CERTIFIED PUBLIC ACCOUNTANTS

Financial Statements

Northeast Georgia Medical Center, Inc.

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

Years Ended September 30, 2023 and 2022

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

Table of Contents

Years Ended September 30, 2023 and 2022

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Northeast Georgia Medical Center, Inc. (NGMC), which comprise the balance sheets as of September 30, 2023 and 2022, and the related statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NGMC as of September 30, 2023 and 2022, and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 NGMC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Sole Member of Northeast Georgia Health System, Inc. (NGHS)

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 NGMC'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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NGMC'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.

PYA, P.C.

Atlanta, Georgia
February 22, 2024

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

Balance Sheets
(Dollars in Thousands)

	September 30, 2023	September 30, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 15,290**	$ 38,386
Investments	**341,095**	346,505
Assets limited as to use, required for current obligations	**238**	718
Patient accounts receivable	**169,629**	144,359
Inventory of supplies	**15,923**	13,625
Other current assets	**30,427**	16,045
Unconditional promise to give from affiliate - Note N	**2,000**	6,000
TOTAL CURRENT ASSETS	**574,602**	565,638
INVESTMENTS	**1,034,120**	964,670
ASSETS LIMITED AS TO USE		
Under indenture agreements - held by trustees	**130**	91,476
Other	**19,468**	16,928
	19,598	108,404
Less amounts required for current obligations	**(238)**	(718)
ASSETS LIMITED AS TO USE	**19,360**	107,686
PROPERTY AND EQUIPMENT, net	**918,753**	711,745
OTHER ASSETS		
Property held for future investment	**-**	586
Other	**16,580**	1,861
Right-of-use asset, finance leases	**118**	1,739
Right-of-use asset, operating leases	**13,634**	13,689
TOTAL OTHER ASSETS	**30,332**	17,875
TOTAL ASSETS	**$ 2,577,167**	$ 2,367,614

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

Balance Sheets - Continued
(Dollars in Thousands)

	September 30, 2023	September 30, 2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	**$ 21,903**	$ 18,413
Accrued interest	**5,460**	5,543
Accounts payable and other accrued expenses	**138,639**	99,452
Accrued salaries, benefits, compensated absences and amounts withheld	**50,984**	58,699
Current portion of finance lease liability	**14**	1,586
Current portion of operating lease liability	**5,930**	4,721
Unearned revenue - Notes B and O	**9,404**	16,770
Estimated amounts due to third-party payers	**12,731**	14,449
TOTAL CURRENT LIABILITIES	**245,065**	219,633
LONG-TERM DEBT, less current portion	**1,155,821**	1,177,634
DUE TO AFFILIATES, net - Note N	**628**	312
OTHER LONG-TERM LIABILITIES		
Deferred compensation	**19,004**	16,570
Finance lease liability, less current portion	**-**	13
Operating lease liability, less current portion	**7,839**	9,047
TOTAL OTHER LONG-TERM LIABILITIES	**26,843**	25,630
TOTAL LIABILITIES	**1,428,357**	1,423,209
COMMITMENTS AND CONTINGENCIES - Notes G, J, and R		
NET ASSETS		
Without donor restrictions	**1,148,810**	944,405
TOTAL NET ASSETS	**1,148,810**	944,405
TOTAL LIABILITIES AND NET ASSETS	**$ 2,577,167**	$ 2,367,614

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

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

	Year Ended September 30, 2023	2022
Changes in net assets without donor restrictions:		
Patient service revenue	**$ 1,727,624**	$ 1,549,034
Other operating revenue	**72,326**	45,903
Contributions for equipment, education, indigent patients and community benefits:		
In-kind	**-**	11,787
TOTAL OPERATING REVENUES	**1,799,950**	1,606,724
Expenses:		
Salaries and wages	**603,708**	595,926
Employee benefits	**110,735**	100,399
Provider Fees	**68,253**	65,894
Utilities	**12,908**	13,619
Supplies	**323,053**	303,126
Legal, consulting and professional fees	**9,518**	1,605
Purchased Services	**51,625**	53,499
Insurance	**2,143**	1,988
Interest	**35,149**	36,912
Management fees	**163,710**	131,755
Depreciation and amortization	**78,635**	75,971
Other operating expenses	**111,467**	94,284
TOTAL OPERATING EXPENSES	**1,570,904**	1,474,978
OPERATING INCOME BEFORE PROVIDER RELIEF FUND REVENUE	**229,046**	131,746
Provider relief fund revenue - Note O	**8,385**	14,261
INCOME FROM OPERATIONS	**237,431**	146,007
Nonoperating (losses) gains:		
Donations from affiliates	**161**	8,117
Gain (loss) from investments, net	**145,153**	(89,799)
Gain on sale of property and equipment, net	**25**	195
Miscellaneous, net	**(80)**	(1,240)
NET NONOPERATING (LOSSES) GAINS	**145,259**	(82,727)
EXCESS OF REVENUE AND GAINS OVER EXPENSES AND LOSSES	**382,690**	63,280

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

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

	Year Ended September 30,	
	2023	***2022***
Other changes in net assets without donor restrictions:		
Transfers of equity to affiliates, net	**(178,285)**	(107,640)
TOTAL OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**(178,285)**	(107,640)
INCREASE (DECREASE) IN NET ASSETS	**204,405**	(44,360)
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	**944,405**	988,765
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	**$ 1,148,810**	$ 944,405

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

Statements of Cash Flows
(Dollars in Thousands)

	Year Ended September 30, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	**$ 204,405**	$ (44,360)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	**78,635**	75,971
Gain on sale of property, plant and equipment	**(25)**	(195)
Gain on sale of investments and assets limited as to use	**(33,221)**	(15,686)
Change in net unrealized gains/losses on investments and assets limited as to use	**(71,130)**	137,906
Transfers of equity to affiliates, net	**178,285**	107,640
Changes in assets and liabilities:		
Patient accounts receivable	**(25,270)**	10,087
Inventory of supplies	**(2,298)**	3,689
Other current assets	**(14,382)**	(5,915)
Unconditional promise to give from affiliate	**4,000**	(6,000)
Other long-term assets	**38,171**	7,369
Accrued interest	**(83)**	583
Accounts payable and other accrued expenses and other long-term liabilities	**33,233**	11,156
Accrued salaries, benefits, compensated absences and amounts withheld	**(7,715)**	(12,398)
Unearned revenue	**(7,366)**	-
Estimated third-party payer settlements	**(1,718)**	26,239
Lease liabilities	**(5,875)**	(7,053)
Total adjustments	**163,241**	333,393
NET CASH PROVIDED BY OPERATING ACTIVITIES	**367,646**	289,033
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	**(321,766)**	(172,082)
Proceeds from sales of property, plant and equipment	**105**	1,933
Purchases of investments and assets limited as to use	**(711,359)**	(793,802)
Proceeds from maturities and sales of investments and assets limited as to use	**840,476**	867,081
Advances to affiliates	**(177,969)**	(107,381)
NET CASH USED IN INVESTING ACTIVITIES	**(370,513)**	(204,251)

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

Statements of Cash Flows - Continued
(Dollars in Thousands)

	Year Ended September 30, 2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt and finance lease obligations	**(20,229)**	(20,928)
Recoupment of advance payments from third-party payers	**-**	(68,952)
NET CASH USED IN FINANCING ACTIVITIES	**(20,229)**	(89,880)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(23,096)**	(5,098)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**38,386**	43,484
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 15,290**	$ 38,386
SUPPLEMENTAL INFORMATION:		
Cash paid during the year for interest	**$ 39,402**	$ 39,064
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:		
Property, plant and equipment received and accrued in payables	**$ 23,802**	$ 15,414
Lease liabilities arising from obtaining right-of-use assets	**$ 5,876**	$ 8,046
Operating cash flows from operating leases	**$ 5,833**	$ 5,698
Financing cash flows from finance leases	**$ 1,585**	$ 1,970

NOTE A--ORGANIZATION AND OPERATIONS

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

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

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

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

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

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

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

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

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

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

Property, Equipment and Depreciation: Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets using the half-year pro-rata convention. The depreciable lives range from 15 to 40 years for buildings and land improvements, and from 3 to 15 years for equipment and vehicles. Expenditures for maintenance, repairs and minor renewals are charged to operations as incurred. Expenditures for betterments and major renewals are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the financial statements. Any resulting gain or loss is included in nonoperating gains and losses.

NGMC periodically reviews property and equipment for indicators of potential impairment of long-lived assets and, if such review indicates carrying amounts may not be recoverable, adjusts the carrying value and recognizes a loss. Management does not believe that any unrecognized impairment exists at September 30, 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, NGMC's incremental borrowing rate which was 7.00% and 3.00% for the years ended September 30, 2023 and 2022, respectively. Payments include options to extend, or terminate, if NGMC determines that it is reasonably certain that such options will be exercised. A right-of-use asset is also recorded equal to the lease liability plus any initial direct costs, prepayments, or incentives.

(Dollars in Thousands)

Other Long-Term Assets: During fiscal year 2023, NGMC capitalized implementation costs, in accordance with Accounting Standards Codification (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 Statement of Operations and Changes in Net Assets. The capitalized asset is composed of the following for the year ended:

	Year Ended September 30, 2023
Gross software implementation fees	$ 17,400
Less: Accumulated amortization	(2,486)
	$ 14,914

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

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

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

Charity Care: NGMC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Generally, care provided for a patient whose household income is at or below 300 percent of the federal poverty guidelines is approved for charity care. Because NGMC does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue. 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 $356,877 and

$371,728 in 2023 and 2022, respectively, which are net of indigent care trust fund proceeds of $5,245 and $11,199 in 2023 and 2022, respectively.

The estimated cost of providing charity care totaled $75,857 and $81,026 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 NGMC's total expenses divided by gross patient service revenue.

In addition to the patient charity care services, NGMC provides a number of other services to benefit the impoverished for which little or no payment is received. Medicare, Medicaid and State indigent programs do not cover the full cost of providing care to beneficiaries of those programs. NGMC also provides services to the community at large for which it receives little or no payment. Explicit price concessions for the years ended September 30, 2023 and 2022 include approximately $78,397 and $25,715, respectively, related to discounts provided to self-insured patients in order to facilitate prompt payment.

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

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

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

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

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

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

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

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

Income Taxes: NGMC is classified as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes has been made in the accompanying financial statements. At September 30, 2023 and 2022, respectively, management does not believe NGMC holds any uncertain tax positions that would require financial statement recognition or disclosure under generally accepted accounting principles. It is NGMC's policy to recognize interest and/or penalties related to income tax matters as an operating expense where applicable.

Other Revenue: NGMC received new 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, NGMC received contributed services from the State of Georgia which provided contract nurses due to the coronavirus disease 2019 (COVID-19) workforce shortage. Consistent with Accounting Standards Update (ASU) 2018-08, NGMC has determined the contributed services meet the specialized skill criteria and that the contributions should be recognized in the 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 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. Revenues from contributions of non-financial assets were as follows:

(Dollars in Thousands)

Non-financial Contribution Category	*Type of Contribution for Beneficiaries*	*Valuation*	*Donor Restriction*	*Year Ended September 30,* 2023	*Year Ended September 30,* 2022
In-kind services	Contract labor	Standard industry pricing for similar services	None	$ -	$ 11,787

Additionally, during the year ended September 30, 2023, NGMC recognized other revenue of $10,257 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 $4,077. This portion of the GA QJTC received is an estimate. NGMC placed a 25% reserve against this estimated portion of the credit as the amount may be subject to repayment to the State of 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 Balance Sheets as of September 30, 2023. No amounts were recorded for this credit during the year ended September 30, 2022.

NOTE C--NET PATIENT SERVICE REVENUE/RECEIVABLES

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

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

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

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

Amounts recorded under certain of these contractual arrangements are subject to review and final determination by various program intermediaries. Settlements with third-party payers for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and historical settlement activity, including an assessment to ensure that a significant reversal of revenue recognized will not occur. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such audits, reviews, and investigations. No significant amount of patient service revenue was recognized for the years ended September 30, 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. NGMC also provides services to uninsured and underinsured patients that do not qualify for financial assistance. Based on historical experience, a significant portion of uninsured and underinsured patients are unable or unwilling to pay for their responsible amounts for services provided and a significant discount for this implicit price concession is recorded in the period services are provided.

Using a portfolio approach, NGMC estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. In addition, for uninsured patients, NGMC reduces charges from current rates based on average discounts provided to certain third-party payers. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient service revenue in the period of the change. Adjustments for such changes in the estimated transaction price were not significant for the years ended September 30, 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). This program provides eligible, participating hospitals 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 also participates in the Georgia Department of Community Health Upper Payment Limit (UPL) program. The UPL program allows for non-state local government hospitals and nursing homes to be paid 100 percent of the amount Medicare would pay for similar Medicaid services. During fiscal years 2023 and 2022, NGMC recognized $18,687 and $15,908, respectively, from the UPL program. $445 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. 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 net patient service revenue, as defined in the Act. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients and are considered a community benefit by providers. Approximately $17,334 and $15,470 relating to the Act are included in other operating expenses in the accompanying Statements of Operations and Changes in Net Assets for the years ended September 30, 2023 and 2022, respectively.

(Dollars in Thousands)

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:

		2023		***2022***
Medicare	$	869,241	$	781,951
Medicaid		181,013		169,742
Commercial		480,351		413,819
Self-Pay		123,853		115,124
Other		73,166		68,398
Patient service revenue	$	1,727,624	$	1,549,034

NOTE D--INVESTMENTS AND ASSETS LIMITED AS TO USE

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

		2023		***2022***
Indenture agreements - held by trustees:				
Cash and money market funds	$	124	$	8,957
Corporate bonds		-		82,037
Accrued income		6		482
		130		91,476
Other:				
Cash and money market funds		14,638		12,395
Certificate of deposit		227		227
Mutual funds		4,603		4,306
		19,468		16,928
		19,598		108,404
Less assets limited as to use that are required for current obligations		(238)		(718)
	$	19,360	$	107,686

(Dollars in Thousands)

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

	2023	***2022***
Cash and money market funds	$ 66,209	$ 110,749
U.S. Treasury and agency obligations	330,220	187,706
Mutual funds	49,058	48,735
Corporate bonds	236,152	188,438
Equity securities	691,249	773,602
Accrued income	2,327	1,945
	1,375,215	1,311,175
Less current investments	(341,095)	(346,505)
	$ 1,034,120	$ 964,670

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 Statements of Operations and Changes in Net Assets. The net gain (loss) from all other investments and assets limited as to use for the years ended September 30, 2023 and 2022, was comprised of the following:

	2023	***2022***
Interest and dividend income	$ 44,559	$ 36,270
Net realized gains	33,221	15,686
Change in net unrealized gains/losses	71,130	(137,906)
Investment expense	(3,757)	(3,849)
Net investment gain (loss)	$ 145,153	$ (89,799)

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

NOTE E--PROPERTY AND EQUIPMENT, NET

Property and equipment at September 30, 2023 and 2022 are as follows:

(Dollars in Thousands)

	2023	***2022***
Land	$ 8,088	$ 7,018
Land improvements	13,172	13,228
Building and building equipment	769,425	777,240
Equipment	721,170	675,486
Vehicles	3,908	3,969
	1,515,763	1,476,941
Less accumulated depreciation	(991,594)	(928,187)
	524,169	548,754
Construction in progress - Note R	394,584	162,991
	$ 918,753	$ 711,745

Depreciation expense associated with property and equipment, net for the years ended September 30, 2023 and 2022 was $74,075 and $73,667, respectively.

NOTE F--LONG-TERM DEBT

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

	2023	***2022***
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

(Dollars in Thousands)

		2023		***2022***
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
		1,184,924		1,203,568
Less current portion		(21,903)		(18,413)
Less issuance cost		(7,200)		(7,521)
	$	1,155,821	$	1,177,634

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.

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

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

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

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

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

(Dollars in Thousands)

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 Balance Sheets at September 30, 2023. All other advance refundings 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:

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

(Dollars in Thousands)

NOTE G--LEASES

NGMC has entered into various non-cancelable leases with third parties for medical office space and medical equipment. The components of lease expense, included in other operating expenses on the Statements of Operations and Changes in Net Assets, at September 30, 2023 and 2022 are as follows:

	2023	2022
Finance lease costs:		
Amortization of right-to-use-asset	$ 1,621	$ 1,963
Interest on lease liability	-	-
Operating lease cost	5,833	5,698
Short term lease cost	4,597	2,891
	$ 12,051	$ 10,552
Other information:		
Right-of-use assets obtained for new finance leases	$ -	$ -
Right-of-use assets obtained for new operating leases	$ 5,876	$ 8,046
Weighted average remaining lease term - finance leases	0.17	0.99
Weighted average remaining lease term - operating leases	3.31	3.27
Weighted average discount rate - finance leases	0.00%	0.00%
Weighted average discount rate - operating leases	3.49%	3.00%

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

Year Ending September 30,	Finance	Operating
2024	$ 14	$ 6,291
2025	-	3,580
2026	-	2,664
2027	-	1,079
2028	-	407
Thereafter		731
Total lease payments	14	14,752
Less: Interest portion	-	(983)
Present value of lease obligations	14	13,769
Less: Current portion	(14)	(5,930)
Long-term lease obligations	$ -	$ 7,839

(Dollars in Thousands)

NOTE H--PENSION PLAN

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

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

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:

	Year Ended September 30,	
	2023	***2022***
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	$ 209,589	$ 229,772

(Dollars in Thousands)

	Year Ended September 30, 2023	Year Ended September 30, 2022
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, NGHS recognizes the funded status of the plan as an asset or liability and the gains or losses and prior service costs or credits not yet recognized as pension expense as a change in net assets without donor restrictions. Due to the plan being frozen during fiscal year 2021, future pay is no longer considered in determining the accrued benefit for the remaining active participants and as such the ABO is equal to the projected benefit obligation (PBO) at September 30, 2023 and 2022.

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

	Year Ended September 30, 2023	2022
Noncurrent assets	$ 82,696	$ 54,674
Net asset recognized	$ 82,696	$ 54,674

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

	Year Ended September 30, 2023	2022
Unrecognized net actuarial loss	$ 37,006	$ 59,297
	$ 37,006	$ 59,297

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

(Dollars in Thousands)

	Year Ended September 30, 2023	Year Ended September 30, 2022
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	$ (6,004)	$ 758
Other changes in net assets without donor restrictions		
Net gain	$ (21,729)	$ (50,427)
Amortization of net actuarial loss	(562)	(10,590)
Total recognized in net assets without donor restrictions	$ (22,291)	$ (61,017)
Total recognized in net periodic pension cost and net assets without donor restrictions	$ (28,295)	$ (60,259)

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

	2023	2022
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 NGHS. The expected long-term rate of return reflects assumptions as to continued execution of the current strategic asset allocation, modern portfolio theory, and the plan’s investment policy.

(Dollars in Thousands)

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

		Carrying Value		Quoted Prices in Active Markets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
September 30, 2023								
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		-		-
	$	292,558	$	243,114	$	49,444	$	-
September 30, 2022								
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		-		-
	$	284,446	$	236,314	$	48,132	$	-

NGHS' investment policy requires the pension fund to reflect the requirements of ERISA and to be managed within the following diversification parameters: large and mid-cap multi-national equities of 25-40%; dividend-oriented equities representing a defensive equity strategy with loss mitigation provided by covered call options of 25-40%; and investment grade fixed income securities with an emphasis on intermediate maturities of 20-25%. No contributions were made by NGHS 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:

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

NOTE I--OTHER RETIREMENT PLANS

During 2006, NGHS created the Northeast Georgia Health System, Inc. 401(k) Retirement Savings Plan for substantially all employees. The Plan provides for matching contributions by NGHS which are 100% of each employee's elective deferrals up to 1% of compensation and 50% of each employee's elective deferrals that exceed 1% of compensation but that do not exceed 6%. Expense for NGMC under the 401(k) Retirement Savings Plan was $14,689 and $12,858 for the years ended September 30, 2023 and 2022, respectively.

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

NOTE J--ESTIMATED LIABILITY FOR SELF-INSURANCE CLAIMS

NGHS has established trust funds for the purpose of funding professional liability and self-insured workers' compensation, which covers NGMC, up to specified retention levels, generally $5,000 per occurrence and $25,000 in the aggregate (annually) for professional liability and $500 per occurrence for worker's compensation with no annual aggregate. Losses exceeding aggregate annual limits up to maximum limits are covered by insurance purchased from commercial carriers and management intends to maintain such insurance coverage in the future. As of September 30, 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. NGMC is involved in litigation relating to medical malpractice and workers' compensation and other claims arising in the ordinary course of business. There are also known incidents occurring through September 30, 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 Consolidated Balance Sheets of NGHS and affiliates consist of amounts accrued by NGHS related to these self-insurance programs and have not been discounted. Amounts accrued by NGHS were approximately $72,919 and $62,361 at September 30, 2023 and 2022, respectively. Operating expenses in the year ended September 30, 2023 include $2,142 for professional liability and workers' compensation. There were no operating expenses for the year ended September 30, 2022 for professional liability and workers' compensation.

NGHS maintains a self-insurance program to provide medical and dental coverage for eligible employees and their dependents. Reinsurance above $225 annually per individual with no aggregate limit is maintained through a commercial excess coverage policy. Operating expenses in the accompanying Statements of Operations and Changes in Net Assets for the years ended September 30, 2023 and 2022 include $57,268 and $52,800, respectively, 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.

(Dollars in Thousands)

NOTE K--CONCENTRATIONS OF CREDIT RISK

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

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

NGMC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The estimated mix of patient service revenue from patients and major third-party payers for the years ended September 30, 2023 and 2022 is as follows:

	2023	*2022*
Governmental programs		
Medicare	50%	50%
Medicaid	11%	11%
Commercial insurance	28%	27%
Self-pay and other	11%	12%
	100%	100%

NOTE L--OPERATING EXPENSE BY FUNCTIONAL CLASSIFICATION

NGMC provides healthcare services to residents within its geographical location. Expenses are allocated by function based on estimates of employees' time incurred, usage of resources, and other methods. Expenses based on functional classification related to providing these services during the years ended September 30, 2023 and 2022 are as follows:

(Dollars in Thousands)

Years Ended September 30, 2023 and 2022

	Healthcare Services	*Support Services*	*Total*
September 30, 2023			
Salaries and benefits	$ 640,712	$ 73,731	$ 714,443
Utilities	11,576	1,332	12,908
Physician's fees	61,209	7,044	68,253
Supplies	289,714	33,339	323,053
Legal, consulting and professional fees	8,536	982	9,518
Contracted outside services	46,297	5,328	51,625
Interest	31,522	3,627	35,149
Insurance	1,922	221	2,143
Management fees	146,815	16,895	163,710
Other	99,964	11,503	111,467
Depreciation and amortization	70,520	8,115	78,635
	$ 1,408,787	$ 162,117	$ 1,570,904
September 30, 2022			
Salaries and benefits	$ 651,161	$ 45,164	$ 696,325
Utilities	12,736	883	13,619
Physician's fees	61,620	4,274	65,894
Supplies	283,465	19,661	303,126
Legal, consulting and professional fees	1,501	104	1,605
Contracted outside services	50,029	3,470	53,499
Interest	34,518	2,394	36,912
Insurance	1,859	129	1,988
Management fees	123,209	8,546	131,755
Other	88,169	6,115	94,284
Depreciation and amortization	71,044	4,927	75,971
	$ 1,379,311	$ 95,667	$ 1,474,978

NOTE M--AVAILABILITY AND LIQUIDITY

NGMC manages its cash and investments through a formalized investment process which includes evaluating cash needs for routine and nonroutine activities and adjusting the amount of cash held and the maturity of investments. NGMC’s financial assets reduced by amounts not available for general use are as follow at September 30, 2023:

(Dollars in Thousands)

Financial assets	$	1,579,732
Less those unavailable for expenditures within one year, due to:		
Amounts restricted under insurance agreements, bond agreements, board designation or other		(19,598)
Financial assets available to meet cash needs for general expenditures within one year	$	1,560,134

NOTE N--RELATED PARTY TRANSACTIONS

NGMC routinely engages in transactions with NGHS and other controlled affiliates of NGHS, including Northeast Georgia Physician Group, Inc. (NGPG), NGMC-Barrow, LLC (NGMC-Barrow), NGMC-Lumpkin, LLC (NGMC-Lumpkin), NGMC-Habersham, LLC (NGMC-Habersham), The Georgia Heart Institute, LLC (GHI), Northeast Georgia Health Partners, LLC (NGHP), Northeast Georgia Health Partners Network, LLC (NGHP Network), Northeast Georgia PEO, LLC (PEO), Lanier Community Assurance, Ltd. (LCA) and The Medical Center Foundation (the Foundation). Amounts due from affiliates bear no interest and represent capital and other expenditures paid on behalf of affiliates at September 30, 2023 and 2022, respectively.

In 2023 and 2022, NGMC purchased capital assets for NGHS in the amounts of $63,634 and $8,645, respectively, for NGPG in the amounts of $1,946 and $34,045, respectively, for NGMC-Barrow in the amount of $2,883 and $966, respectively, and for NGMC-Lumpkin in the amount of $33,361 and $6,129, respectively. NGMC purchased no capital assets for the Foundation in fiscal year 2023 or 2022. NGMC purchased capital assets of $285 and $111 for GHI in 2023 and 2022, respectively. NGMC also purchased $18,182 of capital assets for NGMC-Habersham in fiscal year 2023 (this includes assets associated with asset purchase agreements). No capital assets were purchased for NGMC-Habersham in fiscal year 2022.

During 2023 and 2022, donations in the amounts of $3,507 and $1,997, respectively, were received from the Foundation. In addition, during the year ended September 30, 2022, the Foundation granted NGMC a $6,000 unconditional promise to give related to a capital commitment to be paid by the Foundation in $2,000 annual installments over a three-year period. As of September 30, 2023, there is $2,000 left to be received under this unconditional promise to give.

In 2023 and 2022, NGHS charged NGMC with allocated management fees in the amounts of $163,710 and $131,755, respectively. Based on NGHS overhead cost allocations certain salary, insurance, information technology costs and other operating expenses are recognized in other operating expenses rather than natural classification. Administrative overhead allocated from NGMC was $9,850 and $8,855 for the years ended September 30, 2023 and 2022, respectively.

During 2023 and 2022, amounts due to/from NGHS, NGMC-Barrow, NGMC-Lumpkin, NGMC-Habersham, NGHP Network, GHI, NGPG, PEO, and NGHP were transferred from/to those entities through a non-cash transfer of net assets as reflected in the accompanying Statements of Operations and Changes in Net Assets. Accrued salaries include $10,078 and $12,359 as of September 30, 2023 and 2022, respectively, related to affiliated entities that was included in the non-cash transfers of net assets. The transfer of net assets, including the amounts due to/from these related parties, consisted of the following for the years ended September 30, 2023 and 2022:

(Dollars in Thousands)

	2023	*2022*
NGHS	$ 75,850	$ 41,080
NGMC-Barrow	(1,568)	2,068
NGPG	19,812	33,859
NGHP	2,589	3,742
PEO	(264)	-
NGMC - Habersham	27,128	-
GHI	24,347	19,392
NGHP Network	1,290	955
NGMC-Lumpkin	26,932	4,533
	$ 176,116	$ 105,629

Other transfers of equity to/from affiliates includes approximately $2,470 and $2,081 in 2023 and 2022, respectively, related to routine operating support for the Foundation. During 2023 and 2022, total assets released from restrictions at the Foundation for capital purposes were $1,631 and $70, respectively.

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

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

Government support, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act provided essential funding to eligible hospitals, physicians and other healthcare providers. During the year ended September 30, 2020, NGMC received approximately $74,198 of CARES Act Provider Relief Funds (PRF). A portion of this amount totaling $38,859 was recognized as revenue as of September 30, 2020 to offset estimated lost revenue and COVID-19 related expenses incurred based on the initial reporting guidelines published by the Department of Health and Human Services (HHS). The remaining amount was recorded as unearned revenue as of September 30, 2020, to be recognized when expended for the intended purposes or repaid. NGMC received approximately $512 of PRF during the year ended September 30, 2021. The entire amount of this funding along with the amounts recorded as unearned revenue 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, NGMC received approximately $14,300 from the American Rescue Plan (ARP) for services provided to rural Medicaid and Medicare beneficiaries from January 1, 2019 through September 30, 2020 that was recognized as revenue as of September 30, 2022. During the year ended September 20, 2023, no additional PRF funding was received. NGMC 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 $8,385 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 Balance Sheets as of September 30, 2023, consistent with the prior year classification.

Additionally, NGMC received $96,421 of payments issued under the Medicare Accelerated and Advance Payment (AAP) Program during 2020. Such amounts were intended to fund short-term cash flow needs and are to be recouped by the Center for Medicare and Medicaid Services (CMS) through an offset to future Medicare claims. 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 NGMC in estimating the fair value of their financial instruments:

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

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

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

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

(Dollars in Thousands)

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

NOTE Q--FAIR VALUE MEASUREMENTS

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

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

- *Level 2:* Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

- *Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

The following table presents assets and liabilities reported at fair value and their respective classification under the valuation hierarchy:

	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2023				
Assets measured at fair value on a recurring basis:				
Cash and money market funds	$ 81,198	$ 81,198	$ -	$ -
Mutual funds	53,661	53,661	-	-
U.S. Treasury and agency obligations	330,220	330,220	-	-
Corporate bonds	236,152	-	236,152	-
Equity securities	691,249	691,249	-	-
Accrued income	2,333	2,333	-	-
Total assets	$ 1,394,813	$ 1,158,661	$ 236,152	$ -

(Dollars in Thousands)

	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2022				
Assets measured at fair value on a recurring basis:				
Cash and money market funds	$ 132,328	$ 132,328	$ -	$ -
Mutual funds	53,041	53,041	-	-
U.S. Treasury and agency obligations	187,706	187,706	-	-
Corporate bonds	270,475	-	270,475	-
Equity securities	773,602	773,602	-	-
Accrued income	2,427	2,427	-	-
Total assets	$ 1,419,579	$ 1,149,104	$ 270,475	$ -

NOTE R--COMMITMENTS AND CONTINGENCIES

NGHS construction in progress at September 30, 2023 relates primarily to ongoing projects, routine capital improvements at existing facilities, and scheduled projects related to an NGHS Development Plan to be completed over the next several years. The estimated cost to complete current construction in progress at September 30, 2023 is approximately $515,380, over that time frame, primarily related to the construction of a new tower expansion project at NGMC. Cost to complete construction in progress under signed contracts at September 30, 2023 is approximately $426,051.

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

NOTE S--SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events, except as mentioned in Note A, that required recognition or disclosure in the September 30, 2023 financial statements.