

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

The University of Vermont Health Network Inc. and Subsidiaries
Years Ended September 30, 2023 and 2022
With Report of Independent Auditors

Ernst & Young LLP



The University of Vermont Health Network Inc. and Subsidiaries

Consolidated Financial Statements and
Supplementary Information

Years Ended September 30, 2023 and 2022

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Report of Independent Auditors

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

Opinion

We have audited the consolidated financial statements of The University of Vermont Health Network Inc. and its subsidiaries (the Network), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

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

Basis for Opinion

We conducted our 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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Network and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 of material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating balance sheets as of September 30, 2023 and consolidating statements of operations for the year then ended, as well as the Financial Responsibility Supplemental Schedule Related to U.S. Department of Education Title IV Regulations as of and for the year ended September 30, 2023, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst + Young LLP

January 19, 2024

The University of Vermont Health Network Inc. and Subsidiaries

Consolidated Balance Sheets

	September 30	
	2023	2022
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 262,036	\$ 295,562
Short-term investments	237,333	23,129
Current portion of assets whose use is limited or restricted	11,784	8,444
Patient and other trade accounts receivable	328,968	307,672
Inventories	71,872	75,401
Receivables from third-party payors	32,515	16,972
Prepaid and other current assets	59,385	53,890
Total current assets	1,003,893	781,070
Assets whose use is limited or restricted:		
Board-designated assets	550,939	604,113
Assets held by trustee under bond indenture agreements	156	229
Restricted assets	96,353	90,093
Donor-restricted assets for specific purposes	59,149	52,813
Donor-restricted assets for perpetual endowment	48,552	47,372
Total assets whose use is limited or restricted	755,149	794,620
Property and equipment, net	814,214	849,798
Operating lease right of use assets, net	63,326	60,346
Finance lease right of use assets, net	1,446	3,103
Other	47,437	37,756
Total assets	\$ 2,685,465	\$ 2,526,693
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 43,716	\$ 46,436
Accrued expenses and other liabilities	110,462	107,466
Accrued payroll and related benefits	156,373	152,200
Current installments of long-term debt	49,871	48,824
Current portion of third-party payor settlements	20,068	17,778
Incurred but not reported claims	23,045	27,999
Operating lease right of use obligations	14,045	13,429
Finance lease right of use obligations	1,112	1,353
Current portion of contract liabilities	565	29,891
Total current liabilities	419,257	445,376
Long-term liabilities:		
Long-term debt, net of current installments	722,636	639,635
Malpractice and workers' compensation claims, net of current portion	56,021	48,466
Pension and other postretirement benefit obligations	19,601	16,644
Third-party payor settlements, net of current portion	12,388	9,077
Operating lease right of use obligations, net of current portion	50,588	48,212
Finance lease right of use obligations, net of current portion	368	1,531
Other	7,425	10,728
Total long-term liabilities	869,027	774,293
Total liabilities	1,288,284	1,219,669
Net assets:		
Without donor restrictions	1,280,731	1,196,932
With donor restrictions:		
Time or purpose	67,898	62,698
Perpetual	48,552	47,394
Total with donor restrictions	116,450	110,092
Total net assets	1,397,181	1,307,024
Total liabilities and net assets	\$ 2,685,465	\$ 2,526,693

See accompanying notes.

The University of Vermont Health Network Inc. and Subsidiaries

Consolidated Statements of Operations

	Years Ended September 30	
	2023	2022
	<i>(In Thousands)</i>	
Revenue and other support without donor restrictions		
Net patient service revenue before Enhanced Medicaid Graduate Medical Education revenues	\$ 2,308,096	\$ 2,046,549
Enhanced Medicaid Graduate Medical Education revenues – Hospital	29,415	21,388
Enhanced Medicaid Graduate Medical Education revenues – Professional	43,020	31,112
Net patient service revenue	<u>2,380,531</u>	<u>2,099,049</u>
Fixed prospective payment revenue	300,941	263,820
Premium revenue	7,729	6,291
Outpatient and specialty pharmacy revenue	278,556	228,182
Net assets released from restrictions	19,472	56,162
Other revenue	93,504	115,978
Total revenue and other support without donor restrictions	<u>3,080,733</u>	<u>2,769,482</u>
Expenses		
Salaries, payroll taxes, and fringe benefits	1,850,908	1,760,240
Supplies and other	864,907	738,911
Purchased services	129,150	141,979
Provider tax	112,025	108,989
Depreciation and amortization	100,780	100,722
Interest expense	28,014	20,313
Total expenses	<u>3,085,784</u>	<u>2,871,154</u>
Loss from operations	<u>(5,051)</u>	<u>(101,672)</u>
Nonoperating gains (losses)		
Investment income	5,243	55,160
Change in fair value of interest rate swap agreements	3,200	13,324
Other components of pension (expense) income	(619)	5,753
Net change in unrealized gains and losses on investments	85,527	(238,915)
Other	(141)	(4,620)
Total nonoperating gains (losses), net	<u>93,210</u>	<u>(169,298)</u>
Excess (deficiency) of revenue over expenses	88,159	(270,970)
Net change in unrealized gains and losses on fixed-income investments	609	(3,118)
Net assets released from restrictions for capital purchases	368	1,977
Pension related adjustments	(5,489)	1,148
Transfers and other	152	(122)
Increase (decrease) in net assets without donor restrictions	<u>\$ 83,799</u>	<u>\$ (271,085)</u>

See accompanying notes.

The University of Vermont Health Network Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets

	Years Ended September 30	
	2023	2022
	<i>(In Thousands)</i>	
Changes in net assets without donor restrictions		
Excess (deficiency) of revenue over expenses	\$ 88,159	\$ (270,970)
Net change in unrealized gains and losses on fixed-income investments	609	(3,118)
Net assets released from restrictions for capital purchases	368	1,977
Pension related adjustments	(5,489)	1,148
Transfers and other	152	(122)
Increase (decrease) in net assets without donor restrictions	<u>83,799</u>	<u>(271,085)</u>
Changes in net assets with donor restrictions		
Gifts, grants, and bequests	18,262	56,203
Investment loss	(756)	254
Net change in unrealized gains and losses on investments	8,294	(12,120)
Net assets released from restrictions used in operations	(19,472)	(55,767)
Net assets released from restrictions used for capital purchases	(368)	(1,977)
Change in beneficial interest in perpetual trusts	706	(3,717)
Transfer of net assets	(308)	(238)
Increase (decrease) in net assets with donor restrictions	<u>6,358</u>	<u>(17,362)</u>
Increase (decrease) in net assets	90,157	(288,447)
Net assets		
Beginning of year	<u>1,307,024</u>	<u>1,595,471</u>
End of year	<u>\$ 1,397,181</u>	<u>\$ 1,307,024</u>

See accompanying notes.

The University of Vermont Health Network Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Years Ended September 30	
	2023	2022
	<i>(In Thousands)</i>	
Operating activities		
Increase (decrease) in net assets	\$ 90,157	\$ (288,447)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	100,780	100,722
Contributions restricted for long-term use	(161)	(604)
Pension related adjustments	5,489	(1,148)
Loss (gain) on disposal of property and equipment	398	(18)
Change in fair value of interest rate swap agreements	(3,200)	(13,324)
Realized and unrealized (gains) losses on investments	(87,477)	203,635
Undistributed gains of affiliated companies	(5,373)	(5,211)
Change in beneficial interest in perpetual trusts	(706)	3,717
Amortization of operating right of use assets	16,903	15,225
Loss on extinguishment of debt	82	-
(Decrease) increase in cash resulting from a change in:		
Patient and other accounts receivable	(21,296)	(4,312)
Other current and noncurrent assets	(9,337)	(4,873)
Accounts payable and accrued expenses	2,483	33,358
Accrued payroll and related expenses	4,173	(1,424)
Other current and noncurrent liabilities	2,498	(4,581)
Estimated settlements with third-party payors	(9,942)	(39,543)
Pension and other postretirement benefit obligations	(2,532)	(1,388)
Right-of-use lease liabilities and assets	(16,892)	(16,633)
Medicare accelerated and advance payments	(29,326)	(95,123)
Net cash provided by (used in) operating activities	36,721	(119,972)
Investing activities		
Purchases of property and equipment	(67,622)	(71,168)
Proceeds from sale of property and equipment	-	18
Purchases of investments	(290,582)	(84,165)
Proceeds from sales of investments	203,849	149,292
Net cash used in investing activities	(154,355)	(6,023)
Financing activities		
Proceeds from contributions restricted for long-term use	161	604
Payments on long-term debt	(62,446)	(29,949)
Proceeds from debt issuance	126,250	-
Borrowings on line of credit	24,300	13,000
Repayments on line of credit	(2,800)	(3,200)
Loss on extinguishment of debt	(82)	-
Repayment of finance leases	(1,275)	(1,311)
Net cash provided by (used in) financing activities	84,108	(20,856)
Net decrease in cash and cash equivalents	(33,526)	(146,851)
Cash and cash equivalents		
Beginning of year	295,562	442,413
End of year	\$ 262,036	\$ 295,562
Supplemental cash flow information		
Cash paid during the year for interest	\$ 27,654	\$ 20,159
Capital expenditures included in accounts payable	\$ 1,977	\$ 4,184

See accompanying notes.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended September 30, 2023 and 2022

1. Organization

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

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

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization (continued)

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

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

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

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

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

AHMC operates 70 licensed beds, 135 nursing facility beds and a 30 bed assisted living program in Malone, New York, in addition to providing emergency and outpatient services. Effective October 1, 2023, AHMC was granted Critical Access Hospital Designation by the New York State Department of Health. Under this designation, AHMC's licensed beds will be 25.

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

1. Organization (continued)

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

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

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

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

Effective October 1, 2021 UVM Health Network is the sole corporate member of OCV. OCV is a 501(c)(3) statewide accountable care organization that comprises an extensive network of providers across a full continuum of care, including hospitals in Vermont and New Hampshire, hundreds of primary and specialty care physicians, federally qualified health centers, designated agencies for mental health and substance use, skilled nursing facilities, home health agencies, and area agencies on aging. UVM Medical Center, CVMC and PMC participate in OCV risk-sharing contracts and paid participation fees to OCV totaling \$11,696,000 and \$11,347,000, recorded within purchased services expense, for the years ending September 30, 2023 and 2022, respectively. Additionally, UVM Medical Center provides various administrative services to OCV, including the processing of payroll and accounts payable transactions. All OCV personnel are UVM Medical Center employees. OCV reimburses UVM Medical Center for all administrative and payroll-related costs, which totaled \$9,163,000 and \$12,774,000 for the years ending September 30, 2023 and 2022, respectively. While UVM Health Network is the sole corporate member of OCV, the Network does not control OCV and the relationship does not meet the accounting criteria for consolidation. Therefore, OCV is not consolidated into the accompanying UVM Health Network financial statements.

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Related-Party Transactions

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

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less when purchased, excluding amounts classified as assets whose use is limited or restricted. All cash and cash equivalents are classified as Level 1 in the fair value hierarchy.

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

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

Inventories

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Prepaid and Other Current Assets

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

Assets Whose Use is Limited or Restricted

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

Investments and Investment Income

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

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

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

Property and Equipment

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

Depreciation is calculated using the following estimated useful lives:

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

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

Leases

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

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

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

Impairment of Long-Lived Assets

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

Net Assets with Donor Restrictions

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

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

Consolidated Statements of Operations

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Excess (Deficiency) of Revenue Over Expenses

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

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

Enhanced Medicaid Graduate Medical Education Revenues (Hospital and Professional)

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

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

funding by UVM of the nonfederal source. The State, UVM Medical Center and UVM have also entered into a Memorandum of Understanding (MOU), dated July 1, 2021 through June 30, 2025 that describes the State Plan Amendment and these funding arrangements.

UVM Medical Center recognized enhanced GME revenue under the State Plan Amendment totaling \$72,435,000 and \$52,500,000 for the fiscal years ended September 30, 2023 and 2022, respectively. Under the MOU, UVM Health Network expects future payments to total \$52,500,000 per year; however, both UVM and the State retain the right to discontinue GME payments at any time in the future.

Outpatient and Specialty Pharmacy Revenue

Pharmacy revenue consists of sales of pharmaceuticals and related products, including contract pharmacy revenue. UVM Health Network recognizes these revenue sources in the amounts that reflect the consideration to which it expects to be entitled in exchange for prescriptions.

Other Revenue

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

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

Net Assets Released From Restrictions Used for Operations

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Grants and Contracts

UVM Health Network receives sponsored support from governmental and private sources. Certain sponsored arrangements are considered exchange agreements, and revenue under these agreements is recognized based on UVM Health Network's fulfillment of the contract and recorded within other revenue in the statements of operations, which is typically based on costs incurred or the achievement of milestones. Federal grants and other sponsored research are considered non-exchange transactions and are recognized when donor-imposed conditions (if any) have been met. Expirations of donor restrictions on net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and as net assets released from restrictions or net assets released from restrictions used for capital purchases in the statements of operations. UVM Health Network had \$2,251,000 and \$3,490,000 in awarded research grants and contracts for which the condition has not yet been met as of September 30, 2023 and 2022, respectively, recorded within accrued expenses on the balance sheets. There were no funds received during the years ended September 30, 2023 or 2022 that required a reclassification to deferred revenue.

Malpractice and Workers' Compensation Claims

The liabilities for outstanding losses and loss-related expenses and the related provision for losses and loss-related expenses include estimates for malpractice losses incurred but not reported, losses pending settlement, and for workers' compensation claims and underwriting expenses. Such liabilities are based on estimates and, while management believes the amounts provided are adequate, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The calculations of such estimates and the resulting liabilities are actuarially determined annually and any adjustments required are reflected in estimated incurred but not reported medical claims.

Income Taxes

Entities within UVM Health Network, with the exception of entities specifically named below, are incorporated and recognized by the Internal Revenue Service (IRS) as tax-exempt under Section 501(c)(3) of the Internal Revenue Code (the Code). Accordingly, the IRS has determined that these organizations are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Health Network Ventures Holding, LLC, University of Vermont Health Network Specialty Care Transport, LLC, University of Vermont Medical Center Skilled Nursing, LLC, University of Vermont Medical Center Executive Services, LLC, Valcour Imaging, Inc., and

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Porter Real Estate Holdings, LLC, are single-member limited liability corporations. As such, for tax purposes, these organizations are treated as divisions of their sole member. Earnings and losses are passed through to the owners, which are tax-exempt, and are treated in the same manner for tax purposes. No provision for federal income taxes has been recorded in the accompanying consolidated financial statements for these organizations. UVM Health Network Health Ventures, Inc., Medical Education Center Condominium Association, Inc., Mediquest Corp., Emergency Medical Transport of CVPH, Inc., and Champlain Valley Health Network, Inc. are taxable corporations for which the provision for income taxes is immaterial to the accompanying consolidated financial statements.

Provider Tax Expenses

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

Defined Benefit Pension and Other Postretirement Benefit Plans

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

Fair Value Measurements

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

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

Level 1 Quoted (unadjusted) prices for identical assets or liabilities in active markets. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for identical or similar assets in nonactive markets (few transactions, limited information, noncurrent prices, high variability over time).
- Inputs other than quoted prices that are observable for the asset (interest rates, yield curves, volatilities, default rates).
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Pricing inputs are generally unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities.

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

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

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

Debt Securities

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

Beneficial Interest in Perpetual Trusts

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

Hedge Funds

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Interest Rate Swap Agreements

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

3. Current and Upcoming Accounting Guidance

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

4. Patient Service Revenue

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

Patient service revenue is reported at the amount that reflects the consideration to which UVM Health Network expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Patient Service Revenue (continued)

ongoing and future audits, reviews, and investigations. Generally, UVM Health Network bills patients and third-party payors several days after services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

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

Amounts related to services provided to patients that have not been billed and that do not meet the conditions of unconditional right to payment at the end of the reporting period are contract assets. Contract assets consist primarily of services that have been provided to patients who are still receiving inpatient care at the end of the reporting period. Contract assets are included in patient and other trade accounts receivable in the accompanying consolidated balance sheets at September 30, 2023 and 2022. Contract assets are \$13,462,000 and \$19,206,000 as of September 30, 2023 and 2022, respectively.

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

UVM Health Network determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors and discounts provided to uninsured patients in accordance with UVM Health Network's policy (explicit price

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Patient Service Revenue (continued)

concessions), and implicit price concessions. UVM Health Network determines its estimates of explicit price concessions based on contractual agreements, its discount policies, and historical experience. UVM Health Network determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

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

Medicare

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

Medicaid

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Patient Service Revenue (continued)

Managed Care and Commercial Insurers

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

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and UVM Health Network's historical settlement activity, including an assessment to ensure it is probable that a significant reversal in cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Changes in prior-year estimates increased net patient service revenue by approximately \$22,390,000 and \$11,943,000 in the years ended September 30, 2023 and 2022, respectively.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Patient Service Revenue (continued)

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

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

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change. For the years ended September 30, 2023 and 2022, revenue recognized due to changes in UVM Health Network's estimates of implicit price concessions for performance obligations satisfied in prior years was not significant. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended September 30, 2023 and 2022, was not significant.

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Patient Service Revenue (continued)

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

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

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

	2023			2022		
	Total	FFS	FPP	Total	FFS	FPP
Medicare	36%	28%	8%	36%	28%	8%
Medicaid	10	6	4	11	7	4
Contracted Commercial	47	47	—	46	46	—
Noncontracted Insurers	6	6	—	7	7	—
Patients	1	1	—	—	—	—

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Charity Care and Community Service

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

The amount of charges foregone for services and supplies furnished under UVM Health Network's charity care policy aggregated approximately \$30,598,000 and \$29,723,000 for the years ended September 30, 2023 and 2022, respectively.

Approximately \$13,066,000 and \$13,079,000 of UVM Health Network's total expenses for the years ended September 30, 2023 and 2022, respectively, arose from providing services to charity care patients. The estimated costs of providing charity care services is calculated by application of a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on UVM Health Network's total expenses divided by gross patient service revenue. For the years ended September 30, 2023 and 2022, respectively, UVM Health Network used \$322,000 and \$137,000 in charitable endowment earnings to help defray the costs of indigent care.

6. Financial Assets and Liquidity Resources

As of September 30, 2023 and 2022, respectively, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, consisted of the following:

	2023	2022
	<i>(In Thousands)</i>	
Liquidity and availability		
Cash and cash equivalents	\$ 262,036	\$ 295,562
Short-term investments	237,333	23,129
Current portion of assets whose use is limited or restricted	11,784	8,444
Patient and other trade accounts receivable, net	328,968	307,672
Receivables from third-party payors	32,515	16,972
Financial assets available at year end for current use	<u>\$ 872,636</u>	<u>\$ 651,779</u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Financial Assets and Liquidity Resources (continued)

UVM Health Network's board-designated assets can be used for capital and operating expenditures at the direction of the UVM Health Network Board of Trustees and management. As of September 30, 2023, and 2022, the balance in board-designated assets was \$550,939,000 and \$604,113,000, respectively.

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

To manage liquidity, UVM Health Network maintains sufficient cash and cash equivalent balances to support daily operations throughout the year. Cash and cash equivalents include bank deposits, CDs, money market funds, and other similar vehicles that generate a return on cash and provide daily liquidity to UVM Health Network. Short-term investments without donor restriction are also utilized to generate a higher yield on balances versus cash and cash equivalents, and to provide UVM Health Network with an additional layer of liquidity for daily operations if needed. UVM Health Network also maintains two lines of credit, each in the amount of \$50,000,000, for use by UVM Health Network entities that are part of the UVM Medical Center Obligated Group. As of September 30, 2023, and 2022, the amount outstanding under lines of credit was \$34,300,000 and \$12,800,000, respectively.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Assets whose use is limited or restricted, at September 30, 2023 and 2022, consisted of the following:

	2023	2022
	<i>(In Thousands)</i>	
Equities	\$ 36,365	\$ 43,692
Mutual funds:		
Bond funds	214,405	338,873
United States Treasury obligation funds	2,289	2,172
International equity funds	190,331	180,720
Domestic equity funds	237,843	167,302
Real estate funds	29,174	33,142
Total mutual funds	<u>674,042</u>	<u>722,209</u>
Money market funds	7,514	5,095
United States Treasury notes	15,224	13,899
Bonds and notes	15,348	15,682
Beneficial interest in perpetual trusts	18,326	17,620
Venture capital funds and partnerships	3,784	3,792
	<u>770,603</u>	<u>821,989</u>
Less: Current portion	(11,784)	(8,444)
Less: Pooled investments included in short-term investments	(3,670)	(18,925)
	<u>\$ 755,149</u>	<u>\$ 794,620</u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

The following tables present information as of September 30, 2023 and 2022, about UVM Health Network's financial assets and liabilities that are measured at fair value on a recurring basis:

	2023				Fair Value
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	NAV as Practical Expedient	
	<i>(In Thousands)</i>				
Equities	\$ 36,716	\$ —	\$ —	\$ —	\$ 36,716
Mutual funds:					
Bond funds	216,205	—	—	—	216,205
United States Treasury obligation funds	2,289	—	—	—	2,289
International equity funds	190,622	—	—	—	190,622
Domestic equity funds	239,397	—	—	—	239,397
Real estate funds	29,174	—	—	—	29,174
Total mutual funds	677,687	—	—	—	677,687
Money market funds	237,181	—	—	—	237,181
United States Treasury notes	15,224	—	—	—	15,224
Bonds and notes	—	15,348	—	—	15,348
Beneficial interest in perpetual trusts	—	—	18,326	—	18,326
Venture capital funds and partnerships	—	—	—	3,784	3,784
	<u>\$ 966,808</u>	<u>\$ 15,348</u>	<u>\$ 18,326</u>	<u>\$ 3,784</u>	<u>\$ 1,004,266</u>
Interest rate swap agreements	\$ —	\$ (3,427)	\$ —	\$ —	\$ (3,427)

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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

The table below summarizes the investments in certain entities with fair value at NAV as a practical expedient as of September 30, 2023 and 2022. There were no transfers between levels as of September 30, 2023 and 2022.

Category of Investment	2023					
	Fair Value	Unfunded Commitments	Remaining Life, if Applicable	Redemption Terms, If Currently Eligible	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
	<i>(In Thousands)</i>					
Venture capital funds and partnerships	\$ 3,784	\$ –	7 years	None	None	None

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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

(In Thousands)

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

A roll forward of the Level 3 fair value measurements (defined above) for the years ended September 30, 2023 and 2022 is as follows:

	2023	2022
	Beneficial Interest in Perpetual Trusts	Beneficial Interest in Perpetual Trusts
Beginning of year	\$ 17,620	\$ 21,467
Withdrawals	–	(130)
Change in beneficial interest in perpetual trusts	706	(3,717)
End of year	\$ 18,326	\$ 17,620

(In Thousands)

Investment income included in nonoperating gains (losses) for the years ended September 30, 2023 and 2022 is as follows:

	2023	2022
Interest and dividend income	\$ 30,315	\$ 24,682
Realized gains and losses, net	(25,072)	39,187
Reclassification of accumulated investment gains	–	(8,709)
	\$ 5,243	\$ 55,160

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Property and Equipment

A summary of property and equipment, net at September 30, 2023 and 2022 is as follows:

	2023	2022
	<i>(In Thousands)</i>	
Land	\$ 42,383	\$ 38,795
Land improvements	17,017	16,788
Leasehold improvements	91,258	88,370
Buildings	1,132,873	1,114,235
Equipment, furniture, and fixtures	753,940	731,174
	<u>2,037,471</u>	<u>1,989,362</u>
Less: Accumulated depreciation	(1,237,480)	(1,161,198)
	799,991	828,164
Construction-in-progress	14,223	21,634
	<u>\$ 814,214</u>	<u>\$ 849,798</u>

UVM Health Network sold, traded-in or wrote off approximately \$24,544,000 and \$96,620,000 in fully depreciated property and equipment in the years ended September 30, 2023 and 2022, respectively. In conjunction with these sales, trade-ins or disposals, a (loss) gain of \$(398,000) and \$18,000 was recorded in the years ended September 30, 2023 and 2022, respectively.

UVM Health Network recorded depreciation expense of \$100,589,000 and \$100,372,000 for the years ended September 30, 2023 and 2022, respectively.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt

Long-term debt at September 30, 2023 and 2022, consisted of the following:

	2023	2022
	<i>(In Thousands)</i>	
Vermont Educational and Health Buildings Financing Agency Hospital Revenue Bonds		
Series 2008A Bonds, variable rate (3.79% and 1.76% at September 2023 and 2022, respectively), payable through 2031	\$ 54,706	\$ 54,706
Series 2013A Bonds, fixed rate (2.60%), payable through December 2027	–	26,413
Series 2023A Bonds, fixed rate (4.17%), payable through December 2027	23,760	–
Series 2015A Bonds, fixed rate (2.27%), payable through December 2023	6,630	8,930
Series 2016A Bonds, fixed rate (3.00% to 5.00%), payable through 2036 (including unamortized premium of \$16,943 and \$18,153 at September 30, 2023 and 2022, respectively)	167,643	172,913
Series 2016B Bonds, fixed rate (3.13% to 5.00%), payable through 2046 (including unamortized premium of \$9,031 and \$9,421 at September 30, 2023 and 2022, respectively)	98,031	98,421
Series 2015A Bonds, fixed rate (2.85%), put option on August 1, 2025	10,438	11,163
Other long-term debt		
Bank of America Loan, fixed rate (2.90%), payable through April 1, 2030	71,000	75,000
TD Bank Loan, fixed rate (2.09%), payable through June 1, 2035	74,945	74,945
TD Bank Loan, fixed rate (4.40%), payable through December 6, 2037	100,000	–
Bank of America Loan, fixed rate (2.92%), payable through 2027	17,930	22,928
KeyBank Loan, fixed rate (3.05%), payable through 2023	1,495	7,445
Series 2016A Bonds, variable rate (4.60% and 2.81% at September 30, 2023 and 2022, respectively), payable through July 1, 2042 (including unamortized premium of \$132 and \$139 at September 30, 2023 and 2022, respectively)	10,365	11,005
Series 2016B Bonds, variable rate (4.50% and 2.52% at September 30, 2023 and 2022, respectively), payable through July 1, 2042 (including unamortized premium of \$161 and \$169 at September 30, 2023 and 2022, respectively)	12,655	13,440
Community Bank Loan, fixed rate (3.38%), payable through 2027 (including unamortized premium of \$8 and \$10 at September 30, 2023 and 2022, respectively)	10,747	11,382
Bank of America Loan, fixed rate (3.60%) payable through June 1, 2032	20,645	21,545
TD Bank Loan, fixed rate (3.59%), interest only payments, through April 2020, payable through April 2030	6,984	7,906
TD Bank Loan, fixed rate (3.73%), payable through November 1, 2025	975	1,399
TD Bank Loan, fixed rate (3.87%), payable through September 1, 2033	13,370	14,441
TD Bank Loan, fixed rate (2.44%), payable through December 20, 2029	10,614	12,136
M&T Bank Loan, variable rate (3.72% and 3.61% at September 30, 2023 and 2022, respectively), payable through September 30, 2028	4,003	4,704
Bank of America Loan, fixed rate (3.08%), payable through March 1, 2032	3,285	3,585
Lines of credit	34,300	12,800
Other debt	19,467	23,166
	773,987	690,373
Less: Current installments of long-term debt	(49,871)	(48,824)
Less: Unamortized debt issuance costs	(1,480)	(1,914)
Long-term debt, net current installments	\$ 722,636	\$ 639,635

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt (continued)

Obligated Group

UVM Medical Center, UVM Health Network, CVMC, CVPH and ECH are the members of The University of Vermont Medical Center Obligated Group (Obligated Group) at September 30, 2023 and 2022.

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

Effective October 1, 2023, the Master Trust Indenture was amended and AHMC, HH&H, PMC, and certain other consolidated subsidiaries became members of the Obligated Group.

Series 2008A Bonds (UVM Medical Center)

On May 21, 2008, UVM Medical Center, in connection with the Vermont Educational and Health Buildings Financing Agency (VEHBFA), issued \$54,706,000 of tax-exempt variable-rate hospital revenue bonds (Series 2008A). The Series 2008A bonds are collateralized by an irrevocable letter of credit from a bank in the amount of \$55,334,000 (covers principal of \$54,706,000 and interest of \$628,000), which expires in 2026. The interest rate on the Series 2008A bonds is set weekly and payable through 2031, at which time the principal balance is due. Series 2008A bondholders have the option to put the bonds back to UVM Medical Center. Such bonds would be subject to remarketing efforts by UVM Medical Center's remarketing agent. To the extent that such remarketing efforts were unsuccessful, the nonmarketable bonds would be purchased from the proceeds of the letter of credit. Monthly payments of principal on the letter of credit borrowings would commence on the first calendar day of the first month that commences more than one year after the borrowing. The 2008A letter of credit was not drawn upon as of September 30, 2023. Repayment in full of the letter of credit would be required by the earlier of four years from the date of the borrowing under the letter of credit or the stated expiration date, currently, April 30, 2026. The repayment of principal under the letter of credit would be as follows: \$21,176,000 in year two, \$21,176,000 in year three and \$12,354,000 in the final year.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt (continued)

Series 2023A Bonds (refinanced 2013A Bonds UVM Medical Center)

In February 2023, \$26,412,500 par amount of the 2013A Bonds were refunded and replaced with the Series 2023A Bonds, a tax-exempt, fixed rate loan issued through VEHBFA and purchased by TD Bank. The debt carries an interest rate of 4.17%, matches the amortization of the refunded debt and will mature on December 1, 2027.

Series 2015A Bonds (UVM Medical Center)

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

Series 2016A Bonds (UVM Medical Center)

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

Series 2016B Bonds (UVM Medical Center)

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt (continued)

Series 2015A Bonds (PMC)

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

Bank of America Loan (UVM Health Network)

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

TD Bank Loans (UVM Health Network)

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

On December 6, 2022, UVM Health Network borrowed \$100,000,000 from TD Bank. The loan is a taxable fixed rate private bank placement payable through December 6, 2037 and carries an interest rate of 4.40%. The loan is to be used for capital projects.

Series 2016A and 2016B Bonds (CVPH)

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt (continued)

In June 2023, the 2016A and 2016B Bonds were amended to modify the interest rate to SOFR (Secured Overnight Financing Rate) from LIBOR. No other terms were amended or modified.

Scheduled Maturities of Long-Term Debt

As of September 30, 2023, scheduled maturities of long-term debt, not including a net unamortized premium and deferred financing costs of \$24,799,000 for the next five years and thereafter are as follows:

	<i>(In Thousands)</i>
Years ending September 30:	
2024	\$ 49,871
2025	60,651
2026	46,351
2027	52,747
2028	49,749
Thereafter	488,339
	<u>\$ 747,708</u>

Loan Covenants

Under the terms of the Master Trust Indenture agreement, UVM Medical Center has granted a mortgage on substantially all of its property and an interest in its gross receipts, and the Obligated Group is required to meet certain covenant requirements. In addition, the indenture provides for restrictions on, among other things, additional indebtedness and dispositions of property of the Obligated Group. As of September 30, 2023 and 2022, the Obligated Group was in compliance with all financial covenants. AHMC and PMC are also required to meet certain covenant requirements for their long-term debt. As of September 30, 2023 and 2022, AHMC and PMC were in compliance with all financial covenants.

Lines of Credit

As of September 30, 2023, UVM Health Network has two available lines of credit, each in the amount of \$50,000,000. One \$50,000,000 line is with TD Bank and is less the face value of all letters of credit that may be issued by the lender for the benefit of the Network. The line of credit is available to each member of the Obligated Group and is collateralized by a joint and several obligation of UVM Health Network and each member of the Obligated Group. The interest rate is

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Long-Term Debt (continued)

set at a floating rate equal to one-month SOFR plus 540 basis points (5.83% at September 30, 2023), adjusted monthly. At September 30, 2023, CVPH had borrowings of \$19,000,000 and UVM Medical Center had borrowings of \$15,300,000. At September 30, 2022, CVPH had borrowings of \$10,000,000 and CVMC had borrowings of \$2,800,000. The line also carries an unused fee of 0.07% per annum, payable quarterly in arrears, and the maturity date for the line of credit is May 1, 2026.

The second \$50,000,000 line of credit is with Bank of America and is available to each member of the Obligated Group. The line of credit is collateralized by a joint and several obligation of UVM Health Network and each member of the Obligated Group. The interest rate is set (as chosen by UVMHN at the time of each advance) at a floating rate equal to the daily, one-month, two-month, or three-month Bloomberg Short-Term Bank Yield Index plus 135 basis points, adjusted at the end of the chosen interest rate period. As of September 30, 2023, there were no advances on this line of credit. The line also carries an unused fee of 0.15% per annum, payable quarterly in arrears, and the maturity date is April 1, 2026.

Guarantor

As of September 30, 2023, UVM Medical Center is the guarantor of a 2022 AHMC loan with Bank of America, a 2018 TD Bank loan at AHMC, and guarantor of a line of credit between OneCare Vermont and TD Bank.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Interest Rate Swap Agreements

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

Swap	Bond Series	Notional Amount		Counterparty	Expiration Date	Pay		
		September 30, 2023	September 30, 2022			Fixed	Receive Floating	
<i>(In Thousands)</i>								
SOFR Swap (Series B-1)	2008A	\$ 27,595	\$ 27,595	Citibank, NA	October 28, 2032	3.76%	66.5% of SOFR + 32bps	
SOFR Swap (Series B-2)	2008A	27,595	27,595	Citibank, NA	November 4, 2032	3.76%	66.5% of SOFR + 32bps	
SOFR Swap	Holly Court Loan	4,003	4,704	M&T Bank Loan	October 2, 2028	2.67%	One-month SOFR	
SOFR Swap	Previously outstanding Series 2007B (refinanced with Series 2016B)	9,100	9,430	Key Bank	July 1, 2042	4.06%	68.0% of SOFR	
SOFR Swap	Previously outstanding Series 2007A (refinanced with 2016A)	14,455	14,915	Key Bank	July 1, 2042	4.00%	65.0% of SOFR	

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Interest Rate Swap Agreements (continued)

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

	2023	2022
	<i>(In Thousands)</i>	
2008A Swaps	\$ (1,424)	\$ (3,305)
Holly Court Loan	187	165
2007B Swap	(831)	(1,337)
2007A Swap	(1,359)	(2,150)
	<u>\$ (3,427)</u>	<u>\$ (6,627)</u>

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

	2023	2022
	<i>(In Thousands)</i>	
2008A Swaps	\$ 1,881	\$ 7,917
Holly Court Loan	22	515
2007B Swap	506	1,906
2007A Swap	791	2,955
2011 Swap (expired in fiscal year 2022)	–	31
	<u>\$ 3,200</u>	<u>\$ 13,324</u>

UVM Health Network also made payments on the interest rate swap agreements of \$585,000 and \$2,557,000, net of floating rate payments received from the counterparties, for the years ended September 30, 2023 and 2022, which are included in interest expense on the consolidated statements of operations.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Leases

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

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

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

	<u>2023</u>	<u>2022</u>
	<i>(In Thousands)</i>	
Operating lease cost	\$ 16,903	\$ 15,225
Finance lease cost:		
Amortization of right-of-use assets	1,529	1,596
Interest on lease liabilities	39	47
Total finance lease cost	<u>1,568</u>	<u>1,643</u>
Short term lease cost	211	712
Variable lease cost	4,295	3,022
Total lease cost	<u>\$ 22,977</u>	<u>\$ 20,602</u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Leases (continued)

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

	<u>2023</u>	<u>2022</u>
Weighted-average remaining lease term:		
Operating leases	5.13	4.28
Finance leases	0.66	1.13
Weighted-average discount rate:		
Operating leases	2.16%	1.23%
Finance leases	2.28%	1.51%

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

	<u>2023</u>	<u>2022</u>
	<i>(In Thousands)</i>	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	\$ 16,903	\$ 15,333
Operating cash flows for finance leases	39	47
Financing cash flows for finance leases	1,275	1,311
Right of use assets obtained in exchange for new operating lease liabilities	15,960	11,159
Right of use assets obtained in exchange for new finance lease liabilities	–	922

Future minimum lease payments at September 30, 2023 are as follows:

	<u>Finance</u>	<u>Operating</u>	<u>Total</u>
	<i>(In Thousands)</i>		
2024	\$ 1,129	\$ 15,261	\$ 16,390
2025	356	12,578	12,934
2026	14	9,730	9,744
2027	–	6,326	6,326
2028	–	4,391	4,391
Thereafter	–	23,465	23,465
Total minimum lease payments	1,499	71,751	73,250
Less: Imputed interest	19	7,118	7,137
Total lease liabilities	<u>\$ 1,480</u>	<u>\$ 64,633</u>	<u>\$ 66,113</u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Net Assets

Net Assets with Donor Restrictions

At September 30, 2023 and 2022, net assets with donor restrictions are available for the following purposes:

	2023	2022
	<i>(In Thousands)</i>	
Indigent care	\$ 18,105	\$ 17,198
Education and research	33,016	28,827
Children's programs	9,558	9,413
Capital projects and other healthcare services	54,055	53,021
Long-term care services at Woodridge	1,716	1,633
	<u>\$ 116,450</u>	<u>\$ 110,092</u>

Perpetual Endowment Funds

UVM Health Network's perpetual endowment funds consist of 132 funds established for a variety of purposes. UVM Health Network does not currently have any unrestricted funds designated by the Board to function as endowment. Accordingly, for the purposes of this disclosure, endowment funds include only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

UVM Health Network has interpreted relevant state laws for the states in which it operates as requiring realized and unrealized gains on net assets with donor restrictions, including endowments and other unexpended donor restricted net assets, to be retained as donor restricted until appropriated by the Board and expended. These state laws allow the Board to appropriate the net appreciation of net assets with donor restrictions as is prudent considering UVM Health Network's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. In the years ended September 30, 2023 and 2022, \$3,692,000 and \$1,249,000, respectively, was appropriated from such funds.

For endowment funds, UVM Health Network classifies net assets with donor restrictions as the original value of the gifts donated to the endowment when explicit donor stipulations requiring

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Net Assets (continued)

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

Endowment Asset Composition and Changes in Endowment Assets

Changes in donor endowment funds consisted of the following:

	<u>Without Donor Restrictions</u>	<u>Time Restricted</u>	<u>Perpetual Endowments</u>
	<i>(In Thousands)</i>		
Balance at October 1, 2021	\$ —	\$ 45,365	\$ 28,564
Investment return on donor restricted assets	(3,717)	(11,194)	—
Transfers	—	(90)	90
Contributions	—	1,321	1,120
Appropriations	3,717	(1,965)	—
Balance at September 30, 2022	—	33,437	29,774
Investment return on donor restricted assets	920	(4,333)	148
Transfers	—	(105)	143
Contributions	—	9	161
Appropriations	(920)	(1,378)	—
Balance at September 30, 2023	<u>\$ —</u>	<u>\$ 27,630</u>	<u>\$ 30,226</u>

Beneficial Interest in Perpetual Trusts

The above amounts exclude UVM Health Network's beneficial interest in perpetual trusts, which are not within management's investment control. Such beneficial interests totaled \$18,326,000 and \$17,620,000 at September 30, 2023 and 2022, respectively.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Net Assets (continued)

Charitable Remainder Trust

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

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires UVM Health Network to retain as a fund of perpetual duration. UVM Health Network has a policy that does not allow spending from underwater endowments. At September 30, 2023 and 2022, there were no funds with deficiencies.

Investment Return Objectives and Spending Policy

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Professional Liability and Other Contingencies

Professional Liability

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

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

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

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

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

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

The reserves for outstanding professional liability losses at UVM Health Network have been discounted at a rate of 3.0% at September 30, 2023 and 2022, resulting in a decrease in the reserve for professional liability of approximately \$2,674,000 and \$2,529,000 at September 30, 2023 and 2022, respectively. The professional liability is \$45,433,000 and \$40,601,000 at September 30, 2023 and 2022, respectively.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Professional Liability and Other Contingencies (continued)

As a result of changes in estimates of incurred events in prior years, primarily for professional liability, the estimate of incurred losses decreased by approximately \$3,466,000 and \$6,538,000 for the years ended September 30, 2023 and 2022, respectively.

Workers' Compensation

UVM Health Network, excluding AHMC (discussed below), is also self-insured for workers' compensation claims, and maintains an excess insurance policy to limit its exposure on claims up to \$1,000,000 and \$750,000 per occurrence for UVM Medical Center and CVPH, respectively, in the year ended September 30, 2023, with a \$50,000,000 aggregate limit for UVM Medical Center. CVPH's workers' compensation claim reserve is secured by a Surety Bond in the amount of \$10,511,000, which has an expiration date of September 30, 2024.

The workers' compensation insurance policy year for AHMC renews September 1 each year. AHMC's potential workers' compensation exposure covers the period from September 1, 2012 to September 30, 2023. A related liability of approximately \$1,481,000 and \$1,316,000 has been recorded at September 30, 2023 and 2022, respectively.

The reserves for outstanding losses for UVM Health Network that consists of UVM Medical Center, PMC and HH&H workers' compensation have been discounted at a rate of 3.37% and 0.16%, resulting in a decrease in reserves of approximately \$581,000 and \$28,000 for the years ended September 30, 2023 and 2022, respectively.

Employee Health and Dental Insurance

UVM Health Network maintains a self-insured plan for employee health and dental insurance. Under the terms of the plans, employees and their dependents are eligible for participation and, as such, UVM Medical Center, PMC, HH&H, CVPH, AHMC, ECH and CVMC are responsible for paying claims and third-party administrator costs. UVM Health Network maintains a stop-loss insurance policy for its medical plan to limit its exposure on nondomestic claims to the first \$650,000, per member per plan year, of which \$100,000 is covered by VMCIC with an aggregate of \$500,000.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Professional Liability and Other Contingencies (continued)

Other Contingencies

UVM Health Network and its subsidiaries are parties in various legal proceedings and potential claims arising in the ordinary course of business. In addition, the health care industry as a whole is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations is subject to government review and interpretation, as well as regulatory actions, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services.

Management does not believe that the resolution of these matters will have a material adverse effect on UVM Health Network's consolidated balance sheets or statements of operations.

Collective Bargaining Agreements

At September 30, 2023, approximately 36% of UVM Health Network's employees are union employees who are covered under the terms of various collective bargaining agreements. Agreements representing approximately 51% of union employees (18% of total employees) will expire within the next year and are currently being renegotiated.

14. Pension Plans

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

	Year Ended September 30,	
	2023	2022
	<i>(In Thousands)</i>	
Defined benefit plans	\$ 619	\$ (4,180)
Defined contribution plans	52,435	48,810
	<u>\$ 53,054</u>	<u>\$ 44,630</u>

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Pension Plans (continued)

Benefit Obligations

	2023	2022
	<i>(In Thousands)</i>	
Changes in benefit obligations		
Projected benefit obligations – beginning of year	\$ (222,411)	\$ (333,951)
Service cost	(126)	(1,573)
Interest cost	(12,041)	(9,659)
Benefits paid	13,374	13,373
Curtailment gain	546	–
Settlements	–	38,789
Actuarial (loss) gain	(5,454)	70,604
Administrative expenses paid	–	6
Projected benefit obligation – end of year	<u>\$ (226,112)</u>	<u>\$ (222,411)</u>
Accumulated benefit obligation	<u>\$ (224,674)</u>	<u>\$ (221,283)</u>
Changes in plan assets		
Fair value of plan assets – beginning of year	\$ 208,791	\$ 312,470
Actual gain (loss) on plan assets	10,954	(54,044)
Employer contributions	140	2,533
Benefits paid	(13,374)	(13,373)
Settlements	–	(38,789)
Administrative expenses paid	–	(6)
Fair value of plan assets – end of year	<u>206,511</u>	<u>208,791</u>
Funded status of the plan (long-term)	(19,601)	(13,620)
Funded status of plans – asset	–	3,024
Funded status of plans – (liability)	<u>\$ (19,601)</u>	<u>\$ (16,644)</u>

Effective December 31, 2022, CVMC and PMC adopted plan amendments, following Board of Trustees approval, to merge the PMC plan into the CVMC plan and freeze and terminate the merged plan. As a result of these events, a curtailment gain was recognized which reduced the projected benefit obligation by approximately \$546,000.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Pension Plans (continued)

The reconciliation of the unrecognized actuarial gains and losses for the years ended September 30, 2023 and 2022 is as follows:

	2023	2022
	<i>(In Thousands)</i>	
Unrecognized actuarial (gains) losses – beginning of year	\$ (2,100)	\$ (952)
Net amortized during year	11,158	2,382
Settlements	–	(860)
Net prior service cost amortized during year	(26)	(26)
Net gain during year	(5,643)	(2,644)
Unrecognized actuarial losses (gains) – end of year	<u>\$ 3,389</u>	<u>\$ (2,100)</u>

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

The components of the net periodic cost (benefit) for the years ended September 30, 2023 and 2022 are as follows:

	2023	2022
	<i>(In Thousands)</i>	
Service cost	\$ 126	\$ 1,573
Interest cost	12,041	9,659
Settlements	–	860
Expected return on plan assets	(11,425)	(16,309)
Amortization of unrecognized net loss	(123)	37
Net periodic cost (benefit)	<u>\$ 619</u>	<u>\$ (4,180)</u>

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

	2023	2022
Weighted-average assumptions used to determine the benefit liability		
Discount rates	5.0–6.22%	5.7%
Rates of increase in future compensation levels	0.0	3.0
Weighted-average assumptions used to determine expense		
Discount rates	5.7	3.0
Rates of increase in future compensation levels	3.0	3.0
Expected long-term rate of return on plan assets	5.4–7.0	5.5–6.7

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Pension Plans (continued)

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

Plan Assets

UVM Health Network's pension plans' weighted-average asset allocations as of September 30, 2023 and 2022, by asset category, are as follows:

	2023		2022	
	Target Allocation	Actual Allocation	Target Allocation	Actual Allocation
Cash & Equivalents	–%	–%	–%	2%
Fixed Income	50-80	80	50–60	66
Domestic Equity	11-25	10	11–25	17
International Equity	9-20	8	9–20	13
Real Estate	0-5	2	0–5	2

The following table presents information, as of September 30, 2023 and 2022, about UVM Health Network's pension assets that are measured at fair value on a recurring basis:

	2023		
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Fair Value
	<i>(In Thousands)</i>		
Money market	\$ 42,453	\$ –	\$ 42,453
Mutual funds			
Bond funds	7,947	–	7,947
International equity funds	16,653	–	16,653
Domestic equity funds	20,887	–	20,887
Real estate funds	3,926	–	3,926
Total mutual funds	49,413	–	49,413
United States Treasury notes	21,556	–	21,556
Bonds and notes	–	93,089	93,089
	<u>\$ 113,422</u>	<u>\$ 93,089</u>	<u>\$ 206,511</u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Pension Plans (continued)

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

As of September 30, 2023, and 2022, there were no Level 3 investments. There were no transfers between levels for the years ended September 30, 2023 and 2022.

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

Cash Flows – Contributions

UVM Health Network expects to contribute \$3,414,000 to its pension plans in the year ending September 30, 2024.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Pension Plans (continued)

Cash Flows – Estimated Future Benefit Payments

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

	<i>(In Thousands)</i>
Years ending September 30:	
2024	\$ 134,684
2025	6,667
2026	6,917
2027	7,146
2028	7,340
2029–2032	38,140

Multi-Employer Defined Benefit Plan

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

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

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Pension Plans (continued)

UVM Health Network has contributed cash and recorded expenses of \$6,590,000 and \$6,261,000 for the multi-employer defined benefit plans for the years ended September 30, 2023 and 2022, respectively.

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

Pension Fund	Zone Status Pension Protection Act			FIP/RP Status Pending/ Implemented	Surcharge Imposed	Expiration date of Collective- Bargaining Agreement
	EIN/Pension Plan Number	September 30, 2023	September 30, 2022			
1199 SEIU Health Care Employees Pension Fund	13-3604862-001	Green	Green	N/A	No	April 30, 2025
1199 SEIU Regional Pension Fund	16-1112391	Green	Green	N/A	No	June 30, 2025

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

Postretirement Health Benefits

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

As of September 30, 2023 and 2022, the premiums paid by retirees did not exceed the costs and an accumulated postretirement benefit obligation of \$1,475,000 and \$147,000, respectively, was recorded. The plan does not have any assets as of September 30, 2023 and 2022. Net assets without donor restrictions at September 30, 2023 and 2022, include unrecognized actuarial loss of \$1,183,000 and \$147,000, respectively. Assumptions used in accounting for the plan include a discount rate of 5.36%, a current health care cost trend rate of 6.50%, an ultimate health care cost trend rate of 4.75%, the year of ultimate trend rate of 2028, and census data as of January 1, 2023.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Concentrations of Credit Risk

UVM Health Network grants credit without collateral to its patients, most of whom are local residents and are insured under third-party agreements. The mix of net receivables from patients and third-party payors at September 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Medicare	24%	25%
Medicaid	5	7
Contracted Commercial	44	46
Noncontracted Insurers	17	14
Patients	10	8
	<u>100%</u>	<u>100%</u>

16. Transactions with UVM

UVM Medical Center’s Affiliation Agreement with UVM was renewed as of September 1, 2022 and extends through August 31, 2032. The Affiliation Agreement expresses the shared goals of UVM and UVM Medical Center for teaching, clinical care and research, documents the many points of close collaboration between the two organizations, provides the underpinnings for UVM Medical Center’s status as an academic medical center, and obligates UVM Medical Center to provide substantial, annual financial support to UVM. The current Affiliation Agreement provides for three components of financial support to UVM: (1) payments by UVM Medical Center, known as the “commitment,” to fund two costs: (a) a portion of the salary, benefits and related expenses paid through UVM to physician-faculty who are jointly employed by both UVM and UVMHN Medical Group and, (b) a portion of the cost of UVM facilities, utilities and other campus operating expenses that are not paid or reimbursed by any form of federal funding; (2) an academic support payment paid by UVM Medical Center, and (3) a Dean’s Tax paid by UVM Medical Group. The amounts of the commitment approximated \$77,567,000 and \$59,639,000 in the years ended September 30, 2023 and 2022, respectively. In addition, UVM Medical Center reimburses UVM for equipment rental, research, and certain other administrative expenses through the commitment.

UVM Medical Center made academic support payments to UVM in monthly installments. The annual amount of the academic support payment was \$9,806,000 and \$8,848,000 in the years ended September 30, 2023 and 2022, respectively. Under the current affiliation agreement, the base amount for academic support payments increased by \$422,000 in fiscal year 2024, with an inflationary increase in the years thereafter.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Transactions with UVM (continued)

Under the Affiliation Agreement, the Dean's Tax is paid to UVM by UVM Medical Center in an amount equal to 2.3% of the Medical Group's net patient service revenues exclusive of all Medicaid revenues for that fiscal year. The amount of the Dean's Tax approximated \$5,410,000 and \$4,836,000 in the years ended September 30, 2023 and 2022, respectively. Additionally, a guaranteed payment of \$1,195,000 and \$1,000,000 in Dean's Taxes on UVM Medical Group patient service revenues of community-based physicians was recorded in the years ended September 30, 2023 and 2022, respectively.

17. Functional Expenses

UVM Health Network provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended September 30, 2023 and 2022 are as follows:

	2023		
	Healthcare Service	Administrative Support	Total
	<i>(In Thousands)</i>		
Salary, payroll taxes and fringe benefits	\$ 1,543,650	\$ 307,258	\$ 1,850,908
Supplies and other	564,533	300,374	864,907
Purchased services	74,387	54,763	129,150
Provider tax	112,025	–	112,025
Depreciation and amortization	47,960	52,820	100,780
Interest expense	9,540	18,474	28,014
	<u>\$ 2,352,095</u>	<u>\$ 733,689</u>	<u>\$ 3,085,784</u>
	2022		
	Healthcare Service	Administrative Support	Total
	<i>(In Thousands)</i>		
Salary, payroll taxes and fringe benefits	\$ 1,486,739	\$ 273,501	\$ 1,760,240
Supplies and other	464,728	274,183	738,911
Purchased services	72,236	69,743	141,979
Provider tax	108,989	–	108,989
Depreciation and amortization	52,907	47,815	100,722
Interest expense	10,327	9,986	20,313
	<u>\$ 2,195,926</u>	<u>\$ 675,228</u>	<u>\$ 2,871,154</u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Functional Expenses (continued)

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

18. COVID-19

In response to Coronavirus Disease 2019 (COVID-19), the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was signed into law on March 27, 2020. The CARES Act authorized funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Relief Fund). Payments from the Relief Fund are to be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the recipient for health care related expenses and/or lost revenues attributable to coronavirus and are not required to be repaid except where Relief Funds received exceed the actual amounts of eligible health care related expenses and/or lost revenues as defined by the United States Department of Health and Human Services (HHS), provided the recipients attest to and comply with the terms and conditions. On December 27, 2020, the Consolidated Appropriations Act, 2021 (CAA) was signed into law. CAA appropriated additional funding for COVID-19 response and relief through the Relief Fund.

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

Under the CARES Act, the Network elected to defer the payment of the employer portion of social security taxes that otherwise would have been due between March 27, 2020 and December 31, 2020. The Network paid \$7 million of deferred taxes in December 2021, the remaining balance was repaid in December 2022.

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. COVID-19 (continued)

As part of the CARES Act, CMS expanded its Accelerated and Advance Payment Program which allows participants to receive expedited payments during periods of national emergencies. During April 2020, the Network received approximately \$148.5 million of expedited payments for future services. Under this program, the Network continued to submit claims as usual. Recoupment of the advanced payments began in April 2021, in accordance with the terms and conditions of the program, with approximately \$29.0 million and \$95.0 million repaid as of September 30, 2023 and 2022, respectively. The remaining balance will be repaid during 2024.

The Network applied for reimbursement for qualifying expenses under the Federal Emergency Management Agency (FEMA) Disaster Relief Fund. The Network received reimbursement payments of approximately \$12.9 million and \$2.6 million in 2023 and 2022, respectively. The Network has applied for additional FEMA reimbursements; however, the ultimate amount that the Network may be reimbursed is uncertain.

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

	<u>2023</u>	<u>2022</u>
	<i>(In Thousands)</i>	
Recognized in the consolidated statements of operations:		
Relief Funds included in net assets released from restrictions	\$ 312	\$ 52,191
Employee Retention Credit included in salaries, wages, and benefit expenses	686	82
CARES Act benefits in operating margin	998	52,273
State provider relief funds included in net assets released from restrictions	–	162
FEMA funds included in net assets released from restrictions	12,927	2,588
Total recognized in loss from operations	<u>\$ 13,925</u>	<u>\$ 55,023</u>
Liabilities recognized in the consolidated balance sheets:		
Deferred payroll taxes in other current liabilities	\$ –	\$ 6,190
Medicare accelerated and advance payments in current liabilities	565	29,891
Deferrals and advance payments in total liabilities	<u>\$ 565</u>	<u>\$ 36,081</u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Department of Education Title IV – Financial Responsibility Ratios

During September 2019, the United States Department of Education issued regulations, effective for audit reporting filed after June 30, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV regulations. The information as of and for the year ended September 30, 2023 is as follows (in thousands):

Secured and unsecured related party receivable	\$ 1,844
Unsecured related party receivables	1,844
Property, plant and equipment, net	
Property, plant and equipment, net at September 30, 2022	\$ 849,798
Property, plant and equipment, net acquired with debt during 2023	–
Property, plant and equipment, net acquired without debt during 2023	(28,173)
Net change in construction in progress	(7,411)
Total property, plant and equipment, net, at September 30, 2023	<u><u>\$ 814,214</u></u>
Total revenues and gains, net without donor restrictions	
Total operating revenue	\$ 3,080,733
Interest income and realized gains	5,243
	<u><u>\$ 3,085,976</u></u>
Right-of-use assets at September 30, 2023	
Operating lease right of use assets, net	\$ 63,326
Finance lease right of use assets, net	1,446
	<u><u>\$ 64,772</u></u>
Right-of-use assets at September 30, 2022	
Operating lease right of use assets, net	\$ 60,346
Finance lease right of use assets, net	3,103
	<u><u>\$ 63,449</u></u>
Long-term debt at September 30, 2023	
Current installments of long-term debt	\$ 49,871
Long-term debt, net of current installments	722,636
	<u><u>\$ 772,507</u></u>

The University of Vermont Health Network Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Long-term debt at September 30, 2022

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

Right-of-use liabilities at September 30, 2023

Operating lease right of use liabilities, current	\$ 14,045
Finance lease right of use liabilities, current	1,112
Operating lease right of use liabilities, long-term	50,588
Finance lease right of use liabilities, long-term	368
	<u>\$ 66,113</u>

Right-of-use liabilities at September 30, 2022

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

20. Subsequent Events

UVM Health Network has assessed the impact of subsequent events through January 19, 2024, the date the audited consolidated financial statements were issued and has concluded that there were no such events that require adjustment to the audited consolidated financial statements or disclosure in the notes to the audited financial statements, except as previously disclosed.

Supplementary Information

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

Consolidating Balance Sheet

September 30, 2023

	Central Vermont Hospital and Medical Group Practice	Woodridge Rehabilitation and Nursing	CVMC Eliminations	Total CVMC
	<i>(In Thousands)</i>			
Assets				
Current assets:				
Cash and cash equivalents	\$ 14,394	\$ 127	\$ –	\$ 14,521
Short-term investments	14,789	–	–	14,789
Current portion of assets whose use is limited or restricted	–	–	–	–
Patient and other trade accounts receivable, net	18,718	3,122	–	21,840
Due from related parties	17,280	–	(17,280)	–
Inventories	5,236	–	–	5,236
Receivables from third-party payors	–	–	–	–
Prepaid and other current assets	1,782	–	–	1,782
Total current assets	72,199	3,249	(17,280)	58,168
Assets whose use is limited or restricted:				
Board-designated assets	26,040	2,722	–	28,762
Assets held by trustee under bond indenture agreements	–	–	–	–
Restricted assets	3,134	–	–	3,134
Donor-restricted assets for specific purposes	4,257	–	–	4,257
Donor-restricted assets for perpetual endowment	3,514	–	–	3,514
Total assets whose use is limited or restricted	36,945	2,722	–	39,667
Property and equipment, net	53,254	3,493	–	56,747
Operating lease right of use assets, net	7,890	15	–	7,905
Finance lease right of use assets, net	–	–	–	–
Other	457	–	–	457
Total assets	\$ 170,745	\$ 9,479	\$ (17,280)	\$ 162,944
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$ 5,609	\$ 149	\$ –	\$ 5,758
Accrued expenses and other liabilities	6,143	758	–	6,901
Accrued payroll and related benefits	14,644	1,064	–	15,708
Current instalments of long-term debt	2,676	–	–	2,676
Current portion of third-party payor settlements	2,386	–	–	2,386
Due to related parties	32,217	17,280	(17,280)	32,217
Incurred but not reported claims	1,925	571	–	2,496
Operating lease right of use obligations	1,603	14	–	1,617
Finance lease right of use obligations	–	–	–	–
Current portion of contract liabilities	–	–	–	–
Total current liabilities	67,203	19,836	(17,280)	69,759
Long-term debt, net of current instalments	9,055	–	–	9,055
Malpractice and workers' compensation claims, net of current portion	–	–	–	–
Pension and other postretirement benefit obligations	8,128	–	–	8,128
Third-party payor settlements, net of current portion	–	–	–	–
Due to related parties, long term	–	–	–	–
Operating lease right of use obligations, net of current portion	6,185	1	–	6,186
Finance lease right of use obligations, net of current portion	–	–	–	–
Other	–	–	–	–
Total long-term liabilities	23,368	1	–	23,369
Total liabilities	90,571	19,837	(17,280)	93,128
Net assets:				
Without donor restriction	72,127	(10,374)	–	61,753
With donor restriction:				
Time or purpose	4,533	16	–	4,549
Perpetual	3,514	–	–	3,514
Total with donor restrictions	8,047	16	–	8,063
Total net assets	80,174	(10,358)	–	69,816
Total liabilities and net assets	\$ 170,745	\$ 9,479	\$ (17,280)	\$ 162,944

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

Consolidating Balance Sheet

September 30, 2023

	Champlain Valley Physicians Hospital Medical Center	LCPS	CVPH Foundation	Total CVPH
<i>(In Thousands)</i>				
Assets				
Current assets:				
Cash and cash equivalents	\$ 7,922	\$ 64	\$ 140	\$ 8,126
Short-term investments	4,170	–	453	4,623
Current portion of assets whose use is limited or restricted	–	–	–	–
Patient and other trade accounts receivable, net	52,868	26	–	52,894
Due from related parties	–	–	–	–
Inventories	7,652	–	–	7,652
Receivables from third-party payors	15,880	–	–	15,880
Prepaid and other current assets	4,567	–	82	4,649
Total current assets	93,059	90	675	93,824
Assets whose use is limited or restricted:				
Board-designated assets	–	–	3,609	3,609
Assets held by trustee under bond indenture agreements	15	–	–	15
Restricted assets	4,647	–	–	4,647
Donor-restricted assets for specific purposes	–	–	3,592	3,592
Donor-restricted assets for perpetual endowment	1,344	–	366	1,710
Total assets whose use is limited or restricted	6,006	–	7,567	13,573
Property and equipment, net	79,095	–	–	79,095
Operating lease right of use assets, net	19,282	–	–	19,282
Finance lease right of use assets, net	920	–	–	920
Other	2,962	–	783	3,745
Total assets	\$ 201,324	\$ 90	\$ 9,025	\$ 210,439
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$ 4,669	\$ –	\$ –	\$ 4,669
Accrued expenses and other liabilities	8,631	–	–	8,631
Accrued payroll and related benefits	24,172	–	–	24,172
Current instalments of long-term debt	12,552	–	–	12,552
Current portion of third-party payor settlements	–	–	–	–
Due to related parties	60,221	263	292	60,776
Incurred but not reported claims	–	–	–	–
Operating lease right of use obligations	2,936	–	–	2,936
Finance lease right of use obligations	705	–	–	705
Current portion of contract liabilities	414	–	–	414
Total current liabilities	114,300	263	292	114,855
Long-term debt, net of current instalments	44,306	–	–	44,306
Malpractice and workers' compensation claims, net of current portion	9,331	–	–	9,331
Pension and other postretirement benefit obligations	9,998	–	–	9,998
Third-party payor settlements, net of current portion	–	–	–	–
Due to related parties, long term	–	–	–	–
Operating lease right of use obligations, net of current portion	16,711	–	–	16,711
Finance lease right of use obligations, net of current portion	248	–	–	248
Other	2,345	–	86	2,431
Total long-term liabilities	82,939	–	86	83,025
Total liabilities	197,239	263	378	197,880
Net assets:				
Without donor restriction	2,741	(173)	3,875	6,443
With donor restriction:				
Time or purpose	–	–	4,406	4,406
Perpetual	1,344	–	366	1,710
Total with donor restrictions	1,344	–	4,772	6,116
Total net assets	4,085	(173)	8,647	12,559
Total liabilities and net assets	\$ 201,324	\$ 90	\$ 9,025	\$ 210,439

The University of Vermont Medical Center Obligated Group

Consolidating Balance Sheet

September 30, 2023

	UVM Medical Center	Central Vermont Medical Center	Champlain Valley Physicians Hospital Medical Center	Elizabethtown Community Hospital	UVM Health Network	Obligated Group Eliminations	Total UVM Medical Center Obligated Group
<i>(In Thousands)</i>							
Assets							
Current assets:							
Cash and cash equivalents	\$ 135,450	\$ 14,521	\$ 7,922	\$ 10,421	\$ 74,966	\$ –	\$ 243,280
Short-term investments	104,555	14,789	4,170	2,571	102,197	–	228,282
Current portion of assets whose use is limited or restricted	–	–	–	–	–	–	–
Patient and other trade accounts receivable, net	207,635	21,840	52,868	10,958	–	–	293,301
Due from related parties	87,359	–	–	–	17,210	(92,447)	12,122
Inventories	54,190	5,236	7,652	952	–	–	68,030
Receivables from third-party payors	11,916	–	15,880	–	–	–	27,796
Prepaid and other current assets	38,970	1,782	4,567	926	5,100	–	51,345
Total current assets	640,075	58,168	93,059	25,828	199,473	(92,447)	924,156
Assets whose use is limited or restricted:							
Board-designated assets	371,418	28,762	–	24,692	92,611	–	517,483
Assets held by trustee under bond indenture agreements	141	–	15	–	–	–	156
Restricted assets	11,315	3,134	4,647	–	667,407	(611,381)	75,122
Donor-restricted assets for specific purposes	43,338	4,257	–	393	–	–	47,988
Donor-restricted assets for perpetual endowment	31,455	3,514	1,344	351	–	–	36,664
Total assets whose use is limited or restricted	457,667	39,667	6,006	25,436	760,018	(611,381)	677,413
Property and equipment, net	587,569	56,747	79,095	30,296	4,325	–	758,032
Operating lease right of use assets, net	34,243	7,905	19,282	1,117	–	–	62,547
Finance lease right of use assets, net	526	–	920	–	–	–	1,446
Other	45,453	457	2,962	196	65,498	–	114,566
Total assets	\$ 1,765,533	\$ 162,944	\$ 201,324	\$ 82,873	\$ 1,029,314	\$ (703,828)	\$ 2,538,160
Liabilities and net assets							
Current liabilities:							
Accounts payable	\$ 30,344	\$ 5,758	\$ 4,669	\$ 97	\$ –	\$ –	\$ 40,868
Accrued expenses and other liabilities	77,772	6,901	8,631	1,044	6,702	1,051	102,101
Accrued payroll and related benefits	95,894	15,708	24,172	4,090	162	–	140,026
Current instalments of long-term debt	20,560	2,676	12,552	857	10,500	–	47,145
Current portion of third-party payor settlements	11,156	2,386	–	3,034	–	–	16,576
Due to related parties	–	32,217	60,221	1,060	–	(93,498)	–
Incurred but not reported claims	697	2,496	–	195	11,499	–	14,887
Operating lease right of use obligations	8,539	1,617	2,936	579	–	–	13,671
Finance lease right of use obligations	407	–	705	–	–	–	1,112
Current portion of contract liabilities	–	–	414	–	–	–	414
Total current liabilities	245,369	69,759	114,300	10,956	28,863	(92,447)	376,800
Long-term debt, net of current instalments	386,880	9,055	44,306	11,555	235,500	–	687,296
Malpractice and workers' compensation claims, net of current portion	7,639	–	9,331	–	–	–	16,970
Pension and other postretirement benefit obligations	1,475	8,128	9,998	–	–	–	19,601
Third-party payor settlements, net of current portion	6,615	–	–	4,280	–	–	10,895
Due to related parties, long term	–	–	–	–	–	–	–
Operating lease right of use obligations, net of current portion	26,737	6,186	16,711	538	–	–	50,172
Finance lease right of use obligations, net of current portion	120	–	248	–	–	–	368
Other	3,516	–	2,345	–	–	–	5,861
Total long-term liabilities	432,982	23,369	82,939	16,373	235,500	–	791,163
Total liabilities	678,351	93,128	197,239	27,329	264,363	(92,447)	1,167,963
Net assets:							
Without donor restriction	1,005,496	61,753	2,741	54,363	764,951	(611,381)	1,277,923
With donor restriction:							
Time or purpose	50,231	4,549	–	830	–	–	55,610
Perpetual	31,455	3,514	1,344	351	–	–	36,664
Total with donor restrictions	81,686	8,063	1,344	1,181	–	–	92,274
Total net assets	1,087,182	69,816	4,085	55,544	764,951	(611,381)	1,370,197
Total liabilities and net assets	\$ 1,765,533	\$ 162,944	\$ 201,324	\$ 82,873	\$ 1,029,314	\$ (703,828)	\$ 2,538,160

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

Consolidating Balance Sheet

September 30, 2023

	Porter Hospital	Helen Porter Nursing Home	Other Porter Entities	Porter Medical Center Eliminations	Total Porter Medical Center
	<i>(In Thousands)</i>				
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,087	\$ 2,969	\$ 2,421	\$ –	\$ 6,477
Short-term investments	6,575	–	–	–	6,575
Current portion of assets whose use is limited or restricted	–	31	–	–	31
Patient and other trade accounts receivable, net	15,080	5,410	–	–	20,490
Due from related parties	24,608	2,717	2,323	(29,648)	–
Inventories	2,651	20	–	–	2,671
Receivables from third-party payors	1,162	–	–	–	1,162
Prepaid and other current assets	934	147	55	–	1,136
Total current assets	52,097	11,294	4,799	(29,648)	38,542
Assets whose use is limited or restricted:					
Board-designated assets	21,423	–	993	–	22,416
Assets held by trustee under bond indenture agreements	–	–	–	–	–
Restricted assets	1,824	–	–	–	1,824
Donor-restricted assets for specific purposes	896	1,170	–	–	2,066
Donor-restricted assets for perpetual endowment	4,835	–	–	–	4,835
Total assets whose use is limited or restricted	28,978	1,170	993	–	31,141
Property and equipment, net	12,139	2,530	1,625	(58)	16,236
Operating lease right of use assets, net	640	–	–	–	640
Finance lease right of use assets, net	–	–	–	–	–
Other	–	73	1,461	(1,461)	73
Total assets	\$ 93,854	\$ 15,067	\$ 8,878	\$ (31,167)	\$ 86,632
Liabilities and net assets					
Current liabilities:					
Accounts payable	\$ 613	\$ 11	\$ –	\$ –	\$ 624
Accrued expenses and other liabilities	1,779	439	(19)	–	2,199
Accrued payroll and related benefits	6,886	821	474	–	8,181
Current instalments of long-term debt	599	147	–	–	746
Current portion of third-party payor settlements	196	–	–	–	196
Due to related parties	5,723	24,215	1,651	(29,648)	1,941
Incurred but not reported claims	239	–	–	–	239
Operating lease right of use obligations	306	–	–	–	306
Finance lease right of use obligations	–	–	–	–	–
Current portion of contract liabilities	14	–	–	–	14
Total current liabilities	16,355	25,633	2,106	(29,648)	14,446
Long-term debt, net of current instalments					
Malpractice and workers' compensation claims, net of current portion	7,784	1,907	–	–	9,691
Pension and other postretirement benefit obligations	62	–	–	–	62
Third-party payor settlements, net of current portion	1,493	–	–	–	1,493
Due to related parties, long term	–	–	–	–	–
Operating lease right of use obligations, net of current portion	344	–	–	–	344
Finance lease right of use obligations, net of current portion	–	–	–	–	–
Other	–	–	–	–	–
Total long-term liabilities	9,683	1,907	–	–	11,590
Total liabilities	26,038	27,540	2,106	(29,648)	26,036
Net assets:					
Without donor restriction	62,132	(13,646)	6,772	(1,519)	53,739
With donor restriction:					
Time or purpose	849	1,173	–	–	2,022
Perpetual	4,835	–	–	–	4,835
Total with donor restrictions	5,684	1,173	–	–	6,857
Total net assets	67,816	(12,473)	6,772	(1,519)	60,596
Total liabilities and net assets	\$ 93,854	\$ 15,067	\$ 8,878	\$ (31,167)	\$ 86,632

The University of Vermont Health Network Inc. and Subsidiaries

Consolidating Balance Sheet

September 30, 2023

	Total UVM Medical Center Obligated Group	Alice Hyde Medical Center	Porter Medical Center	UVM Health Network Home Health & Hospice	Other Entities	Eliminations	Total UVM Health Network
	<i>(In Thousands)</i>						
Assets							
Current assets:							
Cash and cash equivalents	\$ 243,280	\$ 4,946	\$ 6,477	\$ 2,196	\$ 5,137	\$ –	\$ 262,036
Short-term investments	228,282	–	6,575	2,023	453	–	237,333
Current portion of assets whose use is limited or restricted	–	–	31	–	11,753	–	11,784
Patient and other trade accounts receivable, net	293,301	10,853	20,490	3,225	1,099	–	328,968
Due from related parties	12,122	–	–	–	2,374	(14,496)	–
Inventories	68,030	1,171	2,671	–	–	–	71,872
Receivables from third-party payors	27,796	3,557	1,162	–	–	–	32,515
Prepaid and other current assets	51,345	1,599	1,136	443	4,812	50	59,385
Total current assets	924,156	22,126	38,542	7,887	25,628	(14,446)	1,003,893
Assets whose use is limited or restricted:							
Board-designated assets	517,483	2,626	22,416	4,805	3,609	–	550,939
Assets held by trustee under bond indenture agreements	156	–	–	–	–	–	156
Restricted assets	75,122	286	1,824	–	75,148	(56,027)	96,353
Donor-restricted assets for specific purposes	47,988	812	2,066	4,691	3,592	–	59,149
Donor-restricted assets for perpetual endowment	36,664	184	4,835	6,504	365	–	48,552
Total assets whose use is limited or restricted	677,413	3,908	31,141	16,000	82,714	(56,027)	755,149
Property and equipment, net	758,032	32,848	16,236	5,705	1,393	–	814,214
Operating lease right of use assets, net	62,547	139	640	–	–	–	63,326
Finance lease right of use assets, net	1,446	–	–	–	–	–	1,446
Other	114,566	880	73	10	11,048	(79,140)	47,437
Total assets	\$ 2,538,160	\$ 59,901	\$ 86,632	\$ 29,602	\$ 120,783	\$ (149,613)	\$ 2,685,465
Liabilities and net assets							
Current liabilities:							
Accounts payable	\$ 40,868	\$ 815	\$ 624	\$ 900	\$ 509	\$ –	\$ 43,716
Accrued expenses and other liabilities	102,101	4,962	2,199	1,185	15	–	110,462
Accrued payroll and related benefits	140,026	5,108	8,181	2,505	990	(437)	156,373
Current installments of long-term debt	47,145	1,980	746	–	–	–	49,871
Current portion of third-party payor settlements	16,576	3,073	196	223	–	–	20,068
Due to related parties	–	9,505	1,941	1,417	1,582	(14,445)	–
Incurred but not reported claims	14,887	1,481	239	–	6,438	–	23,045
Operating lease right of use obligations	13,671	68	306	–	–	–	14,045
Finance lease right of use obligations	1,112	–	–	–	–	–	1,112
Current portion of contract liabilities	414	137	14	–	–	–	565
Total current liabilities	376,800	27,129	14,446	6,230	9,534	(14,882)	419,257
Long-term debt, net of current installments	687,296	25,649	9,691	–	–	–	722,636
Malpractice and workers' compensation claims, net of current portion	16,970	–	62	–	38,989	–	56,021
Pension and other postretirement benefit obligations	19,601	–	–	–	–	–	19,601
Third-party payor settlements, net of current portion	10,895	–	1,493	–	–	–	12,388
Due to related parties, long term	–	2,200	–	5,000	25,512	(32,712)	–
Operating lease right of use obligations, net of current portion	50,172	72	344	–	–	–	50,588
Finance lease right of use obligations, net of current portion	368	–	–	–	–	–	368
Other	5,861	1,190	–	288	86	–	7,425
Total long-term liabilities	791,163	29,111	11,590	5,288	64,587	(32,712)	869,027
Total liabilities	1,167,963	56,240	26,036	11,518	74,121	(47,594)	1,288,284
Net assets:							
Without donor restriction	1,277,923	2,484	53,739	6,714	41,889	(102,018)	1,280,731
With donor restriction:							
Time or purpose	55,610	993	2,022	4,866	4,407	–	67,898
Perpetual	36,664	184	4,835	6,504	366	(1)	48,552
Total with donor restrictions	92,274	1,177	6,857	11,370	4,773	(1)	116,450
Total net assets	1,370,197	3,661	60,596	18,084	46,662	(102,019)	1,397,181
Total liabilities and net assets	\$ 2,538,160	\$ 59,901	\$ 86,632	\$ 29,602	\$ 120,783	\$ (149,613)	\$ 2,685,465

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

Consolidating Statement of Operations

Year Ended September 30, 2023

	Central Vermont Hospital and Medical Group Practice	Woodridge Rehabilitation and Nursing	Total CVMC
	<i>(In Thousands)</i>		
Revenue and other support without donor restrictions			
Net patient service revenue before Enhanced Medicaid Graduate Medical Education revenues			
Medical Education revenues	\$ 174,156	\$ 17,124	\$ 191,280
Enhanced Medicaid Graduate Medical Education revenues – Hospital	–	–	–
Enhanced Medicaid Graduate Medical Education revenues – Professional	–	–	–
Net patient service revenue	174,156	17,124	191,280
Fixed prospective payment revenue	58,175	2,671	60,846
Premium revenue	2,067	–	2,067
Outpatient and specialty pharmacy revenue	9,058	–	9,058
Net assets released from restrictions	4,718	249	4,967
Other revenue	5,011	246	5,257
Total revenue and other support without donor restrictions	253,185	20,290	273,475
Expenses			
Salaries, payroll taxes and fringe benefits	165,253	19,206	184,459
Supplies and other	59,628	2,702	62,330
Purchased services	21,868	956	22,824
Provider tax	13,675	753	14,428
Depreciation and amortization	6,416	429	6,845
Interest expense	434	–	434
Total expenses	267,274	24,046	291,320
Loss from operations	(14,089)	(3,756)	(17,845)
Nonoperating gains (losses)			
Investment income	29	–	29
Change in interest in investment pool	213	271	484
Change in fair value of interest rate swap agreements	–	–	–
Other components of pension income	315	28	343
Net change in unrealized gains and losses on investments	6,283	–	6,283
Other	68	–	68
Total nonoperating gains	6,908	299	7,207
Deficiency of revenue over expenses	(7,181)	(3,457)	(10,638)
Net change in unrealized gains and losses on fixed-income investments	–	–	–
Net assets released from restrictions for capital purchases	–	57	57
Pension related adjustments	(10,354)	–	(10,354)
Transfers and other	(1,268)	–	(1,268)
Decrease in net assets without donor restrictions	\$ (18,803)	\$ (3,400)	\$ (22,203)

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

Consolidating Statement of Operations

Year Ended September 30, 2023

	Champlain Valley Physicians Hospital Medical Center	LCPS	CVPH Foundation	Total CVPH
	<i>(In Thousands)</i>			
Revenue and other support without donor restrictions				
Net patient service revenue before Enhanced Medicaid Graduate Medical Education revenues	\$ 394,377	\$ 259	\$ –	\$ 394,636
Enhanced Medicaid Graduate Medical Education revenues – Hospital	–	–	–	–
Enhanced Medicaid Graduate Medical Education revenues – Professional	–	–	–	–
Net patient service revenue	394,377	259	–	394,636
Fixed prospective payment revenue				
Premium revenue				
Outpatient and specialty pharmacy revenue	13,315	–	–	13,315
Net assets released from restrictions	1,374	–	842	2,216
Other revenue	9,546	–	820	10,366
Total revenue and other support without donor restrictions	418,612	259	1,662	420,533
Expenses				
Salary, payroll taxes and fringe benefits	311,280	–	446	311,726
Supplies and other	102,591	–	84	102,675
Purchased services	25,296	–	1,546	26,842
Provider tax	1,591	–	–	1,591
Depreciation and amortization	13,159	–	–	13,159
Interest expense	2,601	–	–	2,601
Total expenses	456,518	–	2,076	458,594
(Loss) income from operations	(37,906)	259	(414)	(38,061)
Nonoperating gains (losses)				
Investment income	(23)	–	42	19
Change in interest in investment pool	2,297	–	437	2,734
Change in fair value of interest rate swap agreements	1,298	–	–	1,298
Other components of pension expense	(966)	–	–	(966)
Net change in unrealized gains and losses on investments	–	–	–	–
Other	915	–	–	915
Total nonoperating gains	3,521	–	479	4,000
(Deficiency) excess of revenue over expenses	(34,385)	259	65	(34,061)
Net change in unrealized gains and losses on fixed-income investments	–	–	–	–
Net assets released from restrictions for capital purchases	–	–	–	–
Pension related adjustments	5,906	–	–	5,906
Transfers and other	(441)	–	446	5
(Decrease) increase in net assets without donor restrictions	\$ (28,920)	\$ 259	\$ 511	\$ (28,150)

The University of Vermont Medical Center Obligated Group

Consolidating Statement of Operations

Year Ended September 30, 2023

	UVM Medical Center	Central Vermont Medical Center	Champlain Valley Physicians Hospital Medical Center	Elizabethtown Community Hospital	UVM Health Network	Obligated Group Eliminations	Total UVM Medical Center Obligated Group
<i>(In Thousands)</i>							
Revenue and other support without donor restrictions							
Net patient service revenue before Enhanced Medicaid Graduate Medical Education revenues	\$ 1,448,506	\$ 191,280	\$ 394,377	\$ 58,823	\$ –	\$ (666)	\$ 2,092,320
Enhanced Medicaid Graduate Medical Education revenues – Hospital	29,415	–	–	–	–	–	29,415
Enhanced Medicaid Graduate Medical Education revenues – Professional	43,020	–	–	–	–	–	43,020
Net patient service revenue	1,520,941	191,280	394,377	58,823	–	(666)	2,164,755
Fixed prospective payment revenue	218,073	60,846	–	–	–	–	278,919
Premium revenue	3,331	2,067	–	1,376	–	–	6,774
Outpatient and specialty pharmacy revenue	247,794	9,058	13,315	2,381	–	–	272,548
Net assets released from restrictions	11,665	4,967	1,374	114	–	–	18,120
Other revenue	66,156	5,257	9,546	1,410	–	(4,682)	77,687
Total revenue and other support without donor restrictions	2,067,960	273,475	418,612	64,104	–	(5,348)	2,818,803
Expenses							
Salary, payroll taxes and fringe benefits	1,114,895	184,459	311,280	37,065	–	1,470	1,649,169
Supplies and other	659,048	62,330	102,591	10,761	2	(5,066)	829,666
Purchased services	56,444	22,824	25,296	5,914	(7,235)	(1,831)	101,412
Provider tax	87,547	14,428	1,591	192	–	–	103,758
Depreciation and amortization	69,412	6,845	13,159	3,511	228	–	93,155
Interest expense	16,066	434	2,601	398	7,005	–	26,504
Total expenses	2,003,412	291,320	456,518	57,841	–	(5,427)	2,803,664
Income (loss) from operations	64,548	(17,845)	(37,906)	6,263	–	79	15,139
Nonoperating gains (losses)							
Investment income	4,188	29	(23)	127	(4,588)	918	651
Change in interest in investment pool	50,477	484	2,297	788	11,393	(65,439)	–
Change in fair value of interest rate swap agreements	1,902	–	1,298	–	–	–	3,200
Other components of pension income (expense)	53	343	(966)	–	–	–	(570)
Net change in unrealized gains and losses on investments	1,803	6,283	–	15	81,619	(1,827)	87,893
Other	321	68	915	–	198	(78)	1,424
Total nonoperating gains	58,744	7,207	3,521	930	88,622	(66,426)	92,598
Excess (deficiency) excess of revenue over expenses	123,292	(10,638)	(34,385)	7,193	88,622	(66,347)	107,737
Net change in unrealized gains and losses on fixed-income investments	–	–	–	–	–	–	–
Net assets released from restrictions for capital purchases	254	57	–	57	–	–	368
Pension related adjustments	(1,380)	(10,354)	5,906	–	–	–	(5,828)
Transfers and other	(2,285)	(1,268)	(441)	–	(101,356)	100,430	(4,920)
Increase (decrease) in net assets without donor restrictions	\$ 119,881	\$ (22,203)	\$ (28,920)	\$ 7,250	\$ (12,734)	\$ 34,083	\$ 97,357

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

Consolidating Statement of Operations

Year Ended September 30, 2023

	Porter Hospital	Helen Porter Nursing Home	Other Porter Entities	Porter Medical Center Eliminations	Total Porter Medical Center
	<i>(In Thousands)</i>				
Revenue and other support without donor restrictions					
Net patient service revenue before Enhanced Medicaid Graduate Medical Education revenues	\$ 93,442	\$ 11,992	\$ –	\$ –	\$ 105,434
Enhanced Medicaid Graduate Medical Education revenues – Hospital	–	–	–	–	–
Enhanced Medicaid Graduate Medical Education revenues – Professional	–	–	–	–	–
Net patient service revenue	93,442	11,992	–	–	105,434
Fixed prospective payment revenue	22,022	–	–	–	22,022
Premium revenue	955	–	–	–	955
Outpatient and specialty pharmacy revenue	1,184	–	–	–	1,184
Net assets released from restrictions	81	4	–	–	85
Other revenue	2,094	321	5,116	(4,828)	2,703
Total revenue and other support without donor restrictions	119,778	12,317	5,116	(4,828)	132,383
Expenses					
Salary, payroll taxes and fringe benefits	70,733	14,400	4,063	(83)	89,113
Supplies and other	16,276	1,646	178	(85)	18,015
Purchased services	14,983	2,017	367	(4,660)	12,707
Provider tax	5,903	482	–	–	6,385
Depreciation and amortization	2,587	255	40	–	2,882
Interest expense	241	61	–	–	302
Total expenses	110,723	18,861	4,648	(4,828)	129,404
Income (loss) from operations	9,055	(6,544)	468	–	2,979
Nonoperating gains (losses)					
Investment income	342	45	38	–	425
Change in interest in investment pool	3,103	–	–	–	3,103
Change in fair value of interest rate swap agreements	–	–	–	–	–
Other components of pension (expense) income	(45)	(8)	5	–	(48)
Net change in unrealized gains and losses on investments	–	–	–	–	–
Other	252	–	40	(40)	252
Total nonoperating gains	3,652	37	83	(40)	3,732
Excess (deficiency) excess of revenue over expenses	12,707	(6,507)	551	(40)	6,711
Net change in unrealized gains and losses on fixed-income investments	–	–	–	–	–
Net assets released from restrictions for capital purchases	–	–	–	–	–
Pension related adjustments	314	58	(34)	–	338
Transfers and other	1,178	216	(126)	–	1,268
Increase (decrease) in net assets without donor restrictions	\$ 14,199	\$ (6,233)	\$ 391	\$ (40)	\$ 8,317

The University of Vermont Health Network Inc. and Subsidiaries

Consolidating Statement of Operations

Year Ended September 30, 2023

	Total UVM Medical Center Obligated Group	Alice Hyde Medical Center	Porter Medical Center	UVM Health Network Home Health & Hospice	Other Entities	Eliminations	Total UVM Health Network
	<i>(In Thousands)</i>						
Revenue and other support without donor restrictions							
Net patient service revenue before Enhanced Medicaid Graduate Medical Education revenues	\$ 2,092,320	\$ 84,368	\$ 105,434	\$ 23,554	\$ 3,877	\$ (1,457)	\$ 2,308,096
Enhanced Medicaid Graduate Medical Education revenues – Hospital	29,415	–	–	–	–	–	29,415
Enhanced Medicaid Graduate Medical Education revenues – Professional	43,020	–	–	–	–	–	43,020
Net patient service revenue	2,164,755	84,368	105,434	23,554	3,877	(1,457)	2,380,531
Fixed prospective payment revenue	278,919	–	22,022	–	–	–	300,941
Premium revenue	6,774	–	955	–	–	–	7,729
Outpatient and specialty pharmacy revenue	272,548	4,824	1,184	–	–	–	278,556
Net assets released from restrictions	18,120	23	85	402	842	–	19,472
Other revenue	77,687	5,819	2,703	2,127	18,294	(13,126)	93,504
Total revenue and other support without donor restrictions	2,818,803	95,034	132,383	26,083	23,013	(14,583)	3,080,733
Expenses							
Salary, payroll taxes and fringe benefits	1,649,169	71,669	89,113	24,926	15,909	122	1,850,908
Supplies and other	829,666	17,829	18,015	2,430	10,633	(13,666)	864,907
Purchased services	101,412	10,967	12,707	856	4,247	(1,039)	129,150
Provider tax	103,758	1,073	6,385	809	–	–	112,025
Depreciation and amortization	93,155	3,688	2,882	493	562	–	100,780
Interest expense	26,504	1,116	302	92	–	–	28,014
Total expenses	2,803,664	106,342	129,404	29,606	31,351	(14,583)	3,085,784
Income (loss) from operations	15,139	(11,308)	2,979	(3,523)	(8,338)	–	(5,051)
Nonoperating gains (losses)							
Investment income	651	225	425	–	3,922	20	5,243
Change in interest in investment pool	–	134	3,103	895	437	(4,569)	–
Change in fair value of interest rate swap agreements	3,200	–	–	–	–	–	3,200
Other components of pension expense	(570)	–	(48)	–	–	(1)	(619)
Net change in unrealized gains and losses on investments	87,893	–	–	–	(417)	(1,949)	85,527
Other	1,424	–	252	69	(1,886)	–	(141)
Total nonoperating gains	92,598	359	3,732	964	2,056	(6,499)	93,210
Excess (deficiency) excess of revenue over expenses	107,737	(10,949)	6,711	(2,559)	(6,282)	(6,499)	88,159
Net change in unrealized gains and losses on fixed-income investments	–	–	–	–	609	–	609
Net assets released from restrictions for capital purchases	368	–	–	–	–	–	368
Pension related adjustments	(5,828)	–	338	–	1	–	(5,489)
Transfers and other	(4,920)	409	1,268	500	2,526	369	152
Increase (decrease) in net assets without donor restrictions	\$ 97,357	\$ (10,540)	\$ 8,317	\$ (2,059)	\$ (3,146)	\$ (6,130)	\$ 83,799

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

The University of Vermont Health Network Inc. and Subsidiaries

Financial Responsibility Supplemental Schedule

Reference to Financial Statements and/or Notes	Ratio Element	Amount <i>(In Thousands)</i>
Primary reserve ratio		
Expendable net assets:		
Consolidated Balance Sheet	Net assets without donor restrictions	\$ 1,280,731
Consolidated Balance Sheet	Net assets with donor restrictions	116,450
Note 19. Financial Responsibility Ratios	Secured and unsecured related party receivable	1,844
Note 19. Financial Responsibility Ratios	Unsecured related party receivables	1,844
Note 19. Financial Responsibility Ratios	Property, plant and equipment, net at September 30, 2022	849,798
Note 19. Financial Responsibility Ratios	Property, plant and equipment, net acquired with debt during 2023	-
Note 19. Financial Responsibility Ratios	Property, plant and equipment, net acquired without debt during 2023	(28,173)
Note 19. Financial Responsibility Ratios	Net change in construction in progress	(7,411)
Note 19. Financial Responsibility Ratios	Total property, plant and equipment, net, at September 30, 2023	<u>\$ 814,214</u>
Note 19. Financial Responsibility Ratios	Lease right-of-use assets at September 30, 2022	\$ 63,449
Note 19. Financial Responsibility Ratios	Lease right-of-use assets at September 30, 2023	64,772
Not applicable	Intangible assets	-
Consolidated Balance Sheet	Post-employment and pension liabilities	19,601
Note 19. Financial Responsibility Ratios	Long-term debt at September 30, 2022	688,459
Note 19. Financial Responsibility Ratios	Long-term debt at September 30, 2023	772,507
Note 19. Financial Responsibility Ratios	Right-of-use liabilities at September 30, 2022	64,525
Note 19. Financial Responsibility Ratios	Right-of-use liabilities at September 30, 2023	66,113
Not applicable	Annuities with donor restrictions	-
Consolidated Balance Sheet	Term endowments with donor restrictions	67,898
Consolidated Balance Sheet	Restricted in perpetuity	48,552
Consolidated Balance Sheet	Total net assets with donor restrictions	<u>\$ 116,450</u>
Total expenses and losses:		
Consolidated Statements of Operations	Total expenses without donor restrictions	\$ 3,085,784
Consolidated Statements of Operations	Change in net unrealized gains and losses on investments whose use is limited	85,527
Consolidated Statements of Operations	Change in net unrealized gains and losses on other than trading investments whose use is limited	609
Consolidated Statements of Operations	Other components of pension income (expense)	(619)
Equity ratio		
Modified net assets:		
Consolidated Balance Sheet	Net assets without donor restrictions	1,280,731
Consolidated Balance Sheet	Net assets with donor restrictions	116,450
Not applicable	Intangible assets	-
Note 19. Financial Responsibility Ratios	Secured and unsecured related party receivable	1,844
Note 19. Financial Responsibility Ratios	Unsecured related party receivables	1,844
Modified assets:		
Consolidated Balance Sheet	Total assets	2,685,465
Note 19. Financial Responsibility Ratios	Lease right-of-use assets at September 30, 2023	64,772
Note 19. Financial Responsibility Ratios	Lease right-of-use liabilities at September 30, 2023	66,113
Note 19. Financial Responsibility Ratios	Secured and unsecured related party receivable	1,844
Note 19. Financial Responsibility Ratios	Unsecured related party receivables	1,844
Net income ratio		
Consolidated Statements Of Changes In Net Assets	Change in net assets without donor restrictions	83,799
Note 19. Financial Responsibility Ratios	Total revenue and gains, net without donor restriction	3,085,976

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