

REPORT ON AUDIT OF FEDERAL AWARDS IN  
ACCORDANCE WITH THE UNIFORM GUIDANCE

Boston Children's Hospital and Subsidiaries  
Year Ended September 30, 2023  
With Reports of Independent Auditors

Ernst & Young LLP



Boston Children’s Hospital and Subsidiaries

Report on Audit of Federal Awards in  
Accordance with the Uniform Guidance

Year Ended September 30, 2023

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## Section I – Financial Information



## Report of Independent Auditors

The Board of Trustees  
Boston Children's Hospital

### Opinion

We have audited the consolidated financial statements of Children's Medical Center Corporation and Subsidiaries (the Medical Center) (d/b/a Boston Children's Hospital and Subsidiaries), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

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

We did not audit the financial statements of the Physicians' Organization at Children's Hospital, Inc. (the P.O.) and the Physician Foundations (the Foundations), controlled affiliates, which statements reflect total assets constituting \$1,794 million and \$1,606 million, respectively, of consolidated total assets at September 30, 2023 and 2022, and total revenues constituting \$1,000 million and \$851 million, respectively, of consolidated total revenues for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the P.O. and Foundations, is based solely on the report of the other auditors.

### Basis for Opinion

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

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

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

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center’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. We have not performed any procedures with respect to the audited financial statements subsequent to December 22, 2023. The accompanying Schedule of Expenditures of Federal Awards for the year ended September 30, 2023, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2023 on our consideration of the Medical Center’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center’s internal control over financial reporting and compliance.

*Ernst + Young LLP*

December 22, 2023, except for our report on the Schedule of Expenditures of Federal Awards for which the date is June 26, 2024

Boston Children's Hospital and Subsidiaries

Consolidated Balance Sheets  
(In Thousands)

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 286,346	\$ 276,480
Patient accounts receivable, net	444,939	402,301
Other receivables	80,266	47,616
Grants receivable	75,850	66,494
Current portion of pledges receivable, net	53,719	51,255
Other current assets	89,515	86,630
Total current assets	<u>1,030,635</u>	<u>930,776</u>
Investments:		
Unrestricted as to use	3,150,863	2,964,457
Limited by Board designation	2,335,589	2,799,212
Restricted by donor-imposed restriction	691,471	632,198
	<u>6,177,923</u>	<u>6,395,867</u>
Other assets whose use is limited:		
By externally administered trusts	40,343	39,174
For deferred compensation and other benefit obligations	182,935	163,120
Other	2,540	1,068
	<u>225,818</u>	<u>203,362</u>
Other non-current assets:		
Property, plant, and equipment, net	2,678,974	2,185,353
Operating lease right-of-use assets	533,560	526,319
Goodwill and other intangible assets	26,024	28,650
Pledges receivable, net	66,499	59,267
Net pension asset	58,122	50,709
Other assets	198,800	132,275
Total assets	<u>\$ 10,996,355</u>	<u>\$ 10,512,578</u>



Boston Children's Hospital and Subsidiaries

Consolidated Balance Sheets (continued)  
(In Thousands)

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 350,492	\$ 270,018
Accrued salaries and wages	189,518	196,276
Current portion of estimated third-party settlement liabilities	15,317	13,280
Current portion of long-term debt	5,936	5,230
Current portion of operating lease liabilities	51,365	43,116
Deferred revenue	127,493	119,305
Other current liabilities	9,115	12,001
Total current liabilities	<u>749,236</u>	<u>659,226</u>
Non-current liabilities:		
Long-term debt	1,526,980	1,520,570
Mortgage notes payable	27,000	27,000
Estimated third-party settlement liabilities	26,769	21,418
Operating lease liabilities	529,952	522,392
Net pension liability	26,840	-
Funds held for others	29,873	29,871
Interest rate swap liability	31,332	51,518
Deferred compensation and other benefit obligations	165,212	145,975
Other liabilities	220,604	203,513
Total non-current liabilities	<u>2,584,562</u>	<u>2,522,257</u>
Net assets:		
Without donor restrictions	6,810,524	6,549,201
With donor restrictions	852,033	781,894
Total net assets	<u>7,662,557</u>	<u>7,331,095</u>
Total liabilities and net assets	<u>\$ 10,996,355</u>	<u>\$ 10,512,578</u>

See accompanying notes.

## Boston Children's Hospital and Subsidiaries

### Consolidated Statements of Operations and Changes in Net Assets (In Thousands)

	<b>Year Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Revenues</b>		
Net patient services revenue	\$ 2,845,817	\$ 2,444,524
Research grants and contracts	320,399	305,080
Recovery of indirect costs on grants and contracts	122,942	113,215
Other operating revenue	178,250	195,739
Contributions without donor restrictions, net of fundraising expenses of \$6,400 and \$5,498 in 2023 and 2022, respectively	18,291	18,391
Net assets released from restrictions used for operations	79,157	68,938
<b>Total revenues</b>	<b>3,564,856</b>	<b>3,145,887</b>
<b>Expenses</b>		
Salaries and benefits	2,228,522	1,882,562
Supplies and other expenses	958,079	773,399
Direct research expenses of grants and contracts	320,399	305,080
Health Safety Net assessment and Waiver ( <i>Note 4</i> )	45,703	28,818
Depreciation and amortization	175,134	152,904
Costs related to asset dispositions	–	2,731
Interest and net interest rate swap cash flows	55,455	30,648
<b>Total expenses</b>	<b>3,783,292</b>	<b>3,176,142</b>
 Loss from operations	 <b>(218,436)</b>	 <b>(30,255)</b>
<b>Non-operating gains (losses)</b>		
Income from investments	68,133	50,478
Excess of fair value of net assets acquired over liabilities assumed in acquisition of FC ( <i>Note 1</i> )	69,044	–
Net realized gains on investments	107,052	164,570
Changes in unrealized gains and losses on investments, net	192,934	(543,191)
Changes in value of alternative investments, net	54,650	(154,948)
Recognition of unrealized losses on investments	(4,598)	(41,066)
Loss on extinguishment of debt	–	(6,065)
Fundraising expenses on donor-restricted contributions	(36,266)	(30,699)
Adjustment of interest rate swaps to fair value	20,186	88,697
Other non-operating gains (losses), net	5,625	(17,520)
<b>Total non-operating gains (losses), net</b>	<b>476,760</b>	<b>(489,744)</b>
<b>Excess (deficit) of revenues over expenses</b>	<b>258,324</b>	<b>(519,999)</b>

## Boston Children's Hospital and Subsidiaries

### Consolidated Statements of Operations and Changes in Net Assets (continued) (In Thousands)

	<b>Year Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Changes in net assets without donor restrictions:		
Excess (deficit) of revenues over expenses <i>(continued from page 6)</i>	<b>\$ 258,324</b>	<b>\$ (519,999)</b>
Net asset transfer and released from restrictions, net	13,132	42,569
Pension adjustment and other, net	<b>(10,133)</b>	19,196
Increase (decrease) in net assets without donor restrictions	<b>261,323</b>	<b>(458,234)</b>
Changes in net assets with donor restrictions:		
Contributions	91,276	175,459
Income and net realized gains (losses) on investments, net	9,188	(2,637)
Changes in unrealized gains and losses on investments, net	21,672	(31,868)
Changes in value of alternative investments, net	9,540	(43,060)
Recognition of unrealized losses on investments	(1,197)	(13,987)
Net assets released from restrictions	<b>(89,384)</b>	<b>(203,926)</b>
Excess of fair value of net assets acquired over liabilities assumed in acquisition of FC <i>(Note 1)</i>	<b>29,044</b>	–
Increase (decrease) in net assets with donor restrictions	<b>70,139</b>	<b>(120,019)</b>
Increase (decrease) in net assets	<b>331,462</b>	<b>(578,253)</b>
Net assets at beginning of year	<b>7,331,095</b>	<b>7,909,348</b>
Net assets at end of year	<b>\$ 7,662,557</b>	<b>\$ 7,331,095</b>

*See accompanying notes.*

## Boston Children's Hospital and Subsidiaries

### Consolidated Statements of Cash Flows (In Thousands)

	<b>Year Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Operating activities</b>		
Increase (decrease) in net assets	\$ 331,462	\$ (578,253)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	175,134	152,904
Noncash interest expense	1,865	547
Costs related to asset dispositions	–	2,731
Donor-restricted contributions	(91,276)	(175,459)
Income and net realized and unrealized gains and losses on investments, net	(577,211)	679,089
Loss on extinguishment of debt	–	6,065
Excess of fair value of net assets acquired over liabilities assumed in acquisition of FC <i>(Note 1)</i>	(98,088)	–
Changes in operating assets and liabilities:		
Investments classified as trading securities	119,837	(63,380)
Patient accounts receivable	(35,775)	(50,740)
Other receivables	(39,976)	(23,194)
Operating lease right-of-use assets	(7,241)	(168,651)
Other assets	(74,436)	(42,595)
Accounts payable and accrued expenses	57,419	16,741
Estimated third-party settlement liabilities	6,618	8,092
Operating lease liabilities	15,809	175,036
Other liabilities	48,380	(144,372)
Net cash used in operating activities	(167,479)	(205,439)
<b>Financing activities</b>		
Payments of bond issuance costs	–	(323)
Proceeds from bond issuance	–	156,000
Bond payments	(5,230)	(149,067)
Payments related to royalty monetization	(3,935)	(3,103)
(Increase) decrease in pledges receivable	(5,975)	28,366
Donor-restricted contributions	91,276	175,459
Net cash provided by financing activities	76,136	207,332

Boston Children's Hospital and Subsidiaries

Consolidated Statements of Cash Flows (continued)  
(In Thousands)

	<b>Year Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Investing activities</b>		
Cash assumed in acquisition of FC (Note 1)	\$ 11,390	\$ –
Purchases of investments	(692,594)	(425,454)
Proceeds from sales of investments	1,403,092	635,857
Additions to fixed assets, net of retirements	(598,197)	(331,010)
(Increase) decrease in other assets whose use is limited	(22,456)	47,187
Net cash provided by (used in) investing activities	<u>101,235</u>	<u>(73,420)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	9,892	(71,527)
Cash, cash equivalents, and restricted cash at beginning of year	312,155	383,682
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 322,047</u>	<u>\$ 312,155</u>
<b>Reconciliation of cash, cash equivalents, and restricted cash at end of year to the consolidated balance sheets</b>		
Cash and cash equivalents	\$ 286,346	\$ 276,480
Cash included in investments	35,701	35,675
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 322,047</u>	<u>\$ 312,155</u>

See accompanying notes.

# Boston Children's Hospital and Subsidiaries

## Notes to Consolidated Financial Statements *(In Thousands, unless stated otherwise)*

September 30, 2023

### **1. Summary of Significant Accounting Policies**

#### **Basis of Consolidation**

The accompanying consolidated financial statements include the accounts of Children's Medical Center Corporation (CMCC, d/b/a Boston Children's Hospital) and its subsidiaries and controlled affiliates (collectively, the Medical Center). Subsidiaries and controlled affiliates include but are not limited to: (a) Children's Hospital Corporation (the Hospital), which engages in pediatric patient care, research, education and training, and community service; (b) 15 tax-exempt faculty physician foundations (the Foundations), which are organized for charitable, scientific, and educational purposes and operate for the benefit of the Hospital and Harvard Medical School by providing medical, education, and health care services primarily to patients at the Hospital and at other health care providers at satellite locations; (c) the Physicians' Organization at Children's Hospital, Inc. (the P.O.), which provides coordination and general oversight of the business operations of the Foundations; (d) CHB Properties, Inc., which owns and operates real property and distributes the net income of such property to the Medical Center; (e) Longwood Research Institute, Inc., which holds real property for the benefit of the Hospital in the furtherance of its research mission; (f) Boston Children's Health Physicians (BCHP), a fully integrated pediatric physician practice that provides pediatric inpatient and ambulatory care to patients throughout the New York Metropolitan Area, the Hudson Valley, Connecticut, and New Jersey; (g) Franciscan Hospital for Children, Inc. (FC); and other affiliates. All material intercompany balances and transactions are eliminated in consolidation.

#### **Acquisition of Franciscan Hospital for Children**

On October 7, 2021, Children's Medical Center Corporation and FC, a Massachusetts charitable organization, executed an Affiliation Agreement whereby CMCC became the sole corporate member of FC effective July 1, 2023 (the acquisition date). FC operates Franciscan Children's Hospital (FCH) as well as the Kennedy Day School. FC is also the sole corporate member of Franciscan Pediatrics, Inc. (FPI). The affiliation agreement between CMCC and FC stems from a long-term business relationship and shared missions to continue to deliver compassionate, equitable, family-centered and science-based care. The combined vision and goal of the affiliation is to lead change in the delivery of pediatric behavioral health and rehabilitation care.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **1. Summary of Significant Accounting Policies (continued)**

This transaction was accounted for using the acquisition method of accounting, which generally required all assets and liabilities of FC to be revalued at their fair value as of the acquisition date. The acquisition date fair values have been determined using various fair value techniques including third-party appraisals for property and equipment, and quotations from market sources for investments. CMCC recorded consideration payable of \$7.0 million to FCH's former corporate member in connection with the acquisition. The consideration will be paid in equal installments over the next five years.

The fair value of FC's assets was larger than its liabilities plus consideration transferred and, therefore, an inherent contribution of \$98.1 million was recognized in connection with the acquisition, which includes \$29.0 million restricted by donors. Additionally, in connection with the acquisition, CMCC has committed to funding \$40.0 to \$50.0 million to support capital investments, expansion of programs, research and infrastructure, and system integration at and with FC by July 1, 2030. The results of FC's operations have been included in the consolidated statement of operations and changes in net assets commencing on the acquisition date.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 1. Summary of Significant Accounting Policies (continued)

During the period from the acquisition date through September 30, 2023, FC's deficit of revenues over expenses was \$1.3 million excluding the inherent contribution. The acquisition date fair value of FC's assets and liabilities, along with consideration transferred were as follows:

Cash and cash equivalents	\$ 11,390
Patient accounts receivable, net	6,863
Other receivables	2,030
Other current assets	1,428
Investments-board designated	9,837
Investments-limited by board designation	25,315
Property, plant and equipment, net	67,549
Pledges receivable, net	3,721
Other assets	959
Total assets acquired	129,092
Accounts payable and accrued expenses	3,823
Accrued salaries and wages	5,474
Current portion of estimated third-party settlement liabilities	770
Current portion of long-term debt	314
Other current liabilities	1,598
Long-term debt	11,648
Other liabilities	377
Total liabilities assumed	24,004
Total net assets acquired	105,088
Less: consideration transferred	(7,000)
Inherent contribution	\$ 98,088
Inherent contribution without donor restrictions	\$ 69,044
Inherent contribution with donor restrictions	29,044
Total contribution received	\$ 98,088



## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 1. Summary of Significant Accounting Policies (continued)

The following table represents CMCC's proforma financial information as of September 30, 2023 and 2022 assuming the acquisition of FC had taken place on October 1, 2021. The proforma financial information is not necessarily indicative of the results of operations as they would have been had the transaction been effective on October 1, 2021.

	Year Ended September 30	
	2023	2022
Revenues	\$ 3,629,979	\$ 3,224,984
Expenses	3,848,418	3,253,792
Operating loss	(218,439)	(28,808)
Nonoperating gains (losses), net	401,481	(490,658)
Excess of revenues over expenses	<u>\$ 183,042</u>	<u>\$ (519,466)</u>

#### COVID-19 Pandemic and CARES Act Funding

The Medical Center's patient volumes and revenues for most services were adversely impacted by the COVID-19 pandemic at various time periods during the years ended September 30, 2022 and September 30, 2021. In response to the COVID-19 pandemic, The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The CARES Act authorized funding to hospitals and other health care providers to be distributed through the Public Health and Social Services Emergency Fund (Relief Fund). Distributions from the Relief Fund are to be issued to prevent, prepare for, and respond to COVID-19 and reimburse the recipient for health care-related expenses and/or lost revenues attributable to COVID-19 and are not required to be repaid except where funds received exceed the actual amounts of eligible health care-related expenses and/or lost revenues as defined by the U.S. Department of Health and Human Services (HHS), provided the recipients attest to and comply with the terms and conditions.

Under the CARES Act, during the years ended September 30, 2023 and September 30, 2022, the Medical Center received distributions from the Relief Fund in the amount \$0 and \$93,570, respectively. The funding is initially accounted for as a component of net assets with donor restrictions as a contribution and is subsequently released from donor restrictions as the terms and conditions associated with the funding are met. For the years ended September 30, 2023 and

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **1. Summary of Significant Accounting Policies (continued)**

September 30, 2022, \$0 and \$93,570, respectively, of funding was recognized in the accompanying consolidated statements of operations and changes in net assets as a component of other operating revenue as the conditions associated with the funding have been met.

HHS has issued several Post-Payment Notices of Reporting Requirements and published responses to frequently asked questions (FAQs) associated with the Relief Fund distributions. The funding recognized as other operating revenue during the years ended September 30, 2023 and 2022, has been determined based on applicable accounting guidance and management's interpretation of guidance contained in the most recent Post-Payment Notice of Reporting Requirements and FAQs that the Medical Center has interpreted as being applicable to the accompanying consolidated financial statements. Management continues to monitor compliance with the terms and conditions of the Relief Fund distributions. If the Medical Center is unable to attest to or comply with the current or future terms and conditions applicable to the Relief Fund distributions, the Medical Center's ability to retain some or all of the distributions received may be impacted. Management will continue to monitor communications from HHS applicable to the Relief Fund distributions.

The Medical Center also participated in the deferment of Social Security taxes, as allowed under the CARES Act. As of September 30, 2023 and 2022, the amount of Social Security taxes deferred was \$0 and \$21,653, respectively.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Although actual amounts could differ from those estimates, management believes estimated amounts recorded are reasonable and appropriate.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **1. Summary of Significant Accounting Policies (continued)**

##### **Cash and Cash Equivalents**

Cash equivalents include money market instruments with average maturities of less than 90 days, excluding amounts included in investments and other assets whose use is limited. Cash balances maintained with financial institutions may exceed federal depository insurance limits; however, management believes the credit risk related to these financial institutions is minimal. The Medical Center has not experienced any credit losses in such accounts, and it believes it is not exposed to any significant credit risk at September 30, 2023.

The Medical Center's cash management system provides for daily investment of available balances and the funding of outstanding checks when presented for payment. Outstanding, but unpresented, checks totaling \$29,653 and \$39,934 at September 30, 2023 and 2022, respectively, have been included as a component of accounts payable and accrued expenses on the accompanying consolidated balance sheets. Upon presentation for payment, these checks are funded through available cash balances.

##### **Investments and Other Assets Whose Use Is Limited**

Investments and other assets whose use is limited may include the following: Board-designated assets for plant replacement and expansion and mission-related activities; donor-restricted assets and funds held for others (all of which participate in the investment pool); externally managed trusts associated with deferred giving arrangements; assets limited by long-term debt agreements; and deferred compensation (which are invested primarily in mutual funds and government obligations, and are reported at fair value).

##### *Medical Center*

The Medical Center follows the practice of pooling resources of unrestricted and restricted assets for long-term investment purposes. The investment pool is operated on the market-value method, whereby each participating fund is assigned a number of units based on the percentage of the pool it owns at the time of entry. Income, gains, and losses of the pool are allocated to the funds based on their respective participation in the pool.

# Boston Children's Hospital and Subsidiaries

## Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

### **1. Summary of Significant Accounting Policies (continued)**

Investments in marketable debt and equity securities are stated at fair value determined principally from quoted market prices. Realized gains and losses on investment transactions are computed on an average-cost basis. Net realized and unrealized gains and losses on investments without donor restrictions and impairments in investment values that are determined to be other than temporary are reported as non-operating gains (losses). Net realized and unrealized gains and losses on investments with donor restrictions are recorded as an increase or decrease to net assets with donor restrictions. Investment income without donor restrictions is reported as non-operating gains. Investment income on endowment funds appropriated by the Board of Trustees (the Board) for expenditure is reported as non-operating gains. Investment income with donor restrictions is recorded as an increase to net assets with donor restrictions.

Real estate purchased and held for investment is accounted for at cost less accumulated depreciation. Alternative investments (non-traditional, not readily marketable holdings) include hedge funds and private equity funds. Alternative investment interests generally are structured such that the Medical Center holds a limited partnership interest. The Medical Center's ownership structure does not provide for control over the related investees, and the associated financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment. Future funding commitments for alternative investments aggregated approximately \$519,572 and \$577,613 at September 30, 2023 and 2022, respectively.

Alternative investments are reported on the accompanying consolidated balance sheets based upon net asset values derived from the application of the equity method of accounting. Individual investment holdings within the alternative investments include nonmarketable and market-traded debt, equity and real asset securities, and interests in other alternative investments. Financial information used by the Medical Center to evaluate its alternative investments is provided by the investment manager or general partner and includes fair value valuations (quoted market prices and values determined through other means) of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the investee companies are audited annually by independent auditors, although the timing for reporting the results of such audits does not coincide with the Medical Center's annual financial statement reporting.

There is uncertainty in the valuation for alternative investments arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings, lockup periods, and time lags associated with reporting by investee companies. As a result, there is at least a reasonable possibility that estimates will change in the near term by a material amount.

# Boston Children's Hospital and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

### **1. Summary of Significant Accounting Policies (continued)**

The Medical Center may be exposed indirectly to securities lending; short sales of securities; and trading in futures and forward contracts, options, and other derivative products. Alternative investments often have liquidity restrictions under which the Medical Center's capital may be divested only at specified times. The Medical Center's liquidity restrictions may be up to seven years or longer for certain private equity investments. Liquidity restrictions may apply to all or portions of a particular invested amount.

The Medical Center holds certain non-marketable equity securities, including those received as compensation in connection with the licensing of certain intellectual property. Investments in non-marketable equity securities that do not have readily determinable fair values are carried at cost, less any impairments, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Each period the Medical Center assesses relevant transactions to identify observable price changes, and the Medical Center regularly monitors these investments to evaluate whether there is an indication of impairment. There were no impairments recognized during the years ended September 30, 2023 and 2022. The Medical Center realized net gains from sales of non-marketable equity securities of approximately \$0.3 million and \$47.5 million for the years ended September 30, 2023 and 2022, respectively.

#### *Foundations*

The Foundations classify their investments as trading securities with investment income (including realized and unrealized gains and losses on investments, interest, and dividends) included in the excess of revenues over expenses as a component of non-operating gains (losses) unless the income is restricted by donor or law. Investments in marketable equity and debt securities and mutual funds are carried at quoted market values (fair value) of the investments at the balance sheet date. The Foundations also invest in alternative investments and report their investments on the same basis as the Medical Center, as described above.

#### **Inventories**

Inventories are valued at the lower of cost (first-in, first-out method) or net realizable value and are recorded as a component of other current assets on the accompanying consolidated balance sheets.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **1. Summary of Significant Accounting Policies (continued)**

##### **Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost. Interest costs incurred during the construction period of major projects are capitalized as a component of the cost of these assets and are depreciated over the estimated useful lives of the assets. The costs of repairs and maintenance are charged to expense as incurred.

Depreciation and amortization are computed on the straight-line method based on the estimated useful lives of the assets. The estimated useful lives conform to the guidelines established by the American Hospital Association. The half-year convention is used for calculating depreciation in the year the asset is placed into service.

##### **Original Issue Discount and Premium and Debt Issuance Costs**

Unamortized original issue discount and premium and the costs associated with the issuance of debt are amortized using the interest method over the life of the bond issue and are presented on the accompanying consolidated balance sheets as a direct deduction from or addition to the carrying amount of debt.

##### **Pledges**

Unconditional pledges, less an allowance for uncollectible amounts, are recorded as a receivable in the year made. Pledges receivable over a period greater than one year are stated at net present value.

##### **Deferred Implementation Cost**

Implementation costs associated with cloud computing arrangements ("CCA") are capitalized consistent with costs capitalized for internal-use software. The capitalized CCA costs are amortized over the term of the related hosting agreement, taking into consideration renewal options, if any. The renewal period is included in the amortization period if determined that the option is reasonably certain to be exercised. The amortization expense is recorded within supplies and other expenses in the consolidated statements of operations and changes in net assets which is within the same line item as the related hosting fees.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **1. Summary of Significant Accounting Policies (continued)**

##### **Leases**

The Medical Center leases certain property and equipment, including clinical and office space, for certain hospital, medical, and administrative purposes. Leases are classified as either finance or operating leases based on the underlying terms of the agreement and certain criteria, such as the term of the lease relative to the useful life of the asset and the total lease payments to be made as compared with the fair value of the asset, among other criteria.

For leases with initial terms greater than a year, the Medical Center records the related right-of-use assets and liabilities at the present value of the lease payments to be paid over the term of the lease arrangement. The Medical Center's leases may include variable lease payments and renewal options. Variable lease payments are excluded from the amounts used to determine the right-of-use assets and liabilities unless the variable lease payments depend on an index or rate or are in substance fixed payments. Lease payments related to periods subject to renewal options or termination options are also excluded from amounts used to determine the right-of-use assets and liabilities unless the Medical Center is reasonably certain to exercise the option to extend or terminate the lease.

The present value of the lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable; otherwise, the Medical Center has elected to use a risk-free discount rate determined using a period comparable with that of the lease term. The Medical Center has made an accounting policy election to not separate lease components from nonlease components in contracts when determining its lease payments for its asset classes. As such, the Medical Center accounts for the applicable nonlease components together with the related lease components when determining the right-of-use assets and liabilities.

Leases with an initial term of 12 months or less are not recorded in the accompanying consolidated balance sheet. Lease expense for operating leases is recognized on a straight-line basis over the lease term and included in supplies and other expenses in the accompanying consolidated statements of operations and changes in net assets while expense for finance leases is recognized as depreciation and amortization expense and interest expense in the accompanying consolidated statements of operations and changes in net assets.

# Boston Children's Hospital and Subsidiaries

## Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

### **1. Summary of Significant Accounting Policies (continued)**

#### **Net Assets**

The accompanying consolidated balance sheets classify net assets into two categories: without donor restrictions and with donor restrictions. Net assets that bear no external restriction as to time or purpose are classified as net assets without donor restrictions. Also included in this classification are assets whose use is limited under debt or trust agreements and Board-designated funds for plant replacement and expansion and mission-related activities.

Net assets which are restricted by donors or grantors as to time or purpose are classified as net assets with donor restrictions. This includes net assets restricted by the donor or grantor principally for the support of research, patient care, departmental support, medical education, community health services, and the acquisition of property, plant, and equipment. When a restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statements of operations and changes in net assets as net assets released from restrictions. Net assets with donor restrictions also include contributions to the Medical Center, the principal of which may not be expended. Income from such net assets may be with or without donor restrictions in accordance with the donor's request. In accordance with the laws of the Commonwealth of Massachusetts, gains on net assets with donor restrictions are recorded as such until appropriated for expenditure by the Board.

#### **Net Patient Services Revenue and Receivables for Patient Care**

Net patient services revenue is reported at the amount that reflects the consideration to which the Medical Center expects to be entitled in exchange for providing health care services. These amounts are due from patients and third-party payors and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Revenue is recognized as performance obligations are satisfied. Third-party payors include federal and state agencies (under Medicare, Medicaid, and other programs), managed care health plans, commercial insurance companies, and employers (see Note 10).

After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the Medical Center follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by the Medical Center. Accounts receivable are written off after collection efforts have been followed in accordance with the Medical Center's policies.



## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **1. Summary of Significant Accounting Policies (continued)**

##### **Research Grants and Contracts**

The Medical Center, through the Hospital, engages in research activities funded by grants and contracts with federal and state governments, and various private sources. Revenues associated with grants and contracts that are considered conditional contributions are recognized as the related costs are incurred and as the barriers in the respective grant awards and contracts are met. Research funds received in advance are reported as deferred revenue and are recognized as earned revenue as the related research expenditures are incurred.

Recoveries of indirect costs relating to certain government grants and contracts are reimbursed at predetermined rates negotiated with government agencies. Recoveries of indirect costs relating to non-government grants are reimbursed at varying rates, depending upon sponsor policies.

##### **Contributions**

Contributions without donor restrictions are recorded as operating revenue; restricted contributions are recorded as additions to net assets with donor restrictions. Donated securities and property are recorded at fair value as of the date of donation.

##### **Excess (Deficit) of Revenues Over Expenses**

The consolidated statements of operations and changes in net assets include the excess (deficit) of revenues over expenses as the performance indicator. Changes in net assets without donor restrictions which are excluded from the excess (deficit) of revenues over expenses primarily include changes in net assets related to the pension adjustment and net assets released from restrictions for capital.

##### **Income Taxes**

The Medical Center, the Hospital, and substantially all of their affiliates are Section 501(c)(3) organizations exempt from income taxes on related business income pursuant to Internal Revenue Code (the Code) Section 501(a), or are disregarded entities for tax purposes. FPI is a for-profit corporation organized under MGL Chapter 156(b) and is subject to federal and state income taxes. The tax years subject to audit for the Medical Center and its affiliated organizations are tax years ended September 30, 2020 through September 30, 2023.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 1. Summary of Significant Accounting Policies (continued)

The effects of income taxes are not material to the accompanying consolidated financial statements.

#### New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 amends guidance on reporting credit losses for assets held at amortized cost basis and other-than-trading debt securities. For assets held at amortized cost basis, ASU 2016-13 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For other-than-trading debt securities, credit losses should be measured in a manner similar to current GAAP; however, ASU 2016-13 will require that credit losses be presented as an allowance rather than as a write-down. The provisions of ASU 2016-13 are effective for the Medical Center for the fiscal year ending September 30, 2024. The Medical Center is in the process of evaluating the impact of ASU 2016-13 on its consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01, *Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the interactions between Topic 321, Topic 323, and Topic 815*. This ASU clarifies accounting for certain equity securities when transitioning into or out of the equity method of accounting and clarifies scope considerations related to forward contracts and purchased options on certain securities. The provisions of ASU 2020-01 are effective for fiscal years beginning after December 15, 2021. The Medical Center adopted ASU 2020-01 effective October 1, 2022 on a prospective basis. The adoption of ASU 2020-01 did not have a material impact on the consolidated financial statements.

Boston Children's Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(In Thousands unless stated otherwise)*

**2. Investments, Other Assets Whose Use Is Limited and Liquidity**

Investments and other assets whose use is limited consist of the following:

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
Pooled investments	\$ 4,600,541	\$ 4,302,236
Non-pooled investments	1,760,317	2,256,751
Externally administered trusts (marketable debt and equity securities)	40,343	39,174
Other	2,540	1,068
	<b>\$ 6,403,741</b>	<b>\$ 6,599,229</b>

Investment earnings were reported as follows:

	<b>Year Ended September 30, 2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Interest and dividend income:			
Other operating revenue	\$ 11,406	\$ –	\$ 11,406
Non-operating revenue	68,133	–	68,133
Net realized gains	107,052	4,591	111,643
Increase in net assets with donor restrictions	–	4,597	4,597
Changes in unrealized gains and losses, net	192,934	21,672	214,606
Changes in value of alternative investments, net	54,650	9,540	64,190
Recognition of unrealized losses	(4,598)	(1,197)	(5,795)
Total net income on investments	<b>\$ 429,577</b>	<b>\$ 39,203</b>	<b>\$ 468,780</b>

Investment income is reported net of fees of \$9,426 for the year ended September 30, 2023.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 2. Investments, Other Assets Whose Use Is Limited and Liquidity (continued)

	Year Ended September 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income:			
Other operating revenue	\$ (21,275)	\$ —	\$ (21,275)
Non-operating revenue	50,478	—	50,478
Net realized gains	164,570	20	164,590
Decrease in net assets with donor restrictions	—	(2,657)	(2,657)
Changes in unrealized gains and losses, net	(543,191)	(31,868)	(575,059)
Changes in value of alternative investments, net	(154,948)	(43,060)	(198,008)
Recognition of unrealized losses	(41,066)	(13,987)	(55,053)
Total net loss on investments	\$ (545,432)	\$ (91,552)	\$ (636,984)

Investment net loss includes fees of \$10,370 for the year ended September 30, 2022.

The Medical Center retains professional investment managers for the management of all pooled investments. These managers invest in temporary cash investments, fixed income securities, and equities. In addition, as part of their investment strategy, certain managers may engage in short-selling and futures and options trading. Management believes that the risk of accounting loss associated with short-selling and futures and options-trading strategies is no greater than that associated with other investment strategies, which do not involve off-balance sheet risk.

Management continually reviews its investment portfolio where the fair value is below cost, and in cases where the decline is considered to be other than temporary, an adjustment is recorded to realize the loss. The Medical Center recorded a realized loss of approximately \$5,796 and \$55,053 for other-than-temporary declines in the fair value of investments for the years ended September 30, 2023 and 2022, respectively, of which \$4,598 and \$41,066, respectively, is included in investment income without donor restrictions (as a component of non-operating gains (losses), net), and \$1,197 and \$13,987, respectively, is included in changes in net assets with donor restrictions. There were no investments that had aggregate gross unrealized losses at September 30, 2023 or 2022.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 2. Investments, Other Assets Whose Use Is Limited and Liquidity (continued)

The table below presents financial assets and liquidity resources available for general expenditures within one year at September 30, 2023:

Financial assets as reported on the accompanying consolidated balance sheet:	
Cash and cash equivalents	\$ 286,346
Patient accounts receivable, net	444,939
Other receivables	80,266
Grants receivable	75,850
Current portion of pledges receivable, net	53,719
Investments	6,177,923
Other assets whose use is limited	<u>225,818</u>
Total financial assets as reported on the accompanying consolidated balance sheet	7,344,861
Less amounts not available to be used for general expenditures within one year:	
Investments restricted by donor-imposed restriction	691,471
Investments with liquidity and debt covenant restrictions	1,287,691
Grants receivable	75,850
Current portion of pledges receivable, net	53,719
Other assets whose use is limited	<u>225,818</u>
Total amount not available to be used for general expenditures within one year	<u>2,334,549</u>
Financial assets available to be used for general expenditures within one year	5,010,312
Liquidity resources:	
Bank line of credit ( <i>Note 8</i> )	<u>200,000</u>
Financial assets available and liquidity resources available to be used for general expenditures within one year	<u><u>\$ 5,210,312</u></u>

There are certain assets designated for capital or other general expenditures at the discretion of the Board. Such assets can be made available for general expenditures within one year. Refer to Note

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 2. Investments, Other Assets Whose Use Is Limited and Liquidity (continued)

5 for discussion of commitments to complete projects relating to capital construction and software development.

#### 3. Contributions

Contributions pledged to the Medical Center and received are reported in the accompanying consolidated financial statements in accordance with donors' restrictions as follows:

	<b>Year Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Without donor restrictions	<b>\$ 24,691</b>	\$ 23,889
With donor restrictions	<b>91,276</b>	175,459
	<b>\$ 115,967</b>	\$ 199,348

In addition to the \$115,967 in contributions received during the year ended September 30, 2023, the Medical Center raised \$73,484 in non-governmental grant awards to bring the total funds raised to \$189,451. In addition to the \$199,348 in contributions received during the year ended September 30, 2022, the Medical Center raised \$46,902 in non-governmental grant awards to bring the total funds raised to \$246,250.

Contributions pledged to the Medical Center but not yet received are due as follows:

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
Due in less than one year	<b>\$ 53,719</b>	\$ 51,255
Due in one to five years	<b>54,801</b>	64,042
Due in more than five years	<b>30,921</b>	12,368
	<b>139,441</b>	127,665
Less discount to present value	<b>(12,351)</b>	(10,363)
Less allowance for uncollectible pledges	<b>(6,872)</b>	(6,780)
Total pledges receivable, net	<b>120,218</b>	110,522
Less current portion of pledges receivable, net	<b>(53,719)</b>	(51,255)
Non-current portion of pledges receivable, net	<b>\$ 66,499</b>	\$ 59,267

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **4. Charity Care, Health Safety Net Trust, Waiver and Community Services**

The Medical Center's commitment to community service is evidenced by services and programs provided to low-income and high-risk families and the benefits provided to the broader community. Services are provided to persons who are uninsured or underinsured without expectation of payment or at amounts less than established rates.

The Medical Center provides quality medical care regardless of race, gender, religion, faith, sex, sexual orientation, national origin, handicap, age, or ability to pay. Although reimbursement for services rendered is critical to the operations and stability of the Medical Center, it is recognized that not all individuals possess the ability to pay for essential medical services and that the Medical Center's mission is to serve the community with respect to health care and health care education.

In keeping with the Medical Center's commitment to serve members of the community, the Medical Center provides the following: charity care to the indigent, care to persons covered by governmental programs at below cost, and health care activities and programs to support the community. These activities include wellness and prevention programs, community education programs, direct services, and a broad variety of community support services and partnerships with other community-based organizations.

The Medical Center also provides resources to support numerous initiatives aimed at contributing to the health and well-being of children, youth, and families living in the Medical Center's community with a special emphasis on those living in low-income areas. These initiatives include programs available at the Medical Center, and also many in collaboration with community-based organizations and health centers. These efforts are focused on the most pressing and community-identified health needs of children such as asthma, obesity, and mental and behavioral health, as well as the social determinants, which are those issues that affect an individual's health such as being exposed to trauma, experiencing food or housing insecurity, or coping with the stressors from living in poverty. The Medical Center also provides medical services to the community through its emergency room, which operates 24 hours a day, and is available to all regardless of ability to pay.

The Medical Center makes available free care programs for qualifying patients under its charity care and financial aid policy. The Medical Center obtains additional financial information for uninsured or underinsured patients who do not qualify or have not supplied requisite information to qualify for charity care. The additional information is used by the Medical Center in determining

## Boston Children’s Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 4. Charity Care, Health Safety Net Trust, Waiver and Community Services (continued)

whether to qualify patients for charity care and/or financial aid. Charges for patients determined to qualify for charity care do not meet the criteria for revenue recognition. For patients who qualify for financial aid, discounts from established rates are considered implicit price concessions and included as a direct reduction of net patient services revenue.

The costs of uncompensated care (other than uncollectible accounts) and community benefit activities are derived from various Medical Center records. Amounts for activities as reported below are based on estimated and actual data, subject to changes in estimates upon the finalization of the Medical Center’s cost report, and other government filings. The amounts reported below are calculated in accordance with guidelines prescribed by the IRS. The net cost of charity includes the direct and indirect cost of providing charity care services and is estimated by utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care.

The Hospital and the Foundations do not pursue collection of amounts determined to qualify as free care. The Hospital also supports the delivery of health care services to the indigent through payments to the Health Safety Net Trust (HSN), which is administered by the Commonwealth of Massachusetts.

The amounts of HSN assessment and receipts, implicit price concessions, provision for uncollectible accounts, and free care were as follows:

	<b>Year Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
HSN assessment	\$ 11,885	\$ 28,818
HSN receipts (net patient services revenue)	<b>(3,850)</b>	(19,171)
Net disbursements to HSN	<b>8,035</b>	9,647
Implicit price concessions	<b>64,995</b>	59,544
Free care (at cost)	<b>11,990</b>	8,845
Total HSN, implicit price concessions, and free care	<b>\$ 85,020</b>	<b>\$ 78,036</b>

The Center for Medicare and Medicaid Services and the Massachusetts Executive Office of Health and Human Services approved Massachusetts’ latest 1115 Medicaid waiver amendment (the Waiver) in September 2022. The Waiver is effective October 1, 2022 through December 31, 2027.



## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 4. Charity Care, Health Safety Net Trust, Waiver and Community Services (continued)

The Waiver continues to secure funding of safety net hospitals in Massachusetts, with substantial incremental funding being directed to private acute care hospitals in Massachusetts that serve Medicaid and uninsured populations. Dollars are also directed to those hospitals for reporting on quality and health outcomes on relevant performance measures. There are additional dollars provided to support efforts at hospitals aimed at reducing disparities and promoting health equity. Additional funding will be made to further transition hospitals to value-based care. During the fiscal year ending September 30, 2023, the Medical Center incurred expenses of \$33,818 related to the Waiver and recognized \$64,325 of incremental funding. On the accompanying consolidated statements of operations and changes in net assets, the expenses are reported as a component of Health Safety Net and Waiver and the incremental funding is reported as a component of Net patient services revenue on the consolidated statement of operations and changes in net assets.

#### 5. Property, Plant, and Equipment

Property, plant, and equipment consist of the following:

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
Land and improvements	\$ 219,989	\$ 45,931
Buildings, leasehold, and related improvements	3,401,068	3,248,048
Equipment	1,133,987	1,077,364
Construction-in-progress	449,685	174,783
	<b>5,204,729</b>	4,546,126
Less accumulated depreciation and amortization	<b>(2,525,755)</b>	<b>(2,360,773)</b>
	<b>\$ 2,678,974</b>	<b>\$ 2,185,353</b>

At September 30, 2023 and 2022, the Medical Center had commitments of approximately \$975,880 and \$307,934, respectively, to complete projects relating to capital construction and software development. Costs related to asset dispositions include demolition costs incurred as part of construction site enabling activities and other long-lived asset impairments and were \$0 and \$2,731 for the years ended September 30, 2023 and 2022, respectively.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 6. Other Current and Non-Current Assets and Other Liabilities

Other current and non-current assets consist of the following:

	September 30	
	2023	2022
Other current assets:		
Inventory	\$ 45,958	\$ 43,700
Prepaid expenses	42,336	42,544
Estimated third-party receivables	–	386
Deferred implementation cost	1,221	–
	\$ 89,515	\$ 86,630
Other assets (non-current):		
Expected insurance recoveries for professional liability claims ( <i>Note 13</i> )	\$ 111,619	\$ 88,406
Employee loans receivable	12,219	10,005
Long-term prepaid expenses	15,508	16,198
Deferred cost associated with royalty monetization	8,890	11,854
Estimated third-party receivables	–	431
Deferred implementation cost	46,284	–
Other	4,280	5,381
	\$ 198,800	\$ 132,275

Other liabilities consist of the following:

	September 30	
	2023	2022
Estimated insured professional liability losses ( <i>Note 13</i> )	\$ 111,619	\$ 88,406
Royalty monetization financing obligation	44,422	51,307
Software license obligation	9,129	10,864
Finance lease liabilities	598	589
Non-current portion of liability for claims incurred but not reported ( <i>Note 13</i> )	37,285	35,945
Asset retirement obligation	10,945	10,496
Other	6,606	5,906
	\$ 220,604	\$ 203,513

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 6. Other Current and Non-Current Assets and Other Liabilities (continued)

In May 2018, the Medical Center entered into an agreement to sell a future stream of royalty revenue. This transaction generated proceeds of \$51,500, of which \$14,998 was paid to the inventor based on the Medical Center's policy. The Medical Center has accounted for this transaction as a financing arrangement, and the royalty payments made to the purchaser in future periods will be recognized as a reduction to the royalty monetization financing obligation and related interest expense pursuant to the effective interest method. The amount paid to the inventor will be recognized over time as the corresponding royalty revenues are earned.

#### 7. Leases

The following table presents the Medical Center's lease-related assets and liabilities at September 30, 2023 and 2022:

		September 30	
		2023	2022
<b>Balance Sheet</b>			
<b>Assets</b>			
Operating leases	Operating lease right-of-use assets	<b>\$ 533,560</b>	\$ 526,319
<b>Liabilities</b>			
Current:			
Operating leases	Operating lease liabilities, current	\$ 51,365	\$ 43,116
Non-current:			
Operating leases	Operating lease liabilities	529,952	522,392
Total lease liabilities		<b>\$ 581,317</b>	\$ 565,508

The weighted average lease terms and discount rates for operating leases are presented in the following table:

		September 30	
		2023	2022
Weighted average remaining lease term (years):			
Operating leases		10.83	11.56
Weighted average discount rate:			
Operating leases		2.93%	1.74%

Boston Children's Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(In Thousands unless stated otherwise)*

**7. Leases (continued)**

The following presents information related to lease expense for finance and operating leases for the years ended September 30, 2023 and 2022:

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
Amortization of right-of-use assets (finance leases)	\$ 561	\$ 561
Interest on finance lease liabilities	11	15
Operating lease cost	69,160	59,929
Variable lease cost	28,882	27,042
Short-term lease cost	1,789	1,166
Sub-lease income	(4,353)	(4,134)
Total lease expense	<u>\$ 96,050</u>	<u>\$ 84,579</u>

The following table presents cash flow information for the years ended September 30, 2023 and 2022:

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 55,492	\$ 56,112
Non-cash items:		
Right-of-use assets obtained in exchange for new and modified operating leases	65,829	219,133

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### 7. Leases (continued)

The obligations under noncancelable leases as of September 30, 2023, are as follows:

	<b>Operating Leases</b>
2024	\$ 67,407
2025	66,524
2026	64,909
2027	60,357
2028	58,643
Thereafter	<u>371,968</u>
Total lease payments	689,808
Less imputed interest	<u>(108,491)</u>
Total lease obligation	581,317
Less current portion	<u>51,365</u>
Long-term liability	<u><u>\$ 529,952</u></u>

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 8. Long-Term Debt and Mortgage Notes

Long-term debt consists of the following:

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
Series N	\$ 216,590	\$ 216,590
Series O	200,640	200,640
Series Q	50,255	50,255
Series R	120,120	125,350
Series S	135,215	135,215
Series 2017A	350,000	350,000
Series 2020A	300,000	300,000
Series 2021A	48,630	48,630
Series 2021B	107,370	107,370
FC Series 2020	12,030	—
	<b>1,540,850</b>	<b>1,534,050</b>
Less:		
Unamortized debt issuance costs	7,934	8,250
Current portion of long-term debt	5,936	5,230
	<b>\$ 1,526,980</b>	<b>\$ 1,520,570</b>

Interest paid, exclusive of cash paid related to interest rate swaps, was \$48,328 and \$16,558 for the years ended September 30, 2023 and 2022, respectively. Interest capitalized in connection with ongoing construction projects approximated \$5,279 and \$19,706 for the years ended September 30, 2023 and 2022, respectively.

#### Series N Bonds

On May 13, 2010, the Hospital issued Series N Massachusetts Health and Educational Facilities Authority (MHEFA) Revenue Bonds in the amount of \$341,590. The bond proceeds redeemed MHEFA's Revenue Bonds, Children's Hospital Issue, Periodic Auction Reset Securities Series G, H, I, J, and K. The Series N Bonds were issued as Variable Rate Demand Revenue Bonds. In July 2014, \$125,000 was refunded by the proceeds of the Series R Bonds.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **8. Long-Term Debt and Mortgage Notes (continued)**

The remaining outstanding Series N Bonds have a final maturity on October 1, 2049. The first annual principal payment is due October 1, 2029. On August 17, 2017, the Hospital entered into two direct purchase loan agreements with banks for the remaining outstanding Series N Bonds in the amount of \$216,590. The terms of the loan agreements were \$65,000 for a nine-year period and \$151,590 for a ten-year period. On September 1, 2021, the loan agreements were restructured with a revised mandatory tender purchase date of September 2, 2031 for the \$65,000 loan and September 1, 2027 for the \$151,590 loan. At the end of the direct purchase period, the Series N Bonds may be remarketed or converted to another mode under the governing loan and trust agreement. Interest on the bonds is variable based on a tax-exempt rate and was 4.37% and 4.61% for Series N-3 and N-4, respectively, on September 30, 2023. Interest payments are due monthly. Principal on the loans is due at maturity.

#### **Series O Bonds**

On December 11, 2013, the Hospital entered into two direct purchase loan agreements with banks for the Series O Massachusetts Development Finance Agency (MDFA) Revenue Bonds in the amount of \$200,640. The bond proceeds redeemed a \$200,000 bank term loan, which was entered into on August 28, 2008. The terms of the loan agreements were \$100,640 for a 10-year period and \$100,000 for a 15-year period. On September 1, 2021, the loan agreements were restructured with a revised mandatory tender purchase date of September 1, 2031 for the \$100,640 loan and September 1, 2029 for the \$100,000 loan. Interest on the loans is variable based on a tax-exempt rate and was 4.69% and 4.80%, respectively, on September 30, 2023. Interest payments are due monthly. Principal on the loans is due at the mandatory tender purchase date. tender purchase date. At the end of the direct purchase period, the Series O Bonds may be remarketed or converted to another mode under the governing loan and trust agreement.

#### **Series P Bonds**

In December 2021, proceeds from the issuance of the Series 2021 A and B Notes (refer to subsequent discussion) were deposited into an escrow fund held by an independent trustee to advance refund the Series P bonds on October 1, 2024, the earliest date the Series P bonds are redeemable, and to pay the interest on the Series P Bonds through October 1, 2024. As a result, the liability for the Series P Bonds and the proceeds from the Series 2021 A and B Notes are

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### **8. Long-Term Debt and Mortgage Notes (continued)**

excluded from the Medical Center's consolidated balance sheet at September 30, 2022, as the advance refunding satisfies the derecognition criteria in ASC 405-20, *Extinguishment of Liabilities*, and ASC 860, *Transfers and Servicing*. The outstanding principal and interest on the Series P Bonds to be paid to bondholders from the escrow on October 1, 2024 is \$153,710.

A loss on extinguishment of \$6,065 was recognized during the year ended September 30, 2022 in connection with the advance refunding of the Series P Bonds.

#### **Series Q Bonds**

On July 11, 2014, the Hospital entered into a direct purchase loan agreement with a bank for the Series Q MDFA Revenue Bonds in the amount of \$50,255. The bond proceeds were used to reimburse and fund certain capital additions and renovations. The term of the loan agreement was for a ten-year period. On September 1, 2021, the loan agreement was restructured with a revised mandatory tender purchase date of September 1, 2031. Interest on the loan is variable based on a tax-exempt rate and was 4.37% on September 30, 2023.

Interest payments are due monthly. Principal on the loan is due upon the maturity date of October 1, 2042. At the end of the direct purchase period, the Series Q Bonds may be remarketed or converted to another mode under the governing loan and trust agreement.

#### **Series R Bonds**

On July 29, 2014, the Hospital entered into a direct purchase loan agreement with a bank for the Series R MDFA Revenue Bonds in the amount of \$125,350. The bond proceeds redeemed \$125,000 of the Series N-1 and N-2 MHEFA Variable Rate Demand Revenue Bonds. The term of the loan agreement was for a 15-year period. On September 1, 2021, the loan agreement was restructured with a revised mandatory tender purchase date of September 1, 2033. Interest on the loan is variable based on a tax-exempt rate and was 4.89% on September 30, 2023. Interest payments are due monthly. The first annual principal payment is due October 1, 2022 with a final payment on the loan due at maturity. At the end of the direct purchase period, the Series R Bonds may be remarketed or converted to another mode under the governing loan and trust agreement.



## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **8. Long-Term Debt and Mortgage Notes (continued)**

##### **Series S Bonds**

In December 2017, the Hospital entered into a direct purchase loan agreement with a bank for the Series S MDFA Revenue Bonds in the amount of \$135,215. The proceeds were deposited into an escrow fund held by an independent trustee to advance refund the Series M Massachusetts Health and Educational Facilities Authority Revenue bonds. The Series S Bonds have a stated maturity of December 2039, with the first principal payment due December 1, 2032. The Series S Bonds were issued in direct purchase mode where the purchasing bank agreed to hold the bonds for ten years with a mandatory tender purchase date of December 17, 2027. Interest is fixed based on a tax-exempt rate of 2.55%. At the end of that ten-year period, the Series S Bonds may be remarketed or converted to another mode under the governing loan and trust agreement.

##### **Series 2017A**

On January 31, 2017, the Hospital issued The Children's Hospital Corporation Taxable Bonds, Series 2017A in the amount of \$350,000. The proceeds were used for general corporate purposes. The bonds, with a final maturity on January 1, 2047, bear interest at a yield of 4.12%. Interest payments are due semiannually.

##### **Series 2020A**

On July 7, 2020, the Hospital issued The Children's Hospital Corporation Taxable Bonds, Series 2020A in the amount of \$300,000. The proceeds were used for general corporate purposes. The bonds, with a final maturity on February 1, 2050, bear interest at a yield of 2.59%. Interest payments are due semiannually beginning on February 1, 2021.

##### **Series 2021A and B**

In December 2021, the Hospital entered into a direct purchase loan agreement with a life insurance company for the Series 2021 A and B Notes in the aggregate amount of \$156,000. The proceeds were deposited into an escrow fund held by an independent trustee to advance refund the Series P bonds on October 1, 2024, the earliest date the Series P bonds are redeemable, and to pay the interest on the Series P Bonds through October 1, 2024. The Series 2021 A Note in the amount of \$48,630 has a stated maturity of October 1, 2034 and bears interest at a yield of 2.32%. The Series 2021 B Note in the amount of \$107,370 has a stated maturity of October 1, 2046 and bears interest at a yield of 2.81%.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **8. Long-Term Debt and Mortgage Notes (continued)**

##### **FC Series 2020**

In March 2020, FC entered into a loan and security agreement with the MDFA and People's United Bank, as trustee and bondholder, in the amount of \$13,075 in Series 2020 tax exempt revenue bonds. The bonds were issued to refinance and refund the outstanding balance of Series B (2015 tax exempt revenue bonds), Loan A and Loan B. FC will make monthly payments, including interest at a variable rate of the Federal Home Loan Bank Rate plus 0.89%. The interest rate was 2.62% as of September 30, 2023. The original maturity date is March 24, 2050.

##### **Mortgage Notes**

On November 9, 2009, CHB Properties, Inc. acquired the remaining property interest in a medical office building and assumed the balance of the mortgage note in the amount of \$27,837. On October 1, 2013, CHB Properties, Inc. entered into a term loan with a bank in the amount of \$27,000 to pay off the remaining balance of the mortgage note. The bank loan bears interest at a variable rate of 6.02% at September 30, 2023. On November 30, 2022, an amendment was signed, extending the date of the original maturity, and the loan is now scheduled to mature on November 30, 2025. Interest payments are due monthly.

##### **Line of Credit**

In June 2022, the Medical Center entered into a \$200,000 revolving line of credit agreement for a three-year term. The credit agreement bears interest at a variable rate equal to BSBY plus 45 basis points. There were no amounts outstanding as of September 30, 2023.

As of September 30, 2023, the Medical Center was in compliance with all applicable debt covenants.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 8. Long-Term Debt and Mortgage Notes (continued)

##### Future Maturities

Future maturities of long-term debt and mortgage notes as of September 30, 2023, are as follows:

	<b>Long-Term Debt</b>	<b>Mortgage Notes</b>	<b>Total</b>
Years ending September 30:			
2024	\$ 5,936	\$ —	\$ 5,936
2025	6,361	—	6,361
2026	6,810	27,000	33,810
2027	7,279	—	7,279
2028	7,762	—	7,762
Thereafter	1,506,702	—	1,506,702
Principal payments	1,540,850	27,000	1,567,850
Premium (discount)	—	—	—
Total	\$ 1,540,850	\$ 27,000	1,567,850
Less:			
Unamortized debt issuance costs			7,934
			\$ 1,559,916

##### Interest Rate Swap Agreements

The Medical Center was a party to the following interest rate swap agreements as of September 30, 2023:

<b>Effective Date</b>	<b>Notional Amount</b>	<b>Fixed Interest Rate</b>	<b>Maturity Date</b>
December 2007	\$ 117,510	3.42%	October 2042
May 2006	119,875	3.57	October 2040
August 2004	62,750	4.00*	October 2028
November 2003	50,000	3.13	October 2040
July 2002	35,000	4.72	October 2027
May 2001	105,250	4.58	October 2035

\* Fixed at 4.00% through October 1, 2028, if the variable rate tax-exempt index reaches 4.50%.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **8. Long-Term Debt and Mortgage Notes (continued)**

The Medical Center uses interest rate swap agreements in order to manage its interest rate risk associated with its outstanding debt. These swaps effectively convert interest rates on variable rate bonds to fixed rates. The interest rate swap agreements meet the definition of derivative instruments. Consequently, the aggregate fair value of the swaps (a liability of \$31,332 and \$51,518 at September 30, 2023 and 2022, respectively) is reported in long-term liabilities on the accompanying consolidated balance sheets, and the change in fair value of \$20,186 and \$88,697 for the years ended September 30, 2023 and 2022, respectively, is reported as a non-operating gain or loss on the accompanying consolidated statements of operations and changes in net assets. The swaps, while serving as an economic hedge, do not qualify as an accounting hedge.

Cash flows under the swaps netted to payments of approximately \$3,151 and \$15,589 for the years ended September 30, 2023 and 2022, respectively, and are reported as a component of interest expense on the accompanying consolidated statements of operations and changes in net assets.

Two of the interest rate swaps are cancelable at the option of the counterparty at any time if the variable interest rate is greater than or equal to 7%. The aggregate fair value of these swaps as of September 30, 2023 and 2022, is a liability of approximately \$4,820 and \$8,679, respectively.

#### **Guaranteed Debt and Other Arrangements**

As security to the Hospital's direct purchase loan agreements with banks, Series P bonds, Series 2017A bonds, Series 2020A bonds, Series 2021 A and B notes, and the mortgage note associated with CHB Properties, Inc., the Medical Center has executed unconditional and irrevocable guaranties of full and punctual payment of all obligations of the Hospital under the terms of the related loan and mortgage agreements. As part of the direct purchase loan agreements for the Series O and R Bonds, the Hospital has agreed to maintain a minimum average deposit of \$15,000 with a bank, and as part of the direct purchase loan agreement for the Series S Bonds, the Hospital has agreed to maintain a minimum average deposit of \$7,000 with a bank.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### 9. Net Assets with Donor Restrictions

Net assets with donor restrictions are composed of the following:

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
Mission-related activities	<b>\$ 251,355</b>	\$ 231,586
Accumulated gains on endowment funds	<b>260,313</b>	230,907
Investments to be held in perpetuity, the income from which is:		
Unrestricted as to use	<b>55,114</b>	30,490
Restricted for patient-care-related activities	<b>181,468</b>	183,065
Restricted for research	<b>75,561</b>	77,473
Restricted for medical education	<b>28,222</b>	28,373
	<b>\$ 852,033</b>	\$ 781,894

The Medical Center follows the requirements of the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as they relate to its endowments with donor restrictions. The Medical Center's endowments consist of numerous individual funds established for a variety of purposes and include both donor-restricted endowment funds and unrestricted Board-designated funds held as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Management of the Medical Center has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the gift absent explicit donor stipulation to the contrary. Net assets with donor restrictions are classified as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure. The Medical Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the Medical Center and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, and (6) the investment policies of the Medical Center.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 9. Net Assets with Donor Restrictions (continued)

The components of endowment-related activities include the following:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 1,118,433	\$ —	\$ 1,118,433
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	—	343,109	343,109
Accumulated investment gains	—	260,313	260,313
Total endowment funds September 30, 2023	<u>\$ 1,118,433</u>	<u>\$ 603,422</u>	<u>\$ 1,721,855</u>
Endowment net assets, beginning of year	\$ 1,701,711	\$ 539,581	\$ 2,241,292
Investment return:			
Investment income	82,631	87,577	170,208
Total investment return	82,631	87,577	170,208
Contributions	92	34,354	34,446
Endowment assets assumed in acquisition of FC	—	80	80
Appropriation of endowment assets for expenditure, net of transfers to/from board- designated endowment funds	(666,001)	(58,170)	(724,171)
Endowment net assets, September 30, 2023	<u>\$ 1,118,433</u>	<u>\$ 603,422</u>	<u>\$ 1,721,855</u>

Excluded from the above table, but included in total net assets for the year ended September 30, 2023, are net assets with donor restrictions of \$40,343 related to assets whose use is limited by externally administered trusts, \$120,218 related to pledge receivables, and \$88,050, related to philanthropic fund balances available for current use. The remaining balance of net assets includes \$5,692,091 of other net assets without restrictions.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 9. Net Assets with Donor Restrictions (continued)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 1,701,711	\$ –	\$ 1,701,711
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	–	308,674	308,674
Accumulated investment gains	–	230,907	230,907
Total endowment funds September 30, 2022	<u>\$ 1,701,711</u>	<u>\$ 539,581</u>	<u>\$ 2,241,292</u>
Endowment net assets, beginning of year	\$ 2,078,014	\$ 611,150	\$ 2,689,164
Investment return:			
Investment loss	(160,100)	(77,210)	(237,310)
Total investment return	(160,100)	(77,210)	(237,310)
Contributions	118	42,734	42,852
Appropriation of endowment assets for expenditure, net of transfers to/from board- designated endowment funds	(216,321)	(37,093)	(253,414)
Endowment net assets, September 30, 2022	<u>\$ 1,701,711</u>	<u>\$ 539,581</u>	<u>\$ 2,241,292</u>

Excluded from the above table, but included in total net assets for the year ended September 30, 2022, are net assets with donor restrictions of \$39,174 related to assets whose use is limited by externally administered trusts, \$110,522 related to pledge receivables, and \$92,617 related to philanthropic fund balances available for current use. The remaining balance of net assets includes \$4,847,490 of other net assets without restrictions.

The Medical Center's investment and spending policies for endowment assets are intended to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Medical Center must hold in perpetuity and the unexpended appreciation on those funds and unrestricted funds, which the Board has designated to function as endowments in support of mission-related activities. Under this policy, as approved by the Board of Trustees, the endowment assets are invested with the expectation they will generate a long-term rate of return of approximately 6.5% per annum. Actual returns in any given year may vary from this amount.

## Boston Children’s Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **9. Net Assets with Donor Restrictions (continued)**

To satisfy its long-term rate-of-return objectives, the Medical Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized), and current yield (interest and dividends). The Medical Center targets a diversified asset allocation that consists of equities, fixed income securities, and alternative investments.

The Medical Center has a policy of appropriating for distribution each year no more than a specified percentage (4.5% for the years ended September 30, 2023 and September 30, 2022) of its endowment funds’ three-year trailing average market value. In establishing this policy, the Medical Center considered the long-term expected return on its endowments.

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 the Medical Center to retain as a fund of perpetual duration. No deficiencies of this nature are reported in net assets with donor restrictions for the years ended September 30, 2023 and 2022.

The Hospital’s donor match program matches certain gifts with donor restrictions under a predefined ratio. This program has resulted in several major gifts to the Hospital in support of certain strategic purposes.

Net assets were released from donor restrictions by incurring expenses or satisfying the associated conditions (as it relates to amounts received from the Relief Fund as described in Note 1) for the following restricted purposes:

	<b>Year Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Mission-related activities	<b>\$ 89,384</b>	<b>\$ 203,926</b>



## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **10. Net Patient Services Revenue**

The Hospital and the Foundations have agreements with numerous third-party payors that provide for payments at amounts different from their established charges. Contracts with commercial providers provide for payments based on a variety of methodologies, including discounted charges, per-case or per-diem arrangements, and fee schedules for certain outpatient and professional services. Medicaid payments are based on a contract with the Massachusetts Executive Office of Health and Human Services, and hospital services are reimbursed on a standardized payment-per-encounter basis for outpatients, a standardized per-adjusted-discharge basis for inpatients, and a fee schedule for professional services. Medicare reimbursements are based upon Medicare's proportionate share of reasonable costs for hospital services and a fee schedule for professional services. Certain contracts also provide for payments that are contingent upon meeting agreed-upon quality and efficiency measures.

In 2018, Massachusetts redesigned its Medicaid program by creating a number of Accountable Care Organizations (ACOs) across the state to provide care for eligible Medicaid participants. As part of this redesign, the Hospital partnered with Tufts Health Public Plans to create its own ACO to participate in the MassHealth ACO program with the goal of providing better coordination of care for MassHealth members.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Medical Center believes it is in compliance with applicable laws and regulations governing the Medicare and Medicaid programs and that adequate provisions have been made for any adjustments that may result from final settlements.

During the years ended September 30, 2023 and 2022, in connection with special legislative appropriations, the Medical Center received \$24,616 and \$23,734, respectively, from the Federal Children's Hospital's Graduate Medical Education program for reimbursement of graduate medical education expense. There is no guarantee that similar appropriations will occur in the future, or at what level.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **10. Net Patient Services Revenue (continued)**

Net patient services revenue is reported at the amount that reflects the consideration to which the Medical Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration (additions or reductions to revenue) for retroactive revenue adjustments due to settlement of risk-sharing arrangements under certain payor contracts (including the MassHealth ACO program) and adjustments due to ongoing and future audits, reviews, and investigations.

Performance obligations are based on the nature of the services provided, and net patient services revenue is recognized as performance obligations are satisfied. Net patient services revenue is recognized for performance obligations satisfied over time based on actual charges incurred in relation to total expected or actual charges. The Medical Center believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services and patients receiving services in the Medical Center's outpatient centers. The Medical Center measures the performance obligation from admission or the commencement of an outpatient service to the point when there are no further services required for the patient, which is generally at the time of discharge or the completion of the outpatient visit. Generally, the Medical Center bills patients and third-party payors several days after the services are performed and/or the patient is discharged.

The Medical Center uses the portfolio approach practical expedient to account for patient contracts with similar characteristics as a collective group, rather than recognizing revenue on an individual contract basis. The portfolios are determined based on payor classes and patient types, both inpatient and outpatient. Based on historical collection trends and other analyses, the Medical Center believes that revenue recognized utilizing the portfolio approach approximates the revenue that would have been recognized on a contract-by-contract basis.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 10. Net Patient Services Revenue (continued)

Disaggregated net patient services revenue for the year ended September 30, 2023, by payor, is as follows:

	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Percentage</u>
Commercial/other managed care	\$ 452,140	\$ 601,320	\$ 1,053,460	37.0%
Blue Cross	411,066	481,625	892,691	31.3
Medicaid	415,795	220,506	636,301	22.3
Self-pay	23,088	29,569	52,657	1.9
International	70,600	47,592	118,192	4.2
Other governmental	44,839	23,061	67,900	2.4
Other	24,616	–	24,616	0.9
	<u>\$ 1,442,144</u>	<u>\$ 1,403,673</u>	<u>\$ 2,845,817</u>	<u>100.0%</u>

Disaggregated net patient services revenue for the year ended September 30, 2022, by payor, is as follows:

	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>	<u>Percentage</u>
Commercial/other managed care	\$ 376,064	\$ 535,203	\$ 911,267	37.3%
Blue Cross	365,878	425,890	791,768	32.4
Medicaid	331,418	144,517	475,935	19.5
Self-pay	21,512	30,374	51,886	2.1
International	79,221	49,467	128,688	5.3
Other governmental	35,662	25,584	61,246	2.5
Other	23,734	–	23,734	0.9
	<u>\$ 1,233,489</u>	<u>\$ 1,211,035</u>	<u>\$ 2,444,524</u>	<u>100.0%</u>

Deductibles, copayments, and coinsurance under third-party payment programs, which are the patient's responsibility, are included within the primary payor categories above.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **10. Net Patient Services Revenue (continued)**

As substantially all of the Medical Center's performance obligations relate to contracts with a duration of less than one year, the Medical Center has elected to apply the optional exemption to not 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 for patients who remain admitted at that time. The performance obligations for these services are generally completed when the patients are discharged, which generally occurs within days or weeks after the end of the reporting period.

The Medical Center's initial estimate of the transaction price is based on the standard charges for services provided, reduced by various elements of variable consideration, including explicit price concessions, discounts, and implicit price concessions. Explicit price concessions are based on patients who have third-party payor coverage, and the transaction price is determined on the basis of contractual or formula-driven rates for the services rendered. The estimates for contractual allowances and discounts are based on contractual agreements, the Medical Center's discount policies, and historical experience. For uninsured and underinsured patients who do not qualify for charity care, the Medical Center determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions represent differences between amounts billed and the estimated consideration the Medical Center expects to receive from patients, which is based on historical collection experience for applicable patient portfolios, current market conditions, and other factors. A patient who has no insurance may receive a discount to a facility-specific percent of charge. Under the Medical Center's charity care policy, a patient who has no insurance or is underinsured and is ineligible for any government assistance program has his or her bill reduced based on a sliding scale according to federal poverty level guidelines, with discounts ranging from 25% to 100%.

Settlements with third-party payors for risk-sharing arrangements under certain contracts (including the MassHealth ACO program), and for cost report filings and retroactive adjustments due to ongoing and future audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price using the expected value method. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Medical Center's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **10. Net Patient Services Revenue (continued)**

adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such audit, review, and investigation. For the years ended September 30, 2023 and 2022, the net effect of the Medical Center's revisions to prior year estimates resulted in net patient services revenue increasing by \$14,981 and decreasing by \$1,381, respectively.

Subsequent changes to the estimate of the transaction price (determined on a portfolio basis when applicable) are generally recorded as adjustments to net patient services revenue in the period of the change. Portfolio collection estimates are updated monthly based on collection trends. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended September 30, 2023 and 2022, was not significant.

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

Contract assets are related to in-house patients who were provided services during the reporting period but were not discharged as of the reporting date and for which the Medical Center may not have the right to bill and were insignificant at September 30, 2023 and 2022.

Boston Children's Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(In Thousands unless stated otherwise)*

**10. Net Patient Services Revenue (continued)**

The Hospital and the Foundations grant credit without collateral to their patients. The concentration of credit risk by payor, as measured by net patient accounts receivable, was as follows as of September 30:

	<u>2023</u>
Commercial/other managed care	36.0%
Blue Cross	22.1
Medicaid	18.7
International	14.4
Self-pay	4.8
Other governmental	4.0
Total	<u>100.0%</u>
	<u>2022</u>
Commercial/other managed care	30.6%
Blue Cross	21.6
Medicaid	14.7
International	17.5
Self-pay	4.3
Other governmental	11.3
Total	<u>100.0%</u>

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **11. Employees' Retirement Plans**

The Hospital sponsors a non-contributory, defined benefit retirement plan that covers substantially all employees of the Hospital. Effective December 31, 2022, the Children's Hospital Corporation Maintenance Employees' Pension Plan (the Maintenance Plan) was merged into The Children's Hospital Corporation Pension Plan (the Plan). The pension expense, projected benefit obligation, and market value of the assets related to the Maintenance Plan were transferred to The Plan.

The Plan is a cash balance plan under which benefits are based on the annuitized value of a participant's account, which consists of basic credits (determined on age, years of vesting service, and compensation), plus interest credits thereon. The measurement date of the Plan is September 30. The Hospital does not provide postretirement benefits other than pension to its retirees.

The Foundations maintain seven defined benefit pension plans for eligible employees at retirement based upon years of service, age, and compensation rates near retirement. These plans call for benefits to be paid to eligible employees at retirement based upon years of service and compensation earned as set forth in each plan. Contributions to these plans reflect benefits attributed to employees' services to date, as well as services expected to be earned in the future, and are based upon actuarially determined requirements. The annual measurement date for these respective plans is September 30.

The Foundations also maintain two postretirement medical plans, which provide eligible participants and their dependents with postretirement health benefits. The plans are intended to qualify as a medical reimbursement plan under Internal Revenue Code Section 105(b). Participants must meet age and years of service requirements. A fixed amount is credited to a participant's accounts based on years of service, with a cost of living adjustment credited annually. The annual measurement date for these postretirement medical plans is September 30.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 11. Employees' Retirement Plans (continued)

##### Reconciliation of Funded Status

A reconciliation of the changes in the defined benefit pension plans' aggregate projected benefit obligation, fair value of assets, and the accumulated benefit obligation of the plans is as follows:

	<b>Year Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$ 1,027,272	\$ 1,250,808
Service cost	45,862	59,863
Interest cost	54,320	35,400
Actuarial loss (gain)	25,916	(244,446)
Settlements	(16,931)	(24,126)
Benefits paid	(38,462)	(50,227)
Benefit obligation at end of year	1,097,977	1,027,272
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	1,077,981	1,266,794
Actual return on plan assets	85,212	(144,659)
Employer contributions	21,459	30,199
Settlements	(16,931)	(24,126)
Benefits paid	(38,462)	(50,227)
Fair value of plan assets at end of year	1,129,259	1,077,981
<b>Funded status</b>		
Aggregate net funded status at end of year	\$ 31,282	\$ 50,709
Accumulated benefit obligation	\$ 1,013,962	\$ 952,851



Boston Children's Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(In Thousands unless stated otherwise)*

**11. Employees' Retirement Plans (continued)**

	<b>As of September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Amounts not yet recognized in net periodic benefit cost and included in net assets without donor restrictions</b>		
Actuarial net loss	\$ 44,310	\$ 36,180
Prior service credit	(15,625)	(17,628)
	<u>\$ 28,685</u>	<u>\$ 18,552</u>
	<b>As of September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Defined benefit plans with benefit obligations in excess of plan assets</b>		
Fair value of plan assets	\$ 865,323	\$ —
Projected benefit obligation	(892,163)	—
	<u>\$ (26,840)</u>	<u>\$ —</u>
	<b>As of September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Defined benefit plans with plan assets in excess of benefit obligations</b>		
Fair value of plan assets	\$ 263,936	\$ 1,077,981
Projected benefit obligation	(205,814)	(1,027,272)
	<u>\$ 58,122</u>	<u>\$ 50,709</u>

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 11. Employees' Retirement Plans (continued)

The following table provides an estimate of the components of the total net periodic benefit cost for the defined benefit pension plans as follows:

	<b>Year Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Components of net periodic benefit cost</b>		
Service cost (included in salaries and benefits)	\$ 45,862	\$ 59,863
Interest cost	54,320	35,400
Expected return on plan assets	(68,534)	(81,062)
Effect of settlement	1,672	1,937
Amortization of net loss	(564)	3
Amortization of prior service credit	(2,003)	(1,711)
Non-service cost components (included in non-operating gains (losses), net)	(15,109)	(45,433)
Net periodic benefit cost	\$ 30,753	\$ 14,430

Prior service credit of \$2,739 and unrecognized actuarial losses of (\$1,451) are expected to be recognized in net periodic benefit cost during the fiscal year ending September 30, 2024.

The weighted average assumptions used to develop pension expense are as follows:

	<b>Year Ended September 30</b>	
	<b>2023</b>	<b>2022</b>
Discount rates	5.45%	2.90%
Expected return on plan assets	6.50%	6.50%
Cash balance interest crediting rate	4.85%	4.00%
Rates of compensation increase	2.00%–4.00%	2.00%–4.00%

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 11. Employees' Retirement Plans (continued)

The weighted average assumptions used to develop the projected benefit obligation are as follows:

	Year Ended September 30	
	2023	2022
Discount rates	6.00%	5.45%
Cash balance interest crediting rate	4.85%	4.00%
Rates of compensation increase	2.00%–4.00%	2.00%–4.00%

The year-over-year increase in the discount rates used to develop the projected benefit obligation was a result of an observed increase in applicable interest rates. While the increase in the discount rate resulted in an actuarial gain, such gain was completely offset by changes in other assumptions and census loss that resulted in a net actuarial loss on the benefit obligation for the year ended September 30, 2023. The increase in actual return on plan assets was primarily due to favorable changes in capital market conditions during the year ended September 30, 2023 compared to the year ended September 30, 2022.

#### Plan Assets

To develop the expected long-term rate of return on plan assets assumption, the Medical Center considered the historical return and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolios.

The plans' investment objectives are to achieve long-term growth in excess of long-term inflation, and to provide a rate of return that meets or exceeds the actuarial expected long-term rate of return on plan assets over a long-term time horizon. In order to minimize risk, the plans intend to minimize the variability in yearly returns. The plans also intend to diversify their holdings among asset classes, investment managers, sectors, industries, and companies. The Hospital's target asset policy guidelines include total equities between 50% and 75%, total fixed income between 10% and 40%, and other strategies between 5% and 25%. The Foundations' target asset policy guidelines include total equities between 45% and 85%, total fixed income between 5% and 20%, and other strategies between 10% and 30%.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 11. Employees' Retirement Plans (continued)

The Hospital's and Foundations' pension plans' weighted average asset allocations, by asset category, are as follows:

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	<b>0.2%</b>	0.8%
U.S. equities	<b>17.1</b>	16.4
Global equities	<b>21.3</b>	18.6
Fixed income	<b>9.1</b>	11.0
Mutual funds	<b>5.3</b>	2.2
Alternative investments	<b>47.0</b>	51.0
Total	<b>100%</b>	100.0%

#### Contributions

The Hospital and Foundations expect to contribute an aggregate of approximately \$26,351 to their pension plans in 2024.

#### Estimated Future Benefit Payments

Benefit payments, which reflect expected future service, are expected to be paid as follows:

	<b>Pension Benefits</b>
2024	\$ 63,869
2025	59,734
2026	65,571
2027	77,562
2028	80,136
Years 2029–2033	422,065

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **11. Employees' Retirement Plans (continued)**

Certain physicians, by virtue of their joint appointments at the Hospital and Harvard University, are eligible for participation in the Harvard Retirement Plan for Teaching Faculty (the Harvard Plan), a defined contribution plan, and do not participate in the Hospital's plans. The Hospital's pension expense related to the Harvard Plan was approximately \$5,924 and \$6,021 for the years ended September 30, 2023 and 2022, respectively.

The Hospital has a 403(b) Tax-Deferred Annuity Plan under which contributions can be made by employees. The Hospital makes contributions to the plan based on a percentage of annual eligible earnings. Hospital contributions under the plan amounted to \$10,864 and \$9,193 for the years ended September 30, 2023 and 2022, respectively.

The Foundations have established 18 defined contribution plans to provide their long-term physician employees with fair and adequate retirement benefits. These include traditional 403(b) plans, money purchase plans, and profit-sharing plans. The basis for determining contributions range from 10% to 50% based on compensation of eligible employees. Total expense recognized by the Foundations under the defined contribution plans for the years ended September 30, 2023 and 2022, amounted to \$44,271 and \$40,102, respectively.

#### **12. Deferred Compensation and Other Benefit Obligations**

The Medical Center and Foundations maintain a program of integrated retirement plans, such as 457(b), 457(f), and supplemental executive retirement plans to provide supplemental retirement benefits to certain employees. Plans provide either immediate vesting of benefits or may be determined by years of service and annual base compensation depending on the provisions set forth in the respective plans.

The Foundations have also established other profit-sharing, severance benefit, education or tuition, and long-term service plans to provide their physician employees with fair and adequate benefits. The benefits under these plans are administered based on the provisions set forth in the respective plan documents.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 12. Deferred Compensation and Other Benefit Obligations (continued)

The following table outlines the assets designated, accrued liabilities, and expenses recorded for the respective deferred compensation and other benefit plans as of and for the years ended September 30, 2023 and 2022:

	<b>Assets</b>	<b>Liabilities</b>	<b>Expense</b>
<b>2023</b>			
Supplemental retirement benefit plans	\$ 98,786	\$ 114,002	\$ 57,976
Other benefit plan obligations	84,149	51,210	18,690
	\$ 182,935	\$ 165,212	\$ 76,666
<b>2022</b>			
Supplemental retirement benefit plans	\$ 86,770	\$ 104,708	\$ 39,231
Other benefit plan obligations	76,350	41,267	5,907
	\$ 163,120	\$ 145,975	\$ 45,138

#### 13. Professional Liability

The Hospital's and the Foundations' primary professional and general liability insurance coverages are provided by Controlled Risk Insurance Company, Ltd. (CRICO), a corporation formed and wholly owned by the Harvard-affiliated medical institutions. The Hospital owns approximately 10% of CRICO's stock and accounts for this investment on the cost basis. The premiums paid to CRICO are actuarially determined based on asserted claims and incurred but unasserted claims. CRICO obtains excess coverage from other insurers.

The Hospital's and the Foundations' professional liability insurance policy is a retrospectively rated policy and is on a claims-made basis. The Hospital and the Foundations accrue a liability for claims incurred but not reported, which, at September 30, 2023, was \$37,907 and, at September 30, 2022, was \$36,484. During the years ended September 30, 2023 and 2022, there were no CRICO distributions.

Additionally, the Hospital and Foundations recorded a liability of \$111,619 and \$88,406 at September 30, 2023 and 2022, respectively, related to estimated insured professional liability losses and a corresponding receivable of \$111,619 and \$88,406 at September 30, 2023 and 2022, respectively, related to estimated recoveries under insurance coverage related to those losses.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 13. Professional Liability (continued)

Professional liability insurance expenses, net of recoveries, are as follows:

	Year Ended September 30	
	2023	2022
Professional liability insurance premiums, net of recoveries	\$ 20,204	\$ 18,270
Increase in reserve for incurred but not reported professional liability claims, net	1,423	1,565
Total	<u>\$ 21,627</u>	<u>\$ 19,835</u>

#### 14. Fair Value of Financial Instruments

The Medical Center uses the methods for calculating fair value as defined in ASC 820, *Fair Value Measurement*, to value its financial assets and liabilities, where applicable. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. Fair value measurements are applied based on the unit of account from the reporting entity's perspective.

The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(In Thousands unless stated otherwise)*

#### **14. Fair Value of Financial Instruments (continued)**

ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs that are based on inputs not quoted in active markets but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Medical Center uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.



Boston Children's Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(In Thousands unless stated otherwise)*

**14. Fair Value of Financial Instruments (continued)**

Financial instruments carried at fair value are classified in the tables below in one of the three categories described above:

	<b>September 30, 2023</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 579,264	\$ 4,904	\$ –	\$ 584,168
U.S. equities	1,150,418	–	–	1,150,418
Global equities	176,649	–	–	176,649
Investment-grade fixed income	669,279	119,217	–	788,496
Mutual funds	302,359	–	–	302,359
Real asset funds	75,976	–	–	75,976
	<u>\$ 2,953,945</u>	<u>\$ 124,121</u>	<u>\$ –</u>	<u>3,078,066</u>
Investments accounted for pursuant to the equity method or measured at net asset value (NAV) as a practical expedient:				
Common/collective trust funds:				
Domestic equity				75,830
Global equity				702,247
Limited partnerships:				
Marketable alternatives				1,316,614
Private equity				1,062,627
Real estate investments carried at amortized cost				<u>168,357</u>
				<u>3,325,675</u>
Total investments				<u>\$ 6,403,741</u>
<b>Liabilities</b>				
Interest rate swap agreements	\$ –	\$ (31,332)	\$ –	\$ (31,332)

Boston Children's Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(In Thousands unless stated otherwise)*

**14. Fair Value of Financial Instruments (continued)**

	<b>September 30, 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 498,908	\$ 3,333	\$ –	\$ 502,241
U.S. equities	909,792	–	–	909,792
Global equities	131,412	–	–	131,412
Investment-grade fixed income	1,189,118	129,602	–	1,318,720
Mutual funds	253,450	–	–	253,450
Real asset funds	68,201	–	–	68,201
	<u>\$ 3,050,881</u>	<u>\$ 132,935</u>	<u>\$ –</u>	<u>3,183,816</u>
Investments accounted for pursuant to the equity method or measured at net asset value (NAV) as a practical expedient:				
Common/collective trust funds:				
Fixed income				13,142
Domestic equity				54,590
Global equity				672,998
Limited partnerships:				
Marketable alternatives				1,365,090
Private equity				1,129,327
Real estate investments carried at amortized cost				<u>180,266</u>
				<u>3,415,413</u>
Total investments				<u>\$ 6,599,229</u>
<b>Liabilities</b>				
Interest rate swap agreements	\$ –	\$ 51,518	\$ –	\$ 51,518

Boston Children's Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(In Thousands unless stated otherwise)*

**14. Fair Value of Financial Instruments (continued)**

Financial assets invested in the Medical Center's defined benefit pension plans are classified in the tables below in one of the three categories described above:

	<b>September 30, 2023</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 2,170	\$ —	\$ —	\$ 2,170
U.S. equities	181,194	—	—	181,194
Mutual funds	57,480	2,779	—	60,259
Global equities	78,981	—	—	78,981
Investment-grade fixed income	98,970	3,088	—	102,058
Real asset funds	13,584	—	—	13,584
	<u>\$ 432,379</u>	<u>\$ 5,867</u>	<u>\$ —</u>	<u>438,246</u>
Investments measured at net asset value (NAV) as a practical expedient:				
Common/collective trust funds:				
Domestic equity				11,600
Global equity				161,807
Other				654
Limited partnerships:				
Marketable alternatives				304,646
Private equity				212,306
				<u>691,013</u>
Total investments				<u>\$ 1,129,259</u>

Boston Children's Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(In Thousands unless stated otherwise)*

**14. Fair Value of Financial Instruments (continued)**

	<b>September 30, 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 9,090	\$ —	\$ —	\$ 9,090
U.S. equities	169,171	—	—	169,171
Mutual funds	17,944	6,247	—	24,191
Global equities	51,285	—	—	51,285
Investment-grade fixed income	113,995	3,177	—	117,172
Real asset funds	12,041	—	—	12,041
	<u>\$ 373,526</u>	<u>\$ 9,424</u>	<u>\$ —</u>	<u>382,950</u>
Investments measured at net asset value (NAV) as a practical expedient:				
Common/collective trust funds:				
Fixed income				—
Domestic equity				8,097
Global equity				148,897
Other				1,287
Limited partnerships:				
Marketable alternatives				309,444
Private equity				227,306
				<u>695,031</u>
Total investments				<u>\$ 1,077,981</u>

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 14. Fair Value of Financial Instruments (continued)

The following table presents liquidity information for the financial instruments carried at net asset value:

Investment Type	September 30		Liquidity Restriction Range (Including Notice Period) for Redemption*
	2023	2022	
	Net Asset Value	Net Asset Value	
U.S. equities	\$ 11,600	\$ 8,097	0 to 60 days
Global equities	161,807	148,897	30 to over 365 days
Real asset funds	654	1,287	0 to 60 days
Domestic equity hedge funds	71,550	81,491	90 to over 365 days
Distressed debt hedge funds	94,049	87,127	90 to over 365 days
Multi-strategy hedge funds	66,467	59,239	90 to over 365 days
Global equity hedge funds	72,580	81,588	90 to over 365 days
Private equity partnerships	212,306	227,305	Up to 7 years
	<u>\$ 691,013</u>	<u>\$ 695,031</u>	

\* Notices for redemption can be anywhere from a few days before a redemption date to more than 90 days, assuming the fund has met its lockup period.

Assets classified as Level 1 are valued using unadjusted quoted market prices for identical assets in active markets. Level 2 assets primarily include fixed income securities. Fair value for Level 2 assets is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources, including market participants, dealers, and brokers. There were no transfers between Level 1 and Level 2 during fiscal year 2022.

The Level 2 liabilities are interest rate swap agreements. The fair value of interest rate swap agreements is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include interest rates, Treasury yields, and credit spreads.

## Boston Children's Hospital and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (In Thousands unless stated otherwise)

#### 14. Fair Value of Financial Instruments (continued)

The Medical Center's long-term debt obligations and mortgage notes are reported on the accompanying consolidated balance sheets at principal value, less unamortized discount or premium and debt issuance costs, which totaled \$1,526,980 and \$27,000, and \$1,520,570 and \$27,000 at September 30, 2023 and 2022, respectively.

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

#### 15. Functional Expenses

The Medical Center is a multifaceted pediatric patient care provider dedicated to the improvement of the quality of life for children and their families. In its leadership role in pediatric medicine, the Medical Center focuses its efforts in three major areas: patient care, research, and medical education. Expenses related to providing these services are estimated as follows for the years ended September 30, 2023 and 2022:

	<b>Patient Care</b>	<b>Research</b>	<b>Medical Education</b>	<b>Total</b>
<b>September 30, 2023</b>				
Salaries and benefits	\$ 1,911,129	\$ 207,747	\$ 109,646	\$ 2,228,522
Supplies and other expenses	799,110	129,654	29,315	958,079
Direct research expenses of grants	–	320,399	–	320,399
Health Safety Net assessment	45,703	–	–	45,703
Costs related to asset dispositions	–	–	–	–
Depreciation, amortization, and interest	214,298	12,916	3,375	230,589
	<b>\$ 2,970,240</b>	<b>\$ 670,716</b>	<b>\$ 142,336</b>	<b>\$ 3,783,292</b>

Boston Children's Hospital and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(In Thousands unless stated otherwise)*

**15. Functional Expenses (continued)**

	<b>Patient Care</b>	<b>Research</b>	<b>Medical Education</b>	<b>Total</b>
<b>September 30, 2022</b>				
Salaries and benefits	\$ 1,614,647	\$ 174,632	\$ 93,283	\$ 1,882,562
Supplies and other expenses	642,356	105,265	25,778	773,399
Direct research expenses of grants	–	305,080	–	305,080
Health Safety Net assessment	28,818	–	–	28,818
Costs related to asset dispositions	2,731	–	–	2,731
Depreciation, amortization, and interest	168,743	11,417	3,392	183,552
	<u>\$ 2,457,295</u>	<u>\$ 596,394</u>	<u>\$ 122,453</u>	<u>\$ 3,176,142</u>

**16. Subsequent Events**

Subsequent events have been evaluated for potential recognition or disclosure in the consolidated financial statements through December 22, 2023, which is the date the accompanying consolidated financial statements were issued.

Section II – The Uniform Guidance  
Audit of Federal Awards



Boston Children's Hospital and Subsidiaries

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Identifying Number	Federal ANL Number	Federal Expenditures	Expenditures to Subrecipients
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>				
<b>Direct Programs:</b>				
<b>Department of Health and Human Services (DHHS)/Public Health Service:</b>				
Food and Drug Administration Research		93.103	\$ 365,109	\$ 66,551
Maternal and Child Health Federal Consolidated Programs		93.110	606,926	–
Environmental Health		93.113	1,676,938	177,830
Oral Diseases and Disorders Research		93.121	460,208	–
Human Genome Research		93.172	1,995,236	128,837
Research Related to Deafness and Communication Disorders		93.173	2,023,456	130,126
Research and Training in Complementary and Integrative Health		93.213	814,160	294,160
National Research Service Awards Health Services Research Training		93.225	174,034	–
Research on Healthcare Costs, Quality and Outcomes		93.226	2,604,640	435,027
National Center on Sleep Disorders Research		93.233	1,146,368	225,036
Mental Health Research Grants		93.242	11,596,548	2,470,623
Poison Center Support and Enhancement Grant		93.253	658,973	–
Minority Health and Health Disparities Research		93.273	1,215,383	134,469
Drug Abuse and Addiction Research Programs		93.279	3,216,787	74,909
Centers for Disease Control and Prevention Investigations and Technical Assistance		93.283	486,073	(2,500)
Discovery and Applied Research for Technological Innovations to Improve Human Health		93.286	2,800,206	741,950
Teenage Pregnancy Prevention Program		93.297	737,267	613,741
Minority Health and Health Disparities Research		93.307	649,178	108,856
Trans-NIH Research Support		93.310	5,850,805	248,779
Rare Disorders: Research, Surveillance, Health Promotion, and Education		93.315	120,865	–
Leading Edge Acceleration Projects (LEAP) in Health Information Technology		93.345	175,137	–
National Center for Advancing Translational Sciences		93.350	1,658,832	634,346
Research Infrastructure Programs		93.351	476,473	–
Cancer Cause and Prevention Research		93.393	2,521,637	985,769
Cancer Detection and Diagnosis Research		93.394	571,683	129,172
Cancer Treatment Research		93.395	1,400,830	509,948
Cancer Biology Research		93.396	5,111,487	305,646
Cancer Research Manpower		93.398	272,057	–
University Centers for Excellence in Developmental Disabilities Education, Research, and Service		93.632	530,912	426,635
Mental and Behavioral Health Education and Training Grants		93.732	697,771	–
Cardiovascular Diseases Research		93.837	21,863,165	2,299,158
Lung Diseases Research		93.838	4,631,748	325,440
Blood Diseases and Resources Research		93.839	17,661,436	4,054,077
Arthritis, Musculoskeletal and Skin Diseases Research		93.846	7,609,492	297,845
Diabetes, Digestive, and Kidney Diseases Extramural Research		93.847	24,526,825	4,000,472
Extramural Research Programs in the Neurosciences and Neurological Disorders		93.853	17,039,779	834,302
Allergy and Infectious Diseases Research		93.855	43,090,579	9,488,400
COVID-19 Allergy and Infectious Diseases Research		93.855	1,791,776	–
Biomedical Research and Research Training		93.859	8,050,833	194,697
Child Health and Human Development Extramural Research		93.865	9,885,217	1,801,006
Aging Research		93.866	5,513,622	529,675
Vision Research		93.867	10,409,196	530,254
Medical Library Assistance		93.879	2,127,980	311,413
International Research and Research Training		93.989	277,822	9,470
DHHS/NIH Contracts		93.contracts	10,442,545	1,648,976
COVID-19 DHHS/NIH Contracts		93.contracts	39,983	29,474
Department of Health and Human Services (DHHS)/Public Health Service Total:			237,577,976	35,194,569
<b>Department of Homeland Security (DHS):</b>				
Financial Assistance for Targeted Violence and Terrorism Prevention		97.132	280,366	68,631
Department of Homeland Security (DHS) Total:			280,366	68,631
<b>Department of Defense (DOD):</b>				
Military Medical Research and Development		12.420	10,520,114	1,148,160
Research and Technology Development		12.910	808,240	–
Department of Defense (DOD) Total:			11,328,354	1,148,160
<b>Department of Justice (DOJ):</b>				
National Institute of Justice Research, Evaluation, and Development Project Grants		16.560	752,990	–
Department of Justice (DOJ) Total:			752,990	–
<b>Department of Veterans Affairs (VA):</b>				
Research and Development		64.054	65,029	–
Department of Veterans Affairs (VA) Total:			65,029	–
<b>National Science Foundation (NSF):</b>				
Mathematical and Physical Sciences		47.049	98,080	67,024
Computer and Information Science and Engineering		47.070	666,768	166,267
Social, Behavioral, and Economic Sciences		47.075	145,678	–
STEM Education (formerly Education and Human Resources)		47.076	166,513	–
Polar Programs		47.078	44,891	–
National Science Foundation (NSF) Total:			1,121,930	233,291
<b>Total Direct Programs</b>			<b>251,126,645</b>	<b>36,644,652</b>

Boston Children's Hospital and Subsidiaries  
Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Identifying Number	Federal ANL Number	Federal Expenditures	Expenditures to Subrecipients
<b>Pass Through Programs (DHHS):</b>				
Albert Einstein College of Medicine Extramural Research Programs in the Neurosciences and Neurological Disorders	R01NS117390	93.853	\$ 101,036	\$ -
Alex's Lemonade Stand Foundation DHHS/NIH Contracts	75N91023P00409	93.contracts	8,048	-
American Gastroenterological Association Allergy and Infectious Diseases Research	R24AI118629	93.855	6,265	-
Arizona State University Lung Diseases Research	UG3HL147016	93.838	90,008	-
Association For Africans Living In Vermont Substance Abuse and Mental Health Services Projects of Regional and National Significance	H79SM084890	93.243	13,218	-
Augusta University Diabetes, Digestive, and Kidney Diseases Extramural Research	U24DK115255	93.847	15,210	-
Baylor College of Medicine Diabetes, Digestive, and Kidney Diseases Extramural Research	U01DK112194	93.847	63,869	-
Biomedical Research and Research Training	R01GM080600	93.859	51,846	-
<b>Baylor College of Medicine Total</b>			115,715	-
Benaroya Research Institute At Virginia COVID-19 Allergy and Infectious Diseases Research	UM1AI109565	93.855	264,862	-
Beth Israel Deaconess Medical Center Inc. Environmental Health	R01ES031252	93.113	60,915	-
Research on Healthcare Costs, Quality and Outcomes	R01HS027367	93.226	20,816	-
National Center on Sleep Disorders Research	R01HL161253	93.233	46,036	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	RC2DK122397	93.847	293,008	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	R01NS055099, U01NS096835	93.853	39,282	-
Allergy and Infectious Diseases Research	R01AI116596	93.855	1,357	-
Child Health and Human Development Extramural Research	R01HD098363	93.865	(1,492)	-
Vision Research	R01EY032749	93.867	164,884	-
<b>Beth Israel Deaconess Medical Center Inc. Total</b>			624,806	-
Boston Biomedical Innovation Center COVID-19 Cardiovascular Diseases Research	U54HL119145	93.837	(35)	-
Boston College Nursing Research	R01NR020482	93.361	11,411	-
Boston Medical Center Corporation Blood Diseases and Resources Research	R01HL141774	93.839	26,316	-
Boston University Maternal and Child Health Federal Consolidated Programs	UJ6MC31113, UJ6MC32737	93.110	(8,863)	-
Research Related to Deafness and Communication Disorders	P50DC018006	93.173	157,058	-
Discovery and Applied Research for Technological Innovations to Improve Human Health	R21EB028363	93.286	99,525	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	P30DK046200	93.847	(809)	-
Allergy and Infectious Diseases Research	R01AI171100	93.855	146,286	-
Child Health and Human Development Extramural Research	R21HD111945	93.865	19,512	-
<b>Boston University Total</b>			412,709	-
Boston University Medical Campus National Center for Advancing Translational Sciences	U01TR001810	93.350	(1,494)	-
Brigham & Women's Hospital Environmental Health	R01ES029840	93.113	31,834	-
Human Genome Research	U01HG007690	93.172	83,284	-
Research Related to Deafness and Communication Disorders	R01DC015052	93.173	(11,039)	-
Drug Abuse and Addiction Research Programs	U19NS130617	93.279	586,483	-
Discovery and Applied Research for Technological Innovations to Improve Human Health	R01EB032378	93.286	25,144	-
Trans-NIH Research Support	U01HG007690	93.310	62,709	-
National Center for Advancing Translational Sciences	U01TR003201	93.350	270,466	-
Cancer Treatment Research	R01CA200900	93.395	198,115	-
Cardiovascular Diseases Research	R01HL130275	93.837	(199)	-
Lung Diseases Research	R01HL123546, R01HL130974, R01HL161620,	93.838	618,043	-
Blood Diseases and Resources Research	U01HL146002, UG1HL139124	93.839	38,424	-
Arthritis, Musculoskeletal and Skin Diseases Research	R01HL161087	93.846	383,067	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	P30AR070253, R01AR074526	93.853	33,562	-
Allergy and Infectious Diseases Research	R01NS100952, R01NS123557, R21NS120170	93.855	214,805	-
Child Health and Human Development Extramural Research	U19AI095219	93.855	214,805	-
Aging Research	R00HD098288, R01HD097327, R01HD106106,	93.865	217,246	-
Vision Research	R01HD107475, R01HD111016	93.866	417,437	-
<b>Brigham &amp; Women's Hospital Total</b>	P01AG071463	93.867	125,491	-
	R24EY028767		3,294,872	-
Broad Institute Mental Health Research Grants	R01MH131719	93.242	17,630	-
21st Century Cures Act - Beau Biden Cancer Moonshot	U2CCA252974	93.353	72,226	-
Cancer Biology Research	R01CA279550	93.396	4,891	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	UM1DK105554	93.847	224,838	-
<b>Broad Institute Total</b>			319,585	-

Boston Children's Hospital and Subsidiaries  
Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Identifying Number	Federal ANL Number	Federal Expenditures	Expenditures to Subrecipients
Brown University				
Mental Health Research Grants	R01MH123556	93.242	\$ 16,538	\$ -
Diabetes, Digestive, and Kidney Diseases Extramural Research	R01DK127585	93.847	8,105	-
<b>Brown University Total</b>			24,643	-
Case Western Reserve University				
Oral Diseases and Disorders Research	R56DE030206	93.121	(137,002)	-
CDC Foundation				
COVID-19 Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	NU38OT000288	93.421	246,003	-
Cedars-Sinai Medical Center				
Extramural Research Programs in the Neurosciences and Neurological Disorders	U01NS103792, U01NS117839	93.853	77,100	-
Children's Hospital - Cincinnati, Ohio				
Food and Drug Administration Research	R01FD007275	93.103	128,993	-
Human Genome Research	U01HG011172	93.172	47,491	-
Cardiovascular Diseases Research	R01HL151604, U01HL131003, U24HL135691	93.837	515,077	-
Arthritis, Musculoskeletal and Skin Diseases Research	R01AR070474	93.846	(46,994)	-
DHHS/NIH Contracts	75F40120C00126	93.contracts	4,417	-
<b>Children's Hospital - Cincinnati, Ohio Total</b>			648,984	-
Children's Hospital - Los Angeles				
Allergy and Infectious Diseases Research	U01AI126612	93.855	137,380	-
Child Health and Human Development Extramural Research	R01HD082554	93.865	112,460	-
<b>Children's Hospital - Los Angeles Total</b>			249,840	-
Children's Hospital - Philadelphia				
Maternal and Child Health Federal Consolidated Programs	UA320218	93.110	22,440	-
Human Genome Research	U01HG011175	93.172	50,061	-
Trans-NIH Research Support	U54HL165442	93.310	159,689	-
Cancer Treatment Research	U10CA180886	93.395	3,724	-
Cancer Control	UCA189955B	93.399	(15,665)	-
Lung Diseases Research	U01HL159880	93.838	22,776	-
Blood Diseases and Resources Research	U54HL156090	93.839	(1,084)	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	R01DK110749	93.847	(13,302)	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	R01NS127830, R01NS131512, R61NS130216	93.853	95,859	-
Child Health and Human Development Extramural Research	R01HD101528	93.865	34,472	-
Vision Research	R01EY029687	93.867	146,101	-
Autism Collaboration, Accountability, Research, Education, and Support	UT542432	93.877	46,084	-
<b>Children's Hospital - Philadelphia Total</b>			551,155	-
Children's Hospital Los Angeles				
Child Health and Human Development Extramural Research	R01HD090138	93.865	47,702	-
Children's Mercy Hospital				
Diabetes, Digestive, and Kidney Diseases Extramural Research	U01DK066143	93.847	1,326	-
Children's National Medical Center				
Child Health and Human Development Extramural Research	U54HD061221	93.865	17,843	-
Children's Research Institute				
Child Health and Human Development Extramural Research	R01HD093622, R01HD108839	93.865	154,398	-
Colorado State University				
Allergy and Infectious Diseases Research	R01AI141656	93.855	152,180	-
Columbia University				
Cancer Cause and Prevention Research	U01CA265729	93.393	248,332	-
Cardiovascular Diseases Research	R01HL141823, R01HL150044	93.837	103,007	-
Lung Diseases Research	R01HL148718	93.838	38,643	-
COVID-19 Lung Diseases Research	OT2HL156812	93.838	336	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	U34DK129924, U54DK104309	93.847	53,045	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	U01NS110438, U54NS078059	93.853	401,303	-
Allergy and Infectious Diseases Research	R01HG013031	93.855	15,690	-
<b>Columbia University Total</b>			860,355	-
Commonwealth of Massachusetts				
Environmental Public Health And Emergency Response	NUE1EH001400	93.070	34,833	-
Cook Children's Healthcare System				
Extramural Research Programs in the Neurosciences and Neurological Disorders	R01NS104116	93.853	229,282	-
Dana-Farber Cancer Institute				
Trans-NIH Research Support	UG3NS132127 P30CA006516, P50CA206963, P50CA265826,	93.310	17,802	-
Cancer Centers Support Grants	U54CA156732	93.397	635,549	-
Lung Diseases Research	R01HL157392	93.838	12,044	-
Blood Diseases and Resources Research	P01HL158505	93.839	599,768	-
<b>Dana-Farber Cancer Institute Total</b>			1,265,163	-
Dartmouth College				
Extramural Research Programs in the Neurosciences and Neurological Disorders	RF1NS118301	93.853	156,206	-
Dartmouth Hitchcock Medical Center				
Minority Health and Health Disparities Research	R01MD014735	93.307	21,231	-

Boston Children's Hospital and Subsidiaries  
Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Identifying Number	Federal ANL Number	Federal Expenditures	Expenditures to Subrecipients
Dimock Community Health Center Coordinated Services and Access to Research for Women, Infants, Children, and Youth	H1224846, H12HA23040, H12HA24846	93.153	\$ 63,379	\$ -
Duke University				
Research on Healthcare Costs, Quality and Outcomes	R21HS028699	93.226	8,480	-
COVID-19 Trans-NIH Research Support	OT2HD107559	93.310	9,773	-
Lung Diseases Research	R33HL147833	93.838	885	-
Allergy and Infectious Diseases Research	P01AI138211, R01AI154524, UM1AI144371	93.855	1,142,454	-
DHHS/NIH Contracts	75N93019C00050, 75N94019F00126, HHSN2752018000031	93.contracts	392,736	-
<b>Duke University Total</b>			<u>1,554,328</u>	-
Emory University				
Discovery and Applied Research for Technological Innovations to Improve Human Health	U54EB027690	93.286	29,724	-
COVID-19 Discovery and Applied Research for Technological Innovations to Improve Human Health	U54EB027690	93.286	8,401	-
Allergy and Infectious Diseases Research	U19AI051731	93.855	457,192	-
COVID-19 Allergy and Infectious Diseases Research	U19AI110483	93.855	116,766	-
<b>Emory University Total</b>			<u>612,082</u>	-
Father Flanagan's Boys' Home Research Related to Deafness and Communication Disorders	R01DC018330	93.173	72,252	-
Fred Hutchinson Cancer Center Allergy and Infectious Diseases Research	UM1AI068614	93.855	286,774	-
Georgia Institute For Technology Oral Diseases and Disorders Research	R01DE019637	93.121	237,358	-
Georgia State University Research Related to Deafness and Communication Disorders	R01DC015557	93.173	47,307	-
Harvard Catalyst: Clinical & Translation National Center for Advancing Translational Sciences	KL2TR002542	93.350	36,159	-
Harvard Medical School				
Environmental Health	R01ES032470	93.113	102	-
Research and Training in Complementary and Integrative Health	R01AT011447	93.213	584,058	-
Trans-NIH Research Support	UM1DA058230	93.310	9,761	-
National Center for Advancing Translational Sciences	UL1TR002541, UM1TR004408	93.350	645,302	-
Cancer Biology Research	R01CA272484, U01CA267827	93.396	503,278	-
Cardiovascular Diseases Research	R01HL162893	93.837	55,034	-
Blood Diseases and Resources Research	R01HL153970	93.839	207,088	-
Allergy and Infectious Diseases Research	R01AI130019, R01AI150709, U19AI133524	93.855	720,599	-
Child Health and Human Development Extramural Research	R01HD100823	93.865	100,586	16,105
Vision Research	P30EY012196	93.867	126,109	-
<b>Harvard Medical School Total</b>			<u>2,951,917</u>	<u>16,105</u>
Harvard Pilgrim Health Care				
Minority Health and Health Disparities Research	R01MD015256, R21MD016984	93.307	95,553	-
Cardiovascular Diseases Research	R03HL156883	93.837	28,270	-
Child Health and Human Development Extramural Research	R01HD090019	93.865	10,203	-
<b>Harvard Pilgrim Health Care Total</b>			<u>134,026</u>	-
Harvard T.H. Chan School of Public Health				
Environmental Health	R01ES027408, R01ES029097	93.113	157,296	-
Cardiovascular Diseases Research	R01HL151848	93.837	54,479	-
Child Health and Human Development Extramural Research	P01HD103133	93.865	148,538	-
<b>Harvard T.H. Chan School of Public Health Total</b>			<u>360,313</u>	-
Harvard University				
NIEHS Superfund Hazardous Substances Basic Research and Education	P42ES030990	93.143	34,081	-
Arthritis, Musculoskeletal and Skin Diseases Research	R01AR070139, R01AR081274	93.846	298,829	-
Allergy and Infectious Diseases Research	P30AI060354	93.855	176,891	-
<b>Harvard University Total</b>			<u>509,801</u>	-
Health Level Seven International				
COVID-19 Discovery and Applied Research for Technological Innovations to Improve Human Health	90C30007	93.286	182,480	-
Closing the Gap Between Standards Development and Implementation	90AX0019/01	93.826	3,498	-
<b>Health Level Seven International Total</b>			<u>185,978</u>	-
Hugo W. Moser Research Institute at Kennedy Krieger, Inc. Extramural Research Programs in the Neurosciences and Neurological Disorders	K12NS098482	93.853	147,037	-
Icahn School of Medicine At Mount Sinai				
Environmental Health	R01ES013744, R01ES026033, R01ES033436	93.113	42,394	-
Trans-NIH Research Support	UG3OD023337, UH3OD023337	93.310	682,235	-
Allergy and Infectious Diseases Research	U19AI118610	93.855	(2)	-
<b>Icahn School of Medicine At Mount Sinai Total</b>			<u>724,627</u>	-
Indiana University				
Lung Diseases Research	R01HL148247	93.838	4	-
Arthritis, Musculoskeletal and Skin Diseases Research	R01AR053237	93.846	6,081	-
<b>Indiana University Total</b>			<u>6,085</u>	-
Jackson Laboratory Trans-NIH Research Support	U19NS132304	93.310	52,056	-

Boston Children's Hospital and Subsidiaries  
Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Identifying Number	Federal ANL Number	Federal Expenditures	Expenditures to Subrecipients
Jacb Center For Health Research Vision Research	U10EY011751, UG1EY011751	93.867	\$ 186,496	\$ -
Johns Hopkins School of Medicine Lung Diseases Research	UG3HL151458, UH3HL15458	93.838	20,306	-
Johns Hopkins University COVID-19 Trans-NIH Research Support	R61HD105591	93.310	14,910	-
Allergy and Infectious Diseases Research	UM1AI164566	93.855	9,506	-
<b>Johns Hopkins University Total</b>			<u>24,416</u>	-
Joslin Diabetes Center Diabetes, Digestive, and Kidney Diseases Extramural Research	R01DK133528, U01DK116102	93.847	273,315	-
Lajolla Institute For Allergy & Immunology Allergy and Infectious Diseases Research	U01AI167892	93.855	175,271	-
Louisiana State University Research Related to Deafness and Communication Disorders	R01DC020243	93.173	69,037	-
Lurie Children's Hospital of Chicago Cardiovascular Diseases Research	UG3HL148318	93.837	20,941	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	U01AR079113, U01DK127995	93.847	54,188	-
<b>Lurie Children's Hospital of Chicago Total</b>			<u>75,129</u>	-
Mass General Brigham Incorporated Research Oral Diseases and Disorders Research	R01DE031452	93.121	81,940	-
Human Genome Research	R35HG010717, UM1HG012010	93.172	814,189	-
Mental Health Research Grants	R01MH116042, R01MH117599	93.242	421,872	-
Discovery and Applied Research for Technological Innovations to Improve Human Health	R01EB024343, R03EB031175, U01EB023820	93.286	50,640	-
Trans-NIH Research Support	UH3OD023253	93.310	103,944	-
Cardiovascular Diseases Research	P01HL158504, R01HL141917	93.837	531,221	-
Blood Diseases and Resources Research	P01HL131477	93.839	82,644	-
Arthritis, Musculoskeletal and Skin Diseases Research	P30AR075042	93.846	57,682	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	P30DK040561, R01DK119699, R01DK123216 K08NS118107, R01NS111168, R01NS117609, R21NS127345, RF1NS126547, U01NS096767 R01AI134940, R01AI137091, R01AI144119, R01AI172938, R21AI175965, R56AI064285, U01AI163086	93.847	73,856	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	R01AI134940, R01AI137091, R01AI144119, R01AI172938, R21AI175965, R56AI064285, U01AI163086	93.853	961,235	-
Allergy and Infectious Diseases Research	U01AI163086	93.855	207,251	-
Child Health and Human Development Extramural Research	P01HD068250, R01HD102616, R01HD103637	93.865	133,767	-
Aging Research	RF1AG044486	93.866	20	-
<b>Mass General Brigham Incorporated Research Total</b>			<u>3,520,261</u>	-
Massachusetts Eye And Ear Infirmary Research Related to Deafness and Communication Disorders	R01DC012142	93.173	6,583	-
Drug Abuse and Addiction Research Programs	UG3NS131518	93.279	2,429	-
Trans-NIH Research Support	UH3TR002636	93.310	44,049	-
<b>Massachusetts Eye And Ear Infirmary Total</b>			<u>53,061</u>	-
Massachusetts Institute of Technology Cancer Biology Research	U01CA253547	93.396	23,742	-
Cardiovascular Diseases Research	R01NS109947	93.837	356,903	-
<b>Massachusetts Institute of Technology Total</b>			<u>380,645</u>	-
Mayo Clinic 21st Century Cures Act - Beau Biden Cancer Moonshot	U01CA246568	93.353	63,693	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	U54NS115198, UH3NS103870	93.853	100,914	-
<b>Mayo Clinic Total</b>			<u>164,607</u>	-
Mclean Hospital Research Infrastructure Programs	R24OD024622	93.351	(112,487)	-
Child Health and Human Development Extramural Research	R21HD100902	93.865	7,699	-
<b>Mclean Hospital Total</b>			<u>(104,788)</u>	-
Medical College of Wisconsin Cardiovascular Diseases Research	OT3HL147741, R01HL142791	93.837	593,802	-
Blood Diseases and Resources Research	U24HL157560	93.839	193,147	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	RC2DK129964	93.847	13,616	-
Child Health and Human Development Extramural Research	R01HD104607	93.865	14,093	-
<b>Medical College of Wisconsin Total</b>			<u>814,658</u>	-
Medical University of South Carolina Child Health and Human Development Extramural Research	R01HD102336	93.865	186,447	-
Memorial Sloan-Kettering Cancer Cause and Prevention Research	P01CA228696	93.393	94,757	-
Michigan State University Child Health and Human Development Extramural Research	R01HD094842, R21HD096358	93.865	72,885	-
National Jewish Health Allergy and Infectious Diseases Research	UM1AI151958	93.855	797	-
New York University Cancer Biology Research	R01CA269898	93.396	20,608	-
Cardiovascular Diseases Research	R01HL086694	93.837	34,086	-
<b>New York University Total</b>			<u>54,694</u>	-

Boston Children's Hospital and Subsidiaries  
Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Identifying Number	Federal ANL Number	Federal Expenditures	Expenditures to Subrecipients
Northeastern University				
Discovery and Applied Research for Technological Innovations to Improve Human Health	R01EB021908	93.286	\$ (3,823)	\$ -
Diabetes, Digestive, and Kidney Diseases Extramural Research	R01DK109316	93.847	(14,483)	-
Vision Research	R01EY032162	93.867	67,174	-
<b>Northeastern University Total</b>			48,868	-
Northwestern University				
Cancer Biology Research	R01CA256741	93.396	146,924	-
Arthritis, Musculoskeletal and Skin Diseases Research	R01AR080089	93.846	32,124	-
Child Health and Human Development Extramural Research	R01HD099344	93.865	10,900	-
<b>Northwestern University Total</b>			189,948	-
Ohio State University				
Vision Research	R34EY030582	93.867	3,944	-
Oklahoma Medical Research Foundation				
Cardiovascular Diseases Research	R01HL163095	93.837	14,953	-
Oregon Health And Science University				
Allergy and Infectious Diseases Research	R01AI168092	93.855	150,074	-
Blood Diseases and Resources Research	P01HL048546	93.839	(23)	-
Child Health and Human Development Extramural Research	U24HD100982, U54HD100982	93.865	247,186	-
<b>Oregon Health And Science University Total</b>			397,237	-
Partnership To End Addiction				
Drug Abuse and Addiction Research Programs	R24DA051946	93.279	25,290	-
Pennsylvania State University				
Extramural Research Programs in the Neurosciences and Neurological Disorders	R01NS115942	93.853	191,804	-
Child Health and Human Development Extramural Research	R01HD085853	93.865	(2,303)	-
<b>Pennsylvania State University Total</b>			189,501	-
Public Health Institute				
Cancer Treatment Research	U10CA180886, UM1CA228823	93.395	71,987	-
Cancer Control	UG1CA189955	93.399	530,164	-
<b>Public Health Institute Total</b>			602,151	-
Research Institute Nationwide Children's				
Blood Diseases and Resources Research	R01HL157208	93.839	443	-
Child Health and Human Development Extramural Research	R01HD091347	93.865	1	-
<b>Research Institute Nationwide Children's Total</b>			444	-
Rett Syndrome Research Foundation				
Child Health and Human Development Extramural Research	U54HD061222	93.865	(319)	-
RTI International				
Child Health and Human Development Extramural Research	R03HD105507	93.865	9,045	-
Rutgers University				
Allergy and Infectious Diseases Research	R01AI143760	93.855	134,318	-
Scripps Research Institute California				
COVID-19 Allergy and Infectious Diseases Research	U19AI171443	93.855	205,997	-
Seattle Institute For Biomedical & Clinical				
Aging Research	R01AG075338	93.866	68,795	-
Spurwink Services				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	U79SM063292	93.243	3,499	-
St. Jude Children's Research Hospital				
Cancer Treatment Research	UM1CA081457	93.395	258,663	-
Blood Diseases and Resources Research	P01HL053749	93.839	139,974	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	U24NS120854	93.853	64,418	-
<b>St. Jude Children's Research Hospital Total</b>			463,055	-
Stanford University				
COVID-19 Cancer Detection and Diagnosis Research	U54CA260517	93.394	(1,101)	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	K12DK133995	93.847	35,753	-
COVID-19 Allergy and Infectious Diseases Research	U19AI057229	93.855	92,651	-
<b>Stanford University Total</b>			127,303	-
Temple University				
Allergy and Infectious Diseases Research	UM1AI164568	93.855	172,373	-
The Methodist Hospital Research Institute				
Cardiovascular Diseases Research	R01HL133254, R01HL148338	93.837	193,722	-
The University of Texas MD Anderson Cancer Center				
Cancer Cause and Prevention Research	R01CA207109	93.393	41,351	-
Tufts Medical Center				
Extramural Research Programs in the Neurosciences and Neurological Disorders	R01NS107315	93.853	60,783	-
Tulane University				
Child Health and Human Development Extramural Research	R01HD108325	93.865	6,368	-

Boston Children's Hospital and Subsidiaries

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Identifying Number	Federal ANL Number	Federal Expenditures	Expenditures to Subrecipients
University Hospitals				
Maternal and Child Health Federal Consolidated Programs	U1143532	93.110	\$ 104,468	\$ -
University of Alabama				
Extramural Research Programs in the Neurosciences and Neurological Disorders	U01NS092595	93.853	2,128	-
Child Health and Human Development Extramural Research	R01HD095897	93.865	7,000	-
Vision Research	R01EY025555	93.867	17,166	-
DHHS/NIH Contracts	HHSN272201600018C	93.contracts	10,679	-
<b>University of Alabama Total</b>			<u>36,973</u>	-
University of Arizona				
Dietary Supplement Research Program	R01HD104618	93.321	39,569	-
Lung Diseases Research	U01HL130045	93.838	236,466	-
<b>University of Arizona Total</b>			<u>276,035</u>	-
University of Buffalo				
Cardiovascular Diseases Research	R01HL137558, R56HL163168	93.837	113,248	-
Allergy and Infectious Diseases Research	R01AI150240	93.855	138,265	-
<b>University of Buffalo Total</b>			<u>251,513</u>	-
University of California, Irvine				
Diabetes, Digestive, and Kidney Diseases Extramural Research	R01DK119240	93.847	10,739	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	K08NS099502	93.853	1,956	-
Allergy and Infectious Diseases Research	R01AI158503	93.855	333,554	-
<b>University of California, Irvine Total</b>			<u>346,249</u>	-
University of California, Los Angeles				
Maternal and Child Health Federal Consolidated Programs	UA632492	93.110	17,117	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	RC2DK118640	93.847	444,520	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	UG3NS104095	93.853	96,874	-
Child Health and Human Development Extramural Research	R01HD090138	93.865	840	-
<b>University of California, Los Angeles Total</b>			<u>559,351</u>	-
University of California, Riverside Camp				
Cardiovascular Diseases Research	R01HL167206	93.837	157,606	-
University of California, San Diego				
Drug Abuse and Addiction Research Programs	U24DA055325	93.279	176,361	-
Lung Diseases Research	R01HL162570	93.838	40,310	-
<b>University of California, San Diego Total</b>			<u>216,671</u>	-
University of California, San Francisco				
Extramural Research Programs in the Neurosciences and Neurological Disorders	K23NS105918, R01NS104094, R01NS111166, R01NS124051, U54NS065705	93.853	138,474	-
Allergy and Infectious Diseases Research	R01AI175614, U54AI082973	93.855	57,561	-
<b>University of California, San Francisco Total</b>			<u>196,035</u>	-
University of Chicago				
Child Health and Human Development Extramural Research	R01HD099847	93.865	8,980	-
University of Cincinnati				
Extramural Research Programs in the Neurosciences and Neurological Disorders	U01NS106655	93.853	150,327	-
University of Colorado, Denver				
Maternal and Child Health Federal Consolidated Programs	UA631101, UA6MC31101	93.110	128,825	29,547
Extramural Research Programs in the Neurosciences and Neurological Disorders	U01NS114312	93.853	76,649	-
Child Health and Human Development Extramural Research	R01HD108133	93.865	202,512	-
Tribal Maternal, Infant, and Early Childhood Home Visiting	90PH0030	93.872	43,627	-
<b>University of Colorado, Denver Total</b>			<u>451,613</u>	<u>29,547</u>
University of Georgia				
DHHS/NIH Contracts	75N93021C00018	93.contracts	370,116	-
University of Iowa				
Diabetes, Digestive, and Kidney Diseases Extramural Research	U01DK108334	93.847	95,741	-
University of Liverpool				
Mental Health Research Grants	U19MH109998	93.242	137	-
University of Maryland				
Mental Health Research Grants	R01MH091363	93.242	34,707	(61,980)
Cardiovascular Diseases Research	U24HL134763	93.837	(44,431)	-
Extramural Research Programs in the Neurosciences and Neurological Disorders	R21NS101245	93.853	(26,178)	-
<b>University of Maryland Total</b>			<u>(35,902)</u>	<u>(61,980)</u>
University of Massachusetts Medical Center				
Discovery and Applied Research for Technological Innovations to Improve Human Health	R01EB029315	93.286	258,800	-
Nursing Research	R01NR020752	93.361	23,084	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	U01DK104218	93.847	218,387	-
Child Health and Human Development Extramural Research	P50HD060848	93.865	171,940	-
<b>University of Massachusetts Medical Center Total</b>			<u>672,211</u>	-
University of Miami				
Research Related to Deafness and Communication Disorders	R01DC019404	93.173	57,150	-
University of Michigan				
Lung Diseases Research	R01HL149910, R01HL153519	93.838	65,594	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	U54DK083912	93.847	44,435	-
Allergy and Infectious Diseases Research	U54AI170660	93.855	301,770	-
<b>University of Michigan Total</b>			<u>411,799</u>	-

Boston Children's Hospital and Subsidiaries  
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Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Identifying Number	Federal ANL Number	Federal Expenditures	Expenditures to Subrecipients
University of Minnesota COVID-19 Allergy and Infectious Diseases Research	U19AI171954	93.855	\$ 820,148	\$ -
University of Mississippi Medical Center Oral Diseases and Disorders Research	R01DE031928	93.121	213,750	-
University of North Carolina, Chapel Hill Trans-NIH Research Support	UH3OD023348	93.310	271,588	-
University of Pennsylvania Child Health and Human Development Extramural Research	R01HD098269	93.865	147,988	-
University of Pittsburgh Mental Health Research Grants	U01MH124639	93.242	27,730	-
Cardiovascular Diseases Research	R01HL128818, R01HL152740	93.837	97,348	-
<b>University of Pittsburgh Total</b>			<u>125,078</u>	-
University of Rochester Allergy and Infectious Diseases Research	R21AI163571	93.855	62,867	-
University of South Florida Trans-NIH Research Support	OT2OD032720	93.310	162,843	-
University of Texas Health Science Center Cardiovascular Diseases Research	R01HL158901	93.837	50,038	-
Biomedical Research and Research Training	R01GM140084	93.859	7,506	-
Child Health and Human Development Extramural Research	R01HD105055	93.865	30,282	-
<b>University of Texas Health Science Center Total</b>			<u>87,826</u>	-
University of Utah Chronic Diseases: Research, Control, And Prevention	U01DP006702	93.068	92,074	-
Oral Diseases and Disorders Research	R01DE027493	93.121	9,541	-
Centers for Disease Control and Prevention Investigations and Technical Assistance	U01DP006490	93.283	3,467	-
Cancer Treatment Research	R01CA227225	93.395	106,902	-
Cardiovascular Diseases Research	U24HL135691	93.837	1,459	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	U24DK126127	93.847	20,759	-
<b>University of Utah Total</b>			<u>234,202</u>	-
University of Washington COVID-19 Blood Diseases and Resources Research	R01HL146500	93.839	(22,465)	-
Blood Diseases and Resources Research	R01HL146500	93.839	169,389	-
Allergy and Infectious Diseases Research	R01AI145954	93.855	190,474	-
<b>University of Washington Total</b>			<u>337,398</u>	-
University of Washington School of Medicine Allergy and Infectious Diseases Research	R01AI174304	93.855	42,819	-
University of Wisconsin Diabetes, Digestive, and Kidney Diseases Extramural Research	R01DK109692	93.847	3,723	-
Allergy and Infectious Diseases Research	UM1AI160040	93.855	201,102	-
<b>University of Wisconsin Total</b>			<u>204,825</u>	-
Vanderbilt University Medical Center Cancer Detection and Diagnosis Research	U01CA231840	93.394	417	-
Wake Forest University Nursing Research	R01NR017639	93.361	85,453	-
Washington State University Research on Healthcare Costs, Quality and Outcomes	R01HS026742	93.226	22,686	-
Child Health and Human Development Extramural Research	R01HD091142	93.865	262,754	-
<b>Washington State University Total</b>			<u>285,440</u>	-
Washington University National Center for Advancing Translational Sciences	U01TR002764	93.350	271,623	-
Allergy and Infectious Diseases Research	R01AI151215, R01AI163019	93.855	790,968	-
<b>Washington University Total</b>			<u>1,062,591</u>	-
Wayne State University Lung Diseases Research	R01HL148247	93.838	75,249	-
Weill Medical College of Cornell University Cancer Biology Research	R01CA249843	93.396	371,774	-
Lung Diseases Research	P01HL114501	93.838	34,024	-
Allergy and Infectious Diseases Research	R01AG050660	93.855	57,714	-
COVID-19 Allergy and Infectious Diseases Research	U19AI144301	93.855	76,790	-
Child Health and Human Development Extramural Research	K12HD000850	93.865	147,789	-
<b>Weill Medical College of Cornell University Total</b>			<u>688,091</u>	-
Wyss Institute For Biologically Inspired Cardiovascular Diseases Research	UH3HL141798	93.837	352,005	-
DHHS/NIH Contracts	75F40119C10098	93.contracts	177,312	-
<b>Wyss Institute For Biologically Inspired Total</b>			<u>529,317</u>	-



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Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Identifying Number	Federal ANL Number	Federal Expenditures	Expenditures to Subrecipients
Yale University				
Mental Health Research Grants	U19MH108206	93.242	\$ 1,127,731	\$ -
Drug Abuse and Addiction Research Programs	UG1DA015831	93.279	23,486	-
Allergy and Infectious Diseases Research	U19AI089992	93.855	15,987	-
Child Health and Human Development Extramural Research	R01HD085853	93.865	5,367	-
DHHS/NIH Contracts	75N92019D00036	93.contracts	216,826	-
<b>Yale University Total</b>			<u>1,389,397</u>	-
<b>Pass Through Programs (DHHS) Total</b>			<u>38,060,233</u>	<u>(16,328)</u>
<b>Pass Through Programs (DHS):</b>				
University of Illinois				
Homeland Security, Research, Testing, Evaluation, and Demonstration of Technologies	21STFRG00014	97.108	170,570	-
<b>Pass Through Programs (DHS) Total</b>			<u>170,570</u>	-
<b>Pass Through Programs (DOD):</b>				
Dana-Farber Cancer Institute				
Basic and Applied Scientific Research	N00014-20-1-2097	12.300	101,213	-
Draper Laboratories				
Military Medical Research and Development	W81XWH-20-1-0295	12.420	170,080	-
Emory University				
Military Medical Research and Development	W81XWG1910498	12.420	50,257	-
Harvard Medical School				
Research and Technology Development	HR0011-19-2-0022	12.910	1,604,693	-
Harvard University				
Basic and Applied Scientific Research	N00014-22-1-2594	12.300	66,375	-
Military Medical Research and Development	W81XWH1920011	12.420	44,104	-
<b>Harvard University Total</b>			<u>110,479</u>	-
Mass General Brigham Incorporated Research				
Military Medical Research and Development	W81XWH-17-2-0016, W81XWH1910392	12.420	(2,865)	-
University of Alabama				
Military Medical Research and Development	W81XWH-17-2-0037	12.420	(8,168)	-
Department of Defense Contracts	W81XWH2230001	12.contracts	15,155	-
<b>University of Alabama Total</b>			<u>6,987</u>	-
University of California, San Francisco				
Research and Technology Development	HR0011-19-2-0007	12.910	3,110	-
University of Colorado, Denver				
Military Medical Research and Development	W81XWH-16-1-0775	12.420	(2,371)	-
Washington State University				
Military Medical Research and Development	W81XWH1920042	12.420	2,668	-
<b>Pass Through Programs (DOD) Total</b>			<u>2,044,251</u>	-
<b>Pass Through Programs (Department of State (DOS)):</b>				
Polus Center For Social & Economic Development				
Criminal Justice Systems	SINLEC21CA3280	19.703	20,426	-
<b>Pass Through Programs (Department of State (DOS)) Total</b>			<u>20,426</u>	-
<b>Pass Through Programs (NSF):</b>				
Carnegie Mellon University				
NSF Technology, Innovation, and Partnerships	2229881	47.084	5,315	-
Kent State University				
Social, Behavioral, and Economic Sciences	2230083	47.075	23,204	-
Massachusetts Institute of Technology				
Computer and Information Science and Engineering	CCF-1231216	47.070	163,343	-
Research Foundation of State University of New York				
Engineering	2123061	47.041	(1,542)	-
<b>Pass Through Programs (NSF) Total</b>			<u>190,320</u>	-
<b>Pass Through Programs (US Agency for International Development (USAID)):</b>				
JSI Research & Training Institute, Inc.				
USAID Foreign Assistance for Programs Overseas	7200AA18CA00032	98.001	156,260	128,671
Tufts University				
USAID Foreign Assistance for Programs Overseas	7200AA21LE00001	98.001	23,486	-
<b>Pass Through Programs (US Agency for International Development (USAID)) Total</b>			<u>179,746</u>	<u>128,671</u>
<b>Total Pass Through Programs</b>			<u>40,665,546</u>	<u>112,343</u>
<b>Total Research and Development Cluster Expenditures</b>			<u>\$ 291,792,191</u>	<u>\$ 36,756,995</u>

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<b>OTHER PROGRAMS</b>				
<b>Direct Programs:</b>				
Department of Health and Human Services (DHHS)/Public Health Service:				
Maternal and Child Health Federal Consolidated Programs		93.110	\$ 813,369	\$ 52,975
Substance Abuse and Mental Health Services Projects of Regional and National Significance		93.243	1,987,807	13,569
Leading Edge Acceleration Projects (LEAP) in Health Information Technology		93.345	12,566	8,621
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution		93.498	84,448,183	-
Child Care and Development Block Grant		93.575	112,253	-
University Centers for Excellence in Developmental Disabilities				
Education, Research, and Service		93.632	43,476	4,187
DHHS/NIH Contracts		93.contracts	490,980	-
<b>Department of Health and Human Services (DHHS)/Public Health Service Total:</b>			<b>87,908,634</b>	<b>79,352</b>
Department of Homeland Security (DHS):				
Financial Assistance for Targeted Violence and Terrorism Prevention		97.132	471,528	21,367
<b>Department of Homeland Security (DHS) Total:</b>			<b>471,528</b>	<b>21,367</b>
<b>Total Direct Programs</b>			<b>88,380,162</b>	<b>100,719</b>
<b>Pass Through Programs (DHHS):</b>				
Academy Health				
Maternal and Child Health Federal Consolidated Programs	UJ645789	93.110	134,890	-
Action For Boston Community Development/ABCD				
Family Planning Services	FPHPA006419, FPHPA006583, FPHPA16204-01-00	93.217	227,347	-
Head Start	01CH0212	93.600	467	-
<b>Action For Boston Community Development/ABCD Total</b>			<b>227,814</b>	<b>-</b>
American Academy of Addiction Psychiatry				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	H79TI085588	93.243	159,020	-
Opioid STR	H79TI083343	93.788	83,417	-
<b>American Academy of Addiction Psychiatry Total</b>			<b>242,437</b>	<b>-</b>
American Academy of Pediatrics				
Maternal and Child Health Federal Consolidated Programs	UITMC3755	93.110	13,317	-
Health Program for Toxic Substances and Disease Registry	NU61TS000296	93.161	373,254	90,662
COVID-19 Health Program for Toxic Substances and Disease Registry	NU61TS000296	93.161	5,858	6,218
<b>American Academy of Pediatrics Total</b>			<b>392,429</b>	<b>96,880</b>
American Thrombosis And Hemostasis Network				
Blood Disorder Program: Prevention, Surveillance, and Research	NU27DD000020	93.080	254,513	205,339
Aurora Mental Health Center				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	H79SM084997	93.243	4,571	-
Boston Public Health Commission				
Ending the HIV Epidemic: A Plan for America — Ryan White HIV/AIDS Program Parts A and B	UT833922	93.686	59,066	-
HIV Emergency Relief Project Grants	H89HA00011	93.914	112,974	-
<b>Boston Public Health Commission Total</b>			<b>172,040</b>	<b>-</b>
Boston University				
Maternal and Child Health Federal Consolidated Programs	UJ6MC31113, UJ6MC32737	93.110	(2,052)	-
CDC Foundation				
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	NU38OT000288	93.421	1,543,641	138,044
Children's Hospital - Cincinnati, Ohio				
Cardiovascular Diseases Research	R01HL151604, U01HL131003, U24HL135691	93.837	15,353	-
City of Hope Comprehensive Cancer Center				
DHHS/NIH Contracts	OT3HL152932	93.contracts	6,400	6,400
Commonwealth of Massachusetts				
Public Health Emergency Preparedness	INTF6208U05202313113	93.069	522,173	-
Maternal and Child Health Federal Consolidated Programs	U9H46905	93.110	24,428	-
Children's Justice Grants to States	099211CHILDRENHOSP2	93.643	67,469	-
<b>Commonwealth of Massachusetts Total</b>			<b>614,070</b>	<b>-</b>
Commonwealth of Massachusetts/Poison Control				
Maternal and Child Health Services Block Grant to the States	INFT3109M04404124008	93.994	627,632	-
Dimock Community Health Center				
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	H1224846, H12HA23040, H12HA24846	93.153	89,328	-
Jewish Family Services of Western NY				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	H79SM085029	93.243	18,664	-
Massachusetts Department of Public Health				
Emergency Medical Services For Children	H3306721	93.127	7,040	-
Early Hearing Detection and Intervention	H6100002	93.251	4,875	-
Maternal and Child Health Services Block Grant to the States	B04MC30619-01-04	93.994	(2,987)	-
<b>Massachusetts Department of Public Health Total</b>			<b>8,928</b>	<b>-</b>
Mass General Brigham Incorporated Research				
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	HITEP180042	93.817	24,146	-

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Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Identifying Number	Federal ANL Number	Federal Expenditures	Expenditures to Subrecipients
New York University COVID-19 Lung Diseases Research	OT2HL161847	93.838	\$ 29,273	\$ -
Public Health Institute Cancer Treatment Research	U10CA180886, UM1CA228823	93.395	24,012	-
University of Massachusetts, Worcester Medical Library Assistance	UG4LM012347	93.879	9,209	-
<b>Pass Through Programs (DHHS) Total</b>			<u>4,437,298</u>	<u>446,663</u>
<b>Pass Through Programs (Department of State (DOS)):</b>				
The Counter Extremism Project (CEP) Global Counterterrorism Programs	SLMAQM21GR3435	19.701	66,486	-
University of Illinois Global Counterterrorism Programs	SLMAQM20CA2346	19.701	33,170	-
<b>Pass Through Programs (Department of State (DOS)) Total</b>			<u>99,656</u>	<u>-</u>
<b>Total Other Pass Through Programs</b>			<u>4,536,954</u>	<u>446,663</u>
<b>Total Other Program Expenditures</b>			<u>92,917,116</u>	<u>547,382</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<u>\$ 384,709,307</u>	<u>\$ 37,304,377</u>

# Boston Children's Hospital and Subsidiaries

## Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

### **1. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Medical Center and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). For purposes of the Schedule, federal awards include any assistance provided by a federal agency directly or indirectly in the form of grants, contracts, cooperative agreements, loan and loan guarantees, or other non-cash assistance. In accordance with applicable requirements, certain programs may be presented in a fiscal period based on the program-specific guidance (see Note 2). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements of the Medical Center. Negative amounts represent adjustments to amounts reported as expenditures in prior years. Assistance Listing, pass-through award numbers and expenditures are provided where available.

Direct and indirect costs are charged to awards in accordance with cost principles contained in the United States Department of Health and Human Services *Cost Principles for Hospitals* at 45 CFR Part 75 Appendix IX for Uniform Guidance awards. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. The Uniform Guidance provides for a 10% de minimis indirect cost rate election; however, the Medical Center did not make this election and uses a negotiated indirect cost rate.

### **2. COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (Assistance Listing No. 93.498)**

In accordance with the U.S. Department of Health and Human Services' (HHS) requirements specific to Federal Assistance Listing No. 93.498, COVID-19 – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution, the amount presented on the Schedule for the year ended September 30, 2023 relates to (i) Provider Relief Fund (PRF) distributions received from July 1, 2021 through June 30, 2022 and (ii) used for PRF-eligible activity from the period January 1, 2020 through June 30, 2023. This distribution receipt period and activity period and the resulting amount presented on the Schedule for the year ended September 30, 2023 reconciles to the PRF information previously reported to the Health Resources and Services Administration (HRSA) for PRF Reporting Periods 4 and 5 as follows:

Boston Children's Hospital and Subsidiaries

Notes to Schedule of Expenditures of Federal Awards (continued)

**2. COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution  
(Assistance Listing No. 93.498) (continued)**

**Reporting Period 4:**

Name of Reporting Entity for HHS Reporting Period 4 Provider Relief Fund Report	Reporting Entity Tax Identification Number (TIN)	Type of Distribution	Total PRF Funds
Children's Hospital Corporation	042774441	Targeted	\$ 583,328
Children's Hospital Corporation	042774441	General	50,386,402
Children's Medical Center Corporation	041174680	Targeted	51,304
Children's Medical Center Corporation	041174680	General	8,012,746
CHMC Anesthesia Foundation Inc.*	042702169	General	132,345
CHMC Otolaryngologic Foundation, Inc.*	042751258	General	1,304,719
Children's Hospital Ophthalmology Foundation, Inc.*	042864081	General	216,114
Children's Sports Medicine Foundation, Inc.*	042970129	General	159,783
Children's Hospital Neurology Foundation, Inc.*	222678594	General	205,630
Children's Hospital Pediatric Associates, Inc.*	431987409	General	2,840,270
			\$ 63,892,641

**Reporting Period 5:**

Name of Reporting Entity for HHS Reporting Period 5 Provider Relief Fund Report	Reporting Entity Tax Identification Number (TIN)	Type of Distribution	Total PRF Funds
Children's Hospital Corporation	042774441	General	\$ 23,408,616
Children's Medical Center Corporation	041174680	General	2,005,787
CHMC Otolaryngologic Foundation, Inc.*	042751258	General	2,573,258
			\$ 27,987,661

## Boston Children's Hospital and Subsidiaries

### Notes to Schedule of Expenditures of Federal Awards (continued)

#### **2. COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (Assistance Listing No. 93.498) (continued)**

PRF distributions received by those entities denoted with an “\*” in the table above were not included in the Schedule. These entities have a separate financial statement audit, and, as such, their PRF distributions are subject to a separate compliance audit.

The PRF-eligible expenses attributable to Coronavirus Disease 2019 (COVID-19) and lost revenues incurred by the Medical Center during the period of availability for PRF Reporting Period 4 (January 1, 2020 through December 31, 2022) and PRF Reporting Period 5 (January 1, 2020 through June 30, 2023) are in excess of the distributions received from July 1, 2021 through June 30, 2022 and, therefore, the amounts presented in the table above and on the Schedule are limited to the amount of such distributions.

## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees  
Boston Children's Hospital

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Children's Medical Center Corporation and Subsidiaries (the Medical Center) (d/b/a Boston Children's Hospital and Subsidiaries), which comprise the consolidated balance sheet as of September 30, 2023, and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"), and have issued our report thereon dated December 22, 2023. Our report includes a reference to other auditors who audited the financial statements of the Physicians' Organization at Children's Hospital, Inc. (the P.O.) and the Physician Foundations (the Foundations) as described in our report on the Medical Center's consolidated financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Report on Internal Control Over Financial Reporting**

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

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

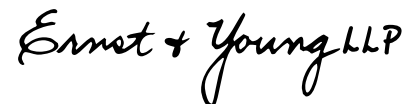
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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



December 22, 2023





## Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Trustees  
Boston Children's Hospital

### **Report of Independent Auditors on Compliance for the Major Federal Program**

#### ***Opinion on the Major Federal Program***

We have audited Children's Medical Center Corporation and Subsidiaries' (the Medical Center) (d/b/a Boston Children's Hospital and Subsidiaries) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Medical Center's major federal program for the year ended September 30, 2023. The Medical Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Medical Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2023.

#### ***Basis for Opinion on the Major Federal Program***

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

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

### ***Other Matter – Federal Expenditures Not Included in the Compliance Audit***

The Medical Center’s consolidated financial statements include the operations of the Physicians’ Organization at Children’s Hospital, Inc. (the P.O.) and the Physician Foundations (the Foundations), which expended \$7,432,119 in federal awards that are not included in the Medical Center’s Schedule of Expenditures of Federal Awards for the year ended September 30, 2023. Our compliance audit, described in the “Opinion on Each Major Federal Program” section, does not include the operations of the P.O. and the Foundations because these entities’ financial statements were audited by other auditors and those auditors were engaged to perform a separate compliance audit for the P.O. and Foundations for the year ended September 30, 2023.

### ***Responsibilities of Management for Compliance***

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Medical Center’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Medical Center’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center’s internal control over compliance. Accordingly, no such opinion is expressed.

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

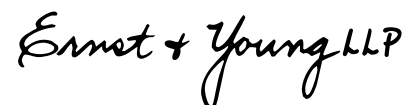
### **Report on Internal Control Over Compliance**

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

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

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

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



June 26, 2024

Boston Children’s Hospital and Subsidiaries

Schedule of Findings and Questioned Costs

Year Ended September 30, 2023

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

**Unmodified, with Reference to Other Auditors**

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes        X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes        X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes        X   No

**Federal Awards**

Internal control over major federal program:

Material weakness(es) identified?

\_\_\_\_\_ Yes        X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes        X   None reported

Type of auditor’s report issued on compliance for major federal programs:

**Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes        X   No

Identification of major federal programs:

**Assistance Listing**

**Number(s)**

**Name of Federal Program or Cluster**

93.498

Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

Boston Children’s Hospital and Subsidiaries

Schedule of Findings and Questioned Costs (continued)

Year Ended September 30, 2023

**Section I – Summary of Auditors’ Results (continued)**

Dollar threshold used to distinguish between Type A  
and Type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

  X   Yes             No

**Section II – Financial Statement Findings**

None.

**Section III – Federal Award Findings and Questioned Costs**

None.

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