



# Consolidated Financial Statements (and Supplemental Schedules)

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***Northeast Georgia Health System, Inc. and Affiliates***

*Years Ended September 30, 2022 and 2021*

# NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Northeast Georgia Health System, Inc.:

### *Opinion*

We have audited the consolidated financial statements of Northeast Georgia Health System, Inc. and Affiliates (the System), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audits and the report of the other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the System as of September 30, 2022 and 2021, and the results of their 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.

We did not audit the financial statements of Lanier Community Assurance, Ltd. (LCA), a wholly-owned subsidiary, whose statements reflect total assets constituting 2% of consolidated total assets at September 30, 2022 and 2021 and total revenues constituting 1% and 3%, respectively, of consolidated total revenues for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for LCA, is based solely on the report of the other auditors.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis of Matter - Coronavirus Disease 2019 (COVID-19)*

As discussed in Note O to the consolidated financial statements, the healthcare industry has been impacted due to the outbreak of 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.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

***Other Matter***

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

PYA, P.C.

Atlanta, Georgia  
January 11, 2023

**NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES**

*Consolidated Balance Sheets*  
*(Dollars in Thousands)*

	<i>September 30,</i>	
	<i>2022</i>	<i>2021</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 43,928	\$ 50,649
Investments	346,505	309,638
Assets limited as to use, required for current obligations	16,089	13,289
Patient accounts receivable	167,797	179,868
Estimated amounts due from third-party payers	11,839	22,285
Inventory of supplies	14,790	18,451
Other current assets	18,855	12,212
TOTAL CURRENT ASSETS	<b>619,803</b>	606,392
<b>INVESTMENTS</b>	<b>964,670</b>	1,123,663
<b>ASSETS LIMITED AS TO USE</b>		
Under indenture agreements - held by trustees	91,476	161,890
Under self-insurance agreements	70,810	63,516
By Board for designated capital purposes	89,739	95,182
Other	79,853	86,429
	<b>331,878</b>	407,017
Less amounts required for current obligations	<b>(16,089)</b>	(13,289)
ASSETS LIMITED AS TO USE	<b>315,789</b>	393,728
<b>PROPERTY AND EQUIPMENT, net</b>	<b>931,457</b>	792,360
<b>OTHER ASSETS</b>		
Goodwill	3,263	3,263
Pension asset	54,674	-
Property held for future investment	3,891	5,583
Other	3,705	4,666
Right-of-use asset, finance leases	1,900	4,050
Right-of-use asset, operating leases	15,252	25,482
TOTAL OTHER ASSETS	<b>82,685</b>	43,044
TOTAL ASSETS	<b>\$ 2,914,404</b>	\$ 2,959,187

*See notes to consolidated financial statements.*

**NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES**

*Consolidated Balance Sheets – Continued*  
*(Dollars in Thousands)*

	<i>September 30,</i>	
	<i>2022</i>	<i>2021</i>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 18,413	\$ 18,125
Accrued interest	5,543	4,960
Accounts payable and other accrued expenses	109,085	90,559
Accrued salaries, benefits, compensated absences and amounts withheld	102,436	141,899
Current portion of finance lease liability	1,735	2,161
Current portion of operating lease liability	5,767	7,970
Advance payments from third-party payers - Note O	-	70,808
Unearned revenue - Note O	24,339	24,339
Estimated amounts due to third-party payers	16,700	12,001
TOTAL CURRENT LIABILITIES	<b>284,018</b>	372,822
LONG-TERM DEBT, less current portion	1,177,634	1,196,547
ESTIMATED SELF-INSURANCE LIABILITIES	62,361	58,875
<b>OTHER LONG-TERM LIABILITIES</b>		
Deferred compensation	44,408	49,187
Pension liability	-	5,585
Finance lease liability, less current portion	26	1,760
Operating lease liability, less current portion	9,960	17,934
TOTAL OTHER LONG-TERM LIABILITIES	<b>54,394</b>	74,466
TOTAL LIABILITIES	<b>1,578,407</b>	1,702,710
<b>COMMITMENTS AND CONTINGENCIES -</b>		
Notes G, J and R		
<b>NET ASSETS</b>		
Without donor restrictions	1,306,490	1,231,254
With donor restrictions	29,507	25,223
TOTAL NET ASSETS	<b>1,335,997</b>	1,256,477
TOTAL LIABILITIES AND NET ASSETS	<b>\$ 2,914,404</b>	<b>\$ 2,959,187</b>

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

	<i>Year Ended September 30,</i>	
	<i>2022</i>	<i>2021</i>
Changes in net assets without donor restrictions:		
Patient service revenue	\$ 1,906,031	\$ 1,806,953
Other operating revenue	54,836	40,437
Contributions for equipment, education, indigent patients and community benefits:		
Cash and other financial assets	49	114
In-kind	11,787	55,577
<b>TOTAL OPERATING REVENUES</b>	<b>1,972,703</b>	<b>1,903,081</b>
Expenses:		
Salaries and wages	952,114	849,614
Employee benefits	151,839	149,938
Physicians' fees	49,809	41,765
Utilities	17,649	14,528
Supplies	338,065	311,791
Legal, consulting and professional fees	9,187	6,749
Contracted outside services	76,420	74,449
Insurance	15,080	17,917
Interest	36,912	36,656
Depreciation and amortization	91,175	95,013
Other operating expenses	133,842	118,119
<b>TOTAL OPERATING EXPENSES</b>	<b>1,872,092</b>	<b>1,716,539</b>
<b>OPERATING INCOME BEFORE PROVIDER RELIEF FUND REVENUE</b>	<b>100,611</b>	<b>186,542</b>
Provider relief fund revenue - Note O	17,629	30,527
<b>INCOME FROM OPERATIONS</b>	<b>118,240</b>	<b>217,069</b>
Nonoperating gains (losses):		
(Loss) gain from investments, net	(102,914)	156,971
Loss on extinguishment of long-term debt	-	(18,514)
Gain on sale of property and equipment, net	707	905
Change in estimated benefit obligation due to settlement	-	(15,914)
Miscellaneous, net	(1,767)	(2,220)
<b>NET NONOPERATING (LOSSES) GAINS</b>	<b>(103,974)</b>	<b>121,228</b>
<b>EXCESS OF REVENUE AND GAINS OVER EXPENSES AND LOSSES</b>	<b>14,266</b>	<b>338,297</b>

*See notes to consolidated financial statements.*



**NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES**

***Consolidated Statements of Operations and Changes in Net Assets – Continued***  
***(Dollars in Thousands)***

	<i>Year Ended September 30,</i>	
	<i>2022</i>	<i>2021</i>
Other changes in net assets without donor restrictions:		
Pension asset/liability adjustments	<b>61,017</b>	95,916
Net assets released for capital expenditures	<b>70</b>	988
Other changes	<b>(117)</b>	(138)
TOTAL OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<b>60,970</b>	96,766
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<b>75,236</b>	435,063
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	<b>1,231,254</b>	796,191
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	<b>\$ 1,306,490</b>	<b>\$ 1,231,254</b>
Changes in net assets with donor restrictions:		
Contributions for equipment, education, indigent patients and community benefits:		
Cash and other financial assets	<b>\$ 6,541</b>	\$ 4,032
In-kind	<b>309</b>	401
Partnership earnings and other changes	<b>(212)</b>	507
Change in expected losses and discounts on pledges	<b>(242)</b>	(118)
Net assets released from restrictions	<b>(2,067)</b>	(3,258)
Other changes, net	<b>(45)</b>	(18)
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<b>4,284</b>	1,546
NET ASSETS WITH DONOR RESTRICTIONS, BEGINNING OF YEAR	<b>25,223</b>	23,677
NET ASSETS WITH DONOR RESTRICTIONS, END OF YEAR	<b>29,507</b>	25,223
TOTAL INCREASE IN NET ASSETS	<b>79,520</b>	436,609
TOTAL NET ASSETS, BEGINNING OF YEAR	<b>1,256,477</b>	819,868
TOTAL NET ASSETS, END OF YEAR	<b>\$ 1,335,997</b>	<b>\$ 1,256,477</b>

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Consolidated Statements of Cash Flows* *(Dollars in Thousands)*

	<i>Year Ended September 30,</i>	
	<i>2022</i>	<i>2021</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 79,520	\$ 436,609
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	91,175	95,013
Gain on sale of property, plant and equipment	(707)	(905)
(Gain) loss on sales of investments and assets limited as to use	(17,801)	1,178
Loss on extinguishment of long-term debt	-	18,514
Pension plan adjustments	(61,017)	(95,916)
Change in expected losses and discounts on pledges	242	118
Change in net unrealized gains/losses on investments and assets limited as to use	156,185	(124,858)
Restricted contributions	(6,541)	(4,032)
Changes in assets and liabilities:		
Patient accounts receivable	12,071	(63,708)
Inventory of supplies	3,661	(597)
Other current assets	(6,885)	(16,091)
Other long-term assets	(39,887)	7,854
Accrued interest	583	19
Accounts payable and other accrued expenses, and other long-term liabilities	61,757	30,033
Accrued salaries, benefits, compensated absences and amounts withheld	(39,463)	37,843
Unearned revenue	-	(25,681)
Estimated third-party payer settlements	15,145	(20,828)
Estimated self-insurance liabilities	3,486	14,326
Lease liabilities	(13,773)	(7,643)
Total adjustments	158,231	(155,361)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>237,751</b>	<b>281,248</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(220,548)	(88,201)
Proceeds from sales of property, plant and equipment	2,587	2,800
Purchases of investments and assets limited as to use	(884,699)	(1,091,622)
Proceeds from maturities and sales of investments and assets limited as to use	943,579	677,038
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(159,081)</b>	<b>(499,985)</b>

**NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES**

***Consolidated Statements of Cash Flows – Continued***  
***(Dollars in Thousands)***

	<i>Year Ended September 30,</i>	
	<i>2022</i>	<i>2021</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable and long-term debt, net of issuance costs	-	490,536
Payments to escrow to relieve long-term debt	-	(239,605)
Principal payments on long-term debt and finance lease obligations	<b>(21,124)</b>	(23,298)
Recoupment of advance payments from third-party payers	<b>(70,808)</b>	(28,097)
Restricted contributions received	<b>6,541</b>	4,032
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<b>(85,391)</b>	203,568
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(6,721)</b>	(15,169)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<b>50,649</b>	65,818
CASH AND CASH EQUIVALENTS AT END OF YEAR	<b>\$ 43,928</b>	<b>\$ 50,649</b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid during the year for interest	<b>\$ 39,064</b>	<b>\$ 36,637</b>
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:</b>		
Property, plant and equipment received and accrued in payables	<b>\$ 20,761</b>	<b>\$ 13,339</b>
Lease liabilities arising from obtaining right-of-use assets	<b>\$ 3,596</b>	<b>\$ 6,019</b>
Operating cash flows from operating leases	<b>\$ 9,139</b>	<b>\$ 7,770</b>
Financing cash flows from finance leases	<b>\$ 2,160</b>	<b>\$ 2,943</b>

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements (Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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#### NOTE A--ORGANIZATION AND OPERATIONS

Northeast Georgia Health System, Inc. and its affiliates (the System) were organized to provide healthcare services to the residents of counties in northeastern Georgia.

Northeast Georgia Health System, Inc. (NGHS) serves as the parent company for its controlled affiliates described below. NGHS provides for the method of electing the Trustees and Directors for these controlled affiliates and engages in corporate planning and management, corporate financial management, corporate marketing, and resource allocation to the controlled affiliates and health education programs for the general population in Northeast Georgia. All controlled affiliates are located in or near Hall County, Georgia.

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.

NGMC Lumpkin, LLC (NGMC-Lumpkin), a Georgia limited liability company, is a 52-bed hospital located in Dahlonega, Georgia. NGHS is the only member of NGMC-Lumpkin.

NGMC Barrow, LLC (NGMC-Barrow), a Georgia limited liability company, is a 56-bed hospital located in Winder, Georgia. NGHS is the only member of NGMC-Barrow.

The Medical Center Foundation (the Foundation) manages fundraising and development activities on behalf of the System.

Northeast Georgia Physicians Group, Inc. (NGPG) was formed to improve access to healthcare services throughout the service region. NGPG employs primary care and specialty physicians.

Northeast Georgia Health Partners, LLC (NGHP) was formed as a subsidiary of NGHS to operate a preferred provider organization. NGHS is the only member of NGHP.

The Georgia Heart Institute, LLC (GHI), a Georgia limited liability company formally known as The Heart Center, is a cardiology physician practice. NGHS is the only member of GHI.

During 2020, Lanier Community Assurance, Ltd. (LCA) was formed for the primary purpose of providing professional liability and workers' compensation coverage for the System. LCA is incorporated in the Cayman Islands and is currently recognized as tax-exempt by the Cayman Islands Government.

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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Northeast Georgia PEO, LLC (PEO) was formed in 2020 as a subsidiary of NGHS for employing out-of-state workers. PEO is not capitalized or staffed and is solely used for tax reporting purposes.

Northeast Georgia Health Partners Network, LLC (NGHP Network) is a physician-hospital organization and was formed as a wholly owned subsidiary in 2020 to provide clinically integrated care to individuals covered by contracts entered into or administered by NGHP Network.

NGHS, NGMC, the Foundation, and NGPG are organized as Georgia not-for-profit corporations and are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The income for NGMC-Barrow, NGMC-Lumpkin, PEO, and GHI passes through to NGHS, which is tax exempt. NGHP and NGHP Network are organized as for-profit corporations.

#### NOTE B--SIGNIFICANT ACCOUNTING POLICIES

*Principles of Consolidation:* The accompanying consolidated financial statements include the accounts of NGHS and its controlled affiliates. All significant intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

*Use of Estimates:* The preparation of consolidated 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 consolidated 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, plant and equipment, goodwill, deferred liabilities, 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:* A portion of investments and assets limited as to use at September 30, 2022 and 2021 includes the System's percentage of ownership in a limited partnership investment fund (the Fund) whose primary objective is to generate a higher than average cash flow yield through investment in publicly traded equity securities. The System accounts for its investment in the Fund under the equity method of accounting with the System's share of the Fund's gains and losses, both realized and unrealized, recognized as nonoperating gains and losses.

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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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 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 held by trustees under professional liability and workers' compensation self-insurance trust arrangements, assets designated by the Board for specific purposes, and assets designated by donors for specific purposes and held by the Foundation.

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 which are not invested in the Fund are recorded as nonoperating gains or losses from investments.

*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 on the basis of cost or, if donated, fair value at the date of donation. 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 consolidated financial statements. Any resulting gain or loss is included in nonoperating gains and losses.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, 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 restricted support. Absent explicit donor restrictions about the amount of time 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.

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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The System 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, 2022 and 2021, 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, the System's incremental borrowing rate which was 3.00% for the years ended September 30, 2022 and 2021. Payments include options to extend, or terminate, if the System 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 the System'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.

*Estimated Professional Liability Self-Insurance and Other Long-Term Liabilities:* Self-insurance liabilities include estimated reserves for reported and unreported professional liability claims and are recorded at the estimated net present value of such claims. Other long-term liabilities include obligations under deferred compensation arrangements, a defined benefit pension plan, a post-retirement employee benefit plan, as well as other liabilities which management estimates are not payable within one year.

*Excess of Revenue and Gains Over Expenses and Losses:* The Consolidated Statements of Operations and Changes in Net Assets include the *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 certain assets limited as to use, transfers of assets to and from affiliates for other than goods or services, pension liability adjustments, 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 the System are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

*Charity Care:* NGMC, NGMC-Barrow, NGMC-Lumpkin, NGPG and GHI provide care to patients who meet certain criteria under their charity care policies 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

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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NGMC, NGMC-Barrow, NGMC-Lumpkin, NGPG and GHI do 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 \$419,164 and \$415,087 for the years ended September 30, 2022 and 2021, respectively, which are net of indigent care trust fund proceeds of \$14,371 and \$9,646 in 2022 and 2021, 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 \$103,567 and \$101,406 for the years ended September 30, 2022 and 2021, 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 the System's total expenses divided by patient service revenue.

In addition to the patient charity care services, the System provides a number of other services to benefit the indigent 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. The System 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, 2022 and 2021 include \$42,667 and \$102,428, respectively, related to discounts provided to self-pay 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 the System 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, System performance obligations satisfied over time relate to patients receiving inpatient acute care services. The System measures the performance obligation from admission into one of the System'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 the System's performance obligations relate to contracts with a duration of less than one year; therefore, the System 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



## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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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.

The System 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 the System's financial assistance policy, and implicit price concessions provided to uninsured or under-insured patients. The System determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The System 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. The System's policy does not require collateral or other security for patient accounts receivable. The System routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

The System 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 the System'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. The System 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.

*Donor Gifts:* Unconditional promises to give cash and other assets to the System are reported at estimated net realizable value at the date the promise is received. Conditional promises to give, and indications of intentions to give, are reported at net realizable value at the date the gift is received. Resources restricted by donors for specific operating purposes (or to specific time periods) are held as net assets with donor restrictions until expended for the intended purpose (or the time restriction expires), at which time they are reported as net assets released from restrictions used for operations. Resources restricted by donors for additions to property and equipment (or payments on debt incurred for property additions) are held as net assets with donor restrictions

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Consolidated Financial Statements - Continued (Dollars in Thousands)

#### Years Ended September 30, 2022 and 2021

until expended, at which time they are reported as net assets released from restrictions used for the purchase of property and equipment. Revenues from contributions of non-financial assets were as follows:

Non-financial Contribution Category	Type of Contribution for Beneficiaries	Valuation	Donor Restriction	Year Ended September 30,	
				2022	2021
Food and non-food items	Food, hygiene products, door prizes for fund raising events, and facility usage	Fair market value of items received	Yes	\$ 57	\$ 138
In-kind services	Contract labor	Standard industry pricing for similar services	None	11,787	55,577
Professional services	Project planning and design	Vendor contract pricing	Yes	176	-
Medical supplies	Personal protection items, patient linens, and apparel	Fair market value of items received	Yes	76	263
TOTAL				\$ 12,096	\$ 55,978

Gifts, grants and bequests not restricted by donors are reported as net assets without donor restrictions. Unconditional promises to give that are expected to be received within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the estimated present value of their estimated future cash flows. The discounts on those amounts are computed using estimated rates applicable to the years in which the promises are received. An estimated allowance for uncollectible pledges is recorded based on management's evaluation of promises to give. The System's policies do not require collateral or other security for promises to give.

*Income Taxes:* NGHS, NGMC, the Foundation, NGPG, and LCA are classified as organizations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code or provisions of the Companies Law of the Cayman Islands. The income for NGMC-Barrow, NGMC-Lumpkin, PEO, and GHI passes through to NGHS, which is tax exempt. As such, no provision for income taxes has been made in the accompanying consolidated financial statements. NGHP and NGHP Network are taxable entities and account for income taxes in accordance with the FASB ASC 740, *Income Taxes* (ASC 740). At September 30, 2022 and 2021, respectively, management does not believe the System holds any uncertain tax positions that would require financial statement recognition or disclosure under ASC 740. It is the System's policy to recognize interest and/or penalties related to income tax matters as an operating expense.

*Other Revenue:* The System received new program development and capitation funds from the Georgia Board of Healthcare Workforce in the amount of \$1,823 during fiscal year 2021 to develop training programs for primary care physicians. These funds are recognized as other operating revenue in the accompanying Consolidated Statements of Operations and Changes in Net Assets. No funds related to this initiative were received during fiscal year 2022. In addition, during fiscal years 2022 and 2021, the System 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, the System has determined the contributed services meet the specialized skill criteria and that the contributions should be

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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recognized in the consolidated financial statements at their fair market value. The value of these contributed services received was determined to be \$11,787 and \$55,577 for the years ended September 30, 2022 and 2021, respectively, and is accounted for in the Consolidated Statements of Operations and Changes in Net Assets as in-kind operating revenue and salaries and wages expense. There is no impact to the income from operations for this recognition.

*Goodwill:* Goodwill represents the excess purchase price over the assigned fair value of identifiable tangible assets and separately identified intangible assets acquired in the acquisition of various entities. Management annually evaluates goodwill for impairment and records any reduction in goodwill in the period such impairment is determined. Management believes no such impairment exists at September 30, 2022 and 2021, respectively.

*Recently Adopted Accounting Principles:* 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*. ASU No. 2020-07 requires that contributed nonfinancial assets be presented separately in the Consolidated Statements of Operations and Changes in Net Assets and also requires expanded disclosures related to nonfinancial assets contributed. Management adopted this ASU effective October 1, 2021, utilizing a retrospective method with certain reclassifications made as of the earliest period presented to conform to this new presentation. The adoption of this ASU did not have an impact on the net assets of the System.

*Reclassifications:* Certain reclassifications have been made to the 2021 amounts to conform to the 2022 presentation. These reclassifications had no material impact on the consolidated increase in net assets.

#### NOTE C--PATIENT SERVICE REVENUE/RECEIVABLES

The System 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. The System 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

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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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:* The System 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, 2022 and 2021 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. The System 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, the System 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, the System 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.

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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Adjustments for such changes in the estimated transaction price were not significant for the years ended September 30, 2022 and 2021. 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, 2022 and 2021.

NGMC participates in the Georgia DCH Hospital Direct Payment Program (HDPP). NGPG and GHI participate in the Georgia DCH Physician Direct Payment Program (PDPP). These programs provide eligible, participating hospitals and physicians supplemental funding for the Medicaid Managed Care program. During fiscal year 2022, NGMC recognized \$6,108 from the HDPP. NGMC did not receive any amounts under the HDPP during fiscal year 2021. NGPG and GHI recognized \$11,625 and \$213, respectively, in funds from the PDPP in fiscal year 2022. NGPG and GHI recognized \$3,464 and \$64, respectively, in funds from the PDPP in fiscal year 2021. PDPP and HDPP amounts recognized are included in patient service revenue.

NGMC, NGPG, GHI, and NGMC-Barrow also participate 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 2022 and 2021, NGMC recognized \$15,908 and \$24,748, respectively, from the UPL program. \$22,285 was included in third-party receivables as of September 30, 2021. There was no amount receivable under the UPL program as of September 30, 2022. NGMC-Barrow and NGMC-Lumpkin recognized \$435 and \$52, respectively, in funds from the UPL program in 2022. NGMC-Barrow recognized \$845 in funds from the UPL program in 2021. UPL amounts recognized are included in patient service revenue.

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 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. \$15,975 and \$15,036 relating to the Act are included in other operating expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets for the years ended September 30, 2022 and 2021, 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:

**NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES**

*Notes to Consolidated Financial Statements - Continued*  
*(Dollars in Thousands)*

*Years Ended September 30, 2022 and 2021*

	<b>2022</b>	<b>2021</b>
Medicare	\$ 953,306	\$ 894,481
Medicaid	207,689	201,768
Commercial	525,356	494,988
Self-Pay	138,735	150,070
Other	80,945	65,646
Patient service revenue	<u>\$ 1,906,031</u>	<u>\$ 1,806,953</u>

**NOTE D--INVESTMENTS AND ASSETS LIMITED AS TO USE**

The composition of assets limited as to use at September 30, 2022 and 2021, is as follows:

	<b>2022</b>	<b>2021</b>
Indenture agreements - held by trustees:		
Cash and money market funds	\$ 8,957	\$ 121,745
Corporate bonds	82,037	39,941
Accrued income	482	204
	<u>91,476</u>	<u>161,890</u>
Professional liability self-insurance agreement - held by trustee:		
Cash and money market funds	5,703	10,644
U.S. Treasury and agency obligations	6,458	-
Corporate bonds	33,084	30,584
Equity securities	17,084	15,090
Accrued income	247	195
	<u>62,576</u>	<u>56,513</u>
Workers' compensation self-insurance agreement - held by trustee:		
Cash and money market funds	1,040	1,602
U.S. Treasury and agency obligations	1,093	-
Corporate bonds	3,837	3,566
Equity investments	2,235	1,813
Accrued income	29	22
	<u>8,234</u>	<u>7,003</u>

**NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES**

*Notes to Consolidated Financial Statements - Continued*  
*(Dollars in Thousands)*

*Years Ended September 30, 2022 and 2021*

	<u>2022</u>	<u>2021</u>
Board designated for capital improvements:		
Cash and money market funds	5,226	19,333
U.S. Treasury and agency obligations	18,047	-
Equity securities	66,462	75,849
Accrued income	4	-
	<u>89,739</u>	<u>95,182</u>
Other		
Cash and money market funds	13,720	16,944
Mutual funds	32,142	32,752
Corporate bonds	2,507	3,112
Equity securities	5,796	6,438
Limited partnership investments	19,653	20,892
Other	6,014	6,268
Accrued income	21	23
	<u>79,853</u>	<u>86,429</u>
	331,878	407,017
Less assets limited as to use that are required for current obligations	<u>(16,089)</u>	<u>(13,289)</u>
	<u>\$ 315,789</u>	<u>\$ 393,728</u>

The composition of investments at September 30, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Cash and money market funds	\$ 110,749	\$ 309,638
U.S. Treasury and agency obligations	187,706	-
Mutual funds	48,735	49,926
Corporate bonds	188,438	246,229
Equity securities	773,602	825,338
Accrued income	1,945	2,170
	<u>1,311,175</u>	<u>1,433,301</u>
Less current investments	<u>(346,505)</u>	<u>(309,638)</u>
	<u>\$ 964,670</u>	<u>\$ 1,123,663</u>

Investment income on proceeds of borrowings that are held by trustees was \$2,919 and \$221, for the years ended September 30, 2022 and 2021, respectively, and is included as a part of other

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

operating revenue in the accompanying Consolidated Statements of Operations and Changes in Net Assets. The net (loss) gain from all other investments and assets limited as to use without donor restrictions for the years ended September 30, 2022 and 2021, was comprised of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 41,096	\$ 33,176
Limited partnership (losses) earnings	(1,107)	3,518
Net realized gains (losses)	17,801	(1,178)
Change in net unrealized gains/losses	(156,185)	124,858
Investment expense	(4,519)	(3,403)
Net investment (loss) gain	<u>\$ (102,914)</u>	<u>\$ 156,971</u>

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 consolidated financial statements.

#### NOTE E--PROPERTY AND EQUIPMENT, NET

Property and equipment at September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 70,865	\$ 64,924
Land improvements	16,671	16,671
Building and building equipment	985,783	936,545
Equipment	759,832	712,325
Vehicles	6,208	5,661
	<u>1,839,359</u>	<u>1,736,126</u>
Less accumulated depreciation and amortization	(1,086,309)	(998,147)
	<u>753,050</u>	<u>737,980</u>
Construction in progress - Note R	178,407	54,381
	<u>\$ 931,457</u>	<u>\$ 792,360</u>

Depreciation expense associated with property and equipment, net for the years ended September 30, 2022 and 2021 was \$88,684 and \$91,808, respectively.



## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

#### NOTE F--LONG-TERM DEBT

A summary of long-term debt at September 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Revenue Anticipation Certificates, Series 2021A		
Interest rates ranging from 2.50% to 5.00%; interest payments due semi-annually through February 2051	\$ 221,535	\$ 221,535
Plus unamortized premium	28,625	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	242,120
Revenue Anticipation Certificates, Series 2020A		
Interest rates ranging from 3.00% to 5.00%; interest payments due semi-annually through February 2047	321,920	332,735
Plus unamortized premium	57,853	60,223
Revenue Anticipation Certificates, Series 2017A		
Interest rates ranging from 4.00% to 5.00%; interest payments due semi-annually through February 2045	166,510	166,510
Plus unamortized premium	13,399	13,854
Revenue Anticipation Certificates, Series 2017B		
Interest rates ranging from 3.75% to 5.50%; interest payments due semi-annually through February 2045	135,169	137,784
Plus unamortized premium	16,437	17,088
Other notes payable	-	813
	<u>1,203,568</u>	<u>1,222,514</u>
Less current portion	(18,413)	(18,125)
Less issuance cost	(7,521)	(7,842)
	<u>\$ 1,177,634</u>	<u>\$ 1,196,547</u>

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

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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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, 2022.

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, 2022 and 2021, 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,

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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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

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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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 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, 2022 the balance of the respective deposits in escrow are \$212,089, and as such, there is debt outstanding and not recognized, due to advance refunding, in the

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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Consolidated Balance Sheet at September 30, 2022. All other advance refunding previously noted, were redeemed with their respective deposits placed in escrow prior to 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 also includes notes payable to financial institutions, repaid during fiscal year 2022.

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, 2022 are as follows:

<u>Year Ending September 30,</u>	
2023	\$ 14,121
2024	17,610
2025	18,515
2026	19,465
2027	20,460
Thereafter	997,083
	<u>\$ 1,087,254</u>

#### NOTE G--LEASES

The System 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 Consolidated Statements of Operations and Changes in Net Assets, at September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Finance lease costs:		
Amortization of right-to-use-asset	\$ 2,150	\$ 2,997
Interest on lease liability	-	-
Operating lease cost	9,139	7,770
Short term lease cost	197	947
	<u>\$ 11,486</u>	<u>\$ 11,714</u>

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

	<u>2022</u>	<u>2021</u>
Other information:		
Right-of-use assets obtained for new finance leases	\$ -	\$ 549
Right-of-use assets obtained for new operating leases	\$ 3,596	\$ 5,470
Weighted average remaining lease term - finance leases	1.00	1.93
Weighted average remaining lease term - operating leases	3.52	5.91
Weighted average discount rate - finance leases	0.00%	0.00%
Weighted average discount rate - operating leases	2.88%	3.00%

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

<u>Year Ending September 30,</u>	<u>Finance</u>	<u>Operating</u>
2023	\$ 1,735	\$ 5,767
2024	26	4,152
2025	-	2,573
2026	-	1,826
2027	-	1,592
Thereafter	-	600
Total lease payments	1,761	16,510
Less: Interest portion	-	(783)
Present value of lease obligations	1,761	15,727
Less: Current portion	(1,735)	(5,767)
Long-term lease obligations	\$ 26	\$ 9,960

#### NOTE H--PENSION PLAN

The System 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, the System makes 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 latter 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 to the plan (discussed below), the plan also provided for disability, death and delayed retirement benefits.

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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, 2022 and 2021:

	<i>Year Ended</i> <i>September 30,</i>	
	<i>2022</i>	<i>2021</i>
Change in benefit obligations		
Benefit obligations, beginning of year	\$ 320,862	\$ 392,624
Service cost	680	3,236
Interest cost	9,161	9,976
Curtailement	-	(17,502)
Settlement	-	(42,442)
Benefits paid	(10,560)	(11,470)
Actuarial gain	(90,371)	(13,560)
Benefit obligations, end of year	<u>\$ 229,772</u>	<u>\$ 320,862</u>
Change in plan assets		
Fair value of plan assets, beginning of year	\$ 315,277	\$293,717
Actual return on plan assets	(20,271)	55,472
Contributions of plan sponsor	-	20,000
Settlement	-	(42,442)
Benefits paid	(10,560)	(11,470)
Fair value of plan assets, end of year	<u>\$ 284,446</u>	<u>\$ 315,277</u>
Funded status of the plan at end of year	<u>\$ 54,674</u>	<u>\$ (5,585)</u>

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 2022 and 2021.

The accumulated benefit obligation (ABO) of the plan was \$229,772 and \$320,862 at September 30, 2022 and 2021, respectively. In accordance with generally accepted accounting principles, the

**NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES**

*Notes to Consolidated Financial Statements - Continued*  
*(Dollars in Thousands)*

***Years Ended September 30, 2022 and 2021***

System 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, 2022.

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

	<i>September 30,</i>	
	<u>2022</u>	<u>2021</u>
Noncurrent assets (liabilities)	\$ 54,674	\$ (5,585)
Net asset (liability) recognized	<u>\$ 54,674</u>	<u>\$ (5,585)</u>

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

	<i>Year Ended</i> <i>September 30,</i>	
	<u>2022</u>	<u>2021</u>
Unrecognized net actuarial loss	\$ 59,297	\$ 120,314
	<u>\$ 59,297</u>	<u>\$ 120,314</u>

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

	<i>Year Ended</i> <i>September 30,</i>	
	<u>2022</u>	<u>2021</u>
Net periodic pension cost		
Service cost with interest to year-end	\$ 680	\$ 3,236
Interest cost on the projected benefit obligation	9,161	9,976
Expected return on plan assets	(19,673)	(21,157)
Amortization of prior service cost	-	-
Amortization of net actuarial loss	10,590	14,625
Settlement	-	15,914
Net periodic pension cost	<u>\$ 758</u>	<u>\$ 22,594</u>



**NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES**

*Notes to Consolidated Financial Statements - Continued*  
*(Dollars in Thousands)*

*Years Ended September 30, 2022 and 2021*

	<i>Year Ended</i>	
	<i>September 30,</i>	
	<i>2022</i>	<i>2021</i>
Other changes in net assets without donor restrictions		
Net gain	\$ (50,427)	\$ (65,377)
Amortization of prior service cost	-	-
Amortization of net actuarial loss	(10,590)	(14,625)
Settlement	-	(15,914)
Total recognized in net assets without donor restrictions	<u>\$ (61,017)</u>	<u>\$ (95,916)</u>
Total recognized in net periodic pension cost and net assets without donor restrictions	<u>\$ (60,259)</u>	<u>\$ (73,322)</u>

The actuarial assumptions used for the plan as of September 30, 2022 and 2021 are as follows:

	<i>September 30,</i>	
	<i>2022</i>	<i>2021</i>
Discount rates	5.40%	2.90%
Rates of increase in future compensation levels	varies by age	varies by age
Expected long-term rate of return on plan assets	6.50%	6.50%
Rates of increase in maximum benefit and compensation limits	3.00%	3.00%

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 the System. 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, 2022 and 2021 is as follows:

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Consolidated Financial Statements - Continued (Dollars in Thousands)

#### Years Ended September 30, 2022 and 2021

	<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>
<b>September 30, 2022</b>				
Money market funds	\$ 13,309	\$ 13,309	\$ -	\$ -
Government bonds	2,046	2,046	-	-
Corporate bonds	48,132	-	48,132	-
Mutual funds and equity securities	220,345	220,345	-	-
Accrued income	614	614	-	-
	<u>\$ 284,446</u>	<u>\$ 236,314</u>	<u>\$ 48,132</u>	<u>\$ -</u>
<b>September 30, 2021</b>				
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	-	-
	<u>\$ 315,277</u>	<u>\$ 259,176</u>	<u>\$ 56,101</u>	<u>\$ -</u>

The System's 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, the System has frozen the pension plan for all participants. In addition, guaranteed annuities were purchased for 747 retirees and beneficiaries as of September 2021. The System 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. No contributions were made by the System to the plan during fiscal year 2022. The System 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:

<u>Year Ending September 30,</u>	
2023	\$ 10,779
2024	11,289
2025	11,949
2026	12,615
2027	13,239
2028-2032	73,906

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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#### NOTE I--OTHER RETIREMENT PLANS

During 2006, the System created the Northeast Georgia Health System, Inc. 401(k) Retirement Savings Plan for substantially all employees. The Plan provides for matching contributions by the System 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%. Expense under the 401(k) Retirement Savings Plan was \$21,698 and \$19,475 for the years ended September 30, 2022 and 2021, respectively.

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

#### NOTE J--ESTIMATED LIABILITIES FOR SELF-INSURANCE

The System has established trust funds for the purpose of funding professional liability and self-insured workers' compensation up to specified retention levels, generally \$5,000 per occurrence and \$10,000 in the aggregate (annually) for professional liability and \$500 per occurrence for workers' 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, 2022, 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. The System 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, 2022 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 accompanying Consolidated Balance Sheets at September 30, 2022 and 2021 consist of amounts accrued by the System related to these self-insurance programs and have not been discounted. Amounts accrued by NGHS were \$62,361 and \$58,875 at September 30, 2022 and 2021, respectively. Operating expenses in the years ended September 30, 2022 and 2021 include \$9,823 and \$13,774, respectively, for professional liability and workers' compensation.

The System 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 for the years ended September 30, 2022 and 2021 include \$69,714 and \$69,085, respectively,

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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related to these benefits. \$10,707 and \$12,100, representing estimated incurred but unpaid medical and dental claims, are included in accounts payable and accrued expenses at September 30, 2022 and 2021, respectively.

#### NOTE K--CONCENTRATIONS OF CREDIT RISK

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

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

The System grants credit without collateral to their 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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Governmental programs:		
Medicare	50%	50%
Medicaid	11%	11%
Commercial insurance	27%	27%
Self-pay and other	12%	12%
	<u>100%</u>	<u>100%</u>

#### NOTE L--OPERATING EXPENSE BY FUNCTIONAL CLASSIFICATION

The System 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, 2022 and 2021 are as follows:

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* (Dollars in Thousands)

#### *Years Ended September 30, 2022 and 2021*

	<i>Healthcare Services</i>	<i>Support Services</i>	<i>Fundraising</i>	<i>Total</i>
<b><i>September 30, 2022</i></b>				
Salaries and benefits	\$ 1,020,501	\$ 82,195	\$ 1,257	\$ 1,103,953
Utilities	16,327	1,322	-	17,649
Physicians' fees	46,136	3,673	-	49,809
Supplies	315,119	22,884	62	338,065
Legal, consulting and professional fees	8,236	951	-	9,187
Contracted outside services	69,697	6,592	131	76,420
Interest	34,518	2,394	-	36,912
Insurance	13,032	2,048	-	15,080
Other	122,705	11,010	127	133,842
Depreciation and amortization	84,433	6,698	44	91,175
	\$ 1,730,704	\$ 139,767	\$ 1,621	\$ 1,872,092
<b><i>September 30, 2021</i></b>				
Salaries and benefits	\$ 923,850	\$ 74,555	\$ 1,147	\$ 999,552
Utilities	13,430	1,098	-	14,528
Physicians' fees	38,633	3,132	-	41,765
Supplies	290,733	21,040	18	311,791
Legal, consulting and professional fees	5,989	760	-	6,749
Contracted outside services	68,089	6,234	126	74,449
Interest	34,279	2,377	-	36,656
Insurance	15,163	2,754	-	17,917
Other	108,366	9,673	80	118,119
Depreciation and amortization	88,002	6,967	44	95,013
	\$ 1,586,534	\$ 128,590	\$ 1,415	\$ 1,716,539

#### NOTE M--AVAILABILITY AND LIQUIDITY

The System 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. The System's financial assets reduced by amounts not available for general use are as follow at September 30, 2022:

Financial assets	\$ 1,854,777
Less those unavailable for expenditures within one year, due to:	
Amounts restricted by donors	(29,507)
Amounts restricted under insurance agreements, bond agreements, board designation or other	(331,878)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,493,392

**NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES**

*Notes to Consolidated Financial Statements - Continued*  
*(Dollars in Thousands)*

*Years Ended September 30, 2022 and 2021*

NOTE N--NET ASSETS RESTRICTED BY DONORS

Net assets restricted by donors are available for the purposes as detailed below:

	<i>Net Assets Restricted by Donors</i>	
	<i>2022</i>	<i>2021</i>
Heart and Vascular Funds	\$ 591	\$ 454
Community Benefits Funds	2,125	2,185
Women and Children Funds	1,150	1,199
Complementary Program Funds	222	290
COVID-19 Relief and Planning Funds	373	359
Emergency Response and Critical Care Service Funds	15	10
Employee Assistance Funds	71	126
Foundation Operation Funds	76	105
Neuroscience Funds	711	501
NGMC-Barrow Funds	10	10
NGMC-Braselton Funds	1,671	1,480
NGMC-Lumpkin Funds	10	10
Strategic Needs Funds	4,625	3,773
Education Funds	1,533	1,623
Equipment Funds	3,212	2,960
Grants	815	704
Patient Assistance and Access Funds	299	374
Oncology Funds	1,224	1,193
Hospice Funds	4,426	1,627
Held in perpetuity:		
Wilheit-Keys Peace Garden Endowment	155	155
GME-Jennings Lectureship Endowment	465	424
Nell's Prayer Garden Endowment	55	55
David Pet Park Endowment	80	80
Jack and Janice Frost Water Garden Endowment	100	100
Braselton Flag Plaza Endowment	30	30
Hospice Endowment	51	51
Nursing and Allied Health Continuing Education Endowment	589	589
Nursing and Allied Health Scholarships Endowment	243	246
V.C. & Mary Puckett Spiritual Care Endowment	456	456
NGHS Foundation Endowment	2,869	2,869

**NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES**

*Notes to Consolidated Financial Statements - Continued*  
*(Dollars in Thousands)*

*Years Ended September 30, 2022 and 2021*

	<i>Net Assets Restricted by Donors</i>	
	<i>2022</i>	<i>2021</i>
Woody Stewart & Nancy Colston Endowment	484	480
Pope Family Garden Endowment	100	100
Evelyn Waugh Scholarship Endowment	53	53
Ocie Pope Scholarship Endowment	26	26
Destitute Patient Endowment	186	186
Anne Thomas Scholarship Endowment	57	57
John Ferguson Scholarship Endowment	227	221
Ron Kutay Scholarship Endowment	42	39
Don Freeman Scholarship Endowment	25	23
GME Emergency Medicine Endowment	55	-
	<u>\$ 29,507</u>	<u>\$ 25,223</u>

Net assets restricted by donors 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, for the years ended September 30, 2022 and 2021 are as follows:

	<i>2022</i>	<i>2021</i>
Restrictions accomplished:		
Community Benefits	\$ 366	\$ 187
Complementary Programs	141	76
COVID-19 Relief and Planning	384	1,079
Education	66	87
Emergency Response and Critical Care	8	25
Employee Assistance	56	86
Equipment	5	316
Grants	33	22
Heart and Vascular	195	-
Hospice	53	23
NGMC-Barrow	3	-
NGMC-Braselton	8	681
Oncology	13	15
Patient Assistance and Access	144	108
Strategic Needs	329	314
Women and Children	263	239
Total net assets released from restrictions	<u>\$ 2,067</u>	<u>\$ 3,258</u>

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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Other operating revenue in the accompanying Consolidated Statements of Operations and Changes in Net Assets includes \$1,997 and \$2,270 for the years ended September 30, 2022 and 2021, respectively, representing net assets with donor restrictions. During 2022 and 2021, total assets released for capital purposes were \$70 and \$988, respectively.

#### NOTE O--GLOBAL PANDEMIC

In March 2020, the outbreak of 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, the System received approximately \$92,500 of CARES Act Provider Relief Funds (PRF). A portion of this amount totaling \$42,491 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 as of September 30, 2020, to be recognized when expended for the intended purposes or repaid. The System received approximately \$4,800 of PRF during the year ended September 30, 2021. The entire amount of this funding along with the amounts recorded as unearned revenue as of September 30, 2020 were recognized as revenue as of September 30, 2021, based on the revised reporting guidelines published by HHS on June 11, 2021. During the year ended September 30, 2022, the System received approximately \$17,600 from the American Rescue Plan (ARP) for services provided to rural Medicaid and Medicare beneficiaries from January 1, 2019 through September 30, 2020 that is recognized as revenue as of September 30, 2022. The System has placed a 25% reserve against all PRF funds received through September 30, 2021, 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 Balance Sheets as of September 30, 2022 and 2021.

Additionally, the System received approximately \$98,900 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



## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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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, 2022, the entire amount of payments have been recouped.

The ultimate impact of the COVID-19 PHE on the financial position of the System 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 the System in estimating the fair value of their financial instruments:

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

*Investments:* Fair value of issues traded on public exchanges are 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 are 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:

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Consolidated Financial Statements - Continued (Dollars in Thousands)

#### Years Ended September 30, 2022 and 2021

- *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. The System'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:

	<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>
<b>September 30, 2022</b>				
Assets measured at fair value on a recurring basis:				
Cash and money market funds	\$ 145,395	\$ 145,395	\$ -	\$ -
Mutual funds	80,877	80,877	-	-
U.S. Treasury and agency obligations	213,304	213,304	-	-
Corporate bonds	309,903	-	309,903	-
Equity securities	865,179	865,179	-	-
Other	6,014	6,014	-	-
Accrued income	2,728	2,728	-	-
Total assets	\$ 1,623,400	\$ 1,313,497	\$ 309,903	\$ -

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Consolidated Financial Statements - Continued (Dollars in Thousands)

#### Years Ended September 30, 2022 and 2021

	<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>
<b>September 30, 2021</b>				
Assets measured at fair value on a recurring basis:				
Cash and money market funds	\$ 479,906	\$ 479,906	\$ -	\$ -
Mutual funds	82,678	82,678	-	-
Corporate bonds	323,432	-	323,432	-
Equity securities	924,528	924,528	-	-
Other	6,268	6,268	-	-
Accrued income	2,614	2,614	-	-
Total assets	<u>\$ 1,819,426</u>	<u>\$ 1,495,994</u>	<u>\$ 323,432</u>	<u>\$ -</u>

#### NOTE R--COMMITMENTS AND CONTINGENCIES

Construction in progress at September 30, 2022 relates primarily to ongoing projects, routine capital improvements at existing facilities, and scheduled projects related to a System Development Plan to be completed over the next several years. The estimated costs to complete current construction in progress at September 30, 2022 is approximately \$747,342 over that time frame, primarily related to the construction of a new tower expansion project at NGMC. Costs to complete construction in progress under signed contracts at September 30, 2022 is approximately \$533,852.

*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--OPTION TO PURCHASE AND ASSET PURCHASE AGREEMENTS

On November 21, 2019, NGHS disbursed the first installment payment of \$3,000 related to Option to Purchase and Asset Purchase Agreements (the Agreements). The Agreements grant NGHS the option to purchase the assets of the Habersham County Hospital Authority (HCHA) for a sum of \$15,000 in the form of annual installment payments of \$3,000 to be distributed over a five-year period. The Agreements specify a restriction to the use of funds distributed for capital purposes

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended September 30, 2022 and 2021*

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only. As of September 30, 2022, three payments totaling \$9,000 have been made related to the Agreements.

The Agreements require HCHA to establish a debt service fund, which HCHA is required to deposit all funds in excess of twenty days cash on hand. The Option to Purchase Agreement includes three triggering events in which NGHS would be required to exercise its option to purchase. If NGHS fails to exercise one of its acquisition options by the final payment date, payments previously made are forfeited, and NGHS has no further obligation. The Option to Purchase Agreement also provides for early purchase if the parties mutually agree.

On January 10, 2023, the Hospital Authority of Hall County and the City of Gainesville, HCHA and the Habersham County Commission voted to move forward with the early acquisition of the assets of HCHA by NGHS, effective July 1, 2023. The fourth payment of \$3,000 was disbursed in November 2022 and the remaining \$3,000 payment is to be provided on or before July 1, 2023. Additionally, effective January 11, 2023, HCHA and NGHS agreed to enter into a Management Services Agreement until the early acquisition date of July 1, 2023.

#### NOTE T--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, 2022 consolidated financial statements, except as noted in Note S.

## **Supplemental Schedules**

# NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

## Consolidating Balance Sheets (Dollars in Thousands)

September 30, 2022

	Corporate	Northeast Georgia Medical Center	NGMC Barrow	NGMC Lumpkin	Northeast Georgia Physicians Group	Northeast Georgia Health Partners	The Medical Center Foundation	Georgia Heart Institute	LCA	PEO	NGHP Network	Eliminations	Consolidated
<b>ASSETS</b>													
<b>CURRENT ASSETS</b>													
Cash and cash equivalents	\$ 10	\$ 38,386	\$ -	\$ -	\$ 62	\$ -	\$ 4,368	\$ 2	\$ 1,100	\$ -	\$ -	\$ -	\$ 43,928
Investments	-	346,505	-	-	-	-	-	-	-	-	-	-	346,505
Assets limited as to use, required for current obligations	-	718	-	-	-	-	1,097	-	14,274	-	-	-	16,089
Patient accounts receivable	-	144,359	3,463	1,521	16,169	-	-	2,285	-	-	-	-	167,797
Estimated amounts due from third party payers	-	-	-	-	11,839	-	-	-	-	-	-	-	11,839
Inventory of supplies	-	13,625	670	495	-	-	-	-	-	-	-	-	14,790
Other current assets	9,841	22,045	-	-	-	-	4,623	-	(9,408)	-	-	(8,246)	18,855
<b>TOTAL CURRENT ASSETS</b>	<b>9,851</b>	<b>565,638</b>	<b>4,133</b>	<b>2,016</b>	<b>28,070</b>	<b>-</b>	<b>10,088</b>	<b>2,287</b>	<b>5,966</b>	<b>-</b>	<b>-</b>	<b>(8,246)</b>	<b>619,803</b>
<b>INVESTMENTS</b>	<b>-</b>	<b>964,670</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>964,670</b>
<b>ASSETS LIMITED AS TO USE</b>													
Under indenture agreements - held by trustees	-	91,476	-	-	-	-	-	-	-	-	-	-	91,476
Under self-insurance agreements	-	-	-	-	-	-	-	-	70,810	-	-	-	70,810
By Board for designated capital purposes	89,739	-	-	-	-	-	-	-	-	-	-	-	89,739
Other	33,852	16,928	-	-	-	-	29,073	-	-	-	-	-	79,853
	123,591	108,404	-	-	-	-	29,073	-	70,810	-	-	-	331,878
Less amounts required for current obligations	-	(718)	-	-	-	-	(1,097)	-	(14,274)	-	-	-	(16,089)
<b>ASSETS LIMITED AS TO USE</b>	<b>123,591</b>	<b>107,686</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,976</b>	<b>-</b>	<b>56,536</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>315,789</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>176,030</b>	<b>711,745</b>	<b>12,952</b>	<b>13,427</b>	<b>14,722</b>	<b>9</b>	<b>117</b>	<b>2,455</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>931,457</b>
<b>DUE (TO) FROM AFFILIATES</b>	<b>-</b>	<b>(312)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>531</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(219)</b>	<b>-</b>
<b>OTHER ASSETS</b>													
Goodwill	-	-	-	-	-	-	-	3,263	-	-	-	-	3,263
Property held for future investment	-	586	-	-	-	-	-	-	-	-	-	-	3,891
Pension asset	54,674	-	-	-	-	-	-	-	-	-	-	-	54,674
Other	2,024	1,861	-	-	-	-	-	-	-	-	-	(180)	3,705
Right-of-use asset, finance leases	-	1,739	161	-	-	-	-	-	-	-	-	-	1,900
Right-of-use asset, operating leases	1,043	13,689	2	107	50,416	-	-	5,734	-	-	-	(55,739)	15,252
<b>TOTAL OTHER ASSETS</b>	<b>57,741</b>	<b>17,875</b>	<b>163</b>	<b>107</b>	<b>50,416</b>	<b>-</b>	<b>3,305</b>	<b>8,997</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(55,919)</b>	<b>82,685</b>
<b>TOTAL ASSETS</b>	<b>\$ 367,213</b>	<b>\$ 2,367,302</b>	<b>\$ 17,248</b>	<b>\$ 15,550</b>	<b>\$ 93,208</b>	<b>\$ 9</b>	<b>\$ 42,017</b>	<b>\$ 13,739</b>	<b>\$ 62,502</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (64,384)</b>	<b>\$ 2,914,404</b>

# NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

## Consolidating Balance Sheets - Continued (Dollars in Thousands)

September 30, 2022

	Corporate	Northeast Georgia Medical Center	NGMC Barrow	NGMC Lumpkin	Northeast Georgia Physicians Group	Northeast Georgia Health Partners	The Medical Center Foundation	Georgia Heart Institute	LCA	PEO	NGHP Network	Eliminations	Consolidated
<b>LIABILITIES AND NET ASSETS</b>													
<b>CURRENT LIABILITIES</b>													
Current portion of long-term debt	\$ -	\$ 18,413	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,413
Accrued interest	-	5,543	-	-	-	-	-	-	-	-	-	-	5,543
Accounts payable and other accrued expenses	11,721	99,452	127	9	271	-	6,165	70	49	-	-	(8,779)	109,085
Accrued salaries, benefits, compensated absences and amounts withheld	11,057	58,699	943	566	25,720	80	56	5,141	-	-	174	-	102,436
Current portion of finance lease liability	-	1,586	149	-	-	-	-	-	-	-	-	-	1,735
Current portion of operating lease liability	501	4,721	2	98	10,918	-	-	1,331	-	-	-	(11,804)	5,767
Unearned revenue - Note O	-	16,770	4,561	870	1,323	-	-	815	-	-	-	-	24,339
Estimated third-party payer settlements	-	14,449	1,919	332	-	-	-	-	-	-	-	-	16,700
<b>TOTAL CURRENT LIABILITIES</b>	<b>23,279</b>	<b>219,633</b>	<b>7,701</b>	<b>1,875</b>	<b>38,232</b>	<b>80</b>	<b>6,221</b>	<b>7,357</b>	<b>49</b>	<b>-</b>	<b>174</b>	<b>(20,583)</b>	<b>284,018</b>
LONG-TERM DEBT, less current portion	-	1,177,634	-	-	-	-	-	-	-	-	-	-	1,177,634
ESTIMATED SELF-INSURANCE LIABILITIES	-	-	-	-	-	-	-	-	62,361	-	-	-	62,361
<b>OTHER LONG-TERM LIABILITIES</b>													
Deferred compensation	27,838	16,570	-	-	-	-	-	-	-	-	-	-	44,408
Finance lease liability, less current portion	-	13	13	-	-	-	-	-	-	-	-	-	26
Operating lease liability, less current portion	557	9,047	-	8	40,215	-	-	4,503	-	-	-	(44,370)	9,960
<b>TOTAL OTHER LONG-TERM LIABILITIES</b>	<b>28,395</b>	<b>25,630</b>	<b>13</b>	<b>8</b>	<b>40,215</b>	<b>-</b>	<b>-</b>	<b>4,503</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44,370)</b>	<b>54,394</b>
<b>TOTAL LIABILITIES</b>	<b>51,674</b>	<b>1,422,897</b>	<b>7,714</b>	<b>1,883</b>	<b>78,447</b>	<b>80</b>	<b>6,221</b>	<b>11,860</b>	<b>62,410</b>	<b>-</b>	<b>174</b>	<b>(64,953)</b>	<b>1,578,407</b>
<b>NET ASSETS</b>													
Without donor restrictions	315,539	944,405	9,534	13,667	14,761	(71)	6,289	1,879	92	-	(174)	569	1,306,490
With donor restrictions	-	-	-	-	-	-	29,507	-	-	-	-	-	29,507
<b>TOTAL NET ASSETS</b>	<b>315,539</b>	<b>944,405</b>	<b>9,534</b>	<b>13,667</b>	<b>14,761</b>	<b>(71)</b>	<b>35,796</b>	<b>1,879</b>	<b>92</b>	<b>-</b>	<b>(174)</b>	<b>569</b>	<b>1,335,997</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 367,213</b>	<b>\$ 2,367,302</b>	<b>\$ 17,248</b>	<b>\$ 15,550</b>	<b>\$ 93,208</b>	<b>\$ 9</b>	<b>\$ 42,017</b>	<b>\$ 13,739</b>	<b>\$ 62,502</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (64,384)</b>	<b>\$ 2,914,404</b>

# NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

## Consolidating Balance Sheets - Continued (Dollars in Thousands)

September 30, 2021

	Corporate	Northeast Georgia Medical Center	NGMC Barrow	NGMC Lumpkin	Northeast Georgia Physicians Group	Northeast Georgia Health Partners	The Medical Center Foundation	Georgia Heart Institute	LCA	PEO	NGHP Network	Eliminations	Consolidated
<b>ASSETS</b>													
<b>CURRENT ASSETS</b>													
Cash and cash equivalents	\$ 10	\$ 43,484	\$ -	\$ -	\$ 820	\$ -	\$ 2,717	\$ 18	\$ 3,600	\$ -	\$ -	\$ -	\$ 50,649
Investments	-	309,638	-	-	-	-	-	-	-	-	-	-	309,638
Assets limited as to use, required for current obligations	-	440	-	-	-	-	604	-	12,245	-	-	-	13,289
Patient accounts receivable	-	154,446	4,929	1,652	16,686	-	-	2,155	-	-	-	-	179,868
Estimated amounts due from third party payers	-	21,700	565	-	20	-	-	-	-	-	-	-	22,285
Inventory of supplies	-	17,314	596	541	-	-	-	-	-	-	-	-	18,451
Other current assets	8,781	10,130	-	-	3	-	1,902	-	400	-	-	(9,004)	12,212
<b>TOTAL CURRENT ASSETS</b>	<b>8,791</b>	<b>557,152</b>	<b>6,090</b>	<b>2,193</b>	<b>17,529</b>	<b>-</b>	<b>5,223</b>	<b>2,173</b>	<b>16,245</b>	<b>-</b>	<b>-</b>	<b>(9,004)</b>	<b>606,392</b>
<b>INVESTMENTS</b>	<b>-</b>	<b>1,123,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,123,663</b>
<b>ASSETS LIMITED AS TO USE</b>													
Under indenture agreements - held by trustees	-	161,890	-	-	-	-	-	-	-	-	-	-	161,890
Under self-insurance agreements	-	-	-	-	-	-	-	-	63,516	-	-	-	63,516
By Board for designated capital purposes	95,182	-	-	-	-	-	-	-	-	-	-	-	95,182
Other	35,474	19,887	-	-	-	-	31,068	-	-	-	-	-	86,429
	130,656	181,777	-	-	-	-	31,068	-	63,516	-	-	-	407,017
Less amounts required for current obligations	-	(440)	-	-	-	-	(604)	-	(12,245)	-	-	-	(13,289)
<b>ASSETS LIMITED AS TO USE</b>	<b>130,656</b>	<b>181,337</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,464</b>	<b>-</b>	<b>51,271</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>393,728</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>152,025</b>	<b>605,286</b>	<b>14,002</b>	<b>4,216</b>	<b>14,380</b>	<b>12</b>	<b>167</b>	<b>2,272</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>792,360</b>
<b>DUE (TO) FROM AFFILIATES</b>	<b>-</b>	<b>(53)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>270</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(217)</b>	<b>-</b>
<b>OTHER ASSETS</b>													
Goodwill	-	-	-	-	-	-	-	3,263	-	-	-	-	3,263
Property held for future investment	126	2,152	-	-	-	-	3,305	-	-	-	-	-	5,583
Other	2,643	2,203	-	-	-	-	-	-	-	-	(180)	-	4,666
Right-of-use asset, finance leases	-	3,702	348	-	-	-	-	-	-	-	-	-	4,050
Right-of-use asset, operating leases	753	12,670	440	202	48,484	-	-	5,899	-	-	-	(42,966)	25,482
<b>TOTAL OTHER ASSETS</b>	<b>3,522</b>	<b>20,727</b>	<b>788</b>	<b>202</b>	<b>48,484</b>	<b>-</b>	<b>3,305</b>	<b>9,162</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43,146)</b>	<b>43,044</b>
<b>TOTAL ASSETS</b>	<b>\$ 294,994</b>	<b>\$ 2,488,112</b>	<b>\$ 20,880</b>	<b>\$ 6,611</b>	<b>\$ 80,393</b>	<b>\$ 12</b>	<b>\$ 39,429</b>	<b>\$ 13,607</b>	<b>\$ 67,516</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (52,367)</b>	<b>\$ 2,959,187</b>



# NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

## Consolidating Balance Sheets - Continued (Dollars in Thousands)

September 30, 2021

	Corporate	Northeast Georgia Medical Center	NGMC Barrow	NGMC Lumpkin	Northeast Georgia Physicians Group	Northeast Georgia Health Partners	The Medical Center Foundation	Georgia Heart Institute	LCA	PEO	NGHP Network	Eliminations	Consolidated
<b>LIABILITIES AND NET ASSETS</b>													
<b>CURRENT LIABILITIES</b>													
Current portion of long-term debt	\$ -	\$ 18,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,125
Accrued interest	-	4,960	-	-	-	-	-	-	-	-	-	-	4,960
Accounts payable and other accrued expenses	13,653	77,200	78	-	86	-	165	4	8,543	-	-	(9,170)	90,559
Accrued salaries, benefits, compensated absences and amounts withheld	38,411	71,097	1,226	709	26,724	242	100	3,390	-	-	-	-	141,899
Current portion of finance lease liability	-	1,970	191	-	-	-	-	-	-	-	-	-	2,161
Current portion of operating lease liability	389	5,208	437	95	8,701	-	-	1,609	-	-	-	(8,469)	7,970
Advance payments from third-party payers - Note O	-	68,952	1,856	-	-	-	-	-	-	-	-	-	70,808
Unearned revenue - Note O	-	16,770	4,561	870	1,323	-	-	815	-	-	-	-	24,339
Estimated third-party payer settlements	-	9,910	1,992	99	-	-	-	-	-	-	-	-	12,001
<b>TOTAL CURRENT LIABILITIES</b>	<b>52,453</b>	<b>274,192</b>	<b>10,341</b>	<b>1,773</b>	<b>36,834</b>	<b>242</b>	<b>265</b>	<b>5,818</b>	<b>8,543</b>	<b>-</b>	<b>-</b>	<b>(17,639)</b>	<b>372,822</b>
LONG-TERM DEBT, less current portion	-	1,196,539	8	-	-	-	-	-	-	-	-	-	1,196,547
ESTIMATED SELF-INSURANCE LIABILITIES	-	-	-	-	-	-	-	-	58,875	-	-	-	58,875
<b>OTHER LONG-TERM LIABILITIES</b>													
Deferred compensation	29,737	19,450	-	-	-	-	-	-	-	-	-	-	49,187
Pension liability	5,585	-	-	-	-	-	-	-	-	-	-	-	5,585
Finance lease liability, less current portion	-	1,599	161	-	-	-	-	-	-	-	-	-	1,760
Operating lease liability, less current portion	366	7,567	2	107	40,311	-	-	4,394	-	-	-	(34,813)	17,934
<b>TOTAL OTHER LONG-TERM LIABILITIES</b>	<b>35,688</b>	<b>28,616</b>	<b>163</b>	<b>107</b>	<b>40,311</b>	<b>-</b>	<b>-</b>	<b>4,394</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34,813)</b>	<b>74,466</b>
<b>TOTAL LIABILITIES</b>	<b>88,141</b>	<b>1,499,347</b>	<b>10,512</b>	<b>1,880</b>	<b>77,145</b>	<b>242</b>	<b>265</b>	<b>10,212</b>	<b>67,418</b>	<b>-</b>	<b>-</b>	<b>(52,452)</b>	<b>1,702,710</b>
<b>NET ASSETS</b>													
Without donor restrictions	206,853	988,765	10,368	4,731	3,248	(230)	13,941	3,395	98	-	-	85	1,231,254
With donor restrictions	-	-	-	-	-	-	25,223	-	-	-	-	-	25,223
<b>TOTAL NET ASSETS</b>	<b>206,853</b>	<b>988,765</b>	<b>10,368</b>	<b>4,731</b>	<b>3,248</b>	<b>(230)</b>	<b>39,164</b>	<b>3,395</b>	<b>98</b>	<b>-</b>	<b>-</b>	<b>85</b>	<b>1,256,477</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 294,994</b>	<b>\$ 2,488,112</b>	<b>\$ 20,880</b>	<b>\$ 6,611</b>	<b>\$ 80,393</b>	<b>\$ 12</b>	<b>\$ 39,429</b>	<b>\$ 13,607</b>	<b>\$ 67,516</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (52,367)</b>	<b>\$ 2,959,187</b>

# NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

## Consolidating Statements of Operations (Dollars in Thousands)

Year Ended September 30, 2022

	Corporate	Northeast Georgia Medical Center	NGMC Barrow	NGMC Lumpkin	Northeast Georgia Physicians Group	Northeast Georgia Health Partners	The Medical Center Foundation	Georgia Heart Institute	LCA	PEO	NGHP Network	Eliminations	Consolidated
Changes in net assets without donor restrictions:													
Patient service revenue	\$ -	\$ 1,549,034	\$ 45,773	\$ 27,027	\$ 254,594	\$ -	\$ -	\$ 31,258	\$ -	\$ -	\$ -	\$ (1,655)	\$ 1,906,031
Other operating revenue	142,309	45,903	124	169	45,615	2,619	1,998	1,724	16,999	3,012	472	(206,108)	54,836
Contributions for equipment, education, indigent patients and community benefits:													
Cash and other financial assets	-	-	-	-	-	-	49	-	-	-	-	-	49
In-kind	-	11,787	-	-	-	-	-	-	-	-	-	-	11,787
<b>TOTAL OPERATING REVENUES</b>	<b>142,309</b>	<b>1,606,724</b>	<b>45,897</b>	<b>27,196</b>	<b>300,209</b>	<b>2,619</b>	<b>2,047</b>	<b>32,982</b>	<b>16,999</b>	<b>3,012</b>	<b>472</b>	<b>(207,763)</b>	<b>1,972,703</b>
Expenses:													
Salaries and wages	56,534	595,926	18,614	11,465	224,176	1,160	1,226	39,064	-	2,738	1,211	-	952,114
Employee benefits	11,300	100,399	3,037	1,930	29,648	182	235	4,735	-	226	147	-	151,839
Physicians' fees	1,097	65,894	3,819	676	19,043	-	-	4	-	-	-	(40,724)	49,809
Utilities	1,578	13,619	589	383	1,286	1	-	193	-	-	-	-	17,649
Supplies	1,298	303,126	8,437	2,876	21,265	17	72	970	-	-	4	-	338,065
Legal, consulting and professional fees	4,961	1,605	1	1	1	2,592	-	26	-	-	-	-	9,187
Contracted outside services	21,454	53,499	1,825	668	10,649	2,141	152	609	-	48	191	(14,816)	76,420
Insurance	14,248	1,988	58	2	46	-	-	7	10,452	-	-	(11,721)	15,080
Interest	-	36,912	-	-	-	-	-	-	-	-	-	-	36,912
Management Fees	-	131,755	3,969	2,208	-	-	-	2,542	-	-	-	(140,474)	-
Depreciation and amortization	8,976	75,971	2,214	570	2,873	2	51	518	-	-	-	-	91,175
Other operating expenses	20,825	94,284	6,874	2,298	16,951	106	148	5,782	-	-	48	(13,474)	133,842
<b>TOTAL OPERATING EXPENSES</b>	<b>142,271</b>	<b>1,474,978</b>	<b>49,437</b>	<b>23,077</b>	<b>325,938</b>	<b>6,201</b>	<b>1,884</b>	<b>54,450</b>	<b>10,452</b>	<b>3,012</b>	<b>1,601</b>	<b>(221,209)</b>	<b>1,872,092</b>
<b>OPERATING (LOSS) INCOME BEFORE PROVIDER RELIEF FUND REVENUE</b>	<b>38</b>	<b>131,746</b>	<b>(3,540)</b>	<b>4,119</b>	<b>(25,729)</b>	<b>(3,582)</b>	<b>163</b>	<b>(21,468)</b>	<b>6,547</b>	<b>-</b>	<b>(1,129)</b>	<b>13,446</b>	<b>100,611</b>
Provider relief fund revenue - Note O	-	14,261	348	281	2,197	-	-	542	-	-	-	-	17,629
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>38</b>	<b>146,007</b>	<b>(3,192)</b>	<b>4,400</b>	<b>(23,532)</b>	<b>(3,582)</b>	<b>163</b>	<b>(20,926)</b>	<b>6,547</b>	<b>-</b>	<b>(1,129)</b>	<b>13,446</b>	<b>118,240</b>
Nonoperating (losses) gains:													
Donations from affiliates	-	2,117	-	-	-	-	(2,117)	-	-	-	-	-	-
(Loss) gain from investments, net	(4,786)	(89,799)	9	-	-	-	(1,782)	-	(6,556)	-	-	-	(102,914)
Gain (loss) on sale of property and equipment, net	528	195	-	-	(16)	-	-	-	-	-	-	-	707
Miscellaneous, net	10,816	(1,240)	284	-	1,200	-	120	15	-	-	-	(12,962)	(1,767)
<b>NET NONOPERATING (LOSSES) GAINS EXCESS (DEFICIENCY) OF REVENUE AND GAINS OVER EXPENSES AND LOSSES</b>	<b>6,558</b>	<b>(88,727)</b>	<b>293</b>	<b>-</b>	<b>1,184</b>	<b>-</b>	<b>(3,779)</b>	<b>15</b>	<b>(6,556)</b>	<b>-</b>	<b>-</b>	<b>(12,962)</b>	<b>(103,974)</b>
<b>\$ 6,596 \$ 57,280 \$ (2,899) \$ 4,400 \$ (22,348) \$ (3,582) \$ (3,616) \$ (20,911) \$ (9) \$ - \$ (1,129) \$ 484 \$ 14,266</b>													

See Independent Auditor's Report.

# NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

## Consolidating Statements of Operations - Continued (Dollars in Thousands)

Year Ended September 30, 2021

	Corporate	Northeast Georgia Medical Center	NGMC Barrow	NGMC Lumpkin	Northeast Georgia Physicians Group	Northeast Georgia Health Partners	The Medical Center Foundation	Georgia Heart Institute	LCA	PEO	NGHP Network	Eliminations	Consolidated
Changes in net assets without donor restrictions:													
Patient service revenue	\$ -	\$ 1,492,481	\$ 45,225	\$ 21,926	\$ 221,626	\$ -	\$ -	\$ 29,015	\$ -	\$ -	\$ -	\$ (3,320)	\$ 1,806,953
Other operating revenue	126,651	31,552	167	34	36,746	100	2,270	1,626	63,838	1,091	1,347	(224,985)	40,437
Contributions for equipment, education, indigent patients and community benefits:													
Cash and other financial assets	-	-	-	-	-	-	114	-	-	-	-	-	114
In-kind	-	55,577	-	-	-	-	-	-	-	-	-	-	55,577
<b>TOTAL OPERATING REVENUES</b>	<b>126,651</b>	<b>1,579,610</b>	<b>45,392</b>	<b>21,960</b>	<b>258,372</b>	<b>100</b>	<b>2,384</b>	<b>30,641</b>	<b>63,838</b>	<b>1,091</b>	<b>1,347</b>	<b>(228,305)</b>	<b>1,903,081</b>
Expenses:													
Salaries and wages	52,724	535,040	15,883	8,792	199,464	1,630	1,096	33,996	-	989	-	-	849,614
Employee benefits	13,963	100,330	3,290	1,500	28,002	404	237	5,218	-	83	-	(3,089)	149,938
Physicians' fees	459	50,878	3,582	1,571	14,918	-	-	-	-	-	-	(29,643)	41,765
Utilities	1,296	10,926	529	348	1,192	1	-	235	-	-	1	-	14,528
Supplies	999	283,263	6,950	3,245	16,746	2	21	564	-	-	1	-	311,791
Legal, consulting and professional fees	4,904	905	1	(1)	8	922	-	10	-	-	-	-	6,749
Contracted outside services	17,435	55,177	2,243	1,000	12,215	167	146	479	-	19	678	(15,110)	74,449
Insurance	8,090	1,420	13	245	2	-	-	6	63,644	-	-	(55,503)	17,917
Interest	-	36,656	-	-	-	-	-	-	-	-	-	-	36,656
Management Fees	-	117,285	3,483	1,684	-	-	-	2,488	-	-	-	(124,940)	-
Depreciation and amortization	9,196	79,049	2,302	572	3,343	12	51	488	-	-	-	-	95,013
Other operating expenses	17,583	82,155	6,527	1,599	16,144	44	93	5,133	-	-	39	(11,198)	118,119
<b>TOTAL OPERATING EXPENSES</b>	<b>126,649</b>	<b>1,353,084</b>	<b>44,803</b>	<b>20,555</b>	<b>292,034</b>	<b>3,182</b>	<b>1,644</b>	<b>48,617</b>	<b>63,644</b>	<b>1,091</b>	<b>719</b>	<b>(239,483)</b>	<b>1,716,539</b>
<b>OPERATING (LOSS) INCOME BEFORE PROVIDER RELIEF FUND REVENUE</b>	<b>2</b>	<b>226,526</b>	<b>589</b>	<b>1,405</b>	<b>(33,662)</b>	<b>(3,082)</b>	<b>740</b>	<b>(17,976)</b>	<b>194</b>	<b>-</b>	<b>628</b>	<b>11,178</b>	<b>186,542</b>
Provider relief fund revenue - Note O	-	19,082	3,430	2,612	5,762	-	-	(359)	-	-	-	-	30,527
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>2</b>	<b>245,608</b>	<b>4,019</b>	<b>4,017</b>	<b>(27,900)</b>	<b>(3,082)</b>	<b>740</b>	<b>(18,335)</b>	<b>194</b>	<b>-</b>	<b>628</b>	<b>11,178</b>	<b>217,069</b>
Nonoperating (losses) gains:													
Donations from affiliates	-	2,387	-	-	-	-	(2,387)	-	-	-	-	-	-
(Loss) gain from investments, net	17,342	135,699	10	-	-	-	4,116	-	(196)	-	-	-	156,971
Loss on extinguishment of long-term debt	-	(18,514)	-	-	-	-	-	-	-	-	-	-	(18,514)
(Loss) gain on sale of property and equipment, net	910	(3)	-	-	(2)	-	-	-	-	-	-	-	905
Change in estimated benefit obligation due to settlement	(15,914)	-	-	-	-	-	-	-	-	-	-	-	(15,914)
Miscellaneous, net	8,933	(1,656)	266	-	1,211	-	124	3	-	-	-	(11,101)	(2,220)
<b>NET NONOPERATING (LOSSES) GAINS (DEFICIENCY) EXCESS OF REVENUE AND GAINS OVER EXPENSES AND LOSSES</b>	<b>11,271</b>	<b>117,913</b>	<b>276</b>	<b>-</b>	<b>1,209</b>	<b>-</b>	<b>1,853</b>	<b>3</b>	<b>(196)</b>	<b>-</b>	<b>-</b>	<b>(11,101)</b>	<b>121,228</b>
<b>\$ 11,273 \$ 363,521 \$ 4,295 \$ 4,017 \$ (26,691) \$ (3,082) \$ 2,593 \$ (18,332) \$ (2) \$ - \$ 628 \$ 77 \$ 338,297</b>													