



Financial Statements (and Supplementary Information)

The Medical Center Foundation, Inc.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Years Ended September 30, 2021 and 2020

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Medical Center Foundation, Inc.:

We have audited the accompanying financial statements of The Medical Center Foundation, Inc. (the Foundation), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Medical Center Foundation, Inc. as of September 30, 2021 and 2020, and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

PYA, P.C.

Atlanta, Georgia
January 19, 2022

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Statements of Financial Position
(Dollars in Thousands)

September 30, 2021

| | <i>Without Donor Restriction</i> | <i>With Donor Restriction</i> | <i>2021 Total</i> |
|---|--------------------------------------|-----------------------------------|-----------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 2,717 | \$ - | \$ 2,717 |
| Investments and assets limited as to use | - | 604 | 604 |
| Pledges receivable | - | 221 | 221 |
| Due from affiliates, net - Note E | 270 | - | 270 |
| TOTAL CURRENT ASSETS | <u>2,987</u> | <u>825</u> | <u>3,812</u> |
| Property held for future investment | - | 3,305 | 3,305 |
| Property and equipment, less accumulated depreciation of \$372 | 167 | - | 167 |
| Investments and assets limited as to use | 11,052 | 19,412 | 30,464 |
| Pledges receivable (less current portion), net | - | 1,681 | 1,681 |
| TOTAL ASSETS | <u>\$ 14,206</u> | <u>\$ 25,223</u> | <u>\$ 39,429</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | \$ 165 | \$ - | \$ 165 |
| Accrued payroll | 100 | - | 100 |
| TOTAL LIABILITIES | <u>265</u> | <u>-</u> | <u>265</u> |
| COMMITMENTS AND CONTINGENCIES - Note I | | | |
| NET ASSETS | <u>13,941</u> | <u>25,223</u> | <u>39,164</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 14,206</u> | <u>\$ 25,223</u> | <u>\$ 39,429</u> |

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Statements of Financial Position - Continued
(Dollars in Thousands)

September 30, 2020

| | <i>Without Donor Restriction</i> | <i>With Donor Restriction</i> | <i>2020 Total</i> |
|---|--------------------------------------|-----------------------------------|-----------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 3,169 | \$ - | \$ 3,169 |
| Investments and assets limited as to use | - | 376 | 376 |
| Pledges receivable | 6 | 280 | 286 |
| Other current receivables | 17 | - | 17 |
| Due from Affiliates, net - Note E | 379 | - | 379 |
| TOTAL CURRENT ASSETS | 3,571 | 656 | 4,227 |
| Property held for future investment | - | 3,305 | 3,305 |
| Property and equipment, less accumulated depreciation of \$321 | 218 | - | 218 |
| Investments and assets limited as to use | 7,913 | 18,156 | 26,069 |
| Pledges receivable (less current portion), net | - | 1,560 | 1,560 |
| Other non-current receivables | 66 | - | 66 |
| TOTAL ASSETS | \$ 11,768 | \$ 23,677 | \$ 35,445 |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | \$ 5 | \$ - | \$ 5 |
| Accrued payroll | 79 | - | 79 |
| TOTAL LIABILITIES | 84 | - | 84 |
| COMMITMENTS AND CONTINGENCIES - Note I | | | |
| NET ASSETS | 11,684 | 23,677 | 35,361 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 11,768 | \$ 23,677 | \$ 35,445 |

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Statements of Activities and Changes in Net Assets
(Dollars in Thousands)

Year Ended September 30, 2021

| | <i>Without Donor Restriction</i> | <i>With Donor Restriction</i> | <i>2021 Total</i> |
|---|--------------------------------------|-----------------------------------|-----------------------|
| Revenue, gains and other support: | | | |
| Contributions and bequests | \$ 114 | \$ 4,433 | \$ 4,547 |
| Partnership earnings, net | 3,248 | 399 | 3,647 |
| Investment earnings, net | 868 | 108 | 976 |
| Net assets released from restrictions for operations - Note G | 2,270 | (2,270) | - |
| TOTAL REVENUE, GAINS AND OTHER SUPPORT | 6,500 | 2,670 | 9,170 |
| Expenses: | | | |
| Operating expenses: | | | |
| Salaries and benefits | 1,333 | - | 1,333 |
| Supplies | 21 | - | 21 |
| Contracted outside services | 146 | - | 146 |
| Other | 93 | - | 93 |
| Depreciation | 51 | - | 51 |
| TOTAL OPERATING EXPENSES | 1,644 | - | 1,644 |
| Program expenses: | | | |
| Support provided to affiliates - Note E | 4,263 | 988 | 5,251 |
| TOTAL EXPENSES | 5,907 | 988 | 6,895 |
| EXCESS OF REVENUE, GAINS AND OTHER SUPPORT OVER EXPENSES | | | |
| | 593 | 1,682 | 2,275 |
| Other changes in net assets: | | | |
| Support from affiliates - Note E | 1,801 | - | 1,801 |
| Change in expected losses and discounts on pledges | - | (118) | (118) |
| Other | (137) | (18) | (155) |
| INCREASE IN NET ASSETS | 2,257 | 1,546 | 3,803 |
| NET ASSETS, BEGINNING OF YEAR | 11,684 | 23,677 | 35,361 |
| NET ASSETS, END OF YEAR | \$ 13,941 | \$ 25,223 | \$ 39,164 |

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Statements of Activities and Changes in Net Assets - Continued
(Dollars in Thousands)

Year Ended September 30, 2020

| | <i>Without Donor Restriction</i> | <i>With Donor Restriction</i> | <i>2020 Total</i> |
|--|--------------------------------------|-----------------------------------|-----------------------|
| Revenue, gains and other support: | | | |
| Contributions and bequests | \$ 95 | \$ 3,457 | \$ 3,552 |
| Partnership losses, net | (1,414) | (121) | (1,535) |
| Investment earnings, net | 83 | 20 | 103 |
| Net assets released from restrictions for operations - Note G | 1,292 | (1,292) | - |
| TOTAL REVENUE, GAINS AND OTHER SUPPORT | 56 | 2,064 | 2,120 |
| Expenses: | | | |
| Operating expenses: | | | |
| Salaries and benefits | 1,193 | - | 1,193 |
| Utilities | 1 | - | 1 |
| Supplies | 137 | - | 137 |
| Legal, consulting and professional fees | 56 | - | 56 |
| Contracted outside services | 132 | - | 132 |
| Other | 174 | - | 174 |
| Depreciation | 41 | - | 41 |
| TOTAL OPERATING EXPENSES | 1,734 | - | 1,734 |
| Program expenses: | | | |
| Support provided to affiliates - Note E | 1,292 | - | 1,292 |
| TOTAL EXPENSES | 3,026 | - | 3,026 |
| (DEFICIENCY) EXCESS OF REVENUE, GAINS AND OTHER SUPPORT OVER EXPENSES | (2,970) | 2,064 | (906) |
| Other changes in net assets: | | | |
| Support from affiliates - Note E | 1,683 | - | 1,683 |
| Change in expected losses and discounts on pledges | (1) | (71) | (72) |
| Other | (183) | 27 | (156) |
| INCREASE (DECREASE) IN NET ASSETS | (1,471) | 2,020 | 549 |
| NET ASSETS, BEGINNING OF YEAR | 13,155 | 21,657 | 34,812 |
| NET ASSETS, END OF YEAR | \$ 11,684 | \$ 23,677 | \$ 35,361 |

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Statements of Cash Flows
(Dollars in Thousands)

| | <i>Year Ended September 30,</i> | |
|--|---------------------------------|-----------------|
| | <i>2021</i> | <i>2020</i> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Increase in net assets | \$ 3,803 | \$ 549 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation | 51 | 41 |
| Change in expected losses and discounts on pledges | 118 | 72 |
| Changes in other assets and liabilities: | | |
| Pledges and other receivables | (91) | 54 |
| Due from/to affiliates, net | 269 | (421) |
| Accrued payroll | 21 | (16) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 4,171 | 279 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net (increase) decrease in investments and assets limited as to use | (4,623) | 1,432 |
| Purchases of property and equipment | - | (111) |
| NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES | (4,623) | 1,321 |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (452) | 1,600 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 3,169 | 1,569 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 2,717 | \$ 3,169 |

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Notes to Financial Statements
(Dollars in Thousands)

Years Ended September 30, 2021 and 2020

NOTE A--ORGANIZATION

The Medical Center Foundation, Inc. (the Foundation), located in Gainesville, Georgia, was formed to develop and maintain quality volunteer services and manage fundraising activities for Northeast Georgia Health System, Inc. (NGHS) and its affiliated entities. NGHS is the parent corporation to the Foundation and, as such, the Foundation is included in the consolidated financial statements of NGHS and affiliates.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents: Cash and cash equivalents include cash and short-term deposits with original maturities of less than three months when purchased.

Investments and Assets Limited as to Use: The majority of investments and assets limited as to use at September 30, 2021 and 2020 consist of the Foundation's sole ownership in a limited partnership investment fund (the Fund). The primary objective of the Fund is to generate a higher than average cash flow yield through investment in publicly traded equity securities. The Foundation accounts for its investment in the Fund under the equity method of accounting with the Foundation's share of the Fund's gains and losses, both realized and unrealized, recognized as partnership earnings in the Statements of Activities and Changes in Net Assets.

All other investments and assets limited as to use which are not invested in the Fund are stated at fair value based on quoted market prices. The portion of these investments and assets limited as to use relating to financial instruments with remaining maturities of less than one year are classified as current assets.

Contributions/Pledges Receivable: Unconditional promises to give to the Foundation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are recognized as revenue at fair value when the conditions on which they depend are substantially met or otherwise become unconditional. The gifts are reported as either net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets, or net assets without donor restrictions if no donor stipulations limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

An estimated allowance for uncollectible pledges is recorded based on management's evaluation of pledges receivable. The Foundation's policies do not require collateral for pledges receivable.

THE MEDICAL CENTER FOUNDATION, INC.
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Notes to Financial Statements - Continued
(Dollars in Thousands)

Years Ended September 30, 2021 and 2020

Contributions are primarily from contributors in the Northeast Georgia area.

Property and Equipment: Property and equipment consists of building improvements and minor equipment and is stated at cost or, if donated, at fair market value on the date of gift, net of accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets using the half-year method. The depreciable lives for building improvements range from 20 to 30 years and from 3 to 15 years for equipment.

Expenditures for maintenance, repairs and minor renewals are charged to operations as incurred. Expenditures for betterments and major renewals are capitalized. The Foundation capitalized \$111 of expenditures relating to building improvements and minor equipment during 2020. No material expenditures were capitalized in 2021.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the financial statements. Any resulting gain or loss is included in the Statements of Activities and Changes in Net Assets.

Gifts of long-lived assets are reported as net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as net assets with donor restrictions. Absent explicit donor restrictions about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Foundation periodically reviews property and equipment for indicators of potential impairment of long-lived assets, and if such review indicates carrying amounts may not be recoverable, adjusts the carrying value and recognizes a loss. Management does not believe that any unrecognized impairment exists at September 30, 2021 and 2020.

Net Assets: The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net Assets Without Donor Restrictions:* These net assets are not subject to donor-imposed stipulations. The only limits on net assets without donor restrictions are the broad limits resulting from the nature of the Foundation and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements.

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Notes to Financial Statements - Continued
(Dollars in Thousands)

Years Ended September 30, 2021 and 2020

- *Net Assets With Donor Restrictions:* These are net assets resulting from contributions whose use by the Foundation is limited by donor-imposed stipulations.

Income Taxes: The Foundation is organized as a Georgia not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes has been made in the accompanying financial statements. At September 30, 2021 and 2020, respectively, management does not believe the Foundation holds any uncertain tax positions that would require financial statement recognition or disclosure under generally accepted accounting principles.

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 as of the date of the financial statements. Estimates also affect the reported amounts of revenue, support and expenses during the reporting period. Actual results could differ from these estimates.

Recently Adopted Accounting Principles: In March 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-08, *Receivables-Nonrefundable Fees and Other Costs: Premium Amortization on Purchased Callable Debt Securities*, which shortens the amortization period for any premium to the earliest call date. Bonds purchased with a discount are not impacted by this ASU. Management adopted this ASU effective October 1, 2020. The adoption of this ASU did not have a material impact to the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires balance sheet recognition of a liability and right-to-use asset for substantially all leases. The Foundation adopted this ASU effective October 1, 2020, utilizing a modified retrospective method with the cumulative effect made as of the earliest comparative period presented. The adoption of this ASU did not have a material impact to the financial statements of the Foundation, as the associated right of use assets and liabilities are held with NGHS and its other affiliates.

Recently Issued Accounting Principles: The following upcoming changes to accounting standards may impact the Foundation's financial statements when they become effective.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU applies to not-for-profit entities that receive contributed nonfinancial assets. These assets would appear as a separate line item in the Statement of Activities and Changes in Net Assets and require certain qualitative and quantitative disclosures, depending on the type of nonfinancial

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Notes to Financial Statements - Continued
(Dollars in Thousands)

Years Ended September 30, 2021 and 2020

asset. This ASU will be effective for fiscal years beginning after June 15, 2021. Management is currently evaluating the impact, if any, of adopting this ASU.

NOTE C--INVESTMENTS AND ASSETS LIMITED AS TO USE

The Foundation maintains the majority of its investments and assets limited as to use in the form of a limited partnership investment fund (the Fund). The Foundation accounts for the Fund under the equity method of accounting. In addition to the Fund, the Foundation maintains an investment portfolio with various asset allocations. The composition of investments and assets limited as to use at September 30, 2021 and 2020, is as follows:

| | <i>2021</i> | <i>2020</i> |
|---------------------------------|--------------------|--------------------|
| Cash and money market funds | \$ 604 | \$ 376 |
| Corporate bonds | 3,112 | 3,222 |
| Equity securities | 6,438 | 3,026 |
| Accrued income | 23 | 25 |
| Limited partnership investments | 20,891 | 19,796 |
| | <u>\$ 31,068</u> | <u>\$ 26,445</u> |

Income and losses from the Fund for the years ended September 30, 2021 and 2020 was as follows:

| | <i>2021</i> | <i>2020</i> |
|-------------------------------|--------------------|--------------------|
| Partnership earnings (losses) | \$ 3,647 | \$ (1,535) |

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk factors in the near term could materially affect the amounts reported in the financial statements.

NOTE D--PLEDGES RECEIVABLE

Pledges receivable are due as follows at September 30:

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Notes to Financial Statements - Continued
(Dollars in Thousands)

Years Ended September 30, 2021 and 2020

| | 2021 | 2020 |
|--------------------------------|-----------------|-----------------|
| Due in less than one year | \$ 221 | \$ 286 |
| Due in one to five years | 1,612 | 1,460 |
| Due in greater than five years | 475 | 475 |
| | <u>\$ 2,308</u> | <u>\$ 2,221</u> |

Estimated allowances and discounts on pledges receivable are summarized as follows at September 30:

| | 2021 | 2020 |
|--|-----------------|-----------------|
| Gross pledges receivable | \$ 2,308 | \$ 2,221 |
| Allowance for doubtful pledges | (231) | (222) |
| Discount on multi-year pledges at 5.5% | (175) | (153) |
| | <u>\$ 1,902</u> | <u>\$ 1,846</u> |

NOTE E--RELATED PARTY TRANSACTIONS

NGHS provides substantial operating support for the Foundation. During 2021 and 2020, NGHS and affiliates provided operating support of \$1,801 and \$1,683, respectively.

Contributions to affiliates for program support represent specific expenses paid by the Foundation on behalf of various NGHS affiliates for both capital and non-capital purposes.

During the years ended September 30, 2021 and 2020, contributions to affiliates for program support totaled \$5,251 and \$1,292, respectively.

Due to/from affiliates at September 30, 2021 and 2020 represent amounts due to/from NGHS and its affiliates for certain operating expenses and support. Such amounts are generally settled within one year.

NOTE F--OPERATING EXPENSE BY FUNCTIONAL CLASSIFICATION

The Foundation provides healthcare and support services to residents within its geographical location. Expenses are allocated by function based on estimates of employees' time incurred, usage of resources, and other methods. Healthcare services consist of transfers of cash and non-cash assets for their intended purposes to the Authority. Support services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. Fundraising expenses are costs of activities that

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Notes to Financial Statements - Continued
(Dollars in Thousands)

Years Ended September 30, 2021 and 2020

constitute an appeal for financial support; that is, costs incurred to induce others to contribute money, securities, time, materials, or facilities to the Foundation. Expenses based on functional classification related to providing these services during the years ended September 30, 2021 and 2020 are as follows:

| | <i>Healthcare Services</i> | <i>Support Services</i> | <i>Fundraising</i> | <i>Total</i> |
|---|--------------------------------|-----------------------------|--------------------|-----------------|
| September 30, 2021 | | | | |
| Salaries and benefits | \$ 6 | \$ 179 | \$ 1,148 | \$ 1,333 |
| Supplies | - | 3 | 18 | 21 |
| Contracted outside services | 1 | 20 | 125 | 146 |
| Other | - | 13 | 80 | 93 |
| Depreciation | - | 7 | 44 | 51 |
| | <u>\$ 7</u> | <u>\$ 222</u> | <u>\$ 1,415</u> | <u>\$ 1,644</u> |
| September 30, 2020 | | | | |
| Salaries and benefits | \$ 5 | \$ 138 | \$ 1,050 | \$ 1,193 |
| Utilities | - | - | 1 | 1 |
| Supplies | 1 | 16 | 120 | 137 |
| Legal, consulting and professional fees | - | 7 | 49 | 56 |
| Contracted outside services | 1 | 15 | 116 | 132 |
| Other | 1 | 20 | 153 | 174 |
| Depreciation and amortization | - | 5 | 36 | 41 |
| | <u>\$ 8</u> | <u>\$ 201</u> | <u>\$ 1,525</u> | <u>\$ 1,734</u> |

NOTE G--NET ASSETS RELEASED FROM RESTRICTIONS

For the years ended September 30, 2021 and 2020, net assets released from donor restrictions when expenses were incurred to satisfy the restricted purposes, by the passage of time, or by occurrence of events as specified by donors are as follows:

| | <u>2021</u> | <u>2020</u> |
|----------------------------|-------------|-------------|
| Restrictions accomplished: | | |
| Cardiology initiatives | \$ - | \$ 4 |
| Community benefit | 2,545 | 996 |
| Children's initiatives | 211 | 120 |
| Education | 5 | 9 |
| Equipment | 367 | 35 |

THE MEDICAL CENTER FOUNDATION, INC.
(A Subsidiary of Northeast Georgia Health System, Inc.)

Notes to Financial Statements - Continued
(Dollars in Thousands)

Years Ended September 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|-----------------|-----------------|
| Grants | 21 | 68 |
| Indigent patients | 22 | 17 |
| Oncology initiatives | 15 | 3 |
| Hospice | 23 | 32 |
| Scholarships | 49 | 8 |
| Total net assets released from restrictions | <u>\$ 3,258</u> | <u>\$ 1,292</u> |

During 2021 and 2020, total assets released from restrictions for operations was \$2,270 and \$1,292, respectively. During 2021, total assets released for capital purposes was \$988. No assets were released from restrictions for capital purposes during 2020.

NOTE H--NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the purposes as detailed below:

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| Cardiology funds | \$ 533 | \$ 453 |
| Community benefits funds | 10,174 | 9,164 |
| Oncology funds | 1,010 | 929 |
| Hospice funds | 1,629 | 1,359 |
| Children's initiatives funds | 1,123 | 1,209 |
| Education funds | 552 | 640 |
| Equipment funds | 2,150 | 2,959 |
| Grants | 713 | 609 |
| Indigent patient funds | 68 | 8 |
| Scholarship funds | 981 | 728 |
| Nephrology fund | 50 | 50 |
| Held in perpetuity: | - | - |
| Wilheit-Keys Peace Garden Maintenance | 155 | 155 |
| The Henry S Jennings Jr MD Visiting Lectureship | 424 | 100 |
| Nell's Prayer Garden Maintenance | 55 | 55 |
| David Pet Park Maintenance | 80 | 80 |
| Jack & Janice Frost Water Garden Maintenance | 100 | 100 |
| Braselton Flag Plaza Maintenance | 30 | 30 |
| Hospice fund | 51 | 51 |
| Nursing & Allied Health continuing education fund | 589 | 578 |

THE MEDICAL CENTER FOUNDATION, INC.
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Notes to Financial Statements - Continued
(Dollars in Thousands)

Years Ended September 30, 2021 and 2020

| | <i>2021</i> | <i>2020</i> |
|--|------------------|------------------|
| Nursing & Allied Health scholarships fund | 246 | 224 |
| Chaplain fund | 456 | 206 |
| MCF endowment fund | 2,869 | 2,869 |
| Honorary Gift - Woody Stewart & Nancy Colston fund | 480 | 480 |
| Pope Family Garden Maintenance | 100 | 100 |
| Evelyn Waugh scholarship fund | 53 | 53 |
| Ocie Pope scholarship fund | 26 | 26 |
| Destitute patient fund | 186 | 186 |
| Anne Thomas scholarship fund | 57 | 57 |
| John Ferguson scholarship fund | 221 | 219 |
| Ron Kutay scholarship fund | 39 | - |
| Don Freeman scholarship fund | 23 | - |
| | <u>\$ 25,223</u> | <u>\$ 23,677</u> |

NOTE I--COMMITMENTS AND CONTINGENT LIABILITIES

General: The Foundation may be subject to legal proceedings and claims which arise in the ordinary course of its business. At September 30, 2021, management is not aware of any pending or threatened litigation, claims or assessments.

Concentrations of Credit Risk: The Foundation holds deposits at a banking institution that is insured by the Federal Deposit Insurance Corporation. At times, the Foundation has deposits in excess of these insurance limits. The Foundation is exposed to loss of uninsured amounts in the event of non-performance by the banking institution; however, management does not anticipate any such losses.

NOTE J--FAIR VALUE MEASUREMENTS

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

- *Level 1:* Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

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Notes to Financial Statements - Continued
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- *Level 2:* Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- *Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

In instances where the determination of the fair value hierarchy measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Foundation's assessment of the significance of a particular input to the fair value presentation in its entirety requires judgment and considers factors specific to the asset or liability.

The following table presents assets reported at fair value and their respective classification under the valuation hierarchy as of September 30, 2021 and 2020, respectively:

| | <i>Carrying Value</i> | <i>Quoted Prices in Active Markets (Level 1)</i> | <i>Significant Other Observable Inputs (Level 2)</i> | <i>Significant Unobservable Inputs (Level 3)</i> |
|---|---------------------------|--|--|--|
| September 30, 2021 | | | | |
| Assets measured at fair value on a recurring basis: | | | | |
| Cash and money market funds | \$ 604 | \$ 604 | \$ - | \$ - |
| Corporate bonds | 3,112 | - | 3,112 | - |
| Equity securities | 6,438 | 6,438 | - | - |
| Accrued income | 23 | - | 23 | - |
| Total assets | <u>\$ 10,177</u> | <u>\$ 7,042</u> | <u>\$ 3,135</u> | <u>\$ -</u> |
| September 30, 2020 | | | | |
| Assets measured at fair value on a recurring basis: | | | | |
| Cash and money market funds | \$ 376 | \$ 376 | \$ - | \$ - |
| Corporate bonds | 3,222 | - | 3,222 | - |
| Equity securities | 3,026 | 3,026 | - | - |
| Accrued income | 25 | - | 25 | - |
| Total assets | <u>\$ 6,649</u> | <u>\$ 3,402</u> | <u>\$ 3,247</u> | <u>\$ -</u> |

NOTE K--AVAILABILITY AND LIQUIDITY

The Foundation manages its cash and investments through a formalized investment process which includes evaluating cash needs for routine and nonroutine activities and adjusting the

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Notes to Financial Statements - Continued
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amount of cash held and the maturity of investments. The Foundation's financial assets reduced by amounts not available for general use are as follows at September 30, 2021:

| | | |
|--|-----------|-----------------|
| Financial assets | \$ | 35,957 |
| Less those unavailable for expenditures within one year, due to: | | |
| Amounts restricted by donors | | <u>(25,223)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$</u> | <u>10,734</u> |

NOTE L--SUBSEQUENT EVENTS

Subsequent to and during the year ended September 30, 2021, due to a world-wide pandemic, there has been and continues to be substantial volatility in financial markets, which resulted in broad declines in equity and other markets, as well as potentially impacting the ability of donors to honor past promises to give, as well as make future promises. The pandemic has also had significant impacts to the economy. The Foundation continues to monitor this volatility, but the ultimate outcome of the pandemic on the Foundation is unknown.

Subsequent events have been evaluated through the date of the Independent Auditor's Report which is the date the financial statements were available to be issued. During this period, management did not note any additional material recognizable subsequent events that required recognition or disclosure in the September 30, 2021 financial statements.

Supplementary Information

THE MEDICAL CENTER FOUNDATION, INC.
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Net Asset Report - Unaudited
(Dollars in Thousands)

September 30, 2021 and 2020

| | <i>2021</i> | <i>2020</i> |
|---|--------------------|--------------------|
| Net Assets Without Donor Restrictions | | |
| 100 Unrestricted Fund | \$ 10,366 | \$ 8,725 |
| 101 MCF Endowment Fund Interest | 1,577 | 1,100 |
| 102 Scholarship Activity | - | 19 |
| 103 Operating Expense | 1,998 | 1,840 |
| Total Net Assets Without Donor Restrictions | 13,941 | 11,684 |
| Net Assets With Donor Restrictions | | |
| 105 GME - Graduate Medical Education Fund | 141 | 134 |
| 110 Mom 365 Newborn Photography | 48 | 50 |
| 111 Downey Society Fund | 524 | 399 |
| 117 Laurelwood Fund | - | 10 |
| 124 PDR-B Renovation Fund | 10 | 10 |
| 132 Bob and Wanda Swoszowski Scholarship Fund | 21 | 21 |
| 141 2020 Southern Market Golf Tournament | 114 | 108 |
| 142 NGMC Window Show South Renovation | 2 | 27 |
| 143 Inpatient Hospice Unit | 92 | 92 |
| 147 The Carol Healan Burrell Professorship in Medical Ed (E) | 356 | 466 |
| 150 Covid-19 Response | 359 | 280 |
| 151 Verdis C. Puckett Pastoral Care Suite | 227 | 247 |
| 155 ER Education Training Fund | 22 | 22 |
| 161 Paramedicine | 84 | 84 |
| 180 Safety Grant | 120 | 120 |
| 200 William T & Evie Langston Signature Gift Fund | 365 | 365 |
| 205 Paul & Glenna Maney Signature Gift Fund | - | 99 |
| 211 EPIC Implementation for Good News Clinic | 138 | 417 |
| 212 HJ Therapeutic Music Program | 211 | 308 |
| 213 HJ ECMO | 54 | 54 |
| 218 Heart & Vascular Fund | 199 | 149 |
| 250 Fraser Estate Cancer Center | 203 | 203 |
| 255 Don Pirkle Estate Gift | 225 | 225 |
| 270 Resource Center Fund | 1,874 | 1,874 |
| 295 The David Pet Park | 24 | 25 |
| 325 Nell Wiegand Chapel Garden Maintenance | 20 | 18 |
| 328 NGHS Employee Walking Trail | - | 528 |
| 335 Smoot Family Courtyard Waterfall-Braselton | 828 | 816 |
| 349 Jack & Janice Frost Water Garden | 57 | 47 |
| 383 Healthy Journey General Fund 2014 | 910 | 985 |
| 384 Healthy Journey General - Employee Gifts 2014 | 2,829 | 2,064 |
| 386 Community Gifts to Oncology Initiatives 2014 | 96 | 45 |
| 388 Women's & Children's Initiatives - Employee Outreach 2015 | 564 | 608 |
| 389 Oncology - Employee Outreach 2014 | 429 | 397 |
| 390 Cardiology - Employee Community Outreach 2014 | 134 | 114 |
| 391 Hospice Gifts 2014 | 1,443 | 1,166 |

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Net Asset Report - Unaudited - Continued
(Dollars in Thousands)

September 30, 2021 and 2020

| | <i>2021</i> | <i>2020</i> |
|--|-------------|-------------|
| 392 Ronnie Green Heart Center Gifts 2014 | 75 | 66 |
| 393 Safe Kids 2014 | 446 | 487 |
| 395 Hospice Barrow County | 10 | 10 |
| 406 Braselton Contractors | - | 14 |
| 417 Telford Braselton Signature Gift | 98 | 100 |
| 420 Jackson EMC Braselton Signature Gift | 89 | 89 |
| 422 Billy Jones Signature Gift - Braselton ED Services | 199 | 100 |
| 463 Hospice Bereavement Counseling 2015 | 65 | 70 |
| 466 Continuing Education Fund 2015 | 3 | 13 |
| 467 Mobile Simulation Unit | 79 | 112 |
| 476 Nursing & Allied Health Continuing Education Scholarship (E) | 381 | 193 |
| 478 Nursing & Allied Health Scholarship (E) | 268 | 241 |
| 526 Healthy Journey General Fund - Phase II | 143 | 243 |
| 530 Georgia Health Information Network Capacity Building Grant | 340 | 270 |
| 540 Phillip & Mary Wilheit - Signature Gifts | 50 | 50 |
| 551 Pediatric Rooftop Playground - Jim Syfan | 28 | 28 |
| 552 David Merritt - Nephrology Fund | 50 | 50 |
| 575 Cancer Research | 33 | 33 |
| 579 Enhancement of Cancer Services - Nell Wiegand Celebration | 158 | 158 |
| 587 HJII - NICU | 10 | 10 |
| 597 Women's Imaging Fund | 20 | 20 |
| 604 Chapel Fund | 429 | 429 |
| 605 Lillian Fraser Estate Gift | 256 | 256 |
| 606 Braselton Chapel | 267 | 267 |
| 612 EMS Trauma Equipment Grant | 16 | 16 |
| 623 GHA - RCA Core Grant | 216 | 182 |
| 643 Chaplain Endowment Fund (E) | 77 | 42 |
| 656 The Estate of Joan Louise Kosmala | 25 | 25 |
| 702 Employee Emergency Fund | 100 | 86 |
| 706 Honorary Gift-Woody Stewart & Nancy Colston Endowment (E) | 105 | 25 |
| 717 Evelyn Waugh Scholarship (E) | 34 | 25 |
| 721 Ocie Pope Scholarship (E) | 28 | 23 |
| 727 Richard & Lona Pope Signature Gift | 51 | 52 |
| 730 Cancer Treatment Fund | 250 | 250 |
| 750 LeTrell Simpson Scholarship Fund | 23 | 23 |
| 754 Anne Thomas Scholarship Fund (E) | 69 | 52 |
| 758 John Ferguson Scholarship Fund (E) | 135 | 133 |
| 761 Johnson & Johnson Accusym | 11 | 11 |
| 807 2019 Medical Center Open | - | 41 |
| 808 2020 Medical Center Open | 5 | 297 |
| 809 2021 Medical Center Open | 244 | 12 |
| 871 HJIII General Donations - Braselton | 122 | 664 |
| 969 North Patient Tower Elevator Lobby Art Gallery | 12 | 12 |

THE MEDICAL CENTER FOUNDATION, INC.
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Net Asset Report - Unaudited - Continued
(Dollars in Thousands)

September 30, 2021 and 2020

| | <i>2021</i> | <i>2020</i> |
|--|------------------|------------------|
| Other Funds | 1,240 | 251 |
| 128 Wilheit-Keys Peace Garden Maintenance (C) | 155 | 155 |
| 136 The Henry S Jennings Jr MD Visiting Lectureship (C) | 424 | 100 |
| 324 Nell's Prayer Garden Maintenance (C) | 55 | 55 |
| 344 David Pet Part Maintenance (C) | 80 | 80 |
| 350 Jack & Janice Frost Water Garden Maintenance (C) | 100 | 100 |
| 412 Braselton Flag Plaza Maintenance (C) | 30 | 30 |
| 451 Hospice Endowment Fund | 51 | 51 |
| 475 Nursing & Allied Health Continuing Education Endowment | 589 | 578 |
| 477 Nursing & Allied Health Scholarships Endowment | 196 | 181 |
| 479 Nursing & Allied Health Scholarships - Ocie Pope (C) | 50 | 43 |
| 642 Chaplain Endowment (C) | 456 | 206 |
| 703 MCF Endowment Fund | 2,869 | 2,869 |
| 707 Honorary Gift - Woody Stewart & Nancy Colston Endowment Fund | 480 | 480 |
| 712 Pope Family Garden Maintenance (C) | 100 | 100 |
| 718 Evelyn Waugh Scholarship Fund | 53 | 53 |
| 720 Ocie Pope Scholarship Fund | 26 | 26 |
| 722 Destitute Patient Fund | 186 | 186 |
| 753 Anne Thomas Scholarship Fund | 57 | 57 |
| 757 John Ferguson Scholarship Fund | 221 | 219 |
| 931 Ron Kutay Memorial Scholarship Fund | 39 | - |
| 942 Don Freeman Scholarship Fund | 23 | - |
| Total Net Assets With Donor Restrictions | <u>25,223</u> | <u>23,677</u> |
| Total Net Assets | <u>\$ 39,164</u> | <u>\$ 35,361</u> |