



Carlos G. Otis Health Care Center, Inc. and Subsidiary

Consolidated Financial Statements and Other Financial Information

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

Baker Newman & Noyes LLC
MAINE | MASSACHUSETTS | NEW HAMPSHIRE
800.244.7444 | www.bnn CPA.com



CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

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For the Years Ended September 30, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Carlos G. Otis Health Care Center, Inc. and Subsidiary

Opinion

We have audited the consolidated financial statements of Carlos G. Otis Health Care Center, Inc. and Subsidiary (the Organization), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, 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 (collectively, the financial statements).

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Baku Newman & Noyes LLC

Manchester, New Hampshire
March 7, 2024

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

September 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 807,188	\$ 2,085,768
Accounts receivable	2,744,968	2,339,388
Estimated third-party payor settlements receivable	—	238,671
Inventories	923,286	876,250
Prepaid expenses and other current assets	<u>270,503</u>	<u>234,558</u>
Total current assets	4,745,945	5,774,635
Property and equipment, net	4,804,138	4,290,482
Assets whose use is limited or restricted:		
Restricted cash and cash equivalents	1,112,257	995,719
Investments	6,675,374	6,261,387
Contributions receivable from charitable remainder trusts	—	29,864
Beneficial interest in perpetual trust	1,688,316	1,576,152
Deposits with trustee	<u>7,535</u>	<u>7,527</u>
Total assets whose use is limited or restricted	9,483,482	8,870,649
Other long-term assets	1,150,000	—
	_____	_____
Total assets	<u>\$20,183,565</u>	<u>\$18,935,766</u>

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
Current liabilities:		
Line of credit	\$ 403,564	\$ —
Accounts payable	642,269	328,432
Accrued compensated absences	917,849	923,895
Accrued expenses	1,118,194	926,579
Estimated third-party payor settlements payable	23,109	—
Current portion of charitable gift annuities liability	23,865	23,872
Current portion of accelerated Medicare payments	—	572,671
Current portion of long-term debt and finance lease liabilities	<u>408,039</u>	<u>399,338</u>
Total current liabilities	3,536,889	3,174,787
Charitable gift annuities liability, less current portion	148,403	156,157
Long-term debt and finance lease liabilities, less current portion	615,760	1,018,094
Other long-term liabilities	<u>1,150,000</u>	<u>—</u>
Total liabilities	5,451,052	4,349,038
Net assets:		
Without donor restrictions	11,094,939	10,748,936
With donor restrictions	<u>3,637,574</u>	<u>3,837,792</u>
Total net assets	<u>14,732,513</u>	<u>14,586,728</u>
Total liabilities and net assets	<u>\$20,183,565</u>	<u>\$18,935,766</u>

See accompanying notes.

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS**

Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenue without donor restrictions and other support:		
Patient service revenue	\$25,279,184	\$23,776,588
Other revenue	6,113,834	4,969,727
Net assets released from restrictions for operations	<u>359,405</u>	<u>262,989</u>
Total revenue without donor restrictions and other support	31,752,423	29,009,304
Expenses:		
Salaries and benefits	21,654,859	19,936,915
Supplies and other	10,052,095	9,017,474
State provider taxes	961,770	851,820
Depreciation and amortization	944,225	903,847
Interest	<u>65,364</u>	<u>67,327</u>
Total expenses	<u>33,678,313</u>	<u>30,777,383</u>
Loss from operations	(1,925,890)	(1,768,079)
Nonoperating gains (losses):		
Investment return (loss), net	631,727	(1,160,459)
Contributions and program support	982,714	674,365
Other nonoperating losses	<u>(33,746)</u>	<u>(2,630)</u>
Nonoperating gains (losses), net	<u>1,580,695</u>	<u>(488,724)</u>
Deficiency of revenue, gains (losses) and other support over expenses	(345,195)	(2,256,803)

Continued next page.

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS (CONTINUED)**

Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Deficiency of revenue, gains (losses) and other support over expenses	\$ (345,195)	\$ (2,256,803)
Net assets released from restrictions for capital purchases	<u>691,198</u>	<u>387,987</u>
Change in net assets without donor restrictions	346,003	(1,868,816)
Net assets with donor restrictions:		
Contributions	768,085	1,211,104
Net assets released from restrictions for operations	(359,405)	(262,989)
Net assets released from restrictions for capital purchases	(691,198)	(387,987)
Net change in charitable remainder trusts	(29,864)	(6,438)
Change in beneficial interest in perpetual trust	<u>112,164</u>	<u>(442,159)</u>
Change in net assets with donor restrictions	<u>(200,218)</u>	<u>111,531</u>
Change in net assets	145,785	(1,757,285)
Net assets, beginning of year	<u>14,586,728</u>	<u>16,344,013</u>
Net assets, end of year	<u>\$14,732,513</u>	<u>\$14,586,728</u>

See accompanying notes.

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 145,785	\$ (1,757,285)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	944,225	903,847
Net realized and unrealized changes in the fair value of investments	(452,452)	1,257,110
Debt issuance cost amortization	-	4,341
Loss on disposal of equipment	26,471	7,178
Change in charitable remainder trusts	29,864	6,438
Change in beneficial interest in perpetual trust	(112,164)	442,159
Restricted contributions	(768,085)	(1,211,104)
Changes in operating assets and liabilities:		
Accounts receivable	(405,580)	58,355
Estimated third-party payor settlements	261,780	(2,598,206)
Inventories	(47,036)	77,304
Prepaid expenses and other current assets	(35,945)	(6,475)
Accounts payable	313,837	(20,951)
Accrued compensated absences	(6,046)	31,642
Accrued expenses	191,615	41,599
Accelerated Medicare payments	<u>(572,671)</u>	<u>(3,385,861)</u>
Net cash used by operating activities	(486,402)	(6,149,909)
Cash flows from investing activities:		
Purchases of property and equipment	(1,484,352)	(1,120,404)
Proceeds from sale and maturities of investments	2,999,120	2,556,262
Purchases of investments	(2,960,655)	(2,472,903)
Deposits with trustee	<u>(8)</u>	<u>50,653</u>
Net cash used by investing activities	(1,445,895)	(986,392)
Cash flows from financing activities:		
Net borrowings (payments) on line of credit	403,564	-
Payments on long-term debt and finance lease liabilities	(393,633)	(551,190)
Restricted contributions	768,085	1,211,104
Change in charitable gift annuities	<u>(7,761)</u>	<u>(20,141)</u>
Net cash provided by financing activities	<u>770,255</u>	<u>639,773</u>
Net change in cash, cash equivalents and restricted cash	(1,162,042)	(6,496,528)
Cash, cash equivalents and restricted cash at beginning of year	<u>3,081,487</u>	<u>9,578,015</u>
Cash, cash equivalents and restricted cash at end of year	\$ <u>1,919,445</u>	\$ <u>3,081,487</u>

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ <u>65,364</u>	\$ <u>62,986</u>
Noncash investing and financing activities:		
Equipment financed by finance lease liabilities	\$ <u>—</u>	\$ <u>60,000</u>
Reconciliation of the statements of cash flows to the balance sheets:		
Cash and cash equivalents	\$ 807,188	\$ 2,085,768
Restricted cash and cash equivalents (asset whose use is limited or restricted)	<u>1,112,257</u>	<u>995,719</u>
Total cash, cash equivalents and restricted cash	\$ <u>1,919,445</u>	\$ <u>3,081,487</u>

See accompanying notes.

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

1. Description of Organization and Summary of Significant Accounting Policies

Organization

Carlos G. Otis Health Care Center, Inc. (OHCC) is a not-for-profit organization located in Townshend, Vermont consisting of Grace Cottage Hospital (a Critical Access Hospital), Messenger Valley Pharmacy, and Grace Cottage Family Health (a Rural Health Clinic). The accompanying consolidated financial statements include the accounts of all these entities.

OHCC is the sole corporate member of Grace Cottage Foundation (the Foundation), a not-for-profit corporation, established to solicit contributions from the general public solely for the funding of health care services by OHCC.

The accounting policies that affect the more significant elements of the consolidated financial statements are summarized below:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of OHCC and its subsidiary organization, the Foundation (together the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

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

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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Assets With Donor Restrictions

Gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as either net assets released from restrictions for operations (for noncapital-related items) or net assets released from restrictions for capital purchases (for capital-related items). Some net assets with donor restrictions have been restricted by donors to be maintained by the Organization in perpetuity.

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

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

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include all demand deposit accounts, investments with original maturities of three months or less when purchased and money market funds, excluding assets whose use is limited or restricted. Restricted cash and cash equivalents are limited as to use for long-term purposes by donor-imposed restrictions.

Accounts Receivable

Patient accounts receivable for which the unconditional right to payment exists are receivables if the right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. Accounts receivable at September 30, 2023 and 2022 reflect the fact that any estimated uncollectible amounts are generally considered implicit price concessions that are a direct reduction to accounts receivable rather than allowance for doubtful accounts. At September 30, 2023 and 2022, estimated implicit price concessions of \$809,766 and \$702,877, respectively, have been recorded as reductions to accounts receivable balances to enable the Organization to record revenues and accounts receivable at the estimated amounts expected to be collected.

Patient accounts receivable at September 30, 2023, 2022 and 2021 totaled \$2,744,968, \$2,339,388, and \$2,397,743, respectively.

Inventories

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

Deposits With Trustee

Deposits with trustee under revenue bond agreements are recorded at fair value and are comprised of short-term investments and United States government obligations. The revenue bonds were paid in full during 2022.

Investments and Investment Income (Loss)

Investments are measured at fair value in the accompanying consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, and interest and dividends) is included in the deficiency of revenue, gains (losses) and other support over expenses as the Organization has elected to reflect changes in the fair value of investments and assets whose use is limited, including both increases and decreases in value whether realized or unrealized, in nonoperating gains or losses unless the income or loss is restricted by donor or law, in which case it is reported as an increase or decrease in net assets with donor restrictions.

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

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

Endowment, Investment and Spending Policies

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

The goal of the investments is to support the Organization's future capital expenditures and other major program needs, and to generally increase the financial strength of the Organization. In addition to occasional capital expenditures, board designated funds are invested in a prudent manner with regard to preserving principal while providing reasonable returns.

The goal of the endowment funds is to provide a source of financial support to the Organization's patient care activities. The Organization appropriates the earnings from the endowment funds to offset the costs of patient care activities according to the intent of the donor. The endowment funds are invested in a prudent manner with regard to preserving principal while providing reasonable returns.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objective within prudent risk constraints.

The Organization has adopted a formal spending policy on its endowment fund of 4% per fiscal year of the average fair value of the endowment fund for the trailing twelve quarters.

Assets Whose Use is Limited or Restricted

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

Property and Equipment

Property and equipment is stated at cost or, if donated, at fair value at the date of donation, less accumulated depreciation. The Organization's policy is to capitalize expenditures for major improvements and charge maintenance and repairs currently for expenditures which do not extend the life of the related assets. When assets are retired or disposed of, the assets and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the accompanying consolidated statements of operations.

Depreciation is computed using the straight-line method in a manner intended to amortize the cost of the assets over their estimated useful lives.

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

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

Deferred Financing Costs

Costs incurred in obtaining long-term financing are being amortized to interest expense using the straight-line method, which approximates the effective interest method, over the repayment period of the related debt obligation. Debt issuance costs are presented as a reduction of long-term debt.

Compensated Absences

The Organization provides and accrues for paid time off for vacation, holiday and sick leave under an earned time system. Hours earned, but not used, are capped and vested with the employee.

Net Assets

In accordance with GAAP, the Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Trustees.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as either net assets released from restrictions for operations (for noncapital-related items) or net assets released from restrictions for capital purchases (for capital-related items).

Performance Indicator

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses. Peripheral transactions are reported as nonoperating gains or losses.

The consolidated statements of operations include deficiency of revenue, gains (losses) and other support over expenses. Changes in net assets without donor restrictions which are excluded from deficiency of revenue, gains (losses) and other support over expenses, consistent with industry practice, include net assets released from restrictions for capital purchases.

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

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

Patient Service Revenue

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

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

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

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

The Organization receives payment for Medicare and Medicaid inpatient and outpatient services on a reasonable cost basis which are settled with retroactive adjustments upon completion and audit of related cost reports. Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in patient service revenue in the year that such amounts become known. For the years ended September 30, 2023 and 2022, patient service revenue in the accompanying consolidated statement of operations decreased by approximately \$178,000 and \$40,000, respectively, due to actual settlements and changes in assumptions underlying estimated future third-party settlements.

Retirement Plan

The Organization has a defined contribution 401(k) plan covering substantially all of its employees. Employees who have completed three months of service and have attained age 18 are eligible to participate in the plan. The plan provides for an automatic deferral provision. The Organization may make discretionary matching contributions that are allocated to all employees eligible to participate in the plan, in proportion to their eligible earnings compared to the eligible earnings of the other employees who will also share in the contributions. The Organization's matching contributions to the plan, charged to operations, were approximately \$426,000 and \$383,000 for the years ended September 30, 2023 and 2022, respectively.

Charity Care

OHCC provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because OHCC does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue. OHCC determines the costs associated with providing charity care by calculating a ratio of expenses to gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for free care. See Note 3.

Income Taxes

OHCC and the Foundation are tax-exempt corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and had been classified as an organization that is not a private foundation under Section 509(a)(3). Management evaluated the Organization's tax positions and concluded the Organization has maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment to or disclosure in the accompanying consolidated financial statements.

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

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

Functional Expense Allocation

The costs of providing program services and other activities have been summarized on a functional basis in Note 14. The consolidated financial statements report certain expense categories that are attributable to more than one healthcare service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, such as, depreciation and amortization, and interest, are allocated to a function based on square footage. Supporting activities that are not directly identifiable with one or more healthcare programs are classified as general and administrative. Specifically identifiable costs are assigned to the function which they are identified to.

Advertising Expense

Advertising costs are expensed as incurred and totaled approximately \$86,000 and \$79,000 in 2023 and 2022, respectively.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The standard, including subsequently issued amendments, collectively referred to as Accounting Standards Codification (ASC) 842, *Leases*, established the principles that lessees and lessors will apply to report useful information to users of financial statements about the amount, timing and uncertainty of cash flows arising from a lease. ASC 842 did not have a significant impact on lessor accounting. The Organization adopted this standard using the modified retrospective transition approach as applied to leases existing as of or entered into after the adoption date (October 1, 2022) in fiscal year 2023. See Note 9 for a discussion of the Organization's adoption of this standard and its impact on the consolidated financial statements and related disclosures.

At inception of an arrangement, the Organization determines whether the arrangement is, or contains, a lease based on the unique facts and circumstances present in the arrangement. A lease is a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. The Organization determines if the contract conveys the right to control the use of an identified asset for a period of time. The Organization assesses throughout the period of use whether the Organization has both of the following: (1) the right to obtain substantially all of the economic benefits from use of the identified asset, and (2) the right to direct the use of the identified asset. This determination is reassessed if the terms of the contract are changed. Leases are classified as operating or finance leases based on the terms of the lease agreement and certain characteristics of the identified asset. Leases with a term greater than one year are recognized on the balance sheet as right-of-use assets and lease obligations, as applicable. Right-of-use assets and lease obligations are recognized at lease commencement date based on the present value of the minimum future lease payments.

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

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

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

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

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

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

Subsequent Events

Management of the Organization evaluated events occurring between the end of its fiscal year and March 7, 2024, the date the consolidated financial statements were available to be issued.

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

2. Estimated Third-Party Payor Settlements

OHCC has agreements with third-party payors that provide for payments to OHCC at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

OHCC was granted critical access hospital (CAH) designation on December 1, 2000. Under CAH, OHCC is primarily reimbursed allowable costs for its inpatient and outpatient services provided to Medicare patients.

OHCC is reimbursed for cost reimbursable items at tentative rates, with final settlement determined after submission of annual cost reports by OHCC and audits thereof by the Medicare fiscal intermediary. OHCC's Medicare cost reports have been settled by the Medicare Administrative Contractor (MAC) through September 30, 2021.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day of hospitalization. The prospectively determined per-diem rates are not subject to retroactive adjustment. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a fee schedule methodology.

The State of Vermont imposes a health care provider tax (State provider taxes) based on the net patient service revenues of the Organization. The amount of tax incurred by the Organization for fiscal 2023 and 2022 was \$961,770 and \$851,820, respectively.

Blue Cross

Inpatient and outpatient services rendered to Blue Cross subscribers are reimbursed at submitted charges less a discount withholding or through a per diem or fee schedule. The amounts paid to OHCC are not subject to any retroactive adjustments. Revenue from Blue Cross accounted for approximately 10% and 9% of OHCC's patient service revenues for the years ended September 30, 2023 and 2022, respectively.

Physicians Clinics

Physicians clinics represent primary care and other specialty physician services provided to patients at OHCC. The clinics are reimbursed either on a cost reimbursement or fee schedule basis.

Other

The Organization has also entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, discounts from established charges and capitated payments.

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

2. Estimated Third-Party Payor Settlements (Continued)

Revenues from the Medicare and Medicaid programs accounted for approximately 57% and 60% of OHCC's patient service revenues for the years ended September 30, 2023 and 2022, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. OHCC believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

Accelerated Medicare Payments

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. During fiscal year 2020, OHCC requested accelerated Medicare payments as provided for in the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act), which allowed for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals, or up to three months of advance Medicare payments for other health care providers. Beginning one year from the date of receipt of the advance payments, 25% of the advances were to be recouped in the first eleven months. An additional 25% of the advances were to be recouped in the next six months, with the entire amount repayable in 29 months. Any outstanding balance after 29 months was repayable at a 4% interest rate. During 2020, OHCC received approximately \$5.8 million from these accelerated Medicare payment requests. At September 30, 2022, the current portion due within a year, totaling approximately \$573,000, was recorded under the caption "current portion of accelerated Medicare payments" in the accompanying consolidated balance sheets. During 2023, the remaining amounts were repaid in full.

3. Charity Care

OHCC maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. Funds received from gifts and grants to subsidize uncompensated care were approximately \$71,000 in 2023. There were no such funds received in 2022. The following information measures the level of charity care provided during the years ended September 30:

	<u>2023</u>	<u>2022</u>
Charges foregone, based on established rates (Note 1)	\$ <u>330,000</u>	\$ <u>362,000</u>
Estimated costs incurred to provide charity care	\$ <u>214,000</u>	\$ <u>242,000</u>
Equivalent percentage of charity care services to all services	<u>0.77%</u>	<u>0.93%</u>

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

4. Concentration of Credit Risk

Financial instruments which subject the Organization to credit risk consist of cash equivalents, accounts and other receivables and certain investments. The risk with respect to cash equivalents is minimized by the Organization's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk at September 30, 2023. The Organization's investments consist of diversified securities and, while subject to market risk, do not represent any significant concentrations in any sectors.

OHCC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross patient accounts receivable at September 30, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Medicare	44%	51%
Medicaid	9	10
Blue Cross	4	5
Other third-party payors	22	15
Patients	<u>21</u>	<u>19</u>
	<u>100%</u>	<u>100%</u>

5. Assets Whose Use is Limited or Restricted

Investments included in assets whose use is limited or restricted at September 30, 2023 and 2022 consist of the following:

	Cost	Fair	Cost	Fair
	<u>2023</u>	<u>2023</u>	<u>2022</u>	<u>2022</u>
Cash and cash equivalents	\$ 339,099	\$ 339,099	\$ 290,410	\$ 290,410
Mutual funds	2,444,204	2,368,504	2,436,754	2,198,583
Government and municipal bonds	768,250	683,887	899,500	817,405
Corporate bonds	929,724	784,102	936,551	777,591
Common stock	<u>1,988,218</u>	<u>2,499,782</u>	<u>1,831,117</u>	<u>2,177,398</u>
	<u>\$6,469,495</u>	<u>\$6,675,374</u>	<u>\$6,394,332</u>	<u>\$6,261,387</u>

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

5. Assets Whose Use is Limited or Restricted (Continued)

Investment income, net realized gains and the net unrealized gains (losses) on assets whose use is limited or restricted, cash and cash equivalents, and other investments are as follows at September 30:

	<u>2023</u>	<u>2022</u>
Without donor restrictions:		
Investment income	\$179,275	\$ 96,651
Net realized gains on sales of securities	113,628	237,280
Net unrealized gains (losses) on investments	<u>338,824</u>	<u>(1,494,390)</u>
	<u>\$631,727</u>	<u>\$(1,160,459)</u>

The endowment includes both endowment funds restricted in perpetuity from expenditure by donors (accounted for in net assets with donor restrictions) and other funds for which the governing board or state regulations require that such funds be treated in a manner similar to endowments. These other funds are accounted for in net assets without donor restrictions. Gains on donor established endowments are, absent donor stipulations, included in net assets with donor restrictions until appropriated for expenditure by the governing board.

The endowment funds, including quasi endowments restricted by the Board, as of September 30, 2023 and 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
2023			
Board-designated endowment funds	\$2,533,290	\$ –	\$2,533,290
Donor-restricted endowment funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	–	1,112,116	1,112,116
Accumulated investment gains	<u>315,005</u>	<u>–</u>	<u>315,005</u>
	<u>\$2,848,295</u>	<u>\$1,112,116</u>	<u>\$3,960,411</u>
2022			
Board-designated endowment funds	\$2,649,594	\$ –	\$2,649,594
Donor-restricted endowment funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	–	1,068,719	1,068,719
Accumulated investment gains	<u>254,395</u>	<u>–</u>	<u>254,395</u>
	<u>\$2,903,989</u>	<u>\$1,068,719</u>	<u>\$3,972,708</u>

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

5. Assets Whose Use is Limited or Restricted (Continued)

The changes in the Organization's endowment funds for the years ended September 30, 2023 and 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Endowment funds, September 30, 2021	\$3,575,021	\$1,063,118
Contributions	58,188	5,601
Investment loss, net	(491,890)	—
Amounts released under spending policy	<u>(237,330)</u>	<u>—</u>
Endowment funds, September 30, 2022	2,903,989	1,068,719
Contributions	—	43,397
Investment return, net	211,948	—
Amounts released under spending policy	<u>(267,642)</u>	<u>—</u>
Endowment funds, September 30, 2023	<u>\$2,848,295</u>	<u>\$1,112,116</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At September 30, 2023 and 2022, the Organization had no significant underwater endowments.

The Organization is the beneficiary of remainder trusts. The charitable remainder trusts provide for certain distributions to designated beneficiaries over the trusts' term. At the end of the term, the income and the remaining assets are available for the Organization's use without donor restrictions. The Organization's interest in charitable remainder trusts is recognized as an asset based on the fair value of the underlying assets. Assets held in charitable remainder trusts totaled \$29,864 as of September 30, 2022. No assets were held in charitable remainder trusts as of September 30, 2023.

The Organization is the beneficiary of a perpetual trust fund, which is administered by Bank of America. The terms of the perpetual trust require that income or a percentage of income be paid to the Organization in perpetuity. The Organization's interest in the perpetual trust is recognized as an asset based on the fair value of the underlying assets, which approximates the net present value of the future income stream, and totaled \$1,688,316 and \$1,576,152 as of September 30, 2023 and 2022, respectively. Changes in the carrying value of this asset are included in net assets with donor restrictions.

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

5. Assets Whose Use is Limited or Restricted (Continued)

Fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the fair value guidance. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

5. Assets Whose Use is Limited or Restricted (Continued)

The following presents the balances of assets whose use is limited or restricted measured at fair value on a recurring basis at September 30:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2023</u>				
Cash and cash equivalents	\$1,458,891	\$ —	\$ —	\$1,458,891
Mutual funds:				
Fixed income	992,462	—	—	992,462
Equity	1,293,592	—	—	1,293,592
Real assets	82,450	—	—	82,450
Government and municipal bonds	—	683,887	—	683,887
Corporate bonds	—	784,102	—	784,102
Common stock:				
Materials	79,312	—	—	79,312
Real estate	85,951	—	—	85,951
Industrials	220,221	—	—	220,221
Consumer discretionary	212,832	—	—	212,832
Consumer staples	117,210	—	—	117,210
Energy	186,228	—	—	186,228
Financial institutions	394,462	—	—	394,462
Healthcare	346,774	—	—	346,774
Utilities	100,620	—	—	100,620
Information technology	471,512	—	—	471,512
Telecommunication services	116,933	—	—	116,933
International developed	167,727	—	—	167,727
Beneficial interest in trust	<u>—</u>	<u>—</u>	<u>1,688,316</u>	<u>1,688,316</u>
	<u>\$6,327,177</u>	<u>\$1,467,989</u>	<u>\$1,688,316</u>	<u>\$9,483,482</u>

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

5. Assets Whose Use is Limited or Restricted (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2022</u>				
Cash and cash equivalents	\$ 1,294,623	\$ –	\$ –	\$ 1,294,623
Mutual funds:				
Fixed income	969,760	–	–	969,760
Equity	1,187,391	–	–	1,187,391
Real assets	70,329	–	–	70,329
Government and municipal bonds	–	817,405	–	817,405
Corporate bonds	–	777,591	–	777,591
Common stock:				
Materials	62,975	–	–	62,975
Real estate	58,446	–	–	58,446
Industrials	286,277	–	–	286,277
Consumer discretionary	247,752	–	–	247,752
Consumer staples	129,743	–	–	129,743
Energy	108,739	–	–	108,739
Financial institutions	368,455	–	–	368,455
Healthcare	356,970	–	–	356,970
Utilities	104,581	–	–	104,581
Information technology	308,198	–	–	308,198
Telecommunication services	93,435	–	–	93,435
International developed	51,827	–	–	51,827
Beneficial interest in trust	<u>–</u>	<u>–</u>	<u>1,576,152</u>	<u>1,576,152</u>
	<u>\$ 5,699,501</u>	<u>\$ 1,594,996</u>	<u>\$ 1,576,152</u>	<u>\$ 8,870,649</u>

Cash and cash equivalents, mutual funds and common stock are based upon quoted prices in active markets for identical assets and are reflected as Level 1.

Municipal and corporate bonds were determined based upon market information from less active markets, including broker or dealer quotations, external pricing providers, or alternative pricing sources with reasonable levels of transparency, and have been included in Level 2.

The Organization's Level 3 investments consist of a beneficial interest in trust. The Organization's legal interest is in its pro rata portion of the trust and not the trust's underlying assets. The Organization's interest is valued based upon its pro rata ownership of the total trust. As the actual assets are not readily available to the Organization, the asset is considered to be Level 3. There were no significant purchases, issues or transfers into or out of Level 3 for the years ended September 30, 2023 or 2022.

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

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

5. Assets Whose Use is Limited or Restricted (Continued)

Other financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, estimated third-party payor settlements and line of credit. The fair value of these financial instruments approximates their relative book values as these financial instruments have short-term maturities. The charitable gift annuities liability is reported at estimated fair value based on the life expectancy of the beneficiaries and the present value of expected cash flows using a discount rate at the time of the gift. The fair value of the Organization's long-term obligations is estimated using discounted cash flow analyses, based on the Organization's current incremental borrowing rates for similar types of borrowing arrangements. There was no significant difference in the carrying value and fair value of long-term obligations at September 30, 2023 and 2022.

6. Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 365,147	\$ 365,147
Building and building improvements	9,227,988	8,338,425
Fixed equipment	637,062	432,173
Major movable equipment	4,174,844	3,913,782
Minor equipment	126,169	126,169
Vehicles	68,101	68,101
Other equipment	3,182,502	3,120,639
Construction in progress	<u>409,163</u>	<u>489,013</u>
	18,190,976	16,853,449
Less accumulated depreciation	<u>(13,386,838)</u>	<u>(12,562,967)</u>
	<u>\$ 4,804,138</u>	<u>\$ 4,290,482</u>

Depreciation expense for the years ended September 30, 2023 and 2022 amounted to \$944,225 and \$903,847, respectively.

7. Charitable Gift Annuities

The Organization administers various charitable gift annuities. Under these charitable gift annuity agreements, the donor contributes assets to the Organization in exchange for distributions of a fixed amount to the donor or other designated beneficiaries for their remaining lives. The assets contributed are recorded at fair value on the date the agreement is recognized and are available for the Organization's use for various purposes as determined by the donor. On a quarterly basis, the Organization makes distributions to the designated beneficiaries, the liability for which is calculated based on actuarial assumptions. The Organization's liability of \$172,268 and \$180,029 at September 30, 2023 and 2022, respectively, is based on the present value of the estimated future payments, and calculated using applicable discount and mortality rates.

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

8. Line of Credit

The Organization has a revolving line of credit with a bank with maximum borrowings as of September 30, 2023 and 2022 of \$1,500,000. The outstanding balance of the line of credit was \$403,564 at September 30, 2023. There was no outstanding balance on the line of credit at September 30, 2022. Interest on the line of credit is assessed at the prime rate with a minimum of 4.00% (8.50% as of September 30, 2023), and this line is secured by a lien covering substantially all of the Organization's assets. Subsequent to year end, the maximum borrowing of \$1,500,000 was increased to \$2,500,000.

9. Long-Term Debt and Finance Lease Liabilities

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

	<u>2023</u>	<u>2022</u>
Note payable to United States Department of Agriculture (USDA), with interest fixed at 3.125%; due in monthly installments of \$2,283 through February 2036; secured by substantially all business assets	\$ 281,541	\$ 299,818
Note payable to a bank, with variable interest rate (8.50% as of September 30, 2023); due in monthly installments of \$18,788 through January 2025; secured by property and business assets	292,364	492,541
Finance lease liabilities	<u>449,894</u>	<u>625,073</u>
	1,023,799	1,417,432
Less current portion	<u>(408,039)</u>	<u>(399,338)</u>
	<u>\$ 615,760</u>	<u>\$ 1,018,094</u>

Maturities for long-term debt, excluding finance lease liabilities, in subsequent fiscal years are as follows:

2024	\$234,594
2025	96,082
2026	20,071
2027	20,708
2028	21,364
Thereafter	<u>181,086</u>
	<u>\$573,905</u>

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

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

Adoption of ASC Topic 842, Leases (ASC 842)

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

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

Finance leases:	
Property and equipment, net	\$ <u>408,119</u>
Current portion of finance lease liabilities	\$173,445
Finance lease liabilities, long-term	<u>276,449</u>
Total finance lease liabilities	\$ <u>449,894</u>

<u>Description</u>	<u>Consolidated Statement of Operations Classification</u>	
Finance lease costs:		
Amortization of right-of-use assets	Depreciation and amortization	\$182,558
Interest on lease liabilities	Interest expense	24,145

Supplemental Cash Flow Information

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

Finance cash flows for finance leases (liability reduction)	\$175,179
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CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

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

Lease Terms and Discount Rates

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

Weighted-average remaining lease term (in years):	
Finance leases	2.69
Weighted-average discount rate:	
Finance leases	4.58%

As of September 30, 2023, maturities of finance lease liabilities for each of the following three years were as follows:

2024	\$173,445
2025	164,017
2026	<u>140,897</u>
Total minimum future lease payments	478,359
Less imputed interest	<u>(28,465)</u>
Total finance lease liabilities	<u>\$449,894</u>

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

Total remaining payments	\$ 658,491
Less amounts representing interest	(33,418)
Less current portion of capital lease obligations	<u>(175,179)</u>
Long-term obligations under capital leases	<u>\$ 449,894</u>

The assets recorded under the capital leases had a net book value of \$570,954 at September 30, 2022.

10. Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Purpose restrictions:		
Capital acquisition and improvement at OHCC	\$ 649,642	\$ 975,557
Time restrictions:		
Contributions receivable from charitable remainder trusts	–	29,864
Grant (see Note 12)	<u>187,500</u>	<u>187,500</u>
	187,500	217,364

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

10. Net Assets With Donor Restrictions (Continued)

	<u>2023</u>	<u>2022</u>
Perpetual in nature:		
Investments to be held in perpetuity, the income from which is expendable to support operations	\$1,112,116	\$1,068,719
Beneficial interest in perpetual trust	<u>1,688,316</u>	<u>1,576,152</u>
	<u>2,800,432</u>	<u>2,644,871</u>
	<u>\$3,637,574</u>	<u>\$3,837,792</u>

11. Patient Service Revenue

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

	<u>2023</u>	<u>2022</u>
Private payor	\$ 7,725,012	\$ 6,988,569
Blue Cross	2,426,446	2,048,123
Medicare	12,434,340	12,627,194
Medicaid	2,061,626	1,773,107
Self-pay	<u>631,760</u>	<u>339,595</u>
	<u>\$25,279,184</u>	<u>\$23,776,588</u>

12. Commitments and Contingencies

Malpractice Insurance

The Organization insures its medical malpractice risks on a claims made basis. The Organization's claims made policy provides specific coverage for potential claims reported by the Organization during the policy term. The Hospital has accrued malpractice losses of \$1,150,000 at September 30, 2023. As of September 30, 2023, receivables of \$1,150,000 have been recorded for expected insurance recoveries related to the malpractice claims. These amounts are recorded as other long-term assets and other long-term liabilities in the consolidated 2023 balance sheet. There were no such accruals or receivables required as of September 30, 2022.

At September 30, 2023, there were no known malpractice claims outstanding which, in the opinion of management, will be settled for amounts in excess of insurance coverage. Additionally, there were no known unasserted claims or incidents which might require loss accrual for amounts in excess of insurance coverage. The Organization intends to renew coverage on a claims made basis and anticipates that such coverage will be available.

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

12. Commitments and Contingencies (Continued)

Litigation

The Organization is involved in litigation arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Organization's financial position, results of operations or cash flows.

Self-Insurance Program

The Organization self-insures a portion of its employee health benefits and estimates and accrues amounts to meet its expected obligations under the program. The plan is administered by an insurance company which will assist in determining the current funding requirements of participants under the terms of the plan and the liability for claims and assessments that would be payable at any given point in time. The Organization provides services to employees covered by the plan. Stop loss insurance coverage is in effect which mitigates the Organization's exposure to loss on an individual and aggregate basis. Estimated unpaid claims, and those claims incurred but not reported at September 30, 2023 and 2022, have been recorded as a liability of approximately \$599,000 and \$533,000, respectively, and are reflected within accrued expenses in the accompanying consolidated balance sheets.

Grant Awards

During fiscal year 2019, the Organization was awarded a grant totaling \$1,000,000 to be paid over four years. The grant payments are subject to certain satisfactory compliance with prefunding conditions and reporting requirements, as defined within the grant agreement. The grant award is to support general operations of the Organization. During 2022, the Organization received and expended \$250,000 related to the grant. The unexpended amount totaling \$187,500 was included in donor restricted net assets at September 30, 2022. No amounts were received during 2023 and the remaining \$187,500 was expended during 2023.

During fiscal year 2023, the Organization was awarded an additional grant totaling \$1,000,000 to be paid over four years. The grant payments are subject to certain satisfactory compliance with prefunding conditions and reporting requirements, as defined within the grant agreement. The grant award is to support general operations of the Organization. During 2023, the Organization received and expended \$250,000 and \$62,500, respectively, related to the grant. The unexpended amount totaling \$187,500 is included in donor restricted net assets at September 30, 2023. No other amounts related to this grant are reflected within the accompanying consolidated financial statements given the contingencies related to the grant payments.

During 2022, the Organization received a conditional promise to give from a donor for an amount totaling between \$4 million and \$5 million. This gift is for the purpose of constructing a new clinic, subject to various approvals. Payments are to be made as the project unfolds and costs are incurred. As such, this gift will be recognized in increments as each of the conditions (qualifying costs) are incurred. During 2022, the Organization received \$400,000 related to this donation and recognized this amount within donor-restricted contributions in the accompanying 2022 statement of operations and changes in net assets. No amounts were received during 2023. No other amounts related to this promise to give are reflected within the accompanying consolidated financial statements given the conditions attached to future payments.

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

13. Volunteer Services (Unaudited)

In 2023 and 2022, total volunteer service hours received by OHCC were approximately 1,600 and 3,200, respectively. The volunteers provide nonspecialized services to OHCC, none of which have been recognized as revenue or expense in the consolidated statements of operations.

14. Functional Expenses

OHCC provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows for the years ended September 30:

	<u>Healthcare</u>	<u>General and Administrative</u>	<u>Fund- raising</u>	<u>Total</u>
<u>2023</u>				
Salaries and benefits	\$18,987,561	\$2,350,425	\$316,873	\$21,654,859
Supplies and other	9,484,271	493,155	74,669	10,052,095
State provider taxes	961,770	-	-	961,770
Depreciation and amortization	944,225	-	-	944,225
Interest	<u>65,364</u>	<u>-</u>	<u>-</u>	<u>65,364</u>
	<u>\$30,443,191</u>	<u>\$2,843,580</u>	<u>\$391,542</u>	<u>\$33,678,313</u>
<u>2022</u>				
Salaries and benefits	\$17,488,092	\$2,156,251	\$292,572	\$19,936,915
Supplies and other	8,445,856	487,893	83,725	9,017,474
State provider taxes	851,820	-	-	851,820
Depreciation and amortization	903,847	-	-	903,847
Interest	<u>66,867</u>	<u>460</u>	<u>-</u>	<u>67,327</u>
	<u>\$27,756,482</u>	<u>\$2,644,604</u>	<u>\$376,297</u>	<u>\$30,777,383</u>

15. Financial Assets and Liquidity Resources

As of September 30, 2023, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, consisted of the following:

Cash and cash equivalents	\$ 807,188
Accounts receivable	<u>2,744,968</u>
	<u>\$3,552,156</u>

To manage liquidity, the Organization maintains sufficient cash and cash equivalent balances to support daily operations throughout the year. Cash and cash equivalents include bank deposits, money market funds, and other similar vehicles that generate a return on cash and provide daily liquidity to the Organization. In addition, the Organization has board-designated assets without donor restrictions that can be utilized at the discretion of management to help fund both operational needs and/or capital projects. As of September 30, 2023, the balance in board-designated assets was approximately \$2.8 million.



**INDEPENDENT AUDITORS' REPORT
ON OTHER FINANCIAL INFORMATION**

Board of Trustees
Carlos G. Otis Health Care Center, Inc. and Subsidiary

We have audited the consolidated financial statements of Carlos G. Otis Health Care Center, Inc. and Subsidiary as of and for the years ended September 30, 2023 and 2022, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual entities and is 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 consolidating 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Newman & Noyes LLC

Manchester, New Hampshire
March 7, 2024

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

CONSOLIDATING BALANCE SHEETS

September 30, 2023 and 2022

ASSETS

	Carlos G. Otis		Grace Cottage		Eliminations		Consolidated	
	Health Care Center, Inc.		Foundation					
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current assets:								
Cash and cash equivalents	\$ 807,188	\$ 2,085,768	\$ –	\$ –	\$ –	\$ –	\$ 807,188	\$ 2,085,768
Accounts receivable	2,744,968	2,339,388	–	–	–	–	2,744,968	2,339,388
Estimated third-party payor settlements receivable	–	238,671	–	–	–	–	–	238,671
Inventories	923,286	876,250	–	–	–	–	923,286	876,250
Prepaid expenses and other current assets	<u>270,503</u>	<u>234,558</u>	<u>(15,783)</u>	<u>4,381</u>	<u>15,783</u>	<u>(4,381)</u>	<u>270,503</u>	<u>234,558</u>
Total current assets	4,745,945	5,774,635	(15,783)	4,381	15,783	(4,381)	4,745,945	5,774,635
Property and equipment, net	4,804,138	4,290,482	–	–	–	–	4,804,138	4,290,482
Assets whose use is limited or restricted:								
Restricted cash and cash equivalents	–	–	1,112,257	995,719	–	–	1,112,257	995,719
Investments	–	–	6,675,374	6,261,387	–	–	6,675,374	6,261,387
Contributions receivable from charitable remainder trusts	–	–	–	29,864	–	–	–	29,864
Beneficial interest in perpetual trust	–	–	1,688,316	1,576,152	–	–	1,688,316	1,576,152
Deposits with trustee	7,535	7,527	–	–	–	–	7,535	7,527
Beneficial interest in net assets of Grace Cottage Foundation	<u>9,287,890</u>	<u>8,687,474</u>	<u>–</u>	<u>–</u>	<u>(9,287,890)</u>	<u>(8,687,474)</u>	<u>–</u>	<u>–</u>
Total assets whose use is limited or restricted	9,295,425	8,695,001	9,475,947	8,863,122	(9,287,890)	(8,687,474)	9,483,482	8,870,649
Other long-term assets	<u>1,150,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,150,000</u>	<u>–</u>
Total assets	<u>\$19,995,508</u>	<u>\$18,760,118</u>	<u>\$9,460,164</u>	<u>\$ 8,867,503</u>	<u>\$(9,272,107)</u>	<u>\$(8,691,855)</u>	<u>\$20,183,565</u>	<u>\$18,935,766</u>

LIABILITIES AND NET ASSETS

	<u>Carlos G. Otis</u>		<u>Grace Cottage</u>		<u>Eliminations</u>		<u>Consolidated</u>	
	<u>Health Care Center, Inc.</u>		<u>Foundation</u>					
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current liabilities:								
Line of credit	\$ 403,564	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 403,564	\$ –
Accounts payable	626,486	332,813	–	–	15,783	(4,381)	642,269	328,432
Accrued compensated absences	917,849	923,895	–	–	–	–	917,849	923,895
Accrued expenses	1,118,194	926,579	–	–	–	–	1,118,194	926,579
Estimated third-party payor settlements payable	23,109	–	–	–	–	–	23,109	–
Current portion of charitable gift annuities liability	(6)	–	23,871	23,872	–	–	23,865	23,872
Current portion of accelerated Medicare payments	–	572,671	–	–	–	–	–	572,671
Current portion of long-term debt and finance lease liabilities	<u>408,039</u>	<u>399,338</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>408,039</u>	<u>399,338</u>
Total current liabilities	3,497,235	3,155,296	23,871	23,872	15,783	(4,381)	3,536,889	3,174,787
Charitable gift annuities liability, less current portion	–	–	148,403	156,157	–	–	148,403	156,157
Long-term debt and finance lease liabilities, less current portion	615,760	1,018,094	–	–	–	–	615,760	1,018,094
Other long-term liabilities	<u>1,150,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,150,000</u>	<u>–</u>
Total liabilities	5,262,995	4,173,390	172,274	180,029	15,783	(4,381)	5,451,052	4,349,038
Net assets:								
Without donor restrictions	11,094,939	10,748,936	5,650,316	4,849,682	(5,650,316)	(4,849,682)	11,094,939	10,748,936
With donor restrictions	<u>3,637,574</u>	<u>3,837,792</u>	<u>3,637,574</u>	<u>3,837,792</u>	<u>(3,637,574)</u>	<u>(3,837,792)</u>	<u>3,637,574</u>	<u>3,837,792</u>
Total net assets	<u>14,732,513</u>	<u>14,586,728</u>	<u>9,287,890</u>	<u>8,687,474</u>	<u>(9,287,890)</u>	<u>(8,687,474)</u>	<u>14,732,513</u>	<u>14,586,728</u>
Total liabilities and net assets	<u>\$19,995,508</u>	<u>\$18,760,118</u>	<u>\$9,460,164</u>	<u>\$ 8,867,503</u>	<u>\$(9,272,107)</u>	<u>\$(8,691,855)</u>	<u>\$20,183,565</u>	<u>\$18,935,766</u>

CARLOS G. OTIS HEALTH CARE CENTER, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENTS OF OPERATIONS

Years Ended September 30, 2023 and 2022

	Carlos G. Otis Health Care Center, Inc.		Grace Cottage Foundation		Eliminations		Consolidated	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenue without donor restrictions and other support:								
Patient service revenue	\$25,279,184	\$23,776,588	\$ –	\$ –	\$ –	\$ –	\$25,279,184	\$23,776,588
Other revenue	6,451,273	5,264,865	40,934	55,122	(378,373)	(350,260)	6,113,834	4,969,727
Net assets released from restrictions for operations	<u>–</u>	<u>–</u>	<u>359,405</u>	<u>262,989</u>	<u>–</u>	<u>–</u>	<u>359,405</u>	<u>262,989</u>
Total revenue without donor restrictions and other support	31,730,457	29,041,453	400,339	318,111	(378,373)	(350,260)	31,752,423	29,009,304
Expenses:								
Salaries and benefits	21,654,859	19,936,915	–	–	–	–	21,654,859	19,936,915
Supplies and other	10,011,798	8,966,236	40,297	51,238	–	–	10,052,095	9,017,474
State provider taxes	961,770	851,820	–	–	–	–	961,770	851,820
Transfers to parent	–	–	1,469,247	1,413,306	(1,469,247)	(1,413,306)	–	–
Depreciation and amortization	944,225	903,847	–	–	–	–	944,225	903,847
Interest	<u>65,364</u>	<u>67,327</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>65,364</u>	<u>67,327</u>
Total expenses	<u>33,638,016</u>	<u>30,726,145</u>	<u>1,509,544</u>	<u>1,464,544</u>	<u>(1,469,247)</u>	<u>(1,413,306)</u>	<u>33,678,313</u>	<u>30,777,383</u>
Loss from operations	(1,907,559)	(1,684,692)	(1,109,205)	(1,146,433)	1,090,874	1,063,046	(1,925,890)	(1,768,079)
Nonoperating gains (losses):								
Investment return (loss), net	1,256	1,040	630,471	(1,161,499)	–	–	631,727	(1,160,459)
Contributions and program support	1,469,247	1,413,306	982,714	674,365	(1,469,247)	(1,413,306)	982,714	674,365
Other nonoperating (losses) gains	<u>(17,575)</u>	<u>(4,636)</u>	<u>(16,171)</u>	<u>2,006</u>	<u>–</u>	<u>–</u>	<u>(33,746)</u>	<u>(2,630)</u>
Nonoperating gains (losses), net	<u>1,452,928</u>	<u>1,409,710</u>	<u>1,597,014</u>	<u>(485,128)</u>	<u>(1,469,247)</u>	<u>(1,413,306)</u>	<u>1,580,695</u>	<u>(488,724)</u>
(Deficiency) excess of revenue, gains (losses) and other support over expenses	(454,631)	(274,982)	487,809	(1,631,561)	(378,373)	(350,260)	(345,195)	(2,256,803)
Change in net assets without donor restrictions of Foundation	800,634	(1,593,834)	–	–	(800,634)	1,593,834	–	–
Net transfers to affiliate	–	–	(378,373)	(350,260)	378,373	350,260	–	–
Net assets released from restrictions for capital purchases	<u>–</u>	<u>–</u>	<u>691,198</u>	<u>387,987</u>	<u>–</u>	<u>–</u>	<u>691,198</u>	<u>387,987</u>
Change in net assets without donor restrictions	<u>\$ 346,003</u>	<u>\$ (1,868,816)</u>	<u>\$ 800,634</u>	<u>\$ (1,593,834)</u>	<u>\$ (800,634)</u>	<u>\$ 1,593,834</u>	<u>\$ 346,003</u>	<u>\$ (1,868,816)</u>

CARLOS G. OTIS HEALTH CARE CENTER, INC.
(Parent Company Only)

SCHEDULES OF OPERATING INCOME (LOSS)

Years Ended September 30, 2023 and 2022

	2023					2022				
	Grace Cottage Hospital	Messenger Valley Pharmacy	Grace Cottage Family Health	Corporate	Total	Grace Cottage Hospital	Messenger Valley Pharmacy	Grace Cottage Family Health	Corporate	Total
Patient service revenue	\$20,253,543	\$ (70,126)	\$5,095,767	\$ –	\$25,279,184	\$19,405,526	\$ (52,676)	\$4,423,738	\$ –	\$23,776,588
Other revenue	<u>1,794,944</u>	<u>4,128,156</u>	<u>426,521</u>	<u>101,652</u>	<u>6,451,273</u>	<u>1,505,874</u>	<u>3,409,835</u>	<u>326,063</u>	<u>23,093</u>	<u>5,264,865</u>
Total revenues without donor restrictions and other support	22,048,487	4,058,030	5,522,288	101,652	31,730,457	20,911,400	3,357,159	4,749,801	23,093	29,041,453
Expenses:										
Salaries and benefits	15,248,167	979,028	5,427,664	–	21,654,859	14,569,056	879,048	4,488,811	–	19,936,915
Supplies and other and state provider taxes	7,447,162	3,155,898	361,844	8,664	10,973,568	6,803,658	2,698,898	308,564	6,936	9,818,056
Depreciation and amortization	912,970	30,889	366	–	944,225	873,549	29,932	366	–	903,847
Interest	<u>–</u>	<u>–</u>	<u>–</u>	<u>65,364</u>	<u>65,364</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>67,327</u>	<u>67,327</u>
Total expenses	<u>23,608,299</u>	<u>4,165,815</u>	<u>5,789,874</u>	<u>74,028</u>	<u>33,638,016</u>	<u>22,246,263</u>	<u>3,607,878</u>	<u>4,797,741</u>	<u>74,263</u>	<u>30,726,145</u>
(Loss) income from operations	<u>\$ (1,559,812)</u>	<u>\$ (107,785)</u>	<u>\$ (267,586)</u>	<u>\$ 27,624</u>	<u>\$ (1,907,559)</u>	<u>\$ (1,334,863)</u>	<u>\$ (250,719)</u>	<u>\$ (47,940)</u>	<u>\$ (51,170)</u>	<u>\$ (1,684,692)</u>