

Boston Medical Center and Affiliates

Report on Federal Awards in Accordance With

OMB Circular A-133

September 30, 2012

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**Part I - Consolidated Financial Statements and
Schedule of Expenditures of Federal Awards**



Report of Independent Auditors

To the Board of Trustees of
Boston Medical Center and Affiliates

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in net assets and cash flows present fairly, in all material respects, the financial position of Boston Medical Center and Affiliates (the "Medical Center and Affiliates") at September 30, 2012 and 2011, and the consolidated results of their operations, changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Medical Center and Affiliates' management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The PricewaterhouseCoopers firm in the Cayman Islands performed audit procedures for the Boston Medical Center Insurance Company ("BMCIC"). Personnel of this firm, excluding United States personnel, do not participate in a continuing education program that satisfies the requirement set forth in Chapter 3, paragraph 3.45 of *Government Auditing Standards*. However, this firm does participate in continuing education programs applicable in the Cayman Islands.

Further, the PricewaterhouseCoopers firm in the Cayman Islands does not have an external quality review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.49 of *Government Auditing Standards*, since no such program is offered by professional organizations in the country. However, this office participates in the PricewaterhouseCoopers worldwide internal control review program, which requires the office to be periodically subjected to an extensive quality control review by partners and managers from other PricewaterhouseCoopers affiliated firms.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013 on our consideration of the Medical Center and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

February 8, 2013

Boston Medical Center and Affiliates
Consolidated Balance Sheets
September 30, 2012 and 2011

<i>(in thousands)</i>	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 206,335	\$ 293,291
Short-term investments	42,070	66,506
Patients accounts receivable, less allowance of \$25,488 and \$24,956 in 2012 and 2011, respectively	75,850	70,805
Other accounts receivable, less allowance of \$6,005 and \$5,253 in 2012 and 2011, respectively	103,476	79,483
Current portion of grants receivable, less allowance of \$3,362 and \$3,349 in 2012 and 2011, respectively	25,343	21,743
Current portion of estimated receivable for final settlements with third-party payors	8,744	26,591
Inventories	4,584	2,807
Prepaid expenses and other current assets	9,214	12,667
Current portion of funds held by Trustees	32,250	32,250
Total current assets	<u>507,866</u>	<u>606,143</u>
Assets limited as to use		
Board-designated investments	340,482	237,586
Funds held by Trustees	54,732	69,936
Donor-restricted investments	274,475	234,689
Reserve funds	110,451	103,913
Total assets limited as to use	<u>780,140</u>	<u>646,124</u>
Other assets		
Long-term investments	267,785	180,595
Property, plant and equipment, net	631,848	665,760
Grants receivable, less current portion	27,851	55,699
Other noncurrent assets	194,052	204,292
Total assets	<u>\$ 2,409,542</u>	<u>\$ 2,358,613</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 181,486	\$ 158,325
Claims payable	78,799	86,130
Deferred revenue	18,334	19,749
Current portion of long-term debt and capital leases	17,467	16,134
Other current liabilities	26,544	3,393
Total current liabilities	<u>322,630</u>	<u>283,731</u>
Long-term liabilities		
Estimated final settlements with third-party payors	28,889	27,227
Obligations under capital leases	28,810	57,527
Long-term debt	541,854	547,627
Other long-term liabilities	170,930	155,183
Total liabilities	<u>1,093,113</u>	<u>1,071,295</u>
Commitments and contingencies		
Net assets		
Unrestricted	1,000,973	968,996
Temporarily restricted	299,103	301,969
Permanently restricted	16,353	16,353
Total net assets	<u>1,316,429</u>	<u>1,287,318</u>
Total liabilities and net assets	<u>\$ 2,409,542</u>	<u>\$ 2,358,613</u>

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

Boston Medical Center and Affiliates
Consolidated Statements of Operations
Years Ended September 30, 2012 and 2011

<i>(in thousands)</i>	2012	2011
Operating revenue		
Net patient service revenue	\$ 928,321	\$ 891,002
Capitation revenue	1,191,612	1,320,416
Grants and contract revenue	72,856	77,711
Other revenue	72,611	72,903
Net assets released from restrictions for operations	<u>24,632</u>	<u>22,629</u>
Total operating revenue	<u>2,290,032</u>	<u>2,384,661</u>
Operating expenses		
Salaries and wages and fringe benefits	766,918	740,816
Supplies and expenses	1,343,057	1,372,670
Depreciation and amortization	71,724	71,367
Interest expense	23,424	17,275
Provision for bad debts	45,353	49,852
Research, sponsored programs and community health services	<u>66,986</u>	<u>69,456</u>
Total operating expenses	<u>2,317,462</u>	<u>2,321,436</u>
(Loss) income from operations	<u>(27,430)</u>	<u>63,225</u>
Nonoperating gains (losses), net		
Investment income (including other-than-temporary impairment losses of \$1,007 and \$3,313 in 2012 and 2011, respectively)	22,879	17,624
Fundraising costs and other	<u>(2,438)</u>	<u>(4,115)</u>
Total nonoperating gains, net	<u>20,441</u>	<u>13,509</u>
Deficiency (excess) of revenue over expenses	(6,989)	76,734
Other changes in unrestricted net assets		
Change in unrealized appreciation (depreciation) on investments	36,114	(10,470)
Revised classification of net assets (Note 2)	5,129	-
Other adjustments	(1,765)	1,836
Net assets released from restrictions for property, plant and equipment	2,470	958
Pension related changes other than net periodic pension costs	<u>(2,982)</u>	<u>(8,580)</u>
Change in unrestricted net assets	31,977	60,478
Unrestricted net assets		
Beginning of year	<u>968,996</u>	<u>908,518</u>
End of year	<u>\$ 1,000,973</u>	<u>\$ 968,996</u>

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

Boston Medical Center and Affiliates
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2012 and 2011

<i>(in thousands)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at September 30, 2010	<u>\$ 908,518</u>	<u>\$ 386,744</u>	<u>\$ 16,353</u>	<u>\$ 1,311,615</u>
Increases (decreases) in net assets				
Excess of revenues over expenses	76,734	-	-	76,734
Investment income	-	8,205	-	8,205
Change in net unrealized depreciation on investments	(10,470)	(13,108)	-	(23,578)
Other adjustments	1,836	-	-	1,836
Contribution revenue	-	11,730	-	11,730
Net assets released from restrictions for operations	-	(22,629)	-	(22,629)
Net assets released from restrictions for property, plant and equipment	958	(958)	-	-
Termination of NEIDL agreement	-	(68,015)	-	(68,015)
Pension related changes other than net periodic pension costs	(8,580)	-	-	(8,580)
Total increase (decrease) in net assets	<u>60,478</u>	<u>(84,775)</u>	<u>-</u>	<u>(24,297)</u>
Net assets at September 30, 2011	<u>968,996</u>	<u>301,969</u>	<u>16,353</u>	<u>1,287,318</u>
Increases (decreases) in net assets				
Deficiency of revenues over expenses	(6,989)	-	-	(6,989)
Investment income	-	24,444	-	24,444
Change in net unrealized appreciation on investments	36,114	12,695	-	48,809
Contribution revenue	-	10,286	-	10,286
Net assets released from restrictions for operations	-	(24,632)	-	(24,632)
Net assets released from restrictions for property, plant and equipment	2,470	(2,470)	-	-
Other adjustments	(1,765)	-	-	(1,765)
Change in assistance with the City of Boston ("COB")	-	(18,060)	-	(18,060)
Revised classification of net assets	5,129	(5,129)	-	-
Pension related changes other than net periodic pension costs	(2,982)	-	-	(2,982)
Total increase (decrease) in net assets	<u>31,977</u>	<u>(2,866)</u>	<u>-</u>	<u>29,111</u>
Net assets at September 30, 2012	<u>\$ 1,000,973</u>	<u>\$ 299,103</u>	<u>\$ 16,353</u>	<u>\$ 1,316,429</u>

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

Boston Medical Center and Affiliates

Consolidated Statements of Cash Flows

Years Ended September 30, 2012 and 2011

<i>(in thousands)</i>	2012	2011
Operating activities		
Change in net assets	\$ 29,111	\$ (24,297)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Accretion of discount on long-term grants	(2,116)	(2,868)
Depreciation and amortization	71,724	71,367
Restricted contributions	(4,351)	(2,534)
Investment in NEIDL	-	68,015
Donated securities received	(74)	(145)
Equity in net losses of joint ventures	971	248
Amortization of bond discount	119	95
Loss on disposal of fixed assets	8,887	-
BUAP acquisition	(166)	-
Bond premium	7,557	-
Amortization of bond premium	(111)	-
City of Boston lease refinancing	(12,058)	-
Discount and allowance for contributions receivable	4,234	4,994
Net realized (gains) losses and change in unrealized (appreciation) depreciation on investments	(66,615)	20,748
Increase in asset retirement obligation	996	962
Provision for bad debts	45,353	49,852
Pension-related changes other than net periodic pension costs	2,982	8,580
Changes in operating assets and liabilities		
Grants receivable	26,364	7,660
Patient accounts receivable	(50,398)	(46,922)
Other current assets and liabilities	(4,808)	94,797
Other noncurrent assets and liabilities	2,930	1,062
Estimated final settlements with third-party payors	19,509	(3,502)
Claims payable	(7,331)	149
Accounts payable and accrued expenses	22,399	11,359
Net cash provided by operating activities	95,108	259,620
Investing activities		
Proceeds from sale of investments	643,234	701,278
Investment in forgiveness loan	-	(820)
Investment in subsidiaries	(2,913)	(1,224)
Purchases of investments	(761,245)	(806,212)
Purchase of property, plant and equipment	(46,112)	(81,253)
Proceeds from sale of donated securities	74	145
Net cash (used in) investing activities	(166,962)	(188,086)
Financing activities		
Proceeds from borrowings	108,950	-
Proceeds from restricted contributions	4,351	2,534
Repayment of long-term debt and capital leases	(128,403)	(14,837)
Net cash (used in) financing activities	(15,102)	(12,303)
(Decrease) increase in cash and cash equivalents	(86,956)	59,231
Cash and cash equivalents		
Beginning of year	293,291	234,060
End of year	\$ 206,335	\$ 293,291
Supplemental disclosure of cash flow activities		
Cash paid for interest	\$ 25,196	\$ 26,110
Property, plant and equipment included in accounts payable	3,886	3,124
Conditional asset retirement obligations	662	639
Net fixed assets recognized related to asset retirement obligations	(334)	(323)
Contributed securities	74	145
Termination of NEIDL agreement	-	68,015
Gift in kind	500	500
New capital leases	-	85

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

Boston Medical Center and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

1. Organization

Boston Medical Center (the "Medical Center" or "BMC") was incorporated on July 1, 1996 when all of the assets and liabilities of University Hospital, Inc. (a.k.a. Boston University Medical Center Hospital or "BUMCH") and its subsidiaries were merged with and into the Medical Center. In addition, specific assets and liabilities of Boston City Hospital ("BCH"), Boston Specialty and Rehabilitation Hospital ("BSRH") and Trustees of Health and Hospitals, Inc. ("THH"), as indicated in the Consolidation Agreement, were transferred by the City of Boston (the "City") to the Medical Center. The merger of BUMCH into the Medical Center was accounted for as a pooling of interests, and the consolidation of certain assets and liabilities of BCH, BSRH and THH into the Medical Center was accounted for as a contribution of net assets. Accordingly, the balance sheet includes all the assets, liabilities and net assets of the former BUMCH and only certain assets, liabilities and net assets of the former BCH, BSRH and THH. The contribution of net assets by the City of \$58,700,000 included cash, accounts receivable, inventory and moveable equipment less certain trade accounts payable.

The consolidated financial statements of the Medical Center and Affiliates include the combined accounts of Faculty Practice Foundation, Inc. ("Faculty") and its 21 affiliated faculty practice plans (the "Plans," collectively known as the "Foundation"), Boston Medical Center Health Plan, Inc. ("BMCHP"), Univer Development Foundation, Inc. ("UDF"), East Concord Medical Foundation ("ECMF"), Boston Medical Center Insurance Company, Ltd. ("BMCIC"), Boston Medical Center Insurance Company of Vermont ("BMCIC of Vermont"), Boston University Affiliated Physicians Inc. ("BUAP"), BMC Management Services, Inc. ("MSO"), Gryant, Inc. and BMC NAB Business Trust (collectively known as the "Medical Center and Affiliates"). The Medical Center and each of its member organizations have fiscal years ending September 30, except the Foundation, ECMF and MSO which have a fiscal years ending of June 30.

Faculty was incorporated on October 18, 1994 under the provisions of General Laws, Chapter 180, of The Commonwealth of Massachusetts as a nonprofit organization operated exclusively for clinical, charitable, scientific and educational purposes. The Plans were established as not-for-profit faculty practice plan corporations operating exclusively for the benefit of BMC, and Boston University School of Medicine ("BUSM") (collectively, the "Institutions"). Faculty is granted the power to approve the Plans' annual operating budgets, set physician compensation, and execute managed care contracts. The Plans' purpose is to provide, coordinate and facilitate the delivery of patient care services and to promote the development of an integrated system of delivery to more efficiently and effectively meet the health care needs of the communities served by the Institutions. In 2000, the Foundation changed its affiliation with BMC and is now controlled by BMC. Accordingly, the Foundation's financial statements are consolidated into the Medical Center and Affiliates.

BMCHP was established as an independent 501(c)(3) organization on July 1, 1997. BMCHP was established to administer the BMC Health Plan, which is a capitated provider-sponsored program of The Commonwealth of Massachusetts' Division of Medical Assistance ("DMA") designed to provide medical coverage to people who are covered by Medicaid. All of BMCHP's capitation revenue is generated from enrollment in the prepaid health plan established by DMA.

Boston Medical Center and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

On March 16, 2012, BMCHP became licensed as a Health Maintenance Organization (“HMO”) insurer by the New Hampshire Insurance Department. In April of 2012, the New Hampshire Department of Health and Human Services (“DHHS”) selected BMCHP as one of three insurers to serve individuals qualifying for the New Hampshire Medicaid program. The DHHS Managed Care Program has been approved by the federal Centers for Medicare and Medicaid Services (“CMS”). Members are expected to become effective during 2013. BMCHP will operate under the name Well Sense Health Plan in the state of New Hampshire.

UDF is a Massachusetts corporation involved in real estate development activities. UDF is wholly owned by the Medical Center.

ECMF is a Massachusetts corporation involved in real estate development activities. ECMF is a joint venture between the Medical Center and the Trustees of Boston University, each owning 50%. ECMF has been fully consolidated with the Medical Center as the Medical Center guarantees 100% of the debt of ECMF.

Gryant, Inc. is a Massachusetts corporation organized under Chapter 156D of the General Laws of Massachusetts for real estate development activities. Gryant, Inc. is wholly owned by the Medical Center.

BMCIC of Vermont was incorporated on October 7, 2004 as a single parent captive insurance company licensed by the State of Vermont. BMCIC of Vermont provided insurance coverage from December 31, 2004 until December 31, 2005. BMCIC of Vermont provided coverage for the Medical Center for property and for certain liability exposures arising from acts of terrorism under the Terrorism Risk Insurance Act of 2002 (“TRIA”). All coverages provided by BMCIC of Vermont were on a claims-made basis. BMCIC of Vermont ceased to provide coverage, effective December 31, 2005, because TRIA expired on December 31, 2005 and was not extended by the federal government. BMCIC of Vermont is owned 100% by the Medical Center.

BUAP is a tax exempt, nonprofit corporation that employs nine physicians in Boston, Foxboro and Norwood, Massachusetts, to provide health care services, perform medical and clinical research, and provide health and medical education programs. The Medical Center became BUAP's sole corporate member on October 1, 2011.

MSO was organized to arrange delivery of health care services to enrollees or beneficiaries of preferred provider health insurance arrangements, health maintenance organizations, corporate employee benefit plans, prepaid health plans, and other alternative delivery system contracts with medical service providers. MSO promotes the development of an integrated delivery system to more efficiently and effectively meet the healthcare needs of the community. This delivery system will benefit the community by attracting a continuum of patients with diverse medical problems that will contribute to research, education, clinical care and teaching activities. MSO contracts on behalf of the Medical Center, its physicians, and other community health centers. MSO is owned 50% by BMC and 50% by the Foundation.

BMC NAB Business Trust was organized, in May 2008, as a Massachusetts business trust under Chapter 182 of the General Laws of Massachusetts. The Medical Center is a 90% shareholder of the trust, as well as trustee, and Steward Research and Specialty Projects Corporation, an affiliate of Steward Medical Holdings Subsidiary Five, Inc., is a 10% shareholder.

Boston Medical Center and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Effective July 1, 2002, the Medical Center and the Foundation established BMCIC for purposes of providing professional and general liability insurance to each entity, its physicians and employees. BMCIC was incorporated under the laws of the Cayman Islands and has a Cayman Islands Unrestricted Class B insurer's license. BMCIC is owned 70% by the Medical Center and 30% by the Foundation.

2. Summary of Significant Accounting Policies

Basis of Accounting and Principles of Consolidation

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of the Medical Center, the Foundation, BMCHP, ECMF, UDF, Gryant, Inc., BMC NAB Business Trust, BMCIC, BMCIC of Vermont, BUAP and MSO. All significant intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents

Cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less at date of purchase. The Medical Center and Affiliates maintain the majority of its cash and cash equivalents accounts at two institutions, \$209,114,000 and \$247,879,000 at September 30, 2012 and 2011, respectively. The Medical Center and Affiliates have not experienced any losses associated with deposits at these institutions.

Short-Term Investments

Short-term investments include certain investments in private investment funds and money market mutual funds, which the Medical Center and Affiliates intend on using for operations within a year.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities (marketable investments) are measured at fair value in the balance sheet primarily based on quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the (deficiency) excess of revenues over expenses unless the income or loss is restricted by donor or law. The change in unrealized appreciation (depreciation) on investments is recorded in the statement of operations as changes in unrestricted net assets, unless their use is restricted by explicit donor-imposed stipulations or law, in which case they are reported in the appropriate restricted class of net assets.

The fair value of the Medical Center and Affiliates' investments in bonds, notes, and common stock is based on quoted market prices in an active market. At September 30, 2012 and 2011, the Medical Center and Affiliates held interests in private investment funds. Interests in private investment funds are generally recorded at fair market value based on the Medical Center and Affiliates' ownership share and rights of the investment, unless certain criteria require the investment to be recorded as equity method investments or at cost. Securities for which no such quotations or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers. The Medical Center and Affiliates believe that these valuations are a reasonable estimate of fair value as of September 30, 2012 and 2011, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. The Medical Center and Affiliates have the ability to liquidate their investments periodically in accordance with the provisions of the respective fund agreements.

Boston Medical Center and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under bond indenture agreements, BMCHP reserve funds required to be maintained by its contract with DMA, and designated assets set aside by the Board of Trustees for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes. Also included are donor-restricted investments representing permanently and temporarily restricted net assets.

Property, Plant and Equipment

Property, plant and equipment acquisitions are recorded at cost. Donated items are recorded at fair market value at the date of contribution. Depreciation, which includes the amortization of assets recorded under capital leases, is provided using the straight-line method over the estimated useful lives of the respective assets in accordance with guidance published by the American Hospital Association. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Costs and the related allowance for depreciation are eliminated from the accounts when items are sold, retired or abandoned and any related gain or loss is recognized as a nonoperating gain or loss in the statement of operations. The carrying value of property, plant and equipment is reviewed if the facts and circumstances indicate that it may be impaired.

Assessment of Long-Lived Assets

The Medical Center and Affiliates periodically review the carrying value of its long-lived assets (primarily property, plant and equipment) to assess the recoverability of these assets; any impairments would be recognized in operating results, if the reduction in value is considered to be other-than-temporary.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Third-Party Liabilities for Patient Services

Under the terms of contractual agreements, certain elements of third-party reimbursement are subject to negotiation, audit and/or final determination by third-party payors. The accompanying financial statements include certain estimates of final settlements. Variances between estimated and final settlements are included in the statement of operations in the year in which the settlement or change in estimate occurs.

The Medical Center has classified a portion of the accrual for settlements with third-party payors as short-term receivables because such amounts are expected to be received or paid in the next twelve months. The Medical Center has also classified a portion of the accrual for settlements with third-party payors as long-term liabilities because such amounts, by their nature, or by virtue of regulation or legislation, will not be received or paid within one year.

Deferred Revenue

Deferred revenue consists of amounts received in advance of the contract period. Certain advances are received from the Commonwealth of Massachusetts (the "Commonwealth") related to grants. Advances received related to grants were \$17,639,000 and \$18,999,000 as of September 30, 2012 and 2011, respectively. Also included in deferred revenue is a rebate received in advance. The Medical Center and Affiliates recorded deferred revenue related to the rebate of \$695,000 and \$750,000 for the years ended September 30, 2012 and 2011, respectively.

Boston Medical Center and Affiliates

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

Health Care Cost Recognition

The delivery network for BMCHP consists of BMC and other acute care hospitals, physician practices and community health centers throughout the Commonwealth. BMCHP places emphasis on the Primary Care Provider ("PCP") as the primary care manager. BMCHP compensates these providers on fee for service basis and it supports several alternate payment models.

The cost of contracted health care services is accrued in the period in which services are provided to a member based in part on estimates. The estimated liability for medical and hospital claims payable is actuarially determined based on an analysis of historical claims experience, modified for changes in enrollment, inflation and benefit coverage. The liability for accrued claims expense represents the anticipated cost of claims incurred but unpaid at the balance sheet date. The estimates for accrued claims expense may be more or less than the amounts ultimately paid when claims are settled. Such changes in estimates are reflected in the current period statement of operations and changes in unrestricted net assets. The estimated liability for medical and hospital claims payable also includes an accrual for loss adjustment expenses which relate to the estimated costs to process claims which have been incurred but not reported.

Since August 1, 2001, BMCHP self-insures for all claims.

Premium Deficiency

BMCHP recognizes a premium deficiency based upon expected premium revenue, medical and administrative expense levels, and remaining contractual obligations under BMCHP's historical experience. As of September 30, 2012 and 2011, the premium deficiency reserve totals approximately \$23,000,000 and \$0, respectively.

Net Assets

Permanently restricted net assets include only the historical dollar amount of gifts, which are required by donors to be held in perpetuity. Temporarily restricted net assets include gifts, grants, investment income, including realized gains and losses, and the change in unrealized appreciation (depreciation) on investments, which can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions, time restrictions and restrictions imposed by law on the use of capital appreciation on donor restricted funds. At September 30, 2012, temporarily restricted net assets include a reduction due to the refinancing of the City of Boston ("COB") lease obligation. At September 30, 2011, temporarily restricted net assets also include the activity related to the withdrawal from the National Emerging Infectious Diseases Laboratory ("NEIDL") joint venture.

Realized gains and losses are classified as unrestricted net assets unless they are restricted by the donor or the law. Unless permanently restricted by the donor, realized and unrealized net gains on permanently restricted gifts are classified as temporarily restricted until appropriated for spending by the Medical Center and Affiliates in accordance with policies established by the Medical Center and Affiliates and the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") enacted by the Commonwealth in July 2009. Unrestricted net assets include all the remaining net assets of the Medical Center and Affiliates. See Note 11 for further information on the composition of restricted net assets.

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Gifts and Grants

Gifts of long-lived assets with explicit restrictions that specify the use of assets and gifts of cash or other assets that must be used to acquire long-lived assets are reported as additions to temporarily restricted net assets. Gifts of long-lived assets and gifts specified for the acquisition or construction of long-lived assets are reported as additions to unrestricted net assets when the assets are placed in service and are excluded from the (deficiency) excess of revenues over expenses.

Unconditional promises to give cash and other assets to the Medical Center and Affiliates are reported at fair value on the date the promise is received. The contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or as unrestricted contributions if no such conditions exist. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations as net assets released from restrictions.

Grants and contracts are recognized as unrestricted revenues as the related expenditures are incurred. The Medical Center and Affiliates recognizes indirect cost recoveries at provisional rates, which are subject to audit, for U.S. Government grants and contracts and negotiated rates for other grants and contracts.

Self-Insurance Reserves

The Medical Center and Affiliates are self-insured for certain employee health care benefits, workers' compensation and certain other employee benefits. These costs are accounted for on an accrual basis to include estimates of future payments on claims incurred as of the balance sheet date.

Professional Liability Insurance

The Medical Center and Foundation maintain medical malpractice insurance on a modified claims-made basis for residents, interns and physicians, the Medical Center, the Foundation and their employees, significantly all of which are provided by BMCIC. The deposit liability represents the provision on hand to cover liabilities that may arise under the primary professional liability, commercial general liability and excess professional liability policies issued by the company. Premiums are allocated to the deposit liability account as well as losses, investment income, operating expenses and unrealized holding gains/losses on investments. The reserve for losses and loss adjustment expenses and corresponding reinsurance recoverables represent management's best estimate, at a 70% confidence level discounted at 4%, of BMCIC's liability under the excess loss coverage based on an actuarial projection of losses. The Medical Center and Foundation have provided for the estimated cost of incurred but not reported malpractice claims and an estimate for amounts payable on the deductibles.

Statements of Operations

All activities of the Medical Center and Affiliates deemed by management to be ongoing or central to the provision of health care services, training and research activities are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

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The statement of operations includes the (deficiency) excess of revenues over expenses. Changes in unrestricted net assets which, consistent with industry practice are excluded from the (deficiency) excess of revenues over expenses, include the change in unrealized appreciation (depreciation) on investments, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), pension-related changes other than net periodic pension costs, other adjustments to record land related to UDF, BUAP retained earnings and revised classification of net assets.

During fiscal year 2012, the Medical Center and Affiliates received favorable settlements from Medicaid, Medicare and the Health Safety Net fund ("HSN") related to prior years. Medicaid made corrections to the Medical Center's 2011 inpatient rate and Medicaid Pay for Performance payments for \$2.2 million, Medicare agreed to a Rural Floor Budget Neutrality Settlement and prior period cost report settlements for \$3.9 million and the Medical Center and Affiliates settled with the Health Safety Net for physician free care payments for \$11.1 million.

Favorable (unfavorable) changes in prior year estimates from third-party payors recorded in the years ended September 30, 2012 and 2011 amounted to approximately \$17,228,000 and \$(424,000), respectively.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts, excluding charges related to charity accounts, from patients and third-party payors. It includes estimates of anticipated retroactive adjustments under reimbursement agreements with certain third-party payors, including Medicare and Medicaid. Such adjustments are accrued in the period the related services are provided and adjusted in subsequent periods, as final settlements are determined.

The Plans have agreements with third-party payors that provide for payments to the Plans at amounts different from their established rates. Payment arrangements include discounted charges, capitation arrangements, or fee schedules. Net patient service revenue for the Plans is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

The Plans have agreements and participate in hospital affiliated network agreements with various health maintenance organizations ("HMOs"), through a master contract established by MSO, to provide medical services to subscribing participants. MSO is owned 50% by BMC and 50% by the Foundation. Under certain agreements, the Plans earn capitation revenue based on the number of each of the HMO's participants, regardless of services actually performed by the Plans. Under the terms of this master contract, certain capitation payments are withheld from the Plans until the settlement of the contract on a yearly basis. In addition, BMC and the Plans are responsible for deficits beyond withheld amounts and are entitled to surpluses over withheld amounts.

The Plans are required to fund their share (from risk contracts) of any deficits in excess of the amounts withheld under this master contract. Surplus amounts in excess of amounts withheld have been recorded and retained by the MSO. No surplus was earned for the MSO years ended June 30, 2012 and 2011. The Foundation's interest in the MSO is recorded on the equity method of accounting.

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Capitation Revenue

Membership capitation payments are generally for a period of one month, are due monthly and reported as earned during the period of coverage. Capitation payments received prior to the coverage period are recorded as deferred revenue. MassHealth remits monthly membership payments based on estimated enrollments. Such estimates are subsequently adjusted on a periodic basis based on actual membership. Gross capitation receivables from MassHealth amounted to approximately \$31,199,000 and \$5,151,000 at September 30, 2012 and 2011, respectively.

Other Revenue

Other revenue consists primarily of services rendered to other organizations under contractual agreements which include community health centers and area hospitals. Additionally included in other revenues are meaningful use payments received for meeting stage one of the CMS requirements. Also included in other revenue are miscellaneous fees related to the sale of medical products.

Charity Care

The Medical Center and Affiliates provide care without charge to patients who meet certain criteria under its charity care policy. Since the Medical Center and Affiliates do not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. The Medical Center and Affiliates maintain records to identify and monitor the level of free care it provides.

The Medical Center and Affiliates provided free care of \$122,618,000 and \$120,886,000 in 2012 and 2011, respectively. Such costs have been estimated based on the ratio of expenses (excluding bad debts) to establish patient service charges. Under healthcare reform all documented Massachusetts citizens who were once eligible for charity care are now required to be enrolled in one of the subsidized Commonwealth Care insurance products. Those patients who are over 300% of the federal poverty guidelines are now required to buy into an affordable insurance product either offered by their employer or the Commonwealth Care Connector or face financial penalties. Many of the Medical Center and Affiliates' patients that were previously uninsured are now enrolled in various health insurance plans in an effort to comply with the Commonwealth's healthcare reform mandate.

Through the Commonwealth's Health Safety Net Office ("HSNO"), the Medical Center and Affiliates receive reimbursement for a significant portion of the charity care it provides. The amounts received were \$58,908,000 and \$49,377,000 for the years ended September 30, 2012 and 2011, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are made in the area of patient accounts receivable, accruals for settlements with third-party payors, accrued professional liability insurance incurred but not reported claims, accrued compensation and benefits, and conditional asset retirement obligations. Actual results could differ from those estimates.

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Fair Value of Financial Instruments

The fair value of Medical Center and Affiliates' financial instruments approximates the carrying amount reported in the balance sheet for cash and cash equivalents, instruments, receivables and payables.

Income Taxes

The Medical Center, BMCHP, UDF, ECMF, BUAP and NAB Trust are nonprofit corporations and have been recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Faculty has been determined to be a tax-exempt organization under Sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code as evidenced by a determination letter dated May 29, 1997 as part of a group filing with the Plans and Faculty. Accordingly, no provision for income taxes has been made in the accompanying financial statements. BMCIC of Vermont is a nonprofit captive insurance company licensed by the State of Vermont. MSO and Gryant are taxable entities.

No income, capital or premium taxes are levied in the Cayman Islands and BMCIC has been granted an exemption until September 16, 2022 for any such taxes that might be introduced. BMCIC intends to conduct its affairs so as not to be liable for taxes in any other jurisdiction. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Revision

The revised classification between unrestricted and temporarily restricted net assets of \$5,129,000 reflects the correction of an error of previously reported investment gains. These gains were related to earnings on funds invested in the Medical Center and Affiliates' pooled endowment fund which were previously reported as temporarily restricted net assets, but should be reported as unrestricted net assets. These amounts were corrected in fiscal year 2012 and management does not consider this adjustment to be material to the financial statements.

Adoption of New Accounting Guidance

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2010-24 (ASU 2010-24), *Presentation of Insurance Claims and Related Insurance Recoveries*, as an amendment to ASC Topic 954. ASU 2010-24 requires that medical malpractice claims, which include costs associated with litigating or settling claims, be accrued when the incidents that give rise to the claims occur and that companies should not net insurance recoveries against the related claim liability. Medical Center and Affiliates adopted ASU 2010-24 as of October 2011. Adoption of ASU 2010-24 had no impact on (deficiency) excess of revenues over expenses. Refer to Note 22 Self Insurance, for more information.

In August 2010, the FASB issued (ASU 2010-23) *Health Care Entities: Measuring Charity Care for Disclosure*, which clarified the disclosure of charity care provided by healthcare organizations, providing that such disclosure should be measured using cost and that related reimbursements recorded should also be separately disclosed. The Medical Center and Affiliates adopted the provisions of ASU 2010-23 during the year ended September 30, 2012.

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3. Investments and Assets Limited as to Use

Short-term and long-term investments and assets limited as to use, consist of the following at September 30:

(in thousands)	2012		2011	
	At Fair Value	Cost	At Fair Value	Cost
Cash and cash equivalents	\$ 5,082	\$ 5,084	\$ 3,348	\$ 3,347
Bonds and U.S. Treasury Notes	168,982	158,322	162,633	157,634
Private investment funds	315,652	292,680	174,508	171,285
Mutual funds	192,414	167,310	171,017	165,237
Marketable equity securities	116,222	100,509	95,737	95,788
Money market mutual funds	175,279	172,161	146,163	147,123
Asset-backed securities	11,638	11,446	19,276	19,208
	<u>985,269</u>	<u>907,512</u>	<u>772,682</u>	<u>759,622</u>
Funds held by trustees	<u>86,982</u>	<u>87,294</u>	<u>102,186</u>	<u>104,702</u>
	<u>\$ 1,072,251</u>	<u>\$ 994,806</u>	<u>\$ 874,868</u>	<u>\$ 864,324</u>

At September 30, 2012, the Medical Center recorded certain private investment funds of \$49,994,000 using the cost method. At September 30, 2011, the Medical Center recorded certain private investment funds of \$50,607,000 using equity method, of which the cost associated with these investments totaled \$43,914,000. For the private investment funds reflected in the balance sheet at cost, the difference (unrecorded net unrealized appreciation) between the value reported by the investment managers and the cost for these investments was \$2,498,000 and \$6,693,000 as of September 30, 2012 and 2011, respectively. Included in private investment funds (as described in the American Institute of Certified Public Accountants document, *A Practice Aid for Auditors Alternative Investments - Audit Considerations*) are alternative investment vehicles including commingled funds with an estimated fair value of approximately \$315,652,000 and \$174,508,000 at September 30, 2012 and 2011, respectively.

BMCHP is required by its contract with MassHealth to maintain a combination of financial insolvency reserve and reinsurance reserve funds in an amount based on monthly enrollment. The reserve funds of BMCHP amounted to \$12,852,000 and \$14,322,000 at September 30, 2012 and 2011, respectively.

In connection with its recent licensure with the Massachusetts Division of Insurance, BMCHP has placed on deposit with the Commonwealth a \$1,000,000 U.S. Treasury note with an amortized cost of \$999,000. In addition, for licensure in New Hampshire BMCHP has purchased and placed on deposit a \$500,000 U.S. Treasury note with an amortized cost of \$501,000. Both security deposits are also included in assets limited as to use.

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Total return on the Medical Center and Affiliates' investment portfolio, which includes investment income, net realized (losses) gains and the change in the unrealized appreciation (depreciation) on investments, includes the following for the years ended September 30:

<i>(in thousands)</i>	2012	2011
Unrestricted		
Dividends and interest	\$ 24,044	\$ 18,811
Net realized losses on investments	(1,165)	(1,187)
Change in net unrealized appreciation (depreciation) on investments	<u>36,114</u>	<u>(10,470)</u>
	<u>58,993</u>	<u>7,154</u>
Temporarily restricted		
Dividends and interest	5,473	4,188
Net realized gains on investments	18,971	4,017
Change in net unrealized appreciation (depreciation) on investments	<u>12,695</u>	<u>(13,108)</u>
	<u>37,139</u>	<u>(4,903)</u>
	<u>\$ 96,132</u>	<u>\$ 2,251</u>

Unrealized gains (losses) related to BMCIC of \$11,399,000 and \$(3,144,000) as of September 30, 2012 and 2011, respectively, were used to offset the deposit liability for net unrealized holdings (gains) losses on available for sale securities.

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

4. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In determining fair value, the use of various valuation approaches, including market, income and cost approaches, is permitted.

A fair value hierarchy has been established based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities' own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

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The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Medical Center and Affiliates for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 Observable inputs such as quoted prices in active markets;
- Level 2 Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of the following three valuation techniques:

Market Approach

Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost Approach

Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and

Income Approach

Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques).

Investments (except for private partnerships, which are reported on either the equity method or cost method of accounting) and funds held by trustee are classified within Level 1 or Level 2 of the fair value hierarchy as they are valued using quoted market prices, broker or dealer quotations, or other observable pricing sources.

The following table summarizes fair value measurements at September 30, 2012 for financial assets measured at fair value on a recurring basis.

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Total
Investments				
Cash and cash equivalents	\$ 5,082	\$ -	\$ -	\$ 5,082
Bonds and U.S. Treasury Notes	1,500	167,482	-	168,982
Private investment funds	-	315,652	-	315,652
Mutual funds	102,418	89,996	-	192,414
Marketable equity securities	116,222	-	-	116,222
Money market mutual funds	175,279	-	-	175,279
Asset-backed securities	-	11,638	-	11,638
	<u>\$ 400,501</u>	<u>\$ 584,768</u>	<u>\$ -</u>	<u>\$ 985,269</u>
Funds held by trustee				
U.S. government securities	\$ 34,949	\$ -	\$ -	\$ 34,949
Money market mutual funds	52,033	-	-	52,033
	<u>\$ 86,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,982</u>

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The following table summarizes fair value measurements at September 30, 2011 for financial assets measured at fair value on a recurring basis.

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Total
Investments				
Cash and cash equivalents	\$ 3,348	\$ -	\$ -	\$ 3,348
Bonds and U.S. Treasury Notes	1,082	161,551	-	162,633
Private investment funds	-	174,508	-	174,508
Mutual funds	93,149	77,868	-	171,017
Marketable equity securities	95,737	-	-	95,737
Money market mutual funds	146,163	-	-	146,163
Asset-backed securities	-	19,276	-	19,276
	<u>\$ 339,479</u>	<u>\$ 433,203</u>	<u>\$ -</u>	<u>\$ 772,682</u>
Funds held by trustee				
U.S. government securities	\$ 75,458	\$ -	\$ -	\$ 75,458
Money market mutual funds	26,728	-	-	26,728
	<u>\$ 102,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,186</u>

The Medical Center and Affiliates had no transfers from Level 2 to Level 1 in fiscal year 2012 and 2011.

The following is a description of the Medical Center and Affiliates' valuation methodologies for assets and liabilities measured at fair value. Fair value for Level 1 is based upon quoted prices in active markets that the Medical Center and Affiliates have the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The Medical Center and Affiliates do not adjust the price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

The Medical Center and Affiliates' investments in private equity funds are fair value based on most current net asset value ("NAV").

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The following table presents liquidity information for the financial instruments carried at net asset value at September 30, 2012.

<i>(in thousands)</i>	Investments Asset Value		
	Net Asset Value	Redemption Frequency	Notice Period
Investment Type			
Private investment funds	\$ 315,652	Bi-Monthly-Monthly	3 - 45 days
Bonds and U.S. Treasury Notes	167,482	Daily-Monthly	2 - 30 days
Mutual funds	89,996	Daily-Monthly	2 - 6 days
Asset-backed securities	11,638	Daily-Monthly	4 - 30 days
	<u>\$ 584,768</u>		

The following table presents liquidity information for the financial instruments carried at net asset value at September 30, 2011.

<i>(in thousands)</i>	Investments Asset Value		
	Net Asset Value	Redemption Frequency	Notice Period
Investment Type			
Private investment funds	\$ 174,508	Bi-Monthly-Monthly	3 - 45 days
Bonds and U.S. Treasury Notes	161,551	Daily-Monthly	2 - 30 days
Mutual funds	77,868	Daily-Monthly	2 - 6 days
Asset-backed securities	19,276	Daily-Monthly	4 - 30 days
	<u>\$ 433,203</u>		

There were no unfunded commitments as of September 30, 2012.

Externally managed marketable investments with fair value below cost are considered to be other-than-temporarily impaired and accordingly, the unrealized depreciation is recognized as realized losses through a write-down in the cost basis of these investments. All other investments are periodically reviewed for impairment to determine if such declines are other-than-temporary. Management's review is based upon the percentage and period of time that the investment is below cost as well as other qualitative considerations. A similar write down is recorded when the impairment on these investments has been judged to be other-than-temporary. During 2012 and 2011, the Medical Center reported recognized losses of approximately \$1,007,000 and \$3,313,000, respectively, relating to declines in fair value of investments that were determined by management to be other-than-temporary.

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5. Contributions Receivable

Contributions receivable are recorded as part of other accounts receivable on the balance sheet. Contributions receivable, net, are summarized as follows as of September 30:

Unconditional promises expected to be collected in:

<i>(in thousands)</i>	2012	2011
Less than one year	\$ 6,505	\$ 7,882
One year to five years	4,661	5,162
More than five years	4,000	6,000
	<u>15,166</u>	<u>19,044</u>
Less: Discounts and allowance for uncollectible accounts	<u>(4,234)</u>	<u>(4,994)</u>
Net contributions receivable	<u>\$ 10,932</u>	<u>\$ 14,050</u>

Included in total gross contributions receivable is a single donor in the amount of \$11,000,000. The original contribution from the donor in 2008 was \$15,000,000, of which \$4,000,000 was paid. Discount rates used to calculate the present value of contributions receivable ranged from 2.40%-16.74%, depending upon the anticipated pledge fulfillment date.

6. Property, Plant and Equipment

The property, plant and equipment of the Medical Center and Affiliates consists of the following at September 30:

<i>(in thousands)</i>	Useful Life	2012	2011
Land		\$ 11,292	\$ 11,292
Land improvements	5 - 40 years	1,532	1,532
Buildings	15 - 45 years	173,074	322,230
Building and leasehold improvements	5 - 40 years	560,408	392,696
Fixed equipment	5 - 25 years	59,763	59,510
Major movable equipment	3 - 20 years	385,101	366,610
Leased buildings and equipment	15 - 20 years	126,413	219,849
Construction in progress		50,575	43,054
		<u>1,368,158</u>	<u>1,416,773</u>
Accumulated depreciation and amortization		<u>(736,310)</u>	<u>(751,013)</u>
Property, plant and equipment, net		<u>\$ 631,848</u>	<u>\$ 665,760</u>

Depreciation and amortization expense amounted to \$61,798,000 and \$62,175,000 for the years ended September 30, 2012 and 2011, respectively. Amortization expense amounted to \$9,926,000 and \$9,192,000 for the years ended September 30, 2012 and 2011, respectively.

Property, plant and equipment with a net book value of \$54,266,000 was disposed during the year ended September 30, 2012. In conjunction with the disposals, original cost amounts written off for the year ended September 30, 2012 consisted of \$138,404,000 of leased assets related to the refinancing, buildings of \$1,017,000, furniture, fixtures and equipment of \$1,394,000 and \$86,549,000 of accumulated depreciation. See Note 14 for further information on the COB refinancing.

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The Master Trust Indenture places certain restrictions on property, plant and equipment in terms of the creation of liens and transfers of assets.

As of September 30, 2012 and 2011, assets under capital lease agreements amounted to approximately \$126,413,000 and \$219,849,000, respectively, with accumulated amortization of \$82,698,000 and \$157,339,000, respectively. Amortization expense is included with depreciation and amortization expense in the statement of operations.

The Medical Center and Affiliates have capitalized interest in the amount of \$44,762,000 and \$34,813,000 for the years ended September 30, 2012 and 2011, respectively.

7. Other Noncurrent Assets

Other noncurrent assets consist of the Medical Center's investments in Medical Research Realty Trust, the 650 Albany Street Trust, Biosquare Realty Trust, NEIDL (Note 23), BCD Building LLC ("BCD"), FGH Building LLC ("FGH"), notes receivable and unamortized bond issuance expenses. The investments in Medical Research Realty Trust, 650 Albany Street Trust, Biosquare Realty Trust, NEIDL, BCD and FGH are recorded utilizing the equity method of accounting. The Medical Center's investment in BCD and FGH and the Medical Center's paid-in capital were eliminated upon consolidation of Gryant, Inc. Unamortized bond issuance expenses are amortized over the life of the related bonds.

The Medical Center has financed the cost of renovating two existing structures and for new construction of a third building on its campus using the New Markets Tax Credit ("NMTC") program. NMTC is a program of the Community Development Financial Institutions Fund ("CDFI Fund"), a bureau of the United States Treasury. The NMTC program awards tax incentives to private sector investors who provide investment capital to entities that create economic growth and jobs in distressed neighborhoods. Investors receive a tax credit against federal income taxes over a seven-year period.

In 2005, the Medical Center was the beneficiary of an allocation of NMTC that was awarded to Affirmative Investments, Inc. These NMTC and federal historic tax credits were used as part of a financing package to reduce the cash required by the Medical Center to rehabilitate the BCD Building. The financing required the Medical Center to loan approximately \$5,800,000 and \$6,100,000 to a third party relating to project costs of \$16,000,000 to perform building improvements on the BCD building. The \$5,800,000 is recorded as a note receivable at September 30, 2012 but it is considered permanent financing and will be reclassified to property, plant and equipment once the Medical Center takes ownership, which is expected at the end of the seven-year period when the tax incentives for the investor have been exhausted. The \$6,100,000 was repaid to the Medical Center by a third party; however the interest is still outstanding. The loans have an interest rate of 5.12% and have accrued interest of \$2,071,000 and \$2,007,000 as of September 30, 2012 and 2011, respectively. On May 1, 2012, the Medical Center purchased Gryant, Inc.'s interest in the BCD building for \$300,000. As of September 30, 2012 and 2011, the Medical Center recorded \$1,600,000 and \$1,300,000 as an investment in BCD.

The Medical Center has entered into four put and call Option Agreements in connection with the redevelopment of the BCD Building. If the put options or the call options are not executed, two of the agreements terminate on December 22, 2014, and the other two terminate on June 5, 2016. The purpose of the put and call option agreements is to ensure that the Medical Center regains control of the rehabilitated building at the end of the NMTC period. This is accomplished by acquiring the interests of all investment members for \$1,472,000. The Medical Center has

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calculated that the net present value of acquiring the interest of all investors totals \$1,056,000, which the Medical Center recorded as long-term assets and liabilities for the years ended September 30, 2012 and 2011.

During 2006, the Medical Center loaned approximately \$11,600,000 and \$9,000,000 to a third party relating to project costs of \$21,000,000 to perform building improvements on the Medical Center's FGH Building. These loans are part of a second financing package that utilizes new market tax credits to reduce the cash required by the Medical Center to rehabilitate the facility. The \$11,654,000 loan is recorded as other noncurrent assets at September 30, 2012 and 2011 and it is considered permanent financing and will be reclassified to property, plant and equipment once the Medical Center takes ownership at the end of seven years. The loan has an interest rate of 3.5% and has been recorded as notes receivable with accrued interest of \$116,000 as of September 30, 2012 and 2011. The \$9,000,000 was repaid to the Medical Center by a third party. As of September 30, 2012 and 2011, the Medical Center recorded \$2,426,000 and \$2,276,000 as an investment in FGH.

The Medical Center has entered into four put and call option agreements in connection with the redevelopment of the FGH Building. All of the agreements terminate on December 20, 2015 if the put options or the call options are not executed. The purpose of the put and call option agreements is to ensure that the Medical Center regains control of the rehabilitated building at the end of the NMTC period. This is accomplished by acquiring interests of all investment members for \$1,654,000. The Medical Center has calculated that the net present value of acquiring the interest of all investors totals \$1,125,000, which the Medical Center recorded as long-term assets and liabilities for the years ended September 30, 2012 and 2011.

During 2008, the Medical Center loaned \$53,667,000 to a third party relating to project costs of \$190,110,000 for the demolition of 91 East Concord Street and for the design, construction, and equipping of the Shapiro Ambulatory Care Center. The loan is part of a financing package that utilizes \$70,000,000 of new markets tax credits to reduce cash required by the Medical Center to construct this new facility. The loan is recorded as other noncurrent assets as of September 30, 2012 and 2011 and will be reclassified to property, plant and equipment once the Medical Center takes ownership at the end of the lease period. The loan has an interest rate of 3.85%, and has been recorded as notes receivable as of September 30, 2012 and 2011 with accrued interest of \$7,719,000 and \$5,939,000, respectively. The loan from the Medical Center was combined with a third-party capital contribution in the amount of \$16,333,000 in an investment fund totaling \$70,000,000. The total amount in the investment fund was used to make a "qualified equity investment" into community development entities ("CDEs"). The CDEs, in turn, are required to make a series of loans totaling \$68,900,000 to the BMC NAB Business Trust for the construction of the facility.

Included in the capital contribution was a low interest loan in the amount of \$2,917,000 which must be repaid by the BMC NAB Business Trust at the end of this loan period.

As part of this financing transaction, there is a provision for an assignment of all loans to the Medical Center on the seventh anniversary of the transaction. As a financial incentive to trigger the assignment of all the loans, the loans will have a \$5,000,000 principal payment due at the end of the seven years.

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At September 30, 2009, the outstanding loans, except the low interest loan in the amount of \$2,917,000 which will be paid in full by the BMC NAB Business Trust, were assigned to and recorded as a liability to the Medical Center. The Medical Center thus became the sole lender to the BMC NAB Business Trust. The Medical Center will have the option to terminate the business trust lease and the loans, eliminating the ownership structures created for the NMTC transaction.

In November and December 2008, the Medical Center closed on a second and third round of NMTC financing for the construction of the Shapiro Ambulatory Care Center. The Medical Center was the beneficiary of an allocation of federal new market tax credits in the amounts of \$46,697,000 and \$24,000,000, respectively. In these two financing transactions, the Medical Center provided loans of \$33,582,000 and \$19,517,000 with the capital contribution of \$14,715,000 and \$4,483,000 provided by a third party. These loans of \$33,582,000 and \$19,517,000 have an interest rate of 3.00% and have accrued interest of \$2,882,000 and \$1,630,000, respectively, as of September 30, 2012. In the second round of NMTC financing, the Medical Center also entered into an additional loan in the amount of \$472,000 with an interest rate of 3.00%. Accrued interest of \$60,000 and \$30,000 related to this loan has been recorded as of September 30, 2012 and 2011, respectively. All loans are recorded as notes receivable as of September 30, 2012 and 2011. These funds also became equity investments into CDEs. The CDEs, in turn, are required to make a series of loans to the BMC NAB Business Trust totaling \$46,234,000 and \$24,000,000 for the construction of the facility.

As part of these financing transactions, the Medical Center has entered into two put and call agreements in connection with the construction of the Shapiro Ambulatory Care Center. The purpose of these agreements is to ensure that the Medical Center retains control of the new building at the end of the NMTC period. If the put options are not exercised by the investors, then the call option may be exercised by the Medical Center during a four-month period following the put option period. If the call option is executed, then the Medical Center must pay the fair market value of the investors' interest.

8. Long-Term Debt

Long-term debt consists of the following at September 30:

<i>(in thousands)</i>	Interest Rate	2012	2011
Revenue Bonds Series C	3.00 % - 5.25 %	\$ 108,950	\$ -
Revenue Bonds Series B	4.00 % - 5.75 %	244,585	245,175
Revenue Bonds Series A	4.20 % - 5.25 %	-	119,970
ECMF Series A Bonds	6.45 %	9,600	10,500
Series O - Tax Exempt (Garage)	Varies	11,224	11,679
Series O - Taxable (Garage)	Varies	3,515	3,638
CDE Loans	0.82 % - 4.60 %	170,634	170,634
		<u>548,508</u>	<u>561,596</u>
Less: Current portion of long-term debt		(7,251)	(7,001)
Revenue Bonds Series B discount		(6,849)	(6,968)
Revenue Bonds Series C premium		7,446	-
		<u>\$ 541,854</u>	<u>\$ 547,627</u>

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On October 1, 2010 (the "Effective Date") pursuant to certain provisions of Chapter 240 of the Acts of 2010 of the Massachusetts Legislature, signed into law by the Massachusetts Governor on August 5, 2010 (the "Legislation") the Massachusetts Health and Educational Facilities Authority (the "Authority") was merged into the Massachusetts Development Finance Agency ("MassDevelopment"). Under the Legislation, among other matters in connection with the merger, (i) on the Effective Date, the Authority is dissolved, and (ii) on and after the Effective Date, the Authority's rights, powers and duties, and properties shall be exercised, performed, owned and held by MassDevelopment, and any and all obligations and liabilities of the Authority shall become obligations and liabilities of MassDevelopment.

In July 2012, the Medical Center refunded the MassDevelopment Revenue Bonds, Boston Medical Center Issue, Series A (1998) Bonds ("Series A Bonds") through the sale of \$108,950,000 MassDevelopment, Series C Revenue 2012 Bonds ("Series C Revenue Bonds"). The principal amount outstanding of the Series A Bonds was \$119,970,000. The interest rate on the Series C Revenue Bonds ranges from 3.00% to 5.25% based on the bonds' maturities. Principal and sinking fund payments will be made annually between 2013 and 2029 and range from \$5,080,000 and \$8,060,000.

In July 2008, the Medical Center issued through the Authority \$245,175,000 Series B Revenue Bonds. The bonds were issued to finance the cost of demolition of 91 East Concord Street, the design, construction and equipping of the Shapiro Ambulatory Care Center, the design and construction of a two-story addition to the Menino Pavilion, and routine capital expenditures. The interest rate on the Series B Revenue Bonds varies from 4.00% to 5.75% based on the bonds' maturities. Principal and sinking fund payments will be made annually between 2013 and 2038 and range from \$545,000 to \$26,430,000.

The Medical Center has granted a mortgage on the Newton Pavilion and Health Services building and a negative pledge on the restricted property of the Menino Pavilion and the Yawkey Ambulatory Care Center pursuant to the Amended and Restated Master Trust Indenture. The Amended and Restated Master Trust maintains the financial covenant requiring the Medical Center to maintain an annual debt service coverage ratio of at least 1.10 to 1.

The Medical Center is currently the sole member of the Obligated Group. These financial statements include the Medical Center's Affiliates who are not members of the Obligated Group. The column entitled "Medical Center" in the supplemental consolidating information of the consolidated financial statements represent the Obligated Group and three financially immaterial affiliates that are not members of the Obligated Group (UDF, ECMF and the MSO).

In July 1998, the Medical Center issued through the Authority \$156,370,000 of Series A Revenue Bonds. The bonds were issued to finance the cost of refinancing the 1990 Series C bonds, construction of a research building and routine capital expenditures. The interest rate on the Series A Revenue Bonds ranges from 4.20% to 5.25% based on the bonds' maturities.

The Amended and Restated Master Trust Indenture covers the obligations of Series B Revenue Bonds, Series C Revenue Bonds and Series O Pool loans.

ECMF issued \$17,200,000 of bonds (the "ECMF Series A Bonds") through the Authority on March 7, 2000. The bonds were issued in two separate issuances with \$5,900,000 of the bonds matured in 2010 (the "2010 Bonds") and \$11,300,000 of the bonds maturing in 2020 (the "2020 Bonds"). Principal payments are made on an annual basis through 2020 and range from \$1,000,000 to \$1,500,000. The interest rate on the 2020 bonds is 6.45%. The bonds are

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redeemable at any time at the option of ECMF at their principal amounts plus accrued interest. The bonds are collateralized by a grant of a mortgage on the project, a pledge of all revenues to be received by ECMF and the Medical Center's guaranty of payment of total debt service on the bonds.

Included in the Medical Center's debt is approximately \$14,739,000 of the Authority's variable rate demand bonds ("VRDBs"), Capital Asset Program Issue 2009 Series O-1 and O-2 (a refinancing of the Authority's Series M loans issued in 2005). The Medical Center has entered into irrevocable letters of credit ("LOCs") with a financial institution to secure bond repayment and interest obligations associated with its VRDBs. RBS Citizens, N.A. provides LOCs totaling \$14,981,000. There are no drawings under the LOCs as of September 30, 2012. The LOC supporting the Series O-1 and O-2 will expire on December 31, 2014. RBS Citizens provided a Federal Home Loan Bank wrap (AAA rated) for the two Letters of Credit. The term and payment schedule for the loans did not change. The interest rates at September 30, 2012 were 0.16% and 0.22% for the tax-exempt and taxable loans, respectively.

If the VRDBs are unable to be remarketed, the trustee for the VRDB will request purchase under the LOC scheduled repayment terms. Based on the existing repayment and maturity terms of the underlying LOCs, the scheduled payments under the VRDB related LOCs will be determined when and if the VRDBs are unable to be remarketed.

BMC NAB Business Trust has \$139,134,000 in CDE loans as of September 30, 2012 and 2011 related to financing for the construction of the Shapiro Ambulatory Care Center. The interest rates on the CDE loans range from 0.82% to 2.0%. Currently, interest-only payments are being made annually on the CDE loans. One CDE loan with a principal balance of \$2,917,000 must be repaid in May 2015. Beginning in November 2015, principal and interest are due for all other CDE loans related to the first round of new market tax credit ("NMTC") financing. In May 2019, principal and interest payments are due for CDE loans related to the second and third rounds of NMTC financing.

Gryant, Inc. has \$31,500,000 in loans as of September 30, 2012 and 2011 related to financing for the rehabilitation of the BCD Building and FGH Building. The interest rate on the BCD loan is 4.6% and 3.8% for the FGH loan. Currently, interest-only payments are being made annually for BCD and semi-annually for FGH on these loans. Principal and interest will be due for the BCD and FGH loans beginning January 2012 and December 2016, respectively.

The Medical Center has a liquidity covenant which requires minimum liquidity of \$50,000,000 be maintained in certain board designated accounts as security for the LOCs.

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The Medical Center has escrowed the following funds with bond trustees under the Series B Revenue Bonds, the Series C Revenue Bonds, the ECMF Series A Bonds, and Series O Pool loans. In addition, these amounts include funds for the self-insured workers' compensation program and designated by management for pension and other employee benefit purposes. These funds are included in assets limited as to use in the financial statements.

<i>(in thousands)</i>	September 30,	
	2012	2011
Construction fund	\$ 38,770	\$ 52,297
Debt service fund	6,764	6,914
Debt service reserve funds	35,276	35,481
Accrued interest receivable	285	857
Workers' compensation reserve fund	5,550	6,300
Other held funds	337	337
	<u>\$ 86,982</u>	<u>\$ 102,186</u>

The assets of the funds held by the trustees are invested principally in government securities and money market funds.

Maturities of long-term debt are as follows:

<i>(in thousands)</i>	
Years Ending September 30,	
2013	\$ 7,725
2014	7,771
2015	11,412
2016	10,716
2017	11,968
Thereafter	498,916
	<u>\$ 548,508</u>

The fair value of long-term debt was approximately \$583,400,000 and \$540,285,000 at September 30, 2012 and 2011, respectively.

9. Obligations Under Capital Leases

Obligations under capital leases consist of the following at September 30:

<i>(in thousands)</i>	2012	2011
City of Boston (forgivable)	\$ 37,198	\$ -
City of Boston	1,501	66,027
Other	327	633
Less: Current portion (forgivable)	(9,347)	-
Less: Current portion	(869)	(9,133)
	<u>\$ 28,810</u>	<u>\$ 57,527</u>

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Effective with the merger on July 1, 1996, the Medical Center entered into a fifty-year capital lease with the Public Health Commission ("PHC"), a division of the City of Boston, for all the real property previously owned by BCH. The lease payments for the first twenty-five years are equal to the debt service payments required on the City of Boston Revenue Refunding Bonds, Boston City Hospital (FHA insured mortgage) Series B (the "1993 Bonds"). The lease payments for the second twenty-five years will be determined at that time based upon several factors. In conjunction with the lease execution, the City of Boston agreed to provide the Medical Center with Base Assistance Grant payments (Note 14) which are expected to equal the Medical Center's payments on the first twenty-five years of the lease. The lease payments during the first twenty-five years are only required if the Medical Center receives the Base Assistance Grant payments from the City of Boston. The interest rate on the lease was 6.2%.

On May 1, 2012, the City of Boston refinanced its 2002 Bonds through the issuance of General Obligation Bonds, 2012 Series C (the "2012 Bonds"). In conjunction with the refinancing, the Medical Center and PHC amended the lease agreement to reflect a reduction in monthly payments so that the Medical Center's obligation was equal to the debt service payment for the City of Boston's General Obligation debt. As the Medical Center continues to occupy the space and pays rent that is less than fair market value, the execution of this amendment resulted in a forgivable capital leased asset between the City of Boston and the Medical Center. The execution of the forgivable capital leased asset resulted in a reduction of the existing asset of \$8,887,000 and a reduction in the obligation of \$18,060,000. A gain of \$9,211,000 was recorded on the amendment of the agreement due to a difference in amortization methods. The capital asset, the forgivable obligation and the gain will be amortized over the remainder of the lease term (through June 2016). The amended agreement also terminates the Medical Center's Base Assistance Grant receivable payments from the City of Boston.

Once the 2002 Bonds are retired, the rent payments will reflect fair market value, taking into account, among other factors, restrictions in the lease agreement and any investments the Medical Center has made.

Future minimum payments of the Medical Center and Affiliates' obligations under capital leases are as follows:

(in thousands)

Years Ending September 30,	
2013	\$ 947
2014	404
2015	354
2016	274
2017	-
Thereafter	-
Total minimum lease payments	1,979
Less: Amount representing interest	(151)
Present value of minimum lease payments	1,828
Less: Current portion	(869)
	\$ 959

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10. Operating Lease Commitments

The Medical Center and Affiliates amortize deferred rent on a straight-line basis over the term of the lease. At September 30, 2012 and 2011 approximately \$704,000 and \$486,000, respectively, of amortization had been recorded as an offset to rent expense and at September 30, 2012 approximately \$485,000 and \$3,577,000 remains deferred as a current and noncurrent liability, respectively.

The Medical Center and Affiliates' estimated future minimum lease obligations are as follows:

<i>(in thousands)</i>	Lease Obligations
Years Ending September 30,	
2013	\$ 12,564
2014	11,674
2015	11,544
2016	11,216
2017	7,662
Thereafter	<u>23,301</u>
	<u>\$ 77,961</u>

The Medical Center and Affiliates record rent expense on a straight-line basis over the life of the lease and record accrued rent as the difference between rent expense and actual payments made. As of September 30, 2012 and 2011, the accumulated difference between rent expense and amounts paid amounted to \$3,666,000 and \$4,289,000, respectively, and is included in accounts payable and accrued expenses and long-term liabilities on the balance sheet.

11. Restricted Net Assets

Restricted net assets, which are recorded in assets limited to use, grants receivable and other accounts receivable on the balance sheet, are composed of the following at September 30:

<i>(in thousands)</i>	2012	2011
Temporarily restricted		
Accumulated realized and unrealized gains	\$ 187,697	\$ 162,795
City of Boston Grants (Note 14)	37,198	63,893
Funds for the purchase of equipment and capital improvements	31,825	31,298
Other restricted purposes	<u>42,383</u>	<u>43,983</u>
	<u>\$ 299,103</u>	<u>\$ 301,969</u>
Permanently restricted		
Investments to be held in perpetuity	\$ 16,353	\$ 16,353

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12. Endowments

The Medical Center's endowment consists of approximately 167 donor-restricted funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported as restricted or unrestricted based on the existence or absence of donor-imposed restrictions.

The Medical Center has interpreted the UPMIFA as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Medical Center classifies as permanently restricted net assets, the original value of gifts donated to the permanent endowment. 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 Medical Center in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Medical Center considers the following factors in making a determination to appropriate or accumulate endowment funds. The factors include the duration and preservation of the fund; the purpose of the organization and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the organization; and the investment policies of the organization.

As of September 30, 2012, the Medical Center did not have board-designated funds included in the endowment. The endowment net asset composition by type of fund consisted of the following:

<i>(in thousands)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 162,727	\$ 16,353	\$ 179,080
	<u>\$ -</u>	<u>\$ 162,727</u>	<u>\$ 16,353</u>	<u>\$ 179,080</u>

Changes in endowment net assets for the year ended September 30, 2012, consisted of the following:

<i>(in thousands)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at September 30, 2011	<u>\$ -</u>	<u>\$ 140,398</u>	<u>\$ 16,353</u>	<u>\$ 156,751</u>
Investment return				
Investment income	-	17,815	-	17,815
Net unrealized appreciation	-	11,657	-	11,657
Total investment return	<u>-</u>	<u>29,472</u>	<u>-</u>	<u>29,472</u>
Appropriation of endowment assets for expenditures	<u>-</u>	<u>(7,143)</u>	<u>-</u>	<u>(7,143)</u>
	<u>-</u>	<u>(7,143)</u>	<u>-</u>	<u>(7,143)</u>
Endowment net assets at September 30, 2012	<u>\$ -</u>	<u>\$ 162,727</u>	<u>\$ 16,353</u>	<u>\$ 179,080</u>

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As of September 30, 2011, the endowment net asset composition by type of fund consisted of the following:

<i>(in thousands)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 140,398	\$ 16,353	\$ 156,751
	<u>\$ -</u>	<u>\$ 140,398</u>	<u>\$ 16,353</u>	<u>\$ 156,751</u>

Changes in endowment net assets for the year ended September 30, 2011, consisted of the following:

<i>(in thousands)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at September 30, 2010	<u>\$ -</u>	<u>\$ 148,128</u>	<u>\$ 16,353</u>	<u>\$ 164,481</u>
Investment return				
Investment income	-	6,043	-	6,043
Net unrealized depreciation	-	(7,568)	-	(7,568)
Total investment return	<u>-</u>	<u>(1,525)</u>	<u>-</u>	<u>(1,525)</u>
Appropriation of endowment assets for expenditures	<u>-</u>	<u>(6,205)</u>	<u>-</u>	<u>(6,205)</u>
	<u>-</u>	<u>(6,205)</u>	<u>-</u>	<u>(6,205)</u>
Endowment net assets at September 30, 2011	<u>\$ -</u>	<u>\$ 140,398</u>	<u>\$ 16,353</u>	<u>\$ 156,751</u>

13. Third-Party Reimbursement

The Medical Center and Affiliates maintain agreements with Blue Cross of Massachusetts, Inc., the Social Security Administration under the Medicare Program, the Commonwealth under the Medicaid Program and certain managed care entities that govern payment to the Medical Center and Affiliates for services rendered to patients covered by these programs.

Medicare

Reimbursement for services provided to inpatients and outpatients covered by the federal government's Medicare program who have elected not to enter a Medicare health maintenance organization for services varies according to patient classification systems that are based on clinical, diagnostic, and other factors.

Medicaid

The Commonwealth's MassHealth (Office of Medicaid) utilizes a prospective payment system for acute hospital services provided to Medicaid beneficiaries. The Office of Medicaid pays the Medical Center and Affiliates a fixed amount per discharge for inpatient services, prospectively determined flat rates based on diagnoses and procedures performed for most outpatient services, and fixed fees for certain other outpatient services.

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Uncompensated Care

The Medical Center and Affiliates are partially reimbursed for uncompensated care services, defined as charity care and bad debt associated with emergency services, through the statewide HSNO, administered by the Commonwealth. Following the merger of BUMCH and BCH on July 1, 1996, the Medical Center and Affiliates have continued the historical mission and commitment of BCH to the public health needs of all residents of the City of Boston to provide accessible health care services to all in need of care, regardless of status or ability to pay. As a result, the Medical Center and Affiliates receive a significant amount of reimbursement from the Health Safety Net. Changes in the level of funding of the HSNO or in the regulations governing its administration may have an adverse impact on the Medical Center and Affiliates.

14. Grant Payments

In connection with the establishment of the Medical Center, the City of Boston agreed to provide Base Assistance Grant payments to capitalize the Medical Center and promote the development of an urban healthcare system in the City of Boston. Funding was subject to annual appropriation by the City each fiscal year after July 1, 1996 for as long as the FHA mortgage is outstanding. The Base Assistance Grant payments were approximately \$7,167,000 and \$10,750,000 for the years ending September 30, 2012 and 2011, respectively. On May 1, 2012 the City of Boston refinanced its 2002 Bonds through the issuance of General Obligation Bonds, 2012 Series C. In conjunction with the refinancing, the City of Boston terminated the agreement to provide the Base Assistance Grant to the Medical Center, as the FHA mortgage is no longer outstanding. As the Medical Center continues to occupy the space and pays rent that is less than fair market value, the execution of this amendment resulted in an "in-kind" rent receivable between the City of Boston and the Medical Center.

Prior to termination, the Base Assistance Grant payments were discounted using a rate of 2.69%. The net present value of payments was \$63,893,000 as of September 30, 2011. This amount is included in grants receivable and temporarily restricted net assets on the balance sheet at September 30, 2011. The accretion of the discount of these grants of approximately \$1,704,000 and \$2,868,000 for the years ended September 30, 2012 and 2011, respectively, is included in contribution revenue of temporarily restricted net assets in the statement of changes in net assets. The receipt of these payments from the City each year is recorded as temporarily restricted net assets that are released from restrictions for operations.

The net present value of the "in-kind" rent receivable is \$37,198,000 and is included in the grants receivable and temporarily restricted net assets on the balance sheet at September 30, 2012. The "in-kind" rent receivable has been discounted using a rate of 4.26%. The accretion of the discount on the "in-kind" receivable is approximately \$412,000 for the year ended September 30, 2012 and is included in contribution revenue of temporarily restricted net assets in the statement of changes in net assets.

15. Benefit Plans Available to Employees

The Medical Center has a Tax Sheltered Annuity Plan (the "TSA Plan") which is a deferred compensation plan. Participation in the TSA Plan is voluntary. The Medical Center also has a contributory 403(b) plan. The Medical Center's contributions under these plans amounted to \$16,009,000 and \$15,311,000 for the years ended September 30, 2012 and 2011, respectively.

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Certain retired Medical Center employees have postretirement medical and life insurance benefits covered under the Welfare Benefits Plan ("the Plan"). The Plan was frozen effective with the merger on July 1, 1996. Current employees and employees retiring after July 1, 1996 are not covered by the Plan. The accrued benefit cost amounted to \$171,000 and \$164,000 as of September 30, 2012 and 2011, respectively. The net periodic benefit cost recorded on the Plan amounted to \$(38,000) and \$(33,000) for the years ended September 30, 2012 and 2011, respectively.

BMCHP has a defined contribution retirement plan ("DC Plan") under Section 401(k) of the Internal Revenue Code established effective August 1, 2001. The DC Plan covers all eligible employees at BMCHP who choose to participate, and requires BMCHP to match employees' contributions up to specified limitations. Participants are 100% vested in their deferred contributions, and rollover contribution accounts immediately plus actual earnings thereon. The matching employer contribution is based on a discretionary formula and vests over a four year period. BMCHP contributions under this DC Plan were \$1,136,000 and \$968,000 in 2012 and 2011, respectively.

The Medical Center maintains a defined benefit pension plan (the "Pension Plan"), effective July 1, 1996, for certain former employees of BCH with a measurement date of September 30. The covered group consists of employees who either had a nonforfeitable right to a retirement benefit under the former BCH defined benefit pension plan or would have earned one with service through September 30, 1997. The Pension Plan provides benefits based on an employee's average compensation and years of service reduced by a percentage of their Social Security benefit. The Pension Plan's provisions have been set based on a collective bargaining agreement effective July 1, 1996, and a formal document was signed on June 30, 1997. Contributions to the Plan are made in amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974. The City is responsible for the past service cost of former BCH employees.

(in thousands)

	2012	2011
Accumulated benefit obligation	\$ 124,165	\$ 103,479
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	\$ 117,603	\$ 101,889
Service cost	5,461	5,479
Interest cost	5,243	5,051
Actuarial loss	13,138	6,480
Benefits paid	(1,698)	(1,296)
Projected benefit obligation at end of year	\$ 139,747	\$ 117,603
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 70,467	\$ 65,329
Actual return on plan assets	11,770	434
Employer contributions	6,400	6,000
Benefits paid	(1,698)	(1,296)
Fair value of plan assets at end of year	\$ 86,939	\$ 70,467
Reconciliation of funded status		
Projected benefit obligation	\$ 139,747	\$ 117,603
Fair value of plan assets	86,939	70,467
Funded status	(52,808)	(47,136)
Amounts recognized in the balance sheet included within other long-term liabilities	\$ (52,808)	\$ (47,136)

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The components of net periodic benefit cost for the years ended September 30, 2012 and 2011 are as follows:

<i>(in thousands)</i>	2012	2011
Service cost	\$ 5,461	\$ 5,479
Interest cost	5,243	5,051
Expected return on plan assets	(5,120)	(4,759)
Amortization of prior service cost	1	1
Recognized actuarial loss	3,581	2,224
Net periodic benefit cost	<u>\$ 9,166</u>	<u>\$ 7,996</u>
Weighted average assumptions used to determine the net periodic cost for the period just ended		
Discount rate	4.50 %	5.00 %
Long-term rate of return	7.00 %	7.00 %
Rate of compensation increase	3.50 %	4.00 %
Weighted average assumptions used to determine the benefit obligations		
Discount rate	3.75 %	4.50 %
Rate of compensation increase	3.00 %	3.50 %
Other changes in plan assets and benefit obligations recognized in unrestricted net assets		
New net actuarial loss	\$ 6,488	\$ 10,805
Amortization of prior service cost	(1)	(1)
Amortization of net loss	(3,581)	(2,224)
	<u>\$ 2,906</u>	<u>\$ 8,580</u>
Amounts recognized in unrestricted net assets		
Net prior service cost	\$ 3	\$ 4
Net actuarial loss	41,163	38,256
	<u>\$ 41,166</u>	<u>\$ 38,260</u>

The amounts expected to be recognized as amortization of prior net service cost and amortization of net loss, respectively, and as components of net periodic cost in the upcoming year are \$1,328 and \$3,906,345.

Pension Plan Assets

The Pension Plan weighted average asset allocation as of the measurement dates September 30, 2012 and September 30, 2011, respectively, is as follows:

Asset category	Target Allocation	Percentage of Plan Assets at	
	Fiscal Year Ending	September 30,	
	September 30,	2012	2011
	2012	2012	2011
Equity securities	55 %	53 %	54 %
Debt securities	34	39	41
Other	11	8	5
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

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The fair value of pension plan assets as of September 30, 2012 is disclosed in the table below.

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Total
Investments				
Cash and cash equivalents	\$ 1,693	\$ -	\$ -	\$ 1,693
Fixed income	9,303	24,820	-	34,123
Equities	9,049	36,821	-	45,870
Commodities	5,253	-	-	5,253
	<u>\$ 25,298</u>	<u>\$ 61,641</u>	<u>\$ -</u>	<u>\$ 86,939</u>

The fair value of pension plan assets as of September 30, 2011 is disclosed in the table below.

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Total
Investments				
Cash and cash equivalents	\$ 2,947	\$ -	\$ -	\$ 2,947
Fixed income	2,749	22,928	-	25,677
Equities	6,732	33,444	-	40,176
Commodities	1,667	-	-	1,667
	<u>\$ 14,095</u>	<u>\$ 56,372</u>	<u>\$ -</u>	<u>\$ 70,467</u>

The Medical Center contracts with a consulting firm for financial consulting services for the Pension Plan. The consultants provide the Medical Center's Investment Committee and management with financial analysis and recommendations on target allocations and investment managers. The Medical Center's investment objective is to achieve the highest reasonable total return after considering (i) plan liabilities, (ii) funding status and projected cash flows, (iii) projected market returns, valuations and correlations for various asset classes, and (iv) the Medical Center's ability and willingness to incur market risk. The Medical Center's Investment Committee actively manages the pension plan assets by selecting investments and investment managers to maximize the investment returns.

The expected long-term rate of return assumption represents the expected average rate of earnings on the funds invested or to be invested to provide for the benefits included in the benefit obligations. The long-term rate of return assumption is determined based on a number of factors, including historical market index, returns, the anticipated long-term asset allocation of the plans, historical plan return data, plan expenses, and the potential to outperform market index returns.

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Cash Flows

Information about the expected cash flows for the Pension Plan is as follows:

Expected contributions for fiscal year ending September 30, 2013	
Expected employer contributions	\$ 6,800,000
Estimated future benefit payments reflecting expected future service for the fiscal year(s) ending September 30	
2013	\$ 2,829,000
2014	3,384,000
2015	3,964,000
2016	4,504,000
2017	5,399,000
2018 - 2022	39,666,000

The Medical Center contributed \$6,400,000 and \$6,000,000 to the Pension Plan for the years ended September 30, 2012 and 2011, respectively. The Medical Center plans to make any necessary contributions during the upcoming fiscal year 2013 to ensure the Pension Plan continues to be adequately funded during the current market conditions.

16. Concentration of Credit Risk

The Medical Center and Affiliates provide health care services to residents within its geographic location. The Medical Center and Affiliates grant credit without collateral to its patients, most of whom are local residents and are either insured under third-party payor agreements or covered by the Health Safety Net Care Pool.

The mix of receivables from patients and third-party payors at September 30, 2012 and 2011 was as follows:

	2012	2011
Medicare	19 %	17 %
Medicaid	27	26
HMOs	24	24
Self-Pay	7	9
Commercial	11	12
Blue Cross	4	5
Commonwealth Care	4	4
Other	4	3
	<u>100 %</u>	<u>100 %</u>

All of BMCHP's capitation revenue is generated from enrollment in the prepaid health plans established by MassHealth and the Commonwealth Health Insurance Connector.

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Notes to Consolidated Financial Statements
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The Medical Center and Affiliates records allowances for doubtful accounts (credit losses) for the following other accounts receivable balances at September 30, 2012:

<i>(in thousands)</i>	Receivable Balance	Allowance for Doubtful Accounts
FICA reimbursement for resident payments	\$ 22,146	\$ -
Other hospitals and health centers	6,305	2,878
New market tax credits	14,700	-
Outside contracts	14,216	1,336
Contributions receivable	6,338	1,591
Capitation receivable	31,198	-
Reinsurance receivable	6,148	-
Other	8,430	200
	<u>\$ 109,481</u>	<u>\$ 6,005</u>

The Medical Center and Affiliates records an allowance for doubtful accounts (credit losses) for the following other accounts receivable balances at September 30, 2011:

<i>(in thousands)</i>	Receivable Balance	Allowance for Doubtful Accounts
FICA reimbursement for resident payments	\$ 21,907	\$ -
Other hospitals and health centers	5,119	2,439
New market tax credits	11,568	-
Outside contracts	12,884	792
Contributions receivable	7,640	1,881
Other	216	141
	<u>\$ 59,334</u>	<u>\$ 5,253</u>

These receivables represent current amounts from the other accounts receivable balance. Management regularly assesses the adequacy of the allowance for doubtful accounts by performing ongoing evaluation of the balances, including such factors as the economic environment, risks associated with each receivable, the financial condition of specific borrowers and, where applicable, the existence of any guarantees or indemnifications.

Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, include, but were not limited to, a detailed review of the aging of receivables and review of cash receipts in current year compared against prior year allowance for doubtful accounts. The level of the allowance is adjusted based upon the results of management's analysis.

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Changes in the allowance for doubtful accounts for the year ended September 30, 2012 were as follows:

(in thousands)

Beginning balance at October 1, 2011	\$ 5,253
Recoveries	(461)
Net charge-offs	351
New reserves	862
Ending balance at September 30, 2012	<u>\$ 6,005</u>

Changes in the allowance for doubtful accounts for the year ended September 30, 2011 were as follows:

(in thousands)

Beginning balance at October 1, 2010	\$ 14,440
Recoveries	(5,098)
Net charge-offs	(4,089)
Ending balance at September 30, 2011	<u>\$ 5,253</u>

17. Related Party Transactions

The Foundation and the Medical Center have significant transactions with each other for operating purposes. During the years ended September 30, 2012 and 2011, the Medical Center provided funding of approximately \$95,252,000 and \$103,287,000, respectively, to the Foundation for professional and support services. The Foundation is comprised of physician groups which provide teaching and other services to the Medical Center. In addition, the Medical Center and the Foundation have certain board members in common. The Medical Center has various notes receivable and other receivables from the Foundation which totaled approximately \$32,495,000 and \$17,232,000 at September 30, 2012 and 2011, respectively. In addition, the Medical Center owed the Foundation \$32,796,000 and \$19,454,000 at September 30, 2012 and 2011, respectively, and the amounts due are included in the current portion of due to related parties.

BMCHP and the Medical Center have significant transactions with each other for operating purposes. Total revenue earned by the Medical Center from BMCHP related to medical services provided by the Medical Center to BMCHP members was \$92,597,000 and \$91,363,000 for the years ended September 30, 2012 and 2011, respectively, and is included in net patient service revenue. At September 30, 2012 and 2011, BMCHP owed the Medical Center \$248,000 and \$23,326,000, respectively. In addition, BMCHP owed the Medical Center \$12,276,000 and \$9,726,000 at September 30, 2012 and 2011, respectively, and the amounts due are included in patient accounts receivable. During the years ended September 30, 2012 and 2011, BMCHP approved a net asset transfer of \$50,000,000 and \$23,000,000 to BMC, which was eliminated upon consolidation.

Boston Medical Center and Affiliates

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The Medical Center and BMCIC have significant transactions with each other for the purpose of providing professional and general liability insurance. Total expenses incurred by the Medical Center related to the insurance provided by BMCIC were \$4,182,000 and \$2,000,000 for the years ending September 30, 2012 and 2011, respectively. The Medical Center has \$15,283,000 and \$12,999,000 of prepaid premiums and retrospective premium credits that were prepaid by the Medical Center to BMCIC at September 30, 2012 and 2011, respectively. In fiscal year 2012 the Medical Center and the Foundation adopted ASU 2010-24, requiring the gross up of anticipated claims liabilities and insurance recoveries. The Medical Center and the Foundation recorded an insurance recovery receivable and a professional liability claims payable of \$38,676,000 and \$43,613,000 for the year ended September 30, 2012, respectively. The receivable and payable for the Medical Center and Foundation eliminate upon consolidation.

The Medical Center and BMCIC of Vermont have transactions with each other for the purpose of providing insurance coverage for property and for certain liability exposures arising from acts of terrorism under TRIA. All insurance written and claims paid originate with the Medical Center. There were no expenses incurred by the Medical Center related to the insurance provided by BMCIC of Vermont for the years ending September 30, 2012 and 2011, respectively. At September 30, 2012 and 2011, respectively, there were no premiums owed to BMCIC of Vermont as all premiums written were paid prior to year-end.

BUAP and the Medical Center have transactions with each other for operating purposes. During the year ended September 30, 2012 the Medical Center provided funding of approximately \$1,262,000 to BUAP for professional and support services. The Medical Center has various accounts receivable from BUAP which totaled approximately \$4,070,000 at September 30, 2012.

The Medical Center is affiliated with several community health centers. At September 30, 2012 and 2011, the Medical Center had loaned a total of \$5,820,000 and \$6,540,000, respectively, to the community health centers. The loans are interest bearing and are forgiven as long as no event of default as defined in the loan documents shall have occurred.

BMCHP and the Foundation have transactions with each other for operating purposes. The total revenue earned by the Foundation from BMCHP related to medical services provided by the Foundation to BMCHP members was \$10,813,000 and \$10,547,000 for the year ended September 30, 2012 and 2011, respectively, and is included in net patient service revenue. Also as of September 30, 2012 and 2011, BMCHP owed the Foundation \$643,000 and \$710,000, respectively.

The Medical Center and the BMC NAB Business Trust have significant transactions with each other relating to the construction of the Shapiro Ambulatory Care Center. Pursuant to the note and loan agreement dated May 1, 2008, the Medical Center loaned the BMC NAB Business Trust \$3,172,000 and \$10,758,000 in 2012 and 2011, respectively, for the construction of the facility.

Boston Medical Center and Affiliates

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Shared Services Agreement

The Plans each entered into a common paymaster agreement with the Medical Center and the Trustees of Boston University ("BU"). Under the terms of the physician practice agreements, faculty physicians and practitioners ("Faculty Members") are employed by the individual Plans. The Faculty serves the benefit of the Medical Center (by providing clinical services) and BUSM (by serving as faculty members of BUSM). Each Plan, with respect to each Faculty Member that the Plan employs, pays BU 27.8% of each Faculty Member's salary up to a \$250,000 base, for reimbursement of fringe benefits and related paymaster fees. If a particular Faculty Member's salary exceeds the base amount of \$250,000, the Plans further pay BU 8.0% on such excess, up to an amount equal to the FICA limit for that particular year, and then 1.8% on any amount in excess of the applicable FICA limit. Additionally, the Plans pay the Medical Center for medical malpractice insurance premiums for each Faculty Member. BMC insures the Faculty members under agreement with BMCIC. The Plans also pay for a portion of administrative salaries and fringe benefits for nonphysician employees of BMC, who provide services to them. These expenses are included in salaries and wages and fringe benefits in the statements of operations.

The Medical Center and BUSM pay a portion of salaries of several physicians of the Foundation, and the Foundation is not responsible for reimbursing either institution. The Foundation also receives from BMC reimbursement for a portion of free care services provided by the Foundation, as well as for teaching and other administrative duties. The Foundation received a total of \$36,670,000 and \$37,435,000 for institutional support from BUSM all of which was recorded in reimbursement of operating expenses for the years ended June 30, 2012 and 2011, respectively. The Foundation received a total of \$91,430,000 and \$109,920,000 for institutional support from BMC for the years ended June 30, 2012 and 2011, respectively. The Foundation also received \$30,140,000 and \$30,310,000 from BMC which was recorded as reimbursement of operating expenses for the years ended June 30, 2012 and 2011, respectively. The Foundation received \$1,734,000 and \$1,367,000 in research support from BMC for the years ended June 30, 2012 and 2011, respectively.

The Plans use space in buildings owned by BUSM at no charge. Rent expense of \$500,000, based upon estimated market rates, has been recorded as an in-kind donation for each of the years ended June 30, 2012 and 2011, respectively.

Retirement Plan

BUSM sponsors a defined contribution retirement plan, which covers all Faculty paid under the above described common paymaster agreements. Costs related to Faculty are included in the fringe benefit rates described above. This retirement plan is available to Faculty who have completed two years of service for a Plan, who work at least 50% of full-time schedules and who have appointments or expected assignment durations of at least nine months. BUSM contributes between 5% and 14% of salary to this retirement plan, depending on age, base salary, and an integration level amount adjusted each year by BUSM.

BMC sponsors a defined contribution' retirement plan which covers all employees, including administrative employees of the Foundation. This retirement plan is available to regular employees who have completed 1,000 hours of service within one-year period. BMC contributes between 3% and 8% of salary to this retirement plan, depending on years of service.

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18. Claims Payable

BMCHP establishes a claims payable account for insured events which include estimates of future payments of loss and related loss adjustment expenses. The table below shows the changes in the claims payable account for the years ended September 30, 2012 and 2011:

<i>(in thousands)</i>	2012	2011
Accrued at beginning of year	<u>\$ 96,566</u>	<u>\$ 94,951</u>
Incurred services		
Current year	1,116,773	1,167,461
Prior years	<u>(9,877)</u>	<u>(10,912)</u>
Total incurred	<u>1,106,896</u>	<u>1,156,549</u>
Paid claims		
Current year	1,050,703	1,079,233
Prior years	<u>61,041</u>	<u>75,701</u>
Total paid	<u>1,111,744</u>	<u>1,154,934</u>
Accrued at end of year	<u>\$ 91,718</u>	<u>\$ 96,566</u>

The estimated cost of losses and loss adjustment expenses attributable to insured events of the prior year decreased by approximately \$9,877,000 and \$10,912,000 during 2012 and 2011, respectively. Increases or decreases occur as a result of claim settlements during the year and receipt of additional information regarding individual claims. Recent loss development trends are also considered in evaluating the adequacy of the claims payable account.

19. Functional Expenses

The total operating expenses of the Medical Center and Affiliates by function are as follows for the years ended September 30, 2012 and 2011:

<i>(in thousands)</i>	2012	2011
Patient care	\$ 1,900,755	\$ 1,918,535
Medical education	62,832	69,200
Research, sponsored programs and community health services	66,986	69,456
General and administrative	<u>286,889</u>	<u>264,245</u>
	<u>\$ 2,317,462</u>	<u>\$ 2,321,436</u>

20. Governmental Subsidies

On December 20, 2011, CMS approved a three year Massachusetts Medicaid Waiver extension for the period of July 1, 2011 through June 30, 2014 that included Delivery System Transformation Initiative ("DSTI") potential funding of \$103,553,000 annually for BMC. These initiatives are designed as incentive payments to support investments in health care delivery systems that will support payment reform, and transition away from fee-for-service payments toward alternative payment arrangements that reward high-quality, efficient, and integrated systems of care. CMS has identified four categories for which funding authority is available. Participating hospitals must select a minimum number of projects from each category as outlined in the Master DSTI Plan. The

Boston Medical Center and Affiliates

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September 30, 2012 and 2011

four categories are: (1) development of a fully integrated delivery system; (2) improved health outcomes and quality; (3) ability to respond to statewide transformation to value-based purchasing and to accept alternatives to fee-for-service payments; and (4) population-focused improvements. BMC has submitted a DSTI Plan with detailed projects to be implemented consistent with the categories outlined. CMS finalized the approval of BMC's DSTI plan on June 20, 2012. The terms of the waiver allowed BMC to receive 50% of year one DSTI funding within 30 days of the final approval of its DSTI plan. The second 50% payment was made on August 30, 2012 after successful documentation of meeting the fiscal year 2012 metrics was submitted on July 31, 2012. The Medical Center has recorded \$103,553,000 in the fiscal year 2012.

The Commonwealth is required to appropriate the nonfederal share of its DSTI funding. To that end, a supplemental budget for state fiscal year 2012, which appropriates \$51,700,000 to BMC, was filed by the Governor and approved in May 2012. The Medical Center has recorded \$51,700,000 in fiscal year 2012.

21. Commitments and Contingencies

The Medical Center and Affiliates are subject to complaints, claims and litigation which have arisen in the normal course of business. In addition, the Medical Center and Affiliates are subject to compliance with laws and regulations of various governmental agencies. Recently, governmental review of compliance with these laws and regulations has increased, resulting in fines and penalties for noncompliance by individual health care providers.

On July 15, 2009, the Medical Center filed a lawsuit in state court against the Commonwealth to require the Commonwealth to adequately cover the costs of care for the Medical Center's low income patients, and to recover monies owed to the Medical Center. On December 20, 2010, the Massachusetts Superior Court dismissed the lawsuit. The court ruled that neither state nor federal law authorizes the courts to review the payment rates set by the state's secretary of health and human services. The Medical Center appealed the court's decision and, on September 14, 2012, the Massachusetts Supreme Judicial Court upheld the Superior Court's ruling dismissing the lawsuit.

In September 2009, allegations of wage and hour violations were made in complaints filed in Massachusetts Superior Court and the United States District Court for the District of Massachusetts. In sum, the plaintiffs allege that the Medical Center and other defendants failed to pay a class of hourly employees for missed and interrupted meal breaks, preliminary and postliminary hours worked, and mandatory training time. In February and March, 2011, all claims in both the federal and state cases were dismissed. The action is still ongoing as of September 30, 2012. It is not possible at this time to express any opinion as to the merit of the action or the likelihood that the claimants will prevail.

In July 2012, allegations of patent infringement were made in a complaint filed in the United States District Court for the District of Massachusetts against the Medical Center, Boston University Affiliated Physicians, Inc., Boston University Medical Center Radiologists, Inc., and Trustees of Boston University. The plaintiffs (Neurografix, Neurography Institute Medical Associates, Inc., and Image-Based Surgicenter Corporation) allege infringement of their patents through the purchase and use of MRIs and other equipment manufactured by Philips, General Electric, and BrainLab. It is not possible at this time to express any opinion as to the merit of the action or the likelihood that the claimants will prevail.

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22. Self Insurance

Professional and General Liability

Estimated professional and general liability costs, as calculated by BMCIC's consulting actuaries, consist of specific reserves to cover the estimated liability resulting from medical or general liability incidents or potential claims which have been reported, as well as a provision for claims incurred but not reported. Estimated professional and general liabilities are based on claims reported, historical experience, and industry trends. These liabilities include estimates of future trends in loss severity and frequency and other factors that could vary as the claims are ultimately resolved. Although it is not possible to measure the degree of variability inherent in such estimates, management believes the reserves for claims are adequate. These estimates are periodically reviewed, and necessary adjustments are reflected in the consolidated statement of operations in the year the need for such adjustments becomes known. Management is unaware of any claims that would cause the final expense for professional and general liability risks to vary materially from the amounts provided.

The Medical Center and Affiliates estimate that the expected claims liabilities at September 30, 2012 and 2011, on an undiscounted basis, are approximately \$83,397,000 and \$79,095,000, respectively.

Excess Liability Coverage

The Medical Center and Affiliates have excess liability coverage of \$30,000,000 for professional and general liability losses per individual claim, and for annual aggregate professional and general liability losses on a claims-made basis. The existence of this reinsurance coverage does not relieve the Medical Center and Affiliates of their primary obligation with respect to losses incurred. The Medical Center and Affiliates would be liable for claims ceded to reinsurers in the event such reinsurers are unable to meet their obligations.

23. National Emerging Infectious Diseases Laboratory ("NEIDL")

In September 2003, Boston University received an award from the National Institutes of Health ("NIH") for the construction of a biocontainment facility to be located on Boston University's Medical Campus. This laboratory will be used by Boston University and the Medical Center, as well as other organizations, to support the federal government's bio-defense efforts. As part of this award, NIH will provide \$140,990,000 of the construction costs of the facility. Boston University and Boston Medical Center each provided \$27,927,000 toward construction, and received a 50% equity interest in the venture. As such, both parties will share equally in the future operating activities of the laboratory. The NIH reimbursement was recorded as an increase to temporarily restricted net assets. On May 1, 2010, Boston Medical Center issued a letter notifying Boston University that the Medical Center elected to withdraw from further participation in the NEIDL at Boston University Medical Center effective as of May 1, 2011. As a result of the withdrawal, the Medical Center reversed the investment and temporarily restricted net assets recorded in previous periods.

In 2011, Boston Medical Center and Boston University agreed to contribution repayment terms whereas Boston University owes Boston Medical Center the total principal of \$29,064,000. Boston University will make five annual payments of \$5,813,000 plus 2% interest on the outstanding balance due. As of September 30, 2012, the remaining balance owed to the Medical Center is \$23,445,000 and is included in other accounts receivable and other noncurrent assets on the balance sheet.

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Notes to Consolidated Financial Statements

September 30, 2012 and 2011

24. Subsequent Events

The Medical Center and Affiliates has assessed the impact of subsequent events through February 8, 2013, the date the audited financial statements were available for issuance, and has concluded that other than the notes below, there were no such events that require adjustment to the audited financial statements or disclosure in the notes to the consolidated financial statements.

On October 1, 2012 the Medical Center and Affiliates executed the put for BCD to Sovereign. The Medical Center paid Sovereign \$1,455,000 for Sovereign's 99% interest in Affirmative NMTC Fund I LLC (the "Fund"). Affirmative LLC has the other 1% interest in the Fund. Affirmative LLC has a put option to sell its 1% interest in the Fund to the Medical Center; however, as of February 8, 2013, the Medical Center has not executed the put for BCD to Affirmative LLC.

In October 2012, the Medical Center and Affiliates entered into a Line of Credit for short-term borrowings with a bank under which up to \$25 million may be borrowed on such terms as outlined by the Amended and Restated Line of Credit Agreement. This Agreement will be renewed annually but can be withdrawn at the bank's option. The Medical Center and Affiliates has pledged certain board designated accounts to secure the line of credit. The assets of these accounts will collateralize borrowings against the line of credit.

The Medical Center and Affiliates received payments in October 2012 and November 2012 totaling \$21,169,000 related to FICA refund claims for medical residents. The FICA receivable outstanding as of September 30, 2012 was \$22,146,000. The outstanding balance as of February 8, 2013, of approximately \$977,000, is related to 2009 fourth quarter claims which is under appeal.

On November 2, 2012, BMCHP was selected by the Commonwealth of Massachusetts Executive Office of Health and Human Services ("EOHHS") as one of six insurers to proceed to readiness review for Integrated Care Organizations ("ICO"s) in the Massachusetts Duals Demonstration Program that integrates care and financing for non-elderly adults with disabilities who are eligible for both Medicaid and Medicare ("dual eligibles"). Subject to final approval by EOHHS, BMCHP expects to begin enrolling members during 2013.

Supplemental Consolidating Information

Boston Medical Center and Affiliates

Consolidating Balance Sheet

September 30, 2012

<i>(in thousands)</i>	Medical Center	BMCHP	Foundation	BMCIC and BMCIC of Vermont	NAB	Gryant	BUAP	Eliminations	BMC Consolidated
Assets									
Current assets									
Cash and cash equivalents	\$ 114,229	\$ 36,355	\$ 53,131	\$ 353	\$ 371	\$ 904	\$ 992	\$ -	\$ 206,335
Short-term investments	-	42,070	-	-	-	-	-	-	42,070
Patients accounts receivable, less allowance of \$25,488 in 2012	74,712	-	13,650	-	-	-	407	(12,919)	75,850
Other accounts receivable, less allowance of \$6,005 in 2012	55,948	31,198	8,425	6,148	509	562	85	601	103,476
Current portion of grants receivable, less allowance of \$3,362 in 2012	25,343	-	-	-	-	-	-	-	25,343
Current portion of estimated receivable for final settlements with third-party payors	8,744	-	-	-	-	-	-	-	8,744
Current portion due from related parties	56,935	-	42,645	-	9,356	1,330	-	(110,266)	-
Inventories	4,584	-	-	-	-	-	-	-	4,584
Prepaid expenses and other current assets	6,068	2,836	262	642	-	-	41	(635)	9,214
Insurance recoveries receivable	38,676	-	43,613	-	-	-	-	(82,289)	-
Current portion of funds held by Trustees	32,250	-	-	-	-	-	-	-	32,250
Total current assets	417,489	112,459	161,726	7,143	10,236	2,796	1,525	(205,508)	507,866
Assets limited as to use									
Board-designated investments	340,482	-	-	-	-	-	-	-	340,482
Funds held by Trustee	54,732	-	-	-	-	-	-	-	54,732
Donor-restricted investments	274,475	-	-	-	-	-	-	-	274,475
Reserve funds	-	17,773	-	92,678	-	-	-	-	110,451
Total assets limited as to use	669,689	17,773	-	92,678	-	-	-	-	780,140
Other assets									
Long-term investments	-	244,129	23,656	-	-	-	-	-	267,785
Property, plant and equipment, net	425,320	7,733	5,191	-	156,584	36,108	912	-	631,848
Grants receivable, less current portion	27,851	-	-	-	-	-	-	-	27,851
Due from related parties	30,570	-	-	-	-	-	-	(30,570)	-
Other noncurrent assets	201,879	-	201	-	-	-	-	(8,028)	194,052
Total assets	\$ 1,772,798	\$ 382,094	\$ 190,774	\$ 99,821	\$ 166,820	\$ 38,904	\$ 2,437	\$ (244,106)	\$ 2,409,542
Liabilities and Net Assets									
Current liabilities									
Accounts payable and accrued expenses	\$ 135,701	\$ 32,495	\$ 14,365	\$ 191	\$ 1,114	\$ 1,722	\$ 301	\$ (4,403)	\$ 181,486
Claims payable	-	91,718	-	-	-	-	-	(12,919)	78,799
Deferred revenue	18,334	-	-	635	-	-	-	(635)	18,334
Current portion of due to related parties	43,482	248	37,147	1,053	3,874	-	4,070	(89,874)	-
Current portion of long-term debt and capital leases	17,398	-	69	-	-	-	-	-	17,467
Professional liability claims	38,676	-	43,613	-	-	-	-	(82,289)	-
Other current liabilities	-	26,413	-	-	-	89	42	-	26,544
Total current liabilities	253,591	150,874	95,194	1,879	4,988	1,811	4,413	(190,120)	322,630
Other liabilities									
Estimated final settlements with third-party payors	28,889	-	-	-	-	-	-	-	28,889
Obligations under capital leases	28,770	-	40	-	-	-	-	-	28,810
Due to related parties	-	-	-	15,283	30,570	-	-	(45,853)	-
Long-term debt	371,220	-	-	-	139,134	31,500	-	-	541,854
Other long-term liabilities	87,249	1,497	-	82,289	-	-	-	(105)	170,930
Total liabilities	769,719	152,371	95,234	99,451	174,692	33,311	4,413	(236,078)	1,093,113
Commitments and contingencies									
Net assets									
Unrestricted	687,623	229,723	95,540	370	(7,872)	5,593	(1,976)	(8,028)	1,000,973
Temporarily restricted	299,103	-	-	-	-	-	-	-	299,103
Permanently restricted	16,353	-	-	-	-	-	-	-	16,353
Total net assets	1,003,079	229,723	95,540	370	(7,872)	5,593	(1,976)	(8,028)	1,316,429
Total liabilities and net assets	\$ 1,772,798	\$ 382,094	\$ 190,774	\$ 99,821	\$ 166,820	\$ 38,904	\$ 2,437	\$ (244,106)	\$ 2,409,542

Boston Medical Center and Affiliates

Consolidating Balance Sheet

September 30, 2011

(in thousands)

	Medical Center	BMCHP	Foundation	BMCIC and BMCIC of Vermont	NAB	Gryant	Eliminations	BMC Consolidated
Assets								
Current assets								
Cash and cash equivalents	\$ 76,772	\$ 168,966	\$ 44,090	\$ 398	\$ 2,562	\$ 503	\$ -	\$ 293,291
Short-term investments	-	66,506	-	-	-	-	-	66,506
Patients accounts receivable, less allowance of \$24,956 in 2011	66,529	-	14,712	-	-	-	(10,436)	70,805
Other accounts receivable, less allowance of \$5,253 in 2011	54,081	5,151	3,022	9,245	509	772	6,703	79,483
Current portion of grants receivable, less allowance of \$3,349 in 2011	21,743	-	-	-	-	-	-	21,743
Current portion of estimated receivable for final settlements with third-party payors	26,591	-	-	-	-	-	-	26,591
Current portion due from related parties	61,572	-	19,080	-	5,802	1,330	(87,784)	-
Inventories	2,807	-	-	-	-	-	-	2,807
Prepaid expenses and other current assets	6,826	5,579	247	663	-	-	(648)	12,667
Current portion of funds held by trustees	32,250	-	-	-	-	-	-	32,250
Total current assets	349,171	246,202	81,151	10,306	8,873	2,605	(92,165)	606,143
Assets limited as to use								
Board-designated investments	237,586	-	-	-	-	-	-	237,586
Funds held by trustees	69,156	-	-	-	780	-	-	69,936
Donor-restricted investments	234,689	-	-	-	-	-	-	234,689
Reserve funds	-	17,242	-	86,671	-	-	-	103,913
	541,431	17,242	-	86,671	780	-	-	646,124
Other assets								
Long-term investments	-	151,143	29,452	-	-	-	-	180,595
Property, plant and equipment, net	454,584	8,337	5,609	-	160,002	37,228	-	665,760
Grants receivable, less current portion	55,699	-	-	-	-	-	-	55,699
Due from related parties	27,398	-	-	-	-	-	(27,398)	-
Other noncurrent assets	210,655	-	92	-	-	-	(6,455)	204,292
Total assets	\$ 1,638,938	\$ 422,924	\$ 116,304	\$ 96,977	\$ 169,655	\$ 39,833	\$ (126,018)	\$ 2,358,613
Liabilities and Net Assets								
Current liabilities								
Accounts payable and accrued expenses	\$ 122,399	\$ 16,628	\$ 14,539	\$ 74	\$ 1,111	\$ 1,722	\$ 1,852	\$ 158,325
Claims payable	-	96,566	-	-	-	-	(10,436)	86,130
Deferred revenue	19,749	-	-	648	-	-	(648)	19,749
Current portion of due to related parties	26,586	23,326	12,008	3,686	4,328	-	(69,934)	-
Current portion of long-term debt and capital leases	16,059	-	75	-	-	-	-	16,134
Other current liabilities	-	3,244	-	-	-	149	-	3,393
Total current liabilities	184,793	139,764	26,622	4,408	5,439	1,871	(79,166)	283,731
Long-term liabilities								
Estimated final settlements with third-party payors	27,227	-	-	-	-	-	-	27,227
Obligations under capital leases	57,418	-	109	-	-	-	-	57,527
Due to related parties	-	-	-	12,999	27,398	-	(40,397)	-
Long-term debt	376,993	-	-	-	139,134	31,500	-	547,627
Other long-term liabilities	74,010	1,982	-	79,191	-	-	-	155,183
Total liabilities	720,441	141,746	26,731	96,598	171,971	33,371	(119,563)	1,071,295
Commitments and contingencies								
Net assets								
Unrestricted	600,175	281,178	89,573	379	(2,316)	6,462	(6,455)	968,996
Temporarily restricted	301,969	-	-	-	-	-	-	301,969
Permanently restricted	16,353	-	-	-	-	-	-	16,353
Total net assets	918,497	281,178	89,573	379	(2,316)	6,462	(6,455)	1,287,318
Total liabilities and net assets	\$ 1,638,938	\$ 422,924	\$ 116,304	\$ 96,977	\$ 169,655	\$ 39,833	\$ (126,018)	\$ 2,358,613

Boston Medical Center and Affiliates

Consolidating Statement of Operations

Year Ended September 30, 2012

<i>(in thousands)</i>	Medical Center	BMCHP	Foundation	BMCIC and BMCIC of Vermont	NAB	Gryant	BUAP	Eliminations	BMC Consolidated
Operating revenue									
Net patient service revenue	\$ 886,255	\$ -	\$ 142,231	\$ -	\$ -	\$ -	\$ 3,245	\$ (103,410)	\$ 928,321
Capitation revenue	-	1,191,612	-	-	-	-	-	-	1,191,612
Grants and contract revenue	84,296	-	-	-	-	-	-	(11,440)	72,856
Institutional support	-	-	91,430	-	-	-	1,262	(92,692)	-
Other revenue	10,785	2,797	97,689	-	3,554	1,160	350	(43,724)	72,611
Net assets released from restrictions for operations	24,632	-	-	-	-	-	-	-	24,632
Total operating revenue	1,005,968	1,194,409	331,350	-	3,554	1,160	4,857	(251,266)	2,290,032
Operating expenses									
Salaries and wages and fringe benefits	465,374	41,982	255,076	-	-	-	4,486	-	766,918
Supplies and expenses	234,969	1,172,217	54,772	707	113	18	1,328	(121,067)	1,343,057
Institutional support	96,514	-	-	-	-	-	-	(96,514)	-
Depreciation and amortization	60,305	3,042	1,608	-	5,543	1,126	100	-	71,724
Interest expense	18,626	-	9	-	3,454	1,335	-	-	23,424
Provision for bad debts	30,499	-	14,565	-	-	-	289	-	45,353
Research, sponsored programs and community health services	97,126	-	-	-	-	-	-	(30,140)	66,986
Total operating expenses	1,003,413	1,217,241	326,030	707	9,110	2,479	6,203	(247,721)	2,317,462
Income (loss) from operations	2,555	(22,832)	5,320	(707)	(5,556)	(1,319)	(1,346)	(3,545)	(27,430)
Nonoperating gains (losses), net									
Income from investments (including other-than-temporary impairment losses of \$1,007 in 2012)	9,098	8,573	953	698	9	-	3	3,545	22,879
Fundraising costs and other	(2,810)	-	372	-	-	-	-	-	(2,438)
Total nonoperating gains (losses), net	6,288	8,573	1,325	698	9	-	3	3,545	20,441
Excess (deficiency) of revenue over expenses	8,843	(14,259)	6,645	(9)	(5,547)	(1,319)	(1,343)	-	(6,989)
Other changes in unrestricted net assets									
Change in unrealized appreciation (depreciation) on investments	23,988	12,804	(678)	-	-	-	-	-	36,114
Net asset transfer to affiliate	50,000	(50,000)	-	-	-	-	-	-	-
Revised classification of net assets	5,129	-	-	-	-	-	-	-	5,129
Additional paid in capital	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	(1,765)	-	(1,765)
Net assets released from restrictions for property, plant and equipment	2,470	-	-	-	-	-	-	-	2,470
Pension-related changes other than net periodic pension costs	(2,982)	-	-	-	-	-	-	-	(2,982)
Change in unrestricted net assets	\$ 87,448	\$ (51,455)	\$ 5,967	\$ (9)	\$ (5,547)	\$ (1,319)	\$ (3,108)	\$ -	\$ 31,977

Boston Medical Center and Affiliates

Consolidating Statement of Operations

Year Ended September 30, 2011

(in thousands)

	Medical Center	BMCHP	Foundation	BMCIC and BMCIC of Vermont	NAB	Gryant	Eliminations	BMC Consolidated
Operating revenue								
Net patient service revenue	\$ 847,270	\$ -	\$ 145,642	\$ -	\$ -	\$ -	\$ (101,910)	\$ 891,002
Capitation revenue	-	1,320,416	-	-	-	-	-	1,320,416
Grants and contract revenue	87,969	-	-	-	-	-	(10,258)	77,711
Institutional support	-	-	109,920	-	-	-	(109,920)	-
Other revenue	17,379	5,566	88,242	-	3,369	1,624	(43,277)	72,903
Net assets released from restrictions for operations	22,629	-	-	-	-	-	-	22,629
Total operating revenue	975,247	1,325,982	343,804	-	3,369	1,624	(265,365)	2,384,661
Operating expenses								
Salaries and wages and fringe benefits	443,215	39,795	257,806	-	-	-	-	740,816
Supplies and expenses	248,169	1,191,580	58,467	2,110	673	80	(128,409)	1,372,670
Institutional support	103,287	-	-	-	-	-	(103,287)	-
Depreciation and amortization	63,282	3,282	929	-	2,748	1,126	-	71,367
Interest expense	14,271	-	14	-	1,659	1,331	-	17,275
Provision for bad debts	33,586	-	16,266	-	-	-	-	49,852
Research, sponsored programs and community health services	99,766	-	-	-	-	-	(30,310)	69,456
Total operating expenses	1,005,576	1,234,657	333,482	2,110	5,080	2,537	(262,006)	2,321,436
(Loss) income from operations	(30,329)	91,325	10,322	(2,110)	(1,711)	(913)	(3,369)	63,225
Nonoperating gains (losses), net								
Investment income (including other-than-temporary impairment losses of \$3,313 in 2011)	7,995	3,254	899	2,100	7	-	3,369	17,624
Fundraising costs and other	(2,815)	-	(1,300)	-	-	-	-	(4,115)
Total nonoperating (gains) losses, net	5,180	3,254	(401)	2,100	7	-	3,369	13,509
(Deficiency) excess of revenue over expenses	(25,149)	94,579	9,921	(10)	(1,704)	(913)	10	76,734
Other changes in unrestricted net assets								
Change in unrealized (depreciation) appreciation on investments	(11,484)	(1,692)	2,706	-	-	-	-	(10,470)
Net assets transfer from (to) affiliate	23,000	(23,000)	-	-	-	-	-	-
Other adjustments	1,836	-	-	-	-	-	-	1,836
Net assets released from restrictions for property, plant and equipment	958	-	-	-	-	-	-	958
Pension related changes other than net periodic pension costs	(8,580)	-	-	-	-	-	-	(8,580)
Change in unrestricted net assets	\$ (19,419)	\$ 69,887	\$ 12,627	\$ (10)	\$ (1,704)	\$ (913)	\$ 10	\$ 60,478

Boston Medical Center and Affiliates

Schedule of Expenditures of Federal Awards

September 30, 2012

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Number	Total Federal Expenditures
Research and Development Cluster			
Department of Health and Human Services			
National Institute of Environmental Health Services (pass through from Tulane University)	93.113	TUL-HSC-287-11/12, TUL-HSC-349-11/12	\$ 20,267
National Institute of Environmental Health Services (pass through from Tufts University)	93.113	P01 ES011624	393,945
CFDA subtotal			<u>414,212</u>
National Institute of Dental and Craniofacial Research	93.121		514,102
National Institute of Dental and Craniofacial Research (pass through from Tufts University)	93.121	HS2356	39,343
CFDA subtotal			<u>553,445</u>
Centers for Disease Control and Prevention	93.136		53,738
Centers for Disease Control and Prevention (pass through from Commonwealth of Mass - Department of Public Health (DPH))	93.136	INTF3416HH2706811003	82,626
CFDA subtotal			<u>136,364</u>
Health Resources Services Administration	93.153		20,297
Health Resources Services Administration (pass through from Dimock Community Health Center)	93.153	B9682	121,685
Health Resources Services Administration (pass through from Latino Health Institute)	93.153	H12HA23060-10	105,442
Health Resources Services Administration (pass through from Justice Resource Institute)	93.153	HRSA 07-052	41,434
CFDA subtotal			<u>288,858</u>
Centers for Disease Control and Prevention	93.185		7,344
Centers for Disease Control and Prevention (pass through from America's Health Insurance Plans)	93.185	200-2002-00732	931,684
CFDA subtotal			<u>939,028</u>
National Centers for Complimentary and Alternative Medicine	93.213		858,270
National Centers for Complimentary and Alternative Medicine (pass through from Duke University)	93.213	203-1234	19,283
National Centers for Complimentary and Alternative Medicine (pass through from Hypnagelsics)	93.213	1R43 AT006296-01A1	18,606
CFDA subtotal			<u>896,159</u>
Office of Public Health and Science (pass through from ABCD)	93.217	F51-887-00-10-1048/3048	9,713
Office of Public Health and Science (pass through from ABCD)	93.217	FPHPA016027-01-00	26,869
CFDA subtotal			<u>36,582</u>
National Institutes of Health	93.242		1,363,795
National Institutes of Health (pass through from Dimagi)	93.242	5R44 MH080655-03	95,160
National Institutes of Health (pass through from Trustees of Boston University)	93.242	5R01 MH076911, 9500228356	80,634
National Institutes of Health (pass through from Social and Scientific Systems)	93.242	BRS-IMPCT-Q-06-00103	(12,580)
National Institutes of Health (pass through from Social and Scientific Systems)	93.242	BRS-IMPCT-S-11-000004-001413	28,952
National Institutes of Health (pass through from Social and Scientific Systems)	93.242	BRS-IMPCT-S-11-000004-001551	19,551
National Institutes of Health (pass through from Social and Scientific Systems)	93.242	BRS-IMPCT-S-11-000004-001717	9,371
CFDA subtotal			<u>1,584,883</u>
Substance Abuse and Mental Health Services Administration	93.243		506,316
Substance Abuse and Mental Health Services Administration (pass through from Boston Public Health Commission (BPHC))	93.243	FY11009103	142,707
Substance Abuse and Mental Health Services Administration (pass through from University of California)	93.243	5737sc	96,601
Substance Abuse and Mental Health Services Administration (pass through from Children's Hospital)	93.243	PO#0000281208	14,787
Substance Abuse and Mental Health Services Administration (pass through from Commonwealth of Mass - DPH)	93.243	INTF2330M04W76112076	587,270
CFDA subtotal			<u>1,347,681</u>
National Institute on Alcohol Abuse and Alcoholism	93.273		1,950,906
National Institute on Alcohol Abuse and Alcoholism (pass through from Research Foundation of State University of New York)	93.273	1098537-5-59172, R772949, R750129	42,230
CFDA subtotal			<u>1,993,136</u>

The accompanying notes are an integral part of the schedule.

Boston Medical Center and Affiliates

Schedule of Expenditures of Federal Awards

September 30, 2012

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Number	Total Federal Expenditures
Research and Development Cluster, continued			
National Institute of Drug Abuse	93.279		3,141,015
National Institute of Drug Abuse (pass through from Butler Hospital)	93.279	9181-8332	184,652
National Institute of Drug Abuse (pass through from McLean Hospital)	93.279	5U01 DA015831	295,539
CFDA subtotal			<u>3,621,206</u>
Centers for Disease Control and Prevention	93.283		227,671
Centers for Disease Control and Prevention (pass through from Commonwealth of Mass - DPH)	93.283	INTF3406MM3900817012	186,541
Centers for Disease Control and Prevention (pass through from Commonwealth of Mass - DPH)	93.283	INTF4126HH2706811005	25,874
CFDA subtotal			<u>440,086</u>
National Cancer Institute	93.393		1,025,356
National Cancer Institute (pass through from University of Texas)	93.393	0005961A	45,457
National Cancer Institute (pass through from Georgetown University)	93.393	RX 4442-003-BMC	19,051
CFDA subtotal			<u>1,089,864</u>
National Cancer Institute	93.394		995
National Cancer Institute (pass through from Dana Farber Cancer Institute)	93.394	1139005	14,353
National Cancer Institute (pass through from American College of Radiology)	93.394	CA 80098	5,606
National Cancer Institute (pass through from Riverside Research)	93.394	NYO.G00386P.011627.02	24,282
National Cancer Institute (pass through from Baylor College)	93.394	101573601	85,204
CFDA subtotal			<u>130,440</u>
National Cancer Institute	93.395		1,154,844
National Cancer Institute (pass through from American College of Radiology)	93.395	U10 CA37422, 117	21,711
National Cancer Institute (pass through from Emmes Corporation)	93.395	PO 1568 P HB330	100,495
National Cancer Institute (pass through from University of Chicago)	93.395	38399	1,792
National Cancer Institute (pass through from Dana Farber Cancer Institute)	93.395	1146701	26,503
National Cancer Institute (pass through from Radiation Therapy Oncology Group)	93.395	Sub to No. U10 CA021661	2,107
National Cancer Institute (pass through from National Surgical Adjuvant Breast and Bowel Project Foundation (NSABP))	93.395	3TFED39-091	26,566
CFDA subtotal			<u>1,334,018</u>
National Cancer Institute	93.399		1,120,751
National Institutes of Health (pass through from NSABP Foundation)	93.399	PFED17-22 BOS-01	1,109
CFDA subtotal			<u>1,121,860</u>
National Institute of Diabetes, Digestive, and Kidney Diseases - ARRA	93.701		427,437
National Institute of Diabetes, Digestive, and Kidney Diseases - ARRA (pass through from Tufts University)	93.701	R24 DK087669, SU0057	64,137
National Institute of Diabetes, Digestive, and Kidney Diseases - ARRA (pass through from University of Pennsylvania)	93.701	558757R01DA006532	104,353
National Institute on Mental Health - ARRA	93.701		1,819
National Library of Medicine - ARRA	93.701		359,487
National Cancer Institute - ARRA	93.701		137,425
National Heart, Blood, and Lung Institute - ARRA	93.701		1,501,473
National Heart, Blood, and Lung Institute - ARRA (pass through from Trustee of Boston University)	93.701	RA 207636 NGQ	(25,435)
National Heart, Blood, and Lung Institute - ARRA (pass through from Trustee of Boston University)	93.701	RA207578NGQ	(12,846)
National Institute of Allergy and Infectious Diseases - ARRA	93.701		(13,411)
National Institute of Allergy and Infectious Diseases - ARRA (pass through from Trustee of Boston University)	93.701	RA208223NGQ	33,656
National Institute of Allergy and Infectious Diseases - ARRA (pass through from Social and Scientific Systems)	93.701	BRS-ACURE-Q-09-00345-T001	(3,583)
National Institute of Allergy and Infectious Diseases - ARRA (pass through from Trustee of Boston University)	93.701	RA 207668 NGQ	(5,591)
National Institute of Allergy and Infectious Diseases - ARRA (pass through from Trustee of Boston University)	93.701	GC208113NGC	10,745
National Institute of Child Health and Human Development - ARRA	93.701		126,524

The accompanying notes are an integral part of the schedule.

Boston Medical Center and Affiliates

Schedule of Expenditures of Federal Awards

September 30, 2012

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Number	Total Federal Expenditures
Research and Development Cluster, continued			
National Institute of Environmental Health Services - ARRA (pass through from Commonwealth of Mass - DPH)	93.701	INTF3056H78706811018	25,001
National Institute of Environmental Health Services - ARRA (pass through from Commonwealth Mass DPH)	93.701	RFR706811	3,234
National Institute of Arthritis and Musculoskeletal and Skin Diseases - ARRA (pass through from Brigham and Women's Hospital)	93.701	105126	223
National Centers for Complimentary and Alternative Medicine - ARRA (pass through from University of Medicine and Dentistry New Jersey)	93.701	1R01 AT004623-01	(1,023)
CFDA subtotal			<u>2,733,625</u>
National Heart, Blood, and Lung Institute	93.837		5,436,057
National Heart, Blood, and Lung Institute (pass through from Duke Clinical Research Institute)	93.837	1U01 HL069015-01	4,919
National Heart, Blood, and Lung Institute (pass through from Beth Israel Deaconess Medical Center)	93.837	5R01 HL094555	16,188
National Heart, Blood, and Lung Institute (pass through from Mass General Hospital)	93.837	218586	<u>57,941</u>
CFDA subtotal			<u>5,515,105</u>
National Heart, Blood, and Lung Institute	93.838		873,349
National Institute of Diabetes, Digestive, and Kidney Diseases	93.838		<u>48,949</u>
CFDA subtotal			<u>922,298</u>
National Heart, Blood, and Lung Institute	93.839		972,567
National Heart, Blood, and Lung Institute (pass through from Trustees of Boston University)	93.839	9500300183	<u>737,478</u>
CFDA subtotal			<u>1,710,045</u>
National Institute of Arthritis and Musculoskeletal and Skin Diseases	93.846		683,319
National Institutes of Health (pass through from Trustee of Boston University)	93.846	GC203549NGG	<u>9,371</u>
CFDA subtotal			<u>692,690</u>
National Institute of Diabetes, Digestive, and Kidney Diseases	93.847		7,677,722
National Institute of Diabetes, Digestive, and Kidney Diseases (pass through from Mass General Hospital)	93.847	204660	(1,358)
National Institute of Diabetes, Digestive, and Kidney Diseases (pass through from Mass General Hospital)	93.847	218335	32,618
National Institute of Diabetes, Digestive, and Kidney Diseases (pass through from Case Western Reserve University)	93.847	RES505788	40,694
National Institute of Diabetes, Digestive, and Kidney Diseases (pass through from University of Pennsylvania)	93.847	558751	252,235
National Institute of Diabetes, Digestive, and Kidney Diseases (pass through from Beth Israel Deaconess Medical Center)	93.847	5R01 DK073302-05	<u>94,897</u>
CFDA subtotal			<u>8,096,808</u>
National Institute of Neurological Disorders and Stroke	93.853		3,508,789
National Institute of Neurological Disorders and Stroke (pass through from Yale University)	93.853	A07593 (M10A10498)	28,881
National Institute of Neurological Disorders and Stroke (pass through from University of California)	93.853	1580 BKF113	(4,313)
National Institute of Neurological Disorders and Stroke (pass through from Mass General Hospital)	93.853	5U01 NS052592-05	2,085
National Institute of Neurological Disorders and Stroke (pass through from University of Minnesota)	93.853	N000936944	5,473
National Institute of Neurological Disorders and Stroke (pass through from Johns Hopkins University)	93.853	2000764957	<u>(5,473)</u>
CFDA subtotal			<u>3,535,442</u>
National Institute on Aging (pass through from Yale University)	93.855	A06659	8,711
National Institute on Aging (pass through from Tulane University)	93.855	TUL-HSC-305-11/12	19,349
National Institute of Allergy and Infectious Diseases	93.855		<u>1,835,858</u>
National Institute of Allergy and Infectious Diseases (pass through from Harvard Pilgrim Healthcare)	93.855	PH000259A	115
National Institute of Allergy and Infectious Diseases (pass through from Harvard Pilgrim Healthcare)	93.855	PH000391A	179,039
National Institute of Allergy and Infectious Diseases (pass through from North Carolina State University)	93.855	2006-1094-2	58,688
National Institute of Allergy and Infectious Diseases (pass through from Institute for Clinical Research)	93.855	M56-BU-071-1101-3	828
National Institute of Allergy and Infectious Diseases (pass through from Mass General Hospital)	93.855	Sub to 1U01 AI069472-03 to 05	508,508

The accompanying notes are an integral part of the schedule.

Boston Medical Center and Affiliates

Schedule of Expenditures of Federal Awards

September 30, 2012

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Number	Total Federal Expenditures
Research and Development Cluster, continued			
National Institute of Allergy and Infectious Diseases (pass through from Mass General Hospital)	93.855	206363	101,910
National Institute of Allergy and Infectious Diseases (pass through from Trustees of Boston University)	93.855	RA208308 NGM	77,772
National Institute of Allergy and Infectious Diseases (pass through from Trustees of Boston University)	93.855	RA208306 NGM	19,684
National Institute of Allergy and Infectious Diseases (pass through from Trustees of Boston University)	93.855	RA208307 NGM	22,639
National Institute of Allergy and Infectious Diseases (pass through from Trustees of Boston University)	93.855	RA208309 NGM	(8,869)
National Institute of Allergy and Infectious Diseases (pass through from Trustees of Boston University)	93.855	701-1513	58,277
National Institute of Allergy and Infectious Diseases (pass through from Trustees of Boston University)	93.855	9500300605	156,711
National Institute of Allergy and Infectious Diseases (pass through from Trustees of Boston University)	93.855	9500300684	169,843
National Institute of Allergy and Infectious Diseases (pass through from Trustees of Boston University)	93.855	9500300685	166,437
National Institute of Allergy and Infectious Diseases (pass through from Rhode Island Hospital)	93.855	9500300686	295,964
National Institute of Allergy and Infectious Diseases (pass through from Rhode Island Hospital)	93.855	9500233917	15,621
National Institute of Allergy and Infectious Diseases (pass through from U Mass Worcester)	93.855	6137068/RFS2012072, 6125215/RFS2011112	355,108
National Institute of Allergy and Infectious Diseases (pass through from U Mass Worcester)	93.855	6137069/RFS2012075	221,656
National Institute of Allergy and Infectious Diseases (pass through from U Mass Worcester)	93.855	6125216/RFS2011110	(13,606)
National Institute of Allergy and Infectious Diseases (pass through from Johns Hopkins University)	93.855	2001097062	829,345
National Institute of Allergy and Infectious Diseases (pass through from Johns Hopkins University)	93.855	HHSN272200900050C	88,733
National Institute of Allergy and Infectious Diseases (pass through from Johns Hopkins University)	93.855	7U01 AI090727-02	27,606
National Institute of Allergy and Infectious Diseases (pass through from University of Medicine and Dentistry NJ)	93.855	PO# P0537163	20,474
National Institute of Allergy and Infectious Diseases (pass through from Harvard University)	93.855	149047.0921	189,771
National Institute of Allergy and Infectious Diseases - ARRA (pass through from Social and Scientific Systems)	93.855	CRB-DCR01-S-09-00305	219
National Institute of Allergy and Infectious Diseases (pass through from Social and Scientific Systems)	93.855	BRS-ACURE-S-11-000396-001665	26,699
CFDA subtotal			<u>5,433,090</u>
National Institute of Child Health and Human Development (pass through from Children's Hospital)	93.856	260718	615,990
National Institutes of Health (pass through from St. Louis University)	93.856	Sub to No. N01 AI-45250	25,207
CFDA subtotal			<u>641,197</u>
National Institute of Child Health and Human Development	93.865		165,264
National Institute of Child Health and Human Development (pass through from Brigham and Women's Hospital)	93.865	104321	135,567
National Institute of Child Health and Human Development (pass through from Johns Hopkins University)	93.865	7R01 HD041702-10	43,209
CFDA subtotal			<u>344,040</u>
National Institute on Aging	93.866		4,050,687
National Institute on Aging (pass through from University of Pennsylvania)	93.866	552260, 554529, 556786	862,725
National Institute on Aging (pass through from University of Pennsylvania)	93.866	557804	858
National Institute on Aging (pass through from Hebrew Rehabilitation Center)	93.866	10.10.90053	160,762
National Institute on Aging (pass through from California Pacific Medical Research Institute)	93.866	2803227-S143	251,149
National Institute on Aging (pass through from National Bureau of Economic Research)	93.866	BMC-33-4135-02-5	864
National Institutes of Health (pass through from New England Research Center (NERI))	93.866	Sub to No. R01 AG020727	158,702
CFDA subtotal			<u>5,485,747</u>

The accompanying notes are an integral part of the schedule.

Boston Medical Center and Affiliates

Schedule of Expenditures of Federal Awards

September 30, 2012

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Number	Total Federal Expenditures
Research and Development Cluster, continued			
National Eye Institute	93.867		547,916
National Eye Institute (pass through from JAEB Center for Health Research)	93.867	2U10 EY011751-13	<u>50</u>
CFDA subtotal			<u>547,966</u>
National Bioterrorism Hospital Preparedness (pass through from Commonwealth of Mass - DPH)	93.889	INTF6207PP1W02515177	5,388
National Bioterrorism Hospital Preparedness (pass through from Commonwealth of Mass - DPH)	93.889	INTF6207PP1204215292	87,475
National Bioterrorism Hospital Preparedness (pass through from Commonwealth of Mass - DPH)	93.889	INTF6207J50303516454	<u>22</u>
CFDA subtotal			<u>92,885</u>
Health Resources Services Administration (pass through from BPHC)	93.914	6-H89-HA-00011-16	70,990
Health Resources Services Administration (pass through from BPHC)	93.914	N/A	<u>23,417</u>
CFDA subtotal			<u>94,407</u>
Health Resources Services Administration (pass through from Commonwealth of Mass - DPH)	93.917	INTF4922MM3600214056	(12,111)
Health Resources Services Administration (pass through from Commonwealth of Mass - DPH)	93.917	INTF4943MM3200120006	<u>1,148,111</u>
CFDA subtotal			<u>1,136,000</u>
Substance Abuse and Mental Health Services Administration (pass through from Commonwealth of Mass DMH)	93.982	SCDMH821011080480000	7,572
Substance Abuse and Mental Health Services Administration (pass through from Commonwealth of Mass DMH)	93.982	SCDMH821011080490000	<u>180,013</u>
CFDA subtotal			<u>187,585</u>
Health Resources Services Administration (pass through from BPHC)	93.926	007457	(1,272)
Health Resources Services Administration (pass through from BPHC)	93.926	009977	<u>118,461</u>
CFDA subtotal			<u>117,189</u>
Centers for Disease Control and Prevention (pass through from Commonwealth of Mass - DPH)	93.940	MEDICALSERVICESM2M00	73,210
Centers for Disease Control and Prevention (pass through from Commonwealth of Mass - DPH)	93.940	STDCLINICVCSMM30000	<u>225</u>
CFDA subtotal			<u>73,435</u>
National Heart, Blood, and Lung Institute (pass through from New England Research Institute)	93.unknown	N01-HC-45207	5,369
National Heart, Blood, and Lung Institute (pass through from Trustees of Boston University)	93.unknown	RA 208216 NGO	(37,501)
National Heart, Blood, and Lung Institute (pass through from Trustees of Boston University)	93.unknown	RA 208201 NGO	547,913
National Heart, Blood, and Lung Institute (pass through from Trustees of Boston University)	93.unknown	9500240818	639,659
National Heart, Blood, and Lung Institute (pass through from University of Utah)	93.unknown	10009050-01	3,710
National Heart, Blood, and Lung Institute - ARRA (pass through from University of Utah)	93.unknown	10009050-01ARRA	40,860
National Institute of Child Health and Human Development (pass through from Fast Track Drugs and Biologics)	93.unknown	HHSN275200900005C	739,730
National Institute of Drug Abuse	93.unknown		337,042
National Institute of Drug Abuse (pass through from University of Michigan)	93.unknown	3001824517	57,263
Substance Abuse and Mental Health Services Administration (pass through from Mitre Corporation)	93.unknown	93354	152,919
Health Resources Services Administration (pass through from National Initiative for Childrens Health)	93.unknown	9254	176,879
Centers for Disease Control and Prevention	93.unknown		53,413
Centers for Disease Control and Prevention (pass through from Christopher Reeve Foundation)	93.unknown	1 U59 DD000338	3,983
Centers for Disease Control and Prevention (pass through from Lesotho Ministry of Health)	93.unknown	N/A	355,386
Centers for Disease Control and Prevention (pass through from Westat)	93.unknown	8625.02 PO-001	20,458
Centers for Disease Control and Prevention (pass through from Westat)	93.unknown	8625.09-S01	2,732
Centers for Disease Control and Prevention (pass through from Healthy Housing Solutions)	93.unknown	HHSI-11-S-1005	27,291

The accompanying notes are an integral part of the schedule.

Boston Medical Center and Affiliates

Schedule of Expenditures of Federal Awards

September 30, 2012

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Number	Total Federal Expenditures
Research and Development Cluster, continued			
Centers for Disease Control and Prevention (pass through from Johns Hopkins University)	93.unknown	PO# 2001374022	105,840
Centers for Medicare and Medicaid Services (pass through from Quality Partners of Rhode Island)	93.unknown	sub to HHSM-500-2008-R19THC	10,874
Agency for Healthcare Research & Quality (pass through from Yale New Haven Health)	93.unknown	HHSA2902006000151	47,105
Department of Health and Human Services (DHHS) (pass through from Social and Scientific Systems)	93.unknown	CRB-SSS-S-11-001712	1,149
DHHS (pass through from Social and Scientific Systems) - ARRA	93.unknown	CRB-SSS-S-11-001698	64
Food and Drug Administration	93.unknown		41
CFDA subtotal			<u>3,292,179</u>
Agency for Healthcare Research & Quality - ARRA (pass through from New York University)	93.715	PO# M000038557	69,367
National Coordinator for Health Technology - ARRA (pass through from Massachusetts Institute of Technology)	93.718	90RC0016/01	143,457
Centers for Disease Control and Prevention - ARRA (pass through from BPHC)	93.724	7305	28,656
National Institute of Diabetes, Digestive, and Kidney Diseases	93.849		(303)
National Institutes of Health	93.859		466,556
National Institutes of Health	93.989		(12,350)
Health Resources Services Administration	93.884		25,911
Health Resources Services Administration	93.887		12,894
Health Resources Services Administration (pass through from BPHC)	93.926	N/A	3,476
Centers for Disease Control and Prevention	93.939		319,407
Centers for Disease Control and Prevention (pass through from Columbia University)	93.941	5U62 PS223540-07	(66)
Centers for Disease Control and Prevention (pass through from Commonwealth of Mass - DPH)	93.943	INTF4942MM3100119035	1,009,244
Substance Abuse and Mental Health Services Administration (pass through from Commonwealth of Mass DMH)	93.958	SCDMH621050060260000	129,901
Substance Abuse and Mental Health Services Administration (pass through from BPHC)	93.959	FY11009073A	33,300
Health Resources Services Administration (pass through from Commonwealth of Mass - DPH)	93.994	INTF3105M03901424004	108,261
National Cancer Institute (pass through from NSABP Foundation)	93,399, 93,395	BOS-DMP-1	5,789
Administration for Children & Families	93.048		313,524
Centers for Disease Control and Prevention (pass through from National Environmental Education Foundation)	93.070	1UE1 EH000761-01	6,060
Health Resources Services Administration	93.110		1,966,970
National Institutes of Health (pass through from Trustees of Boston University)	93.286	GC 200871 NGC	46,463
National Institutes of Health	93.361		(5,111)
National Cancer Institute	93.396		750,663
National Cancer Institute	93.398		44,004
National Institutes of Health	93.281		68,823
National Institute on Minority Health and Health Disparities	93.307		90,164
Health Resources Services Administration	93.156		865,712
Health Resources Services Administration	93.186		379,034
Health Resources Services Administration	93.191		148,041
Health Resources Services Administration - ARRA	93.403		394,874
Health Resources Services Administration	93.510		344,994
Centers for Disease Control and Prevention (pass through from University of Louisville)	93.184	IOIC 100673Z05	37,679
Administration for Children & Families (pass through from Commonwealth of Mass - DPH)	93.566	5189999DMM3-13	168,528
Administration for Children & Families	93.604		511,025
Administration for Children & Families (pass through from L.U.K. Crisis Center)	93.652	09CO1057/01	24,298
Administration for Children & Families (pass through from Center for the Study of Social Policy)	93.670	100313	611,472
Office of the Secretary	93.297		663,412
Agency for Healthcare Research & Quality	93.226		476,475
Substance Abuse and Mental Health Services Administration (pass through from BPHC)	93.104	1U79 SM059058-01, 009103	22,559
Department of Health and Human Services			<u>66,852,718</u>

The accompanying notes are an integral part of the schedule.

Boston Medical Center and Affiliates

Schedule of Expenditures of Federal Awards

September 30, 2012

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Number	Total Federal Expenditures
Department of Agriculture			
Department of Agriculture	10.206		47,757
Department of Agriculture (pass through from Albert Einstein College of Medicine)	10.206	9-526-4122, 9-526-5642	(2,171)
Department of Agriculture (pass through from University of Kentucky)	10.unknown	3048108673-12-656	9,890
Department of Agriculture			<u>55,476</u>
Department of Education			
Department of Education (pass through from Trustees of Boston University)	84.133	RA 208474 NGM	17,362
Department of Education (pass through from Trustees of Boston University)	84.133	4500000406	53,390
Department of Education	84.133		<u>335,680</u>
Department of Education			<u>406,432</u>
Department of Housing and Urban Development			
Department of Housing and Urban Development (pass through from Department of Neighborhood Development)	14.231	C-31334-11	10,415
Department of Housing and Urban Development (pass through from Justice Resource Institute)	14.241	MA-H11-0007	2,500
Department of Housing and Urban Development (pass through from Homestart, Inc.)	14.247	HOMESTART	694
Department of Housing and Urban Development (pass through from BPHC)	14.901	7237	32,552
Department of Housing and Urban Development	14.906		62,199
Department of Housing and Urban Development (pass through from Commonwealth of Mass DPH)	14.unknown	INTF3056H78706811011, INTF3056H78706811018	40,621
Department of Housing and Urban Development	14.unknown		<u>119,432</u>
Department of Housing and Urban Development			<u>268,413</u>
Department of Defense			
Department of Defense	12.420		949,785
Department of Defense (pass through from Binax, Inc)	12.420	00505501A/DAMD17-02-2-0034	34,036
Department of Defense (pass through from Center for Integration of Medicine and Innovative Technology (CIMIT))	12.420	W81XWH-09-3-001	3,465
Department of Defense (pass through from Johns Hopkins University)	12.420	W81XWH0920108	8,869
Department of Defense			<u>996,155</u>
Department of Justice			
Department of Justice (pass through from Commonwealth of Mass - Massachusetts Office of Victim Assistance (MOVA))	16.575	VOCA2013BMCI00000000	19,035
Department of Justice (pass through from Commonwealth of Mass - MOVA)	16.575	VOCA2010BMCI00000001	43,667
Department of Justice (pass through from Commonwealth of Mass - MOVA)	16.575	CTVWAVOCA 2009BMCI	108,365
Department of Justice (pass through from Commonwealth of Mass - MOVA) - ARRA	16.575	2012ARRAVOCAVWA	118,349
Department of Justice (pass through from Executive Office of Public Safety)	16.588	SCEPS3001VAWA12BMCDM	18,096
Department of Justice (pass through from Boston Police Department)	16.745	2010-MO-BX-0011	77,164
Department of Justice (pass through from Commonwealth of Mass - MOVA)	16.757	VOCA2013BMCI00000000	14,265
Department of Justice - ARRA (pass through from BPHC)	16.808	007759, 009911	58,682
Department of Justice (pass through from Boston Public Health Commission)	16.unknown	FY12009344	19,625
Department of Justice			<u>477,248</u>
Department of Veteran Affairs			
Department of Veteran Affairs	64.unknown		<u>36,875</u>
Department of Veteran Affairs			<u>36,875</u>
Research and Development Cluster, continued			

The accompanying notes are an integral part of the schedule.

Boston Medical Center and Affiliates

Schedule of Expenditures of Federal Awards

September 30, 2012

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Number	Total Federal Expenditures
Agency for International Development			
United States Agency for International Development (pass through from John Snow Inc)	98.unknown	Treatment 001	11,139
Agency for International Development			<u>11,139</u>
Department of Energy			
US Department of Energy-Oak Ridglet Institute	81.unknown		8,718
Department of Energy			<u>8,718</u>
National Science Foundation			
(Pass through from Northeastern University)	47.041	501964	17,582
National Science Foundation			<u>17,582</u>
Total Research and Development Cluster			<u>69,130,756</u>
Other Programs			
Department of Agriculture			
(Pass through from Greater Boston Food Bank)	10.569		47,595
Department of Agriculture			<u>47,595</u>
Department of Health and Human Services			
Administration on Aging (pass through from City of Boston)	93.044	11AAMAT3SP	14,371
Centers for Disease Control and Prevention - ARRA (pass through from BPHC)	93.712	1U58 DP002474-01	17,000
Department of Health and Human Services			<u>31,371</u>
Total Other Programs			<u>78,966</u>
Total federal expenditures			<u>\$ 69,209,722</u>

The accompanying notes are an integral part of the schedule.

Boston Medical Center and Affiliates
Notes to Schedule of Expenditures of Federal Awards
September 30, 2012

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant awards received directly from the federal government and awards passed through from other primary recipients using the accrual basis of accounting. Negative amounts on the Schedule of Expenditures of Federal Awards represent adjustments in the normal course of business to expenditures reported in the prior year. CFDA and pass-through numbers are included when available.

2. Subrecipients

Certain federal funds are passed through to subrecipient organizations in the research and development cluster-program by Boston Medical Center. Expenditures incurred by these subrecipients and reimbursed by Boston Medical Center totaled \$10,003,823 for the year ended September 30, 2012 and are presented in the Schedule of Expenditures of Federal Awards.

Program Name	CFDA #	Amount
Grants for agricultural research competitive research grants	10.206	\$ 10,146
Fair housing initiatives program enforcement testing technical assistance	12.420	41,609
Healthy homes technical studies grants	14.906	62,961
National Institute on disability and rehabilitation research	84.133	137,616
Maternal and child health federal consolidated programs	93.110	303,323
Injury prevention and control research and state and community based programs	93.136	23,980
Geriatric training for physicians, dentists and behavioral/Mental health professionals	93.156	373,585
Mental health research grants	93.242	84,229
Substance abuse and mental health services projects of regional and national significance	93.243	165,769
National institute on alcohol abuse and alcoholism	93.273	278,549
Drug abuse and addiction research programs	93.279	896,461
Centers for disease control and prevention investigations and technical assistance	93.283	82,095
Teenage pregnancy prevention program	93.297	305,968
Cancer cause and prevention research	93.393	591,220
Cancer treatment research	93.395	664,699
Cancer control	93.399	181,132
Trans-NIH recovery act research support	93.701	264,246
Cardiovascular diseases research	93.837	569,702
Lung diseases research	93.838	4,136
Blood diseases and resources research	93.839	665,718
Diabetes, digestive, and kidney diseases extramural research	93.847	1,390,313
Extramural research programs in the neurosciences and neurological disorders	93.853	2,249,911
Allergy, immunology and transplantation research	93.855	32,724
Child health and human development extramural research	93.865	9,615
Aging research	93.866	527,397
HIV prevention activities health department based	93.940	38,738
Department of Health and Human Services	93.unknown	47,981
Total subrecipients research and development cluster		<u>\$ 10,003,823</u>

3. Noncash Assistance

In 2012 \$47,595 of U.S. Department of Agriculture (USDA) product was received from the Greater Boston Food Bank (CFDA #10.569) and distributed to program participants through the Boston Medical Center Food Bank.

Part II - Reports on Internal Control Structure and Compliance



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

To the Board of Trustees of
Boston Medical Center and Affiliates

We have audited the consolidated financial statements of Boston Medical Center and Affiliates (the "Medical Center and Affiliates") as of and for the year ended September 30, 2012, and have issued our report thereon dated February 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The PricewaterhouseCoopers firm in the Cayman Islands performed audit procedures for the Boston Medical Center Insurance Company ("BMCIC"). Personnel of this firm, excluding United States personnel, do not participate in a continuing education program that satisfies the requirement set forth in Chapter 3, paragraph 3.45 of *Government Auditing Standards*. However, this firm does participate in continuing education programs applicable in the Cayman Islands.

Further, the PricewaterhouseCoopers firm in the Cayman Islands does not have an external quality review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.49 of *Government Auditing Standards*, since no such program is offered by professional organizations in the country. However, this office participates in the PricewaterhouseCoopers worldwide internal control review program, which requires the office to be periodically subjected to an extensive quality control review by partners and managers from other PricewaterhouseCoopers affiliated firms.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Medical Center and Affiliates' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center and Affiliates' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Medical Center and Affiliates' internal control over financial reporting.



A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Boston Medical Center and Affiliates in a separate letter dated February 7, 2013.

This report is intended solely for the information and use of the Medical Center and Affiliates' Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

February 8, 2013



**Report of Independent Auditors on Compliance
With Requirements That Could Have a Direct and Material Effect to Each Major
Program and on Internal Control over Compliance
in Accordance With OMB Circular A-133**

To the Board of Trustees of
Boston Medical Center and Affiliates

Compliance

We have audited the compliance of Boston Medical Center and Affiliates (the "Medical Center and Affiliates") with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2012. The Medical Center and Affiliates' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Medical Center and Affiliates' management. Our responsibility is to express an opinion on the Medical Center and Affiliates' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Medical Center and Affiliates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Medical Center and Affiliates' compliance with those requirements.

In our opinion, the Medical Center and Affiliates complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2012.



Internal Control Over Compliance

Management of the Medical Center and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Medical Center and Affiliates' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the Medical Center and Affiliates' internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Medical Center and Affiliates' Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

March 29, 2013

Part III - Findings and Questioned Costs

**Boston Medical Center and Affiliates
 Schedule of Findings and Questioned Costs
 September 30, 2012**

I. Summary of Auditors' Results

Type of audit report issued on the financial statements Unqualified

Internal Control over Financial Reporting

Material weaknesses identified Yes No

Significant deficiency(ies) in internal control disclosed by the audit of the financial statements Yes None reported

Noncompliance which is material to the financial Statements Yes No

Federal Awards

Material weaknesses in internal control over major programs Yes No

Significant deficiency(ies) in internal control over major programs that are not considered to be material weaknesses Yes None reported

Type of report issued on compliance for major program Unqualified

Audit findings required to be reported in accordance with Section 510(a) of Circular A-133 Yes No

Identification of major programs

CFDA #	Name of Federal Program or Cluster
Various	Research and Development Cluster
Dollar threshold for Type A and Type B programs	\$2,076,292
Audit qualified as a low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

II. Findings Related to the Financial Statements Which Are Required to be Reported in Accordance With Generally Accepted Auditing Standards

None noted.

III. Federal Expenditure Findings and Questioned Costs

None noted.

Boston Medical Center and Affiliates
Summary of Status of Prior Year Findings
September 30, 2012

There are no findings from the prior year that requires a status update.