PYA
CERTIFIED PUBLIC ACCOUNTANTS

Financial Statements

Northeast Georgia Medical Center, Inc.
(A Controlled Affiliate of Northeast Georgia Health System, Inc.)

Years Ended September 30, 2021 and 2020

NORTHEAST GEORGIA MEDICAL CENTER, INC.
(A Controlled Affiliate of Northeast Georgia Health System, Inc.)

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Years Ended September 30, 2021 and 2020

PYA, P.C.
Resurgens Plaza, Suite 2100
945 East Paces Ferry Road, NE
Atlanta, GA 30326
p: (404) 266-9876 | f: (404) 266-2669
pyapc.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Northeast Georgia Medical Center, Inc.:

We have audited the accompanying financial statements of Northeast Georgia Medical Center, Inc. (NGMC) which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of operations 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Northeast Georgia Medical Center, 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.

Emphases of Matters

Northeast Georgia Medical Center, Inc. is an entity whose sole member is Northeast Georgia Health System, Inc. (NGHS) and is a part of a group of entities controlled or managed by NGHS. As discussed in Note A, NGHS allocates various expenses and liabilities to members of this group of entities, and, as such, the accompanying financial statements reflect the results of these allocations and not necessarily the results of NGMC on a stand-alone basis. Our opinion is not modified with respect to this matter.

As discussed in Note B to the financial statements, NGMC adopted new accounting guidance required by Accounting Standards Updates No. 2016-02. As a result of the adoption, NGMC has elected to forgo the effective method, and as such the presentation of the financial statements and related notes will be presented in a comparative format. Our opinion is not modified with respect to this matter.

As discussed in Note O to the financial statements, the healthcare industry has been impacted due to the outbreak of the coronavirus disease 2019 (COVID-19). Government support, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act provided essential funding to eligible hospitals, physicians and other healthcare providers. Our opinion is not modified with respect to this matter.

PYA, P.C.

Atlanta, Georgia
January 12, 2022

NORTHEAST GEORGIA MEDICAL CENTER, INC.
(A Controlled Affiliate of Northeast Georgia Health System, Inc.)

Balance Sheets
(Dollars in Thousands)

	September 30, 2021	September 30, 2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 43,484**	$ 67,593
Investments	**309,638**	108,342
Assets limited as to use, required for current obligations	**440**	233
Patient accounts receivable	**154,446**	98,741
Estimated amounts due from third-party payers	**21,700**	-
Inventory of supplies	**17,314**	16,735
Other current assets	**10,130**	5,604
TOTAL CURRENT ASSETS	**557,152**	297,248
INVESTMENTS	**1,123,663**	1,001,385
ASSETS LIMITED AS TO USE		
Under indenture agreements - held by trustees	**161,890**	159
Other	**19,887**	16,251
	181,777	16,410
Less amounts required for current obligations	**(440)**	(233)
ASSETS LIMITED AS TO USE	**181,337**	16,177
PROPERTY AND EQUIPMENT, net	**605,286**	611,899
OTHER ASSETS		
Property held for future investment	**2,152**	1,566
Other	**2,203**	2,438
Right-of-use asset, finance leases	**3,702**	6,354
Right-of-use asset, operating leases	**12,670**	13,249
TOTAL OTHER ASSETS	**20,727**	23,607
TOTAL ASSETS	**$ 2,488,165**	$ 1,950,316

NORTHEAST GEORGIA MEDICAL CENTER, INC.
(A Controlled Affiliate of Northeast Georgia Health System, Inc.)

Balance Sheets - Continued
(Dollars in Thousands)

	September 30, 2021	September 30, 2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	**$ 18,125**	$ 17,454
Accrued interest	**4,960**	4,941
Accounts payable and other accrued expenses	**77,200**	59,740
Accrued salaries, benefits, compensated absences and amounts withheld	**71,097**	58,278
Current portion of finance lease liability	**1,970**	2,694
Current portion of operating lease liability	**5,208**	4,056
Advance payments from third-party payers - Note O	**68,952**	96,421
Unearned revenue - Note O	**16,770**	37,441
Estimated amounts due to third-party payers	**9,910**	7,784
TOTAL CURRENT LIABILITIES	**274,192**	288,809
LONG-TERM DEBT, less current portion	**1,196,539**	947,563
DUE TO AFFILIATES, net - Note N	**53**	392
OTHER LONG-TERM LIABILITIES		
Deferred compensation	**19,450**	15,791
Finance lease liability, less current portion	**1,599**	3,483
Operating lease liability, less current portion	**7,567**	9,261
TOTAL OTHER LONG-TERM LIABILITIES	**28,616**	28,535
TOTAL LIABILITIES	**1,499,400**	1,265,299
COMMITMENTS AND CONTINGENCIES - Notes G, J and R		
NET ASSETS		
Without donor restrictions	**988,765**	685,017
TOTAL NET ASSETS	**988,765**	685,017
TOTAL LIABILITIES AND NET ASSETS	**$ 2,488,165**	$ 1,950,316

NORTHEAST GEORGIA MEDICAL CENTER, INC.
(A Controlled Affiliate of Northeast Georgia Health System, Inc.)

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

	Year Ended September 30, 2021	2020
Changes in net assets without donor restrictions:		
Patient service revenue	**$ 1,492,481**	$ 1,134,067
Other operating revenue	**87,129**	30,515
TOTAL OPERATING REVENUES	**1,579,610**	1,164,582
Expenses:		
Salaries and wages	**535,040**	409,649
Employee benefits	**100,330**	82,877
Physicians' fees	**50,878**	46,087
Utilities	**10,926**	10,610
Supplies	**283,263**	233,057
Legal, consulting and professional fees	**905**	964
Contracted outside services	**55,177**	44,856
Insurance	**1,420**	1,908
Interest	**36,656**	34,053
Management fees	**117,285**	110,905
Depreciation and amortization	**79,049**	80,143
Other operating expenses	**82,155**	75,676
TOTAL OPERATING EXPENSES	**1,353,084**	1,130,785
OPERATING INCOME BEFORE PROVIDER RELIEF FUND REVENUE	**226,526**	33,797
Provider relief fund revenue - Note O	**19,082**	38,859
INCOME FROM OPERATIONS	**245,608**	72,656
Nonoperating gains (losses):		
Donations from affiliates	**2,387**	1,406
Gain (loss) from investments, net	**135,699**	(33,149)
Loss on extinguishment of long-term debt	**(18,514)**	(5,287)
Loss on sale of property and equipment, net	**(3)**	(36)
Change in estimated fair value and loss on extinguishment of interest rate swaps	**-**	(9,877)
Miscellaneous, net	**(1,656)**	(488)
NET NONOPERATING GAINS (LOSSES)	**117,913**	(47,431)
EXCESS OF REVENUE AND GAINS OVER EXPENSES AND LOSSES	**363,521**	25,225

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

	Year Ended September 30,	
	2021	***2020***
Other changes in net assets without donor restrictions:		
Transfers of equity to affiliates, net	**(59,773)**	(31,373)
TOTAL OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**(59,773)**	(31,373)
INCREASE (DECREASE) IN NET ASSETS	**303,748**	(6,148)
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	**685,017**	691,165
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	**$ 988,765**	$ 685,017

NORTHEAST GEORGIA MEDICAL CENTER, INC.
(A Controlled Affiliate of Northeast Georgia Health System, Inc.)

Statements of Cash Flows
(Dollars in Thousands)

	Year Ended September 30, 2021	Year Ended September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	**$ 303,748**	$ (6,148)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	**79,049**	80,143
Loss on sale of property, plant and equipment	**3**	36
Loss on sale of investments and assets limited as to use	**801**	13,607
Loss on extinguishment of long-term debt	**18,514**	5,287
Change in net unrealized gains/losses on investments and assets limited as to use	**(110,121)**	44,469
Change in estimated fair value and loss on extinguishment of interest rate swaps	**-**	9,877
Transfers of equity to affiliates, net	**59,773**	31,373
Changes in assets and liabilities:		
Patient accounts receivable	**(55,705)**	1,119
Inventory of supplies	**(579)**	(6,284)
Other current assets	**(4,526)**	1,891
Other long-term assets	**4,488**	3,633
Accrued interest	**19**	446
Accounts payable and other accrued expenses and other long-term liabilities	**20,636**	(24,887)
Accrued salaries, benefits, compensated absences and amounts withheld	**12,819**	10,711
Unearned revenue	**(20,671)**	37,441
Estimated third-party payer settlements	**(19,574)**	(134)
Lease liabilities	**(4,216)**	(4,378)
Total adjustments	**(19,290)**	204,350
NET CASH PROVIDED BY OPERATING ACTIVITIES	**284,458**	198,202
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	**(69,218)**	(58,011)
Proceeds from sales of property, plant and equipment	**-**	10
Purchases of investments and assets limited as to use	**(976,745)**	(736,295)
Proceeds from maturities and sales of investments and assets limited as to use	**597,124**	628,464
Advances to affiliates	**(60,112)**	(30,930)
NET CASH USED IN INVESTING ACTIVITIES	**(508,951)**	(196,762)

NORTHEAST GEORGIA MEDICAL CENTER, INC.
(A Controlled Affiliate of Northeast Georgia Health System, Inc.)

Statements of Cash Flows - Continued
(Dollars in Thousands)

	Year Ended September 30, 2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable and long-term debt, net of issuance costs and discounts	**490,536**	400,214
Payments to escrow to relieve long-term debt	**(239,605)**	(415,683)
Principal payments on long-term debt and finance lease obligations	**(23,078)**	(18,816)
Payments to terminate interest rate swaps, net	**-**	(11,594)
Advance payments from third-party payers	**-**	96,421
Recoupment of advance payments from third-party payers	**(27,469)**	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	**200,384**	50,542
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(24,109)**	51,982
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**67,593**	15,611
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 43,484**	$ 67,593
SUPPLEMENTAL INFORMATION:		
Cash paid during the year for interest	**$ 36,637**	$ 33,585
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:		
Property, plant and equipment received and accrued in payables	**$ 7,198**	$ 6,715
Lease liabilities arising from obtaining right-of-use assets	**$ 3,789**	$ 6,513
Operating cash flows from finance leases	**$ -**	$ 23
Operating cash flows from operating leases	**$ 4,501**	$ 4,366
Financing cash flows from finance leases	**$ 2,723**	$ 2,081

NOTE A--ORGANIZATION AND OPERATIONS

Northeast Georgia Medical Center, Inc. (NGMC) was formed to serve and promote the public health of the general population and operates an acute care hospital with a 557-bed campus in Gainesville and a 134-bed campus in Braselton, and their related facilities, for the benefit of the general public.

Northeast Georgia Health System, Inc. (NGHS) is the parent company to NGMC. The financial statements of NGMC are included in the consolidated financial statements of NGHS and affiliates. The accompanying financial statements reflect the financial position and operating results of NGMC and include various allocations of expenses, gains, losses and associated liabilities from NGHS. Certain disclosures herein relate to NGHS as a whole (rather than just NGMC) and are identified as NGHS disclosures in the notes to the financial statements. Due to the nature of allocations of NGHS activities and liabilities to NGMC, these financial statements may not reflect the financial position and results of operations of NGMC on a stand-alone basis.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 period. Significant estimates include estimated explicit and implicit price concessions, amounts due to or from third-party payers, investment valuations, allocations of functional expenses, depreciable lives and impairment considerations of property and equipment, goodwill, deferred liabilities, derivatives and professional and other insurance liabilities. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents include cash and short-term term deposits and similar money market instruments, with maturities of less than three months when purchased, excluding amounts included as assets limited as to use or in the long-term investment portfolio.

Investments and Assets Limited as to Use: Investments and assets limited as to use are stated at fair value based on quoted market prices. The portion of investments related to financial instruments with remaining maturities of less than one year and the portion of assets limited as to use that is required to satisfy current obligations are classified as current assets.

Assets limited as to use include assets held by trustees under bond indenture agreements, assets designated by the Board for specific purposes, and assets held under deferred compensation arrangements.

Interest and dividend investment income on proceeds of borrowings that are held by trustees, to the extent not capitalized, is reported as a part of other operating revenue. Investment income and losses on all other investments and assets limited as to use (including gains and losses on sales of proceeds of borrowings that are held by trustees) is reported, net of investment expenses, as nonoperating gains and losses. The cost of securities sold is determined on the specific identification method, with net realized gains and losses reported as nonoperating gains and losses.

Unrealized gains and losses on investments and assets limited as to use are recorded as nonoperating gains or losses.

Inventory of Supplies: Inventory consists of medical and other supplies and is stated at the lower of cost or net realizable value, with cost determined by the first-in, first-out method.

Property, Equipment and Depreciation: Property and equipment is stated at cost, 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 range from 15 to 40 years for buildings and land improvements, and from 3 to 15 years for equipment and vehicles. Expenditures for maintenance, repairs and minor renewals are charged to operations as incurred. Expenditures for betterments and major renewals are capitalized. 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 nonoperating gains and losses.

NGMC 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, respectively.

Leases and Right-of-Use Assets: The present value of lease payments is recorded as a lease liability at the commencement of a contract that has a term in excess of one year. The present value is determined by discounting the required payments using the stated or implicit interest rate in the lease or, if not stated or implied, NGMC's incremental borrowing rate which was 3.00% for the years ended September 30, 2021 and 2020, respectively. Payments include options to extend, or terminate, if NGMC determines that it is reasonably certain that such options will be exercised. A right-of-use asset is also recorded equal to the lease liability plus any initial direct costs, prepayments, or incentives.

Deferred Financing Costs: Deferred financing costs relate to NGMC's long-term debt and are amortized over the terms of the respective issues in a manner that approximates the effective interest method and are reported as a direct deduction of the related long-term debt.

Derivative Financial Instruments: NGMC was a party to various interest rate swaps that terminated in 2020 as discussed in Note F. These financial instruments were not designated as hedges and had been presented at estimated fair market value in the accompanying Balance Sheets. The estimated fair value was based on amounts NGMC would receive or pay to enter into similar agreements at the Balance Sheet dates. Changes in estimated fair value are included as nonoperating gains and losses in the accompanying Statements of Operations and Changes in Net Assets. Even though not designated as hedges, the purpose of the interest rate swaps was to reduce the volatility of market rates associated with outstanding debt.

Excess of Revenue and Gains Over Expenses and Losses: The Statements of Operations and Changes in Net Assets include *Excess of Revenue and Gains Over Expenses and Losses*. Changes in net assets without donor restrictions which are excluded from *Excess of Revenue and Gains Over Expenses and Losses*, consistent with industry practice, include transfers of assets to and from affiliates for other than goods or services, and contributions of long-lived assets, including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets.

Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services of NGMC are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

Charity Care: NGMC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Generally, care provided for a patient whose household income is at or below 300 percent of the federal poverty guidelines is approved for charity care. Because NGMC does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue. Charges foregone, based on established rates, related to charity care were $366,518 and $308,576 in 2021 and 2020, respectively, which are net of indigent care trust fund proceeds of $9,646 and $7,613 in 2021 and 2020, respectively. Under an agreement with the Georgia Department of Community Health Division of Medical Assistance (Georgia Medicaid), the Hospital Authority of Hall County and the City of Gainesville through NGMC pays into an indigent care trust fund and is then eligible to receive indigent care trust fund payments.

The estimated cost of providing charity care totaled $79,195 and $69,609 for the years ended September 30, 2021 and 2020, respectively. The estimated costs of providing charity care are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing charity care. The ratio of costs to charges is calculated based on NGMC's total expenses divided by gross patient service revenue.

In addition to the patient charity care services, NGMC provides a number of other services to benefit the impoverished for which little or no payment is received. Medicare, Medicaid and

State indigent programs do not cover the full cost of providing care to beneficiaries of those programs. NGMC also provides services to the community at large for which it receives little or no payment. Explicit price concessions for the years ended September 30, 2021 and 2020 include approximately $87,566 and $68,257, respectively, related to discounts provided to self-insured patients in order to facilitate prompt payment.

Patient Service Revenue/Receivables: Patient service revenue is reported on the accrual basis and reflects the amount that NGMC expects to receive in exchange for services provided during the period including estimated retroactive adjustments under reimbursement agreements with third-party payers. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided and may have a term of several days or longer. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges.

Generally, NGMC performance obligations satisfied over time relate to patients receiving inpatient acute cares services. NGMC measures the performance obligation from admission into one of NGMC's facilities, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services.

All of NGMC's performance obligations relate to contracts with a duration of less than one year; therefore, NGMC has elected to apply the optional exemptions provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a) and as a result is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

NGMC determines the transaction price for patient service revenue based on standard charges for goods and services provided, reduced by explicit price concessions for contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with NGMC's financial assistance policy, and implicit price concessions provided to uninsured or under-insured patients. NGMC determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. NGMC determines its estimate of implicit price concessions based on its historical collection experience.

Retroactive adjustments for third-party payers are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or additional information is obtained.

Patient accounts receivable are reported net of both an estimated allowance for explicit price concessions and an allowance for implicit price concessions. NGMC's policy does not require collateral or other security for patient accounts receivable. NGMC routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

NGMC has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payers for the effects of a significant financing component due to NGMC's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payer pays for that service will be one year or less. NGMC does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. However, in these cases, the financing component is not deemed to be significant to the contracts.

Estimated Self-Insurance Liabilities: Estimated self-insurance liabilities include estimated reserves for reported and unreported professional liability claims, as well as other liabilities which management estimates are not payable within one year. Such estimates are subject to significant change in future periods.

Income Taxes: NGMC is classified as an organization exempt from 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 NGMC holds any uncertain tax positions that would require financial statement recognition or disclosure under generally accepted accounting principles. It is NGMC's policy to recognize interest and/or penalties related to income tax matters as an operating expense where applicable.

Other Revenue: NGMC received new program development and capitation funds from the Georgia Board of Healthcare Workforce in the amount of $1,823 and $1,665 during fiscal year 2021 and 2020, respectively, to develop training programs for primary care physicians. These funds are recognized as other operating revenue in the accompanying Statements of Operations and Changes in Net Assets. In addition, during fiscal year 2021, NGMC received contributed services from the State of Georgia which provided contract nurses due to the coronavirus disease 2019 (COVID-19) workforce shortage. Consistent with Accounting Standards Update (ASU) 2018-08, NGMC has determined the contributed services meet the specialized skill criteria and that the contributions should be recognized in the consolidated financial statements at their fair market value. The value of these contributed services received was determined to be $55,577 and is accounted for in the Statements of Operations and Changes in Net Assets as other operating revenue and salaries and wages expense. There is no impact to the income from operations for this recognition.

Recently Adopted Accounting Principles: In March 2017, the FASB issued 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. NGMC adopted this ASU effective October 1, 2020, utilizing a modified retrospective method with the cumulative effect made as of the earliest comparative period presented. Utilizing the comparative method required NGMC to recast certain prior period amounts previously presented as of and for the year ended September 30, 2020. NGMC elected the practical expedients offered under this standard and did not reassess whether any current or expired contracts are, or contain, leases and did not reassess the classification for any current leases. NGMC does not apply the recognition requirements of this standard to short-term leases. The lease payments for leases with terms of twelve months or less are recognized in the period in which they are incurred. The adoption of this standard resulted in the recognition of operating right-of-use assets and lease liabilities within the Balance Sheets. Additionally, the right-of-use asset and related liability for finance (capital) leases has now been presented separately in the Balance Sheets. There was no material impact on the net assets of NGMC upon the adoption of this standard.

Impact on Previously Reported Results: The provisions of ASU 2016-02 do not materially impact the amount of expense NGMC recognizes. The primary impact of adopting the new standard is the reclassification of capital assets from property and equipment to right-of-use finance lease assets and the reclassification of the corresponding finance lease liability from debt to other current and long-term liabilities. Additionally, operating leases are presented on the Balance Sheets as right-of-use operating lease assets and liabilities.

The following table presents a recast of selected Balance Sheet line items as of September 30, 2020 after giving effect to the adoption of ASU 2016-02:

(Dollars in Thousands)

	As Previously Reported	*Adjustments*	*As Adjusted*
ASSETS			
Property and equipment, net	$ 618,573	$ (6,674)	$ 611,899
Right-of-use asset, finance leases	-	6,354	6,354
Right-of-use asset, operating leases	-	13,249	13,249
LIABILITIES AND NET ASSETS			
Current portion of long-term debt	20,401	(2,947)	17,454
Current portion of finance lease liability	-	2,694	2,694
Current portion of operating lease liability	-	4,056	4,056
Long-term debt, less current portion	950,810	(3,247)	947,563
Due to affiliates	379	13	392
Finance lease liability, less current portion	-	3,483	3,483
Operating lease liability, less current portion	-	9,261	9,261
Net assets	685,401	(384)	685,017

The following table presents a recast of selected Statement of Operations and Changes in Net Assets line items for the year ended September 30, 2020 after giving effect to the adoption of ASU 2016-02:

	As Previously Reported	*Adjustments*	*As Adjusted*
OPERATING EXPENSES:			
Supplies	$ 233,090	$ (33)	$ 233,057
Interest	34,031	22	34,053
Depreciation and amortization	79,817	326	80,143
Other operating expenses	75,607	69	75,676

The following table presents a recast of selected Statement of Cash Flows line items for the year ended September 30, 2020 after giving effect to the adoption of ASU 2016-02:

	As Previously Reported	*Adjustments*	*As Adjusted*
CASH FLOW FROM OPERATING ACTIVITIES			
Decrease in net assets	$ (5,764)	$ (384)	$ (6,148)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:			
Depreciation and amortization	79,817	326	80,143
Transfers of equity to affiliates, net	31,370	3	31,373
Other long-term assets	(788)	4,421	3,633
Lease liabilities	-	(4,378)	(4,378)
CASH FLOW FROM FINANCING ACTIVITIES			
Advances to affiliates	(30,943)	13	(30,930)

Recently Issued Accounting Principles: The following upcoming changes to accounting standards may impact NGMC'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 will be effective for fiscal years beginning after June 15, 2021. Management is currently evaluating the impact, if any, of adopting this ASU.

Reclassifications: Certain reclassifications have been made to the 2020 amounts to conform to the 2021 presentation. These reclassifications had no impact on the decrease in net assets or total net assets.

NOTE C--NET PATIENT SERVICE REVENUE/RECEIVABLES

NGMC has agreements with various third-party payers that provide for payments at amounts different from established rates. A summary of the payment arrangements with significant third-party payers follows:

Medicare: Acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon diagnostic related group assignments, which are determined by the patient's clinical diagnosis and medical procedures utilized. NGMC receives additional payments from Medicare based on the provision of services to a disproportionate share of Medicaid and other low-income patients. The Medicare program reimburses for outpatient services under a prospective method utilizing an ambulatory payment classification system which classifies outpatient services based upon medical procedures and diagnosis codes. Certain nonacute services and defined capital costs are paid based on a cost reimbursement methodology. NGMC is paid at a tentative rate with final settlement determined after submission of their annual cost reports and audits thereof by the Medicare fiscal intermediary.

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid based on prospectively determined rates per discharge using diagnosis related group assignments. Outpatient services are paid under a cost reimbursement methodology at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Georgia Department of Community Health.

Other: NGMC has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations and employer groups. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Amounts recorded under certain of these contractual arrangements are subject to review and final determination by various program intermediaries. Settlements with third-party payers for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and historical settlement activity, including an assessment to ensure that a significant reversal of revenue recognized will not occur. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such audits, reviews, and investigations. No significant amount of patient service revenue was recognized for the years ended September 30, 2021 and 2020 as a result of changes in or adjustments to prior years' settlement estimates or final settlements of prior periods.

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. NGMC also provides services to uninsured and underinsured patients that do not qualify for financial assistance. Based on historical experience, a significant portion of uninsured and underinsured patients are unable or unwilling to pay for their responsible amounts for services provided and a significant discount for this implicit price concession is recorded in the period services are provided.

Using a portfolio approach, NGMC estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. In addition, for uninsured patients, NGMC reduces charges from current rates based on average discounts provided to certain third-party payers. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient service revenue in the period of the change. Adjustments for such changes in the estimated transaction price were not significant for the years ended September 30, 2021 and 2020. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. No significant amount of bad debt expense was reported for the years ended September 30, 2021 and 2020.

NGMC also participates in the Georgia Department of Community Health Upper Payment Limit (UPL) program. The UPL program allows for non-state local government hospitals and nursing homes to be paid 100 percent of the amount Medicare would pay for similar Medicaid services. During fiscal years 2021 and 2020, NGMC recognized $24,748 and $7,573, respectively, from the UPL program. $21,700 is included in third-party receivables as of September 30, 2021. There was no amount receivable under the UPL program as of September 30, 2020. UPL amounts recognized are included in patient service revenue.

(Dollars in Thousands)

Effective July 1, 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (the Act) whereby certain hospitals, as defined in the Act, are assessed a "provider payment" in the amount of 1.45% of their net patient service revenue, as defined in the Act. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients and are considered a community benefit by providers. Approximately $14,671 and $13,346 relating to the Act are included in other operating expenses in the accompanying Statement of Operations and Changes in Net Assets for the years ended September 30, 2021 and 2020, respectively.

Patient service revenue, net of contractual adjustments, discounts and implicit price concessions, based on the type of service, is composed of the following for the year ended September 30:

	2021	2020
Medicare	$ 745,308	$ 570,206
Medicaid	168,230	128,742
Commercial	395,771	293,052
Self-Pay	126,731	102,469
Other	56,441	39,598
Patient service revenue	$ 1,492,481	$ 1,134,067

NOTE D--INVESTMENTS AND ASSETS LIMITED AS TO USE

A portion of NGMC's assets limited as to use are maintained in shared accounts with the assets of NGHS and other subsidiaries of NGHS and are stated at fair value based on quoted market prices. A pro-rata share of investment gains and losses is allocated to NGMC based on its percentage of assets in the shared accounts. The composition of NGMC's share of assets limited as to use at September 30 is as follows:

	2021	2020
Indenture agreements - held by trustees:		
Cash and money market funds	$ 121,745	$ 159
Corporate bonds	39,941	-
Accrued income	204	-
	161,890	159

(Dollars in Thousands)

	2021	***2020***
Other:		
Cash and money market funds	16,113	391
Certificate of deposit	227	227
Mutual funds	3,017	13,361
Government bonds	-	1,822
Other	530	450
	19,887	16,251
	181,777	16,410
Less assets limited as to use that are required for current obligations	(440)	(233)
	$ 181,337	$ 16,177

The composition of NGMC investments at September 30, 2021 and 2020 is as follows:

	2021	***2020***
Cash and money market funds	$ 309,637	$ 108,342
Government bonds	49,926	332,432
Corporate bonds	246,229	262,692
Equity securities	825,339	404,592
Accrued income	2,170	1,669
	1,433,301	1,109,727
Less current investments	(309,638)	(108,342)
	$ 1,123,663	$ 1,001,385

Investment income on proceeds of borrowings that are held by trustees was $221 and $142 for the years ended September 30, 2021 and 2020, respectively, and is included as a part of other operating revenue in the accompanying Statements of Operations and Changes in Net Assets. The net gain (loss) from all other investments and assets limited as to use for the years ended September 30, 2021 and 2020, was comprised of the following:

(Dollars in Thousands)

	2021	2020
Interest and dividend income	$ 29,404	$ 27,355
Net realized losses	(801)	(13,607)
Change in net unrealized gains/losses	110,121	(44,469)
Investment expense	(3,025)	(2,428)
Net investment gain (loss)	$ 135,699	$ (33,149)

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 to risk factors in the near term could materially affect the amounts reported in the financial statements.

NOTE E--PROPERTY AND EQUIPMENT, NET

Property and equipment at September 30, 2021 and 2020 are as follows:

	2021	2020
Land	$ 7,018	$ 7,604
Land improvements	13,228	13,227
Building and building equipment	765,889	752,657
Equipment	634,276	597,727
Vehicles	3,440	3,440
	1,423,851	1,374,655
Less accumulated depreciation	(855,240)	(779,626)
	568,611	595,029
Construction in progress - Note R	36,675	16,870
	$ 605,286	$ 611,899

Depreciation expense associated with property and equipment, net for the years ended September 30, 2021 and 2020 was $76,090 and $76,815, respectively.

NOTE F--LONG-TERM DEBT

A summary of long-term debt at September 30, 2021 and 2020 is as follows:

(Dollars in Thousands)

	2021	2020
Revenue Anticipation Certificates, Series 2021A		
Interest rates ranging from 2.50% to 5.00%; interest payments due semi-annually through February 2051	$ 221,535	$ -
Plus unamortized premium	29,852	-
Revenue Anticipation Certificates, Series 2021B		
Interest rates ranging from 2.85% to 3.00%; interest payments due semi-annually through February 2054	242,120	-
Revenue Anticipation Certificates, Series 2020A		
Interest rates ranging from 3.00% to 5.00%; interest payments due semi-annually through February 2047	332,735	339,260
Plus unamortized premium	60,223	62,592
Revenue Anticipation Certificates, Series 2017A		
Interest rates ranging from 4.00% to 5.00%; interest payments due semi-annually through February 2045	166,510	170,025
Plus unamortized premium	13,854	14,310
Revenue Anticipation Certificates, Series 2017B		
Interest rates ranging from 3.75% to 5.50%; interest payments due semi-annually through February 2045	137,784	140,540
Plus unamortized premium	17,088	17,650
Revenue Anticipation Certificates, Series 2014A		
Interest rates ranging from 4.00% to 5.50%; interest payments due semi-annually through August 2054	-	206,925
Plus unamortized premium	-	16,266
Other notes payable	805	3,214
	1,222,506	970,782
Less current portion	(18,125)	(17,454)
Less issuance cost	(7,842)	(5,765)
	$ 1,196,539	$ 947,563

All of the outstanding Revenue Anticipation Certificates utilize the same basic structure. The Hospital Authority of Hall County and the City of Gainesville (the Authority) issues Revenue Anticipation Certificates that are exempt from Federal income tax. The Authority loans the proceeds from the sale of the certificates to NGHS and NGMC. For each issue of certificates, there is a trust indenture that controls the business terms of that debt. NGHS and NGMC (the Obligated Group) are bound by a note payable to the Authority to provide amounts sufficient to pay the maturing installments of principal and interest. The trust indentures require that certain funds be deposited with the trustee. These funds are included in assets limited as to use in the accompanying Consolidated Balance Sheets and are available to pay principal and interest, subject to the provisions of the indentures.

In connection with the formation of NGHS, the Authority entered into a lease agreement dated October 1, 1986 with NGMC whereby the Authority leased all of its assets (including the main hospital campus) to NGMC. In return, NGMC assumed all of the debt and other obligations of the Authority. The lease includes ongoing covenants including a duty to provide indigent care. The lease had an initial term of forty years and has since been extended to September 1, 2054. Management believes that NGMC was in compliance with all of its lease obligations as of September 30, 2021.

All of the outstanding Revenue Anticipation Certificates are secured by a Master Trust Agreement, with parity to all issues, whereby the Obligated Group has pledged all of its gross revenues to secure the prompt payment of the certificates. The Master Trust Agreement limits additional indebtedness and provides that any default on any obligation secured under the Master Trust Agreement is a default under the Master Trust Agreement as well. NGMC has also mortgaged its interest in the main hospital campus (including equipment and related assets) to the Master Trustee under a 2010 Leasehold Deed to Secure Debt and Security Agreement. The Master Trust Agreement dated February 1, 2010 was amended and restated as of March 1, 2020 pursuant to the Series 2020A Certificates issuance. The Master Trust Agreement is supplemented by Supplemental Master Indentures issued with the Series 2021 Certificates, dated as of September 1, 2021.

The terms of the various indentures require the maintenance of certain financial ratios and compliance with other covenants. Management believes the Obligated Group was in compliance with all financial and other covenants as of September 30, 2021 and 2020, respectively.

In September 2021, the Obligated Group issued Revenue Anticipation Certificates Series 2021A, in the aggregate principal amount of $221,535, and Taxable Revenue Anticipation Certificates Series 2021B, in the aggregate principal amount of $242,120, collectively referred to herein as the Series 2021 Certificates. The proceeds of the sale of the Series 2021 Certificates were used to (i) advance refund the outstanding amounts and issuance costs of the Series 2014A Certificates, (ii) pay related costs of issuing the Series 2021 Certificates, and (iii) finance a portion of the cost of the acquisition, construction, renovation, installation, and equipping of additions or improvements to the healthcare facilities operated by NGHS and its affiliated in Hall County, Georgia. The Series 2021A Certificates bear interest ranging from 2.5% to 5%. Except during a term or fixed interest rate period, interest on the Series 2021A Certificates shall accrue interest based on the actual number of days elapsed during the interest rate period and a year of 360 days. The Series 2021A Certificates bearing interest at 4% and maturing on February 15, 2046 are subject to mandatory sinking fund redemption payments beginning February 15, 2042 and ending February 15, 2046, which range from $3,190 to $3,830. The Series 2021A Certificates maturing on February 15, 2051 are subject to mandatory sinking fund redemption payments beginning February 15, 2047 and ending February 15, 2051, which range from $1,565 to $16,215. The Series 2021A Certificates bearing interest at 3% and maturing on February 15, 2051 are subject to mandatory sinking fund redemption payments beginning February 15, 2047 and ending February 15, 2051, which range from $1,070 to $7,505. The Series 2021A Certificates bearing interest at 2.5% and maturing on February 15, 2051 are subject to mandatory sinking fund redemption payments beginning February 15, 2047 and ending February 15, 2051, which range from $1,335 to $9,385. The sale proceeds of the Series 2021A Certificates were subject to an original issue premium and issuance costs of $29,953 and $1,449, respectively, and will be amortized monthly in accordance with the term of the Series 2021A Certificates.

Series 2021A Certificates are subject to optional redemption by the Authority, at the direction of NGHS, at a redemption price of the entire principal amount thereof plus accrued interest on or after February 15, 2031.

The Series 2021B Certificates bear interest ranging from per 2.85% to 3.00%. Except during a term or fixed interest rate period, interest on the Series 2021B Certificates shall accrue interest based on the actual number of days elapsed during the interest rate period and a year of 360 days. The Series 2021B Certificates maturing on February 15, 2046 are subject to mandatory sinking fund redemption payments beginning February 15, 2041 and ending February 15, 2046 which range from $5,475 to $21,055. The Series 2021B Certificates maturing on February 15, 2054 are subject to mandatory sinking fund redemption payments beginning February 15, 2047 and ending February 15, 2054 which range from $21,680 to $26,745. The sale proceeds of the Series 2021A Certificates were subject to issuance costs of $1,624 and will be amortized monthly in accordance with the term of the Series 2021B Certificates.

The Series 2021B Certificates maturing on February 15, 2046 and February 15, 2054 are subject to optional redemption prior to maturity at the option of NGHS on or after November 15, 2045 and November 15, 2053, respectively, at a redemption price of the entire principal amount of such Series 2021B Certificates to be redeemed. If redeemed prior to these dates, a redemption price equal to the Make-Whole Redemption Price, as determined by an independent accounting firm or financial advisor, plus accrued interest shall be paid.

In March 2020, the Obligated Group issued Revenue Anticipation Certificates Series 2020A, in the aggregate principal amount of $339,260. The proceeds of the sale of the Series 2020A Certificates, were used to (i) advance refund the outstanding amounts of the Series 2010A, Series 2010B, Series 2011A, Series 2014B, Series 2017C, and the Series 2017D Certificates which were issued to finance or refinance a portion of the cost of the acquisition, construction, installation, and equipping of hospital and related facilities for NGHS or its affiliates, and (ii) pay related costs of issuing the Series 2020A Certificates. The Series 2020A Certificates bear interest ranging from 3% to 5%. Except during a term or fixed interest rate period, interest on the Series 2020A Certificates shall accrue interest based on the actual number of days elapsed during the interest rate period and a year of 365 days. The 2020A Certificates maturing on February 15, 2045 are subject to mandatory sinking fund redemption payments beginning February 15, 2041 and ending February 15, 2045, which range from $14,440 to $17,370. The 2020A Certificates maturing on February 15, 2047 are subject to mandatory sinking fund redemption payments beginning February 15, 2046 and ending February 15, 2047, which range from $24,300 to $25,040. The sale proceeds of the Series 2020A Certificates were subject to an original issue premium and issuance costs of $63,777 and $2,822, respectively, and will be amortized monthly in accordance with the term of the Series 2020A Certificates.

In February 2017, the Obligated Group issued Revenue Anticipation Certificates Series 2017A, Series 2017B, Series 2017C, and Series 2017D in the aggregate principal amount of $460,565. The proceeds of the sale of the Series 2017 Certificates, were used to (i) advance refund a portion of the outstanding amount of the Series 2010A and Series 2010B Certificates, (ii) finance a portion of the costs of certain additions and improvements to, and equipment for, the healthcare facilities operated by NGHS and its affiliates in Hall County, Georgia, and (iii) pay related costs of issuing the Series 2017 Certificates.

The Series 2017A Certificates consist of $170,025 term certificates maturing at various dates through February 15, 2045 bearing interest at rates ranging from 4.00% to 5.00% and subject to mandatory sinking fund redemption payments beginning February 15, 2038 and ending February 15, 2042, which range from $10,775 to $12,995; and mandatory sinking fund redemption payments beginning February 15, 2043 and ending February 15, 2045, which range from $11,825 to $13,065. Certificates maturing on or after February 15, 2028 are subject to optional redemption at par plus accrued interest by the Authority, at the direction of NGHS, on or after February 15, 2027.

The Series 2017B Certificates consist of $140,540 term certificates maturing at various dates through February 15, 2045 bearing interest at rates ranging from 3.75% to 5.50% and subject to mandatory sinking fund redemption payments beginning February 15, 2038 and ending February 15, 2042, which range from $6,215 to $10,460; and mandatory sinking fund redemption payments beginning February 15, 2043 and ending February 15, 2045, which range from $6,890 to $7,655. Certificates maturing on or after February 15, 2028 are subject to optional redemption at par plus accrued interest by the Authority, at the direction of NGHS, on or after February 15, 2027.

The advance refunded Series 2017C Certificate consisted of a $75,000 term certificate subject to mandatory sinking fund redemption payments beginning February 15, 2044.

The advance refunded Series 2017D Certificate consisted of a $75,000 term certificate subject to mandatory sinking fund redemption payments which began February 15, 2018.

In December 2014, the Authority issued Revenue Anticipation Certificates Series 2014A and 2014B in an aggregate principal amount of $342,425. The Series 2014A and 2014B Certificates were collectively referred to as the "2014 Certificates." NGHS used the proceeds of the 2014 Certificates to refinance the Series 2012 Certificates, as well as portions of the 2010 Certificates, in addition to other uses.

The Series 2014A Certificates consisted of $27,500 term certificates maturing August 15, 2046 bearing interest at 4.00% and subject to mandatory sinking fund redemption payments beginning August 15, 2041, which ranged from $2,500 to $15,000; $60,375 term certificates maturing August 15, 2049 bearing interest at 5.25% and subject to mandatory sinking fund redemption payments beginning August 15, 2046, which ranged from $2,560 to $20,265; and $119,050 term certificates maturing August 15, 2054 bearing interest at 5.50% and subject to mandatory sinking fund redemption payments beginning August 15, 2050, which ranged from $21,330 to $26,425. All 2014A Certificates were subject to mandatory tender for purchase on August 26, 2021. NGHS was obligated to provide funds to purchase the Certificates on that date. NGHS advance refunded the outstanding balance of the 2014A Certificates in August 2021 as part of the Series 2021 Certificates issuance.

The Series 2014B Certificates consisted of $135,500 term certificates maturing August 15, 2035, initially bearing interest at a variable rate, and subject to mandatory sinking fund redemption payments beginning August 15, 2020. NGHS refinanced the Series 2014B Certificates in February 2020 and then advance refunded the outstanding balance as part of the Series 2020A Certificates issuance.

In August 2011, the Authority issued Revenue Anticipation Certificates Series 2011A in the aggregate principal amount of $46,625, subject to mandatory sinking fund redemption prior to maturity. The Series 2011A were advance refunded as part of the Series 2020A Certificates issuance.

In February 2010, the Authority issued Revenue Anticipation Certificates Series 2010A in the aggregate principal amount of $319,830. Also, in February 2010, the Authority issued Revenue Anticipation Certificates Series 2010B in the aggregate amount of $250,000. The Series 2010A and 2010B Certificates were collectively referred to as the "2010 Certificates." The 2010A Certificates maturing on February 15, 2025 and February 15, 2034 were redeemed during fiscal year 2015 using proceeds from the 2014B Certificates. Various certificates maturing on dates ranging from February 15, 2021 through February 15, 2045 were advance refunded during 2017 using proceeds from the 2017A Certificates. The outstanding certificates were advance refunded during 2020 using proceeds from the 2020A Certificates.

The 2010B Certificates, issued with an aggregate principal amount of $250,000, maturing on February 15, 2030 and February 15, 2035 were redeemed during fiscal year 2015 using proceeds from the 2014A Certificates. Various certificates maturing on dates ranging from February 15, 2021 through February 15, 2045 were advance refunded during 2017 using proceeds from the 2017B Certificates. The remaining Series 2010B Certificates were advance refunded from the 2020A Certificates.

The advance refunding of the 2017C, 2017D, 2011A, 2014B, 2010A and 2010B Certificates, previously described, was accomplished by placing funds in escrow accounts in order to satisfy remaining scheduled principal and interest payments of the outstanding debt. Prior to September 30, 2020, these advance refunded certificates were redeemed with their respective deposits in escrow. As such, there is no debt outstanding and not recognized, due to advance refunding, in the Consolidated Balance Sheets at September 30, 2020. The advance refunding of the 2014A Certificates, previously described, was accomplished by placing funds in an escrow account in order to satisfy the remaining scheduled principal and interest payments of the outstanding debt through and including February 15, 2025, the redemption date. As of September 30, 2021 the balance of the respective deposits in escrow are $239,606, and as such, there is debt outstanding and not recognized, due to advance refunding, in the Consolidated Balance Sheets at September 30, 2021.

The Series 2017B Certificates are also secured by an Intergovernmental Contract between the Authority and Hall County, Georgia. If the Obligated Group fails to timely pay these Certificates, Hall County has promised to assess up to seven mills of property tax as an additional source of payment for the Certificate holders.

Long-term debt at September 30, 2021 and 2020 also includes notes payable to financial institutions extending through fiscal 2023.

(Dollars in Thousands)

Scheduled maturities of long-term debt, excluding unamortized original issue discounts and premiums, for each of the next five years and in the aggregate at September 30, 2021 are as follows:

Year Ending September 30,		
2022	$	14,243
2023		14,120
2024		17,610
2025		18,515
2026		19,465
Thereafter		1,017,536
	$	1,101,489

In connection with the issuance of the Series 2011A Certificates, which refunded the previously issued Series 2008A Certificates, NGHS entered into an interest rate swap agreement with a bank as counterparty. During 2011, NGHS entered into a fixed spread basis swap agreement with a bank as counterparty in order to reduce its fixed rate debt service costs through a swap structure that takes on basis risk. In anticipation of the Obligated Group issuing the 2017 Certificates, NGHS entered into two separate swap agreements in October 2016. In connection with the issuance of the Series 2020A Certificates, all swap agreements were terminated and a non-operating loss of $9,877 was recognized for the year ended September 30, 2020.

NOTE G--LEASES

NGMC has entered into various non-cancelable leases with third parties for medical office space and medical equipment. The components of lease expense, included in other operating expenses on the Statements of Changes in Operations and Net Assets, at September 30, 2021 and 2020 are as follows:

		2021		***2020***
Finance lease costs:				
Amortization of right-to-use-asset	$	2,767	$	3,121
Interest on lease liability		-		23
Operating lease cost		4,501		4,366
Short term lease cost		2,277		1,917
	$	9,545	$	9,427

(Dollars in Thousands)

	2021	2020
Other information:		
Right-of-use assets obtained for new finance leases	$ 115	$ 6,481
Right-of-use assets obtained for new operating leases	$ 3,674	$ 32
Weighted average remaining lease term - finance leases	1.93	2.67
Weighted average remaining lease term - operating leases	3.19	3.85
Weighted average discount rate - finance leases	0.00%	0.00%
Weighted average discount rate - operating leases	3.00%	3.00%

The following is a schedule of future minimum lease payments under operating and finance lease agreements:

Year Ending September 30,	Finance	Operating
2022	$ 1,970	$ 5,508
2023	1,586	3,435
2024	13	2,679
2025	-	1,137
2026	-	439
Thereafter	-	184
Total lease payments	3,569	13,382
Less: Interest portion	-	(607)
Present value of lease obligations	3,569	12,775
Less: Current portion	(1,970)	(5,208)
Long-term lease obligations	$ 1,599	$ 7,567

NOTE H--PENSION PLAN

NGHS sponsors a defined benefit pension plan (the plan). An employee was eligible to participate in the plan following the attainment of age 21 and completion of at least 1,000 hours of service during a calendar year. Generally, NGHS and its affiliates make annual contributions to the plan equal to the amount necessary to meet the minimum funding standards of ERISA. Employees are not permitted to contribute to the plan.

Normal retirement benefits are provided at the later of age 65 or on the participant's fifth anniversary of entering the plan. Early retirement benefits are available at age 55 and completion of ten years of vesting service. Prior to changes in the plan (discussed below), the plan also provided for disability, death and delayed retirement benefits.

(Dollars in Thousands)

The plan formula changed effective January 1, 2006 so that the benefit is equal to a past service benefit plus a future service benefit. The past service benefit is equal to the benefit earned as of December 31, 2005 under the existing formula. The future service benefit is equal to 1% of earnings for each calendar year in which the participant works at least 1,000 hours. Effective January 1, 2006, the defined benefit pension plan was closed to new employees. Additionally, the plan no longer provided disability benefits.

The following table sets forth the plan's changes in projected benefit obligations, changes in the plan's assets and funded status of the plan as determined by management with assistance from the plan's independent consulting actuary at September 30, 2021 and 2020:

	Year Ended September 30, ***2021***	***2020***
Change in benefit obligations		
Benefit obligations, beginning of year	$ 392,624	$ 337,313
Service cost	3,236	9,550
Interest cost	9,976	10,616
Curtailment	(17,502)	-
Settlement	(42,442)	-
Benefits paid	(11,470)	(10,279)
Actuarial loss	(13,560)	45,424
Benefit obligations, end of year	$ 320,862	$ 392,624
Change in plan assets		
Fair value of plan assets, beginning of year	$ 293,717	$ 291,866
Actual return on plan assets	55,472	(7,870)
Contributions of plan sponsor	20,000	20,000
Settlement	(42,442)	-
Benefits paid	(11,470)	(10,279)
Fair value of plan assets, end of year	$ 315,277	$ 293,717
Funded status of the plan at end of year	$ (5,585)	$ (98,907)

Employer contributions and benefits paid in the above table include only those amounts contributed directly to, or paid directly from, plan assets in fiscal years 2021 and 2020.

(Dollars in Thousands)

The accumulated benefit obligation (ABO) of the plan was $320,862 and $375,397 at September 30, 2021 and 2020, respectively. In accordance with generally accepted accounting principles, NGHS recognizes the funded status of the plan as an asset or liability and the gains or losses and prior service costs or credits not yet recognized as pension expense as a change in net assets without donor restrictions. Due to the plan being frozen during fiscal year 2021, future pay is no longer considered in determining the accrued benefit for the remaining active participants and as such the ABO is equal to the projected benefit obligation (PBO) at September 30, 2021.

Amounts recognized in the Consolidated Balance Sheets of NGHS consist of the following:

	September 30,	
	2021	***2020***
Noncurrent liabilities	$ (5,585)	$ (98,907)
Net liability recognized	$ (5,585)	$ (98,907)

Amounts recognized in net assets without donor restrictions of NGHS consist of the following:

	Year Ended September 30,	
	2021	***2020***
Unrecognized net actuarial loss	$ 120,314	$ 216,230
	$ 120,314	$ 216,230

Net periodic pension cost and other amounts recognized in net assets without donor restrictions of NGHS consist of the following:

	Year Ended September 30,	
	2021	***2020***
Net periodic pension cost		
Service cost with interest to year-end	$ 3,236	$ 9,550
Interest cost on the projected benefit obligation	9,976	10,616
Expected return on plan assets	(21,157)	(22,971)
Amortization of prior service cost	-	-
Amortization of net actuarial loss	14,625	12,681
Settlement	15,914	-
Net periodic pension cost	$ 22,594	$ 9,876

(Dollars in Thousands)

	Year Ended September 30,	
	2021	***2020***
Other changes in net assets without donor restrictions		
Net loss	$ (65,377)	$ 76,266
Amortization of prior service cost	-	-
Amortization of net actuarial loss	(14,625)	(12,681)
Settlement	(15,914)	-
Total recognized in net assets without donor restrictions	$ (95,916)	$ 63,585
Total recognized in net periodic pension cost and net assets without donor restrictions	$ (73,322)	$ 73,461

The actuarial assumptions used for the plan as of September 30, 2021 and 2020 are as follows:

	September 30,	
	2021	***2020***
Discount rates	2.90%	2.70%
Rates of increase in future compensation levels	varies by age	varies by age
Expected long-term rate of return on plan assets	6.50%	7.50%
Rates of increase in maximum benefit and compensation limits	3.00%	2.20%

The discount rate has a significant effect on the calculation of the pension benefit obligations. Estimates used in the discount rate and other assumptions are subject to change in the future.

The determination of the expected long-term rate of return on plan assets is based on assumptions that are developed by the plan's investment consultant for each investment category as to the rate of return, risk, yield, and correlation with other categories that serve as components of the long-term strategy. Based on these assumptions, eligible components are tested over the desired time frame given the acceptable tolerance of risk determined by NGHS. The expected long-term rate of return reflects assumptions as to continued execution of the current strategic asset allocation, modern portfolio theory, and the plan's investment policy.

The composition of plan assets at September 30, 2021 and 2020 is as follows:

(Dollars in Thousands)

	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2021				
Money market funds	$ 4,747	$ 4,747	$ -	$ -
Corporate bonds	56,101	-	56,101	-
Mutual funds and equity securities	253,838	253,838	-	-
Accrued income	591	591	-	-
	$ 315,277	$ 259,176	$ 56,101	$ -
September 30, 2020				
Money market funds	$ 35,314	$ 35,314	$ -	$ -
Corporate bonds	59,359	-	59,359	-
Mutual funds and equity securities	198,444	198,444	-	-
Accrued income	600	600	-	-
	$ 293,717	$ 234,358	$ 59,359	$ -

NGHS' investment policy requires the pension fund to reflect the requirements of ERISA and to be managed within the following diversification parameters: large and mid-cap multi-national equities of 25-40%; dividend-oriented equities representing a defensive equity strategy with loss mitigation provided by covered call options of 25-40%; and investment grade fixed income securities with an emphasis on intermediate maturities of 20-25%. Effective December 31, 2020, NGHS has frozen the pension plan for all participants. In addition, guaranteed annuities were purchased for 747 retirees and beneficiaries as of September 2021. NGHS recognized a settlement loss of $15,914. This is reflected as a settlement in the change in benefit obligation for the year ended September 30, 2021 in the Consolidated Statements of Operations and Changes in Net Assets for NGHS. Management contributed $20,000 to the plan during fiscal year 2021.

Estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year Ending September 30,	
2022	$ 9,340
2023	10,216
2024	11,092
2025	11,889
2026	12,654
2027-2031	71,863

NOTE I--OTHER RETIREMENT PLANS

During 2006, NGHS created the Northeast Georgia Health System, Inc. 401(k) Retirement Savings Plan for substantially all employees. The Plan provides for matching contributions by NGHS which are 100% of each employee's elective deferrals up to 1% of compensation and 50% of each employee's elective deferrals that exceed 1% of compensation but that do not exceed 6%. During 2020, the employer match was suspended from the first pay period in June through the last pay period in September due to the event discussed in Note O. During 2021, the employer match was reinstated. Expense for NGMC under the 401(k) Retirement Savings Plan was $11,623 and $7,533 for the years ended September 30, 2021 and 2020, respectively.

NGHS also has other deferred compensation and benefit plans maintained for specific purposes. Assets and liabilities are included in the accompanying financial statements of NGMC where appropriate.

NOTE J--ESTIMATED LIABILITY FOR SELF-INSURANCE CLAIMS

NGHS has established trust funds for the purpose of funding professional liability and self-insured workers' compensation, which covers NGMC, up to specified retention levels, generally $5,000 per occurrence and $10,000 in the aggregate (annually) for professional liability and $400 per occurrence for worker's compensation with no annual aggregate. Losses exceeding aggregate annual limits up to maximum limits are covered by insurance purchased from commercial carriers and management intends to maintain such insurance coverage in the future. As of September 30, 2021, management is not aware of any claims that will ultimately settle above the specified retention levels and, accordingly, has not recognized any insurance recovery receivables.

Funding for professional liability is on a claims-made basis, while workers' compensation is determined on an occurrence basis. Funding of the trusts is based upon estimates of potential liability provided by annual independent actuarial valuations and includes provisions for claims reported and claims incurred but not reported in excess of insurance limits. NGMC is involved in litigation relating to medical malpractice and workers' compensation and other claims arising in the ordinary course of business. There are also known incidents occurring through September 30, 2021 that may result in the assertion of additional claims and other unreported claims may be asserted arising from services provided in the past. Estimated self-insurance liabilities in the Consolidated Balance Sheets of NGHS and affiliates consist of amounts accrued by NGHS related to these self-insurance programs and have not been discounted. Amounts accrued by NGHS were approximately $58,875 and $50,366 at September 30, 2021 and 2020.

NGHS maintains a self-insurance program to provide medical and dental coverage for eligible employees and their dependents. Reinsurance above $225 annually per individual with no aggregate limit is maintained through a commercial excess coverage policy. Operating expenses in the accompanying Statements of Operations and Changes in Net Assets for the years ended September 30, 2021 and 2020 include $51,469 and $40,564, respectively, related to these benefits. Approximately $12,100 representing estimated incurred but unpaid medical and dental claims, are included in accounts payable and accrued expenses at both September 30, 2021 and 2020.

(Dollars in Thousands)

NOTE K--CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject NGMC to concentrations of credit risk consist primarily of cash and cash equivalents, investments and assets limited as to use (Note D) and patient revenue and accounts receivable.

NGMC places cash and cash equivalents with banking institutions that are insured by the Federal Deposit Insurance Corporation. At times, NGMC has deposits in excess of these insurance limits. NGMC is exposed to loss of the uninsured amounts in the event of nonperformance by the banking institution; however, NGMC does not anticipate any such losses.

NGMC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The estimated mix of patient service revenue from patients and major third-party payers for the years ended September 30, 2021 and 2020 is as follows:

	2021	***2020***
Governmental programs		
Medicare	51%	50%
Medicaid	11%	11%
Commercial insurance	26%	26%
Self-pay and other	12%	13%
	100%	100%

NOTE L--OPERATING EXPENSE BY FUNCTIONAL CLASSIFICATION

NGMC provides healthcare 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. Expenses based on functional classification related to providing these services during the years ended September 30, 2021 and 2020 are as follows:

(Dollars in Thousands)

	Healthcare Services	Support Services	Total
September 30, 2021			
Salaries and benefits	$ 594,159	$ 41,211	$ 635,370
Utilities	10,217	709	10,926
Physician's fees	47,578	3,300	50,878
Supplies	264,891	18,372	283,263
Legal, consulting and professional fees	846	59	905
Contracted outside services	51,598	3,579	55,177
Interest	34,279	2,377	36,656
Insurance	1,328	92	1,420
Management fees	109,678	7,607	117,285
Other	76,826	5,329	82,155
Depreciation and amortization	73,922	5,127	79,049
	$ 1,265,322	$ 87,762	$ 1,353,084
September 30, 2020			
Salaries and benefits	$ 449,674	$ 42,852	$ 492,526
Utilities	9,690	920	10,610
Physician's fees	42,093	3,994	46,087
Supplies	212,855	20,202	233,057
Legal, consulting and professional fees	880	84	964
Contracted outside services	40,968	3,888	44,856
Interest	31,104	2,949	34,053
Insurance	1,908	-	1,908
Management fees	101,293	9,612	110,905
Other	69,123	6,553	75,676
Depreciation and amortization	73,225	6,918	80,143
	$ 1,032,813	$ 97,972	$ 1,130,785

NOTE M--AVAILABILITY AND LIQUIDITY

NGMC manages its cash and investments through a formalized investment process which includes evaluating cash needs for routine and nonroutine activities and adjusting the amount of cash held and the maturity of investments. NGMC’s financial assets reduced by amounts not available for general use are as follow at September 30, 2021:

(Dollars in Thousands)

Financial assets	$	1,813,008
Less those unavailable for expenditures within one year, due to:		
Amounts restricted under insurance agreements, bond agreements, board designation or other		(181,777)
Financial assets available to meet cash needs for general expenditures within one year	$	1,631,231

NOTE N--RELATED PARTY TRANSACTIONS

NGMC routinely engages in transactions with NGHS and other controlled affiliates of NGHS, including Northeast Georgia Physician Group, Inc. (NGPG), NGMC-Barrow, LLC (NGMC-Barrow), NGMC-Lumpkin, LLC (NGMC-Lumpkin), The Georgia Heart Institute, LLC (GHI), Northeast Georgia Health Partners, LLC (NGHP), Northeast Georgia Health Partners Network, LLC (NGHP Network), Northeast Georgia PEO, LLC (PEO), Lanier Community Assurance, Ltd. (LCA) and The Medical Center Foundation (the Foundation). Amounts due from affiliates bear no interest and represent capital and other expenditures paid on behalf of affiliates at September 30, 2021 and 2020, respectively.

In 2021 and 2020, NGMC purchased capital assets for NGHS in the amounts of $3,076 and $23,718, respectively, for NGPG in the amounts of $9,949 and $2,426, respectively, for NGMC-Barrow in the amount of $980 and $988, respectively, and for NGMC-Lumpkin in the amount of $374 and $1,947, respectively. NGMC also purchased capital assets of $118 for GHI in 2020. No amounts were purchased for GHI in 2021.

During 2021 and 2020, donations in the amounts of $2,270 and $1,292, respectively, were received from the Foundation.

In 2021 and 2020, NGHS charged NGMC with allocated management fees in the amounts of $117,285 and $110,905, respectively. Based on NGHS overhead cost allocations certain salary, insurance, information technology costs and other operating expenses are recognized in other operating expenses rather than natural classification. Administrative overhead allocated from NGMC was $8,030 and $6,963 for the years ended September 30, 2021 and 2020, respectively.

During 2021 and 2020, amounts due to/from NGHS, NGMC-Barrow, NGMC-Lumpkin, NGHP Network, GHI, NGPG, and NGHP were transferred from/to those entities through a non-cash transfer of net assets as reflected in the accompanying Statements of Operations and Changes in Net Assets. Accrued salaries include $16,910 and $12,109 as of September 30, 2021 and 2020, respectively, related to affiliated entities that was included in the non-cash transfers of net assets. The transfer of net assets, including the amounts due to/from these related parties, consisted of the following for the years ended September 30, 2021 and 2020:

(Dollars in Thousands)

	2021	2020
NGHS	$ 20,598	$ (20,529)
NGMC-Barrow	3,369	(7,967)
NGPG	18,157	37,342
NGHP	3,090	1,788
GHI	16,747	19,147
NGHP Network	(627)	-
NGMC-Lumpkin	(460)	607
	$ 60,874	$ 30,388

Other transfers of equity to/from affiliates includes approximately $1,801 and $1,683 in 2021 and 2020, respectively, related to routine operating support for the Foundation. During 2021, total assets released from restrictions at the Foundation for capital purposes was $988. No assets were reclassed from restrictions for capital purposes in 2020.

NOTE O--NATIONAL PANDEMIC

In March 2020, the outbreak of the coronavirus disease 2019 (COVID-19) was declared a public health emergency (PHE). The COVID-19, PHE has severely restricted economic activity and resulted in volatility in financial markets. The healthcare industry has been impacted due to a general decrease in non-emergent patient volumes, cancellations and delays of elective medical procedures, as well as COVID-19 related expenses.

Government support, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act provided essential funding to eligible hospitals, physicians and other healthcare providers. During the year ended September 30, 2020, NGMC received approximately $74,198 of CARES Act Provider Relief Funds (PRF). A portion of this amount totaling $38,859 was recognized as revenue as of September 30, 2020 to offset estimated lost revenue and COVID-19 related expenses incurred based on the initial reporting guidelines published by the Department of Health and Human Services (HHS). The remaining amount was recorded as unearned revenue in the accompanying financial statements until expended for the intended purposes or repaid. NGMC received approximately $512 of PRF during the year ended September 30, 2021. The entire amount of this funding along with the amounts recorded as unearned revenue in the prior year accompanying financial statements have been recognized as revenue as of September 30, 2021, based on the revised reporting guidelines published by HHS on June 11, 2021. NGMC has placed a 25% reserve against all PRF funds received, as management believes HHS, based on the other significant changes occurring over the past two years in rules for recognizing revenue from PRF funds issued by HHS, could again change the current terms and conditions with which management believes they can recognize all PRF funds. The reserve is netted against the PRF revenue recognized and is recorded as unearned revenue in the accompanying consolidated financial statements until further clarification is received from HHS.

Subsequent to September 30, 2021, NGMC received approximately $14,100 from the American Rescue Plan (ARP) for services provided to rural Medicaid and Medicare beneficiaries from January 1, 2019 through September 30, 2020.

Additionally, NGMC received $96,421 of payments issued under the Medicare Accelerated and Advance Payment (AAP) Program which were reported as a current liability as of September 30, 2020. Such amounts were intended to fund short-term cash flow needs and are to be recouped by the Center for Medicare and Medicaid Services (CMS) through an offset to future Medicare claims. Initially, the terms of the AAP Program provided for the recoupment to begin 120 days after receipt. Subsequent to September 30, 2020, the Continuing Appropriations Act, 2021 and Other Extensions Act revised the repayment terms delaying the recoupment start date until one year after the payments were issued and reducing the initial recoupment amount to 25% of claims approved for payment for a period of eleven months, which increases to 50% for the following six months. As of September 30, 2021, recoupments of $27,469 have occurred to reduce this current liability to $68,952 as of September 30, 2021.

The ultimate impact of the COVID-19 PHE on the financial position of NGMC is uncertain and the status of future government funding is unknown at this time. The impact on operations and the consolidated financial statements cannot reasonably be predicted or estimated at this time.

NOTE P--FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by NGMC in estimating the fair value of their financial instruments:

Cash and Cash Equivalents: The carrying amounts reported in the Balance Sheets for cash, cash equivalents and short-term investments approximate fair value.

Investments: Fair value of issues traded on public exchanges is based on the market price in such exchanges at year end. The fair value of other issues is also based on quoted market prices.

Assets Limited as to Use: Fair value of issues traded on public exchanges is based on the market price in such exchanges at year end. The fair value of other issues is also based on quoted market prices and other observable inputs.

Estimated Self-Insurance and Other Long-Term Liabilities: It is not practical to estimate the fair market value of estimated self-insurance liabilities due to the uncertainty of when these amounts may be paid. Deferred compensation liabilities are based on the related investments which are reported at fair value.

The carrying value of certain other financial instruments approximates fair value due to the nature and short-term maturities of these investments.

NOTE Q--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.

- *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. NGMC’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 and liabilities reported at fair value and their respective classification under the valuation hierarchy:

(Dollars in Thousands)

	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2021				
Assets measured at fair value on a recurring basis:				
Cash and money market funds	$ 447,722	$ 447,722	$ -	$ -
Mutual funds	3,017	3,017	-	-
Government bonds	49,926	49,926	-	-
Corporate bonds	286,170	-	286,170	-
Equity securities	825,339	825,339	-	-
Other	530	530	-	-
Accrued income	2,374	2,374	-	-
Total assets	$ 1,615,078	$ 1,328,908	$ 286,170	$ -
September 30, 2020				
Assets measured at fair value on a recurring basis:				
Cash and money market funds	$ 109,119	$ 109,119	$ -	$ -
Mutual funds	13,361	13,361	-	-
Government bonds	334,254	334,254	-	-
Corporate bonds	262,692	-	262,692	-
Equity securities	404,592	404,592	-	-
Other	450	450	-	-
Accrued income	1,669	1,669	-	-
Total assets	$ 1,126,137	$ 863,445	$ 262,692	$ -

NOTE R--COMMITMENTS AND CONTINGENCIES

NGHS construction in progress at September 30, 2021 relates primarily to ongoing projects, routine capital improvements at existing facilities, and scheduled projects related to an NGHS Development Plan to be completed over the next several years. The estimated cost to complete current construction in progress at September 30, 2021 is approximately $574,528, over that time frame, primarily related to the construction of a new tower expansion project at NGMC. Cost to complete construction in progress under signed contracts at September 30, 2021 is approximately $57,661.

Healthcare Industry: The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse and under provisions of the Health Insurance Portability and Accountability Act of 1996, patient records privacy and security. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

NOTE S--SUBSEQUENT EVENTS

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 material recognizable subsequent events that required recognition or disclosure in the September 30, 2021 financial statements, except as discussed in Note O.