 129,255,854 | (5,173,763) | 129,903,466 | 63,470,131 |
| Total change in net assets (deficit) | 25,797,772 | 18,568,239 | (233,497) | 32,789,025 | 1,056,291 | 99,428 | 130,234,793 | (6,230,052) | 202,081,999 | 73,044,215 |
| Net assets (deficit) at beginning of year | 174,337,671 | (25,669,873) | 19,534,069 | 18,077,418 | 5,988,669 | (5,269,112) | 99,363,652 | (17,416,323) | 268,946,171 | 195,901,956 |
| Net assets (deficit) at end of year | $ 200,135,443 | (7,101,634) | 19,300,572 | 50,866,443 | 7,044,960 | (5,169,684) | 229,598,445 | (23,646,375) | 471,028,170 | 268,946,171 |

See accompanying independent auditor's report.

Schedule of Expenditures of Federal Awards

Year ended December 31, 2021

| Entity | Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Grantor Identifying Number | Federal Expenditures |
|---|---|---|---|---|
| | U.S. Department of Education: | | | |
| | Student Financial Aid Cluster: | | | |
| St. Elizabeth Medical Center | Federal Direct Student Loans Program | 84.268 | N/A | $ 1,012,759 |
| St. Elizabeth Medical Center | Federal Pell Grant Program | 84.063 | N/A | 276,831 |
| | Total Student Financial Aid Cluster | | | 1,289,590 |
| St. Elizabeth Medical Center | Higher Education Emergency Relief Fund | 84.425E | N/A | 110,121 |
| St. Elizabeth Medical Center | Higher Education Emergency Relief Fund | 84.425F | N/A | 104,957 |
| | Total U.S. Department of Education | | | 1,504,668 |
| | U.S. Department of Health and Human Services (DHHS): | | | |
| | Direct programs: | | | |
| Faxton-St. Luke’s Healthcare | COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution | 93.498 | N/A | 26,893,335 |
| St. Elizabeth Medical Center | COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution | 93.498 | N/A | 5,217,252 |
| Visiting Nurse Association of Utica and Oneida County, Inc. | COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution | 93.498 | N/A | 163,260 |
| St. Luke’s Home Residential Health Care Facility, Inc. d/b/a MVHS Rehabilitation and Nursing Center | COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution | 93.498 | N/A | 1,248,387 |



(Continued)

| Entity | Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Grantor Identifying Number | Federal Expenditures |
|---|---|---|---|---|
| Faxton-St. Luke's Healthcare | COVID-19 - HSRA COVID 19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund | 93.461 | N/A | 239,193 |
| | Total direct programs | | | 33,761,427 |
| | Passed through Health Research, Inc.: | | | |
| St. Elizabeth Medical Center | HIV Care Formula Grants | 93.917 | Unknown | 152,475 |
| Faxton-St. Luke's Healthcare | National Bioterrorism Hospital Preparedness Program | 93.889 | U3REP190608 | 5,500 |
| Faxton-St. Luke's Healthcare | National Bioterrorism Hospital Preparedness Program | 93.889 | U3REP190608 | 37,000 |
| St. Elizabeth Medical Center | National Bioterrorism Hospital Preparedness Program | 93.889 | U3REP190608 | 4,500 |
| St. Elizabeth Medical Center | National Bioterrorism Hospital Preparedness Program | 93.889 | U3REP190608 | 37,000 |
| | Total passed through Health Research, Inc. | | | 236,475 |
| | Passed through Healthcare Association of New York State: | | | |
| Faxton-St. Luke's Healthcare | COVID-19 – National Bioterrorism Hospital Preparedness Program | 93.889 | Unknown | 31,144 |
| St. Elizabeth Medical Center | COVID-19 – National Bioterrorism Hospital Preparedness Program | 93.889 | Unknown | 26,431 |
| | Total passed through Healthcare Association of New York State | | | 57,575 |
| | Total U.S. Department of Health and Human Services | | | 34,055,477 |

**MOHAWK VALLEY HEALTH SYSTEM**
**AND SUBSIDIARIES**

Schedule of Expenditures of Federal Awards

| Entity | Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Grantor Identifying Number | Federal Expenditures |
|---|---|---|---|---|
| | U.S. Department of Homeland Security: | | | |
| Mohawk Valley Health System | Passed through New York Division of Homeland Security and Emergency Services: | | | |
| | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4480-DR-NY | 1,005,333 |
| | Federal Communications Commission: | | | |
| Mohawk Valley Health System | Direct program: | | | |
| | COVID-19 Telehealth Program | 32.006 | N/A | 442,042 |
| | Total Expenditures of Federal Awards | | | $ 37,007,520 |



(Continued)

**MOHAWK VALLEY HEALTH SYSTEM AND SUBSIDIARIES**

Notes to Schedule of Expenditures of Federal Awards

Notes:

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Mohawk Valley Health System and Subsidiaries under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Mohawk Valley Health System and Subsidiaries, it is not intended to and does not present the financial position, results of operations and changes in net assets or cash flows of Mohawk Valley Health System and Subsidiaries.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Subrecipients

Mohawk Valley Health System and Subsidiaries provided no federal awards to subrecipients for the year ended December 31, 2021

Note D - Indirect Cost Rate

Mohawk Valley Health System and Subsidiaries has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note E - Federal Direct Student Loan Programs

Under the Federal Direct Student Loans Program including subsidized and unsubsidized Student Loans and Parents' Loans for Undergraduate Students, the Mohawk Valley Health System and Subsidiaries processes student loan applications for the federal government. The amount of loans issued for the Mohawk Valley Health System and Subsidiaries students and parents for the year ended December 31, 2021 was approximately $1,013,000. With respect to the Federal Direct Student Loans, the Mohawk Valley Health System and Subsidiaries is only responsible for the performance of certain administrative duties; therefore, the Mohawk Valley Health System and Subsidiaries' consolidated financial statements do not include any amounts relative to these loans.

**MOHAWK VALLEY HEALTH SYSTEM**
**AND SUBSIDIARIES**

Schedule of Expenditures of Federal Awards and
Notes to Schedule of Expenditures of Federal Awards, Continued

Note F - Provider Relief Fund

Mohawk Valley Health System and Subsidiaries received amounts from DHHS through the Provider Relief Fund and American Rescue Plan (ARP) Rural Distributions program (Federal Financial Assistance Listing No. 93.498) during the year ended December 31, 2020 totaling \$33,522,234. Mohawk Valley Health System and Subsidiaries incurred eligible expenses (including lost revenue) and, therefore, recognized revenue consisting of \$33,522,234 for the year ended December 31, 2020 on the consolidated financial statements. . In accordance with the 2021 compliance supplement, the program's expenditures recognized on the schedule are based on the reporting to DHHS for Periods 1 and 2, defined as payments received during April 10, 2020 to December 31, 2020 of \$33,522,234, as required under the program.

The Provider Relief Funds included in the Schedule were received by the following entities (legal name and tax identification number):

| Legal Entity Name | Tax Identification Number |
|---|---|
| Faxton-St. Luke's Healthcare | 16-1576637 |
| St. Elizabeth Medical Center | 15-0532245 |
| Visiting Nurse Association of Utica and Oneida County, Inc. | 15-0532259 |
| St. Luke's Home Residential Health Care Facility, Inc. d/b/a MVHS Rehabilitation and Nursing Center | 16-1476372 |

Note G - Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Mohawk Valley Health System and Subsidiaries received amounts from the U.S. Department of Homeland Security through the Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Federal Financial Assistance Listing No. 97.036) during the year ended December 31, 2021 totaling \$1,005,333. Mohawk Valley Health System and Subsidiaries incurred eligible expenses and, therefore, recognized revenue consisting of \$1,005,333 for the year ended December 31, 2021 on the consolidated financial statements. In accordance with the 2021 compliance supplement, the program's expenditures recognized on the schedule are based on (1) Federal Emergency Management Agency's approval of Mohawk Valley Health System and Subsidiaries' Project Worksheet in 2021, and (2) Mohawk Valley Health System and Subsidiaries incurring the eligible expenditures as of December 31, 2021.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Mohawk Valley Health System:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Mohawk Valley Health System and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 29, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Mohawk Valley Health System and Subsidiaries' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mohawk Valley Health System and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Mohawk Valley Health System and Subsidiaries' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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**Report on Internal Control Over Financial Reporting, Continued**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mohawk Valley Health System and Subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mohawk Valley Health System and Subsidiaries' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mohawk Valley Health System and Subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fust Charles Chambers LLP

Syracuse, New York
June 29, 2022, except for
note 18, which is dated
September 30, 2022

**Fust Charles Chambers LLP**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors
Mohawk Valley Health System:

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Mohawk Valley Health System and Subsidiaries' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Mohawk Valley Health System and Subsidiaries' major federal programs for the year ended December 31, 2021. Mohawk Valley Health System and Subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mohawk Valley Health System and Subsidiaries complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mohawk Valley Health System and Subsidiaries and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Mohawk Valley Health System and Subsidiaries' compliance with the compliance requirements referred to above.



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## Report on Compliance for the Major Federal Program, Continued

### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Mohawk Valley Health System and Subsidiaries' federal programs.

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mohawk Valley Health System and Subsidiaries' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Mohawk Valley Health System and Subsidiaries' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Mohawk Valley Health System and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mohawk Valley Health System and Subsidiaries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Mohawk Valley Health System and Subsidiaries' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.


(Continued)

Fust Charles Chambers LLP
CERTIFIED PUBLIC ACCOUNTANTS



**Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Mohawk Valley Health System and Subsidiaries' response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Mohawk Valley Health System and Subsidiaries' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Fust Charles Chambers LLP

**Fust Charles Chambers LLP**

Syracuse, New York
September 30, 2022

**MOHAWK VALLEY HEALTH SYSTEM**
**AND SUBSIDIARIES**

Schedule of Findings and Questioned Costs

Year ended December 31, 2021

Section I - Summary of Auditor's Results

*Financial Statements*

| | |
|---|---|
| Type of auditor's report issued on whether the consolidated financial statements audited were prepared in accordance with GAAP: | *Unmodified* |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified? | None reported |
| Noncompliance material to financial statements noted? | No |

*Federal Awards*

| | |
|---|---|
| Internal control over major programs: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified? | Yes |
| Type of auditor's report issued on compliance for major federal programs: | *Unmodified* |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |

Identification of major federal programs:

| *Federal Assistance Listing Number(s)* | *Name of Federal Program or Cluster* |
|---|---|
| U.S. Department of Health and Human Services: | |
| 93.498 | Provider Relief Fund and American Rescue Plan (ARP) Rural Distributions |
| U.S. Department of Homeland Security: | |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) |

| | |
|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $1,110,226 |
| Auditee qualified as low-risk auditee? | No |

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

U.S. Department of Health and Human Services:
Provider Relief Fund and American Rescue Plan (ARP) Rural Distributions (Federal Assistance Listing Number 93.498)

2021-001 – Unapproved Budget Revenues included in Lost Revenue Calculation – Significant Deficiency in Internal Control over Compliance

*Legal Entity:* Faxton-St. Luke's Healthcare

*Criteria:* Under the terms and conditions of the awards, the recipient certifies it will include only budgeted revenues approved prior to March 27, 2020, for the entire period of availability, in its calculation of lost revenues.

*Condition:* Faxton-St. Luke's Healthcare's 2020 budget was approved prior to March 27, 2020, which was used for its calendar year 2020 lost revenues calculation; however, the 2020 budget didn't cover the entire period of availability. Faxton-St. Luke's Healthcare's 2021 budget was not approved prior to March 27, 2020, which was used for its 2021 calculation of lost revenues for the calendar year 2021, in its reporting of Provider Relief Fund to the Health Resources and Services Administration.

*Context:* This finding appears to be an isolated instance.

*Effect:* The use of the 2021 budget did not have an effect on the Provider Relief Funds Faxton-St. Luke's Healthcare retained based on the Period 1 reporting.

*Cause:* Faxton-St. Luke's Healthcare mis-interpreted the most recent instructions related to reporting.

*Recommendation:* We recommend Faxton-St. Luke's Healthcare change its lost revenue reporting method to Option 3 in the next reporting, which allows for any reasonable method. This could include budgeted revenues approved after March 27, 2020 to be used in the lost revenue calculation for calendar years 2021 and 2022.

*Views of Responsible Official:* See management's Corrective Action Plan on page 72.

**MOHAWK VALLEY HEALTH SYSTEM**
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Corrective Action Plan

Finding #2021-001

Response: We agree with the concerns raised by the auditors. We will update the methodology for lost revenue calculations and change our lost revenue option to Option 3, "any reasonable method of estimating revenues," during the Phase 4 reporting period.

Responsible Party: Jolene Day, AVP of Finance

Estimated Completion: 9/30/2022

9/30/22

Jolene Day Date

AVP of Finance