



# Consolidated Financial Statements (and Supplemental Schedules)

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

*Years Ended September 30, 2023 and 2022*

# 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, 2023 and 2022, 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, 2023 and 2022, 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 3% and 2%, respectively, of consolidated total assets at September 30, 2023 and 2022, and total revenues constituting 1% 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.

### ***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.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary 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 10, 2024

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

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

	<i>September 30,</i>	
	<i>2023</i>	<i>2022</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 27,728	\$ 43,928
Investments	341,095	346,505
Assets limited as to use, required for current obligations	15,049	16,089
Patient accounts receivable	196,898	167,797
Inventory of supplies	17,960	14,790
Other current assets	41,918	30,694
TOTAL CURRENT ASSETS	<b>640,648</b>	619,803
INVESTMENTS	<b>1,034,120</b>	964,670
<b>ASSETS LIMITED AS TO USE</b>		
Under indenture agreements - held by trustees	130	91,476
Under self-insurance agreements	87,429	70,810
By Board for designated capital purposes	100,063	89,739
Other	90,686	79,853
	<b>278,308</b>	331,878
Less amounts required for current obligations	<b>(15,049)</b>	(16,089)
ASSETS LIMITED AS TO USE	<b>263,259</b>	315,789
PROPERTY AND EQUIPMENT, net	<b>1,250,402</b>	931,457
<b>OTHER ASSETS</b>		
Goodwill	3,263	3,263
Pension asset	82,969	54,674
Property held for future investment	-	3,891
Other	20,690	3,705
Right-of-use asset, finance leases	130	1,900
Right-of-use asset, operating leases	11,697	15,252
TOTAL OTHER ASSETS	<b>118,749</b>	82,685
TOTAL ASSETS	<b>\$ 3,307,178</b>	\$ 2,914,404

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

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

	<i>September 30,</i>	
	<i>2023</i>	<i>2022</i>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 21,903	\$ 18,413
Accrued interest	5,460	5,543
Accounts payable and other accrued expenses	142,154	109,085
Accrued salaries, benefits, compensated absences and amounts withheld	106,576	102,436
Current portion of finance lease liability	26	1,735
Current portion of operating lease liability	5,331	5,767
Unearned revenue - Notes B and O	14,014	24,339
Estimated amounts due to third-party payers	15,087	16,700
TOTAL CURRENT LIABILITIES	<b>310,551</b>	284,018
LONG-TERM DEBT, less current portion	1,155,821	1,177,634
ESTIMATED SELF-INSURANCE LIABILITIES	72,919	62,361
<b>OTHER LONG-TERM LIABILITIES</b>		
Deferred compensation	52,214	44,408
Finance lease liability, less current portion	-	26
Operating lease liability, less current portion	6,653	9,960
TOTAL OTHER LONG-TERM LIABILITIES	<b>58,867</b>	54,394
TOTAL LIABILITIES	<b>1,598,158</b>	1,578,407
<b>COMMITMENTS AND CONTINGENCIES -</b>		
Notes G, J, and R		
<b>NET ASSETS</b>		
Without donor restrictions	1,678,390	1,306,490
With donor restrictions	30,630	29,507
TOTAL NET ASSETS	<b>1,709,020</b>	1,335,997
TOTAL LIABILITIES AND NET ASSETS	<b>\$ 3,307,178</b>	\$ 2,914,404

**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>2023</i>	<i>2022</i>
Changes in net assets without donor restrictions:		
Patient service revenue	\$ 2,130,861	\$ 1,906,031
Other operating revenue	93,630	54,836
Contributions for equipment, education, indigent patients and community benefits:		
Cash and other financial assets	3	49
In-kind	-	11,787
TOTAL OPERATING REVENUES	<b>2,224,494</b>	1,972,703
Expenses:		
Salaries and wages	1,010,837	952,114
Employee benefits	187,226	151,839
Provider fees	54,573	49,809
Utilities	18,023	17,649
Supplies	364,585	338,065
Legal, consulting and professional fees	21,975	9,187
Purchased services	76,038	76,420
Insurance	35,935	15,080
Interest	35,149	36,912
Depreciation and amortization	95,795	91,175
Other operating expenses	150,993	133,842
TOTAL OPERATING EXPENSES	<b>2,051,129</b>	1,872,092
OPERATING INCOME BEFORE PROVIDER RELIEF FUND REVENUE		
PROVIDER RELIEF FUND REVENUE	173,365	100,611
Provider relief fund revenue - Note O	12,170	17,629
INCOME FROM OPERATIONS	<b>185,535</b>	118,240
Nonoperating gains (losses):		
Gain (loss) from investments, net	164,227	(102,914)
(Loss) gain on sale of property and equipment, net	(154)	707
Miscellaneous, net	(955)	(1,767)
NET NONOPERATING GAINS (LOSSES)	<b>163,118</b>	(103,974)
EXCESS OF REVENUE AND GAINS OVER EXPENSES AND LOSSES	<b>348,653</b>	14,266



**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>2023</i>	<i>2022</i>
Other changes in net assets without donor restrictions:		
Pension asset/liability adjustments	22,291	61,017
Net assets released for capital expenditures	1,631	70
Other changes	(675)	(117)
TOTAL OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	23,247	60,970
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	371,900	75,236
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	1,306,490	1,231,254
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	\$ 1,678,390	\$ 1,306,490
Changes in net assets with donor restrictions:		
Contributions for equipment, education, indigent patients and community benefits:		
Cash and other financial assets	\$ 5,501	\$ 6,541
In-kind	429	309
Partnership earnings and other changes	376	(212)
Change in expected losses and discounts on pledges	(156)	(242)
Net assets released from restrictions	(5,138)	(2,067)
Other changes, net	111	(45)
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	1,123	4,284
NET ASSETS WITH DONOR RESTRICTIONS, BEGINNING OF YEAR	29,507	25,223
NET ASSETS WITH DONOR RESTRICTIONS, END OF YEAR	30,630	29,507
TOTAL INCREASE IN NET ASSETS	373,023	79,520
TOTAL NET ASSETS, BEGINNING OF YEAR	1,335,997	1,256,477
TOTAL NET ASSETS, END OF YEAR	\$ 1,709,020	\$ 1,335,997

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

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

	<b><i>Year Ended September 30,</i></b>	
	<b><i>2023</i></b>	<b><i>2022</i></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 373,023	\$ 79,520
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	95,795	91,175
Loss (gain) on sale of property, plant and equipment	154	(707)
Gain on sales of investments and assets limited as to use	(36,579)	(17,801)
Pension plan adjustments	(22,291)	(61,017)
Change in expected losses and discounts on pledges	156	242
Change in net unrealized gains/losses on investments and assets limited as to use	(79,472)	156,185
Restricted contributions	(5,501)	(6,541)
Changes in assets and liabilities:		
Patient accounts receivable	(29,101)	12,071
Inventory of supplies	(3,170)	3,661
Other current assets	(11,380)	3,561
Other long-term assets	(20,987)	(39,887)
Accrued interest	(83)	583
Accounts payable and other accrued expenses, and other long-term liabilities	53,302	61,757
Accrued salaries, benefits, compensated absences and amounts withheld	4,140	(39,463)
Unearned revenue	(10,325)	-
Estimated third-party payer settlements	(1,613)	4,699
Estimated self-insurance liabilities	10,558	3,486
Lease liabilities	(9,699)	(13,773)
Total adjustments	<b>(66,096)</b>	158,231
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>306,927</b>	237,751
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(417,936)	(220,548)
Proceeds from sales of property, plant and equipment	4,105	2,587
Purchases of investments and assets limited as to use	(794,309)	(884,699)
Proceeds from maturities and sales of investments and assets limited as to use	899,891	943,579
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(308,249)</b>	(159,081)

*See notes to consolidated financial statements.*

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

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

	<i>Year Ended September 30,</i>	
	<i>2023</i>	<i>2022</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on long-term debt and finance lease obligations	<b>(20,379)</b>	(21,124)
Recoupment of advance payments from third-party payers	-	(70,808)
Restricted contributions received	<b>5,501</b>	6,541
NET CASH USED IN FINANCING ACTIVITIES	<b>(14,878)</b>	(85,391)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(16,200)</b>	(6,721)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<b>43,928</b>	50,649
CASH AND CASH EQUIVALENTS AT END OF YEAR	<b>\$ 27,728</b>	\$ 43,928
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid during the year for interest	<b>\$ 39,402</b>	\$ 39,064
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:</b>		
Property, plant and equipment received and accrued in payables	<b>\$ 30,625</b>	\$ 20,761
Lease liabilities arising from obtaining right-of-use assets	<b>\$ 5,956</b>	\$ 3,596
Operating cash flows from operating leases	<b>\$ 5,577</b>	\$ 9,139
Financing cash flows from finance leases	<b>\$ 1,735</b>	\$ 2,160

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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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. 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.

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

Lanier Community Assurance, Ltd. (LCA) provides 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, 2023 and 2022*

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Northeast Georgia PEO, LLC (PEO) is 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 Ventures, LLC (NGHV) was formed during 2023 to create strategic partnerships between NGHS and early-stage startups to increase the flow of innovation into the System and the market.

During 2023, pursuant to the asset purchase agreement between NGHS and Habersham County Hospital Authority (HCHA) discussed in Note S, NGHS exercised the option to purchase the assets of HCHA, effective July 1, 2023. Habersham Medical Center became Northeast Georgia Medical Center Habersham, LLC (NGMC-Habersham), a subsidiary of NGHS. NGMC-Habersham is a 53-bed licensed acute care hospital serving residents in Habersham and adjoining counties in Georgia. NGHS also assumed ownership of New Horizons Habersham, a licensed 84-bed skilled nursing facility that provides long term care, specialty care, and therapy. As part of this acquisition, Northeast Georgia Home Health III, LLC (NGHH) was formed in 2023 as a subsidiary of NGHS to provide in-home care to patients in Gainesville and the North Georgia region.

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, NGMC-Habersham, NGHH, PEO, and GHI, passes through to NGHS, which is tax exempt. NGHP, NGHP Network, and NGHV are organized as for-profit corporations.

Effective October 2023, Braselton Ambulatory Surgery Center, LLC (Braselton ASC) began operations. Braselton ASC was formed to provide more access to outpatient surgical services. This entity will be consolidated as part of NGMC's operations.

#### 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

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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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, 2023 and 2022 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.

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

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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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.

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, 2023 and 2022, 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 7.00% for the year ended September 30, 2023 and 3.00% for the year ended September 30, 2022. 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.

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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*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, NGMC-Habersham, 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 NGMC, NGMC-Barrow, NGMC-Lumpkin, NGMC-Habersham, NGPG and GHI do not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue. Additionally, 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. Charges foregone, based on established rates, related to charity care were \$407,104 and \$419,164 for the years ended September 30, 2023 and 2022, respectively, which are net of indigent care trust fund proceeds of \$9,363 and \$14,371 in 2023 and 2022, respectively.

The estimated cost of providing charity care totaled \$98,749 and \$103,567 for the years ended September 30, 2023 and 2022, 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, 2023 and 2022 include \$97,064 and \$42,667, respectively, related to discounts provided to self-pay patients in order to facilitate prompt payment.



## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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*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 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

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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 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:

<i>Non-financial Contribution Category</i>	<i>Type of Contribution for Beneficiaries</i>	<i>Valuation</i>	<i>Donor Restriction</i>	<i>Year Ended September 30,</i>	
				<i>2023</i>	<i>2022</i>
Food and non-food items	Food, hygiene products, door prizes for fund raising events, facility usage, art, and clothing	Fair market value of items received	Yes	\$ 183	\$ 57
In-kind services	Contract labor	Standard industry pricing for similar services	None	-	11,787
Professional services	Project planning and design	Vendor contract pricing	Yes	238	176
Medical supplies	Personal protection items, patient linens, apparel, and medical equipment	Fair market value of items received	Yes	8	76
TOTAL				\$ 429	\$ 12,096

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.

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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*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, NGMC-Habersham, NGHH, 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, NGHP Network, and NGHV are taxable entities and account for income taxes in accordance with the FASB ASC 740, *Income Taxes* (ASC 740). At September 30, 2023 and 2022, 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 capitalization funds from the Georgia Board of Health Care Workforce (GBHCW) in the amount of \$9,709 and \$5,432 for the years ended September 30, 2023 and 2022, respectively, to develop and grow training programs for primary care physicians. In addition, \$1,200 and \$828 of funds were accrued for from the GBHCW for the years ended September 30, 2023 and 2022, respectively. These funds are recognized as other operating revenue in the accompanying Statements of Operations and Changes in Net Assets. During fiscal year 2022, the System also 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 determined the contributed services meet the specialized skill criteria and that the contributions should be recognized in the consolidated financial statements at their fair market value. The value of these contributed services received was determined to be \$11,787 for the year ended September 30, 2022, 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. No such contributed services were received in 2023.

Additionally, during the year ended September 30, 2023, the System recognized other revenue of \$19,403 for settlements received under the Georgia Quality Jobs Tax Credit (GA QJTC) for claims submitted to the State of Georgia for fiscal years 2019 through 2023. Under this program, credits are awarded to taxpayers for creating at least 50 new quality jobs. A new quality job is a job that: 1) is located in the State of Georgia; 2) has a regular work week of 30 hours or more; 3) is not a job that is or was already located in the State of Georgia regardless of which taxpayer the individual performed services for; 4) pays at or above 110 percent of the average wage of the county in which it is located; and 5) for a taxpayer that initially claimed the credit in a taxable year beginning before January 1, 2012, the job has no predetermined end date. The credit amount varies depending upon the pay of the new quality jobs. A portion of the GA QJTC funds received in fiscal year 2023 was related to prior year filings and a portion was related to fiscal year 2023 filings. The credit received in fiscal year 2023 for fiscal year 2023 amounts to be filed amounted to approximately \$7,377. This portion of the GA QJTC received is an estimate. The System placed a 25% reserve against this estimated portion of the credit as the amount may be subject to repayment to the State of

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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Georgia after an analysis in fiscal year 2024. The reserve is netted against the GA QJTC revenue recognized and is recorded as unearned revenue, along with the reserve mentioned in Note O, in the accompanying Consolidated Balance Sheet as of September 30, 2023. No amounts were recorded for this credit during the year ended September 30, 2022.

*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, 2023 and 2022, respectively.

*Other Long-Term Assets:* During fiscal year 2023, the System capitalized implementation costs, in accordance with ASC 350-40, related to the development of internal-use software. These costs and the accumulated amortization are included in other long-term assets. The asset is amortized over its estimated useful life of seven years. Amortization expense for the year ended September 30, 2023 is \$2,486 and is included in depreciation and amortization expense in the Consolidated Statement of Operations and Changes in Net Assets. The capitalized asset is composed of the following for the year ended:

	<i>Year Ended</i> <i>September 30,</i> <i>2023</i>
Gross software implementation fees	\$ 17,400
Less: Accumulated amortization	(2,486)
	<u>\$ 14,914</u>

*Reclassifications:* Certain reclassifications have been made to the 2022 amounts to conform to the 2023 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

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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disproportionate share of Medicaid and other low-income patients. The Medicare program reimburses for outpatient services under a prospective method utilizing an ambulatory payment classification system which classifies outpatient services based upon medical procedures and diagnosis codes. Certain nonacute services and defined capital costs are paid based on a cost reimbursement methodology. NGMC is paid at a tentative rate with final settlement determined after submission of their annual cost reports and audits thereof by the Medicare fiscal intermediary.

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

*Other:* 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, 2023 and 2022 as a result of changes in or adjustments to prior years' settlement estimates or final settlements of prior periods. Medicare cost reports prior to 2018 have generally been settled, and Medicaid cost reports prior to 2021 have generally been settled.

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.

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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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. Adjustments for such changes in the estimated transaction price were not significant for the years ended September 30, 2023 and 2022. 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, 2023 and 2022.

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 years 2023 and 2022, NGMC recognized \$66,897 and \$6,108, respectively, from the HDPP. NGMC-Barrow and NGMC-Lumpkin recognized \$417 and \$136, respectively, in funds from the HDPP in fiscal year 2023. NGMC-Barrow and NGMC-Lumpkin did not recognize funds from HDPP in fiscal year 2022. NGPG and GHI recognized \$14,397 and \$296, respectively, in funds from the PDPP in fiscal year 2023. NGPG and GHI recognized \$11,625 and \$213, respectively, in funds from the PDPP in fiscal year 2022. PDPP and HDPP amounts recognized are included in patient service revenue.

NGMC, NGPG, GHI, NGMC-Lumpkin, 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 2023 and 2022, NGMC recognized \$18,687 and \$15,908, respectively, from the UPL program. \$933 was included in other current assets as of September 30, 2023. There was no amount receivable under the UPL program as of September 30, 2022. NGMC-Barrow, NGMC-Lumpkin, and NGPG recognized \$435, \$52, and \$22, respectively, in funds from the UPL program in 2023. NGMC-Barrow and NGMC-Lumpkin recognized \$435 and \$52 respectively, in funds from the UPL program in 2022. NGPG recognized no funds from the UPL in 2022. 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. \$18,267 and \$15,975 relating to the Act are included in other operating

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets for the years ended September 30, 2023 and 2022, 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:

	<u>2023</u>	<u>2022</u>
Medicare	\$ 1,060,108	\$ 953,306
Medicaid	227,389	207,689
Commercial	607,335	525,356
Self-Pay	149,779	138,735
Other	86,250	80,945
Patient service revenue	<u>\$ 2,130,861</u>	<u>\$ 1,906,031</u>

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

The composition of assets limited as to use at September 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Indenture agreements - held by trustees:		
Cash and money market funds	\$ 124	\$ 8,957
Corporate bonds	-	82,037
Accrued income	6	482
	<u>130</u>	<u>91,476</u>
Professional liability self-insurance agreement - held by trustee:		
Cash and money market funds	8,791	5,703
U.S. Treasury and agency obligations	3,838	6,458
Corporate bonds	40,097	33,084
Equity securities	23,902	17,084
Accrued income	372	247
	<u>77,000</u>	<u>62,576</u>

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

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

*Years Ended September 30, 2023 and 2022*

	<u>2023</u>	<u>2022</u>
Workers' compensation self-insurance agreement - held by trustee:		
Cash and money market funds	1,185	1,040
U.S. Treasury and agency obligations	522	1,093
Corporate bonds	5,411	3,837
Equity investments	3,263	2,235
Accrued income	48	29
	<u>10,429</u>	<u>8,234</u>
Board designated for capital improvements:		
Cash and money market funds	6,497	5,226
U.S. Treasury and agency obligations	19,630	18,047
Equity securities	73,936	66,462
Accrued income	-	4
	<u>100,063</u>	<u>89,739</u>
Other		
Cash and money market funds	15,403	13,720
Mutual funds	37,812	32,142
Corporate bonds	3,837	2,507
Equity securities	5,989	5,796
Limited partnership investments	21,855	19,653
Other	5,757	6,014
Accrued income	33	21
	<u>90,686</u>	<u>79,853</u>
	278,308	331,878
Less assets limited as to use that are required for current obligations	(15,049)	(16,089)
	<u>\$ 263,259</u>	<u>\$ 315,789</u>

The composition of investments at September 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Cash and money market funds	\$ 66,208	\$ 110,749
U.S. Treasury and agency obligations	330,220	187,706
Mutual funds	49,058	48,735



## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

	<u>2023</u>	<u>2022</u>
Corporate bonds	236,152	188,438
Equity securities	691,250	773,602
Accrued income	2,327	1,945
	<u>1,375,215</u>	<u>1,311,175</u>
Less current investments	<u>(341,095)</u>	<u>(346,505)</u>
	<u>\$ 1,034,120</u>	<u>\$ 964,670</u>

Investment income on proceeds of borrowings that are held by trustees was \$2,197 and \$2,919, for the years ended September 30, 2023 and 2022, respectively, and is included as a part of other operating revenue in the accompanying Consolidated Statements of Operations and Changes in Net Assets. The net gain (loss) from all other investments and assets limited as to use without donor restrictions for the years ended September 30, 2023 and 2022, was comprised of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 51,062	\$ 41,096
Limited partnership earnings (losses)	1,882	(1,107)
Net realized gains	36,579	17,801
Change in net unrealized gains (losses)	79,472	(156,185)
Investment expense	<u>(4,768)</u>	<u>(4,519)</u>
Net investment gain (loss)	<u>\$ 164,227</u>	<u>\$ (102,914)</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, 2023 and 2022 are as follows:

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

	<b>2023</b>	<b>2022</b>
Land	\$ 80,960	\$ 70,865
Land improvements	16,671	16,671
Building and building equipment	1,041,034	985,783
Equipment	813,302	759,832
Vehicles	6,072	6,208
	<u>1,958,039</u>	<u>1,839,359</u>
Less accumulated depreciation and amortization	<u>(1,169,787)</u>	<u>(1,086,309)</u>
	788,252	753,050
Construction in progress - Note R	462,150	178,407
	<u>\$ 1,250,402</u>	<u>\$ 931,457</u>

Depreciation expense associated with property and equipment, net for the years ended September 30, 2023 and 2022 was \$91,086 and \$88,684, respectively.

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

A summary of long-term debt at September 30, 2023 and 2022 is as follows:

	<b>2023</b>	<b>2022</b>
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	27,398	28,625
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	310,550	321,920
Plus unamortized premium	55,484	57,853
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	12,943	13,399

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

	<i>2023</i>	<i>2022</i>
Revenue Anticipation Certificates, Series 2017B		
Interest rates ranging from 3.75% to 5.50%; interest payments due semi-annually through February 2045	132,420	135,169
Plus unamortized premium	15,964	16,437
	<u>1,184,924</u>	<u>1,203,568</u>
Less current portion	(21,903)	(18,413)
Less issuance cost	(7,200)	(7,521)
	<u>\$ 1,155,821</u>	<u>\$ 1,177,634</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 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, 2023.

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.

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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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, 2023 and 2022, respectively.

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

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

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

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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Certificates were subject to issuance costs of \$1,624 and will be amortized monthly in accordance with the term of the Series 2021B Certificates.

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

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

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

The Series 2017A Certificates consist of \$170,025 term certificates maturing at various dates through February 15, 2045 bearing interest at rates ranging from 4.00% to 5.00% and subject to mandatory sinking fund redemption payments beginning February 15, 2038 and ending February 15, 2042, which range from \$10,775 to \$12,995; and mandatory sinking fund redemption payments beginning February 15, 2043 and ending February 15, 2045, which range from \$11,825 to \$13,065.

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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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, 2023 the balance of the respective deposits in escrow are \$207,482, and as such, there is debt outstanding and not recognized, due to advance refunding, in the Consolidated Balance Sheet at September 30, 2023. All other advance refunding previously noted, were redeemed with their respective deposits placed in escrow prior to September 30, 2021.

The Series 2017B and Series 2021B 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.

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, 2023 are as follows:

<u><i>Year Ending September 30,</i></u>	
2024	\$ 17,610
2025	18,515
2026	19,465
2027	20,460
2028	21,510
Thereafter	975,574
	<u>\$ 1,073,134</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

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

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

***Years Ended September 30, 2023 and 2022***

expenses on the Consolidated Statements of Operations and Changes in Net Assets, at September 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Finance lease costs:		
Amortization of right-to-use-asset	\$ 1,770	\$ 2,150
Interest on lease liability	-	-
Operating lease cost	5,577	9,139
Short term lease cost	4,860	197
	<u>\$ 12,207</u>	<u>\$ 11,486</u>
Other information:		
Right-of-use assets obtained for new finance leases	\$ -	\$ -
Right-of-use assets obtained for new operating leases	\$ 5,956	\$ 3,596
Weighted average remaining lease term - finance leases	0.13	1.00
Weighted average remaining lease term - operating leases	2.97	3.52
Weighted average discount rate - finance leases	0.00%	0.00%
Weighted average discount rate - operating leases	3.35%	2.88%

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>
2024	\$ 26	\$ 5,331
2025	-	3,035
2026	-	2,262
2027	-	1,424
2028	-	379
Thereafter	-	161
Total lease payments	26	12,592
Less: Interest portion	-	(608)
Present value of lease obligations	26	11,984
Less: Current portion	(26)	(5,331)
Long-term lease obligations	<u>\$ -</u>	<u>\$ 6,653</u>

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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#### 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.

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. Effective December 31, 2020, the Plan was frozen for the accrual of additional 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, 2023 and 2022:

	<i>Year Ended</i>	
	<i>September 30,</i>	
	<i>2023</i>	<i>2022</i>
Change in benefit obligations		
Benefit obligations, beginning of year	\$ 229,772	\$ 320,862
Service cost	910	680
Interest cost	12,092	9,161
Benefits paid	(23,622)	(10,560)
Actuarial gain	(9,563)	(90,371)
Benefit obligations, end of year	<u>\$ 209,589</u>	<u>\$ 229,772</u>



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

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

*Years Ended September 30, 2023 and 2022*

	<i>Year Ended</i>	
	<i>September 30,</i>	
	<i>2023</i>	<i>2022</i>
Change in plan assets		
Fair value of plan assets, beginning of year	\$ 284,446	\$ 315,277
Actual return on plan assets	31,735	(20,271)
Benefits paid	(23,623)	(10,560)
Fair value of plan assets, end of year	\$ 292,558	\$ 284,446
Funded status of the plan at end of year	\$ 82,969	\$ 54,674

Benefits paid in the above table include only those amounts paid directly from plan assets in fiscal years 2023 and 2022.

The accumulated benefit obligation (ABO) of the plan was \$209,589 and \$229,772 at September 30, 2023 and 2022, respectively. In accordance with generally accepted accounting principles, the 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 effective December 31, 2020, 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, 2023 and 2022.

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

	<i>Year Ended</i>	
	<i>September 30,</i>	
	<i>2023</i>	<i>2022</i>
Noncurrent assets	\$ 82,969	\$ 54,674
Net asset recognized	\$ 82,969	\$ 54,674

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

	<i>Year Ended</i>	
	<i>September 30,</i>	
	<i>2023</i>	<i>2022</i>
Unrecognized net actuarial loss	\$ 37,006	\$ 59,297
	\$ 37,006	\$ 59,297

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

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

***Years Ended September 30, 2023 and 2022***

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

	<i>Year Ended September 30,</i>	
	<u>2023</u>	<u>2022</u>
Net periodic pension cost		
Service cost with interest to year-end	\$ 910	\$ 680
Interest cost on the projected benefit obligation	12,092	9,161
Expected return on plan assets	(19,568)	(19,673)
Amortization of net actuarial loss	562	10,590
Net periodic pension cost	<u>\$ (6,004)</u>	<u>\$ 758</u>

The actuarial assumptions used for the plan as of September 30, 2023 and 2022 are as follows:

	<i>September 30,</i>	
	<u>2023</u>	<u>2022</u>
Discount rates	5.85%	5.40%
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	0.00%	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, 2023 and 2022 is as follows:

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

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

*Years Ended September 30, 2023 and 2022*

	<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><i>September 30, 2023</i></b>				
Money market funds	\$ 16,227	\$ 16,227	\$ -	\$ -
Government bonds	-	-	-	-
Corporate bonds	49,444	-	49,444	-
Mutual funds and equity securities	226,273	226,273	-	-
Accrued income	614	614	-	-
	<u>\$ 292,558</u>	<u>\$ 243,114</u>	<u>\$ 49,444</u>	<u>\$ -</u>
<b><i>September 30, 2022</i></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>

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%. No contributions were made by the System to the plan during fiscal year 2023 or 2022.

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

<u><i>Year Ending September 30,</i></u>	
2024	\$ 11,211
2025	11,692
2026	12,272
2027	12,802
2028	13,301
2029-2033	72,708

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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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 \$24,286 and \$21,698 for the years ended September 30, 2023 and 2022, 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 \$25,000 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, 2023, 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, 2023 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, 2023 and 2022 consist of amounts accrued by the System related to these self-insurance programs and have not been discounted. Amounts accrued by NGHS were \$72,919 and \$62,361 at September 30, 2023 and 2022, respectively. Operating expenses in the years ended September 30, 2023 and 2022 include \$31,451 and \$9,832, 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, 2023 and 2022 include \$99,075 and \$69,714, respectively,

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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related to these benefits. \$11,903 and \$10,707, representing estimated incurred but unpaid medical and dental claims, are included in accounts payable and accrued expenses at September 30, 2023 and 2022, 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, 2023 and 2022 is as follows:

	<i>2023</i>	<i>2022</i>
Governmental programs:		
Medicare	50%	50%
Medicaid	11%	11%
Commercial insurance	28%	27%
Self-pay and other	11%	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, 2023 and 2022 are as follows:

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

	<i>Healthcare Services</i>	<i>Support Services</i>	<i>Fundraising</i>	<i>Total</i>
<b><i>September 30, 2023</i></b>				
Salaries and benefits	\$ 1,052,285	\$ 144,654	\$ 1,124	\$ 1,198,063
Utilities	15,536	2,487	-	18,023
Provider fees	48,708	5,865	-	54,573
Supplies	324,617	39,881	87	364,585
Legal, consulting and professional fees	18,044	3,931	-	21,975
Purchased services	62,756	13,189	93	76,038
Interest	31,522	3,627	-	35,149
Insurance	23,463	12,472	-	35,935
Other	131,619	19,102	272	150,993
Depreciation and amortization	83,684	12,077	34	95,795
	\$ 1,792,234	\$ 257,285	\$ 1,610	\$ 2,051,129
<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
Provider 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
Purchased 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

#### 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, 2023:

Financial assets	\$ 1,878,149
Less those unavailable for expenditures within one year, due to:	
Amounts restricted by donors	(30,630)
Amounts restricted under insurance agreements, bond agreements, board designation or other	(278,308)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,569,211

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

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

*Years Ended September 30, 2023 and 2022*

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>2023</i>	<i>2022</i>
Heart and Vascular Funds	\$ 1,370	\$ 591
Community Benefits Funds	1,943	2,125
Women and Children Funds	1,174	1,150
Complementary Program Funds	19	222
COVID-19 Relief and Planning Funds	312	373
Emergency Response and Critical Care Service Funds	22	15
Employee Assistance Funds	-	71
Foundation Operation Funds	127	76
Neuroscience Funds	687	711
NGMC-Barrow Funds	10	10
NGMC-Braselton Funds	1,669	1,671
NGMC-Lumpkin Funds	10	10
NGMC- Habersham	15	-
Strategic Needs Funds	4,925	4,625
Education Funds	1,552	1,533
Equipment Funds	1,837	3,212
Grants	930	815
Patient Assistance and Access Funds	236	299
Oncology Funds	1,249	1,224
Hospice Funds	4,906	4,426
Held in perpetuity:		
Wilheit-Keys Peace Garden Endowment	155	155
GME Endowment	544	465
Fraser Resource Salary Endowment	1,200	-
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	248	243
V.C. & Mary Puckett Spiritual Care Endowment	456	456
NGHS Foundation Endowment	2,869	2,869
Woody Stewart & Nancy Colston Endowment	480	484

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

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

*Years Ended September 30, 2023 and 2022*

	<i>Net Assets Restricted by Donors</i>	
	<i>2023</i>	<i>2022</i>
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	229	227
Ron Kutay Scholarship Endowment	44	42
Don Freeman Scholarship Endowment	27	25
GME Emergency Medicine Endowment	58	55
	<u>\$ 30,630</u>	<u>\$ 29,507</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, 2023 and 2022 are as follows:

	<i>2023</i>	<i>2022</i>
Restrictions accomplished:		
Community Benefits	\$ 518	\$ 366
Complementary Programs	256	141
COVID-19 Relief and Planning	66	384
Education	539	66
Emergency Response and Critical Care	-	8
Employee Assistance	73	56
Equipment	1,345	5
Foundation Operations	2	-
Grants	755	33
Heart and Vascular	299	195
Hospice	63	53
Neuroscience	56	-
NGMC-Barrow	-	3
NGMC-Braselton	40	8
Oncology	24	13
Patient Assistance and Access	163	144
Strategic Needs	677	329
Women and Children	262	263
Total net assets released from restrictions	<u>\$ 5,138</u>	<u>\$ 2,067</u>



## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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Other operating revenue in the accompanying Consolidated Statements of Operations and Changes in Net Assets includes \$3,507 and \$1,997 for the years ended September 30, 2023 and 2022, respectively, representing net assets with donor restrictions. During 2023 and 2022, total assets released for capital purposes were \$1,631 and \$70, respectively.

#### NOTE O--CORONAVIRUS DISEASE 2019 (COVID-19) IMPACT

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. During the year ended September 30, 2023, no additional PRF funding was received. The System 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. During the year ended September 30, 2023, half of this reserve was removed and \$12,170 of the unearned revenue remaining at September 30, 2022 was recognized as revenue. The remaining reserve amount is recorded in unearned revenue in the accompanying Consolidated Balance Sheet as of September 30, 2023, consistent with the prior year classification.

The CARES Act also expanded the Medicare Accelerated and Advance Payment Program. The System received approximately \$98,900 of payments issued under the Medicare Accelerated and Advance Payment (AAP) Program during 2020. Such amounts were intended to fund short-term

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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cash flow needs and were to be recouped by the Center for Medicare and Medicaid Services (CMS) through an offset to future Medicare claims. As of September 30, 2022, the entire amount of payments had been recouped.

#### 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:

- *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.

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### Years Ended September 30, 2023 and 2022

- *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, 2023</b>				
Assets measured at fair value				
on a recurring basis:				
Cash and money market funds	\$ 98,208	\$ 98,208	\$ -	\$ -
Mutual funds	86,870	86,870	-	-
U.S. Treasury and agency obligations	354,210	354,210	-	-
Corporate bonds	285,497	-	285,497	-
Equity securities	798,340	798,340	-	-
Other	5,757	5,757	-	-
Accrued income	2,786	2,786	-	-
Total assets	<u>\$ 1,631,668</u>	<u>\$ 1,346,171</u>	<u>\$ 285,497</u>	<u>\$ -</u>
<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	<u>\$ 1,623,400</u>	<u>\$ 1,313,497</u>	<u>\$ 309,903</u>	<u>\$ -</u>

#### NOTE R--COMMITMENTS AND CONTINGENCIES

Construction in progress at September 30, 2023 relates primarily to ongoing projects, routine capital improvements at existing facilities, and scheduled projects related to a System

## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

#### *Years Ended September 30, 2023 and 2022*

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Development Plan to be completed over the next several years. The estimated costs to complete current construction in progress at September 30, 2023 is approximately \$593,389 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, 2023 is approximately \$471,615.

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

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 remaining \$6,000 payments were made in 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, except as mentioned in Note A, that required recognition or disclosure in the September 30, 2023 consolidated financial statements.

## **Supplemental Schedules**

# NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

## Consolidating Balance Sheets (Dollars in Thousands)

September 30, 2023

	NGHS	NGMC	NGMC- Burrow	NGMC- Lumpkin	NGMC- Hubersham	NGPG	The Foundation	GHI	LCA	PEO	NGHP	NGHP Network	NGHV	NGHH	Eliminations	Consolidated
<b>ASSETS</b>																
<b>CURRENT ASSETS</b>																
Cash and cash equivalents	\$ 20	\$ 15,290	\$ -	\$ -	\$ 46	\$ 773	\$ 9,528	\$ 1	\$ 2,057	\$ -	\$ -	\$ -	\$ 13	\$ -	\$ -	\$ 27,728
Investments	-	341,095	-	-	-	-	-	-	-	-	-	-	-	-	-	341,095
Assets limited as to use, required for current obligations	-	238	-	-	-	-	538	-	14,273	-	-	-	-	-	-	15,049
Patient accounts receivable	-	169,629	4,847	2,225	3,282	14,552	-	2,253	-	-	-	-	-	110	-	196,898
Inventory of supplies	76	15,923	799	358	804	-	-	-	-	-	-	-	-	-	-	17,960
Other current assets	21,103	32,427	606	151	583	5,759	2,541	-	(5,265)	-	-	-	-	51	(16,038)	41,918
<b>TOTAL CURRENT ASSETS</b>	<b>21,199</b>	<b>574,602</b>	<b>6,252</b>	<b>2,734</b>	<b>4,715</b>	<b>21,084</b>	<b>12,607</b>	<b>2,254</b>	<b>11,065</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>161</b>	<b>(16,038)</b>	<b>640,648</b>
<b>INVESTMENTS</b>	<b>-</b>	<b>1,034,120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,034,120</b>
<b>ASSETS LIMITED AS TO USE</b>																
Under indenture agreements - held by trustees	-	130	-	-	-	-	-	-	-	-	-	-	-	-	-	130
Under self-insurance agreements	-	-	-	-	-	-	-	-	87,429	-	-	-	-	-	-	87,429
By Board for designated capital purposes	100,063	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,063
Other	38,966	19,468	-	-	-	-	32,252	-	-	-	-	-	-	-	-	90,686
	139,029	19,598	-	-	-	-	32,252	-	87,429	-	-	-	-	-	-	278,308
Less amounts required for current obligations	-	(238)	-	-	-	-	(538)	-	(14,273)	-	-	-	-	-	-	(15,049)
<b>ASSETS LIMITED AS TO USE</b>	<b>139,029</b>	<b>19,360</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,714</b>	<b>-</b>	<b>73,156</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>263,259</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>241,205</b>	<b>918,753</b>	<b>11,055</b>	<b>46,276</b>	<b>17,538</b>	<b>13,299</b>	<b>70</b>	<b>2,199</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,250,402</b>
<b>DUE (TO) FROM AFFILIATES</b>	<b>-</b>	<b>(628)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>628</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER ASSETS</b>																
Goodwill	-	-	-	-	-	-	-	3,263	-	-	-	-	-	-	-	3,263
Pension asset	82,969	-	-	-	-	-	-	-	-	-	-	-	-	-	-	82,969
Other	5,697	16,580	-	-	147	7	-	1	-	-	-	-	600	-	(2,342)	20,690
Right-of-use asset, finance leases	-	118	12	-	-	-	-	-	-	-	-	-	-	-	-	130
Right-of-use asset, operating leases	494	13,634	-	8	704	49,451	152	8,835	-	-	-	-	-	-	(61,581)	11,697
<b>TOTAL OTHER ASSETS</b>	<b>89,160</b>	<b>30,332</b>	<b>12</b>	<b>8</b>	<b>851</b>	<b>49,458</b>	<b>152</b>	<b>12,099</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>600</b>	<b>-</b>	<b>(63,923)</b>	<b>118,749</b>
<b>TOTAL ASSETS</b>	<b>\$ 490,593</b>	<b>\$ 2,576,539</b>	<b>\$ 17,319</b>	<b>\$ 49,018</b>	<b>\$ 23,104</b>	<b>\$ 83,841</b>	<b>\$ 45,171</b>	<b>\$ 16,552</b>	<b>\$ 84,221</b>	<b>\$ -</b>	<b>\$ 7</b>	<b>\$ -</b>	<b>\$ 613</b>	<b>\$ 161</b>	<b>\$ (79,961)</b>	<b>\$ 3,307,178</b>

See Independent Auditor's Report.

# NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

September 30, 2023

	NGHS	NGMC	NGMC- Barrow	NGMC- Lumpkin	NGMC- Hubersham	NGPG	The Foundation	GHI	LCA	PEO	NGHP	NGHP Network	NGHV	NGHH	Eliminations	Consolidated	
LIABILITIES AND NET ASSETS																	
CURRENT LIABILITIES																	
Current portion of long-term debt	\$ -	\$ 21,903	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,903
Accrued interest	-	5,460	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,460
Accounts payable and other accrued expenses	844	138,639	132	2	604	2,172	4,791	24	11,356	-	-	-	21	454	(16,885)	142,154	
Accrued salaries, benefits, compensated absences and amounts withheld	12,825	50,984	1,572	906	553	32,518	109	6,579	-	263	150	117	-	-	-	106,576	
Current portion of finance lease liability	-	14	12	-	-	-	-	-	-	-	-	-	-	-	-	26	
Current portion of operating lease liability	230	5,930	-	8	200	10,960	130	1,988	-	-	-	-	-	-	(14,115)	5,331	
Unearned revenue	132	9,404	2,333	473	-	1,191	-	481	-	-	-	-	-	-	-	14,014	
Estimated third-party payer settlements	-	12,731	1,907	449	-	-	-	-	-	-	-	-	-	-	-	15,087	
<b>TOTAL CURRENT LIABILITIES</b>	<b>14,031</b>	<b>245,065</b>	<b>5,956</b>	<b>1,838</b>	<b>1,357</b>	<b>46,841</b>	<b>5,030</b>	<b>9,072</b>	<b>11,356</b>	<b>263</b>	<b>150</b>	<b>117</b>	<b>21</b>	<b>454</b>	<b>(31,000)</b>	<b>310,551</b>	
LONG-TERM DEBT, less current portion	-	1,155,821	-	-	-	-	-	-	-	-	-	-	-	-	-	1,155,821	
ESTIMATED SELF-INSURANCE LIABILITIES	-	-	-	-	-	-	-	-	72,919	-	-	-	-	-	-	72,919	
OTHER LONG-TERM LIABILITIES																	
Deferred compensation	33,210	19,004	-	-	-	-	-	-	-	-	-	-	-	-	-	52,214	
Operating lease liability, less current portion	279	7,839	-	-	504	39,160	22	7,030	-	-	-	-	-	-	(48,181)	6,653	
<b>TOTAL OTHER LONG-TERM LIABILITIES</b>	<b>33,489</b>	<b>26,843</b>	<b>-</b>	<b>-</b>	<b>504</b>	<b>39,160</b>	<b>22</b>	<b>7,030</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(48,181)</b>	<b>58,867</b>	
<b>TOTAL LIABILITIES</b>	<b>47,520</b>	<b>1,427,729</b>	<b>5,956</b>	<b>1,838</b>	<b>1,861</b>	<b>86,001</b>	<b>5,052</b>	<b>16,102</b>	<b>84,275</b>	<b>263</b>	<b>150</b>	<b>117</b>	<b>21</b>	<b>454</b>	<b>(79,181)</b>	<b>1,598,158</b>	
NET ASSETS																	
Without donor restrictions	443,073	1,148,810	11,363	47,180	21,243	(2,160)	9,489	450	(54)	(263)	(143)	(117)	592	(293)	(780)	1,678,390	
With donor restrictions	-	-	-	-	-	-	30,630	-	-	-	-	-	-	-	-	30,630	
<b>TOTAL NET ASSETS</b>	<b>443,073</b>	<b>1,148,810</b>	<b>11,363</b>	<b>47,180</b>	<b>21,243</b>	<b>(2,160)</b>	<b>40,119</b>	<b>450</b>	<b>(54)</b>	<b>(263)</b>	<b>(143)</b>	<b>(117)</b>	<b>592</b>	<b>(293)</b>	<b>(780)</b>	<b>1,709,020</b>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 490,593</b>	<b>\$ 2,576,539</b>	<b>\$ 17,319</b>	<b>\$ 49,018</b>	<b>\$ 23,104</b>	<b>\$ 83,841</b>	<b>\$ 45,171</b>	<b>\$ 16,552</b>	<b>\$ 84,221</b>	<b>\$ -</b>	<b>\$ 7</b>	<b>\$ -</b>	<b>\$ 613</b>	<b>\$ 161</b>	<b>\$ (79,961)</b>	<b>\$ 3,307,178</b>	

# NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

September 30, 2022

	NGHS	NGMC	NGMC- Barrow	NGMC- Lumpkin	NGPG	The Foundation	GHI	LCA	PEO	NGHP	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
Inventory of supplies	-	13,625	670	495	-	-	-	-	-	-	-	-	14,790
Other current assets	9,841	22,045	-	-	11,839	4,623	-	(9,408)	-	-	-	(8,246)	30,694
<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>10,088</b>	<b>2,287</b>	<b>5,966</b>	<b>-</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>27,976</b>	<b>-</b>	<b>56,536</b>	<b>-</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>117</b>	<b>2,455</b>	<b>-</b>	<b>-</b>	<b>9</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>531</b>	<b>-</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	-	-	-	3,305	-	-	-	-	-	-	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>3,305</b>	<b>8,997</b>	<b>-</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>\$ 42,017</b>	<b>\$ 13,739</b>	<b>\$ 62,502</b>	<b>\$ -</b>	<b>\$ 9</b>	<b>\$ -</b>	<b>\$ (64,384)</b>	<b>\$ 2,914,404</b>

See Independent Auditor's Report.



## NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

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

September 30, 2022

	NGHS	NGMC	NGMC- Barrow	NGMC- Lumpkin	NGPG	The Foundation	GHI	LCA	PEO	NGHP	NGHP Network	Eliminations	Consolidated
LIABILITIES AND NET ASSETS													
CURRENT LIABILITIES													
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	56	5,141	-	-	80	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	-	16,770	4,561	870	1,323	-	815	-	-	-	-	-	24,339
Estimated third-party payer settlements	-	14,449	1,919	332	-	-	-	-	-	-	-	-	16,700
TOTAL CURRENT LIABILITIES	23,279	219,633	7,701	1,875	38,232	6,221	7,357	49	-	80	174	(20,583)	284,018
LONG-TERM DEBT, less current portion	-	1,177,634	-	-	-	-	-	-	-	-	-	-	1,177,634
ESTIMATED SELF-INSURANCE LIABILITIES	-	-	-	-	-	-	-	62,361	-	-	-	-	62,361
OTHER LONG-TERM LIABILITIES													
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
TOTAL OTHER LONG-TERM LIABILITIES	28,395	25,630	13	8	40,215	-	4,503	-	-	-	-	(44,370)	54,394
TOTAL LIABILITIES	51,674	1,422,897	7,714	1,883	78,447	6,221	11,860	62,410	-	80	174	(64,953)	1,578,407
NET ASSETS													
Without donor restrictions	315,539	944,405	9,534	13,667	14,761	6,289	1,879	92	-	(71)	(174)	569	1,306,490
With donor restrictions	-	-	-	-	-	29,507	-	-	-	-	-	-	29,507
TOTAL NET ASSETS	315,539	944,405	9,534	13,667	14,761	35,796	1,879	92	-	(71)	(174)	569	1,335,997
TOTAL LIABILITIES AND NET ASSETS	\$ 367,213	\$ 2,367,302	\$ 17,248	\$ 15,550	\$ 93,208	\$ 42,017	\$ 13,739	\$ 62,502	\$ -	\$ 9	\$ -	\$ (64,384)	\$ 2,914,404

# NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

## Consolidating Statements of Operations (Dollars in Thousands)

Year Ended September 30, 2023

	NGHS	NGMC	NGMC- Barrow	NGMC- Lumpkin	NGMC- Habersham	NGPG	The Foundation	GHI	LCA	PEO	NGHP	NGHP Network	NGHV	NGHH	Eliminations	Consolidated
Changes in net assets without donor restrictions:																
Patient service revenue	\$ -	\$ 1,727,624	\$ 52,122	\$ 25,517	\$ 7,777	\$ 282,677	\$ -	\$ 36,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 161	\$ (1,077)	\$ 2,130,861
Other operating revenue	178,310	72,326	712	1,800	292	53,982	3,507	2,819	25,206	4,931	4,539	621	-	-	(255,415)	93,630
Contributions for equipment, education, indigent patients and community benefits:																
Cash and other financial assets	-	-	-	-	-	-	3	-	-	-	-	-	-	-	-	3
<b>TOTAL OPERATING REVENUES</b>	<b>178,310</b>	<b>1,799,950</b>	<b>52,834</b>	<b>27,317</b>	<b>8,069</b>	<b>336,659</b>	<b>3,510</b>	<b>38,879</b>	<b>25,206</b>	<b>4,931</b>	<b>4,539</b>	<b>621</b>	<b>-</b>	<b>161</b>	<b>(256,492)</b>	<b>2,224,494</b>
Expenses:																
Salaries and wages	70,829	603,708	17,943	9,494	5,388	249,564	1,290	44,725	-	4,164	1,976	1,454	-	302	-	1,010,837
Employee benefits	21,022	110,735	3,359	2,049	951	41,680	284	6,246	-	767	438	248	-	51	(604)	187,226
Provider fees	399	68,253	4,349	457	664	20,862	-	417	-	-	-	-	-	-	(40,828)	54,573
Utilities	2,439	12,908	556	376	445	1,127	-	170	-	-	-	-	-	2	-	18,023
Supplies	2,715	323,053	9,724	2,498	2,202	22,799	122	1,357	-	-	75	9	-	31	-	364,585
Legal, consulting and professional fees	8,772	9,518	204	154	97	2,094	-	319	-	-	580	5	232	-	-	21,975
Purchased services	21,624	51,625	1,910	741	785	4,502	131	2,052	-	-	4,072	52	1,338	40	(12,834)	76,038
Insurance	23,240	2,143	19	3	1	5,667	-	4	30,063	-	-	-	-	3	(25,208)	35,935
Interest	-	35,149	-	-	-	-	-	-	-	-	-	-	-	-	-	35,149
Management Fees	-	163,710	4,930	2,144	694	-	-	3,162	-	-	-	-	-	-	(174,640)	-
Depreciation and amortization	10,078	78,635	1,967	512	645	3,368	47	541	-	-	2	-	-	-	-	95,795
Other operating expenses	17,192	111,467	6,951	2,745	2,092	20,772	381	6,057	-	-	57	86	-	25	(16,832)	150,993
<b>TOTAL OPERATING EXPENSES</b>	<b>178,310</b>	<b>1,570,904</b>	<b>51,912</b>	<b>21,173</b>	<b>13,964</b>	<b>372,435</b>	<b>2,255</b>	<b>65,050</b>	<b>30,063</b>	<b>4,931</b>	<b>7,200</b>	<b>1,854</b>	<b>1,570</b>	<b>454</b>	<b>(270,946)</b>	<b>2,051,129</b>
<b>OPERATING INCOME (LOSS) BEFORE PROVIDER RELIEF FUND REVENUE</b>	<b>-</b>	<b>229,046</b>	<b>922</b>	<b>6,144</b>	<b>(5,895)</b>	<b>(35,776)</b>	<b>1,255</b>	<b>(26,171)</b>	<b>(4,857)</b>	<b>-</b>	<b>(2,661)</b>	<b>(1,233)</b>	<b>(1,570)</b>	<b>(293)</b>	<b>14,454</b>	<b>173,365</b>
Provider relief fund revenue	-	8,385	2,282	435	-	661	-	407	-	-	-	-	-	-	-	12,170
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>-</b>	<b>237,431</b>	<b>3,204</b>	<b>6,579</b>	<b>(5,895)</b>	<b>(35,115)</b>	<b>1,255</b>	<b>(25,764)</b>	<b>(4,857)</b>	<b>-</b>	<b>(2,661)</b>	<b>(1,233)</b>	<b>(1,570)</b>	<b>(293)</b>	<b>14,454</b>	<b>185,535</b>
Nonoperating (losses) gains:																
Donations from affiliates	-	161	-	-	-	-	(161)	-	-	-	-	-	-	-	-	-
Gain (loss) from investments, net	11,558	145,153	10	-	-	-	2,802	-	4,704	-	-	-	-	-	-	164,227
(Loss) gain on sale of property and equipment, net	(179)	25	-	-	-	-	-	-	-	-	-	-	-	-	-	(154)
Miscellaneous, net	18,014	(80)	180	-	10	106	(3,346)	(10)	-	-	-	-	-	-	(15,829)	(955)
<b>NET NONOPERATING GAINS (LOSSES)</b>	<b>29,393</b>	<b>145,259</b>	<b>190</b>	<b>-</b>	<b>10</b>	<b>106</b>	<b>(705)</b>	<b>(10)</b>	<b>4,704</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,829)</b>	<b>163,118</b>
<b>EXCESS (DEFICIENCY) OF REVENUE AND GAINS OVER EXPENSES AND LOSSES</b>	<b>\$ 29,393</b>	<b>\$ 382,690</b>	<b>\$ 3,394</b>	<b>\$ 6,579</b>	<b>\$ (5,885)</b>	<b>\$ (35,009)</b>	<b>\$ 550</b>	<b>\$ (25,774)</b>	<b>\$ (153)</b>	<b>\$ -</b>	<b>\$ (2,661)</b>	<b>\$ (1,233)</b>	<b>\$ (1,570)</b>	<b>\$ (293)</b>	<b>\$ (1,375)</b>	<b>\$ 348,653</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, 2022

	NGHS	NGMC	NGMC- Barrow	NGMC- Lumpkin	NGPG	The Foundation	GHI	LCA	PEO	NGHP	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	1,998	1,724	16,999	3,012	2,619	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>2,047</b>	<b>32,982</b>	<b>16,999</b>	<b>3,012</b>	<b>2,619</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	1,226	39,064	-	2,738	1,160	1,211	-	952,114
Employee benefits	11,300	100,399	3,037	1,930	29,648	235	4,735	-	226	182	147	-	151,839
Provider fees	1,097	65,894	3,819	676	19,043	-	4	-	-	-	-	(40,724)	49,809
Utilities	1,578	13,619	589	383	1,286	-	193	-	-	1	-	-	17,649
Supplies	1,298	303,126	8,437	2,876	21,265	72	970	-	-	17	4	-	338,065
Legal, consulting and professional fees	4,961	1,605	1	1	1	-	26	-	-	2,592	-	-	9,187
Purchased services	21,454	53,499	1,825	668	10,649	152	609	-	48	2,141	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	51	518	-	-	2	-	-	91,175
Other operating expenses	20,825	94,284	6,874	2,298	16,951	148	5,782	-	-	106	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>1,884</b>	<b>54,450</b>	<b>10,452</b>	<b>3,012</b>	<b>6,201</b>	<b>1,601</b>	<b>(221,209)</b>	<b>1,872,092</b>
<b>OPERATING INCOME (LOSS) 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>163</b>	<b>(21,468)</b>	<b>6,547</b>	<b>-</b>	<b>(3,582)</b>	<b>(1,129)</b>	<b>13,446</b>	<b>100,611</b>
Provider relief fund revenue	-	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>163</b>	<b>(20,926)</b>	<b>6,547</b>	<b>-</b>	<b>(3,582)</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</b>	<b>6,558</b>	<b>(88,727)</b>	<b>293</b>	<b>-</b>	<b>1,184</b>	<b>(3,779)</b>	<b>15</b>	<b>(6,556)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,962)</b>	<b>(103,974)</b>
<b>EXCESS (DEFICIENCY) OF REVENUE AND GAINS OVER EXPENSES AND LOSSES</b>	<b>\$ 6,596</b>	<b>\$ 57,280</b>	<b>\$ (2,899)</b>	<b>\$ 4,400</b>	<b>\$ (22,348)</b>	<b>\$ (3,616)</b>	<b>\$ (20,911)</b>	<b>\$ (9)</b>	<b>\$ -</b>	<b>\$ (3,582)</b>	<b>\$ (1,129)</b>	<b>\$ 484</b>	<b>\$ 14,266</b>