ST. ELIZABETH MEDICAL CENTER
AND AFFILIATE

Consolidated Financial Statements and
Other Financial Information

December 31, 2022 and 2021

ST. ELIZABETH MEDICAL CENTER
AND AFFILIATE

Index

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Mohawk Valley Health System:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of St. Elizabeth Medical Center and Affiliate, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and changes in net deficit and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Elizabeth Medical Center and Affiliate as of December 31, 2022 and 2021, and the results of their operations, changes in net deficit and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Elizabeth Medical Center and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements were issued.

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Report on the Audit of the Consolidated Financial Statements, Continued

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of St. Elizabeth Medical Center and Affiliate's internal control. Accordingly, no such opinion is expressed.

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Elizabeth Medical Center and Affiliate'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.

(Continued)

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Report on the Audit of the Consolidated Financial Statements, Continued

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2023, except for note 15 which is dated September 27, 2023, on our consideration of St. Elizabeth Medical Center and Affiliate's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of St. Elizabeth Medical Center and Affiliate's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Elizabeth Medical Center and Affiliate's internal control over financial reporting and compliance.

FustCharles LLP

FustCharles LLP

Syracuse, New York
May 31, 2023 except for note 15 and
our report on the supplementary information,
which are dated September 27, 2023

ST. ELIZABETH MEDICAL CENTER
AND AFFILIATE

Consolidated Balance Sheets

December 31, 2022 and 2021

Assets		2022	2021
Current assets:			
Cash and cash equivalents	$	1,575,146	1,010,384
Investments		24,302,754	28,334,351
Assets limited as to use		-	5,506,246
Patient accounts receivable, net		25,608,341	21,576,933
Other current assets		11,389,210	5,627,731
Inventories		7,828,506	7,703,011
Prepaid expenses		1,204,362	1,450,659
Total current assets		71,908,319	71,209,315
Assets limited as to use, net of current portion		834,564	970,427
Property and equipment, net		52,995,762	57,208,642
Operating lease right-of-use assets		1,036,724	1,502,840
Other assets		2,253,578	2,348,126
Total assets	$	129,028,947	133,239,350
Liabilities and Net Deficit			
Current liabilities:			
Current portion of long-term debt		28,000	82,000
Current portion of finance lease obligations		840,040	989,932
Current portion of operating lease liabilities		449,311	490,267
Current portion of estimated insurance liabilities		1,743,370	1,301,009
Accounts payable and accrued expenses		29,481,719	14,700,278
Accrued payroll, payroll taxes and benefits		6,290,436	8,908,790
Contract liability - Medicare Accelerated and Advance Payment Program		-	5,506,246
Checks issued in excess of bank balance		2,692,081	-
Estimated third-party payor settlements, net		5,894,221	19,239,323
Due to related parties, net		21,392,667	5,338,022
Other current liabilities		244,228	2,269,699
Total current liabilities		69,056,073	58,825,566
Accrued pension liability		17,654,095	36,106,891
Long-term portion of debt		29,872,083	30,309,682
Finance lease obligations		1,780,516	2,620,556
Operating lease liabilities, net of current portion		638,413	1,063,573
Estimated insurance liabilities		10,153,071	9,619,720
Other long-term liabilities		1,659,345	1,794,996
Total liabilities		130,813,596	140,340,984
Net assets (deficit):			
Without donor restrictions		(3,494,343)	(9,064,198)
With donor restrictions		1,709,694	1,962,564
Total net deficit		(1,784,649)	(7,101,634)
Contingencies (notes 7 and 10)			
Total liabilities and net deficit	$	129,028,947	133,239,350

See accompanying notes to the consolidated financial statements.

ST. ELIZABETH MEDICAL CENTER
AND AFFILIATE

Consolidated Statements of Operations and Changes in Net Deficit

Years ended December 31, 2022 and 2021

	2022	2021
Revenues, gains and other support without donor restrictions:		
Patient service revenue, net	$ 220,334,169	204,221,538
Pandemic Relief Fund grants	2,016,342	1,430,538
Other operating revenue	12,726,608	6,314,153
Total revenues, gains and other support without donor restrictions	235,077,119	211,966,229
Expenses:		
Salaries and wages	99,433,311	96,416,363
Employee benefits	18,345,730	16,867,573
Supplies and other	110,593,136	88,923,964
Depreciation and amortization	8,524,041	8,569,941
Interest	1,020,702	1,018,041
New York State gross receipts taxes	732,745	725,348
Total expenses	238,649,665	212,521,230
Loss from operations	(3,572,546)	(555,001)
Other revenue (expense):		
Contributions and other revenue (expense) without donor restrictions	(1,475)	70,118
Investment income (loss), net of fees	(3,819,335)	2,638,922
Other components of net periodic pension cost	(1,249,035)	(3,878,129)
Total other expense, net	(5,069,845)	(1,169,089)
Deficiency of revenues over expenses	(8,642,391)	(1,724,090)
Pension related changes other than net periodic pension cost	14,093,549	20,137,523
Contributions for property and equipment	-	250,231
Other	118,697	(465,599)
Change in net deficit without donor restrictions	5,569,855	18,198,065

(Continued)

ST. ELIZABETH MEDICAL CENTER
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Consolidated Statements of Operations and Changes in Net Deficit, Continued

		2022	2021
Change in net assets with donor restrictions:			
Change in net unrealized gains and losses on investments		(253,187)	530,120
Investment income, net		1,567	18,744
Net assets released from restrictions for operations		(1,250)	(178,690)
Change in net assets with donor restrictions		(252,870)	370,174
Total change in net deficit		5,316,985	18,568,239
Net deficit at beginning of year		(7,101,634)	(25,669,873)
Net deficit at end of year	$	(1,784,649)	(7,101,634)

See accompanying notes to the consolidated financial statements.

ST. ELIZABETH MEDICAL CENTER
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Consolidated Statements of Cash Flows

Years ended December 31, 2022 and 2021

		2022	2021
Cash flows from operating activities:			
Change in net deficit	$	5,316,985	18,568,239
Adjustments to reconcile change in net deficit to net cash used in operating activities:			
Depreciation and amortization		8,524,041	8,569,941
Amortization of debt issuance costs		63,521	60,401
Amortization of bond premium		(473,120)	(473,120)
Pension related changes other than net periodic pension cost		(14,093,549)	(20,137,523)
Other components of net periodic pension cost		1,249,035	3,878,129
Net gains and losses on investments and assets limited as to use		4,708,496	(2,511,372)
Contributions for property and equipment acquisitions		-	(250,231)
Changes in operating assets and liabilities:			
Patient accounts receivable		(4,031,408)	(2,273,642)
Inventories		(125,495)	(1,664,632)
Due to related parties, net		1,976,645	3,013,201
Prepaid expenses		246,297	(205,740)
Other assets		(5,666,931)	(4,320,321)
Accounts payable and accrued expenses		12,411,896	(1,958,215)
Estimated third-party payors settlements, net		(13,345,102)	3,863,896
Accrued pension liability		(5,608,282)	(5,092,000)
Contract liability - Medicare Accelerated and Advance Payment Program		(5,506,246)	(9,493,754)
Other liabilities		1,506,671	3,100,570
Net cash used in operating activities		(12,846,546)	(7,326,173)
Cash flows from investing activities:			
Purchases of property and equipment		(4,559,970)	(4,391,565)
Advances from related parties		14,078,000	-
Change in assets limited as to use, net		5,388,922	9,941,712
Change in investments, net		(423,712)	(2,009,425)
Net cash provided by investing activities		14,483,240	3,540,722
Cash flows from financing activities:			
Principal payments of long-term debt and financing lease obligations		(1,071,932)	(793,502)
Contributions for property and equipment acquisitions		-	250,231
Net cash used in financing activities		(1,071,932)	(543,271)
Net increase (decrease) in cash and cash equivalents		564,762	(4,328,722)
Cash and cash equivalents at beginning of year		1,010,384	5,339,106
Cash and cash equivalents at end of year	$	1,575,146	1,010,384

See accompanying notes to the consolidated financial statements.

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

(a) Organization

St. Elizabeth Medical Center (the Medical Center) is a voluntary not-for-profit acute care facility located in Utica, New York. The Medical Center provides medical, surgical, and psychiatric inpatient services. In addition, the Medical Center offers outpatient general diagnostic, ambulatory care, physical therapy, and emergency care services.

St. Elizabeth Medical Center Foundation, Inc. (the Foundation) is a not-for-profit organization whose primary purpose is to solicit, collect, and invest funds on behalf of the Medical Center. The Foundation has had minimal activity in 2022 and 2021, as the Mohawk Valley Health System Foundation primarily solicits and collects funds for the Medical Center and its affiliates.

Mohawk Valley Health System (MVHS), a not-for-profit corporation, and Partners in Ministries, Inc., which is sponsored by the Sisters of St. Francis of the Neumann Communities, are co-members of the Medical Center. MVHS is also the sole corporate member of various other organizations involved in providing healthcare services to the Mohawk Valley Region.

(b) Basis of Accounting

The accompanying consolidated financial statements include the accounts of the Medical Center and the Foundation. The Medical Center is the sole corporate member of the Foundation. For financial reporting purposes, the Medical Center is considered the reporting entity. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

As a member of MVHS, the Medical Center is affiliated with and transacts business with other healthcare providers in the MVHS network. Faxton St. Luke's Healthcare (Healthcare), provides acute care. Senior Network Health, LLC (SNH), provides Medicaid managed care to Medicaid eligible individuals. St. Luke's Home Residential Health Care Facility, Inc. d/b/a MVHS Rehabilitation and Nursing Center (Home) provides long-term healthcare. Mohawk Valley Home Care, LLC (MVHC), provides nursing services. Visiting Nurse Association of Utica and Oneida County, Inc. (VNA), provides home health care services.

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

(c) Use of Estimates

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

(d) Collective Bargaining Agreements

At December 31, 2022, the Medical Center had approximately 56% of its employees working under collective bargaining agreements. The United Food and Commercial Workers International Union agreement expires in June 2025. The New York State Nurses Association agreement expires in December 2024.

(e) Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturity of three months or less at date of purchase excluding amounts classified as assets limited as to use.

(f) Investments and Assets Limited as to Use

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

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

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

(f) Investments and Assets Limited as to Use, Continued

The Medical Center reviews investments for other-than-temporary impairment whenever the fair value of an investment is less than amortized cost and evidence indicates that an investment's carrying amount is not recoverable within a reasonable period of time. In the evaluation of whether an impairment is other-than-temporary, the Medical Center considers the reasons for the impairment, its ability and intent to hold the investment until the market price recovers or the investment matures, compliance with its investment policy, the severity and duration of the impairment, and expected future performance.

The Medical Center's investments in common stocks, exchange traded funds, mutual funds, debt securities and corporate and municipal bonds consist of investments diversified in several different industries. The Medical Center evaluated the near-term prospects of the issuer in relation to the severity and duration of impairment. Based upon the evaluation and the Medical Center's ability and intent to hold the securities for a reasonable period of time sufficient for a forecasted recovery of fair value, the Medical Center does not consider the securities in an unrealized loss position to be other-than-temporarily impaired at December 31, 2022 or 2021.

(g) Inventories

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

(h) Property and Equipment

Property and equipment acquisitions are recorded at cost, if purchased, or at fair value at the date of acquisition when acquired by gift. Property and equipment which is purchased under finance leases is stated at the lower of the present value of minimum lease payments at the beginning of the lease term or the fair market value at the inception of the lease.

Depreciation of property and equipment is calculated over the estimated useful life of each class of depreciable asset ranging from 2-40 years using the straight-line method. Property and equipment held under finance leases is amortized on the straight-line method over the lesser of the estimated useful life of the asset or the lease term. Amortization of equipment under finance leases is included in depreciation and amortization expense.

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

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

(i) Unamortized Debt Issuance Costs

Debt issuance costs are amortized using the straight-line method, which approximates the effective interest method over the terms of the related debt obligations.

Amortization expense amounted to approximately $60,000 in 2022 and 2021 and is included in interest expense within the consolidated statements of operations and changes in net deficit.

(j) Classification of Net Assets

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

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

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

The Medical Center's net assets with donor restrictions consist of endowment funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

Interpretation of Relevant Law

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

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

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Medical Center to retain as a fund of perpetual duration. If the situation were to occur, the deficiency would be recorded in the Medical Center's net assets with donor restrictions. A deficiency did not exist at December 31, 2022 or 2021.

Return Objectives, Strategies, Spending Policy and Investment Objectives

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

(Continued)

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

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

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

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

Changes in Endowment Funds

	2022		
	Without donor restrictions	With donor restrictions	Total
Endowment funds, January 1	$ 4,588,583	1,909,235	6,497,818
Investment return:			
Investment income	107,459	1,567	109,026
Net loss (realized and unrealized)	(707,020)	(252,752)	(959,772)
Endowment funds, December 31	$ 3,989,022	1,658,050	5,647,072

	2021		
	Without donor restrictions	With donor restrictions	Total
Endowment funds, January 1	$ 3,906,284	1,413,591	5,319,875
Investment return:			
Investment income	89,136	18,744	107,880
Net gain (realized and unrealized)	593,163	476,900	1,070,063
Endowment funds, December 31	$ 4,588,583	1,909,235	6,497,818

(Continued)

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

(l) Insurance Claims and Related Recoveries

The Medical Center recognizes liabilities associated with malpractice claims or similar contingent liabilities when the incidents that give rise to the claims occur. Further, the liability shall not be presented net of anticipated insurance recoveries. Any amounts expected to be reimbursed from an insurance company are presented in other assets. For the years ended December 31, 2022 and 2021, $350,000 has been recognized in the statements as a liability and a corresponding asset has been recorded to account for the anticipated recovery from the insurance company.

(m) Net Patient Service Revenue and Patient Accounts Receivable

Patient service revenue is reported at the amount that reflects the consideration to which the Medical Center 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 includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Medical Center bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Medical Center. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Medical Center believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient care services or outpatient (physician practices, emergency department, clinics and ambulatory care center) services. The Medical Center measures the performance obligation from admission into an inpatient stay facility or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services.

As substantially all of its performance obligations relate to contracts with a duration of less than one year, the Medical Center has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to in-house acute care at the end of the reporting period. The performance obligations for in-house acute care patients are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

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

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

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

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

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

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

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

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

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

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

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Medical Center also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Medical Center 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 patient service revenue in the period of the change. For the years ended December 31, 2022 and 2021, revenue due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years was not significant. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as provision for bad debts.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Medical Center’s compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Medical Center.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Medical Center’s historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the estimated settlements increased patient service revenue by approximately $7,400,000 and $518,000 in 2022 and 2021, respectively. The primary adjustment in 2022 related to changing regulations for hospitals that have operated and are continuing to operate a nursing and allied health program for Medicare.

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

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

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

The Medical Center is eligible to receive funds from several pools established under New York State Health Care Reform Act (NYHCRA). Amounts received from or remitted to the pools have been included as increases (decreases) to patient service revenue. Included in patient service revenue for 2022 and 2021 is approximately $3,705,000 and $(254,000), respectively, relating to uncompensated care pools. Differences between amounts recorded and final distributions from the pools will be included as adjustments to patient service revenue in the year that such distributions are finalized.

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

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

	2022			
	Government payors	Commercial and others	Self-pay	Total
Patient service revenue	$ 166,283,635	52,150,111	1,900,423	220,334,169

	2021			
	Government payors	Commercial and others	Self-pay	Total
Patient service revenue	$ 145,454,493	55,815,985	2,951,060	204,221,538

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

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

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

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

		2022	2021
Inpatient	$	119,382,957	110,278,576
Outpatient		100,951,212	93,942,962
	$	220,334,169	204,221,538

Patient Accounts Receivable

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

		2022	2021
Patient receivables	$	23,584,087	19,315,008
Contract assets		2,024,254	2,261,925
	$	25,608,341	21,576,933

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

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

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

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

Patient Accounts Receivable, Continued

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

	2022	2021
Medicare	43%	41%
Medicaid	14%	18%
Self-pay	5%	9%
Insurance and all others	38%	32%
	100%	100%

The allowance for doubtful accounts was not significant at December 31, 2022 and 2021.

(n) Charity Care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Medical Center's policy is not to pursue collection of amounts determined to qualify as charity care; therefore, these amounts are not reported in net patient service revenue. During 2022 and 2021, costs incurred by the Medical Center in the provision of charity care were based on the ratio of the Medical Center's costs to gross charges and approximated $187,000 and $258,000 for the years ended December 31, 2022 and 2021, respectively.

(o) Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which then are treated as cost. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. Contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net deficit as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the consolidated statements of operations and changes in net deficit.

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

(p) Deficiency of Revenues Over Expenses

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

(q) Income Taxes

The Medical Center and the Foundation have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. As of December 31, 2022 and 2021, the Medical Center and the Foundation did not have any unrecognized tax benefits or any related accrued interest or penalties. The tax years open to examination by federal and state taxing authorities are 2019 through 2022. The Medical Center and the Foundation does not anticipate the total unrecognized tax benefits will change in the next twelve months.

(r) Concentration of Credit Risk

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

(s) Subsequent Events

In October 2023, MVHS plans to open a new replacement hospital, named "Wynn Hospital" in downtown Utica. This new facility will consolidate the acute care services currently provided at Healthcare and the Medical Center into one location. Wynn Hospital will open under the current operating certificate of Healthcare, which will be renamed MVHS, Inc. All inpatient beds of the Medical Center and most outpatient services will transfer to the new campus. Most inpatient beds of Healthcare will transfer to the new campus, with 24 inpatient physical medicine and rehabilitation beds remaining at the existing campus. The operating certificates of all extension clinics currently under Healthcare and the Medical Center will be consolidated under the single operating certificate of MVHS, Inc. Through the consolidation, the Medical Center will change its legal name to St. Elizabeth Community Health Support and will continue to provide health services to the community, but will no longer remain an Article 28 facility and will no longer provide direct patient care. Management is still evaluating its plans for usage or disposition of the existing Healthcare and the Medical Center campus facilities as of the date of the consolidated financial statements.

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

(s) Subsequent Events, Continued

Subsequent events have been evaluated through May 31, 2023 which is the date consolidated financial statements were issued.

(2) Coronavirus (COVID-19) Pandemic

Pandemic

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") to provide economic assistance to ease the financial impact of COVID-19. Subsequent to the CARES Act, there were several pieces of legislation that were signed into law that continued and/or enhanced various provisions within the CARES Act.

Provider Relief Fund and Rural Payment Grants

During 2021, the Medical Center received approximately $1,968,000 in payments from the Provider Relief Fund (PRF) under the CARES Act and approximately $1,479,000 in rural payments under the American Rescue Plan Act of 2021 (ARP). Approximately $2,016,000 and $1,431,000 was recognized in other operating revenue in the consolidated statements of operations and changes in net deficit for the years ended December 31, 2022 and 2021, respectively. The Medical Center recognizes PRF and ARP rural payments as revenue when the related conditions are substantially met. Funds received from U.S. Department of Health and Human Services (HHS) represent payments to providers and do not need to be repaid as long as the Medical Center complies with certain terms and conditions imposed by HHS, including reporting and compliance requirements.

Centers for Medicare and Medicaid Services (CMS) Expanded Accelerated and Advance Payments Program

In April 2020 and October 2020, the Medical Center received payments totalling $15,000,000 in accelerated or advance payments under the CMS Expanded Accelerated and Advance Payments Program. These funds were recorded as a contract liability in the consolidated balance sheet. As of December 31, 2021, the remaining balance of the advance payments to be recouped amounted to approximately $5,506,000. This amount was recouped during 2022 and as of December 31, 2022, there is no longer a contract liability recorded in the accompanying consolidated balance sheet.

(2) Coronavirus (COVID-19) Pandemic, Continued

Deferment of Employer Side Social Security Payments

As allowed under the CARES Act, the Medical Center has deferred the employer portion of social security taxes from March 27, 2020 to December 31, 2020 amounting to approximately $4,200,000. The deferred employer portion of social security taxes was paid over a two year period. At December 31, 2021, the Medical Center had approximately $1,900,000 remaining in deferred employer portion of social security taxes. The remaining balance was repaid during 2022.

Federal Emergency Management Agency Funds

During 2022 and 2021, the Medical Center submitted applications totalling approximately $7,919,000 and $1,864,000, respectively, to the Federal Emergency Management Agency (FEMA) related to emergency protective measures costs incurred related to the coronavirus pandemic, all of which were recognized in other operating revenue in the consolidated statements of operations and changes in net deficit as a result of satisfying the conditions established by FEMA. As of December 31, 2021, approximately $1,864,000 was reflected as a receivable recorded in other current assets, which was received in January 2022. As of December 31, 2022, approximately $7,919,000 was reflected as a receivable recorded in other current assets, which was received in February 2023.

(3) Liquidity and Availability of Financial Assets

As of December 31, financial assets available within one year for general expenditure, such as operating expense, scheduled principal payments on debt, and capital construction costs not financed with debt, are as follows:

	2022	2021
Cash and cash equivalents	$ 1,575,146	1,010,384
Investments	24,302,754	28,334,351
Assets limited as to use	834,564	6,476,673
Patient accounts receivable, net	25,608,341	21,576,933
Other current assets	11,389,210	5,627,731
Total financial assets	63,710,015	63,026,072
Less amounts not available to be used within one year:		
Assets limited as to use	834,564	970,427
Other assets	350,000	350,000
Financial assets available to meet general expenditures within one year	$ 62,525,451	61,705,645

(Continued)

(3) Liquidity and Availability of Financial Assets, Continued

As part of the Medical Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Refer to note 4 for limitations on assets limited as to use, that may be available for use in 2022, subject to limitations defined.

In the event of an unanticipated liquidity need, the Medical Center could draw upon a $30,000,000 revolving note payable (note 6), of which approximately $4,349,000 is available at December 31, 2022.

(4) Assets Limited as to Use and Investments

The composition of assets limited as to use and investments, at fair value, at December 31 is set forth in the table below:

	2022	2021
Assets limited as to use:		
Internally designated cash - Medicare Accelerated and Advance Payment - current	$ -	5,506,246
Restricted by donors:		
Cash and cash equivalents	$ 28,530	156,981
Exchange traded funds	297,143	299,907
Domestic equity mutual funds	508,815	502,871
International equity mutual funds	-	4,904
U.S. government and agency debt securities	76	285
Domestic corporate bonds	-	5,479
Total assets limited as to use - long-term	$ 834,564	970,427
Investments:		
Cash and cash equivalents	$ 1,243,020	22,985
Common stock	23,873	30,500
Exchange traded funds	15,334,259	19,240,310
U.S. government and agency debt securities	52	191
Domestic corporate bonds	7,701,550	9,040,365
Total investments	$ 24,302,754	28,334,351

(5) Property and Equipment

Property and equipment at December 31 are as follows:

		2022	2021
Land	$	768,605	768,605
Land improvements		5,285,726	5,390,594
Buildings		62,445,946	62,217,432
Fixed equipment		33,317,828	35,468,010
Moveable equipment		67,740,753	67,348,461
Property and equipment under finance leases		9,817,993	9,817,993
		179,376,851	181,011,095
Less accumulated depreciation and amortization		(126,461,049)	(124,048,206)
		52,915,802	56,962,889
Construction-in-progress		79,960	245,753
Property and equipment, net	$	52,995,762	57,208,642

Depreciation and amortization expense for 2022 and 2021 was approximately $8,524,000 and $8,570,000, respectively.

(6) Revolving Note Payable

On November 21, 2019, MVHS, Healthcare and the Medical Center together entered into a revolving note payable agreement with a bank for $30,000,000. The revolving note payable is secured on a parity basis by the Master Trust Indenture Obligation (Master Trust) issued on November 21, 2019 to secure the obligations of the members of the Obligated Group (MVHS, Healthcare and the Medical Center) relating to the Oneida County Local Development Corporation Revenue Bonds Series 2019A (Series 2019A) and Series 2019B (Series 2019B) (note 7). The revolving note payable bears an interest rate at either the LIBOR daily, one-month, three-month or six-month periods on short-term borrowings and bears a monthly interest rate at one month LIBOR plus one hundred basis points (5.39% at December 31, 2022) on long-term borrowings. The revolving note payable is available through November 30, 2023.

At December 31, 2022 and 2021, a portion of the Obligated Group’s revolving note payable was reserved for six letters of credit totalling approximately $15,806,000 and $14,092,000, primarily related to self-insured liabilities, of which the Medical Center has approximately $4,896,000 and $4,820,000, respectively. At December 31, 2022, other members of the Obligated Group had $9,845,000 outstanding on the revolving note payable. There were no borrowings outstanding on the revolving note payable at December 31, 2021. The revolving note payable contains financial covenants, including a debt service coverage ratio requirement and a days cash on hand requirement. At December 31, 2022 and 2021, the Obligated Group was in compliance with the covenants.

(6) Revolving Note Payable, Continued

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

(7) Long-Term Debt and Lease Obligations

Long-term debt and finance lease obligations at December 31 are as follows:

	2022	2021
Series 2019-A Bonds (a)	$ 27,670,000	27,670,000
Series 2019-B Bonds (a)	87,000	169,000
Finance lease obligations (b)	2,620,556	3,610,488
	30,377,556	31,449,488
Plus unamortized bond premium	2,996,823	3,469,943
Less unamortized debt issuance costs	(853,740)	(917,261)
Less current portion:		
Long-term debt	(28,000)	(82,000)
Finance lease obligations	(840,040)	(989,932)
Long-term debt and finance leases, net of current portion and unamortized debt issuance costs and bond premium	$ 31,652,599	32,930,238

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

(a) The Obligated Group under the Master Trust Indenture (Master Indenture), dated as of March 1, 1998, as supplemented and amended, includes MVHS, Healthcare and the Medical Center (Obligated Group). In November 2019, the Obligated Group issued, through the Oneida County Local Development Corporation, Tax-Exempt Multi-Mode Revenue Bonds (Mohawk Valley Health System Project) Series 2019A (Series 2019A) in the amount of $236,785,000 and Taxable Multi-Mode Revenue Bonds (Mohawk Valley Health System Project) Series 2019B (Series 2019B) in the amount of $25,950,000. Related debt issuance costs of approximately $10,728,000 will be amortized over the life of the Bonds, of which the Medical center has approximately $1,038,000. The proceeds from the Series 2019 bonds are being used to finance or reimburse certain costs relating to the new hospital project, purchase of certain equipment at the Medical Center and Healthcare, implementation of Electronic Health Records (EHR) at the Medical Center and Healthcare, and to satisfy certain outstanding obligations.

The Series 2019A bonds mature on December 1, 2049 and bear interest at rates ranging between 3.00% and 5.00% with semi-annual payments due on June 1 and December 1, that commenced June 2020. Through 2024 interest only payments are due. Obligated Group principal payments range from $950,000 to $10,755,000 beginning in 2025 and through 2040. At that time the Obligated Group is required to make annual sinking fund payments to be used for mandatory redemption of the Series 2019A Bonds ranging from $11,080,000 to $12,105,000 through December 2044 and $12,470,000 to $14,585,000 through 2049. Payments including interest as well as amortization of debt issuance and premium costs are allocated to each member of the Obligated Group based on intended usage of funds. The premium on the Series 2019A Bonds was approximately $19,775,000, of which the Medical Center was allocated approximately $4,445,000.

The Series 2019B bonds mature on December 1, 2025 and bear interest at rates ranging between 2.252% and 2.727% with semi-annual payments due on June 1 and December 1, that commenced June 2020. Obligated Group principal payments range from $3,680,000 to $3,980,000 for the years 2023 through 2025. Payments including interest are allocated to each member of the Obligated Group based on intended usage of funds.

Each member of the Obligated Group is jointly and severally liable for all the obligations of the members issued pursuant to the Master Indenture. The bonds are insured and collateralized by the Obligated Group's gross receipts and the new hospital project. As of December 31, 2022 and 2021, the aggregate outstanding balance of all obligations under the Master Indenture totalled approximately $317,410,000 and $323,365,000, respectively, of which approximately $27,757,000 and $27,839,000, respectively, represents direct obligations of the Medical Center and are included as liabilities on the consolidated balance sheets.

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

Under the terms of the Master Indenture, the Obligated Group is required to meet certain covenant requirements. In addition, the indenture provides for restrictions on among other things, additional indebtedness. The Obligated Group was in compliance with these covenants at December 31, 2022 and 2021.

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

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

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

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

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

Operating and financing lease right-of-use assets and lease liabilities as of December 31 is as follows:

		2022	2021
Operating leases			
Right-of-use assets:			
Operating lease assets	$	1,036,724	1,502,840
Lease liabilities:			
Current portion of operating lease liabilities		449,311	490,267
Operating lease liabilities, net of current portion		638,413	1,063,573
Total operating lease liabilities	$	1,087,724	1,553,840
Finance leases			
Right-of-use assets:			
Property and equipment, net	$	4,496,860	5,012,764
Lease liabilities:			
Current portion of finance lease obligations		840,040	989,932
Finance lease obligations		1,780,516	2,620,556
Total finance lease obligations	$	2,620,556	3,610,488

Operating expenses for the leasing activity of the Medical Center as lessee for the years ended December 31 are as follows:

	Classification		2022	2021
Operating lease expense	Supplies and other expenses	$	579,570	552,801
Short-term lease costs	Supplies and other expenses		2,970,763	1,782,298
Financing lease interest	Interest expense		179,691	128,992
Financing lease amortization	Depreciation and amortization		515,904	801,849
Total lease costs		$	4,245,928	3,265,940

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

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

	2022	2021
Operating cash flows from operating leases	$ 579,570	552,801
Operating cash flows from finance leases	179,691	128,992
Financing cash flows from finance leases	515,904	731,502
Total	$ 1,275,165	1,413,295

There were no right-of-use assets obtained in exchange for new lease obligations for the years ended December 31, 2022 and 2021.

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

	2022	2021
Weighted average remaining lease term (years):		
Operating leases	2.88	3.78
Finance leases	4.90	5.50
Weighted average discount rates:		
Operating leases	3.25%	3.25%
Finance leases	3.25%	3.49%

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

Future scheduled principal payments of long-term debt and principal and interest payments of operating and financing leases are as follows at December 31, 2022:

	Long-term Debt	Finance leases	Total	Operating leases
2023	$ 28,000	918,734	946,734	452,724
2024	27,000	906,241	933,241	382,305
2025	982,000	361,981	1,343,981	223,133
2026	4,245,000	300,190	4,545,190	51,000
2027	4,460,000	286,308	4,746,308	35,806
Thereafter	18,015,000	55,815	18,070,815	-
Total payments	$ 27,757,000	2,829,269	30,586,269	1,144,968
Less amount representing interest		(208,713)	(208,713)	(57,244)
Present value of lease obligations		2,620,556	30,377,556	1,087,724
Less current portion		(840,040)	(840,040)	(449,311)
Lease obligations, net of current portion		$ 1,780,516	29,537,516	638,413

(8) Net Assets with Donor Restrictions

Net assets with donor restrictions, consisting of cash and cash equivalents, assets limited as to use and short-term investments at December 31 are available for the following purposes:

	2022	2021
Time or purpose:		
Capital improvements and other	$ 51,644	53,329
Scholarship endowments	240,071	374,559
Donor-restricted endowments	349,836	466,533
	641,551	894,421
Perpetual:		
The below perpetual amounts represent the corpus of the donor-restricted gifts. Income from these gifts is expendable for the following purposes:		
Endowments for scholarships	477,442	477,442
Foundation endowment funds	590,701	590,701
	1,068,143	1,068,143
	$ 1,709,694	1,962,564

(9) Pension Plans

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

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

(9) Pension Plans, Continued

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

	2022	2021
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 138,536,257	148,045,614
Interest cost	5,073,736	4,724,627
Actuarial gain	(35,012,090)	(9,390,125)
Benefits paid	(5,238,079)	(4,843,859)
Benefit obligation at end of year	103,359,824	138,536,257
Change in plan assets:		
Fair value of plan assets at beginning of year	102,429,366	90,587,329
Actual return on plan assets, net	(16,941,124)	11,711,033
Employer contributions	5,608,282	5,092,000
Benefits and administrative expenses paid	(5,390,795)	(4,960,996)
Fair value of plan assets at end of year	85,705,729	102,429,366
Funded status and accrued pension liability	$ (17,654,095)	(36,106,891)

The Medical Center had $12,899,727 and $26,993,276 of actuarial net losses in net deficit without donor restrictions as of December 31, 2022 and 2021, respectively, which have not yet been recognized as other components of net periodic pension cost.

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

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

	2022	2021
Administrative costs	$ 117,000	115,000
Interest cost	5,073,736	4,724,627
Expected return on plan assets	(7,041,416)	(6,357,795)
Amortization of unrecognized net loss	3,099,715	5,396,297
Net periodic pension cost	$ 1,249,035	3,878,129

(9) Pension Plans, Continued

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

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

	2022	2021
Discount rate	6.14%	3.74%
Expected long-term return on plan assets	7.50%	7.50%

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

	2022	2021
Discount rate	3.74%	3.25%
Expected long-term return on plan assets	7.50%	7.50%

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

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

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

(9) Pension Plans, Continued

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 or 2021.

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

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

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

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

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

	Assets at fair value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets in fair value hierarchy:				
Money market fund	$ -	655,745	-	655,745
Mutual funds	70,311,282	-	-	70,311,282
Investments measured at NAV:				
Alternative investments	-	-	-	14,738,702
	$ 70,311,282	655,745	-	85,705,729

(9) Pension Plans, Continued

		Assets at fair value as of December 31, 2021			
		Level 1	Level 2	Level 3	Total
Assets in fair value hierarchy:					
Money market fund	$	-	848,892	-	848,892
Mutual funds		85,287,455	-	-	85,287,455
Investments measured at NAV:					
Alternative investments		-	-	-	16,293,019
	$	85,287,455	848,892	-	102,429,366

The Medical Center expects to contribute $6,353,000 to its defined benefit plan in 2023.

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

		Benefit payments
2023	$	6,200,489
2024		6,401,249
2025		6,621,960
2026		6,861,876
2027		7,060,739
2028 - 2032		37,492,170

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

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

(9) Pension Plans, Continued

Contributions to this plan approximated $3,692,000 and $3,678,000 for the years ended December 31, 2022 and 2021, respectively.

The Medical Center also offers a 457(b) plan covering certain highly compensated employees. Participants may contribute amounts up to statutory limits on an annual basis. Under the plan the Medical Center may contribute between 2% and 4% of earnings over the 401(k) annual maximum amount depending on the employee's years of service. The Medical Center's contributions to the plan approximated $27,000 and $25,000 for the years ended December 31, 2022 and 2021, respectively. An asset and liability representing the total amount invested in the 457(b) plan totalling approximately $1,473,000 and $1,648,000 has been recorded as an other long-term asset and other long-term liability at December 31, 2022 and 2021, respectively.

(10) Contingencies

Professional Liability Insurance

Since 1986, the Medical Center's exposure for medical malpractice risk has been insured under a claims-made policy, which provided for $1,000,000 coverage for each claim, not to exceed $3,000,000 in aggregate annual coverage through March 15, 2022. Effective March 16, 2022, the Medical Center's claims-made policy provides for $2,000,000 coverage for each claim, not to exceed $6,000,000 in aggregate annual coverage. In addition, the Medical Center has purchased excess insurance policies. If the claims-made policy is not renewed or replaced with equivalent insurance, claims based on occurrences during the claims-made coverage period but reported subsequent to such a change will be uninsured. The Medical Center has a right under its present policy to acquire extended coverage if it decides to terminate its claims-made coverage, nor does it expect any difficulty in renewing the policies as they become due.

In the ordinary course of operations, the Medical Center is named as a defendant in various lawsuits, or events occur which could lead to litigation, claims, or assessments. Although the outcome of such matters cannot be predicted with certainty, management believes that insurance coverage is sufficient to cover current or potential claims, or that the final outcomes of such matters will not have a material adverse effect on the financial position of the Medical Center.

(10) Contingencies, Continued

Workers' Compensation Insurance

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

The Medical Center has been self-insured for these liabilities for certain years 2017 and prior. During 2018, the Medical Center enrolled in a high deductible plan with an insurance company with a deductible of $500,000 for each employee and occurrence, and an aggregate deductible of $15,000,000. Losses from asserted and unasserted workers compensation claims are discounted at 3.00% and accrued based on actuarial estimates that incorporate the Medical Center's past experience, the nature of each claim or incident, relevant trend factors, and estimated recoveries, if any, on unsettled claims. The Medical Center has accrued approximately $8,935,000 and $8,183,000 as of December 31, 2022 and 2021, respectively. These accruals are part of estimated insurance liabilities on the consolidated balance sheets. In conjunction with the self-insurance program, the Medical Center is required to post a letter of credit with the State of New York Workers Compensation Board. This letter of credit totalled $4,643,426 as of December 31, 2022 and 2021.

Self-Insured Risk

The Medical Center is self-insured for medical benefits. Based on claims experience, the Medical Center has accrued $223,423 and $(62,458) in current portion of estimated insurance liabilities as of December 31, 2022 and 2021, respectively, to cover or receive for non-domestic claims to be paid after year end.

 (Continued)

(11) Related Parties

Faxton St. Luke's Healthcare

The Medical Center and Healthcare have contracted with each other to provide certain operational services, including shared employment, provider coverage, patient care, rental of office space, and other shared services. In 2022 and 2021, the Medical Center purchased services totalling approximately $10,036,000 and $6,621,000, respectively, from Healthcare and sold services totalling approximately $6,474,000 and $4,605,000, respectively. Additionally, in the normal course of business, Healthcare and the Medical Center may transfer funds as needed to sustain operations. At December 31, 2022, Healthcare has transferred $14,078,000 to the Medical Center.

Mohawk Valley Health System

In April 2017, MVHS was notified by the New York State Department of Health of an award of $300 million granted under the Statewide Health Care Facility Transformation Program. This program provides funds to health care providers for the purpose of strengthening and protecting continued access to health care services in communities throughout New York State which are associated with a merger, consolidation or significant corporate restructuring activity that is part of an overall transformation plan intended to create a financially sustainable system of care. This award will be used by MVHS to consolidate inpatient care from Healthcare and the Medical Center into one, new integrated health campus. The cost projection for the new campus is estimated to be $626 million for a 702,000 square-foot facility. The remaining $326 million will come from MVHS capital, bonds and fundraising. This project is expected to be completed in 2023. MVHS has signed certain contracts related to the project, which includes commitments of approximately $88 million at December 31, 2022. The estimated cost to complete the project is approximately $160 million.

St. Luke's Home Residential Health Care Facility, Inc.

The Medical Center has contracted with St. Luke's Home Residential Health Care Facility, Inc. d/b/a MVHS Rehabilitation and Nursing Center (Home) to provide certain operational services. In 2022 and 2021, the Medical Center provided services totalling approximately $35,000 and $47,000, respectively. The Home provided services of approximately $33,000 to the Medical Center in 2022 and 2021.

(11) Related Parties, Continued

Net receivables (payables) at December 31 from (to) related parties for services performed and billing of other pass through expenses to and from the Medical Center are approximately as follows:

	2022	2021
Healthcare	$ (24,114,000)	(6,621,000)
MVHS	1,814,000	351,000
Home	909,000	933,000
Other	(2,000)	(1,000)
	$ (21,393,000)	(5,338,000)

Mohawk Valley EC, LLC

The Medical Center, Healthcare and Mohawk Valley EC Holdings, LLC entered into an agreement for the purpose of owning and operating a single-specialty ambulatory surgery center, exclusively providing gastroenterology services in Oneida County. As part of the agreement, the three members formed the Mohawk Valley EC, LLC (MVEC), a New York limited liability company. The Medical Center maintains a 20% interest and sharing ratio in MVEC. Amounts recognized based on the Medical Center's share is a gain of approximately $50,000 for the year ended December 31, 2022 and a gain of approximately $137,000 for the year ended December 31, 2021.

(12) Consolidated Statements of Cash Flow Supplemental Disclosures

The Medical Center's cash payments for interest and noncash activities as of or for the years ended December 31 were as follows:

	2022	2021
Cash paid during the year for interest	$ 945,934	948,547
Property and equipment acquisitions included in accounts payable	137,946	386,755

(13) Functional Expenses

The Medical Center provides general health care services to residents of the Mohawk Valley Region. Expenses presented by both nature and function related to providing these services are as follows for the years ended December 31:

	2022		
	Health Care services	General and administrative	Total
Salaries and wages	$ 87,427,256	12,006,055	99,433,311
Employee benefits	16,130,703	2,215,027	18,345,730
Supplies and other	97,083,066	13,510,070	110,593,136
Depreciation and amortization	7,487,173	1,036,868	8,524,041
Interest	-	1,020,702	1,020,702
New York State gross receipts taxes	732,745	-	732,745
Total expenses	$ 208,860,943	29,788,722	238,649,665

	2021		
	Health Care services	General and administrative	Total
Salaries and wages	$ 83,690,286	12,726,077	96,416,363
Employee benefits	14,667,392	2,200,181	16,867,573
Supplies and other	77,117,900	11,806,064	88,923,964
Depreciation and amortization	7,431,081	1,138,860	8,569,941
Interest	-	1,018,041	1,018,041
New York State gross receipts taxes	725,348	-	725,348
Total expenses	$ 183,632,007	28,889,223	212,521,230

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

(14) Fair Value of Financial Instruments

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

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

Cash and cash equivalents: consists of money market funds that are valued at the net asset value (NAV) reported by the financial institution.

Common stock, exchange traded funds and mutual funds: consists of actively traded equity securities and the Medical Center's investment in publicly traded mutual funds. Actively traded equity securities are valued on a continuous basis and mutual funds are valued at the closing price reported on an active market on which the individual securities are traded.

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

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

(14) Fair Value of Financial Instruments, Continued

The Medical Center's financial assets recognized at fair value in the consolidated financial statements on a recurring basis consist of investments and assets limited as to use. The Medical Center's consolidated financial statements do not contain financial liabilities or nonfinancial assets and liabilities that are recognized at fair value on a recurring basis. In general, and where applicable, management used quoted prices in active markets for identical assets to determine fair value.

	Fair value measurements at December 31, 2022			
	Total	Level 1	Level 2	Level 3
Assets:				
Assets limited as to use:				
Restricted by donors:				
Cash and cash equivalents	28,530	28,530	-	-
Exchange traded funds	297,143	297,143	-	-
Domestic equity mutual funds	508,815	508,815	-	-
U.S. government and agency debt securities	76	-	76	-
Total assets limited as to use	834,564	834,488	76	-
Investments:				
Cash and cash equivalents	1,243,020	1,243,020	-	-
Common stock	23,873	23,873	-	-
Exchange traded funds	15,334,259	15,334,259	-	-
U.S. government and agency debt securities	52	-	52	-
Domestic corporate bonds	7,701,550	-	7,701,550	-
Total investments	24,302,754	16,601,152	7,701,602	-
Total assets	$ 25,137,318	17,435,640	7,701,678	-

(14) Fair Value of Financial Instruments, Continued

	Fair value measurements at December 31, 2021			
	Total	Level 1	Level 2	Level 3
Assets:				
Assets limited as to use:				
Cash	$ 5,506,246	5,506,246	-	-
Restricted by donors:				
Cash and cash equivalents	156,981	156,981	-	-
Exchange traded funds	299,907	299,907	-	-
Domestic equity mutual funds	502,871	502,871	-	-
International equity mutual funds	4,904	4,904	-	-
U.S. government and agency debt securities	285	-	285	-
Domestic corporate bonds	5,479	-	5,479	-
Total assets limited as to use	6,476,673	6,470,909	5,764	-
Investments:				
Cash and cash equivalents	22,985	22,985	-	-
Common stock	30,500	30,500	-	-
Exchange traded funds	19,240,310	19,240,310	-	-
U.S. government and agency debt securities	191	-	191	-
Domestic corporate bonds	9,040,365	-	9,040,365	-
Total investments	28,334,351	19,293,795	9,040,556	-
Total assets	$ 34,811,024	25,764,704	9,046,320	-

(15) Financial Responsibility Standards

The Medical Center participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited financial statements submitted through ED's eZ-Audit system. The composite score has been and will continue to be based on three ratios: Primary Reserve, Equity and Net Income. These ratios utilize the following financial data of the Medical Center, which are not otherwise presented in the consolidated financial statements or other notes to the consolidated financial statements, as of and for the year ended December 31, 2022:

ST. ELIZABETH MEDICAL CENTER
AND AFFILIATE

Notes to Consolidated Financial Statements

(15) Financial Responsibility Standards, Continued

Required input per standards	Ratio(s) Uses		Amounts
Property and equipment, net – pre-implementation (inc. cap leases)	Primary reserve	$	28,573,067
Property and equipment, net – post-implementation with outstanding debt (inc. cap leases)	Primary reserve		6,090,373
Property and equipment, net – post-implementation without outstanding debt (inc. construction in process)	Primary reserve		18,332,322
Total property, plant and equipment, net	Not applicable	$	52,995,762
Long-term debt - for long term purposes pre-implementation (inc. cap leases)	Primary reserve		19,592,528
Long-term debt – for long term purposes post-implementation (inc. cap leases)	Primary reserve		8,415,000
Long-term debt – not for the purchase of property and equipment	Not applicable		4,513,111
Total long-term debt (including current installments)	Not applicable	$	32,520,639
Current portion of operating lease liabilities	Not applicable		449,311
Operating lease liabilities, net of current portion	Not applicable		638,413
Lease right-of-use obligations	Primary reserve	$	1,087,724
Net assets with donor restrictions: restricted in perpetuity	Not applicable		1,068,143
Net assets with donor restrictions: other for purpose or time	Not applicable		641,551
Net assets with donor restrictions	Primary reserve	$	1,709,694

ST. ELIZABETH MEDICAL CENTER AND AFFILIATE

Supplementary Schedule of Financial Responsibility Data

As of and for the year ended December 31, 2022

Location in financial statement or related notes	Financial element		Amount
Primary Reserve Ratio: Expendable Net Assets:			
Consolidated Balance Sheet	Net deficit without donor restrictions	$	(3,494,343)
Consolidated Balance Sheet	Net assets with donor restrictions		1,709,694
Consolidated Balance Sheet	Property and equipment, net (includes construction in progress and capital leases)	52,995,762	-
Note 15 - Financial Responsibility Standards	Property and equipment, net - pre-implementation (inc. cap leases)		28,573,067
Note 15 - Financial Responsibility Standards	Property and equipment, net - post-implementation with outstanding debt (inc. cap leases)		6,090,373
Note 15 - Financial Responsibility Standards	Property and equipment - post-implementation without outstanding debt		18,252,362
Note 5 - Property and Equipment	Construction in Process		79,960
Consolidated Balance Sheet	Lease right-of-use asset, net		1,036,724
Consolidated Balance Sheet	Post-employment and pension liabilities		17,654,095
Note 15 - Financial Responsibility Standards	Total long-term debt (inc. cap leases)	32,520,639	-
Note 15 - Financial Responsibility Standards	Long-term debt - for long term purposes pre-implementation (inc. cap leases)		19,592,528
Note 15 - Financial Responsibility Standards	Long-term debt - for long term purposes post-implementation (inc. cap leases)		8,415,000
Note 15 - Financial Responsibility Standards	Post-implementation right-of-use obligations		1,087,724
Note 8 - Net Assets with Donor Restrictions	Net assets with donor restrictions: restricted in perpetuity		1,068,143
Note 8 - Net Assets with Donor Restrictions	Net assets with donor restrictions: other for purpose or time		641,551
Primary Reserve Ratio: Expenses and Losses:			
Consolidated Statements of Operations and Changes in Net Deficit	Total expenses without donor restrictions		238,649,665
Consolidated Statements of Operations and Changes in Net Deficit	Other components of net period pension costs		(1,249,035)
Consolidated Statements of Operations and Changes in Net Deficit	Pension related changes other than net periodic pension cost		14,093,549
Equity Ratio: Modified Net Assets:			
Consolidated Balance Sheet	Net deficit without donor restrictions		(3,494,343)
Consolidated Balance Sheet	Net assets with donor restrictions		1,709,694
Equity Ratio: Modified Assets			
Consolidated Balance Sheet	Total assets		129,028,947
Net Income Ratio:			
Consolidated Statements of Operations and Changes in Net Deficit	Change in net deficit without donor restrictions		5,569,855
Consolidated Statements of Operations and Changes in Net Deficit	Total operating revenue and other additions (gains)		235,077,119
Consolidated Statements of Operations and Changes in Net Deficit	Investment return appropriated for spending		-
Consolidated Statements of Operations and Changes in Net Deficit	Non-operating revenue and other gains (losses)		(1,475)

See accompanying independent auditors' report.

ST. ELIZABETH MEDICAL CENTER
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Schedule of Expenditures of Federal Awards

Year ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Grantor Identifying Number	Federal Expenditures
U.S. Department of Education:			
Student Financial Aid Cluster:			
Federal Direct Student Loans Program	84.268	N/A	$ 872,745
Federal Pell Grant Program	84.063	N/A	257,347
Total Student Financial Aid Cluster			1,130,092
Total U.S. Department of Education			1,130,092
U.S. Department of Health and Human Services (DHHS):			
Direct programs:			
COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	N/A	3,446,980
Total direct programs			3,446,980
Passed through Health Research, Inc.:			
HIV Care Formula Grants	93.917	Unknown	157,410
National Bioterrorism Hospital Preparedness Program	93.889	U3REP190608	35,500
Total passed through Health Research, Inc.			192,910
Total U.S. Department of Health and Human Services			192,910
Total Expenditures of Federal Awards			$ 4,769,982

ST. ELIZABETH MEDICAL CENTER
AND AFFILIATE

Notes to Schedule of Expenditures of Federal Awards

Notes:

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of St. Elizabeth Medical Center and Affiliate under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of St. Elizabeth Medical Center and Affiliate, it is not intended to and does not present the financial position, results of operations and changes in net deficit or cash flows of St. Elizabeth Medical Center and Affiliate.

Note B - Summary of Significant Accounting Policies

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

Note C - Subrecipients

St. Elizabeth Medical Center and Affiliate provided no federal awards to subrecipients for the year ended December 31, 2022

Note D - Indirect Cost Rate

St. Elizabeth Medical Center and Affiliate has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note E - Federal Direct Student Loan Programs

Under the Federal Direct Student Loans Program including subsidized and unsubsidized Student Loans and Parents' Loans for Undergraduate Students, the St. Elizabeth Medical Center and Affiliate processes student loan applications for the federal government. The amount of loans issued for the St. Elizabeth Medical Center and Affiliate students and parents for the year ended December 31, 2022 was approximately $873,000. With respect to the Federal Direct Student Loans, the St. Elizabeth Medical Center and Affiliate is only responsible for the performance of certain administrative duties; therefore, the St. Elizabeth Medical Center and Affiliate's consolidated financial statements do not include any amounts relative to these loans

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ST. ELIZABETH MEDICAL CENTER
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Notes to Schedule of Expenditures of Federal Awards, Continued

Note F - Provider Relief Fund

St. Elizabeth Medical Center and Affiliate received amounts from DHHS through the Provider Relief Fund and American Rescue Plan (ARP) Rural Distributions program (Federal Financial Assistance Listing No. 93.498) during the year ended December 31, 2021 totalling $3,446,980. St. Elizabeth Medical Center and Affiliate incurred eligible expenses (including lost revenue) and, therefore, recognized revenue consisting of $2,016,342 and $1,430,538 for the years ended December 31, 2022 and 2021, respectively, in the consolidated financial statements. In accordance with the 2022 compliance supplement, the program's expenditures recognized on the schedule are based on the reporting to DHHS for Periods 3 and 4, defined as payments received during January 1, 2021 to December 31, 2021 of $3,446,980, as required under the program.

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

The Board of Directors
Mohawk Valley Health System:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of St. Elizabeth Medical Center and Affiliate, which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of operations and changes in net deficit and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 31, 2023, except for note 15 which is dated September 27, 2023.

Report on Internal Control Over Financial Reporting

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

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

(Continued)

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Report on Internal Control Over Financial Reporting, Continued

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

FustCharles LLP

Syracuse, New York
May 31, 2023, except for
note 15, which is dated
September 27, 2023

FustCharles LLP

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

The Board of Directors
Mohawk Valley Health System:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited St. Elizabeth Medical Center and Affiliate's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of St. Elizabeth Medical Center and Affiliate's major federal programs for the year ended December 31, 2022. St. Elizabeth Medical Center and Affiliate's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, St. Elizabeth Medical Center and Affiliate complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of St. Elizabeth Medical Center and Affiliate and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of St. Elizabeth Medical Center and Affiliate's compliance with the compliance requirements referred to above.

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Report on Compliance for the Major Federal Program, Continued

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to St. Elizabeth Medical Center and Affiliate's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding St. Elizabeth Medical Center and Affiliate's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of St. Elizabeth Medical Center and Affiliate's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of St. Elizabeth Medical Center and Affiliate's internal control over compliance. Accordingly, no such opinion is expressed.

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

(Continued)

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Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

FustCharles LLP

FustCharles LLP

Syracuse, New York
September 27, 2023

ST. ELIZABETH MEDICAL CENTER
AND AFFILIATE

Schedule of Findings and Questioned Costs

Year ended December 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major federal programs:

Federal Assistance Listing Number(s)	*Name of Federal Program or Cluster*
U.S. Department of Health and Human Services:	
84.268/84.063	U.S. Department of Education: Student Financial Assistance Cluster
U.S. Department of Health and Human Services:	
93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distributions

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

(Continued)

ST. ELIZABETH MEDICAL CENTER
AND AFFILIATE

Schedule of Findings and Questioned Costs, Continued

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None