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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF PUBLIC HEALTH SERVICES**

Lori A. Shibiaette
Commissioner

Patricia M. Tilley
Director

29 HAZEN DRIVE, CONCORD, NH 03301
603-271-4501 1-800-852-3345 Ext. 4501
Fax: 603-271-4827 TDD Access: 1-800-735-2964
www.dhhs.nh.gov

April 27, 2022

His Excellency, Governor Christopher T. Sununu
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 amend an existing contract with National Jewish Health (VC#172376-B001), Denver, CO, to continue statewide telephonic tobacco treatment services to reduce tobacco use and dependence, by exercising a renewal option by increasing the price limitation by \$1,333,000 from \$714,000 to \$2,047,000 and by extending the completion date from June 30, 2022 to June 30, 2026, effective June 30, 2022. 62% Federal Funds. 38% General Funds.

The original contract was approved by Governor and Council on June 24, 2020, item #40 and most recently amended with Governor and Council approval on October 7, 2020, item #10.

Funds are available in the following account for State Fiscal Years 2022 and 2023, and are anticipated to be available in State Fiscal Years 2024, 2025 and 2026, upon the availability and continued appropriation of funds in the future operating budget, with the authority to adjust budget line items within the price limitation and encumbrances between state fiscal years through the Budget Office, if needed and justified.

05-95-90-902010-5608 HEALTH AND SOCIAL SERVICES, DEPT OF HEALTH AND HUMAN SVCS, HHS: DIVISION OF PUBLIC HEALTH SVCS, BUREAU OF COMMUNITY AND HEALTH SVCS, TOBACCO PREVENTION & CESSATION

| State Fiscal Year | Class / Account | Class Title | Job Number | Current Budget | Increased (Decreased) Amount | Revised Budget |
|-------------------|-----------------|------------------------|------------|----------------|------------------------------|----------------|
| 2021 | 102-500731 | Contracts for Prog Svc | 90018000 | \$217,000 | \$0 | \$217,000 |
| 2021 | 102-500731 | Contracts for Prog Svc | 90018005 | \$155,000 | \$0 | \$155,000 |
| 2022 | 102-500731 | Contracts for Prog Svc | 90018000 | \$217,000 | \$0 | \$217,000 |
| 2022 | 102-500731 | Contracts for Prog Svc | 90018005 | \$125,000 | \$0 | \$125,000 |
| 2023 | 102-500731 | Contracts for Prog Svc | 90018000 | \$0 | \$182,000 | \$182,000 |

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
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| | | | | | | |
|------|------------|------------------------|--------------|---------------------|-----------------------|-----------------------|
| 2023 | 102-500731 | Contracts for Prog Svc | 90018005 | \$0 | \$125,000 | \$125,000 |
| 2024 | 102-500731 | Contracts for Prog Svc | 90018000 | \$0 | \$217,000 | \$217,000 |
| 2024 | 102-500731 | Contracts for Prog Svc | 90018005 | \$0 | \$125,000 | \$125,000 |
| 2025 | 102-500731 | Contracts for Prog Svc | 90018000 | \$0 | \$217,000 | \$217,000 |
| 2025 | 102-500731 | Contracts for Prog Svc | 90018005 | \$0 | \$125,000 | \$125,000 |
| 2026 | 102-500731 | Contracts for Prog Svc | 90018000 | \$0 | \$217,000 | \$217,000 |
| 2026 | 102-500731 | Contracts for Prog Svc | 90018005 | \$0 | \$125,000 | \$125,000 |
| | | | Total | \$714,000.00 | \$1,333,000.00 | \$2,047,000.00 |

EXPLANATION

The purpose of this request is to continue to support the statewide Tobacco Treatment Quitline, which provides New Hampshire residents interested in quitting tobacco use with access to no cost, tobacco cessation treatment. According to the Centers for Disease Control and Prevention, tobacco use is the leading cause of preventable disease, disability, and death in the United States. The 2020 Surgeon General's Smoking Cessation Report indicates that 70% of people addicted to tobacco products want to quit and over 50% of adults who smoke try to quit each year. Smoking cessation reduces the risk of premature death and many adverse health effects, as well as the financial burden that smoking places on people who smoke, healthcare systems, and society.

The Contractor provides a statewide Tobacco Treatment Quitline that includes telephone, web, and mobile evidence-based tobacco treatment interventions at no cost to New Hampshire adolescents (13-17 years of age), young adults (18-35 years of age), and adults (over 35 years of age) in order to reduce the health and economic burden of tobacco use and dependence. Additionally, this amendment adds scope of work to support additional tobacco cessation intervention strategies through the expansion of reporting relative to behavioral health and progress updates.

Approximately 10,000 individuals in New Hampshire will be served from July 1, 2022 through June 30, 2026.

The Department monitors contracted services using the following performance measures:

- Minimum ninety percent (90%) monthly live-answer rate.
- Two percent (2%) annual Reach Rate Goal of adult smokers receiving one or more services.
- Thirty-five percent (35%) Quit Rate Goal, which is an increase from the overall baseline of thirty-two percent (32%).

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
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As referenced in Exhibit A of the original agreement, the parties have the option to extend the agreement for up to four (4) additional years, contingent upon satisfactory delivery of services, available funding, agreement of the parties and Governor and Council approval. The Department is exercising its option to renew services for four (4) of the four (4) years available.

Should the Governor and Council not authorize this request, the most vulnerable populations affected most by disease and death due to tobacco use and dependence will not have access to no-cost evidence-based tobacco treatment.

Area served: Statewide

Source of Federal Funds: Assistance Listing Number #93.305, FAIN #6 NU58DP006786-01-01).

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

Respectfully submitted,



 Lori A. Shibinette
Commissioner

**State of New Hampshire
Department of Health and Human Services
Amendment #2**

This Amendment to the Tobacco Treatment Quitline contract is by and between the State of New Hampshire, Department of Health and Human Services ("State" or "Department") and National Jewish Health ("the Contractor").

WHEREAS, pursuant to an agreement (the "Contract") approved by the Governor and Executive Council on June 24, 2020, (Item 40), as amended on October 7, 2020, (Item #10), the Contractor agreed to perform certain services based upon the terms and conditions specified in the Contract as amended and in consideration of certain sums specified; and

WHEREAS, pursuant to Form P-37, General Provisions, Paragraph 17, and Exhibit A, Section 1, Subsection 1.2, Paragraph 3, Subparagraph 3.3, the Contract may be amended upon written agreement of the parties and approval from the Governor and Executive Council; and

WHEREAS, the parties agree to extend the term of the agreement, increase the price limitation, or modify the scope of services to support continued delivery of these services; and

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and conditions contained in the Contract and set forth herein, the parties hereto agree to amend as follows:

1. Form P-37 General Provisions, Block 1.7, Completion Date, to read:
June 30, 2026
2. Form P-37, General Provisions, Block 1.8, Price Limitation, to read:
\$2,047,000
3. Modify Exhibit B, Scope of Services Section 1 Statement of Work, Subsection 1.8., Paragraph 1.8.5., to read:
 - 1.8.5. Providing a customized cessation service that includes, but is not limited to, mailed self-help educational materials, evidence-based multi-call coaching sessions and Federal Drug Administration (FDA)-approved over-the-counter (OTC) Nicotine Replacement Therapy (NRT) products (Note: The Department will guide the Contractor relative to type and amount of NRT product distribution, based on State resources).
4. Modify Exhibit B, Scope of Services Section 1 Statement of Work, Subsection 1.8., Paragraph 1.8.7., to read:
 - 1.8.7. Providing a specialized, researched-based protocol for pregnancy and post-partum women by offering female Coaches who are specially trained in pregnancy, post-partum and breast-feeding issues in relationship to tobacco treatment best practices. The Contractor shall ensure the protocol include, but is not limited to:
 - 1.8.7.1. Multiple Coaching calls for participating women before and during pregnancy and multiple Coaching calls post-partum; all calls with the same Coach.
 - 1.8.7.2. Unlimited support calls, upon participant request.
 - 1.8.7.3. Monetary participation incentives with Department guidance.
 - 1.8.7.4. OTC NRT for participating women upon request from their healthcare provider.
5. Modify Exhibit B, Scope of Services Section 1 Statement of Work, Subsection 1.8., Paragraph 1.8.8., to read:
 - 1.8.8. Providing researched-based intervention strategies for individuals 18 years or older, who are ready to quit tobacco use in 30 days, and have behavioral health conditions that include, but is not limited to:
 - 1.8.8.1. Anxiety
 - 1.8.8.2. Depression

- 1.8.8.3. Bipolar Disorder
 - 1.8.8.4. Schizophrenia
 - 1.8.8.5. Post-traumatic Stress Disorder
 - 1.8.8.6. Attention Deficit Hyperactivity Disorder
 - 1.8.8.7. Substance Use Disorder
6. Modify Exhibit B, Scope of Services Section 1 Statement of Work, Subsection 1.8., by adding Paragraph 1.8.9., to read:
- 1.8.9. Employing researched-based intervention strategies which include, but is not limited to:
 - 1.8.9.1. Specially trained Coaches.
 - 1.8.9.2. Seven Coaching calls.
 - 1.8.9.3. Coaching calls are up to 20 minutes.
 - 1.8.9.4. 12 weeks of combination OTC NRT.
7. Modify Exhibit B, Scope of Services Section 1 Statement of Work, by modifying Subsection 1.12. and adding Paragraph 1.12.1, to read:
- 1.12. The Contractor shall supply NRT in Bulk to Primary and Behavioral Healthcare agencies with guidance from the Department.
- 1.12.1. The Contractor shall provide the Department tracking information for all shipments.
8. Modify Exhibit B, Scope of Services Section 1 Statement of Work, Subsection 1.19., Paragraph 1.19.2.2., to read:
- 1.19.2.2. Opt-in option for two-way text-messaging for defined populations;
9. Modify Exhibit B, Scope of Services Section 1 Statement of Work, Subsection 1.19., Paragraph 1.19.2.5., to read:
- 1.19.2.5. Live Chat option for youth (13-17 years of age) and young adults (18-24 years of age); and
10. Modify Exhibit B, Scope of Services Section 1 Statement of Work, Subsection 1.19., Paragraph 1.19.2.6., to read:
- 1.19.2.6. Digital Phone Applications, as available.
11. Modify Exhibit B, Scope of Services Section 5 Reporting, Subsection 5.1., to read:
- 5.1 The Contractor shall provide monthly aggregate reports that contain de-identified data to the Department no later than the tenth (15th) day of the month. The Contractor shall ensure reports include, but are not limited to:
12. Modify Exhibit B, Scope of Services Section 5 Reporting, by adding Subsection 5.1.10. and 5.1.11., to read:
- 5.1.10. Monthly Dashboard relative to the Behavioral Health Program.
 - 5.1.11. Progress relative to developing projects, as described in Subsection 6.3.
13. Modify Exhibit B, Scope of Services Section 6 Deliverables, by adding Subsection 6.3., to read:
- 6.3. The Contractor shall develop and submit project plans no later than July 1, 2022, to:
- 6.3.1. Increase engagement of NH residents who use tobacco.
 - 6.3.2. Re-engage participants who completed less than three Coaching Calls.
 - 6.3.3. Engage youth (13-17 years of age) who use tobacco products such as electronic cigarettes or vape.

- 6.3.4. Increase awareness of NH providers about QuitNow-NH services, including direct referral options.
- 6.3.5. Increase provider-referrals that result in the patient enrolling in services.
- 14. Modify Exhibit B, Scope of Services Section 7 Performance Measures, Subsection 7.3., to read:
 - 7.3. The Contractor shall strive to achieve a thirty-five percent (35%) Quit Rate Goal (Overall Baseline of thirty-two percent 32%).
- 15. Modify Exhibit C, Payment Terms, Section 1, to read:
 - 1. This Agreement is funded by:
 - 1.1. 62% Federal funds, National State-Based Tobacco Control Programs, as awarded on October 4, 2019, by the U.S. Department of Health and Human Services, Centers for Disease Control and prevention, CFDA #93.305, FAIN #6 NU58DP006786-01-01.
 - 1.2. 38% General funds.

All terms and conditions of the Contract and prior amendments not modified by this Amendment remain in full force and effect. This Amendment shall be effective June, 30, 2022 or upon Governor and Council approval, whichever is later.

IN WITNESS WHEREOF, the parties have set their hands as of the date written below,

State of New Hampshire
Department of Health and Human Services

6/1/2022

Date

DocuSigned by:

Patricia M. Tilley

Name: Patricia M. Tilley

Title: director

National Jewish Health

Date

5/20/22

Name: Christine Forkner

Title: Executive Vice President Corporate Affairs/CFO

The preceding Amendment, having been reviewed by this office, is approved as to form, substance, and execution.

OFFICE OF THE ATTORNEY GENERAL

6/4/2022

Date

DocuSigned by:

Robyn Guarino

Name: Robyn Guarino

Title: Attorney

I hereby certify that the foregoing Amendment was approved by the Governor and Executive Council of the State of New Hampshire at the Meeting on: _____ (date of meeting)

OFFICE OF THE SECRETARY OF STATE

Date

Name:

Title:

State of New Hampshire

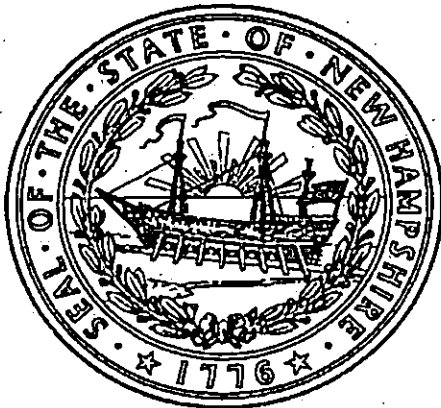
Department of State

CERTIFICATE

I, David M. Scanlan, Secretary of State of the State of New Hampshire, do hereby certify that NATIONAL JEWISH HEALTH is a Colorado Nonprofit Corporation registered to transact business in New Hampshire on May 06, 2015. I further certify that all fees and documents required by the Secretary of State's office have been received and is in good standing as far as this office is concerned.

Business ID: 725962

Certificate Number: 0005768709



IN TESTIMONY WHEREOF,

I hereto set my hand and cause to be affixed
the Seal of the State of New Hampshire,
this 29th day of April A.D. 2022.

A handwritten signature in black ink, appearing to read "David M. Scanlan".

David M. Scanlan
Secretary of State

CERTIFICATE OF AUTHORITY

I, Dr. Michael Salem, hereby certify that:
(Name of the elected Officer of the Corporation/LLC; cannot be contract signatory)

1. I am a duly elected Clerk/Secretary/Officer of National Jewish Health
(Corporation/LLC Name)

2. The following is a true copy of a vote taken at a meeting of the Board of Directors/shareholders, duly called and held on January 22, 2020, at which a quorum of the Directors/shareholders were present and voting.
(Date)

VOTED: That Christine Forkner, EVP Corporate Affairs/CFO (may list more than one person)
(Name and Title of Contract Signatory)

is duly authorized on behalf of National Jewish Health to enter into contracts or agreements with the State
(Name of Corporation/ LLC)

of New Hampshire and any of its agencies or departments and further is authorized to execute any and all documents, agreements and other instruments, and any amendments, revisions, or modifications thereto, which may in his/her judgment be desirable or necessary to effect the purpose of this vote.

3. I hereby certify that said vote has not been amended or repealed and remains in full force and effect as of the date of the contract/contract amendment to which this certificate is attached. This authority **remains valid for thirty (30) days** from the date of this Certificate of Authority. I further certify that it is understood that the State of New Hampshire will rely on this certificate as evidence that the person(s) listed above currently occupy the position(s) indicated and that they have full authority to bind the corporation. To the extent that there are any limits on the authority of any listed individual to bind the corporation in contracts with the State of New Hampshire, all such limitations are expressly stated herein.



Dated: 6/2/2022

Signature of Elected Officer
Name: Dr. Michael Salem
Title: President/CEO



CERTIFICATE OF LIABILITY INSURANCE

DATE(MM/DD/YYYY)
05/03/2022

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 have ADDITIONAL INSURED provisions or 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).

| | | |
|--|--|--------------|
| PRODUCER Aon Risk Insurance Services West, Inc. Denver CO Office 1900 16th Street, Suite 1000 Denver CO 80202 USA | CONTACT NAME: PHONE (A/C. No. Ext): (303) 758-7688 FAX (A/C. No.): (303) 758-9458 | |
| | E-MAIL ADDRESS: | |
| INSURED National Jewish Health 1400 Jackson Street Denver CO 80206-2761 USA | INSURER(S) AFFORDING COVERAGE | |
| | INSURER A: Copic Insurance Company | NAIC # 11860 |
| | INSURER B: Midwest Employers Casualty Company | 23612 |
| | INSURER C: | |
| | INSURER D: | |
| | INSURER E: | |

COVERAGES **CERTIFICATE NUMBER:** 570092955998 **REVISION NUMBER:**

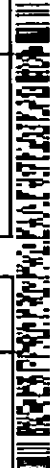
THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE 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. Limits shown are as requested

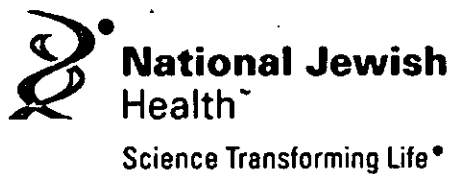
| INSR LTR | TYPE OF INSURANCE | ADOL INSR | SUBR ROVD | POLICY NUMBER | POLICY EFF (MM/DD/YYYY) | POLICY EXP (MM/DD/YYYY) | LIMITS |
|----------|--|-----------|-----------|---------------|-------------------------|-------------------------|--|
| A | X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER: \$300,000 GL Deductit | | | HCC0011476 | 07/01/2021 | 07/01/2022 | EACH OCCURRENCE \$2,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) Included MED EXP (Any one person) \$10,000 PERSONAL & ADV INJURY \$1,000,000 GENERAL AGGREGATE \$4,000,000 PRODUCTS - COMPROP AGG \$2,000,000 |
| | AUTOMOBILE LIABILITY ANY AUTO OWNED AUTOS ONLY HIREN AUTOS ONLY | | | | | | COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident) |
| | UMBRELLA LIAB EXCESS LIAB DED RETENTION | | | | | | EACH OCCURRENCE AGGREGATE |
| B | WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR / PARTNER / EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below | | | PBCA750080 | 01/01/2022 | 01/01/2023 | X PER STATUTE OTH E.L. EACH ACCIDENT \$1,000,000 E.L. DISEASE-EA EMPLOYEE \$1,000,000 E.L. DISEASE-POLICY LIMIT \$1,000,000 |

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
 RE: Event Date is 4/29/2022. NH RFP.

| | |
|--|---|
| CERTIFICATE HOLDER NH, DHHS 129 Pleasant Street Concord NH 03301 USA | CANCELLATION 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 <i>Aon Risk Insurance Services West, Inc.</i> |

Holder Identifier: 570092955998 Certificate No: 570092955998





MISSION STATEMENT

Our Mission since 1899 is to heal, to discover, and to educate as a preeminent health care institution.

National Jewish Health and Subsidiary

**Consolidated Financial Statements
(With Independent Auditor's Report Thereon)**

June 30, 2020 and 2019

National Jewish Health and Subsidiary

June 30, 2020 and 2019

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Independent Auditor's Report

Board of Directors
National Jewish Health
Denver, Colorado

We have audited the accompanying consolidated financial statements of National Jewish Health and Subsidiary (National Jewish Health), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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.

Auditor's 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 auditor's 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.

Board of Directors
National Jewish Health

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Jewish Health as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Denver, Colorado
October 22, 2020

National Jewish Health and Subsidiary
Consolidated Statements of Financial Position
June 30, 2020 and 2019
(In thousands)

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 26,125 | \$ 4,327 |
| Short-term investments | - | 3,000 |
| Accounts receivable: | | |
| Patient care, net | 26,968 | 27,442 |
| Pledges and bequests, net | 19,954 | 20,209 |
| Contributions receivable - program services | 6,214 | 7,940 |
| Receivable from joint ventures | 4,801 | 3,417 |
| Other receivables | 7,895 | 5,431 |
| Assets held by trustees - current portion | 2,750 | 2,746 |
| Prepaid and other | 5,424 | 5,618 |
| Total current assets | <u>100,131</u> | <u>80,130</u> |
| Assets whose use is limited: | | |
| Internally-designated assets | 51,749 | 47,664 |
| Assets reserved for gift annuities | 6,854 | 7,719 |
| Assets held by trustees - net of current portion | 1,188 | 1,217 |
| Total assets whose use is limited | <u>59,791</u> | <u>56,600</u> |
| Other assets: | | |
| Long-term investments | 65,676 | 66,060 |
| Pledges, net of current portion and allowance | 14,620 | 12,832 |
| Beneficial interest under perpetual and other trust agreements | 12,199 | 12,695 |
| Contributions receivable under unitrust agreements | 2,091 | 1,649 |
| Other | 1,626 | 2,476 |
| Total other assets | <u>96,212</u> | <u>95,712</u> |
| Property and equipment: | | |
| Land, building and equipment, net | 71,892 | 71,787 |
| Capital lease deposit | 21,900 | - |
| Total assets | <u>\$ 349,926</u> | <u>\$ 304,229</u> |

National Jewish Health and Subsidiary
Consolidated Statements of Financial Position (continued)
June 30, 2020 and 2019
(In thousands)

| | 2020 | 2019 |
|--|------------|------------|
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 11,795 | \$ 7,471 |
| Line of credit | - | 6,924 |
| Refundable advances | 16,099 | 3,062 |
| Worker's compensation, current portion | - | 172 |
| Accrued salaries, wages, and employee benefits | 11,415 | 11,402 |
| Unearned revenue | 941 | 2,438 |
| Estimated settlements with third-party payors | 6,649 | 2,807 |
| Split interest agreements | 1,525 | 1,565 |
| Long-term debt, current portion (including capital leases) | 3,525 | 5,912 |
| Total current liabilities | 51,949 | 41,753 |
| CARES Act payable - employer social security taxes | 2,207 | - |
| Split interest agreements, net | 8,665 | 9,199 |
| Building capital lease | 21,900 | - |
| Long-term debt, net of current portion | 23,557 | 24,137 |
| Other | 2,495 | 2,336 |
| Total liabilities | 110,773 | 77,425 |
| Net assets: | | |
| Without donor restrictions | 91,391 | 87,606 |
| With donor restrictions | 147,762 | 139,198 |
| Total net assets | 239,153 | 226,804 |
| Total liabilities and net assets | \$ 349,926 | \$ 304,229 |

National Jewish Health and Subsidiary
Consolidated Statements of Activities
Years Ended June 30, 2020 and 2019
(In thousands)

| | 2020 | 2019 |
|--|--------------|------------|
| Changes in net assets without donor restrictions: | | |
| Revenue, gains, and other support without donor restrictions: | | |
| Patient service revenue | \$ (148,489) | \$ 147,956 |
| Grant research awards | (61,322) | 56,016 |
| Health initiatives revenue | (13,831) | 14,030 |
| Revenue from joint ventures | (10,209) | 9,397 |
| Other operating revenue | (52,817) | 31,731 |
| Gifts, special events, and bequests | (17,822) | 9,592 |
| Split interest contributions | (312) | 411 |
| Investment income, net | 1,684 | 2,768 |
| Total revenue, gains, and other support without donor restrictions | 306,486 | 271,901 |
| Net assets released from restriction | 11,359 | 25,850 |
| Expenses: | | |
| Academic services | 109,817 | 103,937 |
| Clinical services | 129,444 | 108,506 |
| Other programs | 13,899 | 18,526 |
| Fund development | 8,280 | 8,128 |
| Administration and support services | 52,049 | 44,526 |
| Total expenses | 313,489 | 283,623 |
| Other income (expense): | | |
| Change in split interest agreements | ((572)) | 743 |
| Net gain realized from insurance proceeds | - | 1,653 |
| Total other income (expense) | ((572)) | 2,396 |
| Increase in net assets without donor restrictions | 3,785 | 16,524 |

National Jewish Health and Subsidiary
Consolidated Statements of Activities (continued)
Years Ended June 30, 2020 and 2019
(In thousands)

| | 2020 | 2019 |
|---|------------|------------|
| Changes in net assets with donor restrictions: | | |
| Program services | (3,452) | 4,973 |
| Gifts, special events - net, and bequests | (14,662) | 12,685 |
| Increase (decrease) in value of gift annuities | (1,646) | 1,752 |
| Investment gain, net | 2,730 | 1,579 |
| Contributions - restricted in perpetuity | (726) | 1,348 |
| Total revenue with donor restrictions | 19,924 | 22,337 |
| Total net assets released from restrictions | (11,359) | (25,850) |
| Increase (decrease) in net assets with donor restrictions | 8,564 | (3,513) |
| Increase in net assets | 12,349 | 13,011 |
| Net assets, beginning of year | 226,804 | 213,793 |
| Net assets, end of year | \$ 239,153 | \$ 226,804 |

National Jewish Health and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019
(In thousands)

| | <u>2020</u> | <u>2019</u> |
|--|---------------|---------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 12,349 | \$ 13,011 |
| Items not requiring (providing) cash | | |
| Depreciation | 7,885 | 7,432 |
| Unrealized losses | 5,199 | 1,081 |
| Increase in net assets with donor restrictions in perpetuity | (549) | (1,120) |
| Bond premium, discount, and issuance cost amortization | (55) | (1,282) |
| Net gain realized from insurance proceeds | - | (1,653) |
| Changes in | | |
| Transfer of short term investments to internally designated assets | (3,000) | 3,000 |
| Patient care accounts receivable | 474 | 584 |
| Pledges and bequests receivable | (1,534) | 2,951 |
| Other current assets | (3,654) | 1,935 |
| Contributions receivable - program services | 1,726 | (2,447) |
| Contributions receivable - other | (443) | 352 |
| Beneficial interest under perpetual trust | 496 | 268 |
| Other assets | 655 | (165) |
| Estimated third-party payor settlements | 3,842 | 1,009 |
| Accounts payable and accrued expenses, workers compensation, accrued salaries, wages, and employees benefits and unearned grants | 5,287 | (1,224) |
| Refundable advances | 13,036 | 1,792 |
| Net cash provided by operating activities | <u>41,714</u> | <u>25,524</u> |

National Jewish Health and Subsidiary
Consolidated Statements of Cash Flows (continued)
Years Ended June 30, 2020 and 2019
(In thousands)

| | <u>2020</u> | <u>2019</u> |
|--|------------------|-----------------|
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (7,990) | (6,208) |
| Proceeds from insurance | - | 2,022 |
| Transfer of short term investments to internally designated assets | 3,000 | (3,000) |
| Purchases of internally designated assets | (15,218) | (7,489) |
| Proceeds from sale of internally designated assets | 13,325 | 3,768 |
| Proceeds from sale of assets held by trustees | 93 | 3 |
| Purchases of investments and assets reserved for gift annuities | (12,948) | (20,882) |
| Proceeds from sale of investments and assets reserved for gift annuities | 9,679 | 17,842 |
| Net cash used in investing activities | <u>(10,059)</u> | <u>(13,944)</u> |
| Cash flows from financing activities: | | |
| Line of credit, net change | (6,924) | (6,657) |
| Repayment of long-term debt | (2,912) | (2,812) |
| Decrease in split-interest liability | (570) | (1,481) |
| Increase in net assets with donor restrictions in perpetuity | 549 | 1,120 |
| Net cash used in financing activities | <u>(9,857)</u> | <u>(9,830)</u> |
| Net increase in cash and cash equivalents | 21,798 | 1,750 |
| Cash and cash equivalents, beginning of year | 4,327 | 2,577 |
| Cash and cash equivalents, end of year | <u>\$ 26,125</u> | <u>\$ 4,327</u> |
| Supplemental schedule of noncash activities: | | |
| Cash paid for interest | \$ 1,193 | \$ 1,658 |
| Capital lease obligation incurred for building | \$ 21,900 | \$ - |

National Jewish Health and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(In thousands)

(1) Corporate Organization

Organization

National Jewish Health and Subsidiary (National Jewish Health), a Colorado nonprofit corporation, is the leading respiratory hospital in the nation. Founded in 1899 as a nonsectarian charity hospital for tuberculosis patients, National Jewish Health today is the only facility in the world dedicated substantially to groundbreaking medical research and treatment of patients with respiratory, cardiac, immune and related disorders.

National Jewish Health is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC and a similar provision of state law.

In 2002, the National Jewish Illiquid Assets Holding Company, LLC, a wholly owned subsidiary of National Jewish Health, was incorporated. The purpose of this subsidiary is to hold donated property until sold. All related intercompany transactions and balances have been eliminated in consolidation.

Joint Ventures

Effective December 2013, National Jewish Health formed a limited liability corporation in a joint venture with the Icahn School of Medicine doing business as the Mount Sinai – National Jewish Respiratory Institute to oversee the creation and operations of a joint respiratory institute at various sites in the Mount Sinai integrated health care system in New York City, New York.

Effective August 2014, National Jewish Health entered into a joint operating agreement with Sisters of Charity of Leavenworth (SCL) Health/St. Joseph Hospital for the joint management and operation of National Jewish Health's in-state patient care and St. Joseph Hospital. The new entity is overseen by a Board of Directors with representation from both entities.

Effective April 2017, National Jewish Health formed a limited liability corporation in a joint venture with Thomas Jefferson University doing business as the Jane and Leonard Korman Jefferson Health | National Jewish Health Respiratory Institute to oversee the development and operations of a joint respiratory institute at various sites in the Jefferson Health System in Philadelphia, Pennsylvania.

National Jewish Health and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(In thousands)

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

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

(b) Contributions, Promises to Give and Bequests

National Jewish Health receives funding from a number of sources such as: individuals, foundations, government programs, corporations, and pharmaceutical companies. Some contributions are restricted to specific purposes. These are provided for various programs including, but not limited to research, smoking cessation services, and educational programs.

Contributions received from donors and other funding agencies are recorded as net assets without donor restrictions, unless otherwise stipulated by the donor or agency. If the contribution is restricted, revenue is recorded to net assets with donor restrictions at the time of receipt or commitment is received, whichever is earlier. When the donor restriction expires, the contribution is reclassified to net assets without donor restrictions through net assets released from restriction in the consolidated statements of activities. All expenses directly related to donor restrictions are included in the appropriate expense category on the net assets without donor restrictions section of the consolidated statements of activities, creating a reduction in net assets without donor restrictions.

Unconditional promises to give expected to be collected within one year are recorded at fair value, while if collection is expected in future years they are recorded at their estimated fair value, which represents the present value of their estimated future cash flows. Amortization of the related present value discounts is included in contribution revenue.

Conditional promises to give are not included as revenue, gains, and other support without donor restrictions until the conditions placed on the gift by the donor or agency are substantially met. When the contribution is both conditional and restricted to a purpose, and both of these are met simultaneously, National Jewish Health has elected to record contribution revenue directly to net assets without donor restrictions according to the simultaneous release accounting election provided in FASB Accounting Standards Codification 958-605-45-4B.

National Jewish Health and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(In thousands)

Bequest income is recognized when all of the following criteria are met: (1) National Jewish Health has received notification of the donor's death; (2) National Jewish Health has a copy of the valid will or trust document evidencing the bequest; and (3) the value of the gift can be reasonably estimated. Accrued bequest income is shown as net assets with donor restrictions until received.

Contributions restricted to purchase property, plant, and equipment are reported as net assets with donor restrictions, then released to without donor restrictions when purchased and placed in service, unless the donor stipulates how long the assets must be used. In that case, the restriction is released as stipulated and the asset is depreciated over the asset's useful life.

(c) Split-interest Agreements

National Jewish Health receives certain planned gift agreements in which National Jewish Health has an interest in the assets and receives benefits that are shared with another beneficiary designated by the donor. These contributions are termed split-interest agreements. National Jewish Health benefits from the following types of split-interest agreements: irrevocable charitable remainder trusts, charitable lead trusts, charitable gift annuities, pooled income funds, and perpetual trusts. Assets are invested and payments made to the appropriate beneficiary in accordance with the agreements. The fair value of the future payments is recorded as a liability.

Assets held under the split-interest agreements were \$6,854 and \$7,719 as of June 30, 2020 and 2019, respectively, and were recorded in the appropriate investment category. When applicable, the amounts to be received in future periods were discounted using a risk-adjusted rate of 5.3% in addition to the expected term of the split-interest agreements.

The amount of the contribution is recorded as the difference between the asset and the liability as revenue without donor restrictions unless otherwise restricted by the donor. Subsequent changes in the fair value are recorded as change in split-interest agreements on the consolidated statements of activities.

Included in long term investments, are assets held to meet the mandated annuity reserves as required by the governing state the agreement was written in.

(d) Grant Research Awards

Total grant research awards consist of grants from the federal government, charitable foundations, and private corporations. These grants are classified as exchange transactions if the grantor is receiving the direct benefit of the research and contributions. Most grants are contributions where the public receives the direct benefit. All grants have a restricted purpose and most are conditional. This is determined from the award document.

Generally, both the condition and restricted purposes are met simultaneously and National Jewish Health has elected the expediency of recording these grant awards to revenues, gains and other support without donor restrictions when the conditions and restrictions have been met. Unconditional restricted contributions are recorded to revenue, gains, and other support with donor restrictions at the time the grant is awarded, and released to revenue, gains, and other support without donor restrictions when the restricted purpose has been met.

National Jewish Health and Subsidiary
Notes to Consolidated Financial Statements
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(In thousands)

Exchange transactions are recorded directly to revenue, gains, and other support without donor restrictions as performance obligations are met over time. Both the contributions and the exchange transactions are recorded as grant research awards in the consolidated statements of activities. The composition of total grant revenue for the years ended June 30, 2020 and 2019 is:

| | 2020 | | | 2019 | | |
|-----------------------|----------------------------------|-------------------------------|------------------|----------------------------------|-------------------------------|------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Contributions | \$ 57,240 | \$ - | \$ 57,240 | \$ 53,028 | \$ 695 | \$ 53,723 |
| Exchange transactions | 4,082 | - | 4,082 | 2,987 | - | 2,987 |
| | <u>\$ 61,322</u> | <u>\$ -</u> | <u>\$ 61,322</u> | <u>\$ 56,015</u> | <u>\$ 695</u> | <u>\$ 56,710</u> |

At June 30, 2020 and 2019, National Jewish Health had \$64,561 and \$51,656, respectively, of conditional contributions remaining, primarily consisting of federal grants whose conditions and restrictions relate to National Jewish Health expending allowable costs. These agreements have award end dates ranging from one month to three years.

(e) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less. Cash and cash equivalents included in long-term investments, endowment accounts, and assets limited as to use restricted internally by the board or externally are not considered to be cash and cash equivalents.

(f) Debt Issuance Costs

Bond issuance costs and bond discounts related to the issuance of bonds are deferred and amortized over the life of the respective bond issue using the straight-line method. Additionally, capital lease issuance costs related to the issuance of capital leases are deferred and amortized over the life of the capital lease using the straight-line method.

(g) Investments and Net Investment Return

Investment income, net includes interest and other investment income, dividend, realized and unrealized gains and losses on investments, less investment expenses. Investment income from endowment investments is reflected in net assets with donor restrictions, then is released from restriction when the Board appropriates the funds for expenditures. Other investment income is reflected in net assets without donor restrictions.

National Jewish Health and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(In thousands)

(h) Property and Equipment

Property and equipment is stated at cost if purchased, or if donated, is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as net assets with donor restrictions, otherwise, they are recorded as net assets without donor restrictions. Non-depreciable assets (land) at both June 30, 2020 and 2019 is \$13,053. Depreciation of buildings and equipment is calculated using the straight-line method over the estimated useful lives of the assets in accordance with American Hospital Association guidelines. Depreciation expense for 2020 and 2019, respectively, is \$7,885 and \$7,432, while accumulated depreciation is \$129,250 and \$121,749. The estimated useful lives for buildings is 20 – 40 years and for equipment and software is 3 – 15 years. In 2020, National Jewish Health began amortizing the goodwill related to the sleep lab purchase over a period of three years (fiscal years ended June 30, 2020 – 2022), based on recent and expected future market changes and competition. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

(i) Long-lived Asset Impairment

National Jewish Health evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate of future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

During the fiscal year 2019, National Jewish Health incurred an impairment loss due to roof hail damage. Insurance proceeds were \$2,022 and after asset impairment there was a net gain of \$1,653. There was no asset impairment loss in fiscal year ended June 30, 2020.

(j) Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for operating reserves and an endowment.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

National Jewish Health and Subsidiary

Notes to Consolidated Financial Statements

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(In thousands)

(k) Patient Service Revenue

Patient service revenue is recognized as National Jewish Health satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration National Jewish Health expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors, and others for services rendered, taking into consideration both explicit price concessions (such as contractual agreements) and implicit price concessions (such as uncollectible self-pay portions). National Jewish Health pursues collection of self-pay portions, but anticipates a small amount of loss based on historical results. Due to insurance plans, government programs, charitable financial policies (state and National Jewish Health), and uncollectibles, amounts received are generally less than established billing rates.

(l) Other Operating Revenue

Other operating revenue is primarily composed of contract pharmacy revenue totaling \$40,733 and \$23,600 for the years ended 2020 and 2019, respectively. The revenue is earned at a point in time as the performance obligation is met. Remaining other operating revenue also includes physician contracted services, radiology services, and other miscellaneous revenue.

(m) Reclassifications

Certain reclassifications have been made to the 2019 consolidated financial statements to conform to the 2020 financial statement presentation.

(n) Subsequent Events

Subsequent events have been evaluated through October 22, 2020, which is the date the consolidated financial statements were issued.

(o) Presentation of Financial Statements

Management has elected to present the financial statements under the not-for-profit model rather than the healthcare model since National Jewish Health's non-patient revenues, gains and other support are historically in excess of patient service revenue. The difference in presentation would have no effect on the change in net assets.

National Jewish Health and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(In thousands)

(3) Patient Service Revenue

Patient service revenue generally relates to contracts with patients in which the performance obligations are to provide health care services to patients over a period of time. Revenue is estimated for patients who have not been discharged as of the reporting period based on actual charges incurred to date in relation to total expected charges. National Jewish Health believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The contractual relationship with patients also typically involves a third-party payer (Medicare, Medicaid, managed care plans, and commercial insurance companies), and the transaction prices for the services provided are dependent upon the terms provided by or negotiated with the third-party payers. The payment arrangements with third-party payers for the services provided to the related patients typically specify payment or reimbursement to National Jewish Health at other-than-standard charges.

Since all of its performance obligations relate to contracts with a duration of less than one year, National Jewish Health has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), so is not required to disclose the aggregate amount of the transaction price allocated to performance obligations which are unsatisfied or partially unsatisfied at the end of the reporting period. National Jewish Health has also elected the practical expedient allowed under FASB ASC 606-10-32-18 so patient accounts are not adjusted for a financing component since National Jewish Health's expectation is accounts will be paid within one year. Generally, National Jewish Health bills within several days for services provided and the majority of receivables are paid within one year of service. National Jewish Health does enter into contracts where payments extend beyond one year. In these limited cases, the financing component is not deemed to be significant to the contract.

National Jewish Health determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions which consist of contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with its policy, and implicit price concessions provided to uninsured patients. National Jewish Health determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. National Jewish Health determines its estimate of implicit price concessions based on its historical collection experience with private pay and uninsured patients. For the fiscal years ended June 30, 2020 and 2019, implicit price concessions were \$1,865 and \$2,140, respectively.

National Jewish Health and Subsidiary
Notes to Consolidated Financial Statements
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(In thousands)

National Jewish Health has determined the nature, amount, timing and uncertainty of revenue and cash flows are affected by payor class. The composition of patient service revenue by primary payor for the fiscal years ended 2020 and 2019 is as follows:

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|-------------------|-------------------|
| Medicare | \$ 38,961 | \$ 40,655 |
| Medicaid | 20,418 | 22,173 |
| Managed Care, Commercial and Other | 87,609 | 84,559 |
| Self-Pay | 1,501 | 569 |
| Total patient service revenue | <u>\$ 148,489</u> | <u>\$ 147,956</u> |

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

National Jewish Health provides services in Colorado to patients from throughout the United States and internationally. As of June 30, 2020 and 2019 National Jewish Health's patient care receivable for services rendered was \$26,968 and \$27,442, respectively.

Settlements with third-party payors for retroactive adjustments due to cost report or other audits and reviews are variable consideration and are included in the determination of the estimated transaction price for providing patient care. This includes an assessment to ensure it is probable a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or no longer subject to such audits and reviews. Adjustments arising from a change in the transaction price were not significant in 2020 nor 2019.

Consistent with National Jewish Health's mission, care is provided to patients regardless of their ability to pay. Financial assistance is made available to patients based upon their ability to pay, and determinations in individual cases are made during National Jewish Health's preadmission process. Because National Jewish Health does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Expansion of eligibility coverage under Medicaid by the Affordable Care Act has decreased charity care substantially.

National Jewish Health's direct and indirect costs for services furnished under its charity care policy totaled \$302 and \$374 in 2020 and 2019, respectively. National Jewish Health also

National Jewish Health and Subsidiary
Notes to Consolidated Financial Statements
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(In thousands)

participates in the Medicare and Medicaid programs. Under these programs, National Jewish Health provides care to patients at payment rates determined by governmental agencies, regardless of actual cost. Governmental rates are frequently below cost.

(4) Natural and Functional Expense Analysis

The tables below present expenses by both their nature and their function for the fiscal years ended June 30, 2020 and 2019.

| | June 30, 2020 | | | | | |
|--------------------------------------|--------------------|-------------------|------------------|-----------------------|-------------------------------------|---------------------|
| | Program Activities | | | Supporting Activities | | |
| | Academic Services | Clinical Services | Other Services | Fund Development | Administration and Support Services | FY20 Total Expenses |
| Salaries and fringe benefits expense | \$ 77,756 | \$ 48,634 | \$ 6,348 | \$ 4,505 | \$ 32,790 | \$ 170,033 |
| Professional fees | 6,786 | 5,330 | 1,178 | 757 | 4,021 | 18,072 |
| Medical supplies and drugs expense | 6,263 | 61,852 | 3,566 | - | 824 | 72,505 |
| Occupancy expense | 914 | 3,620 | 375 | 700 | 5,829 | 11,438 |
| Office expense | 828 | 814 | 785 | 1,509 | 2,882 | 6,818 |
| Depreciation and interest | 3,677 | 3,748 | 407 | 269 | 1,711 | 9,812 |
| Collaborative agreements | 11,441 | 1 | - | - | - | 11,442 |
| Other expense | 2,152 | 5,445 | 1,240 | 540 | 3,992 | 13,369 |
| Total expenses | \$ 109,817 | \$ 129,444 | \$ 13,899 | \$ 8,280 | \$ 52,049 | \$ 313,489 |

The consolidated financial statements report certain categories of expenses attributable to more than one program or support function. Therefore, these expenses require allocation on a reasonable basis that is applied consistently. The expenses include depreciation and interest allocated based on the percentage of total expenses.

| | June 30, 2019 | | | | | |
|--------------------------------------|--------------------|-------------------|------------------|-----------------------|-------------------------------------|---------------------|
| | Program Activities | | | Supporting Activities | | |
| | Academic Services | Clinical Services | Other Services | Fund Development | Administration and Support Services | FY19 Total Expenses |
| Salaries and fringe benefits expense | \$ 75,571 | \$ 47,305 | \$ 8,634 | \$ 4,700 | \$ 30,029 | \$ 166,239 |
| Professional services expense | 15,851 | 4,316 | 1,192 | 529 | 2,151 | 24,039 |
| Medical supplies and drugs expense | 4,807 | 43,294 | 3,885 | - | 1,032 | 53,018 |
| Occupancy expense | 491 | 1,494 | 453 | 685 | 3,312 | 6,435 |
| Advertising expense | 158 | 14 | 1,839 | 179 | 84 | 2,274 |
| Office expense | 1,193 | 1,611 | 1,012 | 1,339 | 4,580 | 9,735 |
| Equipment and depreciation expense | 3,927 | 5,122 | 415 | 216 | 2,349 | 12,029 |
| Other expense | 1,939 | 5,349 | 1,096 | 480 | 990 | 9,854 |
| Total expenses | \$ 103,937 | \$ 108,505 | \$ 18,526 | \$ 8,128 | \$ 44,527 | \$ 283,623 |

National Jewish Health and Subsidiary
Notes to Consolidated Financial Statements
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(5) Liquidity and Availability of Funds

The following reflects National Jewish Health's liquid financial assets available to meet cash needs for general expenditures for the period of one year after the consolidated statements of financial position dates of June 30, 2020 and 2019.

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| Cash and cash equivalents | \$ 26,125 | \$ 4,327 |
| Short-term investments | - | 3,000 |
| Patient care, net | 26,968 | 27,442 |
| Contributions receivable, without donor restrictions | 3,765 | 7,651 |
| Receivable from joint ventures | 4,801 | 3,417 |
| Pledges without donor restrictions and bequests, net | 1,207 | 1,910 |
| Other | 7,895 | 5,431 |
| Total liquid financial assets | <u>\$ 70,761</u> | <u>\$ 53,178</u> |

National Jewish Health maintains a line of credit in the amount of \$15,000, which it could draw upon in the event of liquidity needs. This line of credit is unused as of June 30, 2020. National Jewish Health also has board-designated and donor-restricted assets limited to use which the institution does not intend to spend outside of approved expenditures. Of these, the internally designated assets of \$31,516 at June 30, 2020, may be drawn upon, if necessary, to meet unexpected liquidity needs.

National Jewish Health invests cash in excess of daily requirements in various short-term instruments as allowed by the investment policy.

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Notes to Consolidated Financial Statements
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(6) Promises to Give

The following are unconditional promises to give recognized as receivables as of June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| Pledges and bequests, before discount and allowances | \$ 40,259 | \$ 38,148 |
| Less unamortized discount – pledges | (1,462) | (1,375) |
| Less allowance for uncollectibles – pledges and bequests | <u>(4,223)</u> | <u>(3,732)</u> |
| Net unconditional promises to give | <u>\$ 34,574</u> | <u>\$ 33,041</u> |
| Amounts due in: | | |
| Less than one year | \$ 20,527 | \$ 24,070 |
| One to five years | 14,837 | 9,188 |
| More than five years | <u>4,895</u> | <u>4,890</u> |
| Total | <u>\$ 40,259</u> | <u>\$ 38,148</u> |

Discount rates are established when the promise to give is made. Discount rates ranged from 0.21% to 3.42% for fiscal years ended June 30, 2020 and 2019, respectively.

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Notes to Consolidated Financial Statements
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(In thousands)

(7) Contributions Receivable

Contributions receivable are due within one year and for the fiscal years ended June 30, 2020 and 2019, consists of the following:

| | 2020 | | |
|------------------------|-------------------------------|----------------------------|-----------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Grants | \$ 3,767 | \$ - | \$ 3,767 |
| Health initiatives | 1,914 | - | 1,914 |
| Professional education | 533 | - | 533 |
| Total | <u>\$ 6,214</u> | <u>\$ -</u> | <u>\$ 6,214</u> |
| | | | |
| | 2019 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Grants | \$ 4,767 | \$ - | \$ 4,767 |
| Health initiatives | 2,690 | - | 2,690 |
| Professional education | 194 | 289 | 483 |
| Total | <u>\$ 7,651</u> | <u>\$ 289</u> | <u>\$ 7,940</u> |

(8) Internally-designated Assets

The governing body has designated certain assets for strategic and other future purposes. On June 30, 2020 and 2019, the composition of internally designated assets stated at fair value, as determined by the most recent market quotations or an estimate based on significant other observable inputs are stated below:

| | 2020 | 2019 |
|--|------------------|------------------|
| Cash and cash equivalents | \$ 6,878 | \$ 3,060 |
| Common stocks and equity funds | 7,730 | 14,090 |
| International securities and equities funds | 3,311 | 6,578 |
| Fixed income securities funds | 26,968 | 19,895 |
| U.S. government and agency obligations funds | 2,373 | 746 |
| Alternative investments | 4,489 | 3,295 |
| | <u>\$ 51,749</u> | <u>\$ 47,664</u> |

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(9) Long-term Investments

The composition of long-term investments, stated at fair value, as determined by the most recent market quotations or an estimate based on significant other observable inputs at June 30, 2020 and 2019 is as follows:

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| Cash and cash equivalents | \$ 1,023 | \$ 426 |
| Convertible securities and equities funds | 19,948 | 25,916 |
| International securities and equities funds | 10,633 | 14,053 |
| Fixed income securities funds | 13,253 | 13,806 |
| U.S. government and agency obligations funds | 1,934 | 755 |
| Alternative investments | <u>18,885</u> | <u>11,104</u> |
| | <u>\$ 65,676</u> | <u>\$ 66,060</u> |

Investments as of June 30, 2020 and 2019 include gift annuity investments of \$11,316 and \$11,923, respectively, and the fair value of the gift annuity obligations under those agreements was \$8,233 and \$9,131, respectively. Reserves for gift annuities are held in separate investment accounts with required minimums as required by appropriate state requirements.

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(10) Composition of Investment Returns

The following summarizes investment returns and classification in the consolidated statements of activities:

| | 2020 | |
|---|--------------------------------------|------------------------------------|
| | Without Donor Restriction | With Donor Restriction* |
| Interest income, net | \$ 1,412 | \$ 1,867 |
| Gains: | | |
| Realized gains | 1,897 | 2,552 |
| Unrealized gains | <u>(1,625)</u> | <u>(3,571)</u> |
| Total gains | <u>272</u> | <u>(1,019)</u> |
| Total return on investments in stock and bond portfolios | <u>\$ 1,684</u> | <u>\$ 848</u> |
| | | |
| | 2019 | |
| | Without Donor Restriction | With Donor Restriction* |
| Interest income | \$ 1,750 | \$ 2,738 |
| Gains: | | |
| Realized gains | 885 | 1,351 |
| Unrealized gains | <u>133</u> | <u>(1,214)</u> |
| Total gains | <u>1,018</u> | <u>137</u> |
| Total return on investments in stock and bond portfolios | <u>\$ 2,768</u> | <u>\$ 2,875</u> |

* Some amounts are included in change in value of split-interest agreements on the consolidated statements of activities.

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(11) Long-term Debt and Capital Leases

Long-term debt at June 30, 2020 and 2019 is summarized as follows:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|------------------|------------------|
| Revenue Bonds, Series 2012 (a) | \$ 13,985 | \$ 15,895 |
| Revenue Bonds, Series 2005 (b) | 8,700 | 9,100 |
| Building and other capital leases (c) | 23,009 | 1,711 |
| Gove School Property (d) | 3,000 | 3,000 |
| Unamortized Bond Premium | | |
| Revenue Bonds, Series 2012 | <u>613</u> | <u>705</u> |
| | 49,307 | 30,411 |
| Less: unamortized debt issuance costs | (325) | (362) |
| Less: current portion | <u>(3,525)</u> | <u>(5,912)</u> |
| | <u>\$ 45,457</u> | <u>\$ 24,137</u> |

(a) Series 2012 Revenue Bonds

The Colorado Health Facilities Authority issued \$26,790 aggregate principal amount of its Refunding Revenue Bonds Series 2012 (the 2012 Bonds) dated March 1, 2012. The proceeds were used to refund the Series 1998 and Series 1998B Bonds. The 2012 Bonds are subject to a mandatory sinking fund redemption beginning January 1, 2026. Final principal payments on the bonds are due in January 2027. Redemption amounts are as follows at June 30, 2020:

| | |
|------------|------------------|
| 2021 | \$ 2,000 |
| 2022 | 2,105 |
| 2023 | 2,205 |
| 2024 | 2,315 |
| 2025 | 2,425 |
| Thereafter | <u>2,935</u> |
| | <u>\$ 13,985</u> |

The 2012 Bonds bear interest at fixed rates varying from 3.00% to 5.00% and are secured by the rights to all future revenue derived from National Jewish Health's property, excluding revenue derived from donor-restricted property if such revenue is unavailable for debt service. The 2012 Bonds are subject to covenants which impose certain operating and financial restrictions on National Jewish Health. Management believes National Jewish Health is in compliance with all covenants for the years ended June 30, 2020 and 2019. Unamortized debt issuance costs for the 2012 Bonds were \$196 and \$225 at June 30, 2020 and 2019, respectively.

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(b) Series 2005 Revenue Bonds

In January 2005, the Colorado Health Facilities Authority issued \$13,500 aggregate principal amount of its Series 2005 Revenue Bonds (the 2005 Bonds) dated January 20, 2005. Proceeds from the 2005 Bonds were used to finance the construction of a clinical and research building, as well as several renovation projects and equipment. Unamortized debt issuance costs for the 2005 Bonds were \$129 and \$137 at June 30, 2020 and 2019, respectively.

The 2005 Bonds require annual payments of varying amounts. These payments began on January 1, 2007. Final principal payments on the bonds are due in January 2035. Redemption amounts are as follows at June 30, 2020:

| | | |
|------------|-----------|--------------|
| 2021 | \$ | 400 |
| 2022 | | 400 |
| 2023 | | 500 |
| 2024 | | 500 |
| 2025 | | 500 |
| Thereafter | | <u>6,400</u> |
| | <u>\$</u> | <u>8,700</u> |

The 2005 Bonds bear a variable rate of interest based on the rate at which the bonds could be remarketed at their face value and are secured by the rights to all future revenue derived from National Jewish Health's property, excluding revenue derived from donor-restricted property if such revenue is unavailable for debt service. The interest rate at June 30, 2020 was 0.17%. The 2005 Bonds are backed by an irrevocable transferable letter of credit, which is automatically extended without amendment for an additional period of 12 months. The letter of credit expires April 1, 2021, and is automatically extended by one year, each year, beginning April 1, unless otherwise terminated before the updated expiration date. Unless certain events occur, such as the expiration date of the letter of credit, advances made on the letter of credit are not due for 366 days from the date of the advance. At June 30, 2020 and 2019, no borrowings were outstanding. The 2005 Bonds are subject to covenants, which impose certain operating and financial restrictions on National Jewish Health. Management believes National Jewish Health is in compliance with all covenants for the years ended June 30, 2020 and 2019.

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(c) Capital Leases

(1) Building Capital Lease

On October 16, 2019, Colorado Health Facilities Authority Revenue Bonds (NJH-SJH Center for Outpatient Health project) Series 2019 in the aggregate principal of \$72,050 were issued on behalf of the NJH-SJH Center for Outpatient Health LLC (the Borrower), to fund construction of the Center for Outpatient Health building on land owned by National Jewish Health. This land is on the National Jewish Health main campus, and leased to the Borrower of the bonds. Concurrently, National Jewish Health entered into an installment sale contract with the Borrower for use and eventual purchase of the Center for Outpatient Health building. Obligations to make payments under the installment sale contract is a non-recourse obligation of National Jewish Health's limited to National Jewish Health's interest in the building and land.

The payment obligation under the installment sale contract is identical in timing and amount to the obligations of the Borrower under the bonds, which bear interest at fixed rates varying from 3.00% to 5.00% and terminates January 1, 2050. Payments under the installment sales contract will begin January 1, 2023. The obligation under the installment sale contract is guaranteed by the Sisters of Charity of Leavenworth Health System, Inc. (SCL Health).

As of June 30, 2020, \$21,900 of the bond funds have been expended for construction costs. The Center for Outpatient Health is expected to open in fall 2021. Since the facility is included in National Jewish Health's joint operating agreement (JOA) with SCL Health | St. Joseph Hospital, 75% of the depreciation and interest for the facility will be recovered from SCL Health | St. Joseph Hospital through the JOA.

(2) Other Capital Leases – Equipment and Software

In December 2015, National Jewish Health entered into a five-year capital lease with Commerce Bank for the purchase of a new Laboratory Information Management System (LIMS). The total approved under the lease agreement was \$3,000, and draws were made on the financing as vendor invoices were submitted. A total of \$2,828 has been drawn. Two repayment schedules were finalized on March 1, 2017 and December 27, 2017 both ending March 1, 2022 for \$1,816 and \$1,012 with interest rates of 3.58% and 4.08%, respectively.

The following leased equipment and software is included in the accompanying consolidated financial statements as of June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|---|------------------|-----------------|
| Classes of assets: | | |
| Capital Lease Deposit | \$ 21,900 | \$ - |
| Equipment and software - Commerce Lease | 2,698 | 2,706 |
| Less accumulated depreciation | <u>(1,636)</u> | <u>(995)</u> |
| | <u>\$ 22,962</u> | <u>\$ 1,711</u> |

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Future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2020, are as follows:

| | | |
|---|----|----------------------|
| 2021 | \$ | 656 |
| 2022 | | 492 |
| 2023 | | 4,293 |
| 2024 | | 4,292 |
| 2025 | | 4,293 |
| Thereafter | | <u>38,800</u> |
| Future lease payments | | 52,826 |
| Less amount representing interest | | <u>(29,817)</u> |
| Present value of current lease payments | \$ | <u><u>23,009</u></u> |

(d) Gove Middle School Property Promissory Note

In February 2011, National Jewish Health entered into a contract with School District No. 1, in the City and County of Denver and State of Colorado (DPS) to purchase the closed Gove Middle School property for \$9,000. DPS issued a non-recourse promissory note, collateralized by the land, in the amount of \$8,750 which bears interest at a fixed rate of 4%. An amendment to the contract dated May 28, 2020 extends the payments until October 1, 2022. The property is located adjacent to National Jewish Health's main campus, and will be used for furthering National Jewish Health's clinical, research and educational mission. Principal payments as of June 30, 2020 are as follows:

| | | |
|------|----|---------------------|
| 2021 | \$ | 500 |
| 2022 | | 1,250 |
| 2023 | | <u>1,250</u> |
| | \$ | <u><u>3,000</u></u> |

(e) Held by Trustee

Assets held by trustees represent funds designated by the bond indenture to pay principal and interest on the 2012 and 2005 Bonds. These funds, which are comprised of cash and cash equivalents, relate to the following as of June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|------------------------------|-----------------|-----------------|
| 2012 Bonds | | |
| Bond Reserve Fund | \$ 2,785 | \$ 2,771 |
| Bond Interest/Principal Fund | <u>350</u> | <u>397</u> |
| | <u>\$ 3,135</u> | <u>\$ 3,168</u> |
| 2005 Bonds | | |
| Bond Reserve Fund | \$ 783 | \$ 790 |
| Bond Interest/Principal Fund | <u>20</u> | <u>5</u> |
| | <u>\$ 803</u> | <u>\$ 795</u> |

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(12) Line of Credit

National Jewish Health has a \$15,000 unsecured revolving bank line of credit expiring on March 1, 2022. At June 30, 2020 and 2019, there was \$0 and \$6,924, respectively, borrowed against this line, including accrued interest. Interest accrues at a floating per annum rate of interest at the borrower's option of (a) 30 day LIBOR rate plus 175 basis points or (b) Prime Rate less 1%. Either selection shall not be less than 2.75%. National Jewish Health's borrowing interest rate was 2.75% and 4.15% on June 30, 2020 and 2019, respectively.

(13) Commitments and Contingencies

(a) Operating Leases

National Jewish Health leases certain facilities and equipment under operating leases. The leases expire in various years through 2027. These leases generally require National Jewish Health to pay all executory costs (property taxes, maintenance, and insurance). Future minimum rental payments as of June 30, 2020 which have initial or remaining non-cancelable lease terms equal to or greater than one year are as follows:

| | | |
|-------------------------------|-----------|--------------|
| 2021 | \$ | 2,018 |
| 2022 | | 1,965 |
| 2023 | | 1,385 |
| 2024 | | 544 |
| 2025 | | 542 |
| Thereafter | | 738 |
| Total future minimum payments | <u>\$</u> | <u>7,192</u> |

Rental expense for operating leases was \$2,743 and \$2,495 for the years ended June 30, 2020 and 2019, respectively.

(b) Professional Liability

Professional liability reserve estimates represent the estimated ultimate cost of all reported and unreported losses incurred through the respective consolidated statements of financial position. The reserves for unpaid losses and loss expenses are estimated using individual case-basis valuations and actuarial analyses. Those estimates are subject to the effects of trends in loss severity and frequency. The estimates are continually reviewed and adjustments are recorded as experience develops or new information becomes known. The time period required to resolve these claims can vary depending upon whether the claim is settled or litigated. The estimation of the timing of payments beyond a year can vary significantly. Although considerable variability is inherent in professional liability reserve estimates, we believe the reserves for losses and loss expenses are adequate based on information currently known. It is reasonably possible this estimate could change materially in the near term.

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(c) Other

National Jewish Health has certain pending litigation and claims incurred in the ordinary course of business; however, management believes, based on the advice of legal counsel, the probable resolution of such contingencies will not materially affect the financial position or operations of National Jewish Health.

National Jewish Health maintains professional and general liability coverage through a claims-made policy with COPIC Insurance. The policy's liability is \$1,000 per medical incident and \$3,000 in the aggregate, with deductibles of \$100 per medical incident/occurrence and \$300 in the aggregate. In addition, umbrella coverage is provided to National Jewish Health through a claims-made policy with COPIC Insurance. The liability limit under the umbrella policy is \$10,000 combined medical incident and in aggregate.

(d) Risks and Uncertainties

National Jewish Health invests in securities which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term and those changes could materially affect the investment amounts reported in the consolidated statements of financial position.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may affect the financial position, results of operations and cash flows of National Jewish Health. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

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(14) Net Assets**(a) Net Assets With Donor Restrictions**

Net assets with donor restrictions at June 30, 2020 and 2019, are restricted for the following purpose or periods:

Net assets reserved for future unrestricted uses represent contributions not yet received by National Jewish Health. Endowed assets not yet appropriated for expenditure represent earnings on permanently endowed funds which have not been appropriated for expenditure by National Jewish Health in a manner consistent with the standard of prudence prescribed by State of Colorado Prudent Management of Institutional Funds Act (SPMIFA).

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Net assets reserved for future unrestricted uses | \$ 545 | \$ 2,146 |
| Subject to expenditure for specified purpose: | | |
| Research, education, patient care and capital construction | 69,632 | 58,994 |
| Endowed assets not yet appropriated for expenditure | 17,980 | 19,250 |
| Unitrust and pooled income agreements | 5,744 | 5,496 |
| Beneficial interest in perpetual trust agreements | 12,199 | 12,376 |
| Permanent endowments | 41,662 | 40,936 |
| | <u>\$ 147,762</u> | <u>\$ 139,198</u> |

National Jewish Health is an income beneficiary of several perpetual trusts controlled by unrelated third-party trustees. The trust document or the trustees' policies govern the investment and distribution of trust assets. Trust income distributed to National Jewish Health for the years ended June 30, 2020 and 2019 was \$549 and \$620, respectively.

(b) Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30, 2020 and 2019, are comprised of both designated and undesignated amounts as follows:

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| Undesignated | \$ 59,875 | \$ 56,607 |
| Designated by the board for operating reserve | 18,938 | 18,660 |
| Designated by the board for endowment | 12,578 | 12,339 |
| Net assets without donor restrictions | <u>\$ 91,391</u> | <u>\$ 87,606</u> |

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(c) Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| Expiration of time restrictions | \$ 3,343 | \$ 2,297 |
| Subject to expenditures for specified purposes: | | |
| Research, education, patient care and capital construction | 3,347 | 18,529 |
| Grants | - | 695 |
| Professional education | 2,545 | 2,552 |
| Distributions (proceeds are not restricted by donors): | | |
| Beneficial interests in charitable trusts held by others | 283 | 291 |
| Release of appropriated endowment amounts without purpose restrictions | 755 | 411 |
| Release of appropriated endowment amounts with purpose restrictions | <u>1,086</u> | <u>1,075</u> |
| | <u>\$ 11,359</u> | <u>\$ 25,850</u> |

(15) Endowment

National Jewish Health's endowment consists of approximately 80 individual donor-restricted funds established as endowments and intended for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by United States of America generally accepted accounting principles (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, National Jewish Health classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board appropriates such amounts for expenditure. Most of those net assets are also subject to the purpose restrictions which must be met before classifying those net assets to net assets without donor restrictions. The Board of Directors has also interpreted SPMIFA as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by

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SPMIFA. National Jewish Health has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. National Jewish Health considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purpose of National Jewish Health and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and appreciation of investments
- 6) The resources of National Jewish Health
- 7) The investment policies of National Jewish Health

(a) Investment Policy

National Jewish Health has adopted investment and spending policies for endowment assets which attempt to provide a predictable stream of funding to programs supported by the endowment while balancing fund growth. Under this policy, approved by the Board of Directors, the assets are invested in a manner intended to produce results which exceed Consumer Price Index plus 5% per year as measured over a rolling 36-month period. To satisfy this long-term rate of return objective, National Jewish Health relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. National Jewish Health targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

(b) Spending Policy

National Jewish Health's spending policy varies by the purpose of the endowment and was established by the Board of Directors after considering all seven factors outlined by SPMIFA above. Funds with donor specific purposes have a spending policy of between 3% and 4% of the market value of the fund averaged over the past 12 fiscal quarters preceding the fiscal year in which the distribution is made.

National Jewish Health has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations. No expenditures from underwater endowment funds were appropriated for during the years ended June 30, 2020 and 2019.

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The composition of net assets by type of endowment at June 30, 2020 is:

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|----------------------------------|--------------------------------------|-----------------------------------|------------------|
| Donor-restricted endowment funds | \$ - | \$ 61,957 | \$ 61,957 |
| Board-designated endowment funds | <u>12,578</u> | <u>-</u> | <u>12,578</u> |
| Total funds | <u>\$ 12,578</u> | <u>\$ 61,957</u> | <u>\$ 74,535</u> |

Changes in endowment net assets for fiscal year ended June 30, 2020:

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|--|--------------------------------------|-----------------------------------|------------------|
| Endowment net assets, beginning of year | \$ 12,339 | \$ 62,454 | \$ 74,793 |
| Contributions | - | 726 | 726 |
| Endowment transfer | - | (1,841) | (1,841) |
| Investment income | 186 | 1,534 | 1,720 |
| Net assets released from restriction | - | (52) | (52) |
| Gain on sale of investments | 499 | 2,684 | 3,183 |
| Unrealized gain (loss) on investments | <u>(446)</u> | <u>(3,548)</u> | <u>(3,994)</u> |
| Endowment net assets, end of year | <u>\$ 12,578</u> | <u>\$ 61,957</u> | <u>\$ 74,535</u> |

The composition of net assets by type of endowment fund at June 30, 2019:

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|----------------------------------|--------------------------------------|-----------------------------------|------------------|
| Donor-restricted endowment funds | \$ - | \$ 62,454 | \$ 62,454 |
| Board-designated endowment funds | <u>12,339</u> | <u>-</u> | <u>12,339</u> |
| Total funds | <u>\$ 12,339</u> | <u>\$ 62,454</u> | <u>\$ 74,793</u> |

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Changes in endowment net assets for fiscal year ended June 30, 2019:

| | Without Donor Restriction | With Donor Restriction | Total |
|--|--------------------------------------|-----------------------------------|------------------|
| Endowment net assets, beginning of year | \$ 11,762 | \$ 60,038 | \$ 71,800 |
| Contributions | - | 1,348 | 1,348 |
| Endowment transfer | - | (1,486) | (1,486) |
| Investment income | 268 | 2,406 | 2,674 |
| Net assets released from restriction | - | (139) | (139) |
| Gain on sale of investments | 251 | 1,292 | 1,543 |
| Unrealized gain (loss) on investments | 58 | (1,005) | (947) |
| Endowment net assets, end of year | <u>\$ 12,339</u> | <u>\$ 62,454</u> | <u>\$ 74,793</u> |

(16) Fair Value Disclosure

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. A hierarchy of three levels of inputs may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets which are not active, other inputs which are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs which are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

(a) Recurring Measurements

The following tables represent the fair value measurement of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019:

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| June 30, 2020 | Fair Value | Fair Value Measurements at Reporting Date Using | | |
|---|-------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Internally-designated assets | | | | |
| Common stocks and equity funds | \$ 7,730 | \$ 7,730 | \$ - | \$ - |
| International securities and equities | 3,311 | 3,311 | - | - |
| Fixed income securities | 26,968 | 26,968 | - | - |
| U.S. government and agency securities | 2,373 | 2,373 | - | - |
| Alternative investments (A) | 4,489 | - | - | - |
| Total internally-designated assets | 44,871 | 40,382 | - | - |
| Assets reserved for gift annuities | | | | |
| Convertible securities and equities | 3,168 | 3,168 | - | - |
| International securities and equities | 307 | 307 | - | - |
| Fixed income securities | 2,264 | 2,264 | - | - |
| U.S. government and agency securities | 1,115 | 1,115 | - | - |
| Total assets reserved for gift annuities | 6,854 | 6,854 | - | - |
| Long-term investments | | | | |
| Convertible securities and equities | 13,253 | 13,253 | - | - |
| International securities and equities | 1,934 | 1,934 | - | - |
| Fixed income securities | 10,633 | 10,633 | - | - |
| U.S. government and agency securities | 19,948 | 19,948 | - | - |
| Alternative investments (A) | 18,885 | - | - | - |
| Total long-term investments | 64,653 | 45,768 | - | - |
| Other | | | | |
| Beneficial interest in perpetual trust | 12,199 | - | - | 12,199 |
| Total other | 12,199 | - | - | 12,199 |
| Total assets above | 128,577 | \$ 93,004 | \$ - | \$ 12,199 |
| Cash and cash equivalents not included above | 7,901 | | | |
| Total | \$ 136,478 | | | |

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| June 30, 2019 | Fair Value | Fair Value Measurements at Reporting Date Using | | |
|--|-------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Short-term investments and internally-designated assets | | | | |
| Common stocks and equity funds | \$ 14,090 | \$ 14,090 | \$ - | \$ - |
| International securities and equities | 6,578 | 6,578 | - | - |
| Fixed income securities | 19,892 | 19,892 | - | - |
| U.S. government and agency securities | 746 | 746 | - | - |
| Alternative investments (A) | 3,295 | - | - | - |
| Total short-term investments and internally-designated assets | 44,601 | 41,306 | - | - |
| Assets reserved for gift annuities | | | | |
| Convertible securities and equities | 996 | 996 | - | - |
| International securities and equities | 2,529 | 2,529 | - | - |
| Fixed income securities | 3,246 | 3,246 | - | - |
| U.S. government and agency securities | 948 | 948 | - | - |
| Total assets reserved for gift annuities | 7,719 | 7,719 | - | - |
| Long-term investments | | | | |
| Convertible securities and equities | 25,916 | 25,916 | - | - |
| International securities and equities | 14,053 | 14,053 | - | - |
| Fixed income securities | 13,806 | 13,806 | - | - |
| U.S. government and agency securities | 755 | 755 | - | - |
| Alternative investments (A) | 11,104 | - | - | - |
| Total long-term investments | 65,634 | 54,530 | - | - |
| Other | | | | |
| Bonds and notes | 121 | 118 | 3 | - |
| Beneficial interest in perpetual trust | 12,376 | - | - | 12,376 |
| Total other | 12,497 | 118 | 3 | 12,376 |
| Total assets above | 130,451 | \$ 103,673 | \$ 3 | \$ 12,376 |
| Cash and cash equivalents not included above | 6,632 | | | |
| Total | \$ 137,083 | | | |

- (A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

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Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2020.

(b) Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases, where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

(c) Beneficial Interest in Perpetual Trust

Fair value is estimated at the present value of the trust assets using quoted market prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters. Due to the trusts being held into perpetuity, National Jewish Health will not have the ability to redeem the corpus, and therefore it is classified within Level 3 of the hierarchy.

(d) Alternative Investments

Except as described below, the fair value of alternative investments has been estimated using the net asset value per share of the investments. Alternative investments held at June 30 consist of the following:

| | | June 30, 2020 | | | |
|----------------|----|---------------|----------|-------------------------------|-----------------------------|
| | | Fair Value | Unfunded | Redemption Frequency | Redemption Notice Period |
| Funds of Funds | \$ | 23,374 | \$ 7,917 | Quarterly or Fund Termination | 60 Days or Fund Termination |
| | | June 30, 2019 | | | |
| | | Fair Value | Unfunded | Redemption Frequency | Redemption Notice Period |
| Funds of Funds | \$ | 14,399 | \$ 6,262 | Quarterly or Fund Termination | 60 Days or Fund Termination |

National Jewish Health and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(In thousands)

This category includes investments in funds of funds that pursue multiple strategies to diversify risks and reduce volatility. The funds' composite portfolio includes investments in U.S. common stocks, global real estate projects, private equity, pooled income vehicles and arbitrage investments. However, as of June 30, 2020, it is probable all investments in this category will be sold at an amount different from the net asset value of National Jewish Health's ownership interest in partners' capital. Therefore, the fair values of the investments in this category have been estimated using recent observable transaction information for similar investments. Investments with quarterly redemptions require lock-up periods of one year which has expired on the funds currently held. Of the remaining funds, they cannot be liquidated prior to the termination of the fund without the approval of the General Manager of the fund. Investment in the funds is intended to be long-term.

(e) Level 3 Reconciliation

The following is a reconciliation and ending balances of recurring fair value measurements recognized in the accompanying consolidated statements of financial position using significant unobservable (Level 3) inputs:

| | Beneficial Interest in Perpetual Trust |
|--|---|
| Balance, July 1, 2018 | \$ 12,604 |
| Unrealized depreciation on investments in net assets | <u>(228)</u> |
| Balance, June 30, 2019 | 12,376 |
| Unrealized depreciation on investments in net assets | <u>(177)</u> |
| Balance, June 30, 2020 | <u><u>\$ 12,199</u></u> |

National Jewish Health and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(In thousands)

(f) Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

| Description | Fair Value June 30, 2020 | Valuation Technique | Unobservable Inputs | Range Weighted Average |
|---|-----------------------------|-------------------------------|--------------------------|------------------------------|
| Beneficial Interest in Perpetual Trusts | \$ 12,199 | Fair value of trust assets | Lack of redeemability | Not Applicable |

| Description | Fair Value June 30, 2019 | Valuation Technique | Unobservable Inputs | Range Weighted Average |
|---|-----------------------------|-------------------------------|--------------------------|------------------------------|
| Beneficial Interest in Perpetual Trusts | \$ 12,376 | Fair value of trust assets | Lack of redeemability | Not Applicable |

(17) Employee Benefit Plans

National Jewish Health maintains a defined contribution plan (the Plan) covering substantially all benefit eligible employees. Under the terms of the Plan, National Jewish Health contributes between 5% and 6% of an employee's covered wages up to the Social Security wage base and between 10% and 11% of covered wages in excess of the Social Security wage base. The Plan contains no provisions requiring National Jewish Health to match a portion of employee contributions. Expenses under the Plan for 2020 and 2019 approximated \$5,088 and \$6,260, respectively. In addition, due to concerns about the impact of COVID-19, the Plan has been amended to suspend employer contributions to the Plan, effective April 16, 2020 with management's intent to reinstate employer contributions at a future date.

(18) Related-party Transactions

National Jewish Health from time-to-time in the normal course of business and within the guidelines of its conflict of interest policy, has entered into transactions with companies for which certain members of the companies' management also serve on the board of National Jewish Health. Management believes prices paid by National Jewish Health have been equal to or less than the prices that would have been paid in transactions with parties not related to National Jewish Health.

National Jewish Health and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2020 and 2019
(In thousands)

(19) Future Change in Accounting Principle

(a) SAB 74 Disclosure: ASU 842 Leases

The Financial Accounting Standards Board amended its lease accounting standard. Lessees will now be required to recognize substantially all operating and finance leases on the statements of financial position as both a right-of-use asset and a liability. For statements of activities purposes, both types of lease expenses will be done in a manner similar to existing standards. The determination of lease classification between operating and finance will also be done in a manner similar to existing standards. The new standard contains amended guidance regarding non-lease components and identifying embedded leases in contracts. For National Jewish Health, the new standard became effective on July 1, 2020, including interim periods for fiscal year 2021. National Jewish Health established a team in March to review the standard and establish internal controls and processes to implement it. National Jewish Health has elected to apply the modified retrospective method for transition, which requires adjusting the balances at the beginning of the period of adoption, rather than restating prior years.

National Jewish Health and Subsidiary

Consolidated Financial Statements
(With Independent Auditor's Report Thereon)

June 30, 2021 and 2020

National Jewish Health and Subsidiary

June 30, 2021 and 2020

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Independent Auditor's Report

Board of Directors
National Jewish Health
Denver, Colorado

We have audited the accompanying consolidated financial statements of National Jewish Health and Subsidiary (National Jewish Health), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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.

Auditor's 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 auditor's 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.

Board of Directors
National Jewish Health

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Jewish Health as of June 30, 2021 and 2020, and the 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.

Emphasis of Matter

As described in Note 13 to the consolidated financial statements, in 2021, National Jewish Health adopted ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

BKD, LLP

Denver, Colorado
October 27, 2021

National Jewish Health and Subsidiary
Consolidated Statements of Financial Position
June 30, 2021 and 2020
(In thousands)

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 44,299 | \$ 26,125 |
| Accounts receivable: | | |
| Patient care, net | 29,810 | 26,968 |
| Pledges and bequests, net | 22,582 | 19,954 |
| Contributions receivable - program services | 7,111 | 6,214 |
| Receivable from joint ventures | 1,569 | 4,801 |
| Other receivables | 8,982 | 7,895 |
| Assets held by trustees - current portion | 2,805 | 2,750 |
| Prepaid and other | 5,516 | 5,424 |
| Total current assets | <u>122,674</u> | <u>100,131</u> |
| Assets whose use is limited: | | |
| Internally-designated assets | 58,986 | 51,749 |
| Assets held under split interest | 6,704 | 6,854 |
| Assets held by trustees - net of current portion | 1,073 | 1,188 |
| Total assets whose use is limited | <u>66,763</u> | <u>59,791</u> |
| Other assets: | | |
| Long-term investments | 82,949 | 65,676 |
| Pledges, net of current portion and allowance | 17,625 | 14,620 |
| Beneficial interest under perpetual and other trust agreements | 14,488 | 12,199 |
| Contributions receivable under unitrust agreements | 2,062 | 2,091 |
| Right-of-use assets - operating leases | 6,796 | - |
| Right-of-use assets - finance leases | 371 | - |
| Other | 2,641 | 1,626 |
| Total other assets | <u>126,932</u> | <u>96,212</u> |
| Property and equipment: | | |
| Land, building and equipment, net | 73,555 | 71,892 |
| Building finance lease deposit | 64,049 | 21,900 |
| Total assets | <u>\$ 453,973</u> | <u>\$ 349,926</u> |

National Jewish Health and Subsidiary
Consolidated Statements of Financial Position (continued)
June 30, 2021 and 2020
(In thousands)

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 18,074 | \$ 11,795 |
| Refundable advances, current portion | 9,249 | 16,099 |
| Accrued salaries, wages, and employee benefits | 10,948 | 11,415 |
| Unearned revenue | 1,911 | 941 |
| Estimated settlements with third-party payors | 4,498 | 6,649 |
| Split-interest agreements, current portion | 1,517 | 1,525 |
| Long-term debt, current portion | 2,505 | 3,525 |
| Operating lease liabilities, current portion | 2,387 | - |
| Finance lease liabilities, current portion | 75 | - |
| CARES Act payable - employer social security taxes, current portion | 2,441 | - |
| Total current liabilities | <u>53,605</u> | <u>51,949</u> |
| CARES Act payable - employer social security taxes, net of current portion | 2,441 | 2,207 |
| Refundable advances, net of current portion | 4,602 | - |
| Split-interest agreements, net of current portion | 8,740 | 8,665 |
| Long-term debt, net of current portion | 19,263 | 23,557 |
| Operating lease liabilities, net of current portion | 4,490 | - |
| Finance lease liabilities, net of current portion | 302 | - |
| Building finance lease | 64,049 | 21,900 |
| Other | 3,633 | 2,495 |
| Total liabilities | <u>161,125</u> | <u>110,773</u> |
| Net assets: | | |
| Without donor restrictions | 114,812 | 91,391 |
| With donor restrictions | 178,036 | 147,762 |
| Total net assets | <u>292,848</u> | <u>239,153</u> |
| Total liabilities and net assets | <u>\$ 453,973</u> | <u>\$ 349,926</u> |

National Jewish Health and Subsidiary
Consolidated Statements of Activities
Years Ended June 30, 2021 and 2020
(In thousands)

| | <u>2021</u> | <u>2020</u> |
|--|----------------|----------------|
| Changes in net assets without donor restrictions: | | |
| Revenue, gains, and other support without donor restrictions: | | |
| Patient service revenue | \$ 178,450 | \$ 148,489 |
| Grant research awards | 57,270 | 61,322 |
| Health initiatives revenue | 13,525 | 13,831 |
| Revenue from joint ventures | 1,649 | 10,209 |
| Other operating revenue | 76,994 | 52,817 |
| Gifts, special events - net and bequests | 15,134 | 17,822 |
| Split-interest contributions | 521 | 312 |
| Investment income, net | 8,361 | 1,684 |
| Total revenue, gains, and other support without donor restrictions | <u>351,904</u> | <u>306,486</u> |
| Net assets released from restriction | 12,998 | 11,359 |
| Expenses: | | |
| Academic services | 106,853 | 109,817 |
| Clinical services | 162,812 | 129,444 |
| Other programs | 13,187 | 13,899 |
| Fund development | 7,152 | 8,280 |
| Administration and support services | 51,096 | 52,049 |
| Total expenses | <u>341,100</u> | <u>313,489</u> |
| Other expense: | | |
| Change in split-interest agreements | <u>(381)</u> | <u>(572)</u> |
| Total other expense | <u>(381)</u> | <u>(572)</u> |
| Increase in net assets without donor restrictions | <u>23,421</u> | <u>3,785</u> |

National Jewish Health and Subsidiary
Consolidated Statements of Activities (continued)
Years Ended June 30, 2021 and 2020
(In thousands)

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Changes in net assets with donor restrictions: | | |
| Program services | 2,255 | 3,452 |
| Gifts, special events - net, and bequests | 20,260 | 14,662 |
| Increase (decrease) in value of split-interest agreements | 16,862 | (1,646) |
| Investment gain, net | 3,120 | 2,730 |
| Contributions - restricted in perpetuity | <u>775</u> | <u>726</u> |
| Total revenue with donor restrictions | 43,272 | 19,924 |
| | | |
| Total net assets released from restrictions | <u>(12,998)</u> | <u>(11,359)</u> |
| Increase in net assets with donor restrictions | <u>30,274</u> | <u>8,565</u> |
| | | |
| Increase in net assets | 53,695 | 12,349 |
| Net assets, beginning of year | <u>239,153</u> | <u>226,804</u> |
| Net assets, end of year | <u>\$ 292,848</u> | <u>\$ 239,153</u> |

National Jewish Health and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020
(In thousands)

| | 2021 | 2020 |
|--|-----------|-----------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 53,695 | \$ 12,349 |
| Items not requiring (providing) cash: | | |
| Depreciation | 8,460 | 7,885 |
| Amortization - finance lease | 50 | - |
| Unrealized (gains) losses | (18,018) | 5,199 |
| Increase in net assets with donor restrictions in perpetuity | (774) | (549) |
| Bond premium, discount, and issuance cost amortization | (54) | (55) |
| Noncash operating lease expense | 81 | - |
| Changes in: | | |
| Transfer of short term investments to internally designated assets | - | (3,000) |
| Patient care accounts receivable | (2,842) | 474 |
| Pledges and bequests receivable | (5,633) | (1,534) |
| Other current assets | 2,054 | (3,654) |
| Contributions receivable - program services | (897) | 1,726 |
| Contributions receivable - other | 29 | (443) |
| Beneficial interest under perpetual trust | (2,289) | 496 |
| Other assets | (800) | 655 |
| Estimated third-party payor settlements | (2,151) | 3,842 |
| Accounts payable and accrued expenses, workers compensation, accrued salaries, wages, and employees benefits and unearned grants | 10,428 | 5,287 |
| Refundable advances | (2,248) | 13,036 |
| Net cash provided by operating activities | 39,091 | 41,714 |

National Jewish Health and Subsidiary
Consolidated Statements of Cash Flows (continued)
Years Ended June 30, 2021 and 2020
(In thousands)

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (10,123) | (7,990) |
| Transfer of short term investments to internally designated assets | - | 3,000 |
| Purchases of internally designated assets | (18,221) | (15,218) |
| Proceeds from sale of internally designated assets | 14,830 | 13,325 |
| Proceeds from sale of assets held by trustees | 32 | 93 |
| Purchases of investments and assets reserved for gift annuities | (26,014) | (12,948) |
| Proceeds from sale of investments and assets reserved for gift annuities | 23,041 | 9,679 |
| Net cash used in investing activities | <u>(16,455)</u> | <u>(10,059)</u> |
| Cash flows from financing activities: | | |
| Line of credit, net change | - | (6,924) |
| Repayment of long-term debt and finance lease liabilities | (5,303) | (2,912) |
| Increase (decrease) in split-interest liability | 67 | (570) |
| Increase in net assets with donor restrictions in perpetuity | 774 | 549 |
| Net cash used in financing activities | <u>(4,462)</u> | <u>(9,857)</u> |
| Net increase in cash and cash equivalents | 18,174 | 21,798 |
| Cash and cash equivalents, beginning of year | 26,125 | 4,327 |
| Cash and cash equivalents, end of year | <u>\$ 44,299</u> | <u>\$ 26,125</u> |
| Supplemental schedule of noncash activities: | | |
| Cash paid for interest | \$ 910 | \$ 1,193 |
| Capital lease obligation incurred for building | \$ - | \$ 21,900 |
| ROU assets obtained in exchange for new operating lease liabilities | \$ 6,796 | \$ - |
| ROU assets obtained in exchange for new finance lease liabilities | \$ 42,520 | \$ - |

National Jewish Health and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In thousands)

(1) Corporate Organization

Organization

National Jewish Health and Subsidiary (National Jewish Health), a Colorado nonprofit corporation, is the leading respiratory hospital in the nation. Founded in 1899 as a nonsectarian charity hospital for tuberculosis patients, National Jewish Health today is the only facility in the world dedicated substantially to groundbreaking medical research and treatment of patients with respiratory, cardiac, immune and related disorders.

National Jewish Health is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC and a similar provision of state law.

In 2002, the National Jewish Illiquid Assets Holding Company, LLC, a wholly owned subsidiary of National Jewish Health, was incorporated. The purpose of this subsidiary is to hold donated property until sold. All related intercompany transactions and balances have been eliminated in consolidation.

Joint Ventures

Effective December 2013, National Jewish Health formed a limited liability corporation in a joint venture with the Icahn School of Medicine doing business as the Mount Sinai – National Jewish Respiratory Institute to oversee the creation and operations of a joint respiratory institute at various sites in the Mount Sinai integrated health care system in New York City, New York.

Effective August 2014, National Jewish Health entered into a joint operating agreement with Sisters of Charity of Leavenworth (SCL) Health/St. Joseph Hospital for the joint management and operation of National Jewish Health's in-state patient care and St. Joseph Hospital. The new entity is overseen by a Board of Directors with representation from both entities.

Effective April 2017, National Jewish Health formed a limited liability corporation in a joint venture with Thomas Jefferson University doing business as the Jane and Leonard Korman Jefferson Health | National Jewish Health Respiratory Institute to oversee the development and operations of a joint respiratory institute at various sites in the Jefferson Health System in Philadelphia, Pennsylvania.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

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

National Jewish Health and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(In thousands)

(b) Contributions, Promises to Give and Bequests

National Jewish Health receives funding from a number of sources such as: individuals, foundations, government programs, corporations, and pharmaceutical companies. Some contributions are restricted to specific purposes. These are provided for various programs including, but not limited to research, smoking cessation services, and educational programs.

Contributions received from donors and other funding agencies are recorded as net assets without donor restrictions, unless otherwise stipulated by the donor or agency. If the contribution is restricted, revenue is recorded to net assets with donor restrictions at the time of receipt or commitment is received, whichever is earlier. When the donor restriction expires, the contribution is reclassified to net assets without donor restrictions through net assets released from restriction in the consolidated statements of activities. All expenses directly related to donor restrictions are included in the appropriate expense category on the net assets without donor restrictions section of the consolidated statements of activities, creating a reduction in net assets without donor restrictions.

Unconditional promises to give expected to be collected within one year are recorded at fair value, while if collection is expected in future years they are recorded at their estimated fair value, which represents the present value of their estimated future cash flows. Amortization of the related present value discounts is included in contribution revenue.

Conditional promises to give are not included as revenue, gains, and other support without donor restrictions until the conditions placed on the gift by the donor or agency are substantially met. When the contribution is both conditional and restricted to a purpose, and both of these are met simultaneously, National Jewish Health has elected to record contribution revenue directly to net assets without donor restrictions according to the simultaneous release accounting election provided in FASB Accounting Standards Codification 958-605-45-4B.

Bequest income is recognized when all of the following criteria are met: (1) National Jewish Health has received notification of the donor's death; (2) National Jewish Health has a copy of the valid will or trust document evidencing the bequest; and (3) the value of the gift can be reasonably estimated. Accrued bequest income is shown as net assets with donor restrictions until received.

Contributions restricted to purchase property, plant, and equipment are reported as net assets with donor restrictions, then released to without donor restrictions when purchased and placed in service, unless the donor stipulates how long the assets must be used. In that case, the restriction is released as stipulated and the asset is depreciated over the asset's useful life.

(c) Split-interest Agreements

National Jewish Health receives certain planned gift agreements in which National Jewish Health has an interest in the assets and receives benefits that are shared with another beneficiary designated by the donor. These contributions are termed split-interest agreements. National Jewish Health benefits from the following types of split-interest agreements: irrevocable charitable remainder trusts, charitable lead trusts, charitable gift annuities, pooled income funds, and perpetual trusts. Assets are invested and payments made to the appropriate beneficiary in accordance with the agreements. The fair value of the future payments is recorded as a liability.

National Jewish Health and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2021 and 2020
(In thousands)

Assets held under the split-interest agreements were \$6,704 and \$6,854 as of June 30, 2021 and 2020, respectively, and were recorded in the appropriate investment category. When applicable, the amounts to be received in future periods were discounted using a risk-adjusted rate of 5.3% in addition to the expected term of the split-interest agreements.

The amount of the contribution is recorded as the difference between the asset and the liability as revenue without donor restrictions unless otherwise restricted by the donor. Subsequent changes in the fair value are recorded as change in split-interest agreements on the consolidated statements of activities.

Included in long term investments, are assets held to meet the mandated annuity reserves as required by the governing state the agreement was written in.

(d) Grant Research Awards

Total grant research awards consist of grants from the federal government, charitable foundations, and private corporations. These grants are classified as exchange transactions if the grantor is receiving the direct benefit of the research and contributions. Most grants are contributions where the public receives the direct benefit. All grants have a restricted purpose and most are conditional. This is determined from the award document.

Generally, both the condition and restricted purposes are met simultaneously and National Jewish Health has elected the expediency of recording these grant awards to revenues, gains and other support without donor restrictions when the conditions and restrictions have been met. Unconditional restricted contributions are recorded to revenue, gains, and other support with donor restrictions at the time the grant is awarded, and released to revenue, gains, and other support without donor restrictions when the restricted purpose has been met.

Exchange transactions are recorded directly to revenue, gains, and other support without donor restrictions as performance obligations are met over time. Both the contributions and the exchange transactions are recorded as grant research awards in the consolidated statements of activities. The composition of total grant revenue for the years ended June 30, 2021 and 2020 is:

| | 2021 | | | 2020 | | |
|-----------------------|----------------------------|-------------------------|------------------|----------------------------|-------------------------|------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Contributions | \$ 53,270 | \$ - | \$ 53,270 | \$ 57,240 | \$ - | \$ 57,240 |
| Exchange transactions | 4,000 | - | 4,000 | 4,082 | - | 4,082 |
| | <u>\$ 57,270</u> | <u>\$ -</u> | <u>\$ 57,270</u> | <u>\$ 61,322</u> | <u>\$ -</u> | <u>\$ 61,322</u> |

At June 30, 2021 and 2020, National Jewish Health had \$63,047 and \$52,558, respectively, of conditional contributions remaining consisting of federal grants whose conditions and restrictions relate to National Jewish Health expending allowable costs. These agreements had award end dates ranging from one month to three years.

National Jewish Health and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(In thousands)

Additionally, at June 30, 2021 and 2020, National Jewish Health had \$8,628 and \$12,003, respectively, of conditional contributions remaining consisting of state smoking cessation contracts whose conditions and restrictions relate to National Jewish Health performing services related to the contract. These contracts had award end dates ranging from six months to three years.

(e) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less. Cash and cash equivalents included in long-term investments, endowment accounts, and assets limited as to use restricted internally by the board or externally are not considered to be cash and cash equivalents.

(f) Debt Issuance Costs

Bond issuance costs and bond discounts related to the issuance of bonds are deferred and amortized over the life of the respective bond issue using the straight-line method. Additionally, capital lease issuance costs related to the issuance of capital leases are deferred and amortized over the life of the capital lease using the straight-line method.

(g) Investments and Net Investment Return

Investment income, net includes interest and other investment income, dividend, realized and unrealized gains and losses on investments, less investment expenses. Investment income from endowment investments is reflected in net assets with donor restrictions, then is released from restriction when the Board appropriates the funds for expenditures. Other investment income is reflected in net assets without donor restrictions.

(h) Property and Equipment

Property and equipment is stated at cost if purchased, or if donated, is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as net assets with donor restrictions, otherwise, they are recorded as net assets without donor restrictions. Non-depreciable assets (land) at June 30, 2021 and 2020 is \$13,073 and \$13,053, respectively. Depreciation of buildings and equipment is calculated using the straight-line method over the estimated useful lives of the assets in accordance with American Hospital Association guidelines. Depreciation expense for 2021 and 2020, respectively, is \$8,460 and \$7,885, while accumulated depreciation is \$136,885 and \$129,250. The estimated useful lives for buildings is 20 – 40 years and for equipment and software is 3 – 15 years. In 2020, National Jewish Health began amortizing the goodwill related to the sleep lab purchase over a period of three years (fiscal years ended June 30, 2020 – 2022), based on recent and expected future market changes and competition. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

(i) Long-lived Asset Impairment

National Jewish Health evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate of future cash flows expected

National Jewish Health and Subsidiary

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(In thousands)

to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. There was no asset impairment loss in fiscal years ended June 30, 2021 and 2020.

(j) Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for operating reserves and an endowment.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

(k) Patient Service Revenue

Patient service revenue is recognized as National Jewish Health satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration National Jewish Health expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors, and others for services rendered, taking into consideration both explicit price concessions (such as contractual agreements) and implicit price concessions (such as uncollectible self-pay portions). National Jewish Health pursues collection of self-pay portions, but anticipates a small amount of loss based on historical results. Due to insurance plans, government programs, charitable financial policies (state and National Jewish Health), and uncollectibles, amounts received are generally less than established billing rates.

(l) Other Operating Revenue

Other operating revenue is primarily composed of contract pharmacy revenue totaling \$67,175 and \$40,733 for the years ended 2021 and 2020, respectively. The revenue is earned at a point in time as the performance obligation is met. Remaining other operating revenue also includes physician contracted services, radiology services, and other miscellaneous revenue.

(m) Subsequent Events

Subsequent events have been evaluated through October 27, 2021, which is the date the consolidated financial statements were issued.

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(n) Presentation of Financial Statements

Management has elected to present the financial statements under the not-for-profit model rather than the healthcare model since National Jewish Health's non-patient revenues, gains and other support are historically in excess of patient service revenue. The difference in presentation would have no effect on the change in net assets.

(o) Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 financial statement presentation for long-term investment classifications in Note 17. These reclassifications had no effect on the change in net assets.

(3) Patient Service Revenue

Patient service revenue generally relates to contracts with patients in which the performance obligations are to provide health care services to patients over a period of time. Revenue is estimated for patients who have not been discharged as of the reporting period based on actual charges incurred to date in relation to total expected charges. National Jewish Health believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The contractual relationship with patients also typically involves a third-party payer (Medicare, Medicaid, managed care plans, and commercial insurance companies), and the transaction prices for the services provided are dependent upon the terms provided by or negotiated with the third-party payers. The payment arrangements with third-party payers for the services provided to the related patients typically specify payment or reimbursement to National Jewish Health at other-than-standard charges.

Since all of its performance obligations relate to contracts with a duration of less than one year, National Jewish Health has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), so is not required to disclose the aggregate amount of the transaction price allocated to performance obligations which are unsatisfied or partially unsatisfied at the end of the reporting period. National Jewish Health has also elected the practical expedient allowed under FASB ASC 606-10-32-18 so patient accounts are not adjusted for a financing component since National Jewish Health's expectation is accounts will be paid within one year. Generally, National Jewish Health bills within several days for services provided and the majority of receivables are paid within one year of service. National Jewish Health does enter into contracts where payments extend beyond one year. In these limited cases, the financing component is not deemed to be significant to the contract.

National Jewish Health determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions which consist of contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with its policy, and implicit price concessions provided to uninsured patients. National Jewish Health determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. National Jewish Health determines its estimate of implicit price concessions based on its historical collection experience with private pay and

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uninsured patients. For the fiscal years ended June 30, 2021 and 2020, implicit price concessions were \$1,596 and \$1,865 respectively.

National Jewish Health has determined the nature, amount, timing and uncertainty of revenue and cash flows are affected by payer class. The composition of patient service revenue by primary payor for the fiscal years ended 2021 and 2020 is as follows:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|-------------------|-------------------|
| Medicare | \$ 47,890 | \$ 38,961 |
| Medicaid | 18,449 | 20,418 |
| Managed Care, Commercial and Other | 111,410 | 87,609 |
| Self-Pay | 701 | 1,501 |
| Total patient service revenue | <u>\$ 178,450</u> | <u>\$ 148,489</u> |

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

National Jewish Health provides services in Colorado to patients from throughout the United States and internationally. As of June 30, 2021 and 2020, National Jewish Health's patient care receivable for services rendered was \$29,810 and \$26,968, respectively.

Settlements with third-party payers for retroactive adjustments due to cost report or other audits and reviews are variable consideration and are included in the determination of the estimated transaction price for providing patient care. This includes an assessment to ensure it is probable a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or no longer subject to such audits and reviews. Adjustments arising from a change in the transaction price were not significant in 2021 nor 2020.

Consistent with National Jewish Health's mission, care is provided to patients regardless of their ability to pay. Financial assistance is made available to patients based upon their ability to pay, and determinations in individual cases are made during National Jewish Health's preadmission process. Because National Jewish Health does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Expansion of eligibility coverage under Medicaid by the Affordable Care Act has decreased charity care substantially.

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National Jewish Health's direct and indirect costs for services furnished under its charity care policy totaled \$344 and \$302 in 2021 and 2020, respectively. National Jewish Health also participates in the Medicare and Medicaid programs. Under these programs, National Jewish Health provides care to patients at payment rates determined by governmental agencies, regardless of actual cost. Governmental rates are frequently below cost.

(4) Natural and Functional Expense Analysis

The tables below present expenses by both their nature and their function for the fiscal years ended June 30, 2021 and 2020.

| | June 30, 2021 | | | | | FY21 Total Expenses |
|--------------------------------------|--------------------|-------------------|------------------|-----------------------|-------------------------------------|---------------------|
| | Program Activities | | | Supporting Activities | | |
| | Academic Services | Clinical Services | Other Services | Fund Development | Administration and Support Services | |
| Salaries and fringe benefits expense | \$ 79,324 | \$ 49,747 | \$ 6,063 | \$ 4,218 | \$ 31,783 | \$ 171,135 |
| Professional fees | 6,735 | 4,567 | 2,061 | 546 | 4,006 | 17,915 |
| Medical supplies and drugs expense | 4,563 | 93,313 | 2,817 | - | 990 | 101,683 |
| Occupancy expense | 940 | 3,785 | 476 | 719 | 6,384 | 12,304 |
| Office expense | 830 | 992 | 640 | 1,218 | 2,928 | 6,608 |
| Depreciation and interest | 3,730 | 4,375 | 658 | 221 | 1,459 | 10,443 |
| Collaborative agreements | 9,272 | - | - | - | - | 9,272 |
| Other expense | 1,459 | 6,033 | 472 | 230 | 3,546 | 11,740 |
| Total expenses | \$ 106,853 | \$ 162,812 | \$ 13,187 | \$ 7,152 | \$ 51,096 | \$ 341,100 |

| | June 30, 2020 | | | | | FY20 Total Expenses |
|--------------------------------------|--------------------|-------------------|------------------|-----------------------|-------------------------------------|---------------------|
| | Program Activities | | | Supporting Activities | | |
| | Academic Services | Clinical Services | Other Services | Fund Development | Administration and Support Services | |
| Salaries and fringe benefits expense | \$ 77,756 | \$ 48,634 | \$ 6,348 | \$ 4,505 | \$ 32,790 | \$ 170,033 |
| Professional services expense | 6,786 | 5,330 | 1,178 | 757 | 4,021 | 18,072 |
| Medical supplies and drugs expense | 6,263 | 61,852 | 3,566 | - | 824 | 72,505 |
| Occupancy expense | 914 | 3,620 | 375 | 700 | 5,829 | 11,438 |
| Advertising expense | 828 | 814 | 785 | 1,509 | 2,882 | 6,818 |
| Office expense | 3,677 | 3,748 | 407 | 269 | 1,711 | 9,812 |
| Equipment and depreciation expense | 11,441 | 1 | - | - | - | 11,442 |
| Other expense | 2,152 | 5,445 | 1,240 | 540 | 3,992 | 13,369 |
| Total expenses | \$ 109,817 | \$ 129,444 | \$ 13,899 | \$ 8,280 | \$ 52,049 | \$ 313,489 |

The consolidated financial statements report certain categories of expenses attributable to more than one program or support function. Therefore, these expenses require allocation on a reasonable basis that is applied consistently. The expenses include depreciation and interest allocated based on the percentage of total expenses.

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(5) Liquidity and Availability of Funds

The following reflects National Jewish Health's liquid financial assets available to meet cash needs for general expenditures for the period of one year after the consolidated statements of financial position dates of June 30, 2021 and 2020.

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| Cash and cash equivalents | \$ 44,299 | \$ 26,125 |
| Patient care, net | 29,810 | 26,968 |
| Contributions receivable, without donor restrictions | 7,111 | 3,765 |
| Receivable from joint ventures | 1,569 | 4,801 |
| Pledges without donor restrictions and bequests, net | 1,127 | 1,207 |
| Other | 8,982 | 7,895 |
| Total liquid financial assets | <u>\$ 92,898</u> | <u>\$ 70,761</u> |

National Jewish Health maintains a line of credit in the amount of \$15,000, which it could draw upon in the event of liquidity needs. This line of credit is unused as of June 30, 2021. National Jewish Health also has board-designated and donor-restricted assets limited to use which the institution does not intend to spend outside of approved expenditures. Of these, the internally designated assets of \$38,686 at June 30, 2021, may be drawn upon, if necessary, to meet unexpected liquidity needs.

National Jewish Health invests cash in excess of daily requirements in various short-term instruments as allowed by the investment policy.

(6) Promises to Give

The following are unconditional promises to give recognized as receivables as of June 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| Pledges and bequests, before discount and allowances | \$ 47,019 | \$ 40,259 |
| Less unamortized discount – pledges | (1,425) | (1,462) |
| Less allowance for uncollectibles – pledges and bequests | <u>(5,387)</u> | <u>(4,223)</u> |
| Net unconditional promises to give | <u>\$ 40,207</u> | <u>\$ 34,574</u> |
| Amounts due in: | | |
| Less than one year | \$ 24,863 | \$ 20,527 |
| One to five years | 17,121 | 14,837 |
| More than five years | <u>5,035</u> | <u>4,895</u> |
| Total | <u>\$ 47,019</u> | <u>\$ 40,259</u> |

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Discount rates are established when the promise to give is made. Discount rates ranged from 0.21% to 3.42% for fiscal years ended June 30, 2021 and 2020, respectively.

(7) Contributions Receivable

Contributions receivable are due within one year and for the fiscal years ended June 30, 2021 and 2020, consists of the following:

| | <u>2021</u> |
|------------------------|----------------------|
| | <u>Without Donor</u> |
| | <u>Restrictions</u> |
| Grants | \$ 3,850 |
| Health initiatives | 2,635 |
| Professional education | 626 |
| Total | <u>\$ 7,111</u> |
| | <u>2020</u> |
| | <u>Without Donor</u> |
| | <u>Restrictions</u> |
| Grants | \$ 3,767 |
| Health initiatives | 1,914 |
| Professional education | 533 |
| Total | <u>\$ 6,214</u> |

(8) Internally-designated Assets

The governing body has designated certain assets for strategic and other future purposes. On June 30, 2021 and 2020, the composition of internally designated assets stated at fair value, as determined by the most recent market quotations or an estimate based on significant other observable inputs are stated below:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| Cash and cash equivalents | \$ 2,629 | \$ 6,878 |
| Common stocks and equity funds | 6,933 | 7,730 |
| International securities and equities funds | 6,277 | 3,311 |
| Fixed income securities funds | 34,382 | 26,968 |
| U.S. government and agency obligations funds | 2,922 | 2,373 |
| Alternative investments | 5,843 | 4,489 |
| | <u>\$ 58,986</u> | <u>\$ 51,749</u> |

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(9) Long-term Investments

The composition of long-term investments, stated at fair value, as determined by the most recent market quotations or an estimate based on significant other observable inputs at June 30, 2021 and 2020 is as follows:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| Cash and cash equivalents | \$ 389 | \$ 1,023 |
| Convertible securities and equities funds | 23,980 | 19,948 |
| International securities and equities funds | 16,085 | 10,633 |
| Fixed income securities funds | 14,954 | 13,253 |
| U.S. government and agency obligations funds | 2,206 | 1,934 |
| Alternative investments | <u>25,335</u> | <u>18,885</u> |
| | <u>\$ 82,949</u> | <u>\$ 65,676</u> |

Investments as of June 30, 2021 and 2020 include gift annuity investments of \$11,921 and \$11,316, respectively, and the fair value of the gift annuity obligations under those agreements was \$7,871 and \$8,233, respectively. Reserves for gift annuities are held in separate investment accounts with required minimums as required by appropriate state requirements.

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(10) Composition of Investment Returns

The following summarizes investment returns and classification in the consolidated statements of activities:

| | 2021 | |
|---|--------------------------------------|------------------------------------|
| | Without Donor Restriction | With Donor Restriction* |
| Interest income, net | \$ 1,003 | \$ 1,989 |
| Gains: | | |
| Realized gains | 2,224 | 5,409 |
| Unrealized gains | <u>5,134</u> | <u>12,855</u> |
| Total gains | <u>7,358</u> | <u>18,264</u> |
| Total return on investments in stock and bond portfolios | <u>\$ 8,361</u> | <u>\$ 20,253</u> |
| | | |
| | 2020 | |
| | Without Donor Restriction | With Donor Restriction* |
| Interest income | \$ 1,412 | \$ 1,867 |
| Gains: | | |
| Realized gains | 1,897 | 2,552 |
| Unrealized loss | <u>(1,625)</u> | <u>(3,571)</u> |
| Total gains (losses) | <u>272</u> | <u>(1,019)</u> |
| Total return on investments in stock and bond portfolios | <u>\$ 1,684</u> | <u>\$ 848</u> |

* Some amounts are included in the increase (decrease) of split-interest agreements on the consolidated statements of activities.

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(11) Long-term Debt and Building Finance Lease

Long-term debt at June 30, 2021 and 2020 is summarized as follows:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|------------------|------------------|
| Revenue Bonds, Series 2012 (a) | \$ 11,985 | \$ 13,985 |
| Revenue Bonds, Series 2005 (b) | 8,300 | 8,700 |
| Building finance lease (c) | 64,049 | 23,009 |
| Gove School Property (d) | 1,250 | 3,000 |
| Unamortized Bond Premium | | |
| Revenue Bonds, Series 2012 | <u>519</u> | <u>613</u> |
| | 86,103 | 49,307 |
| Less: unamortized debt issuance costs | (286) | (325) |
| Less: current portion | <u>(2,505)</u> | <u>(3,525)</u> |
| | <u>\$ 83,312</u> | <u>\$ 45,457</u> |

(a) Series 2012 Revenue Bonds

The Colorado Health Facilities Authority issued \$26,790 aggregate principal amount of its Refunding Revenue Bonds Series 2012 (the 2012 Bonds) dated March 1, 2012. The proceeds were used to refund the Series 1998 and Series 1998B Bonds. The 2012 Bonds are subject to a mandatory sinking fund redemption beginning January 1, 2026. Final principal payments on the bonds are due in January 2027. Redemption amounts are as follows at June 30, 2021:

| | |
|------------|------------------|
| 2022 | \$ 2,105 |
| 2023 | 2,205 |
| 2024 | 2,315 |
| 2025 | 2,425 |
| 2026 | 2,555 |
| Thereafter | <u>380</u> |
| | <u>\$ 11,985</u> |

The 2012 Bonds bear interest at fixed rates varying from 3.00% to 5.00% and are secured by the rights to all future revenue derived from National Jewish Health's property, excluding revenue derived from donor-restricted property if such revenue is unavailable for debt service. The 2012 Bonds are subject to covenants which impose certain operating and financial restrictions on National Jewish Health. Management believes National Jewish Health is in compliance with all covenants for the years ended June 30, 2021 and 2020. Unamortized debt issuance costs for the 2012 Bonds were \$166 and \$196 at June 30, 2021 and 2020, respectively.

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(b) Series 2005 Revenue Bonds

In January 2005, the Colorado Health Facilities Authority issued \$13,500 aggregate principal amount of its Series 2005 Revenue Bonds (the 2005 Bonds) dated January 20, 2005. Proceeds from the 2005 Bonds were used to finance the construction of a clinical and research building, as well as several renovation projects and equipment. Unamortized debt issuance costs for the 2005 Bonds were \$120 and \$129 at June 30, 2021 and 2020, respectively.

The 2005 Bonds require annual payments of varying amounts. These payments began on January 1, 2007. Final principal payments on the bonds are due in January 2035. Redemption amounts are as follows at June 30, 2021:

| | | |
|------------|-----------|--------------|
| 2022 | \$ | 400 |
| 2023 | | 500 |
| 2024 | | 500 |
| 2025 | | 500 |
| 2026 | | 500 |
| Thereafter | | <u>5,900</u> |
| | <u>\$</u> | <u>8,300</u> |

The 2005 Bonds bear a variable rate of interest based on the rate at which the bonds could be remarketed at their face value and are secured by the rights to all future revenue derived from National Jewish Health's property, excluding revenue derived from donor-restricted property if such revenue is unavailable for debt service. The interest rate at June 30, 2021 was 0.05%. The 2005 Bonds are backed by an irrevocable transferable letter of credit, which is automatically extended without amendment for an additional period of 12 months. The letter of credit expires March 1, 2023, and is automatically extended by one year, each year, beginning March 1, unless otherwise terminated before the updated expiration date. Unless certain events occur, such as the expiration date of the letter of credit, advances made on the letter of credit are not due for 366 days from the date of the advance. At June 30, 2021 and 2020, no borrowings were outstanding. The 2005 Bonds are subject to covenants, which impose certain operating and financial restrictions on National Jewish Health. Management believes National Jewish Health is in compliance with all covenants for the years ended June 30, 2021 and 2020.

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(c) Building Finance Lease

On October 16, 2019, Colorado Health Facilities Authority Revenue Bonds (NJH-SJH Center for Outpatient Health project) Series 2019 in the aggregate principal of \$72,050 were issued on behalf of the NJH-SJH Center for Outpatient Health LLC (the Borrower), to fund construction of the Center for Outpatient Health building on land owned by National Jewish Health. This land is on the National Jewish Health main campus, and leased to the Borrower of the bonds. Concurrently, National Jewish Health entered into an installment sale contract with the Borrower for use and eventual purchase of the Center for Outpatient Health building. Obligations to make payments under the installment sale contract is a non-recourse obligation of National Jewish Health's limited to National Jewish Health's interest in the building and land.

The payment obligation under the installment sale contract is identical in timing and amount to the obligations of the Borrower under the bonds, which bear interest at fixed rates varying from 3.00% to 5.00% and terminates January 1, 2050. Payments under the installment sales contract will begin January 1, 2023. The obligation under the installment sale contract is guaranteed by the Sisters of Charity of Leavenworth Health System, Inc. (SCL Health).

As of June 30, 2021 and 2020, \$64,049 and \$21,900 of the bond funds have been expended for construction costs, respectively. Since the facility is included in National Jewish Health's joint operating agreement (JOA) with SCL Health | St. Joseph Hospital, 75% of the depreciation and interest for the facility will be recovered from SCL Health | St. Joseph Hospital through the JOA. The Center for Outpatient Health opened in fall 2021.

(d) Gove Middle School Property Promissory Note

In February 2011, National Jewish Health entered into a contract with School District No. 1, in the City and County of Denver and State of Colorado (DPS) to purchase the closed Gove Middle School property for \$9,000. DPS issued a non-recourse promissory note, collateralized by the land, in the amount of \$8,750 which bears interest at a fixed rate of 4%. An amendment to the contract dated May 28, 2020 extends the payments until October 1, 2022. The property is located adjacent to National Jewish Health's main campus and will be used for furthering National Jewish Health's clinical, research and educational mission. The final principal payment of \$1,250 is due October 1, 2022.

(e) Held by Trustee

Assets held by trustees represent funds designated by the bond indenture to pay principal and interest on the 2012 and 2005 Bonds. These funds, which are comprised of cash and cash equivalents, relate to the following as of June 30, 2021 and 2020:

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| | <u>2021</u> | <u>2020</u> |
|------------------------------|-----------------|-----------------|
| 2012 Bonds | | |
| Bond Reserve Fund | \$ 2,770 | \$ 2,785 |
| Bond Interest/Principal Fund | 305 | 350 |
| | <u>\$ 3,075</u> | <u>\$ 3,135</u> |
| 2005 Bonds | | |
| Bond Reserve Fund | \$ 783 | \$ 783 |
| Bond Interest/Principal Fund | 20 | 20 |
| | <u>\$ 803</u> | <u>\$ 803</u> |

(12) Line of Credit

National Jewish Health has a \$15,000 unsecured revolving bank line of credit expiring on March 1, 2023. At June 30, 2021 and 2020, there was \$0, borrowed against this line. Interest accrues at a floating per annum rate of interest at the borrower's option of (a) 30 day LIBOR rate plus 175 basis points or (b) Prime Rate less 1%. Either selection shall not be less than 2.75%. National Jewish Health's borrowing interest rate was 2.75% on June 30, 2021 and 2020.

(13) Leases

Change in Accounting Principle

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

National Jewish Health adopted Topic 842 on July 1, 2020 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. National Jewish Health elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. National Jewish Health has lease agreements with nonlease components that relate to the lease components. National Jewish Health did not elect the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component but elected to account for each

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separately. Also, National Jewish Health elected to keep short-term leases with an initial term of 12 months or less off the statements of financial position. National Jewish Health did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2020.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$6,796 and \$6,877, respectively, while the accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. The standard did not significantly affect the consolidated statements of activities, change in net assets or cash flows.

Accounting Policies

National Jewish Health determines if an arrangement is a lease or contains a lease at inception. Each arrangement with monthly payments in excess of \$5,000 and total lease liability in excess of \$75,000 result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. National Jewish Health determines lease classification as operating or finance at the lease commencement date and reports each on the statements of financial position on separate lines.

National Jewish Health elected not to combine lease and nonlease components, such as common area and other maintenance costs, property taxes, service and warranty agreements, in calculating the ROU assets and lease liabilities for its office buildings and equipment.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. For finance leases, National Jewish Health uses the implicit rate when readily determinable. As most of the finance leases do not provide an implicit rate, National Jewish Health uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. For finance leases, National Jewish Health determines the present value of lease payments using the incremental or stated borrowing rate. For operating leases, National Jewish Health has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that National Jewish Health is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

National Jewish Health has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

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Nature of Leases

National Jewish Health has entered into the following lease arrangements:

Finance Leases

These leases mainly consist of office and medical equipment, etc. Termination of the leases generally are prohibited unless there is a violation under the lease agreement. Amortization of finance lease right-of-use asset was \$50 for the year ended June 30, 2021 and interest paid on finance lease liabilities was \$7. The weighted average remaining lease term and discount rate for the year ended June 30, 2021 was 4.88 years and 2.84%, respectively.

Additionally, see Note 11 for the Building finance lease.

Operating Leases

National Jewish Health leases office and clinic space that expire in various years through 2026. These leases generally contain renewal options for periods ranging from 1 to 5 years and require National Jewish Health to pay all executory costs (property taxes, maintenance and insurance). Lease payments have an escalating fee schedule, which range from a 0% to 3% percent increase each year. Termination of the leases is generally prohibited unless there is a violation under the lease agreement. Operating lease cost was approximately \$2,448 for the year ended June 30, 2021 and cash paid for amounts included in the measurement of operating lease liabilities was approximately \$2,273. The weighted average remaining lease term and discount rate for the year ended June 30, 2021 was 3.79 years and 0.30%, respectively.

Short-term Leases

National Jewish Health leases certain equipment with an expected lease terms are less than 12 months. Total lease expense included in operating expenses for the years ending June 30, 2021 and 2020, was \$23 and \$56, respectively.

All Leases

National Jewish Health has no material related-party leases. National Jewish Health's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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Future minimum lease payments and reconciliation to the consolidated balance sheets at June 30, 2021, are as follows:

| | <u>Finance Leases</u> | <u>Operating Leases</u> |
|--|---------------------------|-----------------------------|
| 2022 | \$ 85 | \$ 2,406 |
| 2023 | 85 | 1,751 |
| 2024 | 85 | 1,078 |
| 2025 | 85 | 761 |
| 2026 | 43 | 612 |
| Thereafter | <u>21</u> | <u>317</u> |
| Total future undiscounted lease payments | 404 | 6,925 |
| Less future interest expense | <u>27</u> | <u>48</u> |
| Lease liabilities | <u>\$ 377</u> | <u>\$ 6,877</u> |

(14) Commitments and Contingencies

(a) Professional Liability

Professional liability reserve estimates represent the estimated ultimate cost of all reported and unreported losses incurred through the respective consolidated statements of financial position. The reserves for unpaid losses and loss expenses are estimated using individual case-basis valuations and actuarial analyses. Those estimates are subject to the effects of trends in loss severity and frequency. The estimates are continually reviewed and adjustments are recorded as experience develops or new information becomes known. The time period required to resolve these claims can vary depending upon whether the claim is settled or litigated. The estimation of the timing of payments beyond a year can vary significantly. Although considerable variability is inherent in professional liability reserve estimates, we believe the reserves for losses and loss expenses are adequate based on information currently known. It is reasonably possible this estimate could change materially in the near term.

(b) Other

National Jewish Health has certain pending litigation and claims incurred in the ordinary course of business; however, management believes, based on the advice of legal counsel, the probable resolution of such contingencies will not materially affect the financial position or operations of National Jewish Health.

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National Jewish Health maintains professional and general liability coverage through a claims-made policy with COPIC Insurance. The policy's liability is \$1,000 per medical incident and \$3,000 in the aggregate, with deductibles of \$100 per medical incident/occurrence and \$300 in the aggregate. In addition, umbrella coverage is provided to National Jewish Health through a claims-made policy with COPIC Insurance. The liability limit under the umbrella policy is \$20,000 combined medical incident and in aggregate.

(c) Risks and Uncertainties

National Jewish Health invests in securities which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term and those changes could materially affect the investment amounts reported in the consolidated statements of financial position.

Although the spread of the SARS-CoV-2 virus and the incidence of COVID-19 has decline, there remains economic uncertainties which may affect the financial position, result of operations and cash flows of National Jewish Health. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

(15) Net Assets

(a) Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021 and 2020, are restricted for the following purpose or periods.

Net assets reserved for future unrestricted uses represent contributions not yet received by National Jewish Health. Endowed assets not yet appropriated for expenditure represent earnings on permanently endowed funds which have not been appropriated for expenditure by National Jewish Health in a manner consistent with the standard of prudence prescribed by State of Colorado Prudent Management of Institutional Funds Act (SPMIFA).

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Net assets reserved for future unrestricted uses | \$ 493 | \$ 545 |
| Subject to expenditure for specified purpose: | | |
| Research, education, patient care and capital construction | 81,283 | 69,632 |
| Endowed assets not yet appropriated for expenditure | 32,507 | 17,980 |
| Unitrust and pooled income agreements | 6,828 | 5,744 |
| Beneficial interest in perpetual-trust agreements | 14,488 | 12,199 |
| Permanent endowments | 42,437 | 41,662 |
| | <u>\$ 178,036</u> | <u>\$ 147,762</u> |

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National Jewish Health is an income beneficiary of several perpetual trusts controlled by unrelated third-party trustees. The trust document or the trustees' policies govern the investment and distribution of trust assets. Trust income distributed to National Jewish Health for the years ended June 30, 2021 and 2020 was \$649 and \$549, respectively.

(b) Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30, 2021 and 2020, are comprised of both designated and undesignated amounts as follows:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|------------------|
| Undesignated | \$ 76,126 | \$ 59,875 |
| Designated by the board for operating reserve | 23,940 | 18,938 |
| Designated by the board for endowment | <u>14,746</u> | <u>12,578</u> |
| Net assets without donor restrictions | <u>\$ 114,812</u> | <u>\$ 91,391</u> |

(c) Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| Expiration of time restrictions | \$ 3,088 | \$ 3,343 |
| Subject to expenditures for specified purposes: | | |
| Research, education, patient care and capital construction | 4,168 | 3,347 |
| Professional education | 3,940 | 2,545 |
| Distributions (proceeds are not restricted by donors) | | |
| Beneficial interests in charitable trusts held by others | 319 | 283 |
| Release of appropriated endowment amounts without purpose restrictions | 437 | 755 |
| Release of appropriated endowment amounts with purpose restrictions | <u>1,046</u> | <u>1,086</u> |
| | <u>\$ 12,998</u> | <u>\$ 11,359</u> |

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(16) Endowment

National Jewish Health's endowment consists of approximately 80 individual donor-restricted funds established as endowments and intended for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by United States of America generally accepted accounting principles (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, National Jewish Health classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board appropriates such amounts for expenditure. Most of those net assets are also subject to the purpose restrictions which must be met before classifying those net assets to net assets without donor restrictions. The Board of Directors has also interpreted SPMIFA as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. National Jewish Health has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. National Jewish Health considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purpose of National Jewish Health and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and appreciation of investments
- 6) The resources of National Jewish Health
- 7) The investment policies of National Jewish Health

(a) Investment Policy

National Jewish Health has adopted investment and spending policies for endowment assets which attempt to provide a predictable stream of funding to programs supported by the endowment while balancing fund growth. Under this policy, approved by the Board of Directors, the assets are invested in a manner intended to produce results which exceed Consumer Price Index plus 5% per year as measured over a rolling 36-month period. To satisfy this long-term rate of return objective, National Jewish Health relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. National Jewish Health targets a diversified

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asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

(b) Spending Policy

National Jewish Health's spending policy varies by the purpose of the endowment and was established by the Board of Directors after considering all seven factors outlined by SPMIFA above. Funds with donor specific purposes have a spending policy of between 3% and 4% of the market value of the fund averaged over the past 12 fiscal quarters preceding the fiscal year in which the distribution is made.

National Jewish Health has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations. No expenditures from underwater endowment funds were appropriated for during the years ended June 30, 2021 and 2020.

The composition of net assets by type of endowment at June 30, 2021 is:

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|----------------------------------|--------------------------------------|-----------------------------------|------------------|
| Donor-restricted endowment funds | \$ - | \$ 77,894 | \$ 77,894 |
| Board-designated endowment funds | 14,746 | - | 14,746 |
| Total funds | <u>\$ 14,746</u> | <u>\$ 77,894</u> | <u>\$ 92,640</u> |

Changes in endowment net assets for fiscal year ended June 30, 2021:

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|--|--------------------------------------|-----------------------------------|------------------|
| Endowment net assets, beginning of year | \$ 12,578 | \$ 61,957 | \$ 74,535 |
| Contributions | - | 774 | 774 |
| Endowment transfer | - | (1,483) | (1,483) |
| Investment income | 127 | 1,641 | 1,768 |
| Net assets released from restriction | - | (42) | (42) |
| Gain on sale of investments | 587 | 2,959 | 3,546 |
| Unrealized gain on investments | 1,454 | 12,088 | 13,542 |
| Endowment net assets, end of year | <u>\$ 14,746</u> | <u>\$ 77,894</u> | <u>\$ 92,640</u> |

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The composition of net assets by type of endowment fund at June 30, 2020:

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|----------------------------------|--------------------------------------|-----------------------------------|------------------|
| Donor-restricted endowment funds | \$ - | \$ 61,957 | \$ 61,957 |
| Board-designated endowment funds | 12,578 | - | 12,578 |
| Total funds | <u>\$ 12,578</u> | <u>\$ 61,957</u> | <u>\$ 74,535</u> |

Changes in endowment net assets for fiscal year ended June 30, 2020:

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|--|--------------------------------------|-----------------------------------|------------------|
| Endowment net assets, beginning of year | \$ 12,339 | \$ 62,454 | \$ 74,793 |
| Contributions | - | 726 | 726 |
| Endowment transfer | - | (1,841) | (1,841) |
| Investment income | 186 | 1,534 | 1,720 |
| Net assets released from restriction | - | (52) | (52) |
| Gain on sale of investments | 499 | 2,684 | 3,183 |
| Unrealized loss on investments | (446) | (3,548) | (3,994) |
| Endowment net assets, end of year | <u>\$ 12,578</u> | <u>\$ 61,957</u> | <u>\$ 74,535</u> |

(17) Fair Value Disclosure

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. A hierarchy of three levels of inputs may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets which are not active, other inputs which are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs which are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

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(a) Recurring Measurements

The following tables represent the fair value measurement of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall at June 30, 2021 and 2020:

| June 30, 2021 | Fair Value | Fair Value Measurements at Reporting Date Using | | |
|---|------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Internally-designated assets | | | | |
| Common stocks and equity funds | \$ 6,933 | \$ 6,933 | \$ - | \$ - |
| International securities and equities | 6,277 | 6,277 | - | - |
| Fixed income securities | 34,382 | 34,382 | - | - |
| U.S. government and agency securities | 2,922 | 2,922 | - | - |
| Alternative investments (A) | 5,843 | - | - | - |
| Total internally-designated assets | 56,357 | 50,514 | - | - |
| Assets reserved for gift annuities | | | | |
| International securities and equities | 2,209 | 2,209 | - | - |
| Fixed income securities | 3,425 | 3,425 | - | - |
| U.S. government and agency securities | 895 | 895 | - | - |
| Total assets reserved for gift annuities | 6,529 | 6,529 | - | - |
| Long-term investments | | | | |
| Convertible securities and equities | 23,980 | 23,980 | - | - |
| International securities and equities | 16,085 | 16,085 | - | - |
| Fixed income securities | 14,954 | 14,954 | - | - |
| U.S. government and agency securities | 2,206 | 2,206 | - | - |
| Alternative investments (A) | 25,335 | - | - | - |
| Total long-term investments | 82,560 | 57,225 | - | - |
| Other | | | | |
| Beneficial interest in perpetual trust | 14,488 | - | - | 14,488 |
| Total other | 14,488 | - | - | 14,488 |
| Total assets above | 159,934 | \$ 114,268 | \$ - | \$ 14,488 |
| Cash and cash equivalents not included above | 3,193 | | | |
| Total | \$ 163,127 | | | |

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| June 30, 2020 | Fair Value | Fair Value Measurements at Reporting Date Using | | |
|---|-------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Internally-designated assets | | | | |
| Common stocks and equity funds | \$ 7,730 | \$ 7,730 | \$ - | \$ - |
| International securities and equities | 3,311 | 3,311 | - | - |
| Fixed income securities | 26,968 | 26,968 | - | - |
| U.S. government and agency securities | 2,373 | 2,373 | - | - |
| Alternative investments (A) | 4,489 | - | - | - |
| Total internally-designated assets | <u>44,871</u> | <u>40,382</u> | <u>-</u> | <u>-</u> |
| Assets reserved for gift annuities | | | | |
| Convertible securities and equities | 3,168 | 3,168 | - | - |
| International securities and equities | 307 | 307 | - | - |
| Fixed income securities | 2,264 | 2,264 | - | - |
| U.S. government and agency securities | 1,115 | 1,115 | - | - |
| Total assets reserved for gift annuities | <u>6,854</u> | <u>6,854</u> | <u>-</u> | <u>-</u> |
| Long-term investments | | | | |
| Convertible securities and equities | 19,948 | 19,948 | - | - |
| International securities and equities | 10,633 | 10,633 | - | - |
| Fixed income securities | 13,253 | 13,253 | - | - |
| U.S. government and agency securities | 1,934 | 1,934 | - | - |
| Alternative investments (A) | 18,885 | - | - | - |
| Total long-term investments | <u>64,653</u> | <u>45,768</u> | <u>-</u> | <u>-</u> |
| Other | | | | |
| Beneficial interest in perpetual trust | 12,199 | - | - | 12,199 |
| Total other | <u>12,199</u> | <u>-</u> | <u>-</u> | <u>12,199</u> |
| Total assets above | <u>128,577</u> | <u>\$ 93,004</u> | <u>\$ -</u> | <u>\$ 12,199</u> |
| Cash and cash equivalents not included above | <u>7,901</u> | | | |
| Total | <u>\$ 136,478</u> | | | |

- (A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

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Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2021.

(b) Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases, where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

(c) Beneficial Interest in Perpetual Trust

Fair value is estimated at the present value of the trust assets using quoted market prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters. Due to the trusts being held into perpetuity, National Jewish Health will not have the ability to redeem the corpus, and therefore it is classified within Level 3 of the hierarchy.

(d) Alternative Investments

Except as described below, the fair value of alternative investments has been estimated using the net asset value per share of the investments. Alternative investments held at June 30 consist of the following:

| | June 30, 2021 | | | |
|----------------|-------------------|-----------------|-------------------------------|---------------------------------|
| | <u>Fair Value</u> | <u>Unfunded</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
| Funds of Funds | \$ 31,178 | \$ 10,029 | Quarterly or Fund Termination | 60 Days or Fund Termination |
| | June 30, 2020 | | | |
| | <u>Fair Value</u> | <u>Unfunded</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
| Funds of Funds | \$ 23,374 | \$ 7,917 | Quarterly or Fund Termination | 60 Days or Fund Termination |

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This category includes investments in funds of funds that pursue multiple strategies to diversify risks and reduce volatility. The funds' composite portfolio includes investments in U.S. common stocks, global real estate projects, private equity, pooled income vehicles and arbitrage investments. However, as of June 30, 2021, it is probable all investments in this category will be sold at an amount different from the net asset value of National Jewish Health's ownership interest in partners' capital. Therefore, the fair values of the investments in this category have been estimated using recent observable transaction information for similar investments. Investments with quarterly redemptions require lock-up periods of one year which has expired on the funds currently held. Of the remaining funds, they cannot be liquidated prior to the termination of the fund without the approval of the General Manager of the fund. Investment in the funds is intended to be long-term.

(e) Level 3 Reconciliation

The following is a reconciliation and ending balances of recurring fair value measurements recognized in the accompanying consolidated statements of financial position using significant unobservable (Level 3) inputs:

| | Beneficial Interest in Perpetual Trust |
|--|---|
| Balance, June 30, 2019 | \$ 12,376 |
| Unrealized depreciation on investments in net assets | <u>(177)</u> |
| Balance, June 30, 2020 | 12,199 |
| Unrealized appreciation on investments in net assets | <u>2,289</u> |
| Balance, June 30, 2021 | <u>\$ 14,488</u> |

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(f) Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

| Description | Fair Value June 30, 2021 | Valuation Technique | Unobservable Inputs | Range Weighted Average |
|---|-----------------------------|-------------------------------|--------------------------|------------------------------|
| Beneficial Interest in Perpetual Trusts | \$ 14,488 | Fair value of trust assets | Lack of redeemability | Not Applicable |

| Description | Fair Value June 30, 2020 | Valuation Technique | Unobservable Inputs | Range Weighted Average |
|---|-----------------------------|-------------------------------|--------------------------|------------------------------|
| Beneficial Interest in Perpetual Trusts | \$ 12,199 | Fair value of trust assets | Lack of redeemability | Not Applicable |

(18) Employee Benefit Plans

National Jewish Health maintains a defined contribution plan (the Plan) covering substantially all benefit eligible employees. Under the terms of the Plan, National Jewish Health contributes between 5% and 6% of an employee's covered wages up to the Social Security wage base and between 10% and 11% of covered wages in excess of the Social Security wage base. The Plan contains no provisions requiring National Jewish Health to match a portion of employee contributions. Expenses under the Plan for 2021 and 2020 approximated \$3,495 and \$5,088, respectively. Due to concerns about the impact of COVID-19, the Plan was amended to suspend employer contributions to the Plan from April 16, 2020 through December 31, 2020.

(19) Related-party Transactions

National Jewish Health from time-to-time in the normal course of business and within the guidelines of its conflict of interest policy, has entered into transactions with companies for which certain members of the companies' management also serve on the board of National Jewish Health. Management believes prices paid by National Jewish Health have been equal to or less than the prices that would have been paid in transactions with parties not related to National Jewish Health.

BOARD OF DIRECTORS

| | Last Name | First Name |
|-----|--------------|-----------------|
| 1. | Allen-Davis | Jandel |
| 2. | Allon | Sue |
| 3. | Baer | Richard N. |
| 4. | Barker | Geoff |
| 5. | Berenbaum | Jim |
| 6. | Chotin | Robin |
| 7. | Chotin | Ross |
| 8. | Cohen | Warren |
| 9. | Demby | Steven C. |
| 10. | Dodge | R. Stanton |
| 11. | Farber | Brad |
| 12. | Feiner | Daniel |
| 13. | Feiner | Michael |
| 14. | Gart | Thomas A. |
| 15. | Gibson | Roger A. |
| 16. | Glauser | Jerry |
| 17. | Gwirtsman | Charles R. |
| 18. | Hickenlooper | Robin |
| 19. | Holtzman | Kristen |
| 20. | Jumonville | Lydia |
| 21. | Kling | Lewis M. |
| 22. | Kris | Steven D. |
| 23. | Levin | Bradley A. |
| 24. | Mandarich | Bonnie |
| 25. | McArthur | Connie |
| 26. | Moskowitz | Marvin |
| 27. | Parks | Brian |
| 28. | Paul | Kate |
| 29. | Reilly | John J. Jr., MD |
| 30. | Richardson | Blair E. |
| 31. | Salem | Michael S. |
| 32. | Schonbrun | Michael K. |
| 33. | Silversmith | Donald |
| 34. | Steron | Marc D. |
| 35. | Tuchman | Debra |
| 36. | Yohannes | Daniel |
| 37. | Zucker | Evan H. |

BOARD OF DIRECTORS

**LIFETIME | EMERITUS
MEMBERS**

| | | |
|----|------------|-------------|
| 1. | Arent | Stephen W. |
| 2. | Brownstein | Norman |
| 3. | Gelfond | Lawrence P. |
| 4. | Robinson | Edward A. |
| 5. | Saltzman | Meyer M. |
| 6. | Engleberg | David H. |
| 7. | Hirschfeld | A. Barry |
| 8. | Schierburg | Richard |
| 9. | Semple | Martin |

EX OFFICIO MEMBERS

| | | |
|----|--------|------------|
| 1. | Siegel | Stephen B. |
| 2. | Siegel | Wendy |

Kathryn J. Carradine: Account Manager, Team Lead

PROFILE SUMMARY

Operations Manager enhancing customer experiences in fast-paced environments to achieve organization's metrics and contribute to corporate success. Expertise in:

- **Project Management**
- **Operations Logistics**
- **Quality Standards**
- **Lean Management**
- **Process Improvement**
- **Call Center Management**

PROFESSIONAL EXPERIENCE

National Jewish Health, Account Manager, Team Lead, 2020 – Present

National Jewish Health, Account Manager, 2018 – 2020

- Manages state and corporate client accounts while maintaining and growing business partnerships.
- Collaborates with the quality department to review and improve customer service.
- Monitors and reports on call center quality metrics and develops action plans to support client needs.
- Collaborates with key team members to execute and finalize client contracts.
- Analyzes and sends reports on a weekly and monthly basis.
- Organizes and leads regular client meetings.
- Oversees escalated account challenges to help drive towards resolution.
- Partners with Executive team to help define strategies for growth and state partnerships.
- Reviews and examines all contract budgets on a regular basis to help states monitor spend.

Steris, AST LLC, Customer Relations Manager / Production Planner II, 2013 – 2018

- Managed new customers and product lines following specific ISO guidelines and training.
- Established testing guidelines, presented to customer, and implemented with staff.
- Scheduled testing and production times to meet customer needs.
- Reviewed and prepared paperwork, meeting quality assurance guidelines.
- Attended customer meetings to assure customer satisfaction and efficient operations.
- Created and managed deadlines on new projects, ensuring product was ready for market.
- Oversaw production/processing timelines, communicating with customer to minimize risk.
- Served as a Lean Ambassador, leading staff in Lean Management activities focused on Corporate goals. Reported to upper management on a quarterly basis regarding Lean goals.
- Designed/implemented SQDC (Safety, Quality, Delivery, Cost) board, a tool reviewed 3x/day at shift changes.

Alerio Technology Group, Service Manager, 2011 – 2013

- Oversaw, scheduled, and prioritized service calls to customers for all departments.

Accelerated Services, LLC, Customer Service Manager, 2008 – 2011

- Supervised busy call center, ensured exemplary customer service, managed VIP accounts.

EDUCATION

Social Work, Onondaga Community College, Syracuse, NY 2001–2004

Social Work, Eastern Connecticut State University, Storrs, CT 2000–2001

Dr. Thomas Ylioja: Clinical Director of Health Initiatives

PROFILE SUMMARY

Highly productive and innovative health practitioner, clinical director, quality improvement specialist, educator, and researcher focused on delivering population healthcare through evidence-based care delivery systems, telemedicine for tobacco cessation, testing novel interventions to improve care outcomes, and ensuring equitable quality care.

PROFESSIONAL EXPERIENCE

National Jewish Health, Clinical Director of Health Initiatives, 2018 – Present

National Jewish Health, Assistant Professor of Medicine, 2018 – Present

- Oversee all clinical content, quality assurance, agent training, and research projects for tobacco cessation and wellness programs across 20 state quitlines, and more than 1209 health plan and employer groups.
- Conduct evaluation and research on tobacco Quitline protocols for disparate populations: American Indians, LGBTQ+, rural residents, individuals with behavioral health conditions.
- Developed dedicated youth tobacco cessation service, *My Life, My Quit™*, to incorporate youth cognitive and psychosocial development in tobacco control. Program addresses all forms of tobacco, especially electronic cigarettes (nicotine vaping).
- Provide strategic direction consultation for clinical initiatives in state tobacco control programs, including CME, health systems change, and cessation program promotion.
- Community education through thought leadership in media, webinars, and presentations.

University of Pittsburgh Medical Center, Manager – Tobacco Data/Research, 2012 – 2018

- Site coordinator of tobacco treatment multisite trial (PI: Rigotti, site-PI: Tindle). Responsible for standardized data collection and recruitment/retention of 600+ hospitalized patients.
- Developed quality improvement protocols, built/maintain clinical QI database with >30,000 patients (increasing by 7500+ annually) tracking process outcomes.
- Conducted tobacco treatment data analytics to support rapid cycle quality improvement (PDSA) and improve tobacco treatment across multi-hospital system for >50,000 tobacco users annually. Presented results to Chief Medical & Science Office (CMSO) for UPMC.
- Co-developed electronic post-discharge outreach efforts for tobacco users using MyChart (Epic) patient portal, “bring-your-own-device” (BYOD) platform (Vivify), and EHR-to-quitline bidirectional eReferral between UPMC and National Jewish Health.

Alberta Health Services, Hospital Social Worker, 2004 – 2012

- Conducted biopsychosocial assessments for individuals with mental health, substance use and comorbid medical conditions.
- Developed tobacco treatment program for post-MI and pre-surgical cardiac inpatients.

EDUCATION

Doctor of Social Work, University of Pittsburgh, *Dissertation: Access, engagement & treatment of tobacco use by telephone quitlines among lesbian, gay, bisexual, and transgender adults.*

Master of Social Work, Specialization: Health and Mental Health, University of Toronto

Bachelor of Science in Social Work, University of Calgary

Maria Rudie, MPH: Senior Manager, Products and Services

PROFESSIONAL SUMMARY

Experienced public health professional with 20 years of experience in applying public health principles and practices through program development and management, policy development, analysis, and partnership facilitation.

EXPERIENCE

National Jewish Health, Senior Manager, Products and Services: September 2021 – Present

Build internal and external stakeholder relationship to support product development from concept through implementation. Conducts in-depth business analysis to identify new product and service development opportunities to support individual level behavior change efforts with the healthcare and public health infrastructures. Manages product analysis, development, implementation, and evaluation.

Rudie Consulting Services, Principal Consultant/Owner: April 2018 – August 2021

Provided clients with subject matter expertise and assistance with strategic planning, program evaluation, program management, research synthesis and data collection and stakeholder facilitation. Relevant clients include: Minnesotans for a Smoke-free Generation; Minnesota Department of Health – Vaccine Preventable Disease Unit; Minnesota Department of Health – Medical Cannabis Unit; Minnesota Department of Health – Tobacco Prevention & Control Unit; Centers for Disease Control and Prevention's Leadership and Sustainability School (L&SS); Oklahoma University Health Sciences Center; National Jewish Health; Louisiana Department of Health

North American Quitline Consortium, Phoenix, AZ, Consultant: January 2015 – October 2019

Managed surveillance and evaluation efforts for the quitline community and provided subject matter expertise on commercial tobacco cessation.

Minnesota Dept. of Health, Principal Planner State – August 2013 – January 2015

As a Principal Planner, provided state planning, leadership and health care/clinic practice expertise for the state funded Statewide Health Improvement Program and CDC funded Community Transformation Grants to assist with policy planning and implementation, large scale systems and environmental change efforts to achieve the goals of reducing obesity and tobacco use rates, chronic disease morbidity and mortality, and health care costs statewide.

EDUCATION

Master of Public Health, Social Behavioral Sciences, Boston University School of Public Health – 2002

Bachelor of Arts, Psychology, College of St. Benedict, Minnesota – 1999

Lorena Rovero: Account Manager

PROFILE SUMMARY

- Commitment to building relationships within departments and with clients.
- Strong interpersonal skills.
- Eager to problem solve.

PROFESSIONAL EXPERIENCE

National Jewish Health, Account Manager 1, December 2020–Present

- Works with a portfolio of assigned clients to understand their objectives.
- Ensures contractual obligations are met.
- Supports client contract renewal process.
- Completes vendor invoices in a timely manner.
- Manages the billing and collections process for clients to secure payment.
- Works with Project Manager from early development to release to guarantee validation of project.

National Jewish Health, Business Operations Coordinator, 2018 – 2020

- Prepared monthly client billing with accuracy.
- Supported client managers with communication and problem solving.
- Troubleshot complaints and questions.
- Committed to understanding and meeting contractual obligations.

National Jewish Health, Health and Wellness Coach, 2016 – 2018

- Develop flexible and personalized tobacco cessation plans for 3,634 participants.
- Coordinate individualized support to various demographics.
- Display autonomy and support for personal choices.
- Engagement in collaborative coaching on healthy living and chronic disease prevention.
- Train participants in successful planning for physiological and habitual change.

EDUCATION

BA, Communication and Business, University of Denver, 2016

Bobbi Sue Raber Dessoulavy: Manager, Health Initiatives Clinical Programs

PROFESSIONAL EXPERIENCE

National Jewish Health, Manager – HI Clinical Programs, 2019 – Present

- Responsible for executing the design and evaluation of clinical programs and services, training, and quality improvement activities for Health Initiatives in collaboration with the Clinical Director.
- Partners with the Clinical Director to coordinate activities across multiple teams to collect, analyze and report evaluation program data, and recommend program improvements. Develops and manages quality assurance (QA) processes as well as methods to audit and report on agent performance, products, and services to ensure adherence to client and clinical guidelines. Manages and leads teams for program content development and review including QuitLogix® websites, print and/or electronically distributed participant education materials. Oversees quality moderation of website forums. Oversees the development and execution of new hire training and Continuing Education (CE) for Agents. Collaborates with the Clinical Director on training design to ensure activities represent clinical best practices and principles in adult education. Responsible for tracking, analyzing, and reporting on CE program effectiveness. Evaluates, organizes, and defines quality systems, policies, standards, and procedures. Partners with Health Initiatives staff and other stakeholders to ensure compliance with Institutional regulatory requirements for PHI/HIPAA.

National Jewish Health, Quality Supervisor QuitLogix® Programs, 2016 – 2019

- Responsible for planning and administration of the quality and training improvement activities for Health Initiatives. Developed, implemented, and managed systems, policy, procedures, protocols, and training designed to ensure that the delivery of coaching matches clinical, compliance, and regulatory standards.
- Supervised the QA initiatives for omni-channel contact center for content of intake and coaching delivered. Supervise content review and development for QuitLogix® and state materials. Supervise the state websites. Drive continuous improvement by maintaining QA standards. Evaluate, organize, and define the Health Initiatives quality systems, policies, standards, and procedures. Partner with stakeholders to determine change initiatives and develop supporting QA processes and initiatives. Supervise, track, analyze, and report on development implementation, evaluation, and ongoing refinement of the training program to establish quality baseline and drive improvements in participant intake and coaching. Coordinate, schedule and deliver new hire and continuing education training activities.

National Jewish Health, Health & Wellness Supervisor, 2010 – 2016

- Determined staff competency; provided effective communication, leadership, guidance, and resources; evaluated staff performance; and conducted routine call monitoring.
- Monitored day-to-day quality and production goals, addressed escalated calls, assisted with workload, evaluated staff performance regularly; supported benchmarks in client contracts.

EDUCATION

BFA, Colorado State University, 2002

Zachary Ahrens: Business Coordinator

PROFESSIONAL EXPERIENCE

National Jewish Health, Business Coordinator, 2021 - Present

- Manages the contract lifecycle from initiation through award, compliance, and renewal
- Coordinates the review, approval, and signature process of contracts
- Provides administrative support for special projects and the Request for Proposal process
- Facilitates monthly billing cycle of ensuring timely submission of client and vendor invoices
- Completes research on contract terms and conditions for department use and reference
- Establishes and maintains effective working relationships and communication across multiple departments

National Jewish Health, Tobacco Cessation Health Coach, 2017 - 2021

- Provided behavioral intervention to participants across diverse platforms such as phone, web chat, email, and SMS
- Determined eligibility of program resources and services in contract compliance with state health departments, health insurance companies, and corporate clients
- Integrated training of cognitive behavioral therapy and adolescent psychosocial development into behavioral health and youth programs
- Educated participants on usage of pharmacotherapy and obtaining necessary documentation such as prior authorization and medical consent forms
- Documented pertinent information related to participant goals and treatment plan in Electronic Health Records while maintaining HIPPA confidentiality
- Trained and assisted new employees in understanding of specific client procedures and adherence to contract agreements

EDUCATION

Bachelor of Arts, Exercise Science: Human Performance, Buena Vista University, 2015

Zohar Gilboa: Technical Project Manager

PROFESSIONAL EXPERIENCE

National Jewish Health, Technical Project Manager, 2019–Present

- Oversee project scope, deliverables, and timelines. Maintain master schedule of projects.
- Oversee eReferral project management, process development, and system evolution. Develop relationships with internal and external stakeholders to deliver maximum value.
- Design and develop Salesforce configuration and implementation in collaboration with users and consultants.

- Create and code surveys for staff, clients, and participants. Analyze surveys and recommend improvements.
- Oversee administrative changes to program websites, email and text programs, and service offerings in the case management system.

National Jewish Health, Data Analyst, 2017-2019

- Planned, implemented, and reported data analyses using Tableau, Excel VBA, and SQL.
- Designed and performed systematic reviews of programs and processes.
- Designed, developed, and trained on the departmental Salesforce implementation.
- Communicated with clients and developers to manage eReferral integration.
- Designed and documented technical requests to the development team.
- Trained on and reviewed departmental billing. Conducted cost estimates and ROI analyses.

Family Health Centers at NYU Langone, Senior Data Analyst, 2015-2017

- Implemented data solutions in Excel, web-based performance management software (e.g. Efforts to Outcomes, COPA), and funder-mandated systems.
- Provided 20+ programs with customized data analyses.
- Designed and implemented reports to enhance organizational management.
- Accompanied programs as they formalized their workflows, documented processes, transitioned to more advanced and customized data solutions, and trained staff in use of new systems.
- Managed junior data analyst and data-entry personnel.

Amdocs (Tel Aviv, Israel), Solutions Architect, 2013-2014

- Identified customers' challenges, define needs, and designed solutions based on meetings and project scope. Directed internal testing team for new developments.

Amdocs (Tel Aviv, Israel), Measurements Analyst, 2011-2012

- Provided business partners with continuous and post-release analysis of projects (e.g. AT&T and others). Designed and tested new software releases. Wrote and conducted training courses for new software.

EDUCATION

B.Sc. Physics and Mathematics, Tel Aviv University, 2004 – 2008

Technical Skills: Delphi, IBM Cognos, SAP Web Intelligence, Tableau, SQL, C Programming, Survey Design, Salesforce, Statistical Analysis

Karen M. Logan: Implementation Manager

PROFILE SUMMARY

- More than 15 years of experience including forecasting and scheduling, research and analysis, customer service, project coordination, human resources, and benefits
- Certified in Microsoft Word, Excel, and PowerPoint
- Trained in NICE IEX WFM, Witness (Blue Pumpkin), Avaya CMS

PROFESSIONAL EXPERIENCE

National Jewish Health, Implementation Manager, 2019 – Present

- Oversee the implementation of new services and improvements to existing services
- Leverage project management techniques and lead project teams
- Manage the deployment of new operational systems and software applications
- Manage operational processes to support client onboarding and ongoing service delivery
- Oversee technology requests and integration of technology into operational systems

National Jewish Health, Workforce Manager, 2016 – 2019

- Lead workforce strategic planning efforts and make recommendations of workforce efficiencies and operational improvements to senior management
- Analyze and interpret past and current call volume data to determine staffing needs, create accurate agent schedules to optimize efficiency, and ensure service metrics are met
- Forecast and account for growth due to seasonal variations, special events, and marketing campaigns
- Work with senior management to accurately forecast call volumes, analyze historical call volume, create staffing models, project budgetary expenses, determine future costing, and assist with staffing projections

National Jewish Health, Workforce Management Analyst, 2012 – 2016

- Scheduled call center staff, adjusted schedules and assignments to meet service metrics and optimize efficiency
- Tracked real-time and historical monitoring of call volume activity
- Performed short-term and long-term call volume forecasting and determined appropriate staffing levels

Great-West Retirement, Workforce Management, 2010 – 2012

- Created long-term call volume forecasts and made recommendations to call center management regarding FTE and staffing budget
- Created weekly call volume forecasts and schedules for a 200-seat multi-skill, multi-site call center
- Conducted detailed research and created business analysis of proposed changes to roles, staffing, and Work Force Operations
- Conducted workforce software training for new hires and ongoing education for supervisors and representatives

Cigna West, Planning Resource Senior Associate, 2008 – 2010

Great-West Healthcare, Workforce Management Specialist, 2005 – 2008

Cara Messick, M.S., ABEA: Coordinator, Training and Staff Development

PROFILE SUMMARY

Adaptable Senior-level Manager and Instructional Specialist partnering with cross-functional departments to develop instructional plans and change management strategies. Effective gap-analysis of process and systems, creating and delivering just-in-time training strategically aligned with business goals, saving \$14M in expenses.

- Facilitates team members' brainstorming to implement viable and long-lasting solutions
- Quickly synthesizes technical and policy information to develop and simplify processes
- Applies service-oriented creative solutions
- Presents strong written and verbal communication skills
- Adapts training to culturally and economically diverse populations and delivery settings

PROFESSIONAL EXPERIENCE

National Jewish Health, Coordinator, Training and Staff Development, 2009—Present

Authored nationally accredited curriculum for Tobacco Treatment Specialist (TTS)

- Developed 29-hour curriculum in accordance with TTS accreditation standards
- Created blended learning delivery methodology for TTS content

Created quality assurance program

- Developed Access database to record and report on call handling quality data
- Scored quality assurance records for agents as part of the evaluation team

Produced curriculum and reference material for 150+ clients

- Created and maintained an online reference manual containing procedures, system manuals, and policies for Quitline and Weight Management teams.
- Coordinated policy updates with call center operations team
- Trained staff on system navigation, client procedures and guidelines, nicotine dependence, and motivational interviewing
- Created curriculum database to communicate details of available content with staff

Partnered with cross-functional departments in agile development of case management system

- Documented business process requirements and process maps
- Developed articulate storyboards and prototypes
- Participated in IT sprint planning to strengthen departmental communications
- Validated protocols and system efficacy via User Acceptance Testing
- Wrote procedural and system manuals

Implemented continuing education program for 100+ staff

- Designed continuing education framework and custom-eLearning courses
- Established web-based reference manual to accommodate growing client base, reduce waste stagnancy and discrepancy due to hard-copy reference
- Leveraged curriculum database to communicate available training resources to staff

EDUCATION

MS Psychology - Western Washington University

BA Psychology - University of Puget Sound

LeChelle Schilz: Operations Supervisor

PROFILE SUMMARY

Extensive product knowledge coupled with creative ideas for product applications and a solid history of call center success. Strong analytical and planning skills combined with the ability to coordinate the efforts of many to meet organizational goals. Productive and efficient work habits without supervision. Self-motivated with high energy.

PROFESSIONAL EXPERIENCE

National Jewish Health, Operations Supervisor, 2015 – Present

National Jewish Health, Real-Time Analyst, 2014 – 2015

- Maintains daily administration and operations related to the auto dialer, including, but not limited to designing and administering call campaigns, communicating strategies with management and staff, monitoring real-time performance of agents and campaigns, and quickly resolving issues
- Manages daily operations for call center operations by real-time monitoring of agents through technology (IEX, Avaya CMS, POM)
- Manages service levels, staffing, appointment process, reports, telecom, and IST support

National Jewish Health, Health Initiatives Supervisor, 2011 – 2014

- Supervised and coordinated the daily operations for the counseling staff within the Quitline department
- Managed service levels, staffing, appointment process, reports, client and patient complaints, employee performance, personnel issues, and training for the department
- Created a culture of compliance, ethics, and integrity
- Maintained knowledge of and assures departmental compliance with quality and call standards
- STAR recipient

Norgren, Customer Service Manager, 2010 – 2011

- Successfully relocated call center operations from Mexico to United States
- Responsible for recruitment of new staff to include in new hire training
- Implemented new technology across multiple customer service centers
- Managed B2B customer relations of multimillion-dollar clients
- Call center operations including staffing, IVR, and inbound/outbound operations

Comcast, Customer Care Supervisor/ Retention Supervisor, 1997 – 2010

EDUCATION

Pursuing BS in Nursing, Metropolitan State University, Denver, 2015 – Present



Job Description

| | | | |
|------------------------|--------------------------------|---------------------|------------|
| Position Title: | Tobacco Cessation Health Coach | Job Code: | HH0244 |
| Department: | Health Initiatives | | |
| Reports To: | Supervisor, Health Initiatives | FLSA Status: | Non-Exempt |

| | |
|--------------------------|--|
| Position Summary: | The Tobacco Cessation Health Coach provides assessment, counseling, education and behavioral intervention to tobacco users. This position directly assists tobacco users by using motivational interviewing techniques in deciding whether or not to make a quit attempt, obtaining and using cessation medicine and staying abstinent from tobacco. Counseling is conducted over the phone and/or through the internet with participants. |
|--------------------------|--|

| | |
|--------------------------|---|
| Essential Duties: | <ol style="list-style-type: none"> 1. Educates and coaches a diverse population of participants in quitting tobacco by following motivational interviewing techniques. Explains Health Initiatives programs to participants, builds rapport, and engages callers following guidelines, protocols and scripting. 2. Completes an intake questionnaire with participants to verify program eligibility. Documents participant data in compliance with HIPAA requirements, departmental standards and specific client guidelines. 3. Maintains friendly, confident, open, and effective communication with participants to identify program eligibility and inspire continued participation. Assists participants to help determine participant's goals, readiness to change, and supports the behavior change. 4. Engages in a process of continuous training, learning, and professional growth including QA scores and feedback to ensure delivery of the latest evidence-based practices, content knowledge and skills. 5. Maintains call center metrics and individual performance standards. |
| Other Duties: | None |
| Competencies: | <ol style="list-style-type: none"> 1. Accountability: Accepts full responsibility for self and contribution as a team member; displays honesty and truthfulness; confronts problems quickly; displays a strong commitment to organizational success and inspires others to commit to goals; demonstrates a commitment to National Jewish Health. 2. Attention to Detail: Accomplishing tasks by considering all areas involved, no matter how small; showing concern for all aspects of the job; accurately checking processes and tasks; being watchful over a period of time. Setting high standards of performance for self and others; assuming responsibility and accountability for successfully completing assignments or tasks; self-imposing standards of excellence rather than having standards imposed. 3. Customer Focus: Ensuring that the customer perspective is a driving force behind business decisions and activities; crafting and implementing service practices that meet customers' and own organization's needs. 4. Decision Making: Identifying and understanding issues, problems, and opportunities; comparing data from different sources to draw conclusions; using effective approaches for choosing a course of action or developing appropriate solutions; taking action that is consistent with available facts, constraints, and probable consequences. 5. Informing and Communicating: Clearly conveying information and ideas through a variety of |



| | |
|--|--|
| | media to individuals or groups in a manner that engages the audience and helps them understand and retain the message. |
|--|--|

| | |
|--|------|
| Supervisory or Managerial Responsibility: | None |
|--|------|

| | |
|----------------|------|
| Travel: | None |
|----------------|------|

| | |
|---------------------|---|
| Core Values: | <ol style="list-style-type: none"> 1. Be available to work as scheduled and report to work on time. 2. Be willing to accept supervision and work well with others. 3. Be well groomed, appropriately for your role and wear ID Badge visibly. 4. Be in compliance with all departmental and institutional policies, the Employee Handbook, Code of Conduct and completes NetLearning by due date annually. 5. Fosters an inclusive workplace where diversity and individual differences are valued and leveraged to achieve the vision and mission of the institution. 6. Adheres to safe working practices and at all times follows all institutional and departmental safety policies and procedures. 7. Wears appropriate PPE as outlined by the infection control policies and procedures. 8. Demonstrates compliance with all state, federal and all other regulatory agency requirements. |
|---------------------|---|

| | |
|---|--|
| Minimum Qualifications | |
| Education: | Bachelor's Degree required. A degree in Psychology, Social Work or other Human Services field preferred. |
| Work Experience: | A minimum of two (2) years of experience as a health coach preferred. |
| Special Training, Certification or Licensure | Fluent in English and Spanish preferred. |


National Jewish Health™

Science Transforming Life®

| Work Environment and Environmental Conditions | | | |
|---|-------------------|--|-------------------|
| *F – Frequently, O – Occasionally, S – Seldom, Y – Yes, N - No | | | |
| PHYSICAL ACTIVITIES | F/O/S/Y/N* | WORK ENVIRONMENT | F/O/S/Y/N* |
| Ability to Distinguish Colors | N | Confined Space | N |
| Ability to Perform CPR | N | Elevated Height (>4' above ground) | N |
| Intellectual and Conceptual Ability to Think Critically in Order to Make Decisions, Which Includes Measuring, Calculating, Reasoning, Analyzing, Prioritizing and Synthesizing Data | Y | Fumes or Airborne Particles | N |
| | | Outdoor Weather Conditions | N |
| | | Risk of Electrical Shock | N |
| | | Risk of Radiation/Radioactive Isotopes | N |
| Ability to Wear Personal Protective Equipment | N | Work in area of strong magnetic field | N |
| Ability to Work at Heights >4' Above Ground | N | Toxic, Carcinogenic, Caustic Chemicals/Medications | N |
| Clear Vision [can be corrected to clear vision] | N | Wet, Humid Conditions (Non-Weather) | N |
| Climb Ladders | N | Work In Areas With Elevated Noise Levels (80 dB) | N |
| Lift/Carry/Push/Pull <input checked="" type="checkbox"/> < 25# <input type="checkbox"/> < 50# <input type="checkbox"/> > 50# | S | Work Near Moving Mechanical Parts | N |
| Participation in Group Activities Requiring Interpersonal Skills and Cooperation | O | Work With Infectious Human Patients/Materials | N |
| Perform Keyboarding/Data Entry | F | Work With Laboratory Animals | N |
| Prolonged Sitting | Y | Dirty or Dusty Conditions | N |
| Repetitive Motion (Non Keyboarding/Data Entry) | N | Driving | N |
| Squat/Pivot/Crawl/Kneel | N | | |
| Stoop/Bend/Twist | S | | |
| Talking/Hearing | Y | | |
| Walk/Stand | N | | |



| Print Name | Signature | Date |
|---------------|-----------|------|
|---------------|-----------|------|

I have been given a copy of my job description. I understand that I will be evaluated for competency to perform the requirements of my job at least annually, and that if I have any questions or concerns regarding these expectations, I may address them with my supervisor at any time



KEY PERSONNEL

| Name | Job Title | Salary | % Paid from this Contract | Amount Paid from this Contract |
|------------------------|--|-----------|---------------------------|--------------------------------|
| QL Coach | QL Coach | \$44,784 | 100% | \$44,784 |
| QL Coach | QL Coach | \$44,784 | 100% | \$44,784 |
| QL Supervisor | QL Supervisor | \$60,588 | 20% | \$12,118 |
| Katie Carradine | Account Manager Team Lead | \$74,300 | 8% | \$5,944 |
| Karen Logan | Implementation Manager | \$76,312 | 3% | \$2,289 |
| LeChelle Schiltz | Operations Supervisor | \$60,519 | 3% | \$1,816 |
| Cara Messick | QL Trainer | \$64,842 | 3% | \$1,945 |
| Zohar Gilboa | Technical Project Manager | \$73,072 | 4% | \$2,923 |
| Zach Ahrens | Business Operations Coordinator | \$48,880 | 4% | \$1,955 |
| Lorena Rovero | Account Manager (Assists with Business Operations) | \$53,204 | 4% | \$2,128 |
| Bobbi Raber-Dessoulavy | Manager, Clinical Programs | \$70,801 | 3% | \$2,124 |
| Maria Rudie | Senior Manager Products and Services | \$110,000 | 2% | \$2,200 |
| Thomas Ylioja, PhD | Clinical Director | \$119,070 | 1% | \$1,191 |

SEP 16 '20 PM 12:00 DAE

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STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF PUBLIC HEALTH SERVICES

Lori A. Shibiante
Commissioner

Lisa M. Morris
Director

29 HAZEN DRIVE, CONCORD, NH 03301
603-271-4501 1-800-852-3345 Ext. 4501
Fax: 603-271-4827 TDD Access: 1-800-735-2964
www.dhhs.nh.gov

August 5, 2020

His Excellency, Governor Christopher T. Sununu
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 enter into a **Retroactive** contract with National Jewish Health, (Vendor #172376-B001) Denver, CO for the provision of statewide telephonic tobacco treatment services to reduce tobacco use and dependence, with no change to the price limitation of \$714,000 and no change to the contract completion date of June 30, 2022 effective retroactive to July 1, 2020 upon Governor and Council approval. 61% Federal Funds. 39% General Funds.

The original contract was approved by Governor and Council on June 24, 2020, (Item \$40).

EXPLANATION

This request is **Retroactive** because the contract review and approval process took longer than anticipated. Due to changes to the payment terms of the contract, we are requesting that this Amendment be retroactive to July 1, 2020, the starting date of the original contract.

The purpose of this request is modify the payment terms of the contract by incorporating a fixed fee schedule for cost of services. The fixed fee schedule includes prices based on the types of calls; nicotine replacement therapies; and additional services offered.

Approximately 5,000 adults and 1,000 adolescents in New Hampshire will be served from July 1, 2020 to June 30, 2022.

The Contractor provides a statewide tobacco treatment quitline that includes, but is not limited to, telephone, web and mobile evidence-based tobacco treatment interventions at no cost to New Hampshire adolescents (13-17 years of age); young adults (18-35 years of age); and adults (over 35 years of age), in order to reduce the health and economic burden of tobacco use and dependence.

The Department monitors contracted services using the following performance measures:

- Maintaining a minimum of ninety percent (90%) live-answer rate each month of the contract period.
- Achieving a two percent (2%) Reach Rate Goal.
- Achieving a thirty-five percent (35%) Quit Rate Goal (Overall Baseline of thirty-two percent (32%).

As referenced in Exhibit A, Section 1, Subsection 1.2, Paragraph 3.3 of the attached contract, the parties have the option to extend the agreement for up to four (4) additional years.

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
Page 2 of 2

contingent upon satisfactory delivery of services, available funding, agreement of the parties, and Governor and Council approval. The Department is not exercising a renewal option at this time.

Should the Governor and Council not authorize this request the Department may be liable for fixed fees per service provided by the Contractor that are not currently identified in the existing contract, which could result in a decrease in services or an increase in costs associated with services being provided.

Area served: Statewide

Source of Funds: 61% Federal Funds, CFDA 93.387, FAIN NU58DP008786; and 39% General Funds.

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

Respectfully submitted,


Lori A. Shiblnette
Commissioner

**New Hampshire Department of Health and Human Services
Tobacco Treatment Quitline**



**State of New Hampshire
Department of Health and Human Services
Amendment #1 to the Tobacco Treatment Quitline Contract**

This 1st Amendment to the Tobacco Treatment Quitline contract (hereinafter referred to as "Amendment #1") is by and between the State of New Hampshire, Department of Health and Human Services (hereinafter referred to as the "State" or "Department") and National Jewish Health, (hereinafter referred to as "the Contractor"), a nonprofit corporation with a place of business at 1400 Jackson Street, Denver, Colorado, 80206.

WHEREAS, pursuant to an agreement (the "Contract") approved by the Governor and Executive Council on June 24, 2020, (Item #40) the Contractor agreed to perform certain services based upon the terms and conditions specified in the Contract and in consideration of certain sums specified; and

WHEREAS, pursuant to Form P-37, General Provisions, Paragraph 17 the Contract may be amended upon written agreement of the parties and approval from the Governor and Executive Council; and

WHEREAS, the parties agree to modify the payment terms; and

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and conditions contained in the Contract and set forth herein, the parties hereto agree to amend as follows:

1. Modify Exhibit C, Payment Terms, by replacing in its entirety with Exhibit C, Amendment #1, Payment Terms, which is attached hereto and incorporate by reference herein.

**New Hampshire Department of Health and Human Services
Tobacco Treatment Guidline**



All terms and conditions of the Contract not inconsistent with this Amendment #1 remain in full force and effect. This amendment shall be retroactively effective to July 1, 2020 upon the date of Governor and Executive Council approval.

IN WITNESS WHEREOF, the parties have set their hands as of the date written below.

State of New Hampshire
Department of Health and Human Services

6/22/2020
Date

Ann Landry
Name: Ann Landry
Title: Associate Commissioner

National Jewish Health

6/29/2020
Date

Christine Forunza
Name: Christine Forunza
Title: EPIC PD

**New Hampshire Department of Health and Human Services
Tobacco Treatment Quitline**



The preceding Amendment, having been reviewed by this office, is approved as to form, substance, and execution.

OFFICE OF THE ATTORNEY GENERAL

07/17/20
Date

Catherine Pinos
Name:
Title: Catherine Pinos, Attorney

I hereby certify that the foregoing Amendment was approved by the Governor and Executive Council of the State of New Hampshire at the Meeting on: _____ (date of meeting)

OFFICE OF THE SECRETARY OF STATE

Date

Name:
Title:

**New Hampshire Department of Health and Human Services
Tobacco Treatment Quitline**



EXHIBIT C, Amendment #1

Payment Terms

1. This Agreement is 61% funded by the National State-Based Tobacco Control Programs, as awarded on October 4, 2019, by the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention CFDA #93.305 and 39% General Funds.
2. For the purposes of this Agreement:
 - 2.1. The Department has identified the Contractor as a Subrecipient in accordance with 2 CFR 200.0. et seq.
 - 2.2. The Department has identified this Contract as NON-R&D, in accordance with 2 CFR §200.87.
3. The Contractor shall submit an invoice on a fixed fee per service basis in a form satisfactory to the State by the fifteenth (15th) working day of the following month, which identifies services utilized in the prior month. The Contractor shall ensure the invoice is completed, dated and returned to the Department in order to initiate payment, and shall be in accordance with the approved budget and fee schedule. The fee schedule is as follows:
 - 3.1. Calls & NRT:

| | Cost per Unit |
|-----------------------------|----------------------|
| Hang-ups/Disconnect | In Kind |
| General Inquiry Calls | \$14.00 |
| Intakes | \$30.00 |
| Coaching Call 1 | \$37.00 |
| Coaching Calls 2 plus | \$34.00 |
| NRT Program | |
| 4-weeks Patches | \$54.00 |
| 4-weeks Gum | \$60.00 |
| 4-weeks Lozenge | \$64.00 |
| 2-weeks Patches | \$34.00 |
| 2-weeks Gum | \$36.00 |
| 2-weeks Lozenge | \$38.00 |
| 2- week patch gum combo | \$69.00 |
| 2- week patch lozenge combo | \$71.00 |
| 6-week patch gum combo | \$86.00 |

National Jewish Health

Exhibit C Amendment #1

Contractor Initials *CJH*

RFA-2021-DPHS-01-TOBAC-01-A01

Page 1 of 4

Date *10/29/2020*

Rev. 01/08/19

**New Hampshire Department of Health and Human Services
Tobacco Treatment Quitline**



EXHIBIT C, Amendment #1

| | |
|--|-------------------------------|
| 6-week patch lozenge combo | \$90.00 |
| Pregnancy Postpartum Program Extended Coaching Calls - Additional cost per call | \$8 |
| Behavioral Health Program Extended Coaching Calls - Additional cost per call | \$8 |
| Youth Program – Flat Fee Per Month | \$500.00 |
| Online Products: Participant registrations on New Hampshire's QuitLogix.com website. Includes text, email and general inquiry chat services (Flat fee per month) | \$1,000.00 |
| Evaluation - Outcomes and Satisfaction Per Completed Survey | \$40.00 |
| Annual Outcomes Report | \$5,000 |
| Customized Programming Requested changes in Scripting/Reporting/Program Modifications/Program enhancements | \$10,000.00 |
| Multimedia Media Services Other State and Federal Funds may be available for marketing | Not to exceed: \$32,500.00 |
| Media Consultation | Not to exceed \$5,000 |

3.2. Pricing for additional services, if requested:

| | Cost per Unit |
|--------------------------------------|----------------------|
| Chantix (Market rate as of 1/2020) | \$442.15 |
| Bupropion (Market rate as of 1/2019) | \$34.95 |
| eReferral per system | \$9,000 |
| eCoaching – flat fee per month | \$500.00 |
| Medicaid NRT charge per order | \$6.00 |
| Bulk NRT – as needed basis | |

4. In lieu of hard copies, all invoices may be assigned an electronic signature and emailed to DHHSContractBilling@dhhs.nh.gov, or invoices may be mailed to:

Financial Manager
Department of Health and Human Services
129 Pleasant Street
Concord, NH 03301

5. The State shall make payment to the Contractor within thirty (30) days of receipt of each invoice, subsequent to approval of the submitted invoice and if sufficient funds are available, subject to Paragraph 4 of the General Provisions

National Jewish Health

Exhibit C Amendment #1

Contractor Initials *CJH*

RFA-2021-DPHS-01-TOBAC-01-A01

Page 2 of 4

Date *6/29/2020*

Rev. 01/08/19

**New Hampshire Department of Health and Human Services
Tobacco Treatment Quitline**



EXHIBIT C, Amendment #1

Form Number P-37 of this Agreement.

- 6. The final invoice shall be due to the State no later than forty (40) days after the contract completion date specified in Form P-37, General Provisions Block 1.7 Completion Date.
- 7. The Contractor must provide the services in Exhibit B, Scope of Services, in compliance with funding requirements.
- 8. The Contractor agrees that funding under this Agreement may be withheld, in whole or in part in the event of non-compliance with the terms and conditions of Exhibit B, Scope of Services.
- 9. Notwithstanding anything to the contrary herein, the Contractor agrees that funding under this agreement may be withheld, in whole or in part, in the event of non-compliance with any Federal or State law, rule or regulation applicable to the services provided, or if the said services or products have not been satisfactorily completed in accordance with the terms and conditions of this agreement.
- 10. Notwithstanding Paragraph 18 of the General Provisions Form P-37, changes limited to adjusting amounts within the price limitation and adjusting encumbrances between State Fiscal Years and budget class lines through the Budget Office may be made by written agreement of both parties, without obtaining approval of the Governor and Executive Council, if needed and justified.
- 11. Audits
 - 11.1. The Contractor is required to submit an annual audit to the Department if any of the following conditions exist:
 - 11.1.1. Condition A - The Contractor expended \$750,000 or more in federal funds received as a subrecipient pursuant to 2 CFR Part 200, during the most recently completed fiscal year.
 - 11.1.2. Condition B - The Contractor is subject to audit pursuant to the requirements of NH RSA 7:28, III-b, pertaining to charitable organizations receiving support of \$1,000,000 or more.
 - 11.1.3. Condition C - The Contractor is a public company and required by Security and Exchange Commission (SEC) regulations to submit an annual financial audit.
 - 11.2. If Condition A exists, the Contractor shall submit an annual single audit performed by an independent Certified Public Accountant (CPA) to the Department within 120 days after the close of the Contractor's fiscal year, conducted in accordance with the requirements of 2 CFR Part

National Jewish Health

Exhibit C Amendment #1

Contractor Initials NJH

RFA-2021-DPHS-01-TOBAC-01-A01

Page 3 of 4

Date 1/29/2020

Rev. 01/08/19

**New Hampshire Department of Health and Human Services
Tobacco Treatment Quitline**



EXHIBIT C, Amendment #1

200, Subpart F of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards.

- 11.2.1. As a fixed fee per service subrecipient, Contractor will include the total amount of final invoice for the fiscal year as a single item in the annual audit.
- 11.3. If Condition B or Condition C exists, the Contractor shall submit an annual financial audit performed by an independent CPA within 120 days after the close of the Contractor's fiscal year.
- 11.4. 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.

CJS

1/29/2020

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STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF PUBLIC HEALTH SERVICES

Lori A. Shilbette
Commissioner

Lisa M. Morris
Director

29 HAZEN DRIVE, CONCORD, NH 03301
603-271-4501 1-800-852-3345 Ext 4501
Fax: 603-271-4827 TDD Access: 1-800-735-2964
www.dhhs.nh.gov

May 19, 2020

His Excellency, Governor Christopher T. Sununu
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 enter into a contract with National Jewish Health, (Vendor #172376-B001), 1400 Jackson Street, Suite 104, Denver, CO, in the amount of \$714,000 for the provision of statewide telephonic tobacco treatment services to reduce tobacco use and dependence, with the option to renew for up to four (4) additional years, effective July 1, 2020 or upon Governor and Council approval, whichever is later, through June 30, 2022. 60.78% Federal Funds. 39.22% General Funds.

Funds are available in the following account for State Fiscal Year 2021, and are anticipated to be available in State Fiscal Year 2022, upon the availability and continued appropriation of funds in the future operating budget, with the authority to adjust budget line items within the price limitation and encumbrances between state fiscal years through the Budget Office, if needed and justified.

05-95-90-902010-5608, HEALTH AND SOCIAL SERVICES, DEPT OF HEALTH AND HUMAN SVS, HHS: DIVISION OF PUBLIC HEALTH SVCS, BUREAU OF COMMUNITY AND HEALTH SVCS, TOBACCO PREVENTION & CESSATION

| State Fiscal Year | Class / Account | Class Title | Job Number | Total Amount |
|-------------------|-----------------|-------------------------------|-----------------|------------------|
| 2021 | 102-500731 | Contract for Program Services | 90018000 | \$217,000 |
| 2022 | 102-500731 | Contract for Program Services | 90018000 | \$217,000 |
| | | | Subtotal | \$434,000 |

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
Page 2 of 3

05-95-90-902010-5608 HEALTH AND SOCIAL SERVICES, DEPT OF HEALTH AND HUMAN SVCS, HHS: DIVISION OF PUBLIC HEALTH SVCS, BUREAU OF COMMUNITY AND HEALTH SVCS, TOBACCO PREVENTION & CESSATION

| State Fiscal Year | Class / Account | Class Title | Job Number | Total Amount |
|-------------------|-----------------|-------------------------------|-----------------|------------------|
| 2021 | 102-500731 | Contract for Program Services | 90018005 | \$155,000 |
| 2022 | 102-500731 | Contract for Program Services | 90018005 | \$125,000 |
| | | | <i>Subtotal</i> | \$280,000 |
| | | | Total | \$714,000 |

EXPLANATION

The purpose of this request is to provide New Hampshire residents interested in quitting tobacco, access to no cost, tobacco cessation treatment. According to the Centers for Disease Control and Prevention, 70% of people addicted to tobacco products want to quit.

The request prioritizes all New Hampshire Medicaid participants; and the under and uninsured. The New Hampshire Department of Human Services, Division of Public Health Services and the Office of Medicaid Services are working collaboratively to decrease the number of people enrolled in Medicaid who use tobacco including working with the three Medicaid Managed Care Organizations. Additionally, this request includes access to age appropriate services targeting adolescents, who use electronic nicotine delivery devices.

Finally, all New Hampshire residents are eligible to receive at least one counseling call and are mailed self-help materials, however, Approximately 5,000 adults and 1,000 adolescents in New Hampshire will be served from July 1, 2020 to June 30, 2022.

The Vendor will provide a statewide tobacco treatment quitline that includes, but is not limited to, telephone, web and mobile evidence-based tobacco treatment interventions at no cost to New Hampshire adolescents (13-17 years of age), young adults (18-35 years of age) and adults (over 35 years of age), in order to reduce the health and economic burden of tobacco use and dependence.

The quitline provides evidence-based tobacco treatment strategies, clinical oversight and on-going evaluation of service delivery and annual tobacco cessation outcomes among those enrolling in cessation services. The program promotes increased access to cessation services, such as text messaging and live chat options. The quitline also provides HIPPA-compliant clinical services, including technology that allows clinicians to refer patients to evidence-based tobacco treatment services.

His Excellency, Governor Christopher T. Sununu
and the Honorable Council
Page 3 of 3

The Department will monitor contracted services using the following performance measures:

- Maintaining a minimum of ninety percent (90%) live-answer rate each month of the contract period.
- Achieving a two percent (2%) Reach Rate Goal
- Achieving a thirty-five percent (35%) Quit Rate Goal (Overall Baseline of thirty-two percent (32%).

The Department selected National Jewish Health through a competitive bid process using a Request for Applications (RFA) that was posted on the Department's website from 1/29/2020 through 3/9/2020. The Department received two (2) responses that were reviewed and scored by a team of qualified individuals. The Scoring Sheet is attached.

As referenced in Exhibit A, Section 1, Subsection 1.2, Paragraph 3.3 of the attached contract, the parties have the option to extend the agreement for up to four (4) additional years, contingent upon satisfactory delivery of services, available funding, agreement of the parties, and Governor and Council approval.

Should the Governor and Council not authorize this request the most vulnerable populations affected most by disease and death due to tobacco use and dependence will not have access to affordable evidence-based tobacco treatment.

Area served: Statewide

Source of Funds: 60.78% Federal Funds, CFDA 93.305, FAIN TBD; and 39.22% General Funds.

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

Respectfully submitted,


Lori A. Shibinette
Commissioner



New Hampshire Department of Health and Human Services
Office of Business Operations
Contracts & Procurement Unit
Summary Scoring Sheet

Tobacco Treatment Quitline

RFA Name

RFA-2021-DPHS-01-TOBAC

RFA Number

Reviewer Names

Bidder Name

1. **National Jewish Health**

2. **OPTUM**

| Pass/Fail | Maximum Points | Actual Points |
|-----------|----------------|---------------|
| | 200 | 188.5 |
| | 200 | 180 |

1. **Alia Hayes, Program Specialist IV**

2. **Kathryn Hatcher, PH Nurse Coordinator**

3. **Teresa Brown, Program Specialist IV**

Subject: Tobacco Treatment Quitline (RFA-2021-DPHS-01-TOBAC-01)


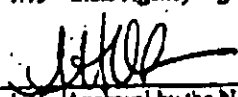
Notice: This agreement and all of its attachments shall become public upon submission to Governor and Executive Council for approval. Any information that is private, confidential or proprietary must be clearly identified to the agency and agreed to in writing prior to signing the contract.


AGREEMENT

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

GENERAL PROVISIONS

1. IDENTIFICATION.

| | | | |
|---|---|--|--|
| 1.1 State Agency Name New Hampshire Department of Health and Human Services | | 1.2 State Agency Address 129 Pleasant Street Concord, NH 03301-3857 | |
| 1.3 Contractor Name National Jewish Health | | 1.4 Contractor Address 1400 Jackson St., Suite 104 Denver, CO 80206 | |
| 1.5 Contractor Phone Number (303) 398-1005 | 1.6 Account Number 05-95-90-902010-56080000 | 1.7 Completion Date June 30, 2022 | 1.8 Price Limitation \$714,000 |
| 1.9 Contracting Officer for State Agency Nathan D. White, Director | | 1.10 State Agency Telephone Number (603) 271-9631 | |
| 1.11 Contractor Signature  Date: 5/15/2020 | | 1.12 Name and Title of Contractor Signatory Christine Forkner, EVP Corporate Affairs & CFO | |
| 1.13 State Agency Signature  Date: 5/26/2020 | | 1.14 Name and Title of State Agency Signatory Ann Landrey, Assoc. Geny. | |
| 1.15 Approval by the N.H. Department of Administration, Division of Personnel (if applicable) By: _____ Director, On: _____ | | | |
| 1.16 Approval by the Attorney General (Form, Substance and Execution) (if applicable) By: 1/Christen Lavers On: 6/1/20 | | | |
| 1.17 Approval by the Governor and Executive Council (if applicable) G&C Item number: _____ G&C Meeting Date: _____ | | | |

Contractor Initials 
 Date 5/15/20

2. 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 B 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, if applicable, this Agreement, and all obligations of the parties hereunder, shall become effective on the date the Governor and Executive Council approve this Agreement as indicated in block 1.17, unless no such approval is required, in which case the Agreement shall become effective on the date the Agreement is signed by the State Agency as shown in block 1.13 ("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 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 for Services provided in EXHIBIT B, in whole or in part. 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 reduce or terminate the Services under this Agreement immediately upon giving the Contractor notice of such reduction or termination. The State shall not be required to transfer funds from any other account or source 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 C 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 applicable 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 employment opportunity laws. In addition, if this Agreement is funded in any part by monies of the United States, the Contractor shall comply with all federal executive orders, rules, regulations and statutes, and with any rules, regulations and guidelines as the State or the United States issue to implement these regulations. The Contractor shall also comply with all applicable intellectual property 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 The Contractor 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 CPX
Date 5/15/20

8. EVENT OF DEFAULT/REMEDIES.

8.1 Any one or more of the following acts or omissions of the Contractor shall constitute an event of default hereunder ("Event of Default"):

8.1.1 failure to perform the Services satisfactorily or on schedule;

8.1.2 failure to submit any report required hereunder; and/or

8.1.3 failure to perform any other covenant, term or condition of this Agreement.

8.2 Upon the occurrence of any Event of Default, the State may take any one, or more, or all, of the following actions:

8.2.1 give the Contractor a written notice specifying the Event of Default and requiring it to be remedied within, in the absence of a greater or lesser specification of time, thirty (30) days from the date of the notice; and if the Event of Default is not timely cured, terminate this Agreement, effective two (2) days after giving the Contractor notice of termination;

8.2.2 give the Contractor a written notice specifying the Event of Default and suspending all payments to be made under this Agreement and ordering that the portion of the contract price which would otherwise accrue to the Contractor during the period from the date of such notice until such time as the State determines that the Contractor has cured the Event of Default shall never be paid to the Contractor;

8.2.3 give the Contractor a written notice specifying the Event of Default and set off against any other obligations the State may owe to the Contractor any damages the State suffers by reason of any Event of Default; and/or

8.2.4 give the Contractor a written notice specifying the Event of Default, treat the Agreement as breached, terminate the Agreement and pursue any of its remedies at law or in equity, or both.

8.3. 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.

9. TERMINATION.

9.1 Notwithstanding paragraph 8, the State may, at its sole discretion, terminate the Agreement for any reason, in whole or in part, by thirty (30) days written notice to the Contractor that the State is exercising its option to terminate the Agreement.

9.2 In the event of an early termination of this Agreement for any reason other than the completion of the Services, the Contractor shall, at the State's discretion, deliver to the Contracting Officer, not later than fifteen (15) days after the date of termination, a report ("Termination Report") describing in detail all Services performed, and the contract price earned, to and including the date of termination. The form, subject matter, content, and number of copies of the Termination Report shall be identical to those of any Final Report described in the attached EXHIBIT B. In addition, at the State's discretion, 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.

10. DATA/ACCESS/CONFIDENTIALITY/PRESERVATION.

10.1 As used in this Agreement, the word "data" shall mean all information and things developed or obtained during the performance of, or acquired or developed by reason of, this Agreement, including, but not limited to, all studies, reports, files, formulae, surveys, maps, charts, sound recordings, video recordings, pictorial reproductions, drawings, analyses, graphic representations, computer programs, computer printouts, notes, letters, memoranda, papers, and documents, all whether finished or unfinished.

10.2 All data and any property which has been received from the State or purchased with funds provided for that purpose under this Agreement, shall be the property of the State, and shall be returned to the State upon demand or upon termination of this Agreement for any reason.

10.3 Confidentiality of data shall be governed by N.H. RSA chapter 91-A or other existing law. Disclosure of data requires prior written approval of the State.

11. **CONTRACTOR'S RELATION TO THE STATE.** In the performance of this Agreement the Contractor is in all respects an independent contractor, and is neither an agent nor an employee of the State. Neither the Contractor nor any of its officers, employees, agents or members shall have authority to bind the State or receive any benefits, workers' compensation or other emoluments provided by the State to its employees.

12. ASSIGNMENT/DELEGATION/SUBCONTRACTS.

12.1 The Contractor shall not assign, or otherwise transfer any interest in this Agreement without the prior written notice, which shall be provided to the State at least fifteen (15) days prior to the assignment, and a written consent of the State. For purposes of this paragraph, a Change of Control shall constitute assignment. "Change of Control" means (a) merger, consolidation, or a transaction or series of related transactions in which a third party, together with its affiliates, becomes the direct or indirect owner of fifty percent (50%) or more of the voting shares or similar equity interests, or combined voting power of the Contractor, or (b) the sale of all or substantially all of the assets of the Contractor.

12.2 None of the Services shall be subcontracted by the Contractor without prior written notice and consent of the State. The State is entitled to copies of all subcontracts and assignment agreements and shall not be bound by any provisions contained in a subcontract or an assignment agreement to which it is not a party.

13. **INDEMNIFICATION.** Unless otherwise exempted by law, the Contractor shall indemnify and hold harmless the State, its officers and employees, from and against any and all claims, liabilities and costs for any personal injury or property damages, patent or copyright infringement, or other claims asserted against the State, its officers or employees, which arise out of (or which may be claimed to arise out of) the acts or omission of the

Contractor, or subcontractors; including but not limited to the negligence, reckless or intentional conduct. The State shall not be liable for any costs incurred by the Contractor arising under this paragraph 13. Notwithstanding the foregoing, nothing herein contained shall be deemed to constitute a waiver of the sovereign immunity of the State, which immunity is hereby reserved to the State. This covenant in paragraph 13 shall survive the termination of this Agreement.

14. INSURANCE.

14.1 The Contractor shall, at its sole expense, obtain and continuously maintain in force, and shall require any subcontractor or assignee to obtain and maintain in force, the following insurance:

14.1.1 commercial general liability insurance against all claims of bodily injury, death or property damage, in amounts of not less than \$1,000,000 per occurrence and \$2,000,000 aggregate or excess; and

14.1.2 special cause of loss coverage form covering all property subject to subparagraph 10.2 herein, in an amount not less than 80% of the whole replacement value of the property.

14.2 The policies described in subparagraph 14.1 herein shall be on policy forms and endorsements approved for use in the State of New Hampshire by the N.H. Department of Insurance, and issued by insurers licensed in the State of New Hampshire.

14.3 The Contractor shall furnish to the Contracting Officer identified in block 1.9, or his or her successor, a certificate(s) of insurance for all insurance required under this Agreement. Contractor shall also furnish to the Contracting Officer identified in block 1.9, or his or her successor, certificate(s) of insurance for all renewal(s) of insurance required under this Agreement no later than ten (10) days prior to the expiration date of each insurance policy. The certificate(s) of insurance and any renewals thereof shall be attached and are incorporated herein by reference.

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. The 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. **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.

17. **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 unless no such approval is required under the circumstances pursuant to State law, rule or policy.

18. **CHOICE OF LAW AND FORUM.** This Agreement shall be governed, interpreted and 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. Any actions arising out of this Agreement shall be brought and maintained in New Hampshire Superior Court which shall have exclusive jurisdiction thereof.

19. **CONFLICTING TERMS.** In the event of a conflict between the terms of this P-37 form (as modified in EXHIBIT A) and/or attachments and amendment thereof, the terms of the P-37 (as modified in EXHIBIT A) shall control.

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 or modifying provisions set forth in the attached EXHIBIT A 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 with respect to the subject matter hereof.

New Hampshire Department of Health and Human Services
Tobacco Treatment Quitline



EXHIBIT A

REVISIONS TO STANDARD CONTRACT PROVISIONS

1. Revisions to Form P-37, General Provisions

1.1. Paragraph 3, Subparagraph 3.1, Effective Date/Completion of Services, is amended as follows:

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 as indicated in block 1.17, this Agreement, and all obligations of the parties hereunder, shall become effective on July 1, 2020, or upon Governor and Executive Council approval, whichever is later ("Effective Date").

1.2. Paragraph 3, Effective Date/Completion of Services, is amended by adding subparagraph 3.3 as follows:

3.3. The parties may extend the Agreement for up to four (4) years additional year(s) from the Completion Date, contingent upon satisfactory delivery of services, available funding, agreement of the parties, and approval of the Governor and Executive Council.

1.3. Paragraph 12, Assignment/Delegation/Subcontracts, is amended by adding subparagraph 12.3 as follows:

12.3. Subcontractors are subject to the same contractual conditions as the Contractor and the Contractor is responsible to ensure subcontractor compliance with those conditions. The Contractor shall have written agreements with all subcontractors, specifying the work to be performed and how corrective action shall be managed if the subcontractor's performance is inadequate. The Contractor shall manage the subcontractor's performance on an ongoing basis and take corrective action as necessary. The Contractor shall annually provide the State with a list of all subcontractors provided for under this Agreement and notify the State of any inadequate subcontractor performance.

CSX
Date *5/15/20*

New Hampshire Department of Health and Human Services
Tobacco Treatment Quitline



EXHIBIT B

Scope of Services

1. Statement of Work

- 1.1. The Contractor shall provide services in this agreement for New Hampshire adolescents who are 13-17 years of age; young adults who are 18-35 years of age; and adults who are over 35 years of age who may or may not use tobacco products including, but not limited to, Electronic Nicotine Delivery Systems (ENDS).
- 1.2. The Contractor shall ensure services are available statewide.
- 1.3. The Contractor shall ensure the Call Center includes, but is not limited to:
 - 1.3.1. A toll-free system with multiple and simultaneous inbound and outbound calls that includes Intraoperative Voice Response (IVR) capabilities including, but not limited to:
 - 1.3.1.1. A menu of options for voice mail to decrease call-waiting time.
 - 1.3.1.2. Call back options.
 - 1.3.1.3. Motivational messages.
 - 1.3.2. A live answer for no less than eighteen (18) hours per day, seven (7) days per week with the exceptions of January 1st, Easter Sunday, Memorial Day, July 4th and December 25th.
 - 1.3.3. Voicemail capabilities for the days outlined in 1.3.2. when a live answer is not provided and for calls waiting longer than five (5) minutes.
- 1.4. The Contractor shall provide Call Center services that include, but are not limited to:
 - 1.4.1. Return-call attempts for all voice mail messages received within forty-eight (48) hours of receiving them.
 - 1.4.2. Participant Intake Screenings that include but are not limited to:
 - 1.4.2.1. Collecting health plan membership identification numbers.
 - 1.4.2.2. Collecting individual-level data that utilizes the information in Appendix B, Minimum Data Set (MDS) intake questions, which are based on North American Quitline Consortium (NAQC) requirements.
 - 1.4.3. Appropriate QuitNow-NH information that includes, but is not limited to:
 - 1.4.3.1. Services provided.
 - 1.4.3.2. Cessation medications that are available.
 - 1.4.3.3. Website-related inquiries.

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**New Hampshire Department of Health and Human Services
Tobacco Treatment Qitline**



EXHIBIT B

- 1.4.3.4. Clinical requests for QuitNow-NH materials.
- 1.4.3.5. Provider training support.
- 1.4.4. Self-help cessation materials that can be mailed to all types of tobacco users who engage with QuitNow-NH staff or through the website portal. The Contractor shall ensure all materials:
 - 1.4.4.1. Display QuitNow-NH branding;
 - 1.4.4.2. Meet low literacy level needs;
 - 1.4.4.3. Be available in English and Spanish; and
 - 1.4.4.4. Utilize pictures and graphics.
- 1.4.5. Materials that can be mailed to callers that relate to specific chronic disease conditions, pregnancy and post-partum.
- 1.4.6. Assessments of tobacco usage and readiness to quit.
- 1.5. The Contractor shall customize Intake Screening questions upon the Department's request.
- 1.6. The Contractor shall provide up to six (6) counseling calls and four (4) weeks of cessation medications to:
 - 1.6.1. Medicaid recipients,
 - 1.6.2. Medicare recipients; and
 - 1.6.3. Uninsured individuals.
- 1.7. The Contractor shall provide individuals enrolled in a commercial healthcare insurance coverage one (1) coaching call and mail self-help materials, as appropriate.
- 1.8. The Contractor shall ensure counseling and coaching includes, but is not limited to:
 - 1.8.1. Scheduling Counseling Call #1 for individuals ready to quit within thirty (30) days of completing the Intake Screening process.
 - 1.8.2. Enrolling callers in text messaging support for individuals desiring text-messaging support.
 - 1.8.3. Conducting Enrollment Coaching Call #1 for those ready to quit within (2) two weeks of the Intake process.
 - 1.8.4. Utilizing innovative approaches for process and performance evaluation that align with value-based services.
 - 1.8.5. Providing a customized cessation service that includes, but is not limited to, mailed self-help educational materials, evidence-based multi-call coaching sessions and Federal Drug Administration (FDA)-

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EXHIBIT B

approved Nicotine Replacement Therapy (NRT) products (Note: The Department will guide the Contractor relative to type and amount of NRT product distribution, based on State resources).

- 1.8.6. Providing services for youth who wish to quit electronic nicotine delivery systems and/or vaping by utilizing a research-based adolescent tobacco cessation protocol that has tested positive with youth and young adults, which includes, but is not limited to:
 - 1.8.6.1. Digital phone application(s).
 - 1.8.6.2. Online resources.
 - 1.8.6.3. Print materials.
 - 1.8.6.4. Providing a specialized protocol for individuals with behavioral health conditions.
- 1.8.7. Providing a specialized, researched-based protocol for pregnancy and post-partum women by offering female Quit Coaches who are specially trained in pregnancy, post-partum and breast-feeding issues in addition to tobacco treatment best practices. The Contractor shall ensure the protocol includes, but is not limited to:
 - 1.8.7.1. Multiple coaching calls for participating women before during pregnancy and multiple coaching calls post-partum from the same Quit Coach.
 - 1.8.7.2. Additional coaching calls, upon participant request.
 - 1.8.7.3. Monetary participation incentives with Department guidance.
 - 1.8.7.4. NRT for participating women upon request from their healthcare provider.
- 1.8.8. Providing a specialized, researched-based protocol for individuals with behavioral health conditions that includes, but is not limited to, assigning specially trained Quit Coaches.
- 1.8.9. Utilizing culturally competent, research-based protocols to engaging individuals, which includes, but is not limited to, principles of motivational interviewing for inducing behavior change with cognitive-behavioral approaches to treating substance abuse.
- 1.9. The Contractor shall ensure all FDA-approved cessation medications distributed are on the Medicaid Preferred Drug List.
- 1.10. The Contractor shall ensure over-the-counter NRT products are from manufacturers listed in the Medicaid Drug Rebate Program.
- 1.11. The Contractor shall ensure prescription medications including but not limited to Chantix and Bupropion are distributed through a Quitline pharmacy provider

**New Hampshire Department of Health and Human Services
Tobacco Treatment Quitline**



EXHIBIT B

that:

- 1.11.1. Is licensed to do business in New Hampshire, and
- 1.11.2. Holds a valid certificate from the New Hampshire Office of Medicaid as an approved service provider.
- 1.12. The Contractor shall attend regularly scheduled meetings with the Department to ensure value-based services are provided to the residents of New Hampshire.
- 1.13. The Contractor shall follow Department guidance to provide services in accordance with health insurance plan eligibility.
- 1.14. The Contractor shall follow Department guidance relative to the Tobacco Prevention and Cessation Program's (TPCP) partnership projects with the New Hampshire Bureau of Mental Health Services and the New Hampshire Bureau of Drug and Alcohol Services.
- 1.15. The Contractor shall develop standard and customized aggregate and de-identifiable data reports that align with the needs of the Department as well as any special reports requested by the Department.
- 1.16. The Contractor shall complete the National Quitline Data Warehouse (NQDW) Annual Services Survey and other NQDW Services Surveys, upon Department request in a format approved by the Department.
- 1.17. The Contractor shall maintain a quitline database that complies with the Department's Health Information Privacy and Security Measures (See Appendix C, Exhibit K).
- 1.18. The Contractor shall facilitate tobacco treatment e-Referral using HL7v3 technology into various types of electronic patient record systems with New Hampshire health systems.
- 1.19. The Contractor shall provide a web-based self-referral portal with features to opt-in for e-mail, text messaging and chat platforms. The Contractor shall:
 - 1.19.1. Provide an on-line closed-loop clinical referral portal that complies with on-line and Interoperability programs;
 - 1.19.2. Provide a website component that includes, but is not limited to:
 - 1.19.2.1. A registration portal;
 - 1.19.2.2. Opt-in option for text-messaging;
 - 1.19.2.3. Opt-in option for e-mail support;
 - 1.19.2.4. Self-help cessation materials that are tailored to registration responses and can be mailed to registrants;
 - 1.19.2.5. Live Chat option for general inquiries as available technology allows; and

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New Hampshire Department of Health and Human Services
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EXHIBIT B

- 1.19.2.6. Digital Phone Applications, as available; and
- 1.19.3. Incorporate new technologies and best practices in tobacco treatment as offered by the evidence-based scientific community.
- 1.20. The Contractor shall provide a Certificates of Completion to youth who complete the adolescent treatment program, whether referred to services by the court, or enrolled in services with parental consent.
- 1.21. The Contractor shall provide Certificates of Completion to all adult callers upon request from the adult participant.
- 1.22. The Contractor shall develop a method for delivery of Certificates of Completion to decrease unauthorized duplication and/or use of the certificate.
- 1.23. The Contractor shall ensure all quitline operations comply with the Health Insurance Portability and Accountability Act (HIPAA).
- 1.24. The Contractor shall maintain membership with the North American Quitline Consortium (NAQC).
- 1.25. The Contractor shall maintain membership with the Association for the Treatment of Tobacco Use and Dependence (ATTUD) <https://www.attud.org/>.

2. Technical Assistance

- 2.1. The Contractor shall provide quitline education to New Hampshire public and private health insurance plan leaders relative to quitline operations, tobacco cessation benefits and partnership opportunities.
- 2.2. The Contractor shall participate in an Annual Site Visit with the TPCP.
- 2.3. The Contractor shall collaborate with the Department to improve specific processes and performance items based on completed evaluation activities.
- 2.4. The Contractor shall, with Department guidance, promote routine quitline communications and partnerships with stakeholders and partner organizations including, but not limited to:
 - 2.4.1. Medicaid Managed Care Organizations (MCOs).
 - 2.4.2. Federally Qualified Health Centers (FQHC) and look-alikes.
 - 2.4.3. Rural health hospital systems.
 - 2.4.4. Community Mental Health Centers.
 - 2.4.5. Substance misuse recovery centers.
- 2.5. The Contractor shall analyze raw aggregate data collected from six (6) month follow-up participant surveys, conducted and provided to the selected Applicant by an independent evaluator, to determine the QuitNow-NH Tobacco Treatment Quitline participants' thirty (30) day tobacco abstinence rates, and submit the formatted aggregate data to the Department.

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**New Hampshire Department of Health and Human Services
Tobacco Treatment Quitline**



EXHIBIT B

3. Staffing

- 3.1. The Contractor shall ensure adequate staffing to perform the functions and roles that include, but are not limited to:
 - 3.1.1. Administration of contracted services prioritizing customer service within a finite budget.
 - 3.1.2. Clinical oversight with subject matter expertise for the development of print materials, cessation medications and special population treatments.
- 3.2. The Contractor shall ensure Client Services Representatives are available for day-to-day quitline management and routine communication with the Department.
- 3.3. The Contractor shall ensure Certified Tobacco Treatment Specialists are available to conduct the Quit Coach activities in Subsection 1.8.
- 3.4. The Contractor shall ensure a data analyst is available to provide oversight and subject matter expertise relative to the quitline database in Subsection 1.17.

4. Staff Education and Training

- 4.1. The Contractor shall ensure Certified Tobacco Treatment Specialists routinely participate in continuing education trainings that include, but are not limited to:
 - 4.1.1. Trans Theoretical Behavior Change for moving participants through the stages of change model to increase self-efficacy, determine commitment to change and prevent relapse.
 - 4.1.2. Pharmacotherapy types, uses, potential side effects and coping with side effects.
 - 4.1.3. Conflict resolution and customer relations.
 - 4.1.4. Assessing, identifying and reacting to participants with emotional instability.
 - 4.1.5. Certification and/or license renewal(s) for those coaches serving special populations.
- 4.2. The Contractor shall ensure staff achieve certification through a tobacco treatment specialist training curriculum accredited by the Council for Tobacco Treatment Training Programs, prior to engaging with individuals.

5. Reporting

- 5.1. The Contractor shall provide monthly aggregate reports that contain de-identified data to the Department no later than the tenth (10th) day of the month. The Contractor shall ensure reports include, but are not limited to:
 - 5.1.1. Client details for services provided based on NAQC standardized measures for calls to 1-800-QUIT-NOW.

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New Hampshire Department of Health and Human Services
Tobacco Treatment Quitline



EXHIBIT B

- 5.1.2. Client demographics.
- 5.1.3. Provider referral details that include, but are not limited to:
 - 5.1.3.1. Whether referrals were Web-based or e-Referrals.
 - 5.1.3.2. Name and address of the health care facility.
 - 5.1.3.3. Name of the referring provider.
 - 5.1.3.4. Outcome status of each referral.
- 5.1.4. Participants by county, de-identified.
- 5.1.5. Participants by medical condition, de-identified.
- 5.1.6. Participants by behavioral/mental/emotional health condition, de-identified.
- 5.1.7. Website utilization metrics.
- 5.1.8. Provider utilization by clinic name, address, county and outreach call outcome.
- 5.1.9. Additional report queries upon Department request.

6. Deliverables

- 6.1. The Contractor shall submit the following Deliverables to the Department within thirty (30) days of the contract effective date:
 - 6.1.1. A copy of the brief Intake Screening;
 - 6.1.2. A copy of the Intake Screening in the specialty behavior health program;
 - 6.1.3. A copy of the Intake Screening when a woman enters the Pregnancy/Post-Partum (PPP) program;
 - 6.1.4. A sample of a data-sharing agreement;
 - 6.1.5. A sample of all print materials mailed to adolescents and adults enrolling in services, including co-occurring chronic diseases; and
 - 6.1.6. A sample of IVR script/menu for outbound calls, inbound 1-800-QUIT-NOW calls, caller waiting in times of high call volume.
- 6.2. The Contractor shall develop and submit an Annual Outcomes Report to the Department by April 30th each year of the contract period that must include, but is not limited to:
 - 6.2.1. One (1) year of aggregate data for delivered services in a format approved by the Department.
 - 6.2.2. Survey. Participants' thirty (30) day tobacco abstinence rates in accordance with Subsection 2.5.

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EXHIBIT B

6.2.3. Documentation demonstrating the Performance Measures in Section 7 are achieved.

7. Performance Measures

- 7.1. The Contractor shall maintain a minimum of ninety percent (90%) live-answer rate each month of the contract period.
- 7.2. The Contractor shall achieve a two percent (2%) Reach Rate Goal (Baseline of .25%).
- 7.3. The Contractor shall achieve a thirty-five percent (35%) Rate Goal (Overall Baseline of thirty-two percent (32%).
- 7.4. The Contractor shall attend a minimum of fifteen (15) meetings in a twelve (12) month period with Department staff to monitor contracted services.
- 7.5. The Contractor shall actively and regularly collaborate with the Department to enhance contract management, improve results, and adjust program delivery and policy based on successful outcomes.
- 7.6. The Contractor may be required to provide other key data and metrics to the Department, including client-level demographic, performance, and service data.
- 7.7. Where applicable, the Contractor shall collect and share data with the Department in a format specified by the Department.

8. Additional Terms

- 8.1. North American Quitline Consortium Guidance
 - 8.1.1. The Contractor shall rely on the North American Quitline Consortium (NAQC) Guidance for evidence of best practices in all quitline operations, policies and procedures.
- 8.2. Impacts Resulting from Court Orders or Legislative Changes
 - 8.2.1. The Contractor agrees that, to the extent future state or federal legislation or court orders may have an impact on the Services described herein, the State has the right to modify Service priorities and expenditure requirements under this Agreement so as to achieve compliance therewith.
- 8.3. Culturally and Linguistically Appropriate Services (CLAS)
 - 8.3.1. The Contractor shall submit and comply with a detailed description of the language assistance services they will provide to persons with limited English proficiency and/or hearing impairment to ensure meaningful access to their programs and/or services within ten (10) days of the contract effective date.
- 8.4. Credits and Copyright Ownership

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EXHIBIT B

- 8.4.1. 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, "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."
- 8.4.2. All materials produced or purchased under the contract shall have prior approval from the Department before printing, production, distribution or use.
- 8.4.3. The Department shall retain copyright ownership for any and all original materials produced, including, but not limited to:
 - 8.4.3.1. Brochures.
 - 8.4.3.2. Resource directories.
 - 8.4.3.3. Protocols or guidelines.
 - 8.4.3.4. Posters.
 - 8.4.3.5. Reports.
- 8.4.4. The Contractor shall not reproduce any materials produced under the contract without prior written approval from the Department.

9. Records

- 9.1. The Contractor shall keep records that include, but are not limited to:
 - 9.1.1. Books, records, documents and other electronic or physical 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.
 - 9.1.2. All records must 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.
 - 9.1.3. Statistical, enrollment, attendance or visit records for each recipient of services, which records shall include all records of application and eligibility (including all forms required to determine eligibility for each

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EXHIBIT B

such recipient), records regarding the provision of services and all invoices submitted to the Department to obtain payment for such services.

9.1.4. Medical records on each patient/recipient of services.

- 9.2. 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. 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.

10. Termination Report/Transition Plan

- 10.1. In the event of early termination of the Agreement, 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 establishing a process to meet those needs.
- 10.2. 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.
- 10.3. 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.
- 10.4. 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.

11. Exhibits Incorporated

- 11.1. All Exhibits D through H and J are attached hereto and incorporated by

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**New Hampshire Department of Health and Human Services
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EXHIBIT B

reference herein.

- 11.2. The Contractor shall use and disclose Protected Health Information in compliance with the Standards for Privacy of Individually Identifiable Health Information (Privacy Rule) (45 CFR Parts 160 and 164) under the Health Insurance Portability and Accountability Act (HIPAA) of 1996, and in accordance with the attached Exhibit I, Business Associate Agreement, which has been executed by the parties and is incorporated by reference herein.
- 11.3. The Contractor shall manage all confidential data related to this Agreement in accordance with the terms of Exhibit K, DHHS Information Security Requirements, which is attached hereto and incorporated by reference herein.

New Hampshire Department of Health and Human Services
Tobacco Treatment Quitline



EXHIBIT C

Payment Terms

1. This Agreement is 100% funded by the National State-Based Tobacco Control Programs, as awarded on October 4, 2019, by the U.S. Department of Health and Human Services, Centers for Disease Control and Prevention CFDA #93.305.
2. For the purposes of this Agreement:
 - 2.1. The Department has identified the Contractor as a Subrecipient in accordance with 2 CFR 200.0. et seq.
 - 2.2. The de minimis Indirect Cost Rate of 10% applies in accordance with 2 CFR §200.414.
 - 2.3. The Department has identified this Contract as NON-R&D, in accordance with 2 CFR §200.87.
3. The Contractor shall submit an invoice on a fixed fee per service basis in a form satisfactory to the State by the fifteenth (15th) working day of the following month, which identifies services utilized in the prior month. The Contractor shall ensure the invoice is completed, dated and returned to the Department in order to initiate payment, and shall be in accordance with the approved budget and fee schedule.
4. In lieu of hard copies, all invoices may be assigned an electronic signature and emailed to DHHSContractBilling@dhhs.nh.gov, or invoices may be mailed to:

Financial Manager
Department of Health and Human Services
129 Pleasant Street
Concord, NH 03301
5. The State shall make payment to the Contractor within thirty (30) days of receipt of each invoice, subsequent to approval of the submitted invoice and if sufficient funds are available, subject to Paragraph 4 of the General Provisions Form Number P-37 of this Agreement.
6. The final invoice shall be due to the State no later than forty (40) days after the contract completion date specified in Form P-37, General Provisions Block 1.7 Completion Date.
7. The Contractor must provide the services in Exhibit B, Scope of Services, in compliance with funding requirements.

New Hampshire Department of Health and Human Services
Tobacco Treatment Quitline



EXHIBIT C

8. The Contractor agrees that funding under this Agreement may be withheld, in whole or in part in the event of non-compliance with the terms and conditions of Exhibit B, Scope of Services.
9. Notwithstanding anything to the contrary herein, the Contractor agrees that funding under this agreement may be withheld, in whole or in part, in the event of non-compliance with any Federal or State law, rule or regulation applicable to the services provided, or if the said services or products have not been satisfactorily completed in accordance with the terms and conditions of this agreement.
10. Notwithstanding Paragraph 18 of the General Provisions Form P-37, changes limited to adjusting amounts within the price limitation and adjusting encumbrances between State Fiscal Years and budget class lines through the Budget Office may be made by written agreement of both parties, without obtaining approval of the Governor and Executive Council, if needed and justified.
11. Audits
 - 11.1. The Contractor is required to submit an annual audit to the Department if any of the following conditions exist:
 - 11.1.1. Condition A - The Contractor expended \$750,000 or more in federal funds received as a subrecipient pursuant to 2 CFR Part 200, during the most recently completed fiscal year.
 - 11.1.2. Condition B - The Contractor is subject to audit pursuant to the requirements of NH RSA 7:28, III-b, pertaining to charitable organizations receiving support of \$1,000,000 or more.
 - 11.1.3. Condition C - The Contractor is a public company and required by Security and Exchange Commission (SEC) regulations to submit an annual financial audit.
 - 11.2. If Condition A exists, the Contractor shall submit an annual single audit performed by an independent Certified Public Accountant (CPA) to the Department within 120 days after the close of the Contractor's fiscal year, conducted in accordance with the requirements of 2 CFR Part 200, Subpart F of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards.
 - 11.2.1. As a fixed fee per service subrecipient, Contractor will include the total amount of final invoice for the fiscal year as a single item in the annual audit.
 - 11.3. If Condition B or Condition C exists, the Contractor shall submit an

**New Hampshire Department of Health and Human Services
Tobacco Treatment Quitline**



EXHIBIT C

annual financial audit performed by an independent CPA within 120 days after the close of the Contractor's fiscal year.

- 11.4. 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.

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Exhibit C-1 (SFY 2021), Budget

| New Hampshire Department of Health and Human Services | | | |
|---|----------------------|---------------------|----------------------|
| Contractor name <u>National Jewish Health</u> | | | |
| Budget Request for: <u>RFA-2021-DPHS-01-TOBAC-01</u> | | | |
| Budget Period: <u>July 1, 2020 - June 30, 2021</u> | | | |
| Line Item | Total Program Cost: | | |
| | Direct | Indirect | Total |
| 1. Total Salary/Wages | \$ 140,560.00 | \$ 9,136.40 | \$ 149,696.40 |
| 2. Employee Benefits | \$ 45,000.00 | \$ 2,925.00 | \$ 47,925.00 |
| 3. Consultants | \$ - | \$ - | \$ - |
| 4. Equipment: | \$ - | \$ - | \$ - |
| Rental | \$ - | \$ - | \$ - |
| Repair and Maintenance | \$ - | \$ - | \$ - |
| Purchase/Depreciation | \$ - | \$ - | \$ - |
| 5. Supplies: | \$ - | \$ - | \$ - |
| Educational | \$ - | \$ - | \$ - |
| Lab | \$ - | \$ - | \$ - |
| Pharmacy | \$ 111,000.00 | \$ - | \$ 111,000.00 |
| Medical | \$ - | \$ - | \$ - |
| Office | \$ - | \$ - | \$ - |
| 6. Travel | \$ - | \$ - | \$ - |
| 7. Occupancy | \$ 1,378.60 | \$ - | \$ 1,378.60 |
| 8. Current Expenses | \$ - | \$ - | \$ - |
| Telephone | \$ - | \$ - | \$ - |
| Postage | \$ - | \$ - | \$ - |
| Subscriptions | \$ - | \$ - | \$ - |
| Audit and Legal | \$ - | \$ - | \$ - |
| Insurance | \$ - | \$ - | \$ - |
| Board Expenses | \$ - | \$ - | \$ - |
| 9. Software | \$ - | \$ - | \$ - |
| 10. Marketing/Communications | \$ 45,000.00 | \$ - | \$ 45,000.00 |
| 11. Staff Education and Training | \$ - | \$ - | \$ - |
| 12. Subcontracts/Agreements | \$ 17,000.00 | \$ - | \$ 17,000.00 |
| 13. Other (specific details mandatory): | \$ - | \$ - | \$ - |
| | \$ - | \$ - | \$ - |
| | \$ - | \$ - | \$ - |
| | \$ - | \$ - | \$ - |
| TOTAL | \$ 359,938.60 | \$ 12,061.40 | \$ 372,000.00 |

Indirect As A Percent of Direct

3.4%

Contractor Initials

Date

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Exhibit C-2 (SFY 2022), Budget

| New Hampshire Department of Health and Human Services | | | |
|---|----------------------|---------------------|----------------------|
| Contractor name National Jewish Health | | | |
| Budget Request for: RFA-2021-OPHS-01-TOBAC-01 | | | |
| Budget Period: July 1, 2021 - June 30, 2022 | | | |
| Line Item | Total Program Cost | | |
| | Direct | Indirect | Total |
| 1. Total Salary/Wages | \$ 140,560.00 | \$ 9,136.40 | \$ 149,696.40 |
| 2. Employee Benefits | \$ 45,000.00 | \$ 2,925.00 | \$ 47,925.00 |
| 3. Consultants | \$ - | \$ - | \$ - |
| 4. Equipment: | \$ - | \$ - | \$ - |
| Rental | \$ - | \$ - | \$ - |
| Repair and Maintenance | \$ - | \$ - | \$ - |
| Purchase/Depreciation | \$ - | \$ - | \$ - |
| 5. Supplies: | \$ - | \$ - | \$ - |
| Educational | \$ - | \$ - | \$ - |
| Lab | \$ - | \$ - | \$ - |
| Pharmacy | \$ 95,000.00 | \$ - | \$ 95,000.00 |
| Medical | \$ - | \$ - | \$ - |
| Office | \$ - | \$ - | \$ - |
| 6. Travel | \$ - | \$ - | \$ - |
| 7. Occupancy | \$ 1,378.60 | \$ - | \$ 1,378.60 |
| 8. Current Expenses | \$ - | \$ - | \$ - |
| Telephone | \$ - | \$ - | \$ - |
| Postage | \$ - | \$ - | \$ - |
| Subscriptions | \$ - | \$ - | \$ - |
| Audit and Legal | \$ - | \$ - | \$ - |
| Insurance | \$ - | \$ - | \$ - |
| Board Expenses | \$ - | \$ - | \$ - |
| 9. Software | \$ - | \$ - | \$ - |
| 10. Marketing/Communications | \$ 33,000.00 | \$ - | \$ 33,000.00 |
| 11. Staff Education and Training | \$ - | \$ - | \$ - |
| 12. Subcontracts/Agreements | \$ 15,000.00 | \$ - | \$ 15,000.00 |
| 13. Other (specific details mandatory): | \$ - | \$ - | \$ - |
| | \$ - | \$ - | \$ - |
| | \$ - | \$ - | \$ - |
| | \$ - | \$ - | \$ - |
| TOTAL | \$ 329,938.60 | \$ 12,061.40 | \$ 342,000.00 |

Indirect As A Percent of Direct
 National Jewish Health
 RFA-2021-OPHS-01-TOBAC-01
 Exhibit C-2 (SFY 2022), Budget
 Page 1 of 1

3.7%

Contractor Initials

Date

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New Hampshire Department of Health and Human Services
Exhibit D

CERTIFICATION REGARDING DRUG-FREE WORKPLACE REQUIREMENTS

The Vendor 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

Vendor Initials

AWB

Date 5/15/20



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.

Vendor Name: National Jewish Health

Name: Christine Forkner
Title: EVP Corporate Affairs & CFO

5/15/20
Date

Vendor Initials CJF
Date 5/15/20

New Hampshire Department of Health and Human Services
Exhibit E



CERTIFICATION REGARDING LOBBYING

The Vendor 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-1.)
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.

Vendor Name: National Jewish Health

Name: Christine Forkner
Title: EVP Corporate Affairs & CFO

5/15/2020
Date

Vendor Initials
Date 5/15/20

New Hampshire Department of Health and Human Services
Exhibit F



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

The Vendor 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

[Handwritten Signature]

[Handwritten Date: 5/15/20]

New Hampshire Department of Health and Human Services
Exhibit F



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 (11)(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.

Vendor Name: National Jewish Health

Name: Christine Forkner
Title: EVP Corporate Affairs & CFO

5/15/2020
Date

Vendor Initials
Date 5/15/20



New Hampshire Department of Health and Human Services
Exhibit G

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

The Vendor 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:

Vendor 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

Vendor Initials

CWS

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

Date 5/15/20

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 Vendor 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 Vendor agrees to comply with the provisions indicated above.

5/15/2020
Date

Vendor Name: National Jewish Health


Name: Christine Forkner
Title: EVP Corporate Affairs & CFO

Exhibit G

Vendor Initials CF

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

New Hampshire Department of Health and Human Services
Exhibit H



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 Vendor 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 Vendor 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.

Vendor Name: National Jewish Health

Name: Christine Forkner
Title: EVP Corporate Affairs & CFO

5/15/2020
Date

Vendor Initials

Date 5/15/20

New Hampshire Department of Health and Human Services



Exhibit I

HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT
BUSINESS ASSOCIATE AGREEMENT

The Contractor identified in Section 1.3 of the General Provisions of the Agreement agrees to comply with the Health Insurance Portability and Accountability Act, Public Law 104-191 and with the Standards for Privacy and Security of Individually Identifiable Health Information, 45 CFR Parts 160 and 164 applicable to business associates. As defined herein, "Business Associate" shall mean the Contractor and subcontractors and agents of the Contractor that receive, use or have access to protected health information under this Agreement and "Covered Entity" shall mean the State of New Hampshire, Department of Health and Human Services.

(1) **Definitions.**

- a. "**Breach**" shall have the same meaning as the term "Breach" in section 164.402 of Title 45, Code of Federal Regulations.
- b. "**Business Associate**" has the meaning given such term in section 160.103 of Title 45, Code of Federal Regulations.
- c. "**Covered Entity**" has the meaning given such term in section 160.103 of Title 45, Code of Federal Regulations.
- d. "**Designated Record Set**" shall have the same meaning as the term "designated record set" in 45 CFR Section 164.501.
- e. "**Data Aggregation**" shall have the same meaning as the term "data aggregation" in 45 CFR Section 164.501.
- f. "**Health Care Operations**" shall have the same meaning as the term "health care operations" in 45 CFR Section 164.501.
- g. "**HITECH Act**" means the Health Information Technology for Economic and Clinical Health Act, Title XIII, Subtitle D, Part 1 & 2 of the American Recovery and Reinvestment Act of 2009.
- h. "**HIPAA**" means the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 and the Standards for Privacy and Security of Individually Identifiable Health Information, 45 CFR Parts 160, 162 and 164 and amendments thereto.
- i. "**Individual**" shall have the same meaning as the term "individual" in 45 CFR Section 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 CFR Section 164.501(g).
- j. "**Privacy Rule**" shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 CFR Parts 160 and 164, promulgated under HIPAA by the United States Department of Health and Human Services.
- k. "**Protected Health Information**" shall have the same meaning as the term "protected health information" in 45 CFR Section 160.103, limited to the information created or received by Business Associate from or on behalf of Covered Entity.

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Contractor Initials

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Date

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New Hampshire Department of Health and Human Services

Exhibit I

- l. "Required by Law" shall have the same meaning as the term "required by law" in 45 CFR Section 164.103.
- m. "Secretary" shall mean the Secretary of the Department of Health and Human Services or his/her designee.
- n. "Security Rule" shall mean the Security Standards for the Protection of Electronic Protected Health Information at 45 CFR Part 164, Subpart C, and amendments thereto.
- o. "Unsecured Protected Health Information" means protected health information that is not secured by a technology standard that renders protected health information unusable, unreadable, or indecipherable to unauthorized individuals and is developed or endorsed by a standards developing organization that is accredited by the American National Standards Institute.
- p. Other Definitions - All terms not otherwise defined herein shall have the meaning established under 45 C.F.R. Parts 160, 162 and 164, as amended from time to time, and the HITECH Act.

(2) Business Associate Use and Disclosure of Protected Health Information.

- a. Business Associate shall not use, disclose, maintain or transmit Protected Health Information (PHI) except as reasonably necessary to provide the services outlined under Exhibit A of the Agreement. Further, Business Associate, including but not limited to all its directors, officers, employees and agents, shall not use, disclose, maintain or transmit PHI in any manner that would constitute a violation of the Privacy and Security Rule.
- b. Business Associate may use or disclose PHI:
 - I. For the proper management and administration of the Business Associate;
 - II. As required by law, pursuant to the terms set forth in paragraph d. below; or
 - III. For data aggregation purposes for the health care operations of Covered Entity.
- c. To the extent Business Associate is permitted under the Agreement to disclose PHI to a third party, Business Associate must obtain, prior to making any such disclosure, (i) reasonable assurances from the third party that such PHI will be held confidentially and used or further disclosed only as required by law or for the purpose for which it was disclosed to the third party; and (ii) an agreement from such third party to notify Business Associate, in accordance with the HIPAA Privacy, Security, and Breach Notification Rules of any breaches of the confidentiality of the PHI, to the extent it has obtained knowledge of such breach.
- d. The Business Associate shall not, unless such disclosure is reasonably necessary to provide services under Exhibit A of the Agreement, disclose any PHI in response to a request for disclosure on the basis that it is required by law, without first notifying Covered Entity so that Covered Entity has an opportunity to object to the disclosure and to seek appropriate relief. If Covered Entity objects to such disclosure, the Business

[Handwritten Signature]
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New Hampshire Department of Health and Human Services



Exhibit I

Associate shall refrain from disclosing the PHI until Covered Entity has exhausted all remedies.

- e. If the Covered Entity notifies the Business Associate that Covered Entity has agreed to be bound by additional restrictions over and above those uses or disclosures or security safeguards of PHI pursuant to the Privacy and Security Rule, the Business Associate shall be bound by such additional restrictions and shall not disclose PHI in violation of such additional restrictions and shall abide by any additional security safeguards.

(3) Obligations and Activities of Business Associate.

- a. The Business Associate shall notify the Covered Entity's Privacy Officer immediately after the Business Associate becomes aware of any use or disclosure of protected health information not provided for by the Agreement including breaches of unsecured protected health information and/or any security incident that may have an impact on the protected health information of the Covered Entity.
- b. The Business Associate shall immediately perform a risk assessment when it becomes aware of any of the above situations. The risk assessment shall include, but not be limited to:
 - o The nature and extent of the protected health information involved, including the types of identifiers and the likelihood of re-identification;
 - o The unauthorized person used the protected health information or to whom the disclosure was made;
 - o Whether the protected health information was actually acquired or viewed
 - o The extent to which the risk to the protected health information has been mitigated.

The Business Associate shall complete the risk assessment within 48 hours of the breach and immediately report the findings of the risk assessment in writing to the Covered Entity.

- c. The Business Associate shall comply with all sections of the Privacy, Security, and Breach Notification Rule.
- d. Business Associate shall make available all of its internal policies and procedures, books and records relating to the use and disclosure of PHI received from, or created or received by the Business Associate on behalf of Covered Entity to the Secretary for purposes of determining Covered Entity's compliance with HIPAA and the Privacy and Security Rule.
- e. Business Associate shall require all of its business associates that receive, use or have access to PHI under the Agreement, to agree in writing to adhere to the same restrictions and conditions on the use and disclosure of PHI contained herein, including the duty to return or destroy the PHI as provided under Section 3 (l). The Covered Entity shall be considered a direct third party beneficiary of the Contractor's business associate agreements with Contractor's intended business associates, who will be receiving PHI.

New Hampshire Department of Health and Human Services



Exhibit I

pursuant to this Agreement, with rights of enforcement and indemnification from such business associates who shall be governed by standard Paragraph #13 of the standard contract provisions (P-37) of this Agreement for the purpose of use and disclosure of protected health information.

- f. Within five (5) business days of receipt of a written request from Covered Entity, Business Associate shall make available during normal business hours at its offices all records, books, agreements, policies and procedures relating to the use and disclosure of PHI to the Covered Entity, for purposes of enabling Covered Entity to determine Business Associate's compliance with the terms of the Agreement.
- g. Within ten (10) business days of receiving a written request from Covered Entity, Business Associate shall provide access to PHI in a Designated Record Set to the Covered Entity, or as directed by Covered Entity, to an individual in order to meet the requirements under 45 CFR Section 164.524.
- h. Within ten (10) business days of receiving a written request from Covered Entity for an amendment of PHI or a record about an individual contained in a Designated Record Set, the Business Associate shall make such PHI available to Covered Entity for amendment and incorporate any such amendment to enable Covered Entity to fulfill its obligations under 45 CFR Section 164.526.
- i. Business Associate shall document such disclosures of PHI and information related to such disclosures as would be required for Covered Entity to respond to a request by an individual for an accounting of disclosures of PHI in accordance with 45 CFR Section 164.528.
- j. Within ten (10) business days of receiving a written request from Covered Entity for a request for an accounting of disclosures of PHI, Business Associate shall make available to Covered Entity such information as Covered Entity may require to fulfill its obligations to provide an accounting of disclosures with respect to PHI in accordance with 45 CFR Section 164.528.
- k. In the event any individual requests access to, amendment of, or accounting of PHI directly from the Business Associate, the Business Associate shall within two (2) business days forward such request to Covered Entity. Covered Entity shall have the responsibility of responding to forwarded requests. However, if forwarding the individual's request to Covered Entity would cause Covered Entity or the Business Associate to violate HIPAA and the Privacy and Security Rule, the Business Associate shall instead respond to the individual's request as required by such law and notify Covered Entity of such response as soon as practicable.
- l. Within ten (10) business days of termination of the Agreement, for any reason, the Business Associate shall return or destroy, as specified by Covered Entity, all PHI received from, or created or received by the Business Associate in connection with the Agreement, and shall not retain any copies or back-up tapes of such PHI. If return or destruction is not feasible, or the disposition of the PHI has been otherwise agreed to in the Agreement, Business Associate shall continue to extend the protections of the Agreement, to such PHI and limit further uses and disclosures of such PHI to those purposes that make the return or destruction infeasible, for so long as Business

MS
5/15/20

New Hampshire Department of Health and Human Services



Exhibit I

Associate maintains such PHI. If Covered Entity, in its sole discretion, requires that the Business Associate destroy any or all PHI, the Business Associate shall certify to Covered Entity that the PHI has been destroyed.

(4) Obligations of Covered Entity

- a. Covered Entity shall notify Business Associate of any changes or limitation(s) in its Notice of Privacy Practices provided to individuals in accordance with 45 CFR Section 164.520, to the extent that such change or limitation may affect Business Associate's use or disclosure of PHI.
- b. Covered Entity shall promptly notify Business Associate of any changes in, or revocation of permission provided to Covered Entity by individuals whose PHI may be used or disclosed by Business Associate under this Agreement, pursuant to 45 CFR Section 164.506 or 45 CFR Section 164.508.
- c. Covered entity shall promptly notify Business Associate of any restrictions on the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 CFR 164.522, to the extent that such restriction may affect Business Associate's use or disclosure of PHI.

(5) Termination for Cause

In addition to Paragraph 10 of the standard terms and conditions (P-37) of this Agreement the Covered Entity may immediately terminate the Agreement upon Covered Entity's knowledge of a breach by Business Associate of the Business Associate Agreement set forth herein as Exhibit I. The Covered Entity may either immediately terminate the Agreement or provide an opportunity for Business Associate to cure the alleged breach within a timeframe specified by Covered Entity. If Covered Entity determines that neither termination nor cure is feasible, Covered Entity shall report the violation to the Secretary.

(6) Miscellaneous

- a. Definitions and Regulatory References. All terms used, but not otherwise defined herein, shall have the same meaning as those terms in the Privacy and Security Rule, amended from time to time. A reference in the Agreement, as amended to include this Exhibit I, to a Section in the Privacy and Security Rule means the Section as in effect or as amended.
- b. Amendment. Covered Entity and Business Associate agree to take such action as is necessary to amend the Agreement, from time to time as is necessary for Covered Entity to comply with the changes in the requirements of HIPAA, the Privacy and Security Rule, and applicable federal and state law.
- c. Data Ownership. The Business Associate acknowledges that it has no ownership rights with respect to the PHI provided by or created on behalf of Covered Entity.
- d. Interpretation. The parties agree that any ambiguity in the Agreement shall be resolved to permit Covered Entity to comply with HIPAA, the Privacy and Security Rule.

[Handwritten Signature]
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New Hampshire Department of Health and Human Services



Exhibit I

- e. **Segregation.** If any term or condition of this Exhibit I or the application thereof to any person(s) or circumstance is held invalid, such invalidity shall not affect other terms or conditions which can be given effect without the invalid term or condition; to this end the terms and conditions of this Exhibit I are declared severable.
- f. **Survival.** Provisions in this Exhibit I regarding the use and disclosure of PHI, return or destruction of PHI, extensions of the protections of the Agreement in section (3) I, the defense and indemnification provisions of section (3) e and Paragraph 13 of the standard terms and conditions (P-37), shall survive the termination of the Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Exhibit I.

Department of Health and Human Services
The State

[Handwritten Signature]
Signature of Authorized Representative

Christie Tappan
Name of Authorized Representative

Associate Commissioner
Title of Authorized Representative

5/22/2020
Date

National Jewish Health
Name of the Contractor

[Handwritten Signature]
Signature of Authorized Representative

Christine Forkner
Name of Authorized Representative

EVP, Corporate Affairs & CFO
Title of Authorized Representative

5/15/2020
Date

New Hampshire Department of Health and Human Services
Exhibit J



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: National Jewish Health

Name: Christine Forkner
Title: EVP Corporate Affairs & CFO

5/15/2020
Date

Contractor Initials CF
Date 5/15/20

New Hampshire Department of Health and Human Services
Exhibit J



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: 076443019
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 _____ 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: _____ |
| Name: _____ | Amount: _____ |
| Name: _____ | Amount: _____ |
| Name: _____ | Amount: _____ |
| Name: _____ | Amount: _____ |

Contractor Initials CJX
Date 5/15/20

New Hampshire Department of Health and Human Services
Exhibit K
DHHS Information Security Requirements



A. Definitions

The following terms may be reflected and have the described meaning in this document:

1. "Breach" means the loss of control, compromise, unauthorized disclosure, unauthorized acquisition, unauthorized access, or any similar term referring to situations where persons other than authorized users and for an other than authorized purpose have access or potential access to personally identifiable information, whether physical or electronic. With regard to Protected Health Information, "Breach" shall have the same meaning as the term "Breach" in section 164.402 of Title 45, Code of Federal Regulations.
2. "Computer Security Incident" shall have the same meaning "Computer Security Incident" in section two (2) of NIST Publication 800-61, Computer Security Incident Handling Guide, National Institute of Standards and Technology, U.S. Department of Commerce.
3. "Confidential Information" or "Confidential Data" means all confidential information disclosed by one party to the other such as all medical, health, financial, public assistance benefits and personal information including without limitation, Substance Abuse Treatment Records, Case Records, Protected Health Information and Personally Identifiable Information.

Confidential Information also includes any and all information owned or managed by the State of NH - created, received from or on behalf of the Department of Health and Human Services (DHHS) or accessed in the course of performing contracted services - of which collection, disclosure, protection, and disposition is governed by state or federal law or regulation. This information includes, but is not limited to, Protected Health Information (PHI), Personal Information (PI), Personal Financial Information (PFI), Federal Tax Information (FTI), Social Security Numbers (SSN), Payment Card Industry (PCI), and or other sensitive and confidential information.

4. "End User" means any person or entity (e.g., contractor, contractor's employee, business associate, subcontractor, other downstream user, etc.) that receives DHHS data or derivative data in accordance with the terms of this Contract.
5. "HIPAA" means the Health Insurance Portability and Accountability Act of 1996 and the regulations promulgated thereunder.
6. "Incident" means an act that potentially violates an explicit or implied security policy, which includes attempts (either failed or successful) to gain unauthorized access to a system or its data, unwanted disruption or denial of service, the unauthorized use of a system for the processing or storage of data; and changes to system hardware, firmware, or software characteristics without the owner's knowledge, instruction, or consent. Incidents include the loss of data through theft or device misplacement, loss or misplacement of hardcopy documents, and misrouting of physical or electronic

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mail, all of which may have the potential to put the data at risk of unauthorized access, use, disclosure, modification or destruction.

7. "Open Wireless Network" means any network or segment of a network that is not designated by the State of New Hampshire's Department of Information Technology or delegate as a protected network (designed, tested, and approved, by means of the State, to transmit) will be considered an open network and not adequately secure for the transmission of unencrypted PI, PFI, PHI or confidential DHHS data.
8. "Personal Information" (or "PI") means information which can be used to distinguish or trace an individual's identity, such as their name, social security number, personal information as defined in New Hampshire RSA 359-C:19, biometric records, etc., alone, or when combined with other personal or identifying information which is linked or linkable to a specific individual, such as date and place of birth, mother's maiden name, etc.
9. "Privacy Rule" shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 C.F.R. Parts 160 and 164, promulgated under HIPAA by the United States Department of Health and Human Services.
10. "Protected Health Information" (or "PHI") has the same meaning as provided in the definition of "Protected Health Information" in the HIPAA Privacy Rule at 45 C.F.R. § 160.103.
11. "Security Rule" shall mean the Security Standards for the Protection of Electronic Protected Health Information at 45 C.F.R. Part 164, Subpart C, and amendments thereto.
12. "Unsecured Protected Health Information" means Protected Health Information that is not secured by a technology standard that renders Protected Health Information unusable, unreadable, or indecipherable to unauthorized individuals and is developed or endorsed by a standards developing organization that is accredited by the American National Standards Institute.

I. RESPONSIBILITIES OF DHHS AND THE CONTRACTOR

A. Business Use and Disclosure of Confidential Information.

1. The Contractor must not use, disclose, maintain or transmit Confidential Information except as reasonably necessary as outlined under this Contract. Further, Contractor, including but not limited to all its directors, officers, employees and agents, must not use, disclose, maintain or transmit PHI in any manner that would constitute a violation of the Privacy and Security Rule.
2. The Contractor must not disclose any Confidential Information in response to a

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request for disclosure on the basis that it is required by law, in response to a subpoena, etc., without first notifying DHHS so that DHHS has an opportunity to consent or object to the disclosure.

3. If DHHS notifies the Contractor that DHHS has agreed to be bound by additional restrictions over and above those uses or disclosures or security safeguards of PHI pursuant to the Privacy and Security Rule, the Contractor must be bound by such additional restrictions and must not disclose PHI in violation of such additional restrictions and must abide by any additional security safeguards.
4. The Contractor agrees that DHHS Data or derivative there from disclosed to an End User must only be used pursuant to the terms of this Contract.
5. The Contractor agrees DHHS Data obtained under this Contract may not be used for any other purposes that are not indicated in this Contract.
6. The Contractor agrees to grant access to the data to the authorized representatives of DHHS for the purpose of inspecting to confirm compliance with the terms of this Contract.

II. METHODS OF SECURE TRANSMISSION OF DATA

1. Application Encryption. If End User is transmitting DHHS data containing Confidential Data between applications, the Contractor attests the applications have been evaluated by an expert knowledgeable in cyber security and that said application's encryption capabilities ensure secure transmission via the internet.
2. Computer Disks and Portable Storage Devices. End User may not use computer disks or portable storage devices, such as a thumb drive, as a method of transmitting DHHS data.
3. Encrypted Email. End User may only employ email to transmit Confidential Data if email is encrypted and being sent to and being received by email addresses of persons authorized to receive such information.
4. Encrypted Web Site. If End User is employing the Web to transmit Confidential Data, the secure socket layers (SSL) must be used and the web site must be secure. SSL encrypts data transmitted via a Web site.
5. File Hosting Services, also known as File Sharing Sites. End User may not use file hosting services, such as Dropbox or Google Cloud Storage, to transmit Confidential Data.
6. Ground Mail Service. End User may only transmit Confidential Data via *certified* ground mail within the continental U.S. and when sent to a named individual.
7. Laptops and PDA. If End User is employing portable devices to transmit Confidential Data said devices must be encrypted and password-protected.
8. Open Wireless Networks. End User may not transmit Confidential Data via an open

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New Hampshire Department of Health and Human Services

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wireless network. End User must employ a virtual private network (VPN) when remotely transmitting via an open wireless network.

9. Remote User Communication. If End User is employing remote communication to access or transmit Confidential Data, a virtual private network (VPN) must be installed on the End User's mobile device(s) or laptop from which information will be transmitted or accessed.
10. SSH File Transfer Protocol (SFTP), also known as Secure File Transfer Protocol. If End User is employing an SFTP to transmit Confidential Data, End User will structure the Folder and access privileges to prevent inappropriate disclosure of information. SFTP folders and sub-folders used for transmitting Confidential Data will be coded for 24-hour auto-deletion cycle (i.e. Confidential Data will be deleted every 24 hours).
11. Wireless Devices. If End User is transmitting Confidential Data via wireless devices, all data must be encrypted to prevent inappropriate disclosure of information.

III. RETENTION AND DISPOSITION OF IDENTIFIABLE RECORDS

The Contractor will only retain the data and any derivative of the data for the duration of this Contract. After such time, the Contractor will have 30 days to destroy the data and any derivative in whatever form it may exist; unless, otherwise required by law or permitted under this Contract. To this end, the parties must:

A. Retention

1. The Contractor agrees it will not store, transfer or process data collected in connection with the services rendered under this Contract outside of the United States. This physical location requirement shall also apply in the implementation of cloud computing, cloud service or cloud storage capabilities, and includes backup data and Disaster Recovery locations.
2. The Contractor agrees to ensure proper security monitoring capabilities are in place to detect potential security events that can impact State of NH systems and/or Department confidential information for contractor provided systems.
3. The Contractor agrees to provide security awareness and education for its End Users in support of protecting Department confidential information.
4. The Contractor agrees to retain all electronic and hard copies of Confidential Data in a secure location and identified in section IV. A.2
5. The Contractor agrees Confidential Data stored in a Cloud must be in a FedRAMP/HITECH compliant solution and comply with all applicable statutes and regulations regarding the privacy and security. All servers and devices must have currently-supported and hardened operating systems, the latest anti-viral, anti-hacker, anti-spam, anti-spyware, and anti-malware utilities. The environment, as a

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whole, must have aggressive intrusion-detection and firewall protection.

6. The Contractor agrees to and ensures its complete cooperation with the State's Chief Information Officer in the detection of any security vulnerability of the hosting infrastructure.

B. Disposition

1. If the Contractor will maintain any Confidential Information on its systems (or its sub-contractor systems), the Contractor will maintain a documented process for securely disposing of such data upon request or contract termination; and will obtain written certification for any State of New Hampshire data destroyed by the Contractor or any subcontractors as a part of ongoing, emergency, and or disaster recovery operations. When no longer in use, electronic media containing State of New Hampshire data shall be rendered unrecoverable via a secure wipe program in accordance with industry-accepted standards for secure deletion and media sanitization, or otherwise physically destroying the media (for example, degaussing) as described in NIST Special Publication 800-88, Rev 1, Guidelines for Media Sanitization, National Institute of Standards and Technology, U. S. Department of Commerce. The Contractor will document and certify in writing at time of the data destruction, and will provide written certification to the Department upon request. The written certification will include all details necessary to demonstrate data has been properly destroyed and validated. Where applicable, regulatory and professional standards for retention requirements will be jointly evaluated by the State and Contractor prior to destruction.
2. Unless otherwise specified, within thirty (30) days of the termination of this Contract, Contractor agrees to destroy all hard copies of Confidential Data using a secure method such as shredding.
3. Unless otherwise specified, within thirty (30) days of the termination of this Contract, Contractor agrees to completely destroy all electronic Confidential Data by means of data erasure, also known as secure data wiping.

IV. PROCEDURES FOR SECURITY

- A. Contractor agrees to safeguard the DHHS Data received under this Contract, and any derivative data or files, as follows:
 1. The Contractor will maintain proper security controls to protect Department confidential information collected, processed, managed, and/or stored in the delivery of contracted services.
 2. The Contractor will maintain policies and procedures to protect Department confidential information throughout the information lifecycle, where applicable, (from creation, transformation, use, storage and secure destruction) regardless of the media used to store the data (i.e., tape, disk, paper, etc.).

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3. The Contractor will maintain appropriate authentication and access controls to contractor systems that collect, transmit, or store Department confidential information where applicable.
4. The Contractor will ensure proper security monitoring capabilities are in place to detect potential security events that can impact State of NH systems and/or Department confidential information for contractor provided systems.
5. The Contractor will provide regular security awareness and education for its End Users in support of protecting Department confidential information.
6. If the Contractor will be sub-contracting any core functions of the engagement supporting the services for State of New Hampshire, the Contractor will maintain a program of an internal process or processes that defines specific security expectations; and monitoring compliance to security requirements that at a minimum match those for the Contractor, including breach notification requirements.
7. The Contractor will work with the Department to sign and comply with all applicable State of New Hampshire and Department system access and authorization policies and procedures, systems access forms; and computer use agreements as part of obtaining and maintaining access to any Department system(s). Agreements will be completed and signed by the Contractor and any applicable sub-contractors prior to system access being authorized.
8. If the Department determines the Contractor is a Business Associate pursuant to 45 CFR 160.103, the Contractor will execute a HIPAA Business Associate Agreement (BAA) with the Department and is responsible for maintaining compliance with the agreement.
9. The Contractor will work with the Department at its request to complete a System Management Survey. The purpose of the survey is to enable the Department and Contractor to monitor for any changes in risks, threats, and vulnerabilities that may occur over the life of the Contractor engagement. The survey will be completed annually, or an alternate time frame at the Departments discretion with agreement by the Contractor, or the Department may request the survey be completed when the scope of the engagement between the Department and the Contractor changes.
10. The Contractor will not store, knowingly or unknowingly, any State of New Hampshire or Department data offshore or outside the boundaries of the United States unless prior express written consent is obtained from the Information Security Office leadership member within the Department.
11. Data Security Breach Liability. In the event of any security breach Contractor shall make efforts to investigate the causes of the breach, promptly take measures to prevent future breach and minimize any damage or loss resulting from the breach. The State shall recover from the Contractor all costs of response and recovery from

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the breach, including but not limited to: credit monitoring services, mailing costs and costs associated with website and telephone call center services necessary due to the breach.

12. Contractor must, comply with all applicable statutes and regulations regarding the privacy and security of Confidential Information, and must in all other respects maintain the privacy and security of PI and PHI at a level and scope that is not less than the level and scope of requirements applicable to federal agencies, including, but not limited to, provisions of the Privacy Act of 1974 (5 U.S.C. § 552a), DHHS Privacy Act Regulations (45 C.F.R. §5b), HIPAA Privacy and Security Rules (45 C.F.R. Parts 160 and 164) that govern protections for individually identifiable health information and as applicable under State law.
13. Contractor agrees to establish and maintain appropriate administrative, technical, and physical safeguards to protect the confidentiality of the Confidential Data and to prevent unauthorized use or access to it. The safeguards must provide a level and scope of security that is not less than the level and scope of security requirements established by the State of New Hampshire, Department of Information Technology. Refer to Vendor Resources/Procurement at <https://www.nh.gov/doi/vendor/index.htm> for the Department of Information Technology policies, guidelines, standards, and procurement information relating to vendors.
14. Contractor agrees to maintain a documented breach notification and incident response process. The Contractor will notify the State's Privacy Officer and the State's Security Officer of any security breach immediately, at the email addresses provided in Section VI. This includes a confidential information breach, computer security incident, or suspected breach which affects or includes any State of New Hampshire systems that connect to the State of New Hampshire network.
15. Contractor must restrict access to the Confidential Data obtained under this Contract to only those authorized End Users who need such DHHS Data to perform their official duties in connection with purposes identified in this Contract.
16. The Contractor must ensure that all End Users:
 - a. comply with such safeguards as referenced in Section IV A. above, implemented to protect Confidential Information that is furnished by DHHS under this Contract from loss, theft or inadvertent disclosure.
 - b. safeguard this information at all times.
 - c. ensure that laptops and other electronic devices/media containing PHI, PI, or PFI are encrypted and password-protected.
 - d. send emails containing Confidential Information only if encrypted and being sent to and being received by email addresses of persons authorized to receive such information.

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DHHS Information Security Requirements



- e. limit disclosure of the Confidential Information to the extent permitted by law.
- f. Confidential Information received under this Contract and individually identifiable data derived from DHHS Data, must be stored in an area that is physically and technologically secure from access by unauthorized persons during duty hours as well as non-duty hours (e.g., door locks, card keys, biometric identifiers, etc.).
- g. only authorized End Users may transmit the Confidential Data, including any derivative files containing personally identifiable information, and in all cases, such data must be encrypted at all times when in transit, at rest, or when stored on portable media as required in section IV above.
- h. in all other instances Confidential Data must be maintained, used and disclosed using appropriate safeguards, as determined by a risk-based assessment of the circumstances involved.
- i. understand that their user credentials (user name and password) must not be shared with anyone. End Users will keep their credential information secure. This applies to credentials used to access the site directly or indirectly through a third party application.

Contractor is responsible for oversight and compliance of their End Users. DHHS reserves the right to conduct onsite inspections to monitor compliance with this Contract, including the privacy and security requirements provided in herein, HIPAA, and other applicable laws and Federal regulations until such time the Confidential Data is disposed of in accordance with this Contract.

V. LOSS REPORTING

The Contractor must notify the State's Privacy Officer and Security Officer of any Security Incidents and Breaches immediately, at the email addresses provided in Section VI.

The Contractor must further handle and report Incidents and Breaches involving PHI in accordance with the agency's documented Incident Handling and Breach Notification procedures and in accordance with 42 C.F.R. §§ 431.300 - 306. In addition to, and notwithstanding, Contractor's compliance with all applicable obligations and procedures, Contractor's procedures must also address how the Contractor will:

- 1. Identify Incidents;
- 2. Determine if personally identifiable information is involved in Incidents;
- 3. Report suspected or confirmed Incidents as required in this Exhibit or P-37;
- 4. Identify and convene a core response group to determine the risk level of Incidents and determine risk-based responses to Incidents; and

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5. Determine whether Breach notification is required, and, if so, identify appropriate Breach notification methods, timing, source, and contents from among different options, and bear costs associated with the Breach notice as well as any mitigation measures.

Incidents and/or Breaches that implicate PI must be addressed and reported, as applicable, in accordance with NH RSA 359-C:20.

VI. PERSONS TO CONTACT

A. DHHS Privacy Officer:

DHHSPrivacyOfficer@dhhs.nh.gov

B. DHHS Security Officer:

DHHSInformationSecurityOffice@dhhs.nh.gov

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