



Eastern Maine Healthcare Systems d/b/a Northern Light Health

CONSOLIDATED FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

September 30, 2022 and 2021

With Independent Auditor's Report

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Consolidated Financial Statements

September 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Eastern Maine Healthcare Systems d/b/a Northern Light Health
Brewer, Maine

Opinion

We have audited the accompanying consolidated financial statements of Eastern Maine Healthcare Systems d/b/a Northern Light Health (Northern Light Health), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the “financial statements”).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Light Health as of September 30, 2022, and 2021, and the results of their operations, changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northern Light Health and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free 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 U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material

Board of Directors
Eastern Maine Healthcare Systems d/b/a Northern Light Health
Brewer, Maine

if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary consolidating statements of operations are presented for purposes of additional analysis rather than to present the results of operations of the individual entities, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
January 20, 2023

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Consolidated Balance Sheets

September 30, 2022 and 2021

ASSETS

(Dollars in thousands)	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 100,095	\$ 152,970
Short-term investments	-	155,119
Assets whose use is limited or restricted	13,185	13,222
Patient and trade accounts receivable	253,230	263,138
Estimated third-party payor settlements	107,162	116,651
Other receivables	16,864	21,991
Inventory	28,641	29,853
Prepaid expenses and other current assets	<u>15,474</u>	<u>11,609</u>
Total current assets	<u>534,651</u>	<u>764,553</u>
Property and equipment – net	<u>829,522</u>	<u>795,667</u>
Noncurrent assets whose use is limited or restricted		
Internally designated by the Board of Directors		
Funded depreciation	200,185	230,727
Other designated funds	126,936	172,528
Self-insurance and other funds	47,559	49,669
Bond funds held by trustees	-	8,145
With donor restrictions	78,332	79,243
Beneficial interest in perpetual trusts	<u>14,182</u>	<u>17,939</u>
Total noncurrent assets whose use is limited or restricted	<u>467,194</u>	<u>558,251</u>
Other assets		
Intangibles and other assets	28,188	24,765
Right-of-use – operating lease assets	<u>34,560</u>	<u>37,371</u>
Total other assets	<u>62,748</u>	<u>62,136</u>
Total assets	<u>\$ 1,894,115</u>	<u>\$ 2,180,607</u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

(Dollars in thousands)	<u>2022</u>	<u>2021</u>
Current liabilities		
Accounts payable	\$ 125,630	\$ 131,704
Accrued expenses and other current liabilities	157,690	156,415
Estimated third-party payor settlements	31,508	35,156
Medicare advance payments	40,490	136,479
Line-of-credit borrowings	8,245	8,245
Current portion of long-term debt	19,634	16,260
Current portion of right-of-use operating lease liability	5,877	5,581
Current portion of accrual for self-insurance	<u>15,644</u>	<u>16,567</u>
Total current liabilities	<u>404,718</u>	<u>506,407</u>
Noncurrent liabilities		
Long-term debt – net of current portion	522,375	535,274
Right-of-use operating lease liability, net of current portion	30,456	33,640
Accrual for self-insurance and postretirement benefits	229,948	259,423
Other liabilities	<u>10,138</u>	<u>5,690</u>
Total noncurrent liabilities	<u>792,917</u>	<u>834,027</u>
Total liabilities	<u>1,197,635</u>	<u>1,340,434</u>
Net assets		
Without donor restrictions	603,966	742,991
With donor restrictions	<u>92,514</u>	<u>97,182</u>
Total net assets	<u>696,480</u>	<u>840,173</u>
Total liabilities and net assets	<u>\$1,894,115</u>	<u>\$2,180,607</u>

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Consolidated Statements of Operations

Years Ended September 30, 2022 and 2021

(Dollars in thousands)	<u>2022</u>	<u>2021</u>
Revenue		
Net patient service revenue	\$ 1,795,810	\$ 1,773,148
Sales and contract revenue	11,441	13,007
Other revenue	196,171	237,974
Net assets with donor restrictions released from restrictions - operations	<u>2,684</u>	<u>2,947</u>
Total revenue	<u>2,006,106</u>	<u>2,027,076</u>
Expenses		
Compensation and employee benefits	1,136,355	1,128,103
Supplies and other	917,013	762,932
Depreciation and amortization	64,321	58,548
Interest	<u>20,134</u>	<u>20,335</u>
Total expenses	<u>2,137,823</u>	<u>1,969,918</u>
(Loss) income from operations	<u>(131,717)</u>	<u>57,158</u>
Other gains (losses)		
Income tax benefit	(475)	(560)
Joint venture income	6,245	4,800
Investment (losses) income and other, net	<u>(52,088)</u>	<u>23,228</u>
Total other (loss) gain – net	<u>(46,318)</u>	<u>27,468</u>
(Deficiency) excess of revenue and gains over expenses and losses	<u>(178,035)</u>	84,626
Noncontrolling interest	<u>-</u>	<u>2</u>
(Deficiency) excess of revenue and gains over expenses and losses – controlling interest	<u>(178,035)</u>	84,628
Other changes in net assets without donor restrictions		
Net assets with donor restrictions released from restrictions – capital acquisitions	7,675	7,084
Pension and postretirement plan – related adjustments	<u>31,335</u>	<u>25,029</u>
(Decrease) increase in net assets without donor restrictions – controlling interest	\$ <u>(139,025)</u>	\$ <u>116,741</u>

The accompanying notes are an integral part of these financial statements.

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Consolidated Statements of Changes in Net Assets

Years Ended September 30, 2022 and 2021

(Dollars in thousands)	Controlled Net Assets Without Donor Restrictions	Controlled Net Assets With Donor Restrictions	Total Controlled Net Assets	Total Noncontrolling Interest
Net assets – September 30, 2020	\$ <u>626,250</u>	\$ <u>81,385</u>	\$ <u>707,635</u>	\$ <u>(45)</u>
Excess of revenue and gains over expenses and losses	84,626	-	84,626	-
Noncontrolling interest	2	-	2	(2)
Noncontrolling dividends to member	-	-	-	47
Restricted contributions	-	15,470	15,470	-
Net assets released from restrictions				
Capital acquisitions	7,084	(7,084)	-	-
Operations	-	(2,947)	(2,947)	-
Restricted investment income and realized net gains	-	14,861	14,861	-
Change in net unrealized gains on investments	-	(4,503)	(4,503)	-
Pension and postretirement plan – related adjustments	<u>25,029</u>	<u>-</u>	<u>25,029</u>	<u>-</u>
Increase in net assets	<u>116,741</u>	<u>15,797</u>	<u>132,538</u>	<u>45</u>
Net assets – September 30, 2021	<u>742,991</u>	<u>97,182</u>	<u>840,173</u>	<u>-</u>
Deficiency of revenue and gains over expenses and losses	(178,035)	-	(178,035)	-
Restricted contributions	-	18,139	18,139	-
Net assets released from restrictions				
Capital acquisitions	7,675	(7,675)	-	-
Operations	-	(2,684)	(2,684)	-
Restricted investment income and realized net gains	-	394	394	-
Change in net unrealized gains on investments	-	(12,842)	(12,842)	-
Pension and postretirement plan – related adjustments	<u>31,335</u>	<u>-</u>	<u>31,335</u>	<u>-</u>
Decrease in net assets	<u>(139,025)</u>	<u>(4,668)</u>	<u>(143,693)</u>	<u>-</u>
Net assets – September 30, 2022	<u>\$ 603,966</u>	<u>\$ 92,514</u>	<u>\$ 696,480</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Consolidated Statements of Cash Flows

Years Ended September 30, 2022 and 2021

(Dollars in thousands)	<u>2022</u>	<u>2021</u>
Cash flow from operating activities		
(Decrease) increase in net assets	\$ (143,693)	\$ 132,583
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation, amortization, and accretion	63,725	57,434
Net gain on extinguishment of debt and interest rate swaps	-	1,277
Loss (gain) on sale of property and equipment	273	(205)
Net realized and unrealized losses (gains) on investments	64,253	(38,030)
Equity in earnings of joint venture	(6,245)	(4,800)
Pension and postretirement plan-related adjustments	(31,335)	(25,029)
Contributions with donor restrictions	(18,139)	(15,470)
Change in operating assets and liabilities		
Patient and trade accounts receivable	9,909	(47,412)
Other current assets	2,475	(5,130)
Other assets	164	1,452
Estimated third-party payor settlements	5,841	(11,147)
Medicare advance payments	(95,988)	(41,572)
Right-of-use – operating lease - net	(77)	1,850
Accounts payable, accrued expenses, and other liabilities	(18,780)	33,547
Accrual for self-insurance and postretirement benefits	<u>937</u>	<u>1,179</u>
Net cash (used) provided by operating activities	<u>(166,680)</u>	<u>40,527</u>
Cash flows from investing activities		
Purchase of property and equipment	(85,896)	(98,176)
Proceeds from sales of property and equipment	198	1,287
Proceeds from distributions of equity of joint ventures	2,884	1,400
Investment in joint ventures	-	(60)
Purchases of investments	(58,430)	(1,348,202)
Proceeds from sales of investments	173,472	1,489,026
Net changes in money market investments	<u>61,961</u>	<u>(147,549)</u>
Net cash provided (used) by investing activities	<u>94,189</u>	<u>(102,274)</u>
Cash flow from financing activities		
Proceeds from issuance of long-term debt	160	5,166
Repayment of long-term debt	(17,838)	(7,866)
Increase in borrowing collateralized by patient accounts receivable	8,374	-
Restricted contributions and investment income	18,534	30,331
Decrease (increase) in pledges receivable restricted for long-term purposes	<u>1,933</u>	<u>(3,398)</u>
Net cash provided by financing activities	<u>11,163</u>	<u>24,233</u>
Net decrease in cash and cash equivalents	(61,328)	(37,514)
Cash and cash equivalents and restricted cash – beginning of year	<u>168,426</u>	<u>205,940</u>
Cash and cash equivalents and restricted cash – end of year	\$ <u>107,098</u>	\$ <u>168,426</u>

The accompanying notes are an integral part of these financial statements.

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Consolidated Statements of Cash Flows (Concluded)

Years Ended September 30, 2022 and 2021

(Dollars in thousands)

	<u>2022</u>	<u>2021</u>
Composition of cash and cash equivalents and restricted cash – end of year		
Operating cash	\$ 100,095	\$ 152,970
Restricted cash – cash investments-bond funds, see Note 6	<u>7,003</u>	<u>15,456</u>
	<u>\$ 107,098</u>	<u>\$ 168,426</u>

Cash paid for interest approximated \$22,983 and \$23,204 for the years ended September 30, 2022 and 2021, respectively.

Noncash transactions

The System refinanced \$234,400 of tax-exempt bonds during the year ended September 30, 2021.

See Note 7 for disclosure of purchases of property and equipment included in accounts payable.

See Note 16 for disclosure of lease obligations entered into during the years ended September 30, 2022 and 2021.

The accompanying notes are an integral part of these financial statements.

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

1. Organization and Business

Eastern Maine Healthcare Systems (EMHS) d/b/a Northern Light Health is the parent company in an integrated healthcare delivery system. Northern Light Health controls its subsidiaries by means of stock ownership, corporate membership, or membership interests. Northern Light Health and its subsidiaries provide a broad range of healthcare and related services throughout Maine.

The primary function of Northern Light Health is to provide overall coordination and direction for the activities of the following corporations. Each affiliated organization is a tax-exempt charitable organization, unless otherwise noted.

Acadia Hospital, Corp. d/b/a Northern Light Acadia Hospital — Northern Light Acadia Hospital (Acadia) operates a 100-bed acute care psychiatric hospital located in Bangor, Maine and provides outpatient mental health services. Acadia also provides mental health services through the use of tele-psychiatry and in-person care to 19 Maine hospital emergency departments. Acadia is the sole corporate member of Acadia Healthcare, Inc. d/b/a Northern Light Acadia Healthcare. Northern Light Acadia Healthcare provides an alcohol and drug treatment program, adult and children's case management services, school-based services, employee assistance programs, mental health services integrated within primary care practices, and other mental health community services.

On November 9, 2021 Acadia received approval for a \$34,700,000 Certificate of Need (CON) from the State of Maine Department of Health and Human Services (DHHS) to construct a 50 single occupancy room facility and to renovate 50 existing rooms. On September 29, 2022, DHHS approved a revised capital cost of \$52,700,000. Construction for the project commenced in 2022.

Affiliated Healthcare Systems (AHS) — AHS is a taxable holding company. AHS has several subsidiaries and is a member in several joint venture limited liability companies.

The following are subsidiaries of Affiliated Healthcare Systems:

Affiliated Laboratory, Inc. d/b/a Northern Light Laboratory — Northern Light Laboratory provides medical laboratory services to various Northern Light Health companies, physicians, and many unaffiliated healthcare clients in Northern New England. Northern Light Laboratory operates its core medical laboratory in Bangor and has various drawing stations throughout the State.

Affiliated Healthcare Management — Affiliated Healthcare Management provides support for Affiliated Healthcare Systems companies.

Beacon Health, LLC — Beacon Health, LLC contracts with payors to provide population health management services and care coordination. Beacon Health, LLC is the sole member of Beacon Rural Health, LLC. Beacon Rural Health, LLC provides population health management services in the Medicare Shared Savings Program. Beacon Health, LLC is the sole shareholder of Beacon Direct, Inc. Beacon Direct, Inc. provides third party administrative, provider network management, and wellness services.

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

Blue Hill Memorial Hospital d/b/a Northern Light Blue Hill Hospital — Northern Light Blue Hill Hospital (Blue Hill) operates a 25-bed critical access hospital located in Blue Hill, Maine and has family and specialty practices in Blue Hill, Castine, Deer Isle-Stonington, and Bucksport.

On October 6, 2021, Blue Hill received approval for a \$18,200,000 CON from the State of Maine DHHS to undertake a modernization project on the current campus in Blue Hill, Maine. On September 29, 2022, DHHS approved a revised capital cost of \$25,400,000. Construction for the project commenced in 2022.

Charles A. Dean Memorial Hospital d/b/a Northern Light CA Dean Hospital — Northern Light CA Dean Hospital (CA Dean) operates a 25-bed critical access hospital and skilled care facility in Greenville, Maine and has family and specialty practices in Greenville, Monson, and Sangerville.

On October 6, 2021, CA Dean received approval for a \$13,600,000 CON from the State of Maine DHHS to undertake a project that would include replacement of the existing hospital. On September 29, 2022, DHHS approved a revised capital cost of \$22,400,000. Construction for the project commenced in 2022.

Eastern Maine Medical Center d/b/a Northern Light Eastern Maine Medical Center — Northern Light Eastern Maine Medical Center (EMMC) operates a 411-bed acute care medical center located in Bangor, Maine, which provides a variety of inpatient and ambulatory healthcare services. EMMC is the sole corporate member of Eastern Maine Medical Center Auxiliary, which raises funds to benefit EMMC.

M Drug, LLC d/b/a Northern Light Pharmacy — Northern Light Pharmacy operates five retail pharmacies in Bangor, Brewer, and Portland, Maine. Northern Light Pharmacy also operates a division that provides mail order and specialty medications.

LTC, LLC — EMMC is the sole member of LTC, LLC. LTC, LLC provides or supports a continuum of nonacute healthcare services. LTC, LLC is a 50% partner in nine separate partnerships, each of which owns and operates a nursing home, residential facility or apartment dwelling. On a combined basis, the nursing homes offer 306 long-term care beds, 54 assisted living units, 26 specialized care beds, and a 111-bed Alzheimer unit to the residents of Central and Northern Maine.

EMHS Foundation d/b/a Northern Light Health Foundation — Northern Light Health Foundation holds and manages funds without donor restrictions and funds with donor restrictions for the benefit of various Northern Light Health companies and other exempt organizations in Maine. The amount of assets held for the benefit of unrelated organizations is not material.

Inland Hospital d/b/a Northern Light Inland Hospital — Northern Light Inland Hospital (Inland) operates a 48-bed hospital located in Waterville, Maine. Inland is the sole member of Lakewood d/b/a Northern Light Continuing Care, Lakewood (Lakewood), which operates a 105-bed long-term care facility.

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

Maine Coast Regional Health Facilities d/b/a Northern Light Maine Coast Hospital — Northern Light Maine Coast Hospital (Maine Coast) operates a 64-bed acute care hospital located in Ellsworth, Maine.

Mercy Hospital d/b/a Northern Light Mercy Hospital — Northern Light Mercy Hospital (Mercy) operates a 200-bed acute care hospital located in Portland, Maine. Mercy provides inpatient and outpatient medical, surgical, obstetrical/gynecological care and has family and specialty practices in the greater Portland area.

Northern Light Health — Northern Light Health includes the operation of the home office as well as a wholly-owned subsidiary, WorkHealth, LLC.

WorkHealth, LLC — WorkHealth, LLC provides occupational and workplace healthcare services. Northern Light Health is the sole member of WorkHealth, LLC.

Northern Light Medical Transport — Northern Light Medical Transport provides emergency and non-emergency medical transportation services, including 911 response, in over 40 Maine communities.

Rosscare — Rosscare serves as a holding organization for distributions from the Sylvia Ross Trust, whose principal purpose is to fund rental subsidies to qualifying patients for living units at Sylvia Ross Assisted Living Home. The subsidies are distributed based upon applicant financial need contingent on the financial performance of the Trust.

Sebasticook Valley Health d/b/a Northern Light Sebasticook Valley Hospital — Northern Light Sebasticook Valley Hospital (SVH) operates a 25-bed critical access hospital located in Pittsfield, Maine and has family practices in Pittsfield, Newport, and Clinton, Maine, as well as specialty practices in Pittsfield and Detroit, Maine.

The Aroostook Medical Center d/b/a Northern Light A.R. Gould Hospital — Northern Light A.R. Gould Hospital (A.R.Gould) operates a community hospital in Presque Isle, Maine with 89 licensed beds and a nursing home in Mars Hill, Maine with 72 beds. A.R. Gould has family and specialty practices in Caribou, Fort Fairfield and Presque Isle, Maine.

VNA Home Health & Hospice d/b/a Northern Light Home Care & Hospice — Northern Light Home Care & Hospice provides home health, inpatient and community-based hospice, telehealth, palliative care, and community health services statewide.

MRH Corp. d/b/a Northern Light Mayo Hospital — Northern Light Mayo Hospital is a 25 bed, critical access hospital located in Dover-Foxcroft, Maine and has family and specialty practices in Corinth, Dexter, Dover-Foxcroft, and Milo.

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Northern Light Health and its controlled affiliates. The consolidated financial statements include 100% of the assets and liabilities of majority-owned subsidiaries. Material intercompany accounts and transactions among the affiliated organizations have been eliminated in preparing the consolidated financial statements.

The accompanying consolidated financial statements have been presented in conformity with U.S. generally accepted accounting principles (GAAP) consistent with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 954, *Health Care Entities*, and other pronouncements applicable to healthcare organizations.

For purposes of display, transactions deemed by management to be ongoing and central to the provision of healthcare services are reported as revenue and expenses. Peripheral or incidental transactions are reported as other gains and losses.

Northern Light Health reports its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Northern Light Health. These net assets may be used at the discretion of Northern Light Health's management and the Board of Directors (Board).

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Northern Light Health or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Significant estimates are made in the areas of patient accounts receivable, the valuation of investments and acquisitions, the determination of impairment of long-lived assets, self-insurance reserves, accrued retirement benefits, and amounts receivable and payable under reimbursement regulations.

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less at the date of purchase, excluding amounts classified as assets whose use is limited or restricted.

Northern Light Health maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. Northern Light Health has not experienced any losses on such accounts. Northern Light Health believes it is not exposed to any significant credit risk on cash.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based on quoted market prices. Equity investments that do not have readily determinable fair values can be carried at cost, less impairment, adjusted for observable events that provide evidence of fair value. Realized gains or losses on the sale of investments are determined by use of average cost. Realized and unrealized gains and losses on investments are reported as other gains (losses).

The recorded value of investments in hedge funds and limited partnerships is based on fair value as estimated by management using information provided by external investment managers. For investments in investment companies for which the fair value is not readily determinable, Northern Light Health utilized the Net Asset Value (NAV) reported by each of the underlying funds as a practical expedient to estimate the value of the investment for each of these funds. Management believes that these valuations are a reasonable estimate of fair value as of September 30, 2022 and 2021, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a market for the investments existed. Such differences could be material. Certain of the hedge fund and limited partnership investments have restrictions on the withdrawal of the funds (see Note 14).

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

Several Northern Light Health organizations own interests in joint venture entities. Ownership interests between 20% and 50% in a joint venture are accounted for by using the equity method of accounting and included in intangible and other assets. Using the equity method, the investment is increased by Northern Light Health organization's share of the entity's income and additional investments. The investment is decreased by Northern Light Health organization's share of the entity's losses and distributions.

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

Borrowing Collateralized by Patient Accounts Receivable

During 2022, Northern Light Health entered into a borrowing agreement collateralized by patient accounts receivable with a third party. Eligible patients can elect an arrangement with the third party or pay their balance in full. Northern Light Health receives payment for the account less a discount rate of 9.75%. If the patient loan balance to the third party becomes 60 days past due or there is a change in patient status, as defined by the borrowing agreement, Northern Light Health is required to repay the outstanding balance. Northern Light Health had advances under this arrangement of \$8,374,000 at September 30, 2022, collateralized by patient accounts receivable. The asset is included in patient and trade accounts receivable, and the corresponding liability is included in accrued expenses and other current liabilities on the consolidated balance sheet as of September 30, 2022.

Inventory

Northern Light Health records inventory at the lower of cost or market using the first-in, first-out, or average cost methods.

Assets Whose Use Is Limited or Restricted

Assets whose use is limited or restricted include Board designated assets, assets held in trust under debt agreements, self-insurance trust arrangements, and assets that are donor-restricted. Donor restricted trusts held by unrelated entities for the benefit of various Northern Light Health organizations are reported as beneficial interest in perpetual trusts. Board-designated assets may be used at the Board's discretion.

Property and Equipment

Property and equipment are initially recorded at cost or, in the case of gifts, at fair market value at the date of the gift. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the related assets.

Buildings and equipment under lease obligations are amortized using the straight-line method over the shorter period of the lease term or estimated useful life of the building or equipment. Such amortization is included in depreciation and amortization in the consolidated statements of operations.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as an increase in net assets without donor restrictions (excluded from the excess (deficiency) of revenue and gains over expenses and losses), unless explicit donor stipulations specify how the donated assets 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 an increase in net assets 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.

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Leases

Northern Light Health has adopted the provisions of FASB ASU No. 2016-02, *Leases* (Topic 842), using the modified retrospective approach, effective October 1, 2020. The standard requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. Right-of-use (ROU) assets and lease obligations are recognized on the balance sheet for all leases with a term greater than 12 months.

Leases have been classified as finance or operating leases, with classification affecting the expense recognition in the consolidated statement of operations. Northern Light Health elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. Northern Light Health also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes.

At the inception of a contract or arrangement, Northern Light Health determines if the contract or arrangement is, or contains, a lease based on the facts and circumstances. Lease classification then is determined as of the lease commencement date. Northern Light Health (i) determines the consideration of the contract, (ii) determines whether the lease is an operating or finance lease, and (iii) recognizes lease ROU assets and lease obligations.

The ROU assets represent Northern Light Health's right to use the underlying assets for the lease term and lease liabilities represent the obligation to make lease payments arising from the leases. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Northern Light Health uses the implicit interest rate within the contract. If not readily available, Northern Light Health uses the estimated incremental borrowing rate. An ROU asset and lease liability are not recognized for leases with an initial term of 12 months or less.

Lease expense on operating leases is recognized over the expected lease term on a straight-line basis, while expense on finance leases is recognized using the effective interest rate method. Lease expense on operating leases is reported as operating lease cost, whereas finance lease ROU assets are amortized to expense over the lease term and interest costs are expensed on the lease obligation throughout the lease term.

Impairment of Long-Lived Assets

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

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Asset Retirement Obligations

Northern Light Health recognizes the liability for conditional asset retirement obligations when a legal obligation to perform asset retirement activities exists. The fair value of the liability for the legal obligation associated with an asset retirement is recorded in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement is capitalized.

Substantially all of the asset retirement obligations recorded relate to estimated costs to remove asbestos that is contained within Northern Light Health's facilities. The adjustments to the carrying amount of the asset retirement obligation were approximately \$26,000 and \$64,000 in 2022 and 2021, respectively, and were primarily attributable to revised estimates and accretion expense.

Costs of Borrowing

Interest costs incurred on borrowed funds during the period of construction of capital assets, net of investment income on borrowed assets held by trustees, are capitalized as a component of the cost of acquiring those assets. The amount of interest that was capitalized totaled approximately \$1,383,000 and \$2,130,000 in 2022 and 2021, respectively. Deferred financing costs and original issue premiums and discounts are amortized over the period the related obligation is outstanding using the effective interest rate method.

Endowment

Northern Light Health has interpreted state law as requiring realized and unrealized gains of net assets with donor restrictions to be retained in a net asset with donor restriction classification until appropriated by the Board and expended. As a result of this interpretation, Northern Light Health classifies as net assets with donor restrictions (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 the 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 composed of accumulated gains not required to be maintained in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the donor's stipulations.

Northern Light Health administers a formal spending policy consistent with state law to appropriate the net appreciation of net assets with donor restrictions as is deemed prudent by the Board considering Northern Light Health's long-term and short-term needs, price-level trends, and general economic conditions. Under this policy, Northern Light Health maintains an annual spending level generally in the range of 3%-6%, with a target of 5%, of each endowment fund's moving five-year average market value. Endowment assets are invested in a manner to generate returns at least equal to the planned spending, plus inflation over the long term. To satisfy its long-term rate-of-return objectives, Northern Light Health targets a diversified asset allocation that places a greater emphasis on equity-based investments within prudent risk constraints. Realized and unrealized gains on net assets with donor restrictions, which are not specifically restricted by donors, are reported as a net asset with donor restrictions until appropriated by the Board and expended.

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Patient Service Revenue and Accounts Receivable

Patient service revenue is reported at the amount that reflects the consideration to which Northern Light Health 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, Northern Light Health 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 Northern Light Health. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Northern Light Health believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in hospitals receiving inpatient acute care services or patients receiving services in outpatient centers or in their homes. Northern Light Health measures the performance obligation from admission into the hospital 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. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to patients and customers in a retail setting (for example, pharmaceuticals) and Northern Light Health does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, Northern Light Health 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 inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

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

Northern Light Health determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. Northern Light Health determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Patient and trade accounts receivable are stated at the amount management expects to collect from outstanding balances.

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 follows:

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Medicare

The acute care medical hospitals are subject to the federal Prospective Payment System (PPS) for Medicare inpatient hospital services, inpatient skilled nursing facility services, inpatient rehabilitation services, and certain outpatient services. Under these prospective payment methodologies, Medicare pays a prospectively-determined per discharge, per day, per procedure, or per visit rate for non-physician services. These rates vary according to the applicable Diagnosis Related Group (DRG), Case-Mix Group, or Resource Utilization Group. Capital costs related to Medicare inpatient PPS services are paid based upon a standardized amount per discharge weighted by DRG. For most outpatient services, Medicare makes payments based upon the Ambulatory Payment Classification (APC) of each patient. Certain other outpatient services are reimbursed according to fee schedules.

Northern Light Maine Coast Hospital, and Northern Light A.R. Gould Hospital participate in a Medicare Rural Community Hospital Demonstration Project and are, therefore, no longer subject to PPS payments for inpatient hospital services and associated capital costs for the duration of this program. During the first fiscal year of the program, Medicare paid for the full reasonable costs incurred for inpatient services provided. The payment for subsequent years is the lesser of reasonable costs or a target amount determined by increasing the first-year program costs by the inpatient prospective payment factor update for each succeeding year. Northern Light Inland Hospital became eligible for Medicare Dependent Hospital status effective October 1, 2019, which provides for payments of inpatient services at the greater of a federal rate or a blend of a hospital specific rate. Effective April 1, 2020, Northern Light Maine Coast Hospital became designated as a sole-community hospital, and as such, receives enhanced outpatient reimbursement and is eligible to participate in the 340B program. Several Northern Light Health hospitals receive Disproportionate Share Hospital payments. These payments are made to qualifying hospitals to cover the costs of providing care to low-income patients.

Providers of home health services to clients eligible for Medicare home health benefits are paid on a prospective basis, with no retrospective settlement. The prospective payment is based on the scoring attributed to the acuity level of the client at a rate determined by federal guidelines. Providers of hospice services to clients eligible for Medicare hospice benefits are paid on a fee-for-service basis, with no retrospective settlement, provided the Agency's aggregate annual Medicare reimbursement is below a predetermined aggregate capitated rate. Revenue is recognized as the services are performed based on the fixed rate amount.

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MaineCare

MaineCare is the State of Maine's Medicaid program. Inpatient reimbursement for acute care medical hospitals is based upon prospectively-determined rates that vary according to the applicable DRG. Capital and physician service costs related to MaineCare inpatient services are paid based on a percentage of allowable costs. For most outpatient services, MaineCare makes payment based upon the APC of the patient. Outpatient physician services are paid on a percentage of allowable costs and certain other outpatient services are reimbursed according to fee schedules. Acute hospitals receive interim payments for capital costs and physician services at a tentative rate with final settlement determined after completion of annual cost reports by the State. Nursing facilities are reimbursed partially on a prospectively-determined per diem rate for direct and routine services together with a fixed cost component that is subject to final settlement determined after completion of an annual cost report by the State.

As a specialty psychiatric hospital facility, Northern Light Acadia Hospital is reimbursed for Medicare inpatient services on a PPS basis. The prospective payment methodology for psychiatric facilities is based on a variable acuity per diem rate. Northern Light Acadia Hospital is reimbursed for MaineCare inpatient services based on a negotiated rate related to established charges. Outpatient services are reimbursed based on a percentage of cost.

Northern Light Blue Hill Hospital, Northern Light CA Dean Hospital, Northern Light Mayo Hospital, and Northern Light Sebecook Valley Hospital have been granted Critical Access Hospital (CAH) status by the Medicare and MaineCare Programs. Each CAH is reimbursed a percentage of allowable costs for inpatient and outpatient services provided to Medicare and MaineCare patients.

Northern Light Health has entered into various health management contracts. The contracts provide shared gains and losses based on performance against cost benchmarks with adjustments for quality goals.

The State assesses a healthcare provider tax on the revenues of hospitals. The amount of tax assessed to Northern Light Health organizations was approximately \$37,030,000 and \$33,393,000 in 2022 and 2021, respectively. This amount has been reported in supplies and other expenses in the accompanying consolidated statements of operations.

Laws and regulations concerning government programs, including Medicare and MaineCare, 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 Northern Light Health'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 Northern Light Health. In addition, the contracts Northern Light Health has with commercial payors also provide for retroactive audit and review of claims.

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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 Northern Light Health'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 become settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from changes in transaction price in 2022 and 2021 increased patient service revenue by \$10,494,000 and \$7,879,000, respectively.

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

Patients who meet Northern Light Health's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue. Northern Light Health estimates the costs associated with providing charity care by calculating a ratio of total cost to total gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for free care. The estimated cost of caring for charity care patients was \$13,996,000 and \$12,193,000 for 2022 and 2021, respectively. Funds received from gifts and grants to subsidize charity services provided were \$582,000 and \$405,000 for 2022 and 2021, respectively.

For uninsured patients who do not qualify under the Northern Light Health's sliding fee discount program, Northern Light Health bills the patient based on Northern Light Health's amount generally billed (AGB) for services provided. Patient balances are typically due within 30 days of billing; however, Northern Light Health has entered 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.

Northern Light Health has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, service lines, method of reimbursement, and timing of when revenue is recognized. Tables providing details of these factors are presented in Note 5.

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Contributions and Gifts

Unconditional promises to give cash and other assets to Northern Light Health are reported at fair value at the date the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received and the conditions are met. Gifts are reported as an increase in 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 as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as additions to net assets without donor restrictions in the accompanying consolidated financial statements.

(Deficiency) Excess of Revenue and Gains Over Expenses and Losses

The consolidated statements of operations include (deficiency) excess of revenue and gains over expenses and losses. Changes in net assets without donor restrictions which are excluded from (deficiency) excess of revenue and gains over expenses and losses, consistent with industry practice, include transfers of assets to and from affiliates for other than goods and services, pension and postretirement plan adjustments, 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).

Other Revenue (Losses)

Investment (losses) income on operating assets without donor restrictions is included in other revenue in the year earned. Grant revenue, meaningful use incentives, 340B drug discount program revenue, cafeteria sales, and gift shop revenue are also included in other revenue.

Income Taxes

Northern Light Health, its hospitals, and certain other affiliates have been determined by the Internal Revenue Service to be tax-exempt charitable organizations as described in Section 501(c)(3) or 501(c)(2) of the Internal Revenue Code (the Code) and, accordingly, are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for federal income taxes has been recorded in the accompanying consolidated financial statements for these organizations.

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Tax-exempt charitable organizations could be required to record an obligation for income taxes as the result of a tax position they have historically taken on various tax exposure items, including unrelated business income or tax status. Under guidance issued by FASB, assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the “more-likely-than-not” threshold, based upon the technical merits of the position. Estimated interest and penalties, if applicable, related to uncertain tax positions are included as a component of income tax expense. Northern Light Health has evaluated its tax position taken or expected to be taken on income tax returns and concluded the impact to be not material.

Certain of Northern Light Health's affiliates are taxable entities. Deferred taxes related to these entities are based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years the differences are expected to reverse. The deferred tax assets and liabilities for these entities are not material.

Accrual for Self-Insurance Liabilities

The liabilities for outstanding losses and loss-related expenses include estimates for professional and general liability losses incurred, but not reported, as well as losses pending settlement. Insurance recoveries are included in other assets and are not netted against the liability. Such liabilities are necessarily based on estimates, and while management believes that the amounts provided are adequate, the ultimate liability may be in excess of or less than the amounts provided. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The methods for making such estimates and the resulting liability are actuarially reviewed on an annual basis and any adjustments are reflected in operations during the related period.

Northern Light Health also estimates and records a liability for claims incurred, but not reported for employee health and dental benefits provided through self-insured plans. The liability is estimated based on prior claims experience and the expected time period from the date such claims are incurred to the date the related claims are submitted and paid.

Accounting for Defined Benefit Pension and Other Postretirement Plans

Northern Light Health recognizes the overfunded or underfunded status of its defined benefit and postretirement plans as an asset or liability in its consolidated balance sheets. Certain changes in the funded status of the plans are reported as a change in net assets without donor restrictions presented below the (deficiency) excess of revenue and gains over expenses and losses in the consolidated statements of operations and changes in net assets in the year in which the changes occur.

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COVID-19

In March 2020, the World Health Organization declared coronavirus disease (COVID-19) a global pandemic and the United States federal government declared COVID-19 a national emergency. Northern Light Health implemented an emergency response to ensure the safety of its patients, staff, and the community. In an effort to reduce the spread of COVID-19 and in response to the urging of the Centers for Disease Control and Prevention and the U.S. Surgeon General, elective and non-urgent care was postponed beginning in mid-March of 2020. Additional factors in this decision were the effort to reduce personal protective equipment (PPE), which was in critically short supply worldwide. Due to the potential need for additional hospital beds, certain member hospitals requested and were approved by the State of Maine DHHS to temporarily increase licensed beds by 123 in total. The temporary licensed bed increase has been extended to continue until Maine's COVID-19 public health emergency has ended.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act established the Provider Relief Fund (PRF), PRF Phase 4 funds and American Rescue Plan (ARP) Rural payments to support healthcare providers in the battle against the COVID-19 outbreak. The PRF is being administered by the U.S. Department of Health and Human Services. The Organization has received \$32,570,088 in ARP Rural payments and \$19,904,224 in PRF Phase 4 payments during the year ended September 30, 2022. The Organization received PRF in the amount of \$72,866,131 during the year ended September 30, 2021. PRF funds are to be used for qualifying expenses and to cover lost revenue due to COVID-19. The PRF are considered contributions and are recognized in other revenue when qualifying expenditures or lost revenues have been incurred. Management believes the Organization met the conditions necessary to recognize contributions of \$52,474,312 and \$82,640,926 during the years ended September 30, 2022 and 2021, respectively. Management believes the position taken is a reasonable interpretation of the rules currently available. Due to the complexity of the reporting requirements and the continued issuance of clarifying guidance, there is at least a reasonable possibility the amount of income recognized related to the lost revenues may change by a material amount. Any difference between amounts previously estimated and amounts subsequently determined to be recoverable or payable will be included in income in the year that such amounts become known.

In 2020, Northern Light Health received approximately \$178,051,000 in funds from the Medicare Accelerated and Advance Payment Program, which represent working capital financing which will be repaid through the provision of future services to the Medicare program. Beginning in April 2021, 25% of Medicare payments due Northern Light Health were withheld to offset the liability. Beginning in March 2022, the withheld amount was raised to 50% for amounts remaining. In 2022, CMS offered an extended repayment plan of the remaining balance. Northern Light Health agreed to various repayment plans, beginning in November 2022 and ending September 2023. The repayment plan withholds an equal amount from remittances for each month of the period until the balance is satisfied. Interest is assessed at 4% of the outstanding balance over the repayment period. Amounts to be repaid are included in current liabilities on the consolidated balance sheet as of September 30, 2022 and 2021, respectively.

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The CARES Act also provided for an extension of time to remit payroll taxes for the period beginning March 27, 2020 and ending before January 1, 2021. Repayment is allowed over a two-year period with half due by December 31, 2021 and the remainder due by December 31, 2022. Deferred payroll taxes included in accrued expenses and other current liabilities total \$15,800,000 and \$31,500,000 at September 30, 2022 and 2021, respectively.

Subsequent Events

For purposes of the preparation of these consolidated financial statements, Northern Light Health has considered transactions or events occurring through January 20, 2023, which was the date that the financial statements were issued.

Subsequent to September 30, 2022, Northern Light Health negotiated a master services agreement with an outside vendor relating to the provision of certain operational functions including revenue cycle management, information systems, inpatient care management, analytics, enterprise project management, and supply chain. If this transaction is completed as contemplated, the employment of approximately 1,400 employees involved in these operational areas would transfer to the vendor in the first half of calendar 2023.

3. Liquidity and Availability of Financial Assets

As of September 30, 2022 and 2021, Northern Light Health has a working average days (based on normal expenditures) cash (from all sources) on hand of 75.20 and 135.84, respectively.

Financial assets available for general expenditures within one year of the balance sheet date consist of the following (dollars in thousands):

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 100,095	\$ 152,970
Short-term investments	-	155,119
Accounts receivable	253,230	263,138
Estimated third-party payor settlements	107,162	116,651
Other receivables	<u>16,864</u>	<u>21,991</u>
	<u>\$ 477,351</u>	<u>\$ 709,869</u>

Northern Light Health has other assets whose use is limited to use for donor-restricted purposes, debt service, and for the professional and general liability insurance program. Additionally, certain other Board-designated assets are designed for future capital expenditures and an operating reserve. These assets whose use is limited, which are more fully described in Note 6 are not for general expenditure within the next year and are not reflected in the amounts above. However, the Board-designated amounts could be made available, if necessary.

Northern Light Health maintains lines of credit totaling approximately \$150 million, as discussed in more detail in Note 9. As of September 30, 2022, approximately \$142 million remained available on the lines of credit. Management regularly monitors liquidity required to meet its operating needs and other contractual commitments.

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4. Community Benefit

Northern Light Health provides a wide range of free or reduced cost programs and services to those in need of care, injured, or disabled. In addition, a vital role of Northern Light Health is to work in partnership with others to assess community needs and improve population health through prevention and intervention efforts.

Community benefits are provided via a broad range of community health improvement efforts. They are programs, services, and investments designed to improve the health of our communities and increase access to healthcare in response to identified community health needs. These benefits are designed to improve access to healthcare services, enhance the health of the community, advance medical or healthcare knowledge, and relieve or reduce the burden of government or other community efforts.

Community benefit activities are integral to the mission of Northern Light Health and are the basis of tax exemption. Northern Light Health provides community benefit in the form of community health improvement services, health professions education, research, cash and in-kind donations, community building activities, and low or no cost healthcare services to uninsured patients. Northern Light Health and its member organizations strive to improve population health and promote wellness for all who live, play, learn, and work in Northern Light Health communities through community benefit contributions.

Northern Light Health's community health improvement services focus on ways to improve the health of communities outside the traditional walls of facilities and services. Community health improvement services respond to health needs in the communities it serves by providing community health education in the form of presentations, lectures, programs, and wellness initiatives such as nutritional improvement, physical activity, and substance use prevention provided to schools, community groups, support groups, and others. Community-based clinics provide health screenings in the community. Healthcare support services focus on increasing access and quality of healthcare, especially to those living in poverty and other vulnerable populations. Social and environmental improvement activities address social, economic, and physical environment such as improving availability of healthy food options, violence prevention, and economic development activities.

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5. Net Patient Service Revenue

Net patient service revenue for the years ended September 30, 2022 and 2021 consisted of the following (dollars in thousands):

	<u>2022</u>	<u>2021</u>
Gross patient service revenue		
Inpatient services	\$ 1,640,349	\$ 1,606,381
Outpatient services	<u>3,006,963</u>	<u>2,780,329</u>
Gross patient service revenue	<u>4,647,312</u>	<u>4,386,710</u>
Less contractual allowances	(2,815,663)	(2,578,935)
Less charity care	<u>(35,839)</u>	<u>(34,627)</u>
	<u>(2,851,502)</u>	<u>(2,613,562)</u>
Net patient service revenue	\$ <u>1,795,810</u>	\$ <u>1,773,148</u>

In assessing collectability, Northern Light Health has elected the portfolio approach. This portfolio approach is being used as Northern Light Health has a large volume of similar contracts with similar classes of customers. Northern Light Health reasonably expects that the effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately. Management's judgment to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. As a result, aggregating all of the contracts (which are at the patient level) by the particular payor or group of payors, will result in the recognition of the same amount of revenue as applying the analysis at the individual patient level.

The composition of patient care service revenue based on payor, service line, and method of reimbursement for the years ended September 30, 2022 and 2021 is as follows:

	<u>September 30, 2022</u>			
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Home Care And Hospice</u>	<u>Total</u>
Payor:				
Medicare	\$ 112,300	\$ 186,741	\$ 27,960	\$ 327,001
MaineCare	91,739	175,845	2,007	269,591
Managed care	109,641	183,628	9,173	302,442
Commercial insurers	223,466	606,299	4,520	834,285
Uninsured	23,540	29,195	-	52,735
Other	<u>5,834</u>	<u>3,754</u>	<u>168</u>	<u>9,756</u>
Total	\$ <u>566,520</u>	\$ <u>1,185,462</u>	\$ <u>43,828</u>	\$ <u>1,795,810</u>

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	September 30, 2021			
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Home Care And Hospice</u>	<u>Total</u>
Payor:				
Medicare	\$ 144,783	\$ 188,926	\$ 34,350	\$ 368,059
MaineCare	96,654	152,008	2,609	251,271
Managed care	105,063	129,249	7,927	242,239
Commercial insurers	239,520	619,411	4,476	863,407
Uninsured	15,007	20,260	-	35,267
Other	<u>7,371</u>	<u>5,324</u>	<u>210</u>	<u>12,905</u>
Total	<u>\$ 608,398</u>	<u>\$ 1,115,178</u>	<u>\$ 49,572</u>	<u>\$ 1,773,148</u>
			<u>2022</u>	<u>2021</u>
Method of reimbursement:				
Fee for service			\$ 1,203,238	\$ 1,193,910
Cost reimbursed			119,353	116,816
Capitation and risk sharing			16,434	16,496
Discounted charges and other			<u>456,785</u>	<u>445,926</u>
			<u>\$ 1,795,810</u>	<u>\$ 1,773,148</u>

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

6. Investments and Assets Whose Use Is Limited or Restricted

At September 30, 2022 and 2021, investments and assets whose use is limited or restricted consisted of the following (dollars in thousands):

	<u>2022</u>	<u>2021</u>
Short-term investments:		
Fixed-income securities	\$ _____ -	\$ _____ 155,119
Total short-term investments	_____ -	_____ 155,119
Assets whose use is limited or restricted – current:		
Cash investments	6,064	\$ 5,786
Cash investments-bond funds	7,003	7,311
Interest in trusts and charitable gift annuities	<u>118</u>	<u>125</u>
Total assets whose use is limited or restricted - current	\$ <u>13,185</u>	\$ <u>13,222</u>
Assets whose use is limited or restricted - noncurrent:		
Cash investments	\$ 34,890	\$ 27,706
Cash investments-bond funds	-	8,145
Marketable equity securities	5,013	6,110
Mutual funds	53,807	65,943
Institutional funds, common/collective trust, and hedge funds	314,121	388,597
Fixed-income securities	29,633	32,253
Pledges and other receivables	14,298	9,764
Interest in trust and charitable gift annuities	1,250	1,794
Beneficial interest in perpetual trusts	<u>14,182</u>	<u>17,939</u>
Total assets whose use is limited or restricted - noncurrent	\$ <u>467,194</u>	\$ <u>558,251</u>

For the years ended September 30, 2022 and 2021, investment income and other gains, net were reported as follows (dollars in thousands):

	<u>2022</u>	<u>2021</u>
Consolidated statements of operations		
Other revenue	\$ 2,237	\$ 6,000
Investment income and other, net of fees	(52,088)	23,228
Consolidated statements of changes in net assets		
Net assets with donor restrictions –restricted investment income and realized and unrealized investment gains	394	14,861
Net assets with donor restrictions – unrealized investment losses	<u>(12,842)</u>	<u>(4,503)</u>
Total	\$ <u>(62,299)</u>	\$ <u>39,586</u>

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

Pledges Receivable

Pledges receivable are reported at the net present value of future unconditional promises to give from donors. At September 30, 2022 and 2021, the future amounts receivable for unconditional promises to give are as follows (dollars in thousands):

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 4,560	\$ 3,350
Due within two to five years	4,016	7,263
Thereafter	<u>400</u>	<u>-</u>
Total receivable	8,976	10,613
Less allowance for uncollectible pledges and discounts	<u>(728)</u>	<u>(432)</u>
Total net receivable	\$ <u>8,248</u>	\$ <u>10,181</u>

Annuity Agreements

Northern Light Health has entered into various charitable gift annuity agreements with donors with the assets held in trust and administered by Northern Light Health. These assets are included in assets whose use is limited or restricted in the accompanying consolidated balance sheets and totaled approximately \$1,247,000 and \$1,605,000 at September 30, 2022 and 2021, respectively. A contribution is recognized at the date the agreement is established. Liabilities associated with the agreements are recorded at the present value of estimated future payments to be made to the donors. The liabilities are included in noncurrent liabilities and accrued expenses in the accompanying consolidated balance sheets and totaled approximately \$762,000 and \$749,000 at September 30, 2022 and 2021, respectively.

7. Property and Equipment

At September 30, 2022 and 2021, property and equipment consisted of the following (dollars in thousands):

	<u>2022</u>	<u>2021</u>
Land	\$ 20,076	\$ 19,909
Building and land improvements	620,276	581,215
Equipment, furniture, and fixtures	998,042	920,602
Leasehold improvements	<u>23,863</u>	<u>23,058</u>
	1,662,257	1,544,784
Less accumulated depreciation and amortization	<u>(891,786)</u>	<u>(831,252)</u>
	770,471	713,532
Construction in progress	<u>59,051</u>	<u>82,135</u>
Net property and equipment	\$ <u>829,522</u>	\$ <u>795,667</u>

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

Northern Light Health and its affiliates have commitments for facility expansions and other projects totaling approximately \$86,870,000 at September 30, 2022.

Construction in progress includes projects for Acadia Hospital, Blue Hill Hospital, CA Dean Hospital and Maine Coast Hospital. The total cost of these projects is expected to be approximately \$107,600,000. At September 30, 2022, there was approximately \$18,000,000 in construction in progress, and \$73,500,000 in construction commitments. All four projects are expected to be completed at various times through 2024.

On November 15, 2022, Acadia Hospital, Blue Hill Hospital, CA Dean Hospital, and Maine Coast Hospital issued \$79,130,000 in notes payable to secure tax-exempt Series 2022C revenue bonds issued by the Maine Health and Higher Educational Facilities Authority to fund the projects with the remaining funded by philanthropic efforts.

Also included in construction in progress are amounts related to the Enterprise Resource Planning (ERP) transformation and the Electronic Health Record (EHR) implementation. The ERP is a tool to manage core business, financial, supply chain, and human resource processes across a single, integrated system. The EHR integrates each patient's medical history, test results, clinicians' notes, plan of care, and revenue cycle in a single record accessible throughout Northern Light Health. The total costs of the projects are expected to be approximately \$134,000,000. During 2022, Strata budgeting and payroll with absence management transition to Infor began and will continue into 2023. Management expects the EHR implementation will continue to be rolled out over the next several years.

At September 30, 2022 and 2021, \$11,595,000 and \$7,710,000, respectively, of property and equipment purchases and costs related to construction projects were included in accounts payable.

Property and equipment include a building and equipment recorded under right-of-use lease assets - finance leases totaling \$12,211,000 and \$3,884,000 with related accumulated amortization of \$2,441,000 and \$906,000 at September 30, 2022 and 2021, respectively.

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

8. Intangibles and Other Assets

At September 30, 2022 and 2021, intangibles and other assets consisted of the following (dollars in thousands):

	<u>2022</u>	<u>2021</u>
Investments in joint ventures:		
LTC, LLC interests	\$ 3,169	\$ 3,882
Advanced Collections Services, LLC	-	490
County Physical Therapy, LLC	535	353
LifeFlight of Maine, LLC	10,276	5,343
MedComm, LLC	72	(73)
Other joint ventures	<u>519</u>	<u>1,215</u>
Total investments in joint ventures	14,571	11,210
Intangibles resulting from acquisition of Mercy, Maine		
Coast and Mayo	3,477	3,477
Other receivables	2,388	2,401
Deferred tax assets	1,977	2,101
Customer lists	1,171	1,378
Other	<u>4,604</u>	<u>4,198</u>
	\$ <u>28,188</u>	\$ <u>24,765</u>

Northern Light Health's share of earnings in its joint ventures totaled \$6,245,000 and \$4,800,000 for the years ended September 30, 2022 and 2021, respectively. Distributions from these joint ventures totaled \$2,884,000 and \$1,400,000 for the years ended September 30, 2022 and 2021, respectively. In 2021, Northern Light Health increased its investment in joint ventures by \$60,000.

During the ordinary course of business, Northern Light Health may provide services to various joint ventures. This income is included in sales and contract revenue and was not material in 2022 and 2021.

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

Northern Light Health entities own 50% interests in several joint venture entities (except for a 33.3% interest in Penobscot Logistics Solutions, LLC). The Penobscot Logistics Solutions, LLC building was sold in April, 2022 and the partnership is being dissolved. Selected financial information derived from the unaudited financial statements of each joint venture entity at September 30, 2022 and 2021 is as follows (dollars in thousands):

2022				
<u>Name of Joint Venture</u>	<u>Owner</u>	<u>Total Assets</u>	<u>Long-Term Debt</u>	<u>Net Equity</u>
Colonial Acres	LTC, LLC	\$ 2,414	\$ -	\$ 1,678
Dexter Health Care	LTC, LLC	931	-	337
Katahdin Health Care	LTC, LLC	1,359	177	690
Ross Manor Associates	LTC, LLC	13,242	7,844	2,589
Stillwater Health Care	LTC, LLC	2,934	1,021	1,220
Workman Terrace	LTC, LLC	1,817	-	117
Park East Villa	LTC, LLC	1,615	1,480	29
Hibbard Health Care	LTC, LLC	<u>6,300</u>	<u>4,822</u>	<u>(322)</u>
LTC, LLC		30,612	15,344	6,338
County Physical Therapy, LLC	AR Gould	1,533	464	1,069
LifeFlight of Maine, LLC	NLH	36,371	6,805	20,552
MedComm, LLC	AHS	594	195	144
Penobscot Logistics Solutions, LLC	AHS	59	-	59
Uniship Courier Services, LLC	AHS	<u>1,965</u>	<u>711</u>	<u>1,000</u>
Total		\$ <u>71,134</u>	\$ <u>23,519</u>	\$ <u>29,162</u>

2021				
<u>Name of Joint Venture</u>	<u>Owner</u>	<u>Total Assets</u>	<u>Long-Term Debt</u>	<u>Net Equity</u>
Colonial Acres	LTC, LLC	\$ 2,124	\$ -	\$ 1,679
Dexter Health Care	LTC, LLC	1,276	-	527
Katahdin Health Care	LTC, LLC	1,185	220	627
Ross Manor Associates	LTC, LLC	14,416	8,529	3,491
Stillwater Health Care	LTC, LLC	3,472	1,103	1,586
Workman Terrace	LTC, LLC	1,813	-	113
Park East Villa	LTC, LLC	1,646	1,540	26
Hibbard Health Care	LTC, LLC	<u>6,136</u>	<u>5,043</u>	<u>(284)</u>
LTC, LLC		32,068	16,435	7,765
Advanced Collections Services, LLC	AHS	1,177	-	980
County Physical Therapy, LLC	AR Gould	1,577	595	705
LifeFlight of Maine, LLC	NLH	31,032	8,056	10,687
MedComm, LLC	AHS	547	207	(146)
Penobscot Logistics Solutions, LLC	AHS	5,840	3,623	1,800
Uniship Courier Services, LLC	AHS	1,774	510	948
Other joint ventures		<u>465</u>	<u>-</u>	<u>702</u>
Total		\$ <u>74,480</u>	\$ <u>29,426</u>	\$ <u>23,441</u>

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

9. Debt

Long-term debt at September 30, 2022 and 2021 consisted of the following (dollars in thousands):

	<u>2022</u>	<u>2021</u>
Bonds Payable:		
Mercy Series 2021A Bonds (due in varying amounts each July through the year 2050 with fixed-interest rates ranging from 2.50% to 5.00% per annum)	\$ 74,604	\$ 76,914
EMMC Series 2021B Bonds (due in varying amounts each July through the year 2043 with fixed-interest rate ranging from 0.36% to 3.12% per annum)	139,718	143,954
EMMC 2019C Series Bonds (due in varying amounts each July through the year 2040 with a fixed-interest rate of 5.00% per annum)	29,891	31,746
Inland/Lakewood Series 2017B Bonds (due in varying amounts each July through the year 2037 with fixed-interest rates ranging from 3.50% to 5.00% per annum)	5,594	5,864
EMHS Series 2016A Bonds (due in varying amounts each July beginning 2037 through the year 2046 with a fixed-interest rate of 5.00% per annum)	170,825	170,825
EMHS Series 2016B Bonds (due in varying amounts each July through the year 2036 with fixed-interest rates ranging from 3.711% to 5.022% per annum)	71,355	74,155
Inland Series 2015A Bonds (due in varying amounts each July through the year 2030 with fixed-interest rates ranging from 3.00% to 5.00% per annum)	507	567
Mercy Series 2015 Bonds - Series 2015 Taxable Note (due in varying amounts monthly through the year 2024 with a fixed-interest rate of 4.53% per annum)	1,546	2,519
SVH Finance Authority of Maine 2013 Revenue Obligation Bonds (due in varying amounts each January through the year 2029 with fixed interest rates ranging from 2.87% to 3.41% per annum)	<u>4,201</u>	<u>4,698</u>
	498,241	511,242
Net unamortized original issue premium	<u>32,249</u>	<u>33,145</u>
Bonds payable – net	530,490	544,387
Other long-term debt		
Installment loans and other	6,240	9,359
Lease obligations-finance leases	<u>10,127</u>	<u>3,293</u>
Total long-term debt, before unamortized debt issuance cost	546,857	557,039
Less unamortized debt issuance costs	<u>(4,848)</u>	<u>(5,505)</u>
Total long-term debt	<u>542,009</u>	<u>551,534</u>
Current portion		
Current portion of long-term debt	(17,537)	(15,522)
Current portion of lease obligation-finance leases	<u>(2,097)</u>	<u>(738)</u>
Less current portion	<u>(19,634)</u>	<u>(16,260)</u>
Long-term debt – net of current portion	\$ <u>522,375</u>	\$ <u>535,274</u>

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

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EMHS Obligated Group

In conjunction with the issuance of the 2016 bonds, the majority of the not-for-profit healthcare providers in Northern Light Health became part of the EMHS Obligated Group. The purpose of the obligated group is to simplify the debt structure of Northern Light Health and to allow Northern Light Health to make capital available to members with lower costs of capital and less restrictive debt covenants. The members of the EMHS Obligated Group are jointly liable for the debt service on the obligations issued under the Master Trust Indenture for the EMHS Obligated Group. On September 30, 2022 and 2021, the EMHS Obligated Group had obligations totaling approximately \$498,241,000 and \$511,242,000, respectively, which are covered under the Master Trust Indenture.

Debt obligations issued under the Master Trust Indenture require that the EMHS Obligated Group on a consolidated basis satisfy certain measures of financial performance (including a minimum debt service coverage ratio) as long as the obligations are outstanding. The EMHS Obligated Group debt service coverage ratio at September 30, 2022 is below the required level. In accordance with the Master Trust Indenture, a consultant has been retained to provide recommendations to achieve compliance with the ratio. The EMHS Obligated Group complied with such covenants at September 30, 2021.

Bonds Payable

Series 2021A Bonds — On May 1, 2021, Mercy Hospital issued \$83,370,000 in notes payable to secure tax-exempt revenue bonds issued by the Maine Health and Higher Educational Facilities Authority (the Authority) for the purpose of refunding the Series 2020 bonds and Series 2015 note. The Series 2021A bonds are collateralized by a security interest in its gross receipts and a mortgage lien.

Series 2021B Bonds — On May 1, 2021, EMMC issued \$156,870,000 in notes payable to secure taxable revenue bonds issued by the Authority for the purpose of refunding the Series 2013 bonds. The 2021B bonds are collateralized by a security interest in its gross receipts and a mortgage lien.

Series 2020 Bonds — On September 1, 2020, Mercy Hospital issued \$45,400,000 in notes payable to secure tax-exempt revenue bonds issued by the Authority for the purpose of consolidating its hospital campus at its Fore River location. The Series 2020 bonds are collateralized by a security interest in its gross receipts. In 2021, the Series 2020 bonds were refinanced by the Series 2021A bonds.

Series 2019C Bonds — On November 1, 2019, Eastern Maine Medical Center issued \$42,350,000 in notes payable to secure tax-exempt revenue bonds issued by the Authority for the purpose of refunding the Series 2010A bonds. The Series 2019C bonds are collateralized by a security interest in its gross receipts.

Series 2017B Bonds — On December 1, 2017, Inland Hospital and Lakewood issued \$7,310,000 in notes payable to secure tax-exempt revenue bonds issued by the Authority for the purpose of refunding the Series 2007B bonds. The Series 2017B bonds are collateralized by substantially all of the real property of Inland Hospital and Lakewood and a security interest in their gross receipts.

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

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Series 2016A Bonds and Series 2016B Taxable Bonds – On July 13, 2016, the EMHS Obligated Group issued \$170,825,000 in notes payable to secure tax-exempt Series 2016A revenue bonds issued by the Authority and \$79,450,000 in a Series 2016B Taxable Note pursuant to the Master Trust Indenture with U.S. Bank National Association as trustee. The 2016A bonds were issued for the second phase of the EMMC expansion and modernization project, expansion and modernization of an ambulatory care facility at CA Dean, and refunding of A.R. Gould Series 2012A bonds, A.R. Gould and Blue Hill Series 2010A bonds and Maine Coast Series 2008D, 2011C, and 2013A bonds. The 2016B bonds were issued for the purpose of refinancing certain line of credit borrowings and term loan indebtedness of Northern Light Health and other members of the Obligated Group, paying swap termination fees and financing certain transition costs related to members of the Obligated Group. The Series 2016A and 2016B bonds are collateralized by a security interest in the gross receipts of all members of the Obligated Group, as well as mortgages and/or security interests in certain real and/or personal property of certain members of the Obligated Group.

The obligations under the 2016A and 2016B debt instruments were allocated to each of the members of the Obligated Group based on the member's percentage interest in the obligation.

Series 2015A Bonds — In 2015, Inland issued \$902,000 in notes payable to secure tax-exempt revenue bonds issued by the Authority for the purpose of refunding the Series 2006A bond. The Series 2015A bonds are collateralized by substantially all of the real property of Inland and a security interest in its gross receipts.

Series 2015 Note and Series 2015 Taxable Note — These notes were issued in conjunction with the consolidation of the Mercy Health System of Maine Obligated Group into the EMHS Obligated Group. The notes are collateralized under the 2015 EMHS Obligated Group Supplemental Master Trust Indenture by a first priority security interest in gross revenues and accounts receivable and a mortgage of certain EMHS Obligated Group facilities. In 2021, the Series 2015 note was refinanced by the Series 2021A bonds.

Series 2013 Bonds — In 2013, EMMC issued \$143,900,000 in notes payable to secure tax-exempt revenue bonds issued by the Authority for the purpose of financing a portion of the first phase of the expansion and modernization project. The Series 2013 bonds are collateralized by a security interest in its gross receipts, equipment, and a mortgage lien on its main campus. In 2021, the Series 2013 bonds were refinanced by the Series 2021B bonds.

Finance Authority of Maine 2013 Bonds — In 2013, SVH issued \$10,500,000 in notes payable to secure tax-exempt revenue bonds issued by the Finance Authority of Maine for the purpose of financing construction costs and refunding existing debt. The Series 2013 bonds are collateralized by a security interest in the pledged receipts.

Installment Loans

Several Northern Light Health affiliates have mortgages, notes payable, and installment loans outstanding totaling \$6,240,000 and \$9,359,000 at September 30, 2022 and 2021, respectively.

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

The notes bear interest at rates ranging between 3.270% and 5.000% per annum and are payable through 2026.

Letters and Lines of Credit

Northern Light Health obtained a \$75,000,000 non-revolving line of credit arrangement with interest of 3.833% at September 30, 2022. The purpose of the line of credit is to increase available working capital funds needed due to COVID-19. The line of credit is collateralized pursuant to the terms of the Master Trust Indenture for the Northern Light Health Obligated Group and is set to expire on July 14, 2023. There were no borrowings in 2022.

Northern Light Health obtained a \$75,000,000 non-revolving line of credit arrangement with interest of 4.569% at September 30, 2022. The purpose of the line of credit is to increase available working capital funds needed due to COVID-19. The line of credit is collateralized pursuant to the terms of the Master Trust Indenture for the Northern Light Health Obligated Group and is set to expire on July 15, 2023. There were \$8,245,000 of borrowings outstanding at September 30, 2022 and 2021.

Beacon Health, LLC, EMMC and Mercy have letter of credit agreements with various maturities and interest rates. Maximum available borrowings under the agreements are \$1,859,254 and \$5,221,369 at September 30, 2022 and 2021, respectively. There were no borrowings outstanding at September 30, 2022 and 2021.

Principal Payments

Principal payments required on long-term debt, excluding lease obligations (see Note 16), for the next five years and thereafter, are as follows (dollars in thousands):

	<u>Bonds</u>	<u>Other Debt</u>	<u>Total</u>
Years Ending September 30:			
2023	\$ 14,482	\$ 3,055	\$ 17,537
2024	14,684	1,855	16,539
2025	15,197	875	16,072
2026	15,701	455	16,156
2027	16,248	-	16,248
Thereafter	<u>421,929</u>	<u>-</u>	<u>421,929</u>
Total	<u>\$ 498,241</u>	<u>\$ 6,240</u>	<u>\$ 504,481</u>

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

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10. Net Assets with Donor Restrictions

At September 30, net assets with donor restrictions of temporary duration are available for the following purposes (dollars in thousands):

	<u>2022</u>	<u>2021</u>
Cancer care	\$ 4,133	\$ 4,411
Capital projects	25,634	18,147
Charity care	6,887	8,803
Education and research	1,955	2,473
Women's and children's care	1,876	2,443
Other healthcare services	<u>14,190</u>	<u>20,349</u>
 Total	 <u>\$ 54,675</u>	 <u>\$ 56,626</u>

At September 30, net assets with donor restrictions of permanent duration with restricted income are available for the following purposes (dollars in thousands):

	<u>2022</u>	<u>2021</u>
Cancer care	\$ 3,420	\$ 3,283
Capital projects	2,192	2,192
Charity care	3,923	3,899
Education and research	889	869
Women's and children's care	745	635
Other healthcare services	<u>12,488</u>	<u>11,739</u>
 Total	 <u>\$ 23,657</u>	 <u>\$ 22,617</u>

At September 30, net assets with donor restrictions of permanent duration with Board designated income are available for the following purposes (dollars in thousands):

	<u>2022</u>	<u>2021</u>
Capital projects	\$ 2,158	\$ 2,786
Other healthcare services	<u>12,024</u>	<u>15,153</u>
 Total	 <u>14,182</u>	 <u>17,939</u>
 Total net assets with donor restrictions	 <u>\$ 92,514</u>	 <u>\$ 97,182</u>

Endowment Funds

Northern Light Health's endowment funds were established for a variety of purposes. Endowment funds include both donor-restricted endowment funds and funds designated by the Board to function as endowment. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Northern Light Health to retain as a fund in perpetuity. At September 30, 2022 and 2021, there were no funds with deficiencies.

Endowment Net Asset Composition and Changes in Endowment Net Assets

A summary of the endowment net asset composition by type of fund at September 30, 2022 and 2021, and the changes therein for the years then ended, is as follows (dollars in thousands):

	<u>September 30, 2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 53,454	\$ 53,454
Board-designated endowment funds	<u>7,401</u>	<u>-</u>	<u>7,401</u>
Total funds	<u>\$ 7,401</u>	<u>\$ 53,454</u>	<u>\$ 60,855</u>
	<u>September 30, 2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 65,823	\$ 65,823
Board-designated endowment funds	<u>8,714</u>	<u>-</u>	<u>8,714</u>
Total funds	<u>\$ 8,714</u>	<u>\$ 65,823</u>	<u>\$ 74,537</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets – September 30, 2020	\$ <u>7,679</u>	\$ <u>56,886</u>	\$ <u>64,565</u>
Investment gain:			
Investment income	110	195	305
Net appreciation	1,059	7,831	8,890
Change in beneficial interest in perpetual trust	<u>-</u>	<u>2,512</u>	<u>2,512</u>
Total investment gain	1,169	10,538	11,707
Contributions	-	268	268
Appropriations of endowment assets for expenditure	(122)	(1,407)	(1,529)
Other	<u>(12)</u>	<u>(462)</u>	<u>(474)</u>
Endowment net assets – September 30, 2021	<u>8,714</u>	<u>65,823</u>	<u>74,537</u>
Investment gain:			
Investment income	122	273	395
Net depreciation	(1,298)	(7,775)	(9,073)
Change in beneficial interest in perpetual trust	<u>-</u>	<u>(3,756)</u>	<u>(3,756)</u>
Total investment loss	<u>(1,176)</u>	<u>(11,258)</u>	<u>(12,434)</u>
Contributions	-	643	643

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

Additions to donor-restricted funds	-	1,527	1,527
Appropriations of endowment assets for expenditure	(125)	(3,163)	(3,288)
Other	(12)	(118)	(130)
Endowment net assets – September 30, 2022	\$ 7,401	\$ 53,454	\$ 60,855

11. Self-Insurance and Other Contingencies

Professional and General Liability

Northern Light Health maintains a deductible program with underlying coverage provided by Medical Mutual Insurance Company of Maine and excess insurance coverage provided by various commercial insurance companies. The program serves as a mechanism to fund deductibles with funding determined by independent actuarial projections. For both professional and general liability, the program provides total limits of \$2,000,000 per claim and \$16,000,000 in the aggregate, subject to a deductible of \$1,000,000 per claim and \$6,000,000 in the aggregate. Additional excess coverage has been obtained. At September 30, 2022 and 2021, there were no known claims outstanding, which in the opinion of management, will be settled in excess of insurance coverage.

The investment assets and accrued self-insurance reserves of the professional and general liability trust were \$46,436,000 and \$42,710,000, respectively, as of September 30, 2022; and \$48,546,000 and \$35,557,000, respectively, as of September 30, 2021.

Workers' Compensation

Northern Light Health maintains a common trust fund for a group workers' compensation program in accordance with the Maine Workers' Compensation Act. Because the common trust fund is regulated by the Maine Bureau of Insurance, neither the assets nor the liabilities of the trust are reflected in the accompanying consolidated financial statements. The assets of the trust were approximately \$14,928,000 and \$19,038,000 and the liabilities were approximately \$14,399,000 and \$17,702,000 at September 30, 2022 and 2021, respectively.

Employee Health Benefits

Employee health and dental benefits are provided through partially self-insured plans or commercially-acquired programs. The self-insured medical plan had stop loss coverage that provides reimbursement for claims other than those paid within Northern Light Health in excess of \$1,000,000 per individual as of September 30, 2022 and 2021.

Other Contingencies

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

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Medicaid programs. Such compliance in the healthcare industry has recently come under increased governmental scrutiny. Management does not believe that these matters will have a material adverse effect on Northern Light Health's consolidated financial position or results of operations.

12. Pension and Postretirement Healthcare Plans

Cash Balance Plan

Employees of certain Northern Light Health affiliates participate in a Defined Benefit, Cash Balance Plan (the Plan). At the close of every calendar year, participating employers credit the employee's core account with a contribution based on eligible pay, age, and years of credited service. The employee must be at least 21 years of age and have worked 1,000 hours in the current calendar year to receive the contribution for that year. The funding policy of the Plan is to make contributions at least equal to the minimum amount required under the law.

The following table sets forth the Plan's funded status and amounts recognized in the consolidated balance sheets at September 30, 2022 and 2021 (dollars in thousands):

	<u>2022</u>	<u>2021</u>
Change in benefit obligation		
Benefit obligation – beginning of year	\$ 445,368	\$ 426,224
Service cost	23,971	23,055
Interest cost	11,722	10,261
Benefits paid	(25,341)	(23,208)
Actuarial (gain) loss	(94,948)	8,031
Net change in individual accounts	<u>(899)</u>	<u>1,005</u>
Benefit obligation – end of year	\$ <u>359,873</u>	\$ <u>445,368</u>
Change in Plan assets		
Fair value of Plan assets – beginning of year	\$ 319,099	\$ 269,977
Actual (loss) return on Plan assets	(59,469)	36,015
Employer contribution	16,900	35,310
Benefits paid	(25,341)	(23,208)
Net change in individual accounts	<u>(899)</u>	<u>1,005</u>
Fair value of Plan assets – end of year	\$ <u>250,290</u>	\$ <u>319,099</u>
Funded status at end of year	\$ <u>(109,583)</u>	\$ <u>(126,269)</u>
Cumulative amounts recognized in other changes in unrestricted net assets		
Prior-service costs	\$ 30	\$ 40
Actuarial loss	<u>118,827</u>	<u>142,745</u>
Total recognized in other changes in net assets without donor restrictions	\$ <u>118,857</u>	\$ <u>142,785</u>

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Prepaid benefit cost	\$ <u>9,274</u>	\$ <u>16,516</u>
Accumulated benefit obligation	\$ <u>331,907</u>	\$ <u>396,258</u>

Northern Light Health's contribution to the Plan for 2022 and 2021 exceeded amounts required by the Employee Retirement Income Security Act of 1974 (ERISA). The Plan's Adjusted Funding Target Attainment Percentage under ERISA was 103% and 101% at September 30, 2022 and 2021, respectively. As a result, the Plan is not subject to ERISA benefit restrictions.

For the years ended September 30, 2022 and 2021, net periodic pension cost for the Plan included the following components (dollars in thousands):

	<u>2022</u>	<u>2021</u>
Service cost for benefits earned during the year	\$ 23,971	\$ 23,055
Interest cost on projected benefit obligation	11,722	10,260
Expected return on Plan assets	(22,447)	(21,419)
Amortization of prior service (credit) cost	10	10
Amortization of net loss	<u>10,885</u>	<u>11,388</u>
Net periodic pension benefit cost	\$ <u>24,141</u>	\$ <u>23,294</u>

Net periodic pension costs of \$169,739 and \$239,587 are reported in other gains (losses) for the years ended September 30, 2022 and 2021, respectively. Service cost is reported in compensation and employee benefits in the statement of operations.

The significant (gains) losses related to changes in the benefit obligation for the years ended September 30, 2022 and 2021 were primarily due to the change in the discount rate assumption.

The following table sets forth the weighted-average assumptions used in determining the benefit obligations at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Discount rate	5.60%	2.75%
Rate of increase in future compensation	3.00	3.00
Cash balance interest credit rate	4.50	4.50

The following sets forth the weighted-average assumptions used to determine net periodic benefit cost for the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Discount rate	2.75%	2.50%
Rate of increase in future compensation	3.00	3.00
Expected long-term rate of return on plan assets	7.50	7.50

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The discount rate represents an estimate of the rate at which the pension benefits could be "effectively" settled. The rate of compensation increase represents a best estimate of long-term pay increases and reflects an inflation expectation consistent with the discount rate. The long-term rate of return on Plan assets represents an estimate of the rate of return on current assets, taking into account the Plan's asset allocation, and also reflects an inflation expectation consistent with the discount rate.

Northern Light Health expects to make \$22,100,000 in contributions to the Plan during 2023. In addition, the following benefit payments, which reflect expected future services, as appropriate, are expected to be paid during the years ending (dollars in thousands):

2023	\$	29,886
2024		29,216
2025		27,652
2026		31,370
2027		31,240
2028 – 2031		164,930

Northern Light Health has adopted a moderately growth-oriented investment policy for the Plan. It is anticipated that as the Plan matures, the policy should move toward a more conservative posture. Northern Light Health's overall strategy is to invest in high-grade securities and other assets with a minimum risk of market value fluctuation. In general, Northern Light Health's goal is to maintain the following allocation ranges:

	<u>Minimum</u>	Allocation % <u>Target</u>	<u>Maximum</u>
Public Equity	44%	54%	64%
Liability Hedging Assets	30	40	50
Multi Asset	-	4	10
Cash	-	2	10

Defined Contribution Plans

Certain of Northern Light Health's affiliates sponsor defined contribution plans, which cover substantially all of their employees, and certain hospital-based physicians meeting the Plans' participation requirements. Expense for the years ended September 30, 2022 and 2021 was approximately \$16,732,000 and \$16,245,000, respectively. The affiliates fund the amount of the expense annually.

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Deferred Compensation Plans

Several of Northern Light Health's affiliates sponsor deferred compensation plans for eligible employees and supplemental executive retirement plans (SERPs) for certain executives. Assets held by Northern Light Health to provide for the payments of contractual liabilities are subject to the claims of Northern Light Health's general creditors. The assets are invested in temporary cash investments, institutional mutual funds, and common/collective trusts. The investment assets and related liabilities of the deferred compensation and SERPs were \$54,195,000 and \$53,824,000, respectively, as of September 30, 2022; and \$67,083,000 and \$65,301,000, respectively, as of September 30, 2021.

Postretirement Medical Benefits

Various Northern Light Health organizations provide certain medical benefits for retired employees. Employees of these various participating organizations may become eligible for these benefits if they reach normal retirement age while working for such organizations. Early retirement benefits are available to retirees with at least 15 years of vested service. Employees at participating organizations hired after January 1, 2005 and the employees of a nonparticipating company are not eligible for retiree medical benefits. The postretirement medical plan is not funded.

For the years ended September 30, 2022 and 2021, net periodic postretirement medical benefit cost consists of the components listed below (dollars in thousands):

	<u>2022</u>	<u>2021</u>
Service cost for benefits attributed to service during the year	\$ 72	\$ 91
Interest cost on accumulated postretirement benefit obligation	833	937
Amortization of prior service credit and actuarial gain	<u>374</u>	<u>479</u>
Net periodic postretirement medical benefit cost	<u>\$ 1,279</u>	<u>\$ 1,507</u>

Net periodic postretirement medical benefit cost of \$1,206,000 and \$1,416,000 are reported in other gains (losses) for the years ended September 30, 2022 and 2021, respectively. Service cost is reported in compensation and employee benefits in the statement of operations.

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The following table sets forth the components of the accumulated postretirement benefit obligation shown in Northern Light Health's consolidated financial statements at September 30, 2022 and 2021 (dollars in thousands):

	<u>2022</u>	<u>2021</u>
Change in postretirement benefit obligation		
Benefit obligation – beginning of year	\$ 31,208	\$ 38,478
Service cost	72	91
Interest cost	833	937
Benefits paid	(1,691)	(1,710)
Actuarial gain	<u>(7,034)</u>	<u>(6,588)</u>
Benefit obligation at September 30	<u>\$ 23,388</u>	<u>\$ 31,208</u>
Cumulative amounts recognized in other changes in net assets without donor restrictions		
Prior-service costs	\$ 1,294	\$ 1,774
Actuarial gain	<u>(10,901)</u>	<u>(3,973)</u>
Total recognized in other changes in net assets without donor restrictions	<u>\$ (9,607)</u>	<u>\$ (2,199)</u>
Accrued benefit obligation	<u>\$ 32,995</u>	<u>\$ 33,407</u>

Approximately \$1,837,000 and \$1,843,000 of the benefit obligation is included in current liabilities at September 30, 2022 and 2021, respectively.

The significant gain related to changes in the benefit obligation for the year ended September 30, 2022 was primarily due to the increase in the discount rate and claims experience being lower than expected.

In determining the accumulated postretirement medical benefit obligation, Northern Light Health used discount rates of 5.60% in 2022 and 2.75% in 2021. The Plan assumed annual rates of inflation in the per capita cost of covered healthcare benefits. The rates are assumed to decrease gradually down from 6.75% to 4.00% on a graded scale, becoming fixed in 2026.

Northern Light Health expects to contribute \$1,888,000 to the postretirement benefit plan during 2023.

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The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid during the years ending (dollars in thousands):

Years Ending September 30:

2023	\$	1,888
2024		1,870
2025		1,847
2026		1,845
2027		1,832
2028 – 2031		8,975

Pension and Postretirement Plan-Related Adjustments

The components of pension and postretirement plan-related adjustments included in other changes in net assets without donor restrictions, net of amortization are as follows (dollars in thousands):

	<u>Cash</u> <u>Balance Plan</u>	Postretirement <u>Medical</u> <u>Benefits</u>	<u>Total</u>
For the year ended September 30, 2022			
Prior service costs	\$ 10	\$ 479	\$ 489
Net actuarial gain	13,033	7,034	20,067
Amortization of net actuarial gain (loss)	<u>10,884</u>	<u>(105)</u>	<u>10,779</u>
	<u>\$ 23,927</u>	<u>\$ 7,408</u>	<u>\$ 31,335</u>
For the year ended September 30, 2021			
Prior service costs	\$ 10	\$ 478	\$ 488
Net actuarial gain	6,565	6,588	13,153
Amortization of net actuarial gain	<u>11,388</u>	<u>-</u>	<u>11,388</u>
	<u>\$ 17,963</u>	<u>\$ 7,066</u>	<u>\$ 25,029</u>

13. Concentrations

Receivables

Various Northern Light Health affiliates grant credit without collateral to their patients, many of whom are insured under third-party payor agreements. At September 30, the accounts receivable from patients and third-party payors, net of contractual allowances, were as follows:

	<u>2022</u>	<u>2021</u>
Medicare and MaineCare	27%	24%
Commercial and other insurance	54	51
Patients	<u>19</u>	<u>25</u>
	<u>100%</u>	<u>100%</u>

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Labor Force

Certain Northern Light Health hospitals have employees that are members of the Maine State Nurses Association and/or Teamsters Union. Approximately 19% to 23% of the workforce at each; EMMC, Maine Coast, and AR Gould, have contracts expiring at various times through January 2026.

14. Fair Value Measurements

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

Level 1 — Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 — Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3 — Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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The following tables present the carrying amounts and estimated fair value for Northern Light Health's financial assets and liabilities as of September 30, 2022 and 2021 (dollars in thousands):

	Fair Value Measurements at September 30, 2022			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash investments	\$ 47,957	\$ -	\$ -	\$ 47,957
Pledges and other receivables	-	14,298	-	14,298
Marketable equity securities	5,013	-	-	5,013
Guaranteed investment contracts	-	-	-	-
Mutual funds				
Participant driven (deferred compensation)	53,807	-	-	53,807
Fixed-income securities – U.S. government				
Treasury and agency obligations	-	13,642	-	13,642
Fixed-income securities – Corporate obligations	-	15,991	-	15,991
Interest in trusts and charitable gift annuities	-	-	1,368	1,368
Beneficial interest in perpetual trust	-	-	14,182	14,182
	<u>\$ 106,777</u>	<u>\$ 43,931</u>	<u>\$ 15,550</u>	<u>166,258</u>
Common/collective trusts				389
Public equity funds				107,397
Public debt funds				190,144
Multi asset funds				15,195
Hedge funds				<u>996</u>
				<u>\$ 480,379</u>
Liabilities:				
Deferred compensation	\$ -	\$ 53,824	\$ -	\$ 53,824
Total	<u>\$ -</u>	<u>\$ 53,824</u>	<u>\$ -</u>	<u>\$ 53,824</u>
Cash Balance Pension Plan Assets (Note 12)				
Institutional mutual funds				
Participant driven (deferred compensation)	<u>\$ 9,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>9,011</u>
Public equity funds				133,178
Multi asset funds				10,072
Liability hedging funds				<u>98,029</u>
				<u>\$ 250,290</u>

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	Fair Value Measurements at September 30, 2021			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Cash investments	\$ 48,948	\$ -	\$ -	\$ 48,948
Pledges and other receivables	-	9,764	-	9,764
Marketable equity securities	6,110	-	-	6,110
Guaranteed investment contracts	-	-	-	-
Mutual funds				
Participant driven (deferred compensation)	65,943	-	-	65,943
Fixed-income securities – U.S. government				
Treasury and agency obligations	-	64,378	-	64,378
Fixed-income securities – Corporate obligations	-	122,994	-	122,994
Interest in trusts and charitable gift annuities	-	-	1,919	1,919
Beneficial interest in perpetual trust	-	-	17,939	17,939
	<u>\$ 121,001</u>	<u>\$ 197,136</u>	<u>\$ 19,858</u>	337,995
Common/collective trusts				1,140
Public equity funds				130,886
Public debt funds				231,607
Multi asset funds				19,575
Hedge funds				<u>5,389</u>
				<u>\$ 726,592</u>
Liabilities:				
Deferred compensation	\$ -	\$ 65,301	\$ -	\$ 65,301
Total	<u>\$ -</u>	<u>\$ 65,301</u>	<u>\$ -</u>	<u>\$ 65,301</u>
Cash Balance Pension Plan Assets (Note 12)				
Institutional mutual funds				
Participant driven (deferred compensation)	<u>\$ 20,023</u>	<u>\$ -</u>	<u>\$ -</u>	20,023
Public equity funds				153,491
Multi asset funds				11,836
Liability hedging funds				<u>133,749</u>
				<u>\$ 319,099</u>

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The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value (dollars in thousands):

	Beneficial Interest in Perpetual <u>Trust</u>	Interest in Trust and Charitable <u>Gift Annuities</u>	<u>Total</u>
Balance at September 30, 2020	\$ 15,427	\$ 1,690	\$ 17,117
Contributions	-	90	90
Distributions	-	(131)	(131)
Dividends, net of fees	-	11	11
Unrealized gains	<u>2,512</u>	<u>259</u>	<u>2,771</u>
Balance at September 30, 2021	<u>17,939</u>	<u>1,919</u>	<u>19,858</u>
Contributions	-	100	100
Distributions	-	(208)	(208)
Dividends, net of fees	-	101	101
Unrealized gains	<u>(3,757)</u>	<u>(544)</u>	<u>(4,301)</u>
Balance at September 30, 2022	\$ <u>14,182</u>	\$ <u>1,368</u>	\$ <u>15,550</u>

Unrealized gains or losses on beneficial interest in perpetual trusts in Level 3 are included in the change in net unrealized gains or losses on investments in net assets with donor restrictions. Unrealized gains or losses on interest in trusts and charitable gift annuities in Level 3 are included in net unrealized gains or losses on investments in net assets with donor restrictions. Unrealized gains or losses on other equity investments in Level 3 are included in change in net unrealized gains or losses on investments in investment income.

Fair values of investments are provided by investment custodians, trustees, managers, or advisors. The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Cash Investments — The carrying value of cash investments approximates fair value as maturities are less than three months and/or include money market funds that are based on quoted prices and actively traded.

Pledges and Other Receivables — These are valued at the present value of cash expected to be collected in future years, discounted using a risk-free rate applicable to the year in which the pledge is received. Discount rates ranged from 3.90% to 4.12% at September 30, 2022 and 0.27% to 0.93% at September 30, 2021.

Marketable Equity Securities — The fair values of marketable securities are based on quoted market prices.

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Guaranteed Investment Contracts (GICs) — The estimated fair values of GICs approximate historical costs, as rates of return approximate current market rates.

Mutual Funds — The fair values of mutual funds and institutional mutual funds are based on quoted market prices.

Fixed-Income Securities — The estimated fair values of debt securities are based on quoted market prices and/or other market data for the same or comparable instruments and transactions.

Interest in Trusts and Charitable Gift Annuities — The fair values of the interest in trusts and charitable gift annuities are based on the underlying assets of the trusts and charitable gift annuities reported by the trustees, which all have readily determinable fair values based on quoted market prices of identical or comparable securities. The underlying investments are not readily available to Northern Light Health and therefore this is considered to be a Level 3 investment.

Beneficial Interest in Perpetual Trusts — The fair values of the beneficial interest in perpetual trusts are based on the underlying assets of the trusts reported by the trustee, which all have readily determinable fair values based on quoted market prices of identical or comparable securities. The underlying investments are not readily available to Northern Light Health and therefore this is considered to be a Level 3 investment.

Deferred Compensation Liability — The fair values of the deferred compensation liabilities are based on the related assets.

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Investments at Net Asset Values

Investments at NAV include common/collective trusts, institutional funds, equity funds, bond funds, partnerships, and hedge funds. The following tables set forth a summary of Northern Light Health's investments with a reported NAV as of September 30, 2022 and 2021 (dollars in thousands):

	<u>Fair Value Estimated Using Net Asset Value Per Share September 30, 2022</u>				
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period</u>
Investments					
Common/Collective trust					
Large Cap U.S. Equity	\$ <u>389</u>	None	Daily	None	1 business day
Public equity funds					
	<u>65,813</u>	None	Daily	None	1-2 business days
	<u>20,108</u>	None	Weekly	None	5-14 business days
	<u>21,476</u>	None	Monthly	None	3-5 business days
	<u>107,397</u>				
Public debt funds					
	<u>161,097</u>	None	Daily	None	1-2 business days
	<u>29,047</u>	None	Monthly	None	30 business days
	<u>190,144</u>				
Multi asset funds	<u>15,195</u>	None	Weekly	None	1 business day
Hedge Funds					
	<u>907</u>	None	Quarterly	None	30-90 business days
	<u>89</u>	None	Annually	None	60 business days
	<u>996</u>				
Total	\$ <u>314,121</u>				
Pension Plan Investments					
Public equity funds					
	\$ <u>103,968</u>	None	Daily	None	2-5 business days
	<u>15,017</u>	None	Weekly	None	5 business days
	<u>14,193</u>	None	Monthly	None	5-14 business days
	<u>133,178</u>				
Multi asset funds	<u>10,072</u>	None	Weekly	None	1 business day
Liability hedging funds	<u>98,029</u>	None	Weekly	None	1-2 business days
Total	\$ <u>241,279</u>				

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	Fair Value Estimated Using Net Asset Value Per Share September 30, 2021				
	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period</u>
Investments					
Common/Collective trust					
Large Cap U.S. Equity	\$ <u>1,140</u>	None	Daily	None	1 business day
Public equity funds					
	80,175	None	Daily	None	1-2 business day
	25,152	None	Weekly	None	3-5 business days
	<u>25,559</u>	None	Monthly	None	5-14 business days
	<u>130,886</u>				
Public debt funds					
	198,956	None	Daily	None	1-2 business days
	<u>32,651</u>	None	Monthly	None	30 business days
	<u>231,607</u>				
Multi asset funds					
	<u>19,575</u>	None	Weekly	None	1 business day
Hedge Funds					
	5,197	None	Quarterly	None	30-90 business days
	<u>192</u>	None	Annually	None	60 business days
	<u>5,389</u>				
Total	\$ <u>388,597</u>				
Pension Plan Investments					
Public equity funds					
	\$ 124,670	None	Daily	None	2-5 business days
	14,470	None	Weekly	None	5 business days
	<u>14,351</u>	None	Monthly	None	14 business days
	<u>153,491</u>				
Multi-Asset Funds	<u>11,836</u>	None	Weekly	None	1 business day
Liability hedging funds	<u>133,749</u>	None	Weekly		1-2 business days
Total	\$ <u>299,076</u>				

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Public Equity Funds — Consists of a highly diversified mix of publicly traded global equities. Common stocks, preferred stocks or other equity securities are typically utilized. This portfolio is composed of U.S., non-U.S., and global equity segments.

Public Debt Funds — Consists of a diversified mix of fixed income managers/mandates who may invest across multiple asset types such as: U.S. governmental bonds, investment grade and high yield corporate bonds, mortgage related bonds, non-U.S./emerging market bonds, etc.

Liability Hedging Funds — Consists of a mix of high quality, intermediate to long duration bond strategies including U.S. long corporate credit, U.S. long treasuries, U.S. strips, U.S. intermediate credit, U.S. intermediate treasuries, etc. The allocation is optimized to hedge a portion of the interest rate risk.

Large Cap U.S. Equity — Seeks to provide long-term growth of capital by investing primarily in large cap equity securities and to achieve above average results over a market cycle. Large cap (large capitalization) investments involve stocks of companies generally having a market capitalization between \$10 billion and \$200 billion.

Multi-Asset Funds — Seeks favorable returns and offers a convenient way to diversify a portfolio by combining funds and separate accounts investing in U.S. and non-U.S. stocks, bonds, global commodities, listed real estate, and infrastructure into one fund.

Hedge Funds — Seeks to offer investors low correlation to traditional assets, and aims to provide diversification, lower volatility, and higher risk-adjusted returns at the portfolio level. The fund's underlying managers represent a range of hedge fund strategies, which invest in global developed and emerging market equities, debt, and currency markets.

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

15. Functional Expenses

Northern Light Health is a community-based health system dedicated to improving the health of the residents of its region. The financial statements report certain expense categories that are attributable to more than one healthcare service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, amortization, interest, and other occupancy costs, are allocated to a function based on square-footage or units-of-service basis. Allocated healthcare services costs not allocated on a units-of-service basis are otherwise allocated based on revenue. The following is a schedule by year of functional expenses (dollars in thousands):

	<u>2022</u>		
	<u>Healthcare Service</u>	<u>Administrative Support</u>	<u>Total</u>
Salary, payroll taxes, and fringe benefits	\$ 1,014,451	\$ 121,904	\$ 1,136,355
Supplies and other	434,708	18,279	452,987
Purchased services	393,750	32,556	426,306
Provider taxes	37,720	-	37,720
Depreciation and amortization	54,283	10,038	64,321
Interest expense	<u>19,178</u>	<u>956</u>	<u>20,134</u>
	<u>\$ 1,954,090</u>	<u>\$ 183,733</u>	<u>\$ 2,137,823</u>
	<u>2021</u>		
	<u>Healthcare Service</u>	<u>Administrative Support</u>	<u>Total</u>
Salary, payroll taxes, and fringe benefits	\$ 1,004,102	\$ 124,001	\$ 1,128,103
Supplies and other	402,296	19,932	422,228
Purchased services	277,603	29,131	306,734
Provider taxes	33,970	-	33,970
Depreciation and amortization	50,481	8,067	58,548
Interest expense	<u>19,369</u>	<u>966</u>	<u>20,335</u>
	<u>\$ 1,787,821</u>	<u>\$ 182,097</u>	<u>\$ 1,969,918</u>

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

16. Leases and Other Commitments

Leases

Northern Light Health leases certain equipment, warehouse, hospital, and office space subject to various agreements. Operating leases are primarily for real estate, including certain acute care facilities, off-campus outpatient facilities, medical office buildings, and corporate and other administrative offices. Real estate lease agreements typically have initial terms of five to ten years. These real estate leases may include one or more options to renew, with renewals that can extend the lease term from five to ten years. The exercise of lease renewal options is at Northern Light Health's sole discretion. When determining the lease term, options to extend or terminate the lease are included when it is reasonably certain that Northern Light Health will exercise that option.

The following table presents the lease-related assets and liabilities as of September 30, 2022 and 2021 (dollars in thousands):

	<u>2022</u>	<u>2021</u>
Operating Leases		
Right of use assets-operating leases	\$ <u>34,560</u>	\$ <u>37,371</u>
Operating lease liabilities, current	\$ 5,877	\$ 5,581
Operating lease liabilities, long-term	<u>30,456</u>	<u>33,640</u>
Total operating lease liabilities	\$ <u>36,333</u>	\$ <u>39,221</u>
Finance Leases		
Property and equipment	\$ 12,211	\$ 3,884
Accumulated depreciation	<u>(2,441)</u>	<u>(906)</u>
Property and equipment, net	\$ <u>9,770</u>	\$ <u>2,978</u>
Current maturities of long-term debt	\$ 2,097	\$ 738
Long-term debt	<u>8,030</u>	<u>2,555</u>
Total finance lease liabilities	\$ <u>10,127</u>	\$ <u>3,293</u>

The following tables presents certain information related to lease expense for the operating and financing leases as of September 30, 2022 and 2021:

<u>Lease costs</u>	<u>Natural expense classification</u>	<u>2022</u>
Finance lease cost:		
Amortization of right of use assets	Depreciation and amortization	\$ 1,600
Interest on lease obligation	Interest expense	406
Operating lease cost:	Other operating costs	<u>17,565</u>
Total lease cost		\$ <u>19,571</u>

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

Lease costs	Natural expense classification	2021
Finance lease cost:		
Amortization of right of use assets	Depreciation and amortization	\$ 588
Interest on lease obligation	Interest expense	106
Operating lease cost:		
	Other operating costs	<u>16,365</u>
Total lease cost		<u>\$ 17,059</u>

A maturity analysis of the annual undiscounted cash flows reconciled to the carrying value of the operating and finance lease obligations, and certain other statistical data related to these leases, follows:

	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2023	\$ 8,459	\$ 2,552	\$ 11,011
2024	6,967	2,519	9,486
2025	6,242	2,426	8,668
2026	5,373	1,804	7,177
2027	4,387	1,036	5,423
Thereafter	<u>13,237</u>	<u>1,050</u>	<u>14,287</u>
Total	44,665	11,387	56,052
Less Discount	<u>(8,332)</u>	<u>(1,260)</u>	<u>(9,592)</u>
Total	<u>\$ 36,333</u>	<u>\$ 10,127</u>	<u>\$ 46,460</u>

2022 Operating:

Weighted-average discount rate	5.19%
Weighted-average remaining lease term	7.38 years

2022 Finance:

Weighted-average discount rate	5.04%
Weighted-average remaining lease term	4.89 years

2021 Operating:

Weighted-average discount rate	5.15%
Weighted-average remaining lease term	7.95 years

2021 Finance:

Weighted-average discount rate	5.50%
Weighted-average remaining lease term	4.29 years

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Notes to Consolidated Financial Statements

September 30, 2022 and 2021

The following table summarizes supplemental statement of cash flow information related to leases for the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows - operating leases	\$ 7,057	\$ 4,989
Financing cash flows - finance leases	\$ 1,558	\$ 304
Non-cash lease related items*:		
ROU assets obtained in exchange for new finance leases	\$ 8,392	\$ 3,347
ROU assets obtained in exchange for new operating leases	\$ 4,169	\$ 44,211

*Included in these amounts are the ROU assets recorded upon the adoption of the new lease accounting standard at October 1, 2020 (\$267 for finance lease right of use assets and \$35,334 for operating lease right of use assets).

In the ordinary course of business, Northern Light Health routinely lease equipment pursuant to new lease arrangements that will likely result in future lease and rental expense in excess of amounts indicated above.

Northern Light Health leases warehouse and office space from Penobscot Logistics Solutions, LLC, a related party. The building was sold in April, 2022 to an unrelated party. Total lease expense through April 30, 2022 was \$288,464.

Other Commitments

Northern Light Health has agreements through 2030 with its clinical and ERP systems vendors for remote hosting services, and a perpetual license agreement for clinical systems vendors. The payments provide for the maintenance and support for the licensed software and hardware.

The following is a schedule by year of annual payments under remote hosting agreements, perpetual license agreements and hardware agreements existing at September 30, 2022 (dollars in thousands):

Years Ending September 30:

2023	\$ 17,381
2024	12,044
2025	12,501
2026	11,447
2027	11,399
Thereafter	<u>30,888</u>
	\$ <u>95,660</u>

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Consolidating Statement of Operations

Year Ended September 30, 2022

	Acadia Hospital (Consolidated)	Affiliated Healthcare Systems (Consolidated)	A.R. Gould Hospital	Beacon Health, LLC (Consolidated)	Blue Hill Hospital	CA Dean Hospital	Eastern Maine Medical Center (Consolidated)	Home Care and Hospice	Inland Hospital (Consolidated)	Maine Coast Hospital (Consolidated)	Mayo Hospital	Mercy Hospital	Northern Light Health (Consolidated)	Northern Light Health Foundation	Northern Light Medical Transport	Northern Light Pharmacy	Rosscare	Sebasticook Valley Hospital	Eliminations and Reclassifications	2022 NLH Consolidated	
Revenue																					
Net patient service revenue	\$ 73,035,263	\$ 10,306,543	\$ 134,800,837	\$ -	\$ 42,960,125	\$ 20,293,323	\$ 870,166,743	\$ 43,565,274	\$ 74,481,119	\$ 98,641,355	\$ 60,721,878	\$ 240,065,700	\$ 808,041	\$ -	\$ 5,958,436	\$ 63,739,382	\$ -	\$ 57,203,728	\$ (937,904)	\$ 1,795,809,843	
Sales and contract revenue	5,383,299	34,163,623	164,332	6,200,492	24,124	18,305	7,597,655	534,650	575,852	54,266	107,600	347,237	212,572,166	4,153,333	1,929,721	3,469,737	-	975,744	(266,831,074)	11,441,062	
Other revenue	7,366,316	835,282	20,402,809	4,595,711	4,110,539	2,038,837	105,898,295	1,391,054	12,220,274	8,316,673	4,400,405	13,653,558	152,916,096	380	556,109	12,032,653	414,845	5,012,784	(159,991,918)	196,170,702	
Net assets released from restrictions - operations	165,420	-	52,794	-	86,983	7,214	952,938	165,946	81,090	126,921	-	976,075	-	44,454	-	-	-	23,989	-	2,683,824	
Total revenue	85,950,298	45,305,448	155,420,772	10,796,203	47,181,771	22,357,679	984,615,631	45,656,924	87,358,335	107,139,215	65,229,883	255,042,570	366,296,303	4,198,167	8,444,266	79,241,772	414,845	63,216,245	(427,760,896)	2,006,105,431	
Expenses																					
Compensation and employee benefits	57,024,410	17,523,025	84,186,250	4,222,763	19,456,559	13,125,367	446,757,034	35,584,928	41,428,597	43,199,264	32,458,395	129,837,666	174,169,676	3,030,344	6,639,747	7,545,916	20,683	23,761,085	(3,616,683)	1,136,355,026	
Supplies and other	22,957,476	25,493,460	77,946,779	3,912,608	19,447,537	7,844,418	575,860,730	12,895,961	52,310,547	57,807,503	25,830,266	127,369,562	231,641,403	1,031,526	2,784,543	68,796,575	214,891	27,011,323	(424,144,213)	917,012,895	
Depreciation and amortization	832,359	332,681	3,504,302	32,342	684,789	503,563	28,989,868	121,074	1,997,925	2,091,509	1,522,961	7,566,225	14,454,757	8,141	206,982	344,207	-	1,127,015	-	64,320,700	
Interest	1,035	96,475	835,793	-	90,024	143,163	11,860,316	813	613,443	472,382	197,814	3,271,851	2,390,079	-	-	804	-	160,006	-	20,133,998	
Total expenses	80,815,280	43,445,641	166,473,124	8,167,713	39,678,909	21,616,511	1,063,467,948	48,602,776	96,350,512	103,570,658	60,009,436	268,045,304	422,655,915	4,070,011	9,631,272	76,687,502	235,574	52,059,429	(427,760,896)	2,137,822,619	
Income (loss) from operations	5,135,018	1,859,807	(11,052,352)	2,628,490	7,502,862	741,168	(78,852,317)	(2,945,852)	(8,992,177)	3,568,557	5,220,447	(13,002,734)	(56,359,612)	128,156	(1,187,006)	2,554,270	179,271	11,156,816	-	(131,717,188)	
Other gains (losses)																					
Income tax (expense) benefit	-	(218,000)	-	(165,781)	-	-	(46,810)	-	-	-	-	-	-	-	-	(44,466)	-	-	-	(475,057)	
Joint venture income	-	843,625	182,077	-	-	-	286,716	-	-	-	-	-	4,932,572	-	-	-	-	-	-	6,244,990	
Investment income and other, net	(68,667)	(114,242)	39,371	(6,056)	(2,118)	(1,226)	(1,777,014)	-	(475)	979	-	322,779	(46,864,354)	(1,237,849)	(1,240)	-	(6,796)	128	(2,371,190)	(52,087,970)	
Other gains (losses) - net	(68,667)	511,383	221,448	(171,837)	(2,118)	(1,226)	(1,537,108)	-	(475)	979	-	322,779	(41,931,782)	(1,237,849)	(1,240)	(44,466)	(6,796)	128	(2,371,190)	(46,318,037)	
Excess (deficiency) of revenue and gains over expenses and losses	5,066,351	2,371,190	(10,830,904)	2,456,653	7,500,744	739,942	(80,389,425)	(2,945,852)	(8,992,652)	3,569,536	5,220,447	(12,679,955)	(98,291,394)	(1,109,693)	(1,188,246)	2,509,804	172,475	11,156,944	(2,371,190)	(178,035,225)	
Noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Excess (deficiency) of revenue and gains over expenses and losses - controlling interest	5,066,351	2,371,190	(10,830,904)	2,456,653	7,500,744	739,942	(80,389,425)	(2,945,852)	(8,992,652)	3,569,536	5,220,447	(12,679,955)	(98,291,394)	(1,109,693)	(1,188,246)	2,509,804	172,475	11,156,944	(2,371,190)	(178,035,225)	
Net assets released from restrictions - Capital acquisitions	-	-	401,916	-	61,131	-	4,213,856	-	202,107	69,849	-	2,651,635	-	-	-	-	-	74,571	-	7,675,065	
Net change in funds held at affiliates	(6,652)	-	(408)	-	(445)	(3,731)	165,770	(442,413)	57,884	(725,871)	22	195	(2,925)	-	-	-	-	(273)	958,847	-	
Interentity equity transfers	4,377	-	-	-	-	-	(125,000)	-	963	169,219	-	-	(27,961)	(21,598)	-	-	-	-	-	-	
Pension and postretirement plan - related adjustments	1,542,055	1,360,771	-	251,720	72,835	85,623	22,674,625	-	-	-	-	-	6,487,914	-	166,860	-	53,575	-	(1,360,771)	31,335,207	
Increase (decrease) in unrestricted net assets — controlling interest	\$ 6,606,131	\$ 3,731,961	\$ (10,429,396)	\$ 2,708,373	\$ 7,634,265	\$ 821,834	\$ (53,460,174)	\$ (3,388,265)	\$ (8,731,698)	\$ 3,082,733	\$ 5,220,469	\$ (10,028,125)	\$ (91,834,366)	\$ (1,131,291)	\$ (1,021,386)	\$ 2,509,804	\$ 226,050	\$ 11,231,242	\$ (2,773,114)	\$ (139,024,953)	

The above supplementary consolidating information is presented only for purposes of additional analysis and not as a presentation of the results of operations of each component of the consolidating group.

EASTERN MAINE HEALTHCARE SYSTEMS d/b/a NORTHERN LIGHT HEALTH

Consolidating Statement of Operations

Year Ended September 30, 2021

	Acadia Hospital (Consolidated)	Affiliated Healthcare Systems (Consolidated)	A.R. Gould Hospital	Beacon Health, LLC (Consolidated)	Blue Hill Hospital	C.A. Dean Hospital	Eastern Maine Medical Center (Consolidated)	Home Care and Hospice	Inland Hospital (Consolidated)	Maine Coast Hospital (Consolidated)	Mayo Hospital	Mercy Hospital	Northern Light Health (Consolidated)	Northern Light Health Foundation	Northern Light Medical Transport	Northern Light Pharmacy	Rosscare	Sebasticook Valley Hospital	Eliminations and Reclassifications	2021 NLH Consolidated	
Revenue																					
Net patient service revenue	\$ 72,617,495	\$ 9,195,280	\$ 133,461,854	\$ -	\$ 40,680,468	\$ 20,010,100	\$ 893,632,034	\$ 49,572,394	\$ 77,240,038	\$ 83,559,939	\$ 56,201,366	\$ 230,949,023	\$ 745,838	\$ -	\$ 6,118,449	\$ 51,171,401	\$ -	\$ 49,118,064	\$ (1,125,618)	\$ 1,773,148,125	
Sales and contract revenue	4,524,338	37,052,052	331,846	10,824,765	956,413	91,980	8,650,425	736,174	587,598	724,706	128,596	337,043	199,747,562	4,335,344	1,675,639	3,240,737	-	443,513	(261,382,457)	13,006,274	
Other revenue	3,116,572	923,947	17,335,551	5,120,343	3,492,918	4,837,986	138,866,534	23,641	12,747,936	7,369,847	3,799,289	19,060,710	155,657,776	4,145	314,396	9,985,079	330,742	7,191,022	(152,204,584)	237,973,850	
Net assets released from restrictions - operations	75,358	-	89,170	-	80,602	14,946	1,595,841	239,908	29,229	221,387	7,194	479,516	10,000	78,125	-	-	-	25,959	-	2,947,235	
Total revenue	80,333,763	47,171,279	151,218,421	15,945,108	45,210,401	24,955,012	1,042,744,834	50,572,117	90,604,801	91,875,879	60,136,445	250,826,292	356,161,176	4,417,614	8,108,484	64,397,217	330,742	56,778,558	(414,712,659)	2,027,075,484	
Expenses																					
Compensation and employee benefits	52,892,771	17,037,402	84,853,660	10,098,138	20,531,037	12,469,711	448,936,487	37,041,991	41,882,518	45,820,376	33,769,570	124,776,515	161,630,709	3,477,746	5,880,117	6,774,698	-	22,255,604	(2,026,500)	1,128,102,550	
Supplies and other	17,623,471	24,986,921	65,419,756	3,919,495	17,890,167	7,170,431	498,120,751	11,399,828	44,992,225	44,690,326	19,856,941	111,206,725	225,526,909	952,185	2,576,895	55,946,610	225,551	23,113,421	(412,686,159)	762,932,449	
Depreciation and amortization	840,482	343,442	3,463,167	33,782	709,396	528,422	28,765,108	117,755	1,935,132	1,864,804	1,658,988	4,129,724	12,376,030	8,530	189,420	394,021	-	1,190,083	-	58,548,286	
Interest	(967)	105,734	839,187	59	92,041	144,133	13,060,858	-	615,723	457,902	145,778	2,130,294	2,276,944	-	-	1,896	284,270	180,881	-	20,334,733	
Total expenses	71,355,757	42,473,499	154,575,770	14,051,474	39,222,641	20,312,697	988,883,204	48,559,574	89,425,598	92,833,408	55,431,277	242,243,258	401,810,592	4,438,461	8,646,432	63,117,225	509,821	46,739,989	(414,712,659)	1,969,918,018	
Income (loss) from operations	8,978,006	4,697,780	(3,357,349)	1,893,634	5,987,760	4,642,315	53,861,630	2,012,543	1,179,203	(957,529)	4,705,168	8,583,034	(45,649,416)	(20,847)	(537,948)	1,279,992	(179,079)	10,038,569	-	57,157,466	
Other gains (losses)																					
Income tax expense	-	(498,241)	-	-	-	-	(61,987)	-	-	-	-	-	-	-	-	-	-	-	-	(560,228)	
Joint venture income	-	138,458	229,258	-	-	-	916,023	-	-	-	-	-	3,516,346	-	-	-	-	-	-	4,800,085	
Investment (losses) income and other - net	(88,168)	(184,553)	36,935	(6,977)	(2,824)	(2,916)	(669,110)	-	144,060	3,873	-	(964,953)	27,249,208	1,879,198	(1,675)	-	(8,246)	124	(4,155,562)	23,228,414	
Other gains (losses) - net	(88,168)	(544,336)	266,193	(6,977)	(2,824)	(2,916)	184,926	-	144,060	3,873	-	(964,953)	30,765,554	1,879,198	(1,675)	-	(8,246)	124	(4,155,562)	27,468,271	
Excess (deficiency) of revenue and gains over expenses and losses	8,889,838	4,153,444	(3,091,156)	1,886,657	5,984,936	4,639,399	54,046,556	2,012,543	1,323,263	(953,656)	4,705,168	7,618,081	(14,883,862)	1,858,351	(539,623)	1,279,992	(187,325)	10,038,693	(4,155,562)	84,625,737	
Noncontrolling interest	-	2,118	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,118	
Excess (deficiency) of revenue and gains over expenses and losses - controlling interest	8,889,838	4,155,562	(3,091,156)	1,886,657	5,984,936	4,639,399	54,046,556	2,012,543	1,323,263	(953,656)	4,705,168	7,618,081	(14,883,862)	1,858,351	(539,623)	1,279,992	(187,325)	10,038,693	(4,155,562)	84,627,855	
Net assets released from restrictions - Capital acquisitions	-	-	239,865	-	99,477	368,632	2,720,203	-	461,093	117,774	36,359	3,037,597	-	-	-	-	-	3,200	-	7,084,200	
Net change in funds held at affiliates	(1,535)	-	502	-	558	4,613	54,327	549,328	2,972	346,456	12,242	83	3,666	-	-	-	-	1,326	(974,538)	-	
Interentity equity transfers	4,366	-	-	-	-	-	-	-	41,759	406,893	(12,237)	-	(23,533)	(417,248)	-	-	-	-	-	-	
Pension and postretirement plan related adjustments	1,850,376	1,697,128	-	46,795	85,074	186,511	23,468,828	-	-	-	-	-	(836,927)	-	168,795	-	59,662	-	(1,697,128)	25,029,114	
Increase (decrease) in unrestricted net assets - controlling interest	\$ 10,743,045	\$ 5,852,690	\$ (2,850,789)	\$ 1,933,452	\$ 6,170,045	\$ 5,199,155	\$ 80,289,914	\$ 2,561,871	\$ 1,829,087	\$ (82,533)	\$ 4,741,532	\$ 10,655,761	\$ (15,740,656)	\$ 1,441,103	\$ (370,828)	\$ 1,279,992	\$ (127,663)	\$ 10,043,219	\$ (6,827,228)	\$ 116,741,169	

The above supplementary consolidating information is presented only for purposes of additional analysis and not as a presentation of the results of operations of each component of the consolidating group.