

TV 14



STATE OF NEW HAMPSHIRE  
DEPARTMENT OF HEALTH AND HUMAN  
SERVICES



Nicholas A. Toumpas  
Commissioner

29 HAZEN DRIVE, CONCORD, NH 03301-6527  
603-271-3958 1-800-852-3345 Ext. 3958  
Fax: 603-271-4934 TDD Access: 1-800-735-2964

Marcella J. Bobinsky  
Acting Director

July 17, 2015

Her Excellency, Governor Margaret Wood Hassan  
and the Honorable Council  
State House  
Concord, New Hampshire 03301

**REQUESTED ACTION**

Authorize the Department of Health and Human Services, Division of Public Health Services, to add to a list of licensed medical providers, with the ability to expand to include additional licensed medical providers to provide necessary outpatient visits labs, and diagnostic tests, and outpatient procedures for clients enrolled in the New Hampshire Ryan White CARE Program. No maximum client or service volume is guaranteed. Accordingly, the price limitation among all Agreements is \$100,000. This Agreement is effective date of Governor and Executive Council approval through June 30, 2016. 100% Other Funds.

VENDOR	LOCATION
Foundation Medical Partners, Inc.	Nashua, NH

Funds are anticipated to be available in SFY 2016 upon the availability and continued appropriation of funds in the future operating budgets.

05-95-90-902510-2229 HEALTH AND SOCIAL SERVICES, DEPT OF HEALTH AND HUMAN SERVICES, HHS: DIVISION OF PUBLIC HEALTH, BUREAU OF INFECTIOUS DISEASE CONTROL, PHARMACEUTICAL REBATES

Fiscal Year	Class/Account	Class Title	Job Number	Total Amount
SFY 2016	530-500371	Drug Rebates	90024607	\$100,000
			<b>Total</b>	<b>\$100,000</b>

### EXPLANATION

The Department has five (5) vendors being added to the list of agreements that will ensure the provision of outpatient visits, labs, diagnostic tests, and outpatient procedures services to New Hampshire residents living with Human Immunodeficiency Virus (HIV), statewide, who are enrolled in the New Hampshire Ryan White CARE Program. The licensed medical practice will provide outpatient visits labs, and diagnostic tests, and outpatient procedures services to enrolled clients, on an individual, case-by-case, as needed basis.

This package contains one (1) of the five (5) contracts being brought to Governor and Executive Council meeting for approval. Governor and Executive Council has approved two (2) contracts that added vendors to this list on May 6, 2015 and May 27, 2015 respectively. The Department anticipates that the remaining agreements will be presented at an upcoming Governor and Executive Council meeting.

The New Hampshire Ryan White CARE Program receives funding from the Health Resources and Services Administration (HRSA), Ryan White HIV/AIDS Program, Part B for medical services, oral health, and home health care services. HRSA funding is in accordance with the Ryan White HIV/AIDS Treatment Extension Act of 2009. The intent of the legislation and federal funding is to assure access to care for financially eligible individuals living with HIV/AIDS. A recipient of federal funding, the New Hampshire Ryan White CARE Program is subject to the federal mandate to implement contractual agreements with all service providers and to maintain nationally accepted fiscal, programmatic, and monitoring standards established by HRSA. Federal regulation also requires that Ryan White CARE Program funds be used as a "payer of last resort".

Should Governor and Executive Council not authorize this Request, federal regulations and monitoring standards will not be met and eligible New Hampshire residents living with HIV with immediate outpatient care needs and without access to care will not receive prevention and treatment for outpatient visits, labs, diagnostic tests, and outpatient procedures. The services in this Contract will promote the goals of the National HIV/AIDS Strategy and maintain a continuum of care in order to reduce HIV related health disparities and the occurrence of negative health outcomes. The program currently provides services to approximately 450 to 500 clients statewide.

A Request for Applications was posted on the Department of Health and Human Services' web site on April 4, 2014 to solicit medical providers to provide outpatient services to New Hampshire Ryan White CARE program clients. In addition, an email was sent to 22 known providers on April 4, 2014, notifying them that a Request for Application was posted. Six (6) were received from licensed medical providers; however, one (1) provider rescinded its application. All five (5) applications were approved for funding.

As referenced in the Request for Application and in exhibit C-1, Revisions to General Provisions, this Agreement has the option to extend for two (2) additional years, contingent upon satisfactory delivery of services, available funding, agreement of the parties, and approval of the Governor and Executive Council.

The performance of this program will be measured by the number of New Hampshire Ryan White CARE Program clients that actually receive outpatient services.

The geographic area to be served is statewide.

Source of Funds: 100% Other Funds from the Pharmaceutical Rebates.

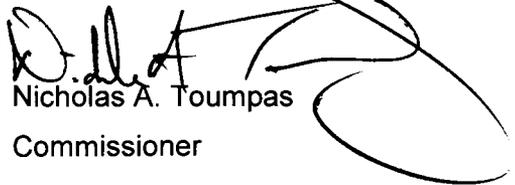
In the event that the Other Funds become no longer available, General Funds will not be requested to support this program.

Respectfully submitted,



Marcella J. Bobinsky, MPH  
Acting Director

Approved by:



Nicholas A. Toumpas

Commissioner

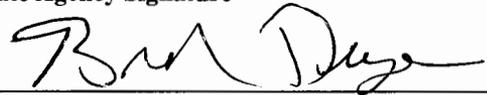
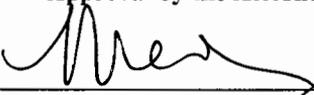
Subject: New Hampshire Ryan White CARE Program

**AGREEMENT**

The State of New Hampshire and the Contractor hereby mutually agree as follows:

**GENERAL PROVISIONS**

**1. IDENTIFICATION.**

<b>1.1 State Agency Name</b> NH Department of Health and Human Services		<b>1.2 State Agency Address</b> 129 Pleasant Street Concord, NH 03301-3857	
<b>1.3 Contractor Name</b> Foundation Medical Partners, Inc.		<b>1.4 Contractor Address</b> 8 Prospect St. Nashua, NH 03060	
<b>1.5 Contractor Phone Number</b> 603-577-2114	<b>1.6 Account Number</b> 05-95-90-902510-2229-530-500371	<b>1.7 Completion Date</b> June 30, 2016	<b>1.8 Price Limitation</b> \$100,000
<b>1.9 Contracting Officer for State Agency</b> Brook Dupee, Bureau Chief		<b>1.10 State Agency Telephone Number</b> 603-271-4483	
<b>1.11 Contractor Signature</b> 		<b>1.12 Name and Title of Contractor Signatory</b> Susan DeSocio, President/CEO	
<b>1.13 Acknowledgement:</b> State of <u>NH</u> , County of <u>Hillsborough</u> On <u>7/13/15</u> before the undersigned officer, personally appeared the person identified in block 1.12, or satisfactorily proven to be the person whose name is signed in block 1.11, and acknowledged that s/he executed this document in the capacity indicated in block 1.12.			
<b>1.13.1 Signature of Notary Public or Justice of the Peace</b> [Seal] 			
<b>1.13.2 Name and Title of Notary or Justice of the Peace</b> Julie Martinez Executive Asst.		<b>JULIE L. MARTINEZ, Notary Public</b> My Commission Expires April 17, 2018	
<b>1.14 State Agency Signature</b> 		<b>1.15 Name and Title of State Agency Signatory</b> Brook Dupee, Bureau Chief	
<b>1.16 Approval by the N.H. Department of Administration, Division of Personnel (if applicable)</b> By: _____ Director, On: _____			
<b>1.17 Approval by the Attorney General (Form, Substance and Execution)</b> By:  Megan A. Foley, Attorney On: <u>8/3/15</u>			
<b>1.18 Approval by the Governor and Executive Council</b> By: _____ On: _____			

**2. EMPLOYMENT OF CONTRACTOR/SERVICES TO BE PERFORMED.** The State of New Hampshire, acting through the agency identified in block 1.1 ("State"), engages contractor identified in block 1.3 ("Contractor") to perform, and the Contractor shall perform, the work or sale of goods, or both, identified and more particularly described in the attached EXHIBIT A which is incorporated herein by reference ("Services").

**3. EFFECTIVE DATE/COMPLETION OF SERVICES.**  
3.1 Notwithstanding any provision of this Agreement to the contrary, and subject to the approval of the Governor and Executive Council of the State of New Hampshire, this Agreement, and all obligations of the parties hereunder, shall not become effective until the date the Governor and Executive Council approve this Agreement ("Effective Date").  
3.2 If the Contractor commences the Services prior to the Effective Date, all Services performed by the Contractor prior to the Effective Date shall be performed at the sole risk of the Contractor, and in the event that this Agreement does not become effective, the State shall have no liability to the Contractor, including without limitation, any obligation to pay the Contractor for any costs incurred or Services performed. Contractor must complete all Services by the Completion Date specified in block 1.7.

**4. CONDITIONAL NATURE OF AGREEMENT.**  
Notwithstanding any provision of this Agreement to the contrary, all obligations of the State hereunder, including, without limitation, the continuance of payments hereunder, are contingent upon the availability and continued appropriation of funds, and in no event shall the State be liable for any payments hereunder in excess of such available appropriated funds. In the event of a reduction or termination of appropriated funds, the State shall have the right to withhold payment until such funds become available, if ever, and shall have the right to terminate this Agreement immediately upon giving the Contractor notice of such termination. The State shall not be required to transfer funds from any other account to the Account identified in block 1.6 in the event funds in that Account are reduced or unavailable.

**5. CONTRACT PRICE/PRICE LIMITATION/PAYMENT.**  
5.1 The contract price, method of payment, and terms of payment are identified and more particularly described in EXHIBIT B which is incorporated herein by reference.  
5.2 The payment by the State of the contract price shall be the only and the complete reimbursement to the Contractor for all expenses, of whatever nature incurred by the Contractor in the performance hereof, and shall be the only and the complete compensation to the Contractor for the Services. The State shall have no liability to the Contractor other than the contract price.  
5.3 The State reserves the right to offset from any amounts otherwise payable to the Contractor under this Agreement those liquidated amounts required or permitted by N.H. RSA 80:7 through RSA 80:7-c or any other provision of law.

5.4 Notwithstanding any provision in this Agreement to the contrary, and notwithstanding unexpected circumstances, in no event shall the total of all payments authorized, or actually made hereunder, exceed the Price Limitation set forth in block 1.8.

**6. COMPLIANCE BY CONTRACTOR WITH LAWS AND REGULATIONS/ EQUAL EMPLOYMENT OPPORTUNITY.**  
6.1 In connection with the performance of the Services, the Contractor shall comply with all statutes, laws, regulations, and orders of federal, state, county or municipal authorities which impose any obligation or duty upon the Contractor, including, but not limited to, civil rights and equal opportunity laws. In addition, the Contractor shall comply with all applicable copyright laws.  
6.2 During the term of this Agreement, the Contractor shall not discriminate against employees or applicants for employment because of race, color, religion, creed, age, sex, handicap, sexual orientation, or national origin and will take affirmative action to prevent such discrimination.  
6.3 If this Agreement is funded in any part by monies of the United States, the Contractor shall comply with all the provisions of Executive Order No. 11246 ("Equal Employment Opportunity"), as supplemented by the regulations of the United States Department of Labor (41 C.F.R. Part 60), and with any rules, regulations and guidelines as the State of New Hampshire or the United States issue to implement these regulations. The Contractor further agrees to permit the State or United States access to any of the Contractor's books, records and accounts for the purpose of ascertaining compliance with all rules, regulations and orders, and the covenants, terms and conditions of this Agreement.

**7. PERSONNEL.**  
7.1 The Contractor shall at its own expense provide all personnel necessary to perform the Services. The Contractor warrants that all personnel engaged in the Services shall be qualified to perform the Services, and shall be properly licensed and otherwise authorized to do so under all applicable laws.  
7.2 Unless otherwise authorized in writing, during the term of this Agreement, and for a period of six (6) months after the Completion Date in block 1.7, the Contractor shall not hire, and shall not permit any subcontractor or other person, firm or corporation with whom it is engaged in a combined effort to perform the Services to hire, any person who is a State employee or official, who is materially involved in the procurement, administration or performance of this Agreement. This provision shall survive termination of this Agreement.  
7.3 The Contracting Officer specified in block 1.9, or his or her successor, shall be the State's representative. In the event of any dispute concerning the interpretation of this Agreement, the Contracting Officer's decision shall be final for the State.

Contractor Initials: SK  
Date: 7/13/15



certificate(s) of insurance shall contain a clause requiring the insurer to endeavor to provide the Contracting Officer identified in block 1.9, or his or her successor, no less than ten (10) days prior written notice of cancellation or modification of the policy.

**15. WORKERS' COMPENSATION.**

15.1 By signing this agreement, the Contractor agrees, certifies and warrants that the Contractor is in compliance with or exempt from, the requirements of N.H. RSA chapter 281-A ("Workers' Compensation").

15.2 To the extent the Contractor is subject to the requirements of N.H. RSA chapter 281-A, Contractor shall maintain, and require any subcontractor or assignee to secure and maintain, payment of Workers' Compensation in connection with activities which the person proposes to undertake pursuant to this Agreement. Contractor shall furnish the Contracting Officer identified in block 1.9, or his or her successor, proof of Workers' Compensation in the manner described in N.H. RSA chapter 281-A and any applicable renewal(s) thereof, which shall be attached and are incorporated herein by reference. The State shall not be responsible for payment of any Workers' Compensation premiums or for any other claim or benefit for Contractor, or any subcontractor or employee of Contractor, which might arise under applicable State of New Hampshire Workers' Compensation laws in connection with the performance of the Services under this Agreement.

**16. WAIVER OF BREACH.** No failure by the State to enforce any provisions hereof after any Event of Default shall be deemed a waiver of its rights with regard to that Event of Default, or any subsequent Event of Default. No express failure to enforce any Event of Default shall be deemed a waiver of the right of the State to enforce each and all of the provisions hereof upon any further or other Event of Default on the part of the Contractor.

**17. NOTICE.** Any notice by a party hereto to the other party shall be deemed to have been duly delivered or given at the time of mailing by certified mail, postage prepaid, in a United States Post Office addressed to the parties at the addresses given in blocks 1.2 and 1.4, herein.

**18. AMENDMENT.** This Agreement may be amended, waived or discharged only by an instrument in writing signed by the parties hereto and only after approval of such amendment, waiver or discharge by the Governor and Executive Council of the State of New Hampshire.

**19. CONSTRUCTION OF AGREEMENT AND TERMS.** This Agreement shall be construed in accordance with the laws of the State of New Hampshire, and is binding upon and inures to the benefit of the parties and their respective successors and assigns. The wording used in this Agreement is the wording chosen by the parties to express their mutual intent, and no rule of construction shall be applied against or in favor of any party.

**20. THIRD PARTIES.** The parties hereto do not intend to benefit any third parties and this Agreement shall not be construed to confer any such benefit.

**21. HEADINGS.** The headings throughout the Agreement are for reference purposes only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

**22. SPECIAL PROVISIONS.** Additional provisions set forth in the attached EXHIBIT C are incorporated herein by reference.

**23. SEVERABILITY.** In the event any of the provisions of this Agreement are held by a court of competent jurisdiction to be contrary to any state or federal law, the remaining provisions of this Agreement will remain in full force and effect.

**24. ENTIRE AGREEMENT.** This Agreement, which may be executed in a number of counterparts, each of which shall be deemed an original, constitutes the entire Agreement and understanding between the parties, and supersedes all prior Agreements and understandings relating hereto.



## Exhibit A

---

### Scope of Services

#### 1. Program Name: New Hampshire Ryan White CARE Program

##### 1.1. Purpose:

The purpose of this agreement is to provide outpatient visits, labs and diagnostic tests, and outpatient procedures for clients enrolled in the New Hampshire Ryan White CARE Program (NH CARE Program). The goal of the NH CARE Program is to provide financial assistance for necessary medical services to New Hampshire (NH) residents living with Human Immunodeficiency Virus (HIV), statewide.

#### 2. Provision of Services:

- 2.1. The Contractor shall act as a representative of the NH CARE Program to provide outpatient visits, labs, tests and procedures to NH CARE Program clients.
- 2.2. The Contractor shall provide services to enrolled NH CARE Program clients only; services provided outside of enrollment periods will not be reimbursed and the contractor shall refer clients to their Medical Case Manager as needed to re-enroll in the NH CARE Program.
- 2.3. The Contractor shall invoice the NH CARE Program for services using a health insurance claim form or reasonable facsimile; additional invoicing methods may be approved by the NH CARE Program; services shall be reimbursed at NH Medicaid rates.
- 2.4. The Contractor shall participate in an annual site visit with NH CARE Program staff.
- 2.5. The Contractor shall provide client level data via CAREWare (OR a bridge to CAREWare from a compatible electronic medical record) to the NH CARE Program for the completion of annual reports to the Health Resources and Services Administration (HRSA).
- 2.6. The Contractor shall maximize billing to NH Medicaid and private insurance. The NH CARE Program shall be the payer of last resort and will only reimburse services for clients.
- 2.7. The Contractor shall participate in periodic monitoring calls with the contract monitor. The contract monitor shall be the primary point of contact for all NH CARE Program questions.

  
7/13/15



## Exhibit A

---

### 3. Licensing Requirements:

Licensed Medical Providers performing services under this agreement must maintain a valid and unrestricted license to practice medicine in the United States and be free from any mental or physical impairment or condition which would preclude his/her ability to competently perform the essential functions or duties under this Agreement.

### 4. Licensed Medical providers shall adhere to the NH CARE Program Standards of Care for Outpatient and Ambulatory Medical Care, and all applicable Programmatic, Fiscal and Universal Monitoring Standards, as documented by HRSA:

- <http://hab.hrsa.gov/manageyourgrant/files/programmonitoringpartb.pdf>
- <http://hab.hrsa.gov/manageyourgrant/files/fiscalmonitoringpartb.pdf>
- <http://hab.hrsa.gov/manageyourgrant/files/universalmonitoringpartab.pdf>

### 5. The Department of Health and Human Services reserves the right to discontinue this agreement should it discover any abridgment of the above partner agreements that jeopardize the intent of this agreement.

### 6. Entire Agreement:

The following documents are incorporated by reference into this Agreement and they constitute the entire Agreement between the State and the Contactor. General Provisions (P-37), Exhibit A Scope of Services, Exhibit B Purchase of Services, Exhibit C Special Provisions, Exhibit C-1 Revisions to General Provisions, Exhibit D Certification Regarding Drug-Free Workplace Requirements, Exhibit E Certification Regarding Lobbying, Exhibit F Certification Regarding Debarment, Suspension and Other Responsibility Matters, Exhibit G Certification Regarding the American's With Disabilities Act Compliance, Exhibit H Certification Regarding Environmental Tobacco Smoke, Exhibit I Health Insurance Portability and Accountability Act Business Associate Agreement, and Exhibit J Certification Regarding The Federal Funding Accountability and Transparency Act Compliance. In the event of any conflict or contradiction between or among the Agreement Documents, the documents shall control in the above order of precedence.

*SP*  
7/13/15



## Exhibit B

### Method and Conditions Precedent to Payment

1. Subject to the Contractor's compliance with the terms and conditions of the Agreement, the Bureau of Infectious Disease Control shall reimburse the Contractor for actual outpatient Ambulatory medical care services provided by the contractor to enrolled NH CARE Program clients. Services will be reimbursed at NH Medicaid rates.
2. Price Limitation: This Agreement is one of multiple Agreements that will serve the NH CARE Program. No maximum or minimum client and service volume is guaranteed. Accordingly, the price limitation among all Agreements is identified in Block 1.8 of the P-37 for the duration of the Agreement.
3. Notwithstanding anything to the contrary herein, the Contactor agrees that payment under this Agreement may be withheld, in whole or in part, in the event of noncompliance with any Federal or State law, rule or regulation applicable to the services provided, or if the said services have not been satisfactorily completed in accordance with the terms and conditions of this Agreement.
4. The funding source for this Agreement for Outpatient Ambulatory Medical Care Services is 100% federal funds from the Pharmaceutical Rebates.
5. Contract medical provider shall complete and submit an outpatient visit, laboratory test, or diagnostic test Claim invoice, due within 30 days. Completed invoice must be submitted to:  
NH CARE Program  
Bureau of Infectious Disease Control  
Department of Health and Human Services  
Division of Public Health  
29 Hazen Drive  
Concord, NH 03301  
Fax: 603-271-4934
6. Payment will be made by the State agency subsequent to approval of the submitted invoice and if sufficient funds are available. Contractor will keep detailed records of their outpatient services related to Department of Health and Human Services funded programs and services.
7. Outpatient ambulatory medical care providers are accountable to meet the scope of services. Failure to meet the scope of services may jeopardize the funded Medical provider's current and/or future funding. Corrective action may include actions such as a contract amendment or termination of the contract.



**SPECIAL PROVISIONS**

Contractors Obligations: The Contractor covenants and agrees that all funds received by the Contractor under the Contract shall be used only as payment to the Contractor for services provided to eligible individuals and, in the furtherance of the aforesaid covenants, the Contractor hereby covenants and agrees as follows:

1. **Compliance with Federal and State Laws:** If the Contractor is permitted to determine the eligibility of individuals such eligibility determination shall be made in accordance with applicable federal and state laws, regulations, orders, guidelines, policies and procedures.
2. **Time and Manner of Determination:** Eligibility determinations shall be made on forms provided by the Department for that purpose and shall be made and remade at such times as are prescribed by the Department.
3. **Documentation:** In addition to the determination forms required by the Department, the Contractor shall maintain a data file on each recipient of services hereunder, which file shall include all information necessary to support an eligibility determination and such other information as the Department requests. The Contractor shall furnish the Department with all forms and documentation regarding eligibility determinations that the Department may request or require.
4. **Fair Hearings:** The Contractor understands that all applicants for services hereunder, as well as individuals declared ineligible have a right to a fair hearing regarding that determination. The Contractor hereby covenants and agrees that all applicants for services shall be permitted to fill out an application form and that each applicant or re-applicant shall be informed of his/her right to a fair hearing in accordance with Department regulations.
5. **Gratuities or Kickbacks:** The Contractor agrees that it is a breach of this Contract to accept or make a payment, gratuity or offer of employment on behalf of the Contractor, any Sub-Contractor or the State in order to influence the performance of the Scope of Work detailed in Exhibit A of this Contract. The State may terminate this Contract and any sub-contract or sub-agreement if it is determined that payments, gratuities or offers of employment of any kind were offered or received by any officials, officers, employees or agents of the Contractor or Sub-Contractor.
6. **Retroactive Payments:** Notwithstanding anything to the contrary contained in the Contract or in any other document, contract or understanding, it is expressly understood and agreed by the parties hereto, that no payments will be made hereunder to reimburse the Contractor for costs incurred for any purpose or for any services provided to any individual prior to the Effective Date of the Contract and no payments shall be made for expenses incurred by the Contractor for any services provided prior to the date on which the individual applies for services or (except as otherwise provided by the federal regulations) prior to a determination that the individual is eligible for such services.
7. **Conditions of Purchase:** Notwithstanding anything to the contrary contained in the Contract, nothing herein contained shall be deemed to obligate or require the Department to purchase services hereunder at a rate which reimburses the Contractor in excess of the Contractors costs, at a rate which exceeds the amounts reasonable and necessary to assure the quality of such service, or at a rate which exceeds the rate charged by the Contractor to ineligible individuals or other third party funders for such service. If at any time during the term of this Contract or after receipt of the Final Expenditure Report hereunder, the Department shall determine that the Contractor has used payments hereunder to reimburse items of expense other than such costs, or has received payment in excess of such costs or in excess of such rates charged by the Contractor to ineligible individuals or other third party funders, the Department may elect to:
  - 7.1. Renegotiate the rates for payment hereunder, in which event new rates shall be established;
  - 7.2. Deduct from any future payment to the Contractor the amount of any prior reimbursement in excess of costs;



- 7.3. Demand repayment of the excess payment by the Contractor in which event failure to make such repayment shall constitute an Event of Default hereunder. When the Contractor is permitted to determine the eligibility of individuals for services, the Contractor agrees to reimburse the Department for all funds paid by the Department to the Contractor for services provided to any individual who is found by the Department to be ineligible for such services at any time during the period of retention of records established herein.

RECORDS: MAINTENANCE, RETENTION, AUDIT, DISCLOSURE AND CONFIDENTIALITY:

8. **Maintenance of Records:** In addition to the eligibility records specified above, the Contractor covenants and agrees to maintain the following records during the Contract Period:
- 8.1. **Fiscal Records:** books, records, documents and other data evidencing and reflecting all costs and other expenses incurred by the Contractor in the performance of the Contract, and all income received or collected by the Contractor during the Contract Period, said records to be maintained in accordance with accounting procedures and practices which sufficiently and properly reflect all such costs and expenses, and which are acceptable to the Department, and to include, without limitation, all ledgers, books, records, and original evidence of costs such as purchase requisitions and orders, vouchers, requisitions for materials, inventories, valuations of in-kind contributions, labor time cards, payrolls, and other records requested or required by the Department.
- 8.2. **Statistical Records:** Statistical, enrollment, attendance or visit records for each recipient of services during the Contract Period, which records shall include all records of application and eligibility (including all forms required to determine eligibility for each such recipient), records regarding the provision of services and all invoices submitted to the Department to obtain payment for such services.
- 8.3. **Medical Records:** Where appropriate and as prescribed by the Department regulations, the Contractor shall retain medical records on each patient/recipient of services.
9. **Audit:** Contractor shall submit an annual audit to the Department within 60 days after the close of the agency fiscal year. It is recommended that the report be prepared in accordance with the provision of Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non Profit Organizations" and the provisions of Standards for Audit of Governmental Organizations, Programs, Activities and Functions, issued by the US General Accounting Office (GAO standards) as they pertain to financial compliance audits.
- 9.1. **Audit and Review:** During the term of this Contract and the period for retention hereunder, the Department, the United States Department of Health and Human Services, and any of their designated representatives shall have access to all reports and records maintained pursuant to the Contract for purposes of audit, examination, excerpts and transcripts.
- 9.2. **Audit Liabilities:** In addition to and not in any way in limitation of obligations of the Contract, it is understood and agreed by the Contractor that the Contractor shall be held liable for any state or federal audit exceptions and shall return to the Department, all payments made under the Contract to which exception has been taken or which have been disallowed because of such an exception.
10. **Confidentiality of Records:** All information, reports, and records maintained hereunder or collected in connection with the performance of the services and the Contract shall be confidential and shall not be disclosed by the Contractor, provided however, that pursuant to state laws and the regulations of the Department regarding the use and disclosure of such information, disclosure may be made to public officials requiring such information in connection with their official duties and for purposes directly connected to the administration of the services and the Contract; and provided further, that the use or disclosure by any party of any information concerning a recipient for any purpose not directly connected with the administration of the Department or the Contractor's responsibilities with respect to purchased services hereunder is prohibited except on written consent of the recipient, his attorney or guardian.



Notwithstanding anything to the contrary contained herein the covenants and conditions contained in the Paragraph shall survive the termination of the Contract for any reason whatsoever.

11. **Reports:** Fiscal and Statistical: The Contractor agrees to submit the following reports at the following times if requested by the Department.
  - 11.1. Interim Financial Reports: Written interim financial reports containing a detailed description of all costs and non-allowable expenses incurred by the Contractor to the date of the report and containing such other information as shall be deemed satisfactory by the Department to justify the rate of payment hereunder. Such Financial Reports shall be submitted on the form designated by the Department or deemed satisfactory by the Department.
  - 11.2. Final Report: A final report shall be submitted within thirty (30) days after the end of the term of this Contract. The Final Report shall be in a form satisfactory to the Department and shall contain a summary statement of progress toward goals and objectives stated in the Proposal and other information required by the Department.
12. **Completion of Services: Disallowance of Costs:** Upon the purchase by the Department of the maximum number of units provided for in the Contract and upon payment of the price limitation hereunder, the Contract and all the obligations of the parties hereunder (except such obligations as, by the terms of the Contract are to be performed after the end of the term of this Contract and/or survive the termination of the Contract) shall terminate, provided however, that if, upon review of the Final Expenditure Report the Department shall disallow any expenses claimed by the Contractor as costs hereunder the Department shall retain the right, at its discretion, to deduct the amount of such expenses as are disallowed or to recover such sums from the Contractor.
13. **Credits:** All documents, notices, press releases, research reports and other materials prepared during or resulting from the performance of the services of the Contract shall include the following statement:
  - 13.1. The preparation of this (report, document etc.) was financed under a Contract with the State of New Hampshire, Department of Health and Human Services, with funds provided in part by the State of New Hampshire and/or such other funding sources as were available or required, e.g., the United States Department of Health and Human Services.
14. **Prior Approval and Copyright Ownership:** All materials (written, video, audio) produced or purchased under the contract shall have prior approval from DHHS before printing, production, distribution or use. The DHHS will retain copyright ownership for any and all original materials produced, including, but not limited to, brochures, resource directories, protocols or guidelines, posters, or reports. Contractor shall not reproduce any materials produced under the contract without prior written approval from DHHS.
15. **Operation of Facilities: Compliance with Laws and Regulations:** In the operation of any facilities for providing services, the Contractor shall comply with all laws, orders and regulations of federal, state, county and municipal authorities and with any direction of any Public Officer or officers pursuant to laws which shall impose an order or duty upon the contractor with respect to the operation of the facility or the provision of the services at such facility. If any governmental license or permit shall be required for the operation of the said facility or the performance of the said services, the Contractor will procure said license or permit, and will at all times comply with the terms and conditions of each such license or permit. In connection with the foregoing requirements, the Contractor hereby covenants and agrees that, during the term of this Contract the facilities shall comply with all rules, orders, regulations, and requirements of the State Office of the Fire Marshal and the local fire protection agency, and shall be in conformance with local building and zoning codes, by-laws and regulations.
16. **Equal Employment Opportunity Plan (EEOP):** The Contractor will provide an Equal Employment Opportunity Plan (EEOP) to the Office for Civil Rights, Office of Justice Programs (OCR), if it has received a single award of \$500,000 or more. If the recipient receives \$25,000 or more and has 50 or

  
Date 7/13/15



more employees, it will maintain a current EEOP on file and submit an EEOP Certification Form to the OCR, certifying that its EEOP is on file. For recipients receiving less than \$25,000, or public grantees with fewer than 50 employees, regardless of the amount of the award, the recipient will provide an EEOP Certification Form to the OCR certifying it is not required to submit or maintain an EEOP. Non-profit organizations, Indian Tribes, and medical and educational institutions are exempt from the EEOP requirement, but are required to submit a certification form to the OCR to claim the exemption. EEOP Certification Forms are available at: <http://www.ojp.usdoj/about/ocr/pdfs/cert.pdf>.

17. **Limited English Proficiency (LEP):** As clarified by Executive Order 13166, Improving Access to Services for persons with Limited English Proficiency, and resulting agency guidance, national origin discrimination includes discrimination on the basis of limited English proficiency (LEP). To ensure compliance with the Omnibus Crime Control and Safe Streets Act of 1968 and Title VI of the Civil Rights Act of 1964, Contractors must take reasonable steps to ensure that LEP persons have meaningful access to its programs.
  
18. **Pilot Program for Enhancement of Contractor Employee Whistleblower Protections:** The following shall apply to all contracts that exceed the Simplified Acquisition Threshold as defined in 48 CFR 2.101 (currently, \$150,000)

CONTRACTOR EMPLOYEE WHISTLEBLOWER RIGHTS AND REQUIREMENT TO INFORM EMPLOYEES OF  
WHISTLEBLOWER RIGHTS (SEP 2013)

(a) This contract and employees working on this contract will be subject to the whistleblower rights and remedies in the pilot program on Contractor employee whistleblower protections established at 41 U.S.C. 4712 by section 828 of the National Defense Authorization Act for Fiscal Year 2013 (Pub. L. 112-239) and FAR 3.908.

(b) The Contractor shall inform its employees in writing, in the predominant language of the workforce, of employee whistleblower rights and protections under 41 U.S.C. 4712, as described in section 3.908 of the Federal Acquisition Regulation.

(c) The Contractor shall insert the substance of this clause, including this paragraph (c), in all subcontracts over the simplified acquisition threshold.

19. **Subcontractors:** DHHS recognizes that the Contractor may choose to use subcontractors with greater expertise to perform certain health care services or functions for efficiency or convenience, but the Contractor shall retain the responsibility and accountability for the function(s). Prior to subcontracting, the Contractor shall evaluate the subcontractor's ability to perform the delegated function(s). This is accomplished through a written agreement that specifies activities and reporting responsibilities of the subcontractor and provides for revoking the delegation or imposing sanctions if the subcontractor's performance is not adequate. Subcontractors are subject to the same contractual conditions as the Contractor and the Contractor is responsible to ensure subcontractor compliance with those conditions.

When the Contractor delegates a function to a subcontractor, the Contractor shall do the following:

- 19.1. Evaluate the prospective subcontractor's ability to perform the activities, before delegating the function
- 19.2. Have a written agreement with the subcontractor that specifies activities and reporting responsibilities and how sanctions/revocation will be managed if the subcontractor's performance is not adequate
- 19.3. Monitor the subcontractor's performance on an ongoing basis

  
Date 7/13/15



- 19.4. Provide to DHHS an annual schedule identifying all subcontractors, delegated functions and responsibilities, and when the subcontractor's performance will be reviewed
- 19.5. DHHS shall, at its discretion, review and approve all subcontracts.

If the Contractor identifies deficiencies or areas for improvement are identified, the Contractor shall take corrective action.

#### DEFINITIONS

As used in the Contract, the following terms shall have the following meanings:

**COSTS:** Shall mean those direct and indirect items of expense determined by the Department to be allowable and reimbursable in accordance with cost and accounting principles established in accordance with state and federal laws, regulations, rules and orders.

**DEPARTMENT:** NH Department of Health and Human Services.

**FINANCIAL MANAGEMENT GUIDELINES:** Shall mean that section of the Contractor Manual which is entitled "Financial Management Guidelines" and which contains the regulations governing the financial activities of contractor agencies which have contracted with the State of NH to receive funds.

**PROPOSAL:** If applicable, shall mean the document submitted by the Contractor on a form or forms required by the Department and containing a description of the Services to be provided to eligible individuals by the Contractor in accordance with the terms and conditions of the Contract and setting forth the total cost and sources of revenue for each service to be provided under the Contract.

**UNIT:** For each service that the Contractor is to provide to eligible individuals hereunder, shall mean that period of time or that specified activity determined by the Department and specified in Exhibit B of the Contract.

**FEDERAL/STATE LAW:** Wherever federal or state laws, regulations, rules, orders, and policies, etc. are referred to in the Contract, the said reference shall be deemed to mean all such laws, regulations, etc. as they may be amended or revised from the time to time.

**CONTRACTOR MANUAL:** Shall mean that document prepared by the NH Department of Administrative Services containing a compilation of all regulations promulgated pursuant to the New Hampshire Administrative Procedures Act. NH RSA Ch 541-A, for the purpose of implementing State of NH and federal regulations promulgated thereunder.

**SUPPLANTING OTHER FEDERAL FUNDS:** The Contractor guarantees that funds provided under this Contract will not supplant any existing federal funds available for these services.

  
\_\_\_\_\_  
7/13/15



Exhibit C-1

**REVISIONS TO GENERAL PROVISIONS**

1. Subparagraph 4 of the General Provisions of this contract, Conditional Nature of Agreement, is replaced as follows:

**4. CONDITIONAL NATURE OF AGREEMENT.**

Notwithstanding any provision of this Agreement to the contrary, all obligations of the State hereunder, including without limitation, the continuance of payments, in whole or in part, under this Agreement are contingent upon continued appropriation or availability of funds, including any subsequent changes to the appropriation or availability of funds affected by any state or federal legislative or executive action that reduces, eliminates, or otherwise modifies the appropriation or availability of funding for this Agreement and the Scope of Services provided in Exhibit A, Scope of Services, in whole or in part. In no event shall the State be liable for any payments hereunder in excess of appropriated or available funds. In the event of a reduction, termination or modification of appropriated or available funds, the State shall have the right to withhold payment until such funds become available, if ever. The State shall have the right to reduce, terminate or modify services under this Agreement immediately upon giving the Contractor notice of such reduction, termination or modification. The State shall not be required to transfer funds from any other source or account into the Account(s) identified in block 1.6 of the General Provisions, Account Number, or any other account, in the event funds are reduced or unavailable.

2. Subparagraph 10 of the General Provisions of this contract, Termination, is amended by adding the following language;

10.1 The State may terminate the Agreement at any time for any reason, at the sole discretion of the State, 30 days after giving the Contractor written notice that the State is exercising its option to terminate the Agreement.

10.2 In the event of early termination, the Contractor shall, within 15 days of notice of early termination, develop and submit to the State a Transition Plan for services under the Agreement, including but not limited to, identifying the present and future needs of clients receiving services under the Agreement and establishes a process to meet those needs.

10.3 The Contractor shall fully cooperate with the State and shall promptly provide detailed information to support the Transition Plan including, but not limited to, any information or data requested by the State related to the termination of the Agreement and Transition Plan and shall provide ongoing communication and revisions of the Transition Plan to the State as requested.

10.4 In the event that services under the Agreement, including but not limited to clients receiving services under the Agreement are transitioned to having services delivered by another entity including contracted providers or the State, the Contractor shall provide a process for uninterrupted delivery of services in the Transition Plan.

10.5 The Contractor shall establish a method of notifying clients and other affected individuals about the transition. The Contractor shall include the proposed communications in its Transition Plan submitted to the State as described above.

3. Extension:

This agreement has the option for a potential extension of up to two (2) additional years, contingent upon satisfactory delivery of services, available funding, agreement of the parties and approval of the Governor and Council.

*PK*

7/13/15



**CERTIFICATION REGARDING DRUG-FREE WORKPLACE REQUIREMENTS**

The Contractor identified in Section 1.3 of the General Provisions agrees to comply with the provisions of Sections 5151-5160 of the Drug-Free Workplace Act of 1988 (Pub. L. 100-690, Title V, Subtitle D; 41 U.S.C. 701 et seq.), and further agrees to have the Contractor's representative, as identified in Sections 1.11 and 1.12 of the General Provisions execute the following Certification:

**ALTERNATIVE I - FOR GRANTEES OTHER THAN INDIVIDUALS**

**US DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTRACTORS  
US DEPARTMENT OF EDUCATION - CONTRACTORS  
US DEPARTMENT OF AGRICULTURE - CONTRACTORS**

This certification is required by the regulations implementing Sections 5151-5160 of the Drug-Free Workplace Act of 1988 (Pub. L. 100-690, Title V, Subtitle D; 41 U.S.C. 701 et seq.). The January 31, 1989 regulations were amended and published as Part II of the May 25, 1990 Federal Register (pages 21681-21691), and require certification by grantees (and by inference, sub-grantees and sub-contractors), prior to award, that they will maintain a drug-free workplace. Section 3017.630(c) of the regulation provides that a grantee (and by inference, sub-grantees and sub-contractors) that is a State may elect to make one certification to the Department in each federal fiscal year in lieu of certificates for each grant during the federal fiscal year covered by the certification. The certificate set out below is a material representation of fact upon which reliance is placed when the agency awards the grant. False certification or violation of the certification shall be grounds for suspension of payments, suspension or termination of grants, or government wide suspension or debarment. Contractors using this form should send it to:

Commissioner  
NH Department of Health and Human Services  
129 Pleasant Street,  
Concord, NH 03301-6505

1. The grantee certifies that it will or will continue to provide a drug-free workplace by:
  - 1.1. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
  - 1.2. Establishing an ongoing drug-free awareness program to inform employees about
    - 1.2.1. The dangers of drug abuse in the workplace;
    - 1.2.2. The grantee's policy of maintaining a drug-free workplace;
    - 1.2.3. Any available drug counseling, rehabilitation, and employee assistance programs; and
    - 1.2.4. The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
  - 1.3. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (a);
  - 1.4. Notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the grant, the employee will
    - 1.4.1. Abide by the terms of the statement; and
    - 1.4.2. Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;
  - 1.5. Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph 1.4.2 from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer on whose grant activity the convicted employee was working, unless the Federal agency

*JL*  
Date 7/13/15

New Hampshire Department of Health and Human Services  
Exhibit D



has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;

- 1.6. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph 1.4.2, with respect to any employee who is so convicted
    - 1.6.1. Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
    - 1.6.2. Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
  - 1.7. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs 1.1, 1.2, 1.3, 1.4, 1.5, and 1.6.
2. The grantee may insert in the space provided below the site(s) for the performance of work done in connection with the specific grant.

Place of Performance (street address, city, county, state, zip code) (list each location)

Check  if there are workplaces on file that are not identified here.

Contractor Name: Foundation Medical Partners, Inc.

7/13/15  
Date

  
Name: Susan DeSocio  
Title: President/CEO



**CERTIFICATION REGARDING LOBBYING**

The Contractor identified in Section 1.3 of the General Provisions agrees to comply with the provisions of Section 319 of Public Law 101-121, Government wide Guidance for New Restrictions on Lobbying, and 31 U.S.C. 1352, and further agrees to have the Contractor's representative, as identified in Sections 1.11 and 1.12 of the General Provisions execute the following Certification:

US DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTRACTORS  
US DEPARTMENT OF EDUCATION - CONTRACTORS  
US DEPARTMENT OF AGRICULTURE - CONTRACTORS

Programs (indicate applicable program covered):

- \*Temporary Assistance to Needy Families under Title IV-A
- \*Child Support Enforcement Program under Title IV-D
- \*Social Services Block Grant Program under Title XX
- \*Medicaid Program under Title XIX
- \*Community Services Block Grant under Title VI
- \*Child Care Development Block Grant under Title IV

The undersigned certifies, to the best of his or her knowledge and belief, that:

1. No Federal appropriated funds have been paid or will be paid by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement (and by specific mention sub-grantee or sub-contractor).
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement (and by specific mention sub-grantee or sub-contractor), the undersigned shall complete and submit Standard Form LLL, (Disclosure Form to Report Lobbying, in accordance with its instructions, attached and identified as Standard Exhibit E-I.)
3. The undersigned shall require that the language of this certification be included in the award document for sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Contractor Name: Foundation Medical Partners, Inc.

Name: Susan DeSocio  
Title: President/CEO

7/13/15  
Date

Contractor Initials fm  
Date 7/13/15



**CERTIFICATION REGARDING DEBARMENT, SUSPENSION  
AND OTHER RESPONSIBILITY MATTERS**

The Contractor identified in Section 1.3 of the General Provisions agrees to comply with the provisions of Executive Office of the President, Executive Order 12549 and 45 CFR Part 76 regarding Debarment, Suspension, and Other Responsibility Matters, and further agrees to have the Contractor's representative, as identified in Sections 1.11 and 1.12 of the General Provisions execute the following Certification:

**INSTRUCTIONS FOR CERTIFICATION**

1. By signing and submitting this proposal (contract), the prospective primary participant is providing the certification set out below.
2. The inability of a person to provide the certification required below will not necessarily result in denial of participation in this covered transaction. If necessary, the prospective participant shall submit an explanation of why it cannot provide the certification. The certification or explanation will be considered in connection with the NH Department of Health and Human Services' (DHHS) determination whether to enter into this transaction. However, failure of the prospective primary participant to furnish a certification or an explanation shall disqualify such person from participation in this transaction.
3. The certification in this clause is a material representation of fact upon which reliance was placed when DHHS determined to enter into this transaction. If it is later determined that the prospective primary participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, DHHS may terminate this transaction for cause or default.
4. The prospective primary participant shall provide immediate written notice to the DHHS agency to whom this proposal (contract) is submitted if at any time the prospective primary participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.
5. The terms "covered transaction," "debarred," "suspended," "ineligible," "lower tier covered transaction," "participant," "person," "primary covered transaction," "principal," "proposal," and "voluntarily excluded," as used in this clause, have the meanings set out in the Definitions and Coverage sections of the rules implementing Executive Order 12549: 45 CFR Part 76. See the attached definitions.
6. The prospective primary participant agrees by submitting this proposal (contract) that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by DHHS.
7. The prospective primary participant further agrees by submitting this proposal that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions," provided by DHHS, without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
8. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or involuntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the Nonprocurement List (of excluded parties).
9. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and

  
7/13/15



information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

10. Except for transactions authorized under paragraph 6 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal government, DHHS may terminate this transaction for cause or default.

**PRIMARY COVERED TRANSACTIONS**

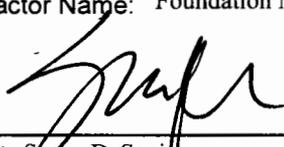
11. The prospective primary participant certifies to the best of its knowledge and belief, that it and its principals:
  - 11.1. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;
  - 11.2. have not within a three-year period preceding this proposal (contract) been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or a contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
  - 11.3. are not presently indicted for otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (l)(b) of this certification; and
  - 11.4. have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State or local) terminated for cause or default.
12. Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal (contract).

**LOWER TIER COVERED TRANSACTIONS**

13. By signing and submitting this lower tier proposal (contract), the prospective lower tier participant, as defined in 45 CFR Part 76, certifies to the best of its knowledge and belief that it and its principals:
  - 13.1. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any federal department or agency.
  - 13.2. where the prospective lower tier participant is unable to certify to any of the above, such prospective participant shall attach an explanation to this proposal (contract).
14. The prospective lower tier participant further agrees by submitting this proposal (contract) that it will include this clause entitled "Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion - Lower Tier Covered Transactions," without modification in all lower tier covered transactions and in all solicitations for lower tier covered transactions.

Contractor Name: Foundation Medical Partners, Inc.

Date 7/13/15

  
Name: Susan DeSocio  
Title: President/CEO

Contractor Initials SD  
Date 7/13/15



**CERTIFICATION OF COMPLIANCE WITH REQUIREMENTS PERTAINING TO  
FEDERAL NONDISCRIMINATION, EQUAL TREATMENT OF FAITH-BASED ORGANIZATIONS AND  
WHISTLEBLOWER PROTECTIONS**

The Contractor identified in Section 1.3 of the General Provisions agrees by signature of the Contractor's representative as identified in Sections 1.11 and 1.12 of the General Provisions, to execute the following certification:

Contractor will comply, and will require any subgrantees or subcontractors to comply, with any applicable federal nondiscrimination requirements, which may include:

- the Omnibus Crime Control and Safe Streets Act of 1968 (42 U.S.C. Section 3789d) which prohibits recipients of federal funding under this statute from discriminating, either in employment practices or in the delivery of services or benefits, on the basis of race, color, religion, national origin, and sex. The Act requires certain recipients to produce an Equal Employment Opportunity Plan;
- the Juvenile Justice Delinquency Prevention Act of 2002 (42 U.S.C. Section 5672(b)) which adopts by reference, the civil rights obligations of the Safe Streets Act. Recipients of federal funding under this statute are prohibited from discriminating, either in employment practices or in the delivery of services or benefits, on the basis of race, color, religion, national origin, and sex. The Act includes Equal Employment Opportunity Plan requirements;
- the Civil Rights Act of 1964 (42 U.S.C. Section 2000d, which prohibits recipients of federal financial assistance from discriminating on the basis of race, color, or national origin in any program or activity);
- the Rehabilitation Act of 1973 (29 U.S.C. Section 794), which prohibits recipients of Federal financial assistance from discriminating on the basis of disability, in regard to employment and the delivery of services or benefits, in any program or activity;
- the Americans with Disabilities Act of 1990 (42 U.S.C. Sections 12131-34), which prohibits discrimination and ensures equal opportunity for persons with disabilities in employment, State and local government services, public accommodations, commercial facilities, and transportation;
- the Education Amendments of 1972 (20 U.S.C. Sections 1681, 1683, 1685-86), which prohibits discrimination on the basis of sex in federally assisted education programs;
- the Age Discrimination Act of 1975 (42 U.S.C. Sections 6106-07), which prohibits discrimination on the basis of age in programs or activities receiving Federal financial assistance. It does not include employment discrimination;
- 28 C.F.R. pt. 31 (U.S. Department of Justice Regulations – OJJDP Grant Programs); 28 C.F.R. pt. 42 (U.S. Department of Justice Regulations – Nondiscrimination; Equal Employment Opportunity; Policies and Procedures); Executive Order No. 13279 (equal protection of the laws for faith-based and community organizations); Executive Order No. 13559, which provide fundamental principles and policy-making criteria for partnerships with faith-based and neighborhood organizations;
- 28 C.F.R. pt. 38 (U.S. Department of Justice Regulations – Equal Treatment for Faith-Based Organizations); and Whistleblower protections 41 U.S.C. §4712 and The National Defense Authorization Act (NDAA) for Fiscal Year 2013 (Pub. L. 112-239, enacted January 2, 2013) the Pilot Program for Enhancement of Contract Employee Whistleblower Protections, which protects employees against reprisal for certain whistle blowing activities in connection with federal grants and contracts.

The certificate set out below is a material representation of fact upon which reliance is placed when the agency awards the grant. False certification or violation of the certification shall be grounds for suspension of payments, suspension or termination of grants, or government wide suspension or debarment.

Exhibit G

Certification of Compliance with requirements pertaining to Federal Nondiscrimination, Equal Treatment of Faith-Based Organizations and Whistleblower protections

Contractor Initials

  
Date 7/13/15

New Hampshire Department of Health and Human Services  
Exhibit G



In the event a Federal or State court or Federal or State administrative agency makes a finding of discrimination after a due process hearing on the grounds of race, color, religion, national origin, or sex against a recipient of funds, the recipient will forward a copy of the finding to the Office for Civil Rights, to the applicable contracting agency or division within the Department of Health and Human Services, and to the Department of Health and Human Services Office of the Ombudsman.

The Contractor identified in Section 1.3 of the General Provisions agrees by signature of the Contractor's representative as identified in Sections 1.11 and 1.12 of the General Provisions, to execute the following certification:

1. By signing and submitting this proposal (contract) the Contractor agrees to comply with the provisions indicated above.

Contractor Name: Foundation Medical Partners, Inc.

7/13/15  
Date

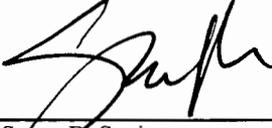
  
Name: Susan DeSocio  
Title: President/CEO

Exhibit G

Certification of Compliance with requirements pertaining to Federal Nondiscrimination, Equal Treatment of Faith-Based Organizations and Whistleblower protections

Contractor Initials 

Date 7/13/15



**CERTIFICATION REGARDING ENVIRONMENTAL TOBACCO SMOKE**

Public Law 103-227, Part C - Environmental Tobacco Smoke, also known as the Pro-Children Act of 1994 (Act), requires that smoking not be permitted in any portion of any indoor facility owned or leased or contracted for by an entity and used routinely or regularly for the provision of health, day care, education, or library services to children under the age of 18, if the services are funded by Federal programs either directly or through State or local governments, by Federal grant, contract, loan, or loan guarantee. The law does not apply to children's services provided in private residences, facilities funded solely by Medicare or Medicaid funds, and portions of facilities used for inpatient drug or alcohol treatment. Failure to comply with the provisions of the law may result in the imposition of a civil monetary penalty of up to \$1000 per day and/or the imposition of an administrative compliance order on the responsible entity.

The Contractor identified in Section 1.3 of the General Provisions agrees, by signature of the Contractor's representative as identified in Section 1.11 and 1.12 of the General Provisions, to execute the following certification:

1. By signing and submitting this contract, the Contractor agrees to make reasonable efforts to comply with all applicable provisions of Public Law 103-227, Part C, known as the Pro-Children Act of 1994.

Contractor Name: Foundation Medical Partners, Inc.

Date 7/13/15

  
Name: Susan DeSocio  
Title: President/CEO

Contractor Initials   
Date 7/13/15



Exhibit I

---

**HEALTH INSURANCE PORTABILITY ACT**  
**BUSINESS ASSOCIATE AGREEMENT**

Exhibit I – Health Insurance Portability and Accountability Act, Business Associate Agreement does not apply to this contract.



**CERTIFICATION REGARDING THE FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY  
ACT (FFATA) COMPLIANCE**

The Federal Funding Accountability and Transparency Act (FFATA) requires prime awardees of individual Federal grants equal to or greater than \$25,000 and awarded on or after October 1, 2010, to report on data related to executive compensation and associated first-tier sub-grants of \$25,000 or more. If the initial award is below \$25,000 but subsequent grant modifications result in a total award equal to or over \$25,000, the award is subject to the FFATA reporting requirements, as of the date of the award.

In accordance with 2 CFR Part 170 (Reporting Subaward and Executive Compensation Information), the Department of Health and Human Services (DHHS) must report the following information for any subaward or contract award subject to the FFATA reporting requirements:

1. Name of entity
2. Amount of award
3. Funding agency
4. NAICS code for contracts / CFDA program number for grants
5. Program source
6. Award title descriptive of the purpose of the funding action
7. Location of the entity
8. Principle place of performance
9. Unique identifier of the entity (DUNS #)
10. Total compensation and names of the top five executives if:
  - 10.1. More than 80% of annual gross revenues are from the Federal government, and those revenues are greater than \$25M annually and
  - 10.2. Compensation information is not already available through reporting to the SEC.

Prime grant recipients must submit FFATA required data by the end of the month, plus 30 days, in which the award or award amendment is made.

The Contractor identified in Section 1.3 of the General Provisions agrees to comply with the provisions of The Federal Funding Accountability and Transparency Act, Public Law 109-282 and Public Law 110-252, and 2 CFR Part 170 (Reporting Subaward and Executive Compensation Information), and further agrees to have the Contractor's representative, as identified in Sections 1.11 and 1.12 of the General Provisions execute the following Certification:

The below named Contractor agrees to provide needed information as outlined above to the NH Department of Health and Human Services and to comply with all applicable provisions of the Federal Financial Accountability and Transparency Act.

Contractor Name: Foundation Medical Partners, Inc.

7/13/15  
Date

  
Name: Susan DeSocio  
Title: President/CEO

Contractor Initials   
Date 7/13/15



FORM A

As the Contractor identified in Section 1.3 of the General Provisions, I certify that the responses to the below listed questions are true and accurate.

1. The DUNS number for your entity is: 073971772
2. In your business or organization's preceding completed fiscal year, did your business or organization receive (1) 80 percent or more of your annual gross revenue in U.S. federal contracts, subcontracts, loans, grants, sub-grants, and/or cooperative agreements; and (2) \$25,000,000 or more in annual gross revenues from U.S. federal contracts, subcontracts, loans, grants, subgrants, and/or cooperative agreements?

X NO                      \_\_\_\_\_ YES

If the answer to #2 above is NO, stop here

If the answer to #2 above is YES, please answer the following:

3. Does the public have access to information about the compensation of the executives in your business or organization through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C.78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986?

\_\_\_\_\_ NO                      X YES

If the answer to #3 above is YES, stop here

If the answer to #3 above is NO, please answer the following:

4. The names and compensation of the five most highly compensated officers in your business or organization are as follows:

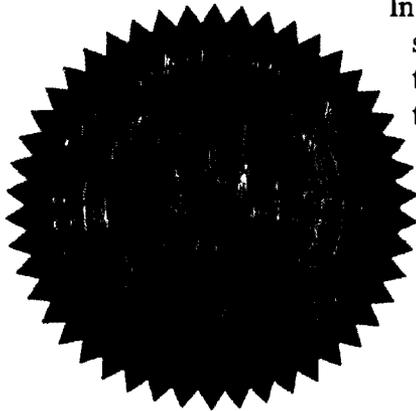
Name: _____	Amount: _____

State of New Hampshire  
Department of State

CERTIFICATE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify that Foundation Medical Partners, Inc. is a New Hampshire nonprofit corporation formed May 20, 1992. I further certify that it is in good standing as far as this office is concerned, having filed the return(s) and paid the fees required by law.

In TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed the Seal of the State of New Hampshire, this 9<sup>th</sup> day of July A.D. 2015



A handwritten signature in black ink, appearing to read "William M. Gardner", is written in a cursive style.

William M. Gardner  
Secretary of State



268 MAIN STREET, NASHUA, NH 03060  
TEL 603-577-2794 FAX 603-595-7662  
Affiliated with Southern New Hampshire Medical Center

CERTIFICATE OF VOTE

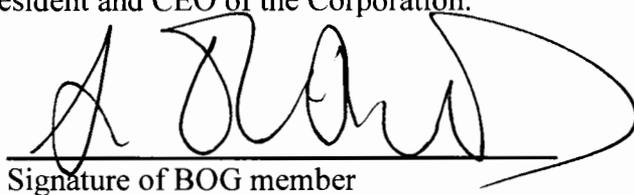
I, Andrew Popelka, MD do hereby certify that:

1. I am a duly elected Board of Governor member of Foundation Medical Partners Inc.
2. The following are true copies of two resolutions duly adopted at a meeting of the Board of Governors of the Corporation duly held on July 13, 2015

RESOLVED: That this Corporation enter into a contract with the State of New Hampshire, acting through its Department of Health and Human Services, for the provision of New Hampshire Ryan White Care Program services.

RESOLVED: That the President and CEO, Susan DeSocio, is hereby authorized on behalf of this Corporation to enter into the said contract with the State and to execute any and all documents, agreements and other instruments, and any amendments, revisions, or modifications thereto, as she may deem necessary, desirable or appropriate.

3. The forgoing resolutions have not been amended or revoked, and remain in full force and effect as of the 13 day of July, 2015.
4. Susan DeSocio is the duly elected President and CEO of the Corporation.

  
Signature of BOG member

STATE OF NEW HAMPSHIRE

County of Hillsborough

The forgoing instrument was acknowledged before me this 13<sup>th</sup> day of July, 2015,

By Andrew Popelka, MD

  
Notary  
Commission Expires: 4/17/18

JULIE L. MARTINEZ, Notary Public  
My Commission Expires April 17, 2018





# CERTIFICATE OF LIABILITY INSURANCE

SOUTNEW-02 OSWALTGE

DATE (MM/DD/YYYY)

5/29/2015

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

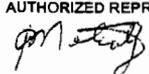
<b>PRODUCER</b> Willis of Massachusetts, Inc. c/o 26 Century Blvd P.O. Box 305191 Nashville, TN 37230-5191	<b>CONTACT NAME:</b> certificates@willis.com	
	<b>PHONE (A/C, No, Ext):</b> (877) 945-7378	<b>FAX (A/C, No):</b> (888) 467-2378
<b>E-MAIL ADDRESS:</b>		
<b>INSURER(S) AFFORDING COVERAGE</b>		<b>NAIC #</b>
<b>INSURER A:</b> ProMutual Group		<b>B9486</b>
<b>INSURED</b> Southern New Hampshire Medical Center Foundation Medical Partners 8 Prospect Street Nashua, NH 03061		
<b>INSURER B:</b>		
<b>INSURER C:</b>		
<b>INSURER D:</b>		
<b>INSURER E:</b>		
<b>INSURER F:</b>		

**COVERAGES**                      **CERTIFICATE NUMBER:**                      **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	<b>COMMERCIAL GENERAL LIABILITY</b> <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:						EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COM/OP AGG \$ \$
	<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	<b>UMBRELLA LIAB</b> <input type="checkbox"/> OCCUR <b>EXCESS LIAB</b> <input type="checkbox"/> CLAIMS-MADE DED    RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$ \$
	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> Y/N ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> N/A (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below						PER STATUTE    OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
<b>A</b>	<b>Physician Prof. Liab</b>			<b>217489PL</b>	<b>06/01/2015</b>	<b>06/01/2016</b>	<b>See Attached</b>

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)  
**ZINNES, M.D.**  
 The following named physician is insured under this policy while acting within the scope of his/her duties on behalf of Foundation Medical Partners and Southern New Hampshire Medical Center: Robert Zinnes, M.D. Specialty: Family/General Practice No Surgery Retro Date: 01/01/98

<b>CERTIFICATE HOLDER</b>  Southern New Hampshire Medical Center Foundation Medical Partners, Inc. 8 Prospect Street Nashua, NH 03061	<b>CANCELLATION</b>  SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.  AUTHORIZED REPRESENTATIVE 
--	---

© 1988-2014 ACORD CORPORATION. All rights reserved.

## ADDITIONAL COVERAGE SCHEDULE

COVERAGE	LIMITS
<b>POLICY TYPE: Hospital Professional Liability</b> <b>CARRIER: ProMutual Group</b> <b>POLICY TERM: 06/01/2015 – 06/01/2016</b> <b>POLICY NUMBER: 217489</b>	<b>Per Claim: 1,000,000</b> <b>Aggregate Limit: 3,000,000</b>



268 MAIN STREET, NASHUA, NH 03060

TEL 603-577-2794 FAX 603-595-7662

*Affiliated with Southern New Hampshire Medical Center*

### **Mission**

To improve, maintain and preserve the overall health and well-being of individuals living in the greater Nashua area by providing information, education and access to exceptional health and medical care services.

### **Vision**

Our wealth of resources are clinically aligned and integrated into patient-centered, information-rich systems of care that enhance satisfaction, quality, and safety.

### **Our Beliefs**

A higher level of care means we believe in treating you the way we would like to be treated.

It starts with empathy – listening to what you feel and working to understand your needs.

It continues with respect – spending quality time to explain things.

Communication is important – we work as a team to keep each other informed about your care.

Relationships are built on trust – something that is yours to give, and that we seek to earn in everything we do.

**Southern New Hampshire  
Health System, Inc.**

Consolidated Financial Statements  
and Other Financial Information

*Years Ended September 30, 2014 and 2013  
With Independent Auditors' Report*

**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

Years Ended September 30, 2014 and 2013

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements:	
Consolidated Balance Sheets	2
Consolidated Statements of Operations and Changes in Net Assets	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6
Other Financial Information:	
Independent Auditors' Report on Other Financial Information	27
Consolidating Balance Sheets	28
Consolidating Statements of Operations and Changes in Net Assets	30

# BAKER NEWMAN NOYES

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Southern New Hampshire Health System, Inc.

We have audited the accompanying consolidated financial statements of Southern New Hampshire Health System, Inc. (the System), which comprise the consolidated balance sheets as of September 30, 2014 and 2013, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the System as of September 30, 2014 and 2013, and the results of its operations and 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.

*Baker Newman & Noyes*

Limited Liability Company

Manchester, New Hampshire  
December 10, 2014

**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

**CONSOLIDATED BALANCE SHEETS**

September 30, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 44,287,290	\$ 41,290,536
Accounts receivable, less allowances for doubtful accounts of \$14,390,225 in 2014 and \$14,767,441 in 2013 (note 4)	30,730,791	32,135,130
Inventories	3,210,713	3,812,763
Prepaid expenses and other current assets	4,555,847	4,144,362
Funds held by trustee for current payment of bond principal and interest (notes 5, 7 and 12)	<u>4,184,031</u>	<u>4,141,089</u>
Total current assets	86,968,672	85,523,880
Investments (notes 5 and 12)	61,720,843	56,670,394
Assets whose use is limited (notes 5 and 12):		
Employee benefit plans and other (note 2)	21,720,264	18,516,510
Board designated and donor-restricted	<u>75,259,613</u>	<u>68,039,314</u>
	96,979,877	86,555,824
Property, plant and equipment, net (notes 6, 7 and 10)	128,599,026	125,827,641
Other assets (note 2)	6,953,767	8,815,694
Unamortized financing costs	<u>584,485</u>	<u>630,526</u>
Total assets	<u>\$381,806,670</u>	<u>\$364,023,959</u>



**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**

Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Revenue:</b>		
Net patient service revenue (net of contractual allowances and discounts) (note 3)	\$ 305,252,094	\$ 296,061,154
Provision for bad debts	<u>(25,293,476)</u>	<u>(21,735,310)</u>
Net patient service revenue less provision for bad debts	279,958,618	274,325,844
Disproportionate share hospital revenue (note 13)	1,615,323	-
Interest and dividends (note 5)	1,340,112	1,538,776
Other revenue (note 3)	<u>11,128,067</u>	<u>9,959,808</u>
Total revenue	294,042,120	285,824,428
<b>Operating expenses (note 9):</b>		
Salaries and wages	152,683,714	148,111,202
Employee benefits (notes 2 and 8)	24,184,462	25,474,523
Supplies and other expenses (note 10)	78,999,751	72,899,041
Depreciation and amortization	14,014,193	14,236,663
New Hampshire Medicaid enhancement tax (note 13)	10,349,872	7,262,691
Interest	<u>4,545,371</u>	<u>4,619,621</u>
Total operating expenses	<u>284,777,363</u>	<u>272,603,741</u>
Income from operations	9,264,757	13,220,687
<b>Nonoperating gains (losses):</b>		
Investment return (note 5)	9,148,881	8,677,991
Contributions, community benefits expense and nonoperating revenues	<u>71,309</u>	<u>(95,792)</u>
Total nonoperating gains (losses), net	<u>9,220,190</u>	<u>8,582,199</u>
Excess of revenues and nonoperating gains (losses) over expenses	18,484,947	21,802,886
Pension adjustment (note 8)	(3,447,079)	10,735,197
Net assets released from restriction for purchase of capital	<u>25,000</u>	<u>25,000</u>
Increase in unrestricted net assets	15,062,868	32,563,083
Contributions of temporarily restricted net assets	56,666	35,000
Net assets released from restriction for purchase of capital	(25,000)	(25,000)
Net assets released from restriction for operations	<u>(17,563)</u>	<u>(420)</u>
Increase in temporarily restricted net assets	14,103	9,580
Contributions of permanently restricted net assets	<u>10,000</u>	<u>-</u>
Increase in net assets	15,086,971	32,572,663
Net assets at beginning of year	<u>184,820,348</u>	<u>152,247,685</u>
Net assets at end of year	<u>\$ 199,907,319</u>	<u>\$ 184,820,348</u>

See accompanying notes.

**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating activities and net gains:		
Increase in net assets	\$ 15,086,971	\$ 32,572,663
Adjustments to reconcile increase in net assets to net cash provided by operating activities and net gains:		
Net realized and unrealized gains on investments	(7,477,657)	(7,314,751)
Depreciation and amortization	14,014,193	14,236,663
Restricted gifts and bequests	(66,666)	(35,000)
Pension adjustment	3,447,079	(10,735,197)
Increase (decrease) in cash from certain working capital and other items:		
Accounts receivable	1,404,339	(2,099,728)
Inventories, prepaid expense and other assets	1,984,892	(2,356,902)
Accounts payable, other accrued expenses and other liabilities	(2,297,165)	(2,920,806)
Accrued compensation and related taxes	(269,692)	202,858
Amounts payable to third-party payors	<u>1,836,808</u>	<u>3,663,172</u>
Net cash provided by operating activities and net gains	27,663,102	25,212,972
Investing activities:		
Purchases of property, plant and equipment, net	(16,668,686)	(15,130,425)
Increase in funds held by trustee under equipment financing and revenue bond agreements	(42,942)	(1,850,186)
Net purchase of investments	<u>(4,793,091)</u>	<u>(16,922,019)</u>
Net cash used by investing activities	(21,504,719)	(33,902,630)
Financing activities:		
Restricted gifts and bequests	66,666	35,000
Payment of long-term debt and capital lease obligations	<u>(3,228,295)</u>	<u>(1,413,322)</u>
Net cash used by financing activities	<u>(3,161,629)</u>	<u>(1,378,322)</u>
Increase (decrease) in cash and cash equivalents	2,996,754	(10,067,980)
Cash and cash equivalents at beginning of year	<u>41,290,536</u>	<u>51,358,516</u>
Cash and cash equivalents at end of year	<u>\$ 44,287,290</u>	<u>\$ 41,290,536</u>

See accompanying notes.

# SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

### 1. Organization

Southern New Hampshire Health System, Inc. is a not-for-profit entity organized under New Hampshire law to support Southern New Hampshire Medical Center (the Medical Center) and Foundation Medical Partners, Inc. (the Foundation), collectively referred to as "the System". Both the Medical Center and the Foundation are not-for-profit entities, established to provide medical services to the people of the greater Nashua area.

### 2. Significant Accounting Policies

#### Principles of Consolidation

These consolidated financial statements include the accounts of the System, which has no separate assets, liabilities, or operations other than its interests in the Medical Center and Foundation which fully eliminate in consolidation. All other significant intercompany accounts and transactions have been eliminated in consolidation.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for the allowance for doubtful accounts, impairment and depreciable lives of long-lived assets, insurance costs, employee benefit plans, contractual allowances, third-party payor settlements and contingencies. It is reasonably possible that actual results could differ from those estimates.

#### Classification of Net Assets

Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of donated assets. Temporarily restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as either net assets released from restrictions (for noncapital related items) or as net assets released from restrictions used for capital purchases (capital related items). Permanently restricted net assets have been restricted by donors to be maintained by the System in perpetuity.

Except for contributions related to capital purchases, donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

2. Significant Accounting Policies (Continued)

Performance Indicator

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

The consolidated statement of operations and changes in net assets includes excess of revenues and nonoperating gains (losses) over expenses. Changes in unrestricted net assets which are excluded from excess of revenues and nonoperating gains (losses) over expenses, consistent with industry practice, include pension adjustments, net assets released from restrictions for capital purchases, and transfers to affiliates.

Income Taxes

The System, Medical Center and Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code, and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Management evaluated the System's tax positions and concluded the System has maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment to the consolidated financial statements. With few exceptions, the System is no longer subject to income tax examination by the U.S. federal or state tax authorities for years before 2011.

Net Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Changes in those estimates are reflected in the financial statements in the year in which they occur (see note 3).

The System recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients, the System provides a discount equal to that of its largest private insurance payors. On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the System records a significant provision for bad debts related to uninsured patients in the period the services are provided.

SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

2. **Significant Accounting Policies (Continued)**

*Performance Indicator*

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

The consolidated statement of operations and changes in net assets includes excess of revenues and nonoperating gains (losses) over expenses. Changes in unrestricted net assets which are excluded from excess of revenues and nonoperating gains (losses) over expenses, consistent with industry practice, include pension adjustments, net assets released from restrictions for capital purchases, and transfers to affiliates.

*Income Taxes*

The System, Medical Center and Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code, and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Management evaluated the System's tax positions and concluded the System has maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment to the consolidated financial statements. With few exceptions, the System is no longer subject to income tax examination by the U.S. federal or state tax authorities for years before 2011.

*Net Patient Service Revenue*

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Changes in those estimates are reflected in the financial statements in the year in which they occur (see note 3).

The System recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients, the System provides a discount equal to that of its largest private insurance payors. On the basis of historical experience, a significant portion of the System's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the System records a significant provision for bad debts related to uninsured patients in the period the services are provided.

SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

2. **Significant Accounting Policies (Continued)**

**Charity Care**

The System has a formal charity care policy under which patient care is provided without charge or at amounts less than its established rates to patients who meet certain criteria. The System does not pursue collection of amounts determined to qualify as charity care and, therefore, they are not reported as revenue. The System determines the costs associated with providing charity care by calculating a ratio of cost to gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for free care.

**Cash and Cash Equivalents**

Cash and cash equivalents include short-term investments and secured repurchase agreements which have an original maturity of three months or less when purchased.

The System maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The System has not experienced any losses on such accounts.

**Accounts Receivable and the Allowance for Doubtful Accounts**

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the System analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the System analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the System records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The System's allowance for doubtful accounts was 17% and 18% of accounts receivable as of September 30, 2014 and 2013, respectively. The System's self-pay bad debt writeoffs increased \$4.7 million from \$20.5 million for fiscal year 2013 to \$25.2 million for fiscal year 2014. The increase in the bad debt write-offs was a result of higher patient responsible deductibles, and changes in eligibility of free care and self-pay discounts.

**Inventories**

Inventories of supplies and pharmaceuticals are carried at the lower of cost (determined by a weighted average method) or market.

SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

2. Significant Accounting Policies (Continued)

Funds Held by Trustee Under Financing and Revenue Bond Agreements

Funds held by trustee under financing and revenue bond agreements are recorded at fair value and are comprised of short-term investments and United States government obligations.

Investments and Investment Income

Investments are measured at fair value in the balance sheet. Interest and dividend income on unlimited use investments and operating cash is reported within operating revenues. Investment income or loss on assets whose use is limited (including realized and unrealized gains and losses on investments, and interest and dividends) is included in the excess of revenues and nonoperating gains (losses) over expenses as the System has elected to reflect changes in the fair value of investments and assets whose use is limited, including both increases and decreases in value whether realized or unrealized in nonoperating gains or losses unless the income or loss is restricted by donor or law, in which case it is reported as an increase in temporarily or permanently restricted net assets.

Endowment, Investment and Spending Policies

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

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

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

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

SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

2. **Significant Accounting Policies (Continued)**

*Property and Equipment*

The investments in plant assets are stated at cost less accumulated depreciation. The System's policy is to capitalize expenditures for major improvements and charge maintenance and repairs currently for expenditures which do not extend the lives of the related assets. The provision for depreciation has been computed using the straight-line method at rates intended to amortize the cost of related assets over their estimated useful lives, which have generally been determined by reference to the recommendations of the American Hospital Association.

*Unamortized Financing Costs*

Expenses incurred in obtaining long-term financing are being amortized using the straight-line method, which approximates the effective interest method, over the repayment period of the related debt obligation.

*Retirement and Deferred Compensation Plans*

The Medical Center has a noncontributory defined benefit pension plan that prior to October 8, 2011 covered all qualified employees. The benefits were based on years of service and the employee's average monthly earnings during the period of employment. The Medical Center's policy is to contribute to the plan an amount which meets the funding standards required under the *Employee Retirement Income Security Act of 1974* (ERISA).

The System also sponsors a retirement savings plan available to employees depending upon certain service requirements. Eligible employees can contribute up to 20% of their annual salaries to the plan, and the System provides a tiered matching contribution on the first 6% of the employee contribution. In 2012, the System approved a discretionary employer core contribution with the level to be reviewed annually. Contributions to these plans made by the System and recorded as expense for 2014 and 2013 were \$5,763,090 and \$5,606,904, respectively.

The System sponsors deferred compensation plans for certain qualifying employees. The amounts ultimately due to the employees are to be paid upon the employees attaining certain criteria, including age. At September 30, 2014 and 2013, approximately \$20,984,000 and \$17,811,000, respectively, is reflected in both assets whose use is limited and in other long-term liabilities related to such agreements.

*Employee Fringe Benefits*

The System has an "earned time" plan. Under this plan, each employee "earns" paid leave for each period worked. These hours of paid leave may be used for vacations, holidays or illnesses. Hours earned but not used are vested with the employee and are paid to the employee upon termination. The System accrues a liability for such paid leave as it is earned.

SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

2. **Significant Accounting Policies (Continued)**

*Malpractice Loss Contingencies*

The System has been and is insured against malpractice loss contingencies under claims-made insurance policies. A claims-made policy provides specific coverage for claims made during the policy period. The System has established a reserve to cover professional liability exposure that may not be covered by prior or current insurance policies. The possibility exists, as a normal risk of doing business, that malpractice claims in excess of insurance coverage may be asserted against the System.

At September 30, 2014 and 2013, the System recorded a liability of approximately \$3,009,000 and \$4,497,000, respectively, related to estimated professional liability losses. At September 30, 2014 and 2013, the System also recorded a receivable of \$1,042,000 and \$2,535,000, respectively, related to estimated recoveries under insurance coverage for recoveries of the potential losses. These amounts are included in other liabilities and other assets, respectively, on the consolidated balance sheets. Prior to the adoption of this guidance, estimated insurance recoveries were netted against the related liabilities.

*Fair Value of Financial Instruments*

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. Financial instruments consist of cash and cash equivalents, investments, accounts receivable, assets whose use is limited or restricted, accounts payable, estimated third-party payor settlements and long-term debt.

The fair value of all financial instruments other than long-term debt approximates their relative book value as these financial instruments have short-term maturities or are recorded at fair value. See Note 12. The fair value of the System's long-term debt is estimated using discounted cash flow analyses, based on the System's current incremental borrowing rates for similar types of borrowing arrangements, and is disclosed in Note 7 to the financial statements.

*Advertising Expense*

Advertising costs are expensed as incurred and totaled approximately \$1,352,000 and \$1,132,000 in 2014 and 2013, respectively.

*Subsequent Events*

Management of the System evaluated events occurring between the end of its fiscal year and December 10, 2014, the date the financial statements were available to be issued to determine whether such events should be recognized or disclosed in the consolidated financial statements.

## SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

#### 2. Significant Accounting Policies (Continued)

##### Malpractice Loss Contingencies

The System has been and is insured against malpractice loss contingencies under claims-made insurance policies. A claims-made policy provides specific coverage for claims made during the policy period. The System has established a reserve to cover professional liability exposure that may not be covered by prior or current insurance policies. The possibility exists, as a normal risk of doing business, that malpractice claims in excess of insurance coverage may be asserted against the System.

At September 30, 2014 and 2013, the System recorded a liability of approximately \$3,009,000 and \$4,497,000, respectively, related to estimated professional liability losses. At September 30, 2014 and 2013, the System also recorded a receivable of \$1,042,000 and \$2,535,000, respectively, related to estimated recoveries under insurance coverage for recoveries of the potential losses. These amounts are included in other liabilities and other assets, respectively, on the consolidated balance sheets. Prior to the adoption of this guidance, estimated insurance recoveries were netted against the related liabilities.

##### Fair Value of Financial Instruments

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. Financial instruments consist of cash and cash equivalents, investments, accounts receivable, assets whose use is limited or restricted, accounts payable, estimated third-party payor settlements and long-term debt.

The fair value of all financial instruments other than long-term debt approximates their relative book value as these financial instruments have short-term maturities or are recorded at fair value. See Note 12. The fair value of the System's long-term debt is estimated using discounted cash flow analyses, based on the System's current incremental borrowing rates for similar types of borrowing arrangements, and is disclosed in Note 7 to the financial statements.

##### Advertising Expense

Advertising costs are expensed as incurred and totaled approximately \$1,352,000 and \$1,132,000 in 2014 and 2013, respectively.

##### Subsequent Events

Management of the System evaluated events occurring between the end of its fiscal year and December 10, 2014, the date the financial statements were available to be issued to determine whether such events should be recognized or disclosed in the consolidated financial statements.

**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2014 and 2013

**3. Net Patient Service Revenues**

An estimated breakdown of patient service revenue, net of contractual allowances, discounts and provision for bad debts recognized in 2014 and 2013 from these major payor sources, is as follows:

	<u>Gross Patient Service Revenues</u>	<u>Contractual Allowances and Discounts</u>	<u>Provision for Bad Debts</u>	<u>Net Patient Services Revenues Less Provision for Bad Debts</u>
<b><u>2014</u></b>				
Private payors (includes coinsurance and deductibles)	\$ 310,839,491	\$(108,018,903)	\$ (8,402,737)	\$ 194,417,851
Medicaid	57,180,258	(48,672,393)	(507,708)	8,000,157
Medicare	235,024,321	(157,031,309)	(2,681,027)	75,311,985
Self-pay	<u>25,609,168</u>	<u>(9,678,539)</u>	<u>(13,702,004)</u>	<u>2,228,625</u>
	<u>\$ 628,653,238</u>	<u>\$(323,401,144)</u>	<u>\$(25,293,476)</u>	<u>\$ 279,958,618</u>
<b><u>2013</u></b>				
Private payors (includes coinsurance and deductibles)	\$ 310,651,093	\$(105,076,309)	\$ (6,726,568)	\$ 198,848,216
Medicaid	52,670,011	(45,923,104)	(195,876)	6,551,031
Medicare	211,282,935	(142,731,772)	(1,583,640)	66,967,523
Self-pay	<u>27,011,364</u>	<u>(11,823,064)</u>	<u>(13,229,226)</u>	<u>1,959,074</u>
	<u>\$ 601,615,403</u>	<u>\$(305,554,249)</u>	<u>(21,735,310)</u>	<u>\$ 274,325,844</u>

The System maintains contracts with the Social Security Administration (Medicare) and the State of New Hampshire Department of Health and Human Services (Medicaid). The System is paid a prospectively determined fixed price for each Medicare and Medicaid inpatient acute care service depending on the type of illness or the patient diagnostic related group classification. Medicare's payment methodology for outpatient services is based upon a prospective standard rate for procedures performed or services rendered. Capital costs and certain Medicaid outpatient services are also reimbursed on a prospectively determined fixed price. The System receives payment for other Medicare and Medicaid inpatient and outpatient services on a reasonable cost basis which are settled with retroactive adjustments upon completion and audit of related cost finding reports. The percentage of net patient service revenue earned from the Medicare and Medicaid programs prior to the provision for bad debts was 26% and 3%, respectively, in 2014 and 23% and 2%, respectively, in 2013.

SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

3. Net Patient Service Revenues (Continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The System believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. There is at least a reasonable possibility that recorded amounts could change by a material amount in the near term. Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in net patient service revenue in the year that such amounts become known. Such differences increased net patient service revenue by \$334,000 and \$735,000 for the years ended September 30, 2014 and 2013, respectively.

The System also maintains contracts with Anthem Health Plans of New Hampshire, managed care providers and various other payors which reimburse the System for services based on charges with varying discount levels.

The System does not pursue collection of amounts determined to qualify as charity care, therefore, they are not reported as revenues.

Electronic Health Record Incentive Payments

The Centers for Medicare and Medicaid Services (CMS) Electronic Health Records (EHR) incentive programs provide a financial incentive for the "meaningful use" of certified EHR technology to achieve health and efficiency goals. To qualify for incentive payments, eligible organizations must successfully demonstrate meaningful use of certified EHR technology through various stages as defined by CMS. In 2014 and 2013, the System filed meaningful use attestations with CMS. Revenue totaling \$2,480,681 and \$1,899,028 associated with these meaningful use attestations were recorded as other revenue for the years ended September 30, 2014 and 2013, respectively.

4. Concentration of Credit Risk

The System grants credit without collateral to its patients, most of whom are local area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30 was as follows:

	<u>2014</u>	<u>2013</u>
Medicare	29%	29%
Medicaid	12	10
Managed Care	15	13
Anthem Health Plans of New Hampshire	13	12
Commercial Insurance	12	13
Self-pay	<u>19</u>	<u>23</u>
	<u>100%</u>	<u>100%</u>

**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

**5. Investments and Assets Whose Use is Limited**

Investments and assets whose use is limited, which are recorded at fair value, at September 30, 2014 and 2013, are reported in the accompanying consolidated balance sheet as follows:

	<u>2014</u>	<u>2013</u>
Funds held by trustee – current	\$ 4,184,031	\$ 4,141,089
Investments	61,720,843	56,670,394
Employee benefit plans and other	21,720,264	18,516,510
Board designated and donor-restricted	<u>75,259,613</u>	<u>68,039,314</u>
	<u>\$162,884,751</u>	<u>\$147,367,307</u>

The composition of investments and assets whose use is limited at September 30, 2014 and 2013 is set forth in the following table:

	<u>Cost</u> <u>2014</u>	<u>Fair Value</u> <u>2014</u>	<u>Cost</u> <u>2013</u>	<u>Fair Value</u> <u>2013</u>
Cash and cash equivalents	\$ 6,248,107	\$ 6,248,107	\$ 8,944,289	\$ 8,944,289
Fixed income securities	56,212,173	56,351,136	57,224,047	56,730,075
Marketable equity securities	81,480,895	96,029,785	63,408,108	76,671,300
Real estate investment trust	830,191	838,014	1,527,079	1,524,518
Other	<u>3,737,362</u>	<u>3,417,709</u>	<u>3,819,444</u>	<u>3,497,125</u>
	<u>\$148,508,728</u>	<u>\$162,884,751</u>	<u>\$134,922,967</u>	<u>\$147,367,307</u>

See Note 12 for additional information with respect to fair values.

Investments, board designated and donor restricted investments at September 30, 2014 and 2013 are comprised of the following:

	<u>2014</u>	<u>2013</u>
Investments	\$ 61,720,843	\$ 56,670,394
Board designated for capital, working capital and community service	72,820,216	65,624,019
Donor restricted	<u>2,439,397</u>	<u>2,415,295</u>
	<u>\$136,980,456</u>	<u>\$124,709,708</u>

**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2014 and 2013

**5. Investments and Assets Whose Use is Limited (Continued)**

Unrestricted investment income and realized and unrealized gains (losses) on investments is summarized as follows:

	<u>2014</u>	<u>2013</u>
Operating interest and dividend income	\$ 1,340,112	\$ 1,538,776
Other interest and dividend income	1,671,224	1,363,240
Net realized and unrealized gains on investments	<u>7,477,657</u>	<u>7,314,751</u>
Nonoperating investment return	<u>9,148,881</u>	<u>8,677,991</u>
Total investment return	<u>\$10,488,993</u>	<u>\$10,216,767</u>

All board designated and donor restricted investment income and gains or (losses) including unrealized gains or (losses) are included as part of nonoperating gains, net in the consolidated statement of operations and changes in net assets.

**6. Property and Equipment**

A summary of property and equipment at September 30, 2014 and 2013 follows:

	<u>2014</u>	<u>2013</u>
Land and land improvements	\$ 14,558,402	\$ 13,342,064
Buildings and fixed equipment	163,932,507	162,211,479
Major movable equipment	86,366,646	80,760,027
Construction in progress	<u>8,819,641</u>	<u>4,426,565</u>
	273,677,196	260,740,135
Less accumulated depreciation and amortization	<u>(145,078,170)</u>	<u>(134,912,494)</u>
	<u>\$ 128,599,026</u>	<u>\$ 125,827,641</u>

**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2014 and 2013

**7. Long-Term Debt**

Long-term debt consists of the following at September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
New Hampshire Health and Education Facilities Authority (the Authority):		
Series 2007A Revenue Bonds with interest ranging from 5.0% to 5.25% per year. Principal and sinking fund installments are required in amounts ranging from \$2,040,000 to \$6,125,000 through October 1, 2037	\$88,055,000	\$89,905,000
Tax-exempt equipment lease financing with a fixed interest rate of 2.0% with required monthly payments of \$96,411 through December 15, 2015	1,427,029	2,543,221
Unamortized original issue discount	<u>(44,756)</u>	<u>(48,008)</u>
	89,437,273	92,400,213
Capital lease obligations (see Note 10)	168,739	430,843
Less current portion	<u>(3,342,155)</u>	<u>(3,318,211)</u>
	<u>\$86,263,857</u>	<u>\$89,512,845</u>

The Obligated Group for the Series 2007A bonds is comprised of the System and the Medical Center. However, the System has no revenues, expenses or net assets independent of the Medical Center or the Foundation.

No debt service reserve funds are required under the Series 2007A bonds so long as the Medical Center meets certain debt covenants. The funds held by the trustee under the revenue bond and equipment financing agreements at September 30 are comprised of the following:

	<u>2014</u>	<u>2013</u>
Debt service principal fund	\$1,940,085	\$1,850,076
Debt service interest fund	<u>2,243,946</u>	<u>2,291,013</u>
Total funds held by trustees	<u>\$4,184,031</u>	<u>\$4,141,089</u>

The Medical Center's revenue bond agreement with the Authority grants the Authority a security interest in the Medical Center's gross receipts. In addition, under the terms of the master indenture, the Medical Center is required to meet certain covenant requirements. At September 30, 2014, the Medical Center was in compliance with these requirements.

Aggregate annual principal payments required under the bond, equipment financing and capital lease agreements for each of the five years ending September 30, 2019 are approximately \$3,342,000, \$2,434,000, \$2,250,000, \$2,360,000, and \$2,485,000, respectively.

**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2014 and 2013

**7. Long-Term Debt (Continued)**

In December 2010, the Medical Center entered into a five year \$5,500,000 tax-exempt equipment lease financing with the Authority and Bank of America. The proceeds of the financing were held by a trustee, under the terms of an escrow agreement which allowed for withdrawals only for approved purchases of capital equipment. The agreement grants Bank of America security interest in the equipment financed with the proceeds for the duration of the lease.

Interest paid on capital leases and long-term debt totaled \$4,591,621 for the year ended September 30, 2014 and \$4,688,837 for the year ended September 30, 2013. During 2013, \$70,252 of interest was capitalized related to facility renovations. There was no interest capitalized during the year ended September 30, 2014.

The fair value of long-term debt is estimated to be approximately \$92,152,903 at September 30, 2014 and \$92,222,128 at September 30, 2013.

**8. Pension Plan**

The following table presents a reconciliation of the beginning and ending balances of the Medical Center's defined benefit pension plan projected benefit obligation and the fair value of plan assets, and funded status of the Plan.

	<u>2014</u>	<u>2013</u>
Changes in benefit obligations:		
Projected benefit obligation, beginning of period	\$(62,389,034)	\$(68,478,263)
Interest cost	(2,930,439)	(2,560,981)
Benefits paid	1,616,571	1,407,493
Actuarial gain (loss)	<u>(5,109,408)</u>	<u>7,242,717</u>
Projected benefit obligations, end of period	<u>\$(68,812,310)</u>	<u>\$(62,389,034)</u>
Changes in plan assets:		
Fair value of plan assets, beginning of period	\$ 53,955,003	\$ 47,527,770
Actual return on plan assets	5,261,619	6,309,726
Contributions by plan sponsor	1,284,000	1,525,000
Benefits paid	<u>(1,616,571)</u>	<u>(1,407,493)</u>
Fair value of plan assets, end of period	<u>\$ 58,884,051</u>	<u>\$ 53,955,003</u>
Funded status of the Plan	<u>\$ (9,928,259)</u>	<u>\$ (8,434,031)</u>
Net accrued liability	<u>\$ (9,928,259)</u>	<u>\$ (8,434,031)</u>

**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2014 and 2013

**8. Pension Plan (Continued)**

Amounts recognized as pension adjustments in unrestricted net assets at September 30, 2014 and 2013 consist of:

	<u>2014</u>	<u>2013</u>
Net actuarial loss	<u>\$23,698,813</u>	<u>\$20,251,734</u>

The accumulated benefit obligation as of the Plan's measurement date of September 30, 2014 and 2013, was \$68,812,310 and \$62,389,034, respectively.

The weighted-average assumptions used to determine the pension benefit obligation at September 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Discount rate	4.25%	4.75%

**Pension Plan Asset Fair Value Measurements**

The fair values of the System's pension plan assets as of September 30, 2014 and 2013, by asset category, are as follows (see Note 12 for level definitions):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>2014:</b>				
Pooled separate accounts:				
Money market	\$ -	\$ 600,959	\$ -	\$ 600,959
International equity	-	4,599,972	-	4,599,972
Large cap equity	-	20,775,722	-	20,775,722
Mid cap equity	-	6,155,359	-	6,155,359
Small cap equity	-	3,919,285	-	3,919,285
Bond funds	-	<u>22,832,754</u>	-	<u>22,832,754</u>
	<u>\$ -</u>	<u>\$58,884,051</u>	<u>\$ -</u>	<u>\$58,884,051</u>
<b>2013:</b>				
Pooled separate accounts:				
Money market	\$ -	\$ 52,322	\$ -	\$ 52,322
International equity	-	4,968,570	-	4,968,570
Large cap equity	-	15,585,205	-	15,585,205
Mid cap equity	-	7,662,474	-	7,662,474
Small cap equity	-	4,558,850	-	4,558,850
Bond funds	-	<u>21,127,582</u>	-	<u>21,127,582</u>
	<u>\$ -</u>	<u>\$53,955,003</u>	<u>\$ -</u>	<u>\$53,955,003</u>

**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2014 and 2013

**8. Pension Plan (Continued)**

Net periodic pension gain includes the following components for the years ended September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Interest cost on projected benefit obligation	\$ 2,930,439	\$ 2,560,981
Expected return on plan assets	(4,053,365)	(3,585,861)
Recognized loss	<u>454,075</u>	<u>768,616</u>
 Total gain	 \$ <u>(668,851)</u>	 \$ <u>(256,264)</u>

The weighted-average assumptions used to determine net periodic benefit cost at September 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Discount rate	4.75%	3.75%
Expected long-term rate of return on plan assets	7.50	7.50

Other changes in plan assets and benefit obligations recognized in adjustments to unrestricted net assets are as follows:

	<u>2014</u>	<u>2013</u>
Net loss (gain)	<u>\$3,447,079</u>	<u>\$(10,735,197)</u>
Total recognized in net periodic pension benefit cost and adjustment to unrestricted net assets	<u>\$2,778,228</u>	<u>\$(10,991,462)</u>

The estimated net loss for the defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is \$542,503.

**Plan Amendments**

On August 15, 2011, the Board of Directors of the System resolved to freeze the defined benefit pension plan effective October 8, 2011. Any employee who was a participant of the plan on that date will continue as a participant. No other person will become a participant after that date. Benefits to participants also stopped accruing on October 8, 2011. This amendment impacted the present value of accumulated plan benefits by eliminating the increase due to annual benefit accruals. Also effective October 8, 2011, the System provides qualifying employees with an additional 2% contribution under its existing defined contribution plan to supplement their retirement benefits.

**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

**8. Pension Plan (Continued)**

*Plan Assets*

The primary investment objective of the Medical Center's Retirement Plan is to provide pension benefits for its members and their beneficiaries by ensuring a sufficient pool of assets to meet the Plan's current and future benefit obligations. These funds are managed as permanent funds with disciplined longer-term investment objectives and strategies designed to meet cash flow requirements of the Plan. Funds are managed in accordance with ERISA and all other regulatory requirements.

Management of the assets is designed to maximize total return while preserving the capital values of the fund, protecting the fund from inflation, and provide liquidity as needed for plan benefits. The objective is to provide a rate of return that meets inflation, plus 5.5%, over a long-term horizon.

The Plan aims to diversify its holdings among sectors, industries and companies. No more than 10% of the Plan's portfolio, excluding U.S. Government obligations and cash, may be held in an individual company's stock or bonds.

A periodic review is performed of the pension plan's investment in various asset classes. The current asset allocation target is 50% to 70% equities, 30% to 50% fixed income, and 0% to 5% cash and other.

The Medical Center's pension plan weighted-average asset allocation at September 30, 2014 and 2013, by asset category is as follows:

	<u>2014</u>	<u>2013</u>
Marketable equity securities	60%	61%
U.S. Government obligations and corporate bonds	<u>40</u>	<u>39</u>
	<u>100%</u>	<u>100%</u>

*Contributions*

The Medical Center does not have a minimum required contribution for 2015.

*Estimated Future Benefit Payments*

The following benefit payments are expected to be paid as follows:

2015	\$ 1,835,134
2016	2,104,199
2017	2,295,220
2018	2,534,347
2019	2,775,579
Years 2020 – 2024	17,362,221

**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2014 and 2013

**9. Functional Expenses**

The Medical Center and the Foundation provide general health care services to residents within their geographic location. Expenses related to providing these services are as follows:

	<u>2014</u>	<u>2013</u>
Health care services	\$226,542,602	\$218,410,791
General and administrative	<u>58,234,761</u>	<u>54,192,950</u>
	<u>\$284,777,363</u>	<u>\$272,603,741</u>

**10. Leases**

The System leases equipment as well as office and storage space for operations under various noncancelable lease agreements. These leases are treated as operating leases and expire at various dates through 2028. Rental expense on all operating leases for the years ended September 30, 2014 and 2013 was \$1,960,945 and \$1,674,328, respectively.

The System also leases equipment under lease agreements that are classified as capital leases. The cost of equipment under the capital leases was approximately \$817,596 and \$1,589,656 at September 30, 2014 and 2013, respectively. Accumulated amortization of the leased equipment at September 30, 2014 and 2013 was approximately \$719,881 and \$1,010,543, respectively. Amortization of assets under capital leases is included in depreciation and amortization expense.

Future minimum lease payments required under capital and operating leases and the present value of the net minimum lease payments as of September 30, 2014 are as follows:

	<u>Operating Leases</u>	<u>Capital Leases</u>	<u>Total</u>
Year ending September 30:			
2015	\$1,287,554	\$ 164,554	\$1,452,108
2016	999,557	5,336	1,004,893
2017	916,655	-	916,655
2018	740,187	-	740,187
2019	466,848	-	466,848
Thereafter	2,818,041	<u>-</u>	<u>2,818,041</u>
Total future minimum lease payments		169,890	<u>\$7,398,732</u>
Less amount representing interest		<u>(1,151)</u>	
Present value of net minimum lease payments		168,739	
Less current maturities of capital lease obligations		<u>(163,395)</u>	
Long-term capital lease obligations		<u>\$ 5,344</u>	

**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2014 and 2013

**11. Community Benefits**

In accordance with its mission, the System provides substantial benefits to the southern New Hampshire region. The following community benefits were provided by the System for the year ending September 30, 2014 and 2013:

	<u>Community Benefit Costs</u>	<u>Offsetting Revenues</u>	<u>Net Community Benefit Expense</u>
<b><u>2014</u></b>			
Charity care (see note 3)	\$ 4,757,098	\$ 60,000	\$ 4,697,098
Uncompensated care	8,141,371	-	8,141,371
Subsidized care	126,645,468	86,455,510	40,189,958
Cash and in-kind contributions	<u>2,713,047</u>	<u>509,261</u>	<u>2,203,786</u>
Total	<u>\$142,256,984</u>	<u>\$87,024,771</u>	<u>\$55,232,213</u>
<b><u>2013</u></b>			
Charity care (see note 3)	\$ 6,699,939	\$ 50,000	\$ 6,649,939
Uncompensated care	7,496,959	-	7,496,959
Subsidized care	113,563,179	76,576,443	36,986,736
Cash and in-kind contributions	<u>2,461,532</u>	<u>106,066</u>	<u>2,355,466</u>
Total	<u>\$130,221,609</u>	<u>\$76,732,509</u>	<u>\$53,489,100</u>

*Charity care:* The System provides care to patients who meet certain criteria under its board established charity care policy without charge or at amounts less than its established rates. The System does not pursue collection of amounts determined to qualify as charity care, therefore, they are not reported as revenues. The estimated costs of caring for charity care patients for the years ended September 30, 2014 and 2013 were approximately \$4.7 million and \$6.7 million, respectively. Funds received from gifts and grants to subsidize charity services provided for the years ended September 30, 2014 and 2013 were \$60,000 and \$50,000, respectively.

*Uncompensated care:* The System provides care to patients without insurance, regardless of their ability to pay. Though the System attempts to assist all patients enrolling in available public assistance programs or qualification under its charity care policy, many patients either fail to comply with administrative requirements, or do not qualify. In these instances, the System attempts to collect for these services. However, the overwhelming majority of these accounts are ultimately uncollectible.

*Subsidized care:* The System provides services to patients enrolled in public service programs, i.e., Medicare and Medicaid, at rates substantially below cost.

*Cash and in-kind contributions:* The System supports various community initiatives including healthcare outreach, research and education. Other cash and in-kind contributions can be found in the community benefits report posted on the System's website.

**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2014 and 2013

**12. Fair Value Measurements**

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

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

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

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

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

For the fiscal years ended September 30, 2014 and 2013, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used:

**Marketable Equity Securities**

Marketable equity securities are valued based on stated market prices and at the net asset value of shares held by the System at year end, which results in classification as Level 1 or Level 2 within the fair value hierarchy.

**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2014 and 2013

**12. Fair Value Measurements**

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

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

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

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

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

For the fiscal years ended September 30, 2014 and 2013, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used:

**Marketable Equity Securities**

Marketable equity securities are valued based on stated market prices and at the net asset value of shares held by the System at year end, which results in classification as Level 1 or Level 2 within the fair value hierarchy.

SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

12. **Fair Value Measurements (Continued)**

*Fixed Income Securities*

The fair value for debt instruments is determined by using broker or dealer quotations, external pricing providers, or alternative pricing sources with reasonable levels of price transparency. The System holds U.S. governmental and federal agency debt instruments, municipal bonds, corporate bonds, and foreign bonds which are classified as Level 1 or Level 2 within the fair value hierarchy.

*Employee Benefit Plans*

Underlying plan investments within these funds are stated at quoted market prices. These investments are generally classified as Level 1 within the fair value hierarchy.

System management is responsible for the fair value measurements of investments reported in the consolidated financial statements. Such amounts are generally determined using audited financial statements of the funds and/or recently settled transactions.

*Fair Value on a Recurring Basis*

The following presents the balances of assets (funds held by trustee, investments and assets whose use is limited) measured at fair value on a recurring basis at September 30, 2014 and 2013:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2014:				
Cash and cash equivalents	\$ 4,355,170	\$ 4,355,170	\$ -	\$ -
Marketable equity securities:				
Large cap	56,784,033	30,968,872	25,815,161	-
Mid cap	9,943,550	3,394,082	6,549,468	-
Small cap	5,424,339	2,652,356	2,771,983	-
International	7,227,181	3,632,246	3,594,935	-
Fixed income securities:				
U.S. Government obligations	19,502,912	12,718,821	6,784,091	-
Corporate bonds	21,593,014	20,005,553	1,587,461	-
Foreign bonds	12,197,308	11,200,267	997,041	-
Other investments	4,136,980	3,287,246	849,734	-
Employee benefit plans	<u>21,720,264</u>	<u>21,720,264</u>	<u>-</u>	<u>-</u>
	<u>\$ 162,884,751</u>	<u>\$ 113,934,877</u>	<u>\$ 48,949,874</u>	<u>\$ -</u>

**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2014 and 2013

**12. Fair Value Measurements (Continued)**

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2013:				
Cash and cash equivalents	\$ 4,868,161	\$ 4,868,161	\$ -	\$ -
Marketable equity securities:				
Large cap	37,645,888	15,723,577	21,922,311	-
Mid cap	10,085,874	4,229,116	5,856,758	-
Small cap	6,632,209	3,971,590	2,660,619	-
International	10,151,288	5,710,561	4,440,727	-
Fixed income securities:				
U.S. Government obligations	29,902,075	21,137,122	8,764,953	-
Corporate bonds	11,877,080	10,398,649	1,478,431	-
Foreign bonds	12,766,166	11,749,584	1,016,582	-
Other investments	4,922,056	4,000,837	921,219	-
Employee benefit plans	<u>18,516,510</u>	<u>18,516,510</u>	<u>-</u>	<u>-</u>
	<u>\$ 147,367,307</u>	<u>\$ 100,305,707</u>	<u>\$ 47,061,600</u>	<u>\$ -</u>

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

Investment Strategies

Marketable Equity Securities

The primary purpose of equity investments is to provide appreciation of principal and growth of income with the recognition that this requires the assumption of greater market volatility and risk of loss. The total equity portion of the portfolio will be broadly diversified according to economic sector, industry, number of holdings and other characteristics including style and capitalization. The System may employ multiple equity investment managers, each of whom may have distinct investment styles. Accordingly, while each manager's portfolio may not be fully diversified, it is expected that the combined equity portfolio will be broadly diversified.

Fixed Income Securities (Debt Instruments)

The primary purpose of fixed income investments is to provide a highly predictable and dependable source of income, preserve capital, and reduce the volatility of the total portfolio and hedge against the risk of deflation or protracted economic contraction.

SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014 and 2013

12. **Fair Value Measurements (Continued)**

*Fair Value of Other Financial Instruments*

The following methods and assumptions were used by the System in estimating the "fair value" of other financial instruments in the accompanying consolidated financial statements and notes thereto:

*Cash and cash equivalents:* The carrying amounts reported in the accompanying consolidated balance sheets for these financial instruments approximate their fair values.

*Accounts receivable and accounts payable:* The carrying amounts reported in the accompanying consolidated balance sheets approximate their respective fair values due to the short maturities of these instruments.

*Long-term debt:* The fair value of the notes payable and long-term debt, as disclosed in Note 7, was calculated based upon discounted cash flows through maturity based on market rates currently available for borrowing with similar maturities.

13. **Medicaid Enhancement Tax and Medicaid Disproportionate Share**

Under the State of New Hampshire's (the State) tax code, the State imposes a Medicaid Enhancement Tax (MET) equal to 5.5% of the Medical Center's net patient service revenues, with certain exclusions. The amount of the tax incurred by the Medical Center for fiscal 2014 and 2013 was \$10,349,872 and \$7,262,691, respectively.

Historically, the State has provided disproportionate share payments (DSH) to hospitals based on a set percentage of uncompensated care provided. As part of the State's budget process for the period ended June 30, 2012, the State eliminated DSH payments to certain New Hampshire hospitals, including the Medical Center. During the year ended September 30, 2013, the Medical Center paid the State's MET based on 5.5% of net patient service revenues, with certain exclusions but did not receive disproportionate share payments. The State reinstated a portion of the DSH payments in the period ended June 30, 2014. During the year ended September 30, 2014, the Medical Center received DSH interim funding of \$3,104,329, subject to the State DSH annual audit and potential redistributions. A reserve of \$309,000 has been established in the event of a potential redistribution as a result of the State audit. Also, during the year ended September 30, 2014, the Medical Center participated in the audit of the State's 2011 DSH program which has not been finalized as of the date of these consolidated financial statements. Due to the uncertainty of the ultimate resolution of the State's 2011 audit, the Medical Center reserved approximately \$1,180,000, or 10% of the DSH payments received in 2011.

The Medical Center and several other New Hampshire hospitals appealed and amended certain MET tax returns with the State. This initial appeal process was settled in May 2013, and included all tax years up to the State's fiscal year ended June 30, 2013. The settlement included a credit to the Medical Center to offset future MET for the fiscal years ended September 30, 2013 and 2014. At September 30, 2014, approximately \$369,000 has been recorded and reflected as an asset in the balance sheet related to these future tax credits expected to be used in the year ended September 30, 2015.

# BAKER NEWMAN NOYES

## INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION

Board of Trustees  
Southern New Hampshire Health System, Inc.

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

Manchester, New Hampshire  
December 10, 2014

*Baker Newman & Noyes*  
Limited Liability Company

SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.

CONSOLIDATING BALANCE SHEETS

September 30, 2014 and 2013

ASSETS

	2014				2013			
	Elimi- nation Entries	Southern New Hampshire Medical Center	Foundation Medical Partners, Inc.	Consol- idated	Elimi- nation Entries	Southern New Hampshire Medical Center	Foundation Medical Partners, Inc.	Consol- idated
Current assets:								
Cash and cash equivalents	\$ -	\$ 44,417,789	\$ (130,499)	\$ 41,290,536	\$ -	\$ 41,643,809	\$ (353,273)	
Accounts receivable, less allowances for doubtful accounts	-	21,748,812	8,981,979	32,135,130	-	23,174,204	8,960,926	
Inventories	-	2,878,114	332,599	3,812,763	-	2,809,265	1,003,498	
Prepaid expenses and other current assets	(208,415)	3,213,940	1,550,322	4,144,362	(195,139)	3,099,955	1,239,546	
Funds held by trustee for current payment of bond principal and interest	-	4,184,031	-	4,141,089	-	4,141,089	-	
Total current assets	(208,415)	76,442,686	10,734,401	85,523,880	(195,139)	74,868,322	10,850,697	
Investments	-	61,720,843	-	56,670,394	-	56,670,394	-	
Assets whose use is limited:								
Employee benefit plans and other	-	5,623,712	16,096,552	18,516,510	-	5,044,753	13,471,757	
Board designated and donor-restricted	-	75,259,613	-	68,039,314	-	68,039,314	-	
Property, plant and equipment, net	(141,837)	118,093,787	16,096,552	86,555,824	-	73,084,067	13,471,757	
Other assets	(5,492,207)	12,142,419	303,555	8,815,694	(5,701,728)	14,102,059	415,363	
Unamortized financing costs	-	584,485	-	630,526	-	630,526	-	
Total assets	\$(5,842,459)	\$ 349,867,545	\$ 37,781,584	\$ 364,023,959	\$(6,047,569)	\$ 334,813,337	\$ 35,258,191	

LIABILITIES AND NET ASSETS (DEFICIT)

	2014				2013			
	Southern		Foundation		Southern		Foundation	
	Consolidated	Elimination Entries	New Hampshire Medical Center	Medical Partners, Inc.	Consolidated	Elimination Entries	New Hampshire Medical Center	Medical Partners, Inc.
Current liabilities:								
Accounts payable and other accrued expenses	\$ 19,957,723	\$ -	\$ 14,458,793	\$ 5,498,930	\$ 18,737,531	\$ -	\$ 12,701,438	\$ 6,036,093
Accrued compensation and related taxes	24,166,354	-	14,872,139	9,294,215	24,436,046	-	15,251,290	9,184,756
Accrued interest payable	2,243,850	-	2,243,850	-	2,290,100	-	2,290,100	-
Amounts payable to third-party payors	11,988,444	-	11,988,444	-	10,151,636	-	10,151,636	-
Current portion long-term debt and capital lease obligations	<u>3,342,155</u>	-	<u>3,342,155</u>	-	<u>3,318,211</u>	-	<u>3,318,211</u>	-
Total current liabilities	61,698,526	-	46,905,381	14,793,145	58,933,524	-	43,712,675	15,220,849
Other liabilities	33,936,968	(5,842,459)	16,886,758	22,892,669	30,757,242	(6,047,569)	16,354,890	20,449,921
Long-term debt and capital lease obligations, less current portion	86,263,857	-	86,263,857	-	89,512,845	-	89,512,845	-
Net assets (deficit):								
Unrestricted	197,467,921	-	197,372,151	95,770	182,405,053	-	182,817,632	(412,579)
Temporarily restricted	73,885	-	73,885	-	59,782	-	59,782	-
Permanently restricted	<u>2,365,513</u>	-	<u>2,365,513</u>	-	<u>2,355,513</u>	-	<u>2,355,513</u>	-
Total liabilities and net assets (deficit)	<u>\$381,806,670</u>	<u>\$(5,842,459)</u>	<u>\$349,867,545</u>	<u>\$37,781,584</u>	<u>\$364,023,959</u>	<u>\$(6,047,569)</u>	<u>\$334,813,337</u>	<u>\$35,258,191</u>

**SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, INC.**

**CONSOLIDATING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS**

Years Ended September 30, 2014 and 2013

	2014				2013			
	Consolidated	Elimination Entries	Southern New Hampshire Medical Center	Foundation Medical Partners, Inc.	Consolidated	Elimination Entries	Southern New Hampshire Medical Center	Foundation Medical Partners, Inc.
Net patient services revenue (net of contractual allowances and discounts)	\$ 305,252,094	\$ (3,259,532)	\$ 215,794,608	\$ 92,717,018	\$ 296,061,154	\$ (3,003,927)	\$ 209,177,505	\$ 89,887,576
Provision for bad debts	(25,293,476)	-	(19,881,510)	(5,411,966)	(21,735,310)	-	(16,888,229)	(4,847,081)
Net patient service revenue less provision for bad debts	279,958,618	(3,259,532)	195,913,098	87,305,052	274,325,844	(3,003,927)	192,289,276	85,040,495
Disproportionate share hospital revenue	1,615,323	-	1,615,323	-	-	-	-	-
Interest and dividends	1,340,112	-	1,340,112	-	1,538,776	-	1,538,776	-
Other revenue	11,128,067	(7,030,246)	7,808,625	10,349,688	9,959,808	(7,051,683)	6,733,131	10,278,360
Total revenue	294,042,120	(10,289,778)	206,677,158	97,654,740	285,824,428	(10,055,610)	200,561,183	95,318,855
Operating expenses:								
Salaries and wages	152,683,714	(323,163)	82,965,156	70,041,721	148,111,202	(367,371)	80,919,387	67,559,186
Employee benefits	24,184,462	(3,259,532)	14,449,111	12,994,883	25,474,523	(3,003,927)	15,622,870	12,855,580
Supplies and other expenses	78,999,751	(6,322,650)	53,041,862	32,280,539	72,899,041	(6,288,484)	50,392,268	28,795,257
Depreciation and amortization	14,014,193	-	11,783,612	2,230,581	14,236,663	-	11,978,759	2,257,904
New Hampshire Medicaid enhancement tax	10,349,872	-	10,349,872	-	7,262,691	-	7,262,691	-
Interest	4,545,371	(384,433)	4,545,372	384,432	4,619,621	(395,828)	4,618,585	396,864
Total operating expenses	284,777,363	(10,289,778)	177,134,985	117,932,156	272,603,741	(10,055,610)	170,794,560	111,864,791
Income (loss) from operations	9,264,757	-	29,542,173	(20,277,416)	13,220,687	-	29,766,623	(16,545,936)

	2014				2013			
	Consolidated	Elimination Entries	Southern New Hampshire Medical Center	Foundation Medical Partners, Inc.	Consolidated	Elimination Entries	Southern New Hampshire Medical Center	Foundation Medical Partners, Inc.
Nonoperating gains (losses):								
Investment return	\$ 9,148,881	\$ -	\$ 9,148,881	\$ -	\$ 8,677,991	\$ -	\$ 8,677,991	\$ -
Contributions, community benefits expense and nonoperating revenues	71,309	-	63,808	7,501	(95,792)	-	(80,022)	(15,770)
Nonoperating gains (losses), net	9,220,190	-	9,212,689	7,501	8,582,199	-	8,597,969	(15,770)
Excess (deficiency) of revenues and nonoperating gains (losses) over expenses	18,484,947	-	38,754,862	(20,269,915)	21,802,886	-	38,364,592	(16,561,706)
Transfers from (to) affiliates	-	-	(20,778,264)	20,778,264	-	-	(17,083,130)	17,083,130
Pension adjustment	(3,447,079)	-	(3,447,079)	-	10,735,197	-	10,735,197	-
Released from restriction for purchase of capital	25,000	-	25,000	-	25,000	-	25,000	-
Increase in unrestricted net assets	15,062,868	-	14,554,519	508,349	32,563,083	-	32,041,659	521,424
Contributions of temporarily restricted net assets	56,666	-	56,666	-	35,000	-	35,000	-
Net assets released from restriction for purchase of capital	(25,000)	-	(25,000)	-	(25,000)	-	(25,000)	-
Net assets released from restriction for operations	(17,563)	-	(17,563)	-	(420)	-	(420)	-
Increase in temporarily restricted net assets	14,103	-	14,103	-	9,580	-	9,580	-
Increase in permanently restricted net assets	10,000	-	10,000	-	-	-	-	-
Increase in net assets	15,086,971	-	14,578,622	508,349	32,572,663	-	32,051,239	521,424
Net assets at beginning of year	184,820,348	-	185,232,927	(412,579)	152,247,685	-	153,181,688	(934,003)
Net assets (deficit) at end of year	\$ 199,907,319	\$ -	\$ 199,811,549	\$ 95,770	\$ 184,820,348	\$ -	\$ 185,232,927	\$ (412,579)

## Application for Extension of Time To File an Exempt Organization Return

(Rev. January 2014)

Department of the Treasury  
Internal Revenue Service

▶ **File a separate application for each return.**  
▶ **Information about Form 8868 and its instructions is at [www.irs.gov/form8868](http://www.irs.gov/form8868).**

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box
  - If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form).
- Do not complete Part II unless** you have already been granted an automatic 3-month extension on a previously filed Form 8868.

**Electronic filing (e-file).** You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time. You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit [www.irs.gov/efile](http://www.irs.gov/efile) and click on *e-file for Charities & Nonprofits*.

**Part I Automatic 3-Month Extension of Time.** Only submit original (no copies needed).  
A corporation required to file Form 990-T and requesting an automatic 6-month extension—check this box and complete Part I only   
*All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.*

	Enter filer's identifying number, see instructions	
Type or print	Name of exempt organization or other filer, see instructions. <b>Foundation Medical Partners</b>	Employer identification number (EIN) or <b>02-0456218</b>
File by the due date for filing your return. See instructions.	Number, street, and room or suite no. If a P.O. box, see instructions. <b>8 Prospect Street P.O. Box 2014</b>	Social security number (SSN)
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. <b>Nashua, NH 03061-2014</b>	

Enter the Return code for the return that this application is for (file a separate application for each return) 0 1

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720 (other than individual)	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

• The books are in the care of ▶ **Michael Rose, 8 Prospect St., Nashua, NH 03061**

Telephone No. ▶ **603-577-2004** Fax No. ▶ **603-577-5630**

- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) \_\_\_\_\_ . If this is for the whole group, check this box  . If it is for part of the group, check this box  and attach a list with the names and EINs of all members the extension is for.

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until **May 15**, 20 **15**, to file the exempt organization return for the organization named above. The extension is for the organization's return for:  
▶  calendar year 20 \_\_\_\_ or  
▶  tax year beginning **October 1**, 20 **13**, and ending **September 30**, 20 **14**.

2 If the tax year entered in line 1 is for less than 12 months, check reason:  Initial return  Final return  
 Change in accounting period

3a If this application is for Forms 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	<b>3a</b>	\$
b If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	<b>3b</b>	\$
c <b>Balance due.</b> Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	<b>3c</b>	\$

**Caution.** If you are going to make an electronic funds withdrawal (direct debit) with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

- If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete only **Part II** and check this box  **Note.** Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.
- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** (on page 1).

**Part II Additional (Not Automatic) 3-Month Extension of Time.** Only file the original (no copies needed).

Type or print  File by the due date for filing your return. See instructions.	Name of exempt organization or other filer, see instructions.	Employer identification number (EIN) or
	Number, street, and room or suite no. If a P.O. box, see instructions.	Social security number (SSN)
	City, town or post office, state, and ZIP code. For a foreign address, see instructions.	

Enter the Return code for the return that this application is for (file a separate application for each return)

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01		
Form 990-BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720 (other than individual)	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

**STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.**

- The books are in the care of ▶ \_\_\_\_\_  
 Telephone No. ▶ \_\_\_\_\_ Fax No. ▶ \_\_\_\_\_
- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) \_\_\_\_\_. If this is for the whole group, check this box . If it is for part of the group, check this box  and attach a list with the names and EINs of all members the extension is for.

- I request an additional 3-month extension of time until \_\_\_\_\_, 20\_\_\_\_\_.
- For calendar year \_\_\_\_\_, or other tax year beginning \_\_\_\_\_, 20\_\_\_\_\_, and ending \_\_\_\_\_, 20\_\_\_\_\_.
- If the tax year entered in line 5 is for less than 12 months, check reason:  Initial return  Final return  
 Change in accounting period
- State in detail why you need the extension \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

<b>8a</b> If this application is for Forms 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	<b>8a</b>	\$
<b>b</b> If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	<b>8b</b>	\$
<b>c</b> <b>Balance due.</b> Subtract line 8b from line 8a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	<b>8c</b>	\$

**Signature and Verification must be completed for Part II only.**

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ▶ \_\_\_\_\_ Title ▶ \_\_\_\_\_ Date ▶ \_\_\_\_\_



Department of Treasury  
Internal Revenue Service  
Ogden UT 84201

069262.534849.381624.17502 1 AT 0.406 370



FOUNDATION MEDICAL PARTNERS INC  
268 MAIN ST  
NASHUA NH 03060-2949



069262

Notice	CP211A
Tax period	September 30, 2014
Notice date	March 2, 2015
Employer ID number	02-0456218
To contact us	Phone 1-877-829-5500 FAX 801-620-5555

Page 1 of 1

Important information about your September 30, 2014 Form 990

## We approved your Form 8868, Application for Extension of Time To File an Exempt Organization Return

We approved the Form 8868 for your  
September 30, 2014 Form 990.  
Your new due date is May 15, 2015.

### What you need to do

File your September 30, 2014 Form 990 by May 15, 2015. We encourage you to use electronic filing—the fastest and easiest way to file.

Visit [www.irs.gov/charities](http://www.irs.gov/charities) to learn about approved e-File providers, what types of returns can be filed electronically, and whether you are required to file electronically.

### Additional information

- Visit [www.irs.gov/cp211a](http://www.irs.gov/cp211a).
- For tax forms, instructions, and publications, visit [www.irs.gov](http://www.irs.gov) or call 1-800-TAX-FORM (1-800-829-3676).
- Keep this notice for your records.

If you need assistance, please don't hesitate to contact us.

OFFICE OF THE NEW HAMPSHIRE ATTORNEY GENERAL  
CHARITABLE TRUSTS UNIT  
33 Capitol Street, Concord, NH 03301-6397

NHCT-4

APPLICATION FOR EXTENSION OF TIME TO FILE ANNUAL REPORT WITH  
CHARITABLE TRUSTS UNIT

This application for extension of time must be received on or before due date of annual filing in order to be accepted. IRS form 8868 is not acceptable for this purpose.

OFFICIAL NAME OF ORGANIZATION: Foundation Medical Partners, Inc.

CURRENT ADDRESS: 8 Prospect Street, Nashua, NH 03061

Is this a change of address? YES  NO

COMPLETE THE FOLLOWING

I REQUEST AN EXTENSION OF TIME UNTIL: August 15, 2015

(only 1 request per report)

DATE OF FISCAL YEAR END: 09/30/2014

REGISTRATION # OF CHARITY: 13088

(obtain from mailing label)

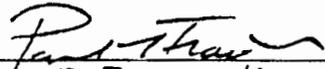
REASON FOR EXTENSION: Additional time will be needed to gather tax information for preparation of IRS Form 990.

ONLY ONE REQUEST GRANTED PER REPORT. REQUEST MAXIMUM AMOUNT OF TIME REQUIRED, WHICH IS 6 MONTHS FROM DUE DATE.

**\$75 ANNUAL FILING FEE MUST ACCOMPANY REQUEST.**

If you do not hear from this Unit WITHIN 21 DAYS you may assume that this request has been granted. YOU WILL HEAR FROM THIS OFFICE ONLY IF THE REQUEST IS DENIED.

Date: 01/09/2015

By:   
Title: VP FINANCE/COMPTROLLER  
Phone: (603) 577-7825

FAILURE TO FILE ANNUAL REPORTS WITH THE ATTORNEY GENERAL IN A TIMELY MANNER MAY RESULT IN COURT ACTION AND THE IMPOSITION OF CIVIL PENALTIES OF UP TO \$10,000 PER VIOLATION (RSA 7:28-f II(d)).



**FOUNDATION MEDICAL PARTNERS  
BOARD OF GOVERNORS  
2015**

Paul Boffetti, MD, Governor-at-Large 10/2014-Present

Tammy D'Urso, MSW, Behavioral Health Division Chair 4/2015-Present

Susan DeSocio, President/CEO, Foundation Medical Partners 3/1999-Present

Robert Dorf, DO, Chief Medical Officer, Foundation Medical Partners 1/2008-Present

Gary Dunetz, MD, Surgical Specialty Division Chair 10/2014-Present

John Gorman, MD, Medical Specialty Division I Chair 3/1999-Present

Christopher Jacobson, APRN, Family Practice Division Chair 1/2011-Present

Melissa Martinez-Adorno, MD, OB/GYN Division Chair 4/2014-Present

Jill Melendez Young, MD, Medical Specialty Division II Chair 10/2009-Present

Lila Monahan, MD, Governor-at-Large 1/2003-Present

Andrew Popelka, MD, Hospitalist Division Chair 11/2007-Present

Christopher Riccio, MD, Pediatrics Division Chair 10/2014-Present

Salvatore Vella, DO, Internal Medicine Division Chair 10/2012-Present

Melissa Wu, MD, Immediate Care Division Chair 7/2012-Present

# Susan M. DeSocio

---

Foundation Medical Partners  
268 Main St., Nashua, NH 03060

Tel: (603) 577-2794

## SUMMARY:

- Twenty eight years+ Executive Level Administrative, Financial, Strategic, Development and Operational experience in the Health Care Industry, both Hospitals and Medical Groups.
- Experience in Health Care Strategic Planning, Financial Reporting and Planning, Physician Network Development, Physician Practice Management, Business Analysis and Development, Risk Management and CQI.
- Proven Management, Communication, Public Speaking and Staff Development Skills.
- Proven Record of Effective Relationships with Board of Trustees, Physician Leadership Teams, Senior Leadership Teams, Staff and Community.

## PROFESSIONAL HISTORY:

SOUTHERN NEW HAMPSHIRE HEALTH SYSTEM, Nashua, NH March 1999 – present  
*Southern New Hampshire Health System is the fourth largest integrated health care delivery system in the state of New Hampshire with two wholly owned subsidiaries – Southern New Hampshire Medical Center, a 188 bed acute care hospital and Foundation Medical Partners, a 256 provider multispecialty medical group. I hold two executive positions simultaneously.*

President/CEO Foundation Medical Partners Responsible for the overall operations, financial performance, development, compliance and strategic planning. Formulate and negotiate terms for all internal and external business relationships, including physician contracting, practice sale and acquisition, service line development and relationships with outside entities. Joined the organization during the initial development stages (40 providers, \$16MM Revenue) and led the organization through significant growth and industry changes throughout my tenure. During my tenure led several leadership development initiatives including the organization adopting a Servant Leadership philosophy, organization-wide Rights and Responsibilities Pledge and developing a strong medical and administrative leadership team. Reviews from physicians and board members highlight excellence in staff, leadership and Board relations.

*Relevant Business Statistics: Revenue >\$96M annually, > 840 FTEs, 72 Practices, 256 Providers*

Senior Vice President Southern New Hampshire Health System Responsible for the development and implementation of certain Health System initiatives such as formal clinical affiliations including Massachusetts General Hospital, Joslin Diabetes Center and Lahey Clinic. Other responsibilities include acting CEO of Southern New Hampshire Medical Center in his absence. This role requires strong communications, financial, business development, public speaking and board relations skills.

*Relevant Business Statistics: Revenue >\$296M annually, >2,000 FTEs*

UMASS MEMORIAL HEALTH SYSTEM, Worcester, MA

June 1995 – February 1999

*UMass Memorial Health Care is the largest health care system in Central and Western Massachusetts, and the clinical partner of the University of Massachusetts Medical School. The system includes five hospitals, accounting for over 1,125 beds, home health and hospice programs, behavioral health programs and community-based practices.*

Executive Director, UMASS Community Physicians and Member and Affiliate Development Developed and implemented corporate business plan and strategy to build a community-based primary care physician network. Led the recruitment and placement of over 80 primary care physicians and the development of thirty two practice locations. Led the development of practice policies, procedures, ongoing financial models and a methodology for tracking return on investment for the Health System. Developed a corporate practice development and marketing plan with emphasis on customer service and patient education. Led the organization through a merger with Memorial Medical Group resulting in a 200 physician multispecialty medical group with a combined revenue of \$45M in 1998. Also, developed business opportunities for further economic relationships with member and affiliate health care partners along the continuum of care in order to strengthen the market position of UMASS Memorial Health Care's integrated delivery system.

COTTAGE HOSPITAL, Woodsville, NH

December 1984 – December 1992

*Cottage Hospital is a 25 Bed critical access hospital located in Woodsville, New Hampshire serving the Upper Connecticut River Valley. The Hospital has over 250 employees and, 37 physicians. During my tenure I served in the role of Systems Information Manager, Chief Financial Officer and for the last year, Interim CEO at the Boards request.*

Chief Financial Officer Managed the information services and fiscal affairs of the hospital through extensive external regulatory and economic pressures such as physician and nurse shortages, and negative trends in the economic status of our patients. Through strategic planning and hands-on management, strengthened the financial position of the hospital, secured Rural Healthcare Transition Grant funds for the hospital's physician recruitment program, planned and implemented new facilities such as an on-campus medical office building and community practices. Responsible for physician recruitment, risk management, facilities management, information technology, Board relations, community relations and fund development.

## EDUCATION

Bentley College, Waltham, Massachusetts

Bachelor of Science, Computer Information Systems

Associate Degree, Accountancy

Associate Degree, Management

PROFESSIONAL AFFILIATIONS: Healthcare Financial Managers Associate, Medical group Management Association, American Management Associate, American Hospital Association

Mark E. Santos R.Ph., M.B.A., CMPE  
Foundation Medical Partners  
268 Main St.  
Nashua, NH 03060  
Tel: 603-577-2794

## QUALIFICATIONS

- Ability to lead a multi-specialty group in all phases of operations, producing measurable improvement in clinical and financial performance, as well as patient, staff and provider satisfaction
- Ability to design and execute strategic plans to improve clinical and financial performance
- Ability to negotiate and manage contracts with insurance carriers, vendors, facility occupants, contractors, providers and affiliated hospital organizations
- Ability to develop and implement collaborative clinical programs with external physicians and local provider organizations to improve care and reduce costs
- Ability to design, implement and maintain a compensation plan for physicians based on work effort, quality, value, equity and market competitiveness
- Ability to apply quality improvement techniques to streamline operations, improve data quality, data availability and productivity
- Ability to implement comprehensive electronic systems to improve patient care, streamline data collection and availability, and improve cash flow
- Ability to meet all regulatory and compliance requirements for licensed services

## WORK HISTORY

7/2011 - Present: Foundation Medical Partners, Nashua NH  
Chief Operations Officer / Vice President

- Responsible for general operations for a 270+ provider, 53 Specialty multispecialty group
- Responsible for program development, implementation of strategic plan
- Responsible for hospitalist program to service 200 bed community hospital
- Designed and implemented affordable, high quality walk-in clinics to support our community, servicing over 40,000 annual visits in five locations
- Implemented Patient Centered Medical Home NCQA Level 3 Accreditation in 21 practices and over 70 providers
- Enhance relationships with tertiary hospital affiliations, including Massachusetts General Hospital and Lahey Clinic
- Responsible for Quality Assurance and Nurse Leadership
- Provide oversight for systems development and deployment

10/07 – 6/2011 Foundation Medical Partners, Nashua NH  
Associate Vice President Provider Services

- Supported entire provider network with systems development
- Enhanced programs to improve quality service standards.
- Provided direct leadership for primary care divisions
- Supported System Leadership in all strategic and operational development

8/98-9/2007: Harvard Pilgrim Health Care, Nashua NH  
Administrative Director, Nashua Medical Group,  
Responsible for all aspects of multi-specialty health center operations including strategic planning, regulatory compliance, budget development and performance, clinical program evaluation and development, risk management, physician and staff compensation and management, information systems, contract management and real estate management.

1/90-7/98: Harvard Vanguard Medical Associates, Burlington Center, Burlington MA.  
Assistant Administrator and Chief Pharmacist,

- Responsible for budget development, information management, pharmacy services, surgical and medical specialties, laboratory and radiology services.
- Project leader for successful electronic medical record implementation and data conversion.

9/85-12/89: Harvard Community Health Plan, Cambridge MA  
Pharmacy Supervisor

2/81-9/85: Hospital Center Pharmacy, Boston, MA  
Registered Pharmacist

#### EDUCATION

Masters in Business Administration  
Rivier University, Nashua NH, 2001

Leadership for Change  
Graduate Certificate Program  
Boston College, 1997

Total Quality Management Facilitator Program  
Harvard Pilgrim Health Care, 1991

Bachelor of Science in Pharmacy,  
Massachusetts College of Pharmacy, 1981

#### AFFILIATIONS

American College of Medical Practice Executives  
Board Certified in Medical Practice Management  
Medical Group Management Association, National  
Medical Group Management Association, New Hampshire  
New Hampshire Society of Health System Pharmacists

# Robert Zinnes, MD

---

## Education and Training

Hunterdon Medical Center Residency Family Practice Flemington, NJ	06/1985 – 06/1988
Dartmouth Medical School Hanover, NH	09/1981 – 06/1985
Dartmouth College Hanover, NH	09/1976 – 06/1980

## Professional Employment

Foundation Medical Partners Primary Care of Hudson 300 Derry Rd. Hudson, NH	12/1997 - Present
Hitchcock Clinic Department of Internal Medicine 21 East Hollis St. Nashua, NH	02/1997 – 11/1997
Hitchcock Clinic Milford Family Practice 1 Armory Rd. Milford, NH	08/1988 – 01/1997

## Hospital Affiliations:

- |  |                 |
|--|-----------------|
| • Southern New Hampshire Medical Center, Nashua, NH  | <b>Active</b>   |
| • Greenbriar Terrace Health Center, Nashua, NH       | <b>Active</b>   |
| • St. Joseph Hospital, Nashua , NH (09/1988-11/2000) | <b>Inactive</b> |

Robert Zinnes, MD

Page 2

**Certifications and Licensure:**

- New Hampshire Board of Medicine, Active
- Board Certified, American Board of Family Medicine – Certified 1988, 1994, 2006
- Board Certified, American Academy of HIV Medicine – Certified Specialist  
2001, 2003, 2005, 2007, 2009, 2011, 2013

**Professional Organizations:**

- American Academy of Family Practitioners
- New Hampshire Medical Society
- American Academy of HIV Medicine

Change of address must be reported to:  
New Hampshire Board of Medicine  
121 South Fruit St Ste 301  
Concord, NH 03301

*State of New Hampshire*  
BOARD OF MEDICINE

ROBERT M ZINNES, MD

License #: 7859

Issued: 5/4/1988



has been duly registered to practice medicine  
in this state through

6/30/2016

President

*Mark Sullivan PA-C*

Foundation Medical Partners  
Key Personnel

Name	Job Title	Salary	% Paid from this Contract	Amount Paid from this Contract
Susan DeSocio	President & CEO	310,000	0	0
Mark Santos	Vice President & COO	182,000	0	0
Robert Zinnes	MD	\$229,333 <sup>**</sup>	0	0