



Financial Statements and Supplementary Information

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

Years Ended September 30, 2023 and 2022

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

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of The Medical Center Foundation, Inc. (the Foundation), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of September 30, 2023 and 2022, and the changes in its net assets and its 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 the Foundation 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 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 the Foundation'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 the Foundation'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 the Foundation'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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures

applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PYA, P.C.

Atlanta, Georgia
January 31, 2024

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

Statements of Financial Position
(Dollars in Thousands)

September 30, 2023

	<i>Without Donor Restriction</i>	<i>With Donor Restriction</i>	<i>2023 Total</i>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 9,528	\$ -	\$ 9,528
Investments and assets limited as to use	538	-	538
Pledges receivable	4	657	661
Due from affiliates, net - Note H	628	-	628
TOTAL CURRENT ASSETS	<u>10,698</u>	<u>657</u>	<u>11,355</u>
Property and equipment, less accumulated depreciation of \$469	70	-	70
Investments and assets limited as to use	3,621	28,093	31,714
Pledges receivable (less current portion), net	-	1,880	1,880
Right-of-use asset, operating leases	152	-	152
TOTAL ASSETS	<u>\$ 14,541</u>	<u>\$ 30,630</u>	<u>\$ 45,171</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 2,791	\$ -	\$ 2,791
Accrued payroll	109	-	109
Current portion of operating lease liability	130	-	130
Unconditional promise to give to affiliate - Note H	2,000	-	2,000
TOTAL CURRENT LIABILITIES	<u>5,030</u>	<u>-</u>	<u>5,030</u>
Operating lease liability, less current portion	22	-	22
TOTAL LIABILITIES	<u>5,052</u>	<u>-</u>	<u>5,052</u>
COMMITMENTS AND CONTINGENCIES - Note L			
NET ASSETS	<u>9,489</u>	<u>30,630</u>	<u>40,119</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,541</u>	<u>\$ 30,630</u>	<u>\$ 45,171</u>

See notes to financial statements.

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

Statements of Financial Position - Continued
(Dollars in Thousands)

September 30, 2022

	<i>Without Donor Restriction</i>	<i>With Donor Restriction</i>	<i>2022 Total</i>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,368	\$ -	\$ 4,368
Investments and assets limited as to use	-	1,097	1,097
Pledges receivable	-	708	708
Other current receivables - Note H	2,081	-	2,081
Due from Affiliates, net - Note H	531	-	531
TOTAL CURRENT ASSETS	6,980	1,805	8,785
Property held for future investment	-	3,305	3,305
Property and equipment, less accumulated depreciation of \$422	117	-	117
Investments and assets limited as to use	5,413	22,563	27,976
Pledges receivable (less current portion), net	-	1,834	1,834
TOTAL ASSETS	\$ 12,510	\$ 29,507	\$ 42,017
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 165	\$ -	\$ 165
Accrued payroll	56	-	56
Unconditional promise to give to affiliate - Note H	2,000	-	2,000
TOTAL CURRENT LIABILITIES	2,221	-	2,221
Unconditional promise to give to affiliate - Note H	4,000	-	4,000
TOTAL LIABILITIES	6,221	-	6,221
COMMITMENTS AND CONTINGENCIES - Note L			
NET ASSETS	6,289	29,507	35,796
TOTAL LIABILITIES AND NET ASSETS	\$ 12,510	\$ 29,507	\$ 42,017

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

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

Year Ended September 30, 2023

	<i>Without Donor Restriction</i>	<i>With Donor Restriction</i>	<i>2023 Total</i>
Revenue, gains and other support:			
Contributions and bequests			
Cash and other financial assets	\$ 3	\$ 5,501	\$ 5,504
In-kind	-	429	429
Partnership gains, net	1,942	263	2,205
Investment gains, net	860	113	973
Net assets released from restrictions for operations - Note J	3,507	(3,507)	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	6,312	2,799	9,111
Expenses:			
Operating expenses:			
Salaries and benefits	1,574	-	1,574
Supplies	122	-	122
Contracted outside services	131	-	131
Other	381	-	381
Depreciation	47	-	47
TOTAL OPERATING EXPENSES	2,255	-	2,255
Program expenses:			
Support provided to affiliates - Note H	3,507	1,631	5,138
TOTAL EXPENSES	5,762	1,631	7,393
EXCESS OF REVENUE, GAINS AND OTHER SUPPORT OVER EXPENSES			
	550	1,168	1,718
Other changes in net assets:			
Support from affiliates - Note H	2,470	-	2,470
Change in expected losses and discounts on pledges	-	156	156
Other	180	(201)	(21)
INCREASE IN NET ASSETS	3,200	1,123	4,323
NET ASSETS, BEGINNING OF YEAR	6,289	29,507	35,796
NET ASSETS, END OF YEAR	\$ 9,489	\$ 30,630	\$ 40,119

See notes to financial statements.

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

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

Year Ended September 30, 2022

	<i>Without Donor Restriction</i>	<i>With Donor Restriction</i>	<i>2022 Total</i>
Revenue, gains and other support:			
Contributions and bequests			
Cash and other financial assets	\$ 52	\$ 6,540	\$ 6,592
In-kind	-	309	309
Partnership losses net	(1,107)	(131)	(1,238)
Investment losses, net	(677)	(80)	(757)
Net assets released from restrictions for operations -			
Note J	1,997	(1,997)	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	265	4,641	4,906
Expenses:			
Operating expenses:			
Salaries and benefits	1,461	-	1,461
Supplies	72	-	72
Contracted outside services	152	-	152
Other	148	-	148
Depreciation	51	-	51
TOTAL OPERATING EXPENSES	1,884	-	1,884
Program expenses:			
Support provided to affiliates - Note H	7,997	70	8,067
TOTAL EXPENSES	9,881	70	9,951
(DEFICIT) EXCESS OF REVENUE, GAINS AND OTHER SUPPORT OVER EXPENSES	(9,616)	4,571	(5,045)
Other changes in net assets:			
Support from affiliates - Note H	2,081	-	2,081
Change in expected losses and discounts on pledges	-	(241)	(241)
Other	(117)	(46)	(163)
(DECREASE) INCREASE IN NET ASSETS	(7,652)	4,284	(3,368)
NET ASSETS, BEGINNING OF YEAR	13,941	25,223	39,164
NET ASSETS, END OF YEAR	\$ 6,289	\$ 29,507	\$ 35,796

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

Statements of Cash Flows
(Dollars in Thousands)

	<i>Year Ended September 30,</i>	
	<i>2023</i>	<i>2022</i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 4,323	\$ (3,368)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:		
Depreciation	47	51
Gain on sale of property held for investment	(370)	-
Change in expected losses and discounts on pledges	(156)	241
Changes in other assets and liabilities:		
Pledges and other receivables	2,238	(2,963)
Other long term assets	32	-
Due from/to affiliates, net	(1,471)	5,739
Accrued payroll	53	(44)
Lease liabilities	(32)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	4,664	(344)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (increase) decrease in investments and assets limited as to use	(3,179)	1,995
Proceeds from sale of land held for future investment	3,675	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	496	1,995
INCREASE IN CASH AND CASH EQUIVALENTS	5,160	1,651
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,368	2,717
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 9,528	\$ 4,368
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:		
Lease liabilities arising from obtaining right-of-use assets	\$ 184	\$ -
Operating cash flows from operating leases	\$ 33	\$ -

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

Notes to Financial Statements
(Dollars in Thousands)

Years Ended September 30, 2023 and 2022

NOTE A--ORGANIZATION

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

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

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

Investments and Assets Limited as to Use: The majority of investments and assets limited as to use at September 30, 2023 and 2022 consist of the Foundation's sole ownership in a limited partnership investment fund (the Fund). The primary objective of the Fund is to generate a higher than average cash flow yield through investment in publicly traded equity securities. The Foundation accounts for its investment in the Fund under the equity method of accounting with the Foundation's share of the Fund's gains and losses, both realized and unrealized, recognized as partnership earnings in the Statements of Activities and Changes in Net Assets.

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

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

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

Years Ended September 30, 2023 and 2022

<i>Non-financial Contribution Category</i>	<i>Type of Contributions 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
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	\$ 309

An estimated allowance for uncollectible pledges is recorded based on management’s evaluation of pledges receivable. The Foundation’s policies do not require collateral for pledges receivable. Contributions are primarily from contributors in the Northeast Georgia area.

Endowments: The Foundation’s endowment consists of twenty-four individual funds established by donors for a variety of purposes. The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations and earnings to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. The remaining portion of the donor-restricted endowment funds may be expended in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds, such as the duration and preservation of the fund, the purposes of the Foundation and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the organization and the investment policies of the Foundation. The Foundation has adopted investment policies for its investment assets that attempt to provide a stable stream of earnings to provide on-going financial support. The endowment assets are comingled with other investments and subject to the same investment policy. When endowments perform poorly, or the market experiences a downturn, the fair market value of the asset can be less than the original gift amount, leaving an endowment “underwater.” There were no endowments underwater as of September 30, 2023 and 2022.

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

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

Notes to Financial Statements - Continued
(Dollars in Thousands)

Years Ended September 30, 2023 and 2022

Expenditures for maintenance, repairs and minor renewals are charged to operations as incurred. Expenditures for betterments and major renewals are capitalized. No material expenditures were capitalized in 2023 or 2022.

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

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

The Foundation periodically reviews property and equipment for indicators of potential impairment of long-lived assets, and if such review indicates carrying amounts may not be recoverable, adjusts the carrying value and recognizes a loss. Management does not believe that any unrecognized impairment exists at September 30, 2023 and 2022.

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 Foundation's incremental borrowing rate which was 7.00% for the year ended September 30, 2023. Payments include options to extend, or terminate, if the Foundation 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.

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

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

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

Notes to Financial Statements - Continued
(Dollars in Thousands)

Years Ended September 30, 2023 and 2022

Income Taxes: The Foundation is organized as a Georgia not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes has been made in the accompanying financial statements. At September 30, 2023 and 2022, respectively, management does not believe the Foundation holds any uncertain tax positions that would require financial statement recognition or disclosure under generally accepted accounting principles.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements. Estimates also affect the reported amounts of revenue, support and expenses during the reporting period. Actual results could differ from these estimates.

NOTE C--INVESTMENTS AND ASSETS LIMITED AS TO USE

The Foundation maintains the majority of its investments and assets limited as to use in the form of a limited partnership investment fund (the Fund). The Foundation accounts for the Fund under the equity method of accounting. In addition to the Fund, the Foundation maintains an investment portfolio with various asset allocations. The composition of investments and assets limited as to use at September 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Cash and money market funds	\$ 538	\$ 1,097
Corporate bonds	3,837	2,507
Equity securities	5,989	5,796
Accrued income	33	21
Limited partnership investments	21,855	19,652
	<u>\$ 32,252</u>	<u>\$ 29,073</u>

Income and losses from the Fund for the years ended September 30, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Partnership earnings (losses)	\$ 2,205	\$ (1,238)

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

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

Notes to Financial Statements - Continued
(Dollars in Thousands)

Years Ended September 30, 2023 and 2022

NOTE D--PLEDGES RECEIVABLE

Pledges receivable are due as follows at September 30:

	<u>2023</u>	<u>2022</u>
Due in less than one year	\$ 661	\$ 708
Due in one to five years	2,429	2,344
Due in greater than five years	100	100
	<u>\$ 3,190</u>	<u>\$ 3,152</u>

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

	<u>2023</u>	<u>2022</u>
Gross pledges receivable	\$ 3,190	\$ 3,152
Allowance for doubtful pledges	(319)	(315)
Discount on multi-year pledges at 5.5%	(330)	(295)
	<u>\$ 2,541</u>	<u>\$ 2,542</u>

NOTE E--PROPERTY HELD FOR FUTURE INVESTMENT

At September 30, 2022, property of \$3,305 was held for investment at the Foundation. This land held for investment was donated to the Foundation and was restricted for use by the donor. Under the restrictions, the proceeds of the sale were to be used to reimburse costs to construct the Fraser Resource Center and to set up an endowment to fund librarian salaries at the Fraser Resource Center. During 2023, this land was sold to NGHS for approximately \$3,675. In accordance with donor restrictions, the proceeds received by the Foundation for the sale of this land were used to set up an endowment with the endowment earnings restricted to fund librarian salaries at the Fraser Resource Center. Additionally, a portion of the proceeds were used to reimburse NGHS for construction costs of the Fraser Resource Center. Once all restrictions were met, the proceeds were released and transferred to the Unrestricted Fund.

NOTE F--PROPERTY AND EQUIPMENT, NET

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

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

Notes to Financial Statements - Continued
(Dollars in Thousands)

Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Land improvements	\$ 6	\$ 6
Building and building equipment	417	417
Equipment	116	116
	<u>539</u>	<u>539</u>
Less: Accumulated depreciation and amortization	(469)	(422)
	<u>\$ 70</u>	<u>\$ 117</u>

Depreciation expense associated with property and equipment, net for the years ended September 30, 2023 and 2022 was \$47 and \$51, respectively.

NOTE G--LEASES

The Foundation has entered into various non-cancelable leases with third parties for office space. The components of lease expense, included in other operating expenses on the Statement of Activities and Changes in Net Assets for the year ended September 30, 2023 are as follows:

Operating lease cost	<u>\$ 33</u>
	<u>\$ 33</u>
Other information:	
Right-of-use assets obtained for new operating leases	\$ 184
Weighted average remaining lease term - operating leases	1.17
Weighted average discount rate - operating leases	3.00%

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

<u>Year Ending September 30,</u>	<u>Operating</u>
2024	\$ 132
2025	22
Total lease payments	154
Less: Interest portion	<u>(2)</u>
Present value of lease obligations	152
Less: Current portion	<u>(130)</u>
Long-term lease obligations	<u>\$ 22</u>

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

Notes to Financial Statements - Continued
(Dollars in Thousands)

Years Ended September 30, 2023 and 2022

NOTE H--RELATED PARTY TRANSACTIONS

NGHS provides substantial operating support for the Foundation. During 2023 and 2022, NGHS and affiliates provided operating support of \$2,470 and \$2,081, respectively. The 2022 operating support was received by the Foundation subsequent to September 30, 2023 and is presented on the Statement of Financial Position as other current receivables.

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

During the years ended September 30, 2023 and 2022, contributions to affiliates for program support totaled \$5,138 and \$8,067, respectively. Included in the amount recognized during the year ended September 30, 2022 is a \$6,000 unconditional promise to give related to a capital commitment to be paid by the Foundation to NGHS in \$2,000 annual installments over a three-year period. As of September 30, 2023, \$2,000 is left to give related to this unconditional promise.

Due to/from affiliates at September 30, 2023 and 2022 represent amounts due to/from NGHS and its affiliates for certain operating expenses and support. Such amounts are generally settled within one year.

NOTE I--OPERATING EXPENSE BY FUNCTIONAL CLASSIFICATION

The Foundation provides healthcare and support services to residents within its geographical location. Expenses are allocated by function based on estimates of employees' time incurred, usage of resources, and other methods. Healthcare services consist of transfers of cash and non-cash assets for their intended purposes to the Authority. Support services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. Fundraising expenses are costs of activities that constitute an appeal for financial support; that is, costs incurred to induce others to contribute money, securities, time, materials, or facilities to the Foundation. Expenses based on functional classification related to providing these services during the years ended September 30, 2023 and 2022 are as follows:

	<i>Healthcare Services</i>	<i>Support Services</i>	<i>Fundraising</i>	<i>Total</i>
September 30, 2023				
Salaries and benefits	\$ 1	\$ 449	\$ 1,124	\$ 1,574
Supplies	-	35	87	122
Contracted outside services	-	38	93	131
Other	-	109	272	381
Depreciation and amortization	-	13	34	47
	<u>\$ 1</u>	<u>\$ 644</u>	<u>\$ 1,610</u>	<u>\$ 2,255</u>

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

Notes to Financial Statements - Continued
(Dollars in Thousands)

Years Ended September 30, 2023 and 2022

	<i>Healthcare Services</i>	<i>Support Services</i>	<i>Fundraising</i>	<i>Total</i>
September 30, 2022				
Salaries and benefits	\$ 7	\$ 196	\$ 1,258	\$ 1,461
Supplies	-	10	62	72
Contracted outside services	1	21	130	152
Other	1	20	127	148
Depreciation and amortization	-	7	44	51
	<u>\$ 9</u>	<u>\$ 254</u>	<u>\$ 1,621</u>	<u>\$ 1,884</u>

NOTE J--NET ASSETS RELEASED FROM RESTRICTIONS

For the years ended September 30, 2023 and 2022, net assets released from donor restrictions when expenses were incurred to satisfy the restricted purposes, by the passage of time, or by occurrence of events as specified by donors are as follows:

	<i>2023</i>	<i>2022</i>
Restrictions accomplished:		
Community Benefits	\$ 518	\$ 366
Complementary Programs	256	141
COVID-19 Relief and Planning	66	384
Education and Scholarship Funds	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>

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

Years Ended September 30, 2023 and 2022

During 2023 and 2022, total assets released from restrictions for operations was \$3,507 and \$1,997, respectively. During 2023 and 2022, total assets released for capital purposes was \$1,631 and \$70, respectively.

NOTE K--NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are those whose use by the Foundation has been limited by donors to a specific time period or purpose or which have not yet been requested to be distributed to other Ballad entities.

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

	<u>2023</u>	<u>2022</u>
Community Benefit Funds	\$ 1,943	\$ 2,125
Complementary Program Funds	19	222
COVID-19 Relief and Planning Funds	312	373
Education and Scholarship Funds	1,552	1,533
Emergency Response and Critical Care Service Funds	22	15
Employee Assistance Funds	-	71
Equipment Funds	1,837	3,212
Foundation Operation Funds	127	76
Grants	930	815
Heart and Vascular Funds	1,370	591
Hospice Funds	4,906	4,426
Neuroscience Funds	687	711
NGMC-Barrow Funds	10	10
NGMC-Braselton Funds	1,669	1,671
NGMC-Lumpkin Funds	10	10
NGMC-Habersham	15	-
Oncology Funds	1,249	1,224
Patient Assistance and Access Funds	236	299
Strategic Needs Funds	4,925	4,625
Women and Children Funds	1,174	1,150
Held in perpetuity:		
Anne Thomas Scholarship Endowment	57	57
Braselton Flag Plaza Endowment	30	30
V.C. & Mary Puckett Spiritual Care Endowment	456	456
David Pet Park Endowment	80	80
Destitute Patient Endowment	186	186

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

Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Don Freeman Scholarship Endowment	27	25
Evelyn Waugh Scholarship Endowment	53	53
Frasier Resource Salary Endowment	1,200	-
GME Emergency Medicine Endowment	58	55
Woody Stewart & Nancy Colston Endowment	480	484
Hospice Endowment	51	51
Jack and Janice Frost Water Garden Endowment	100	100
John Ferguson Scholarship Endowment	229	227
NGHS Foundation Endowment	2,869	2,869
Nell's Prayer Garden Endowment	55	55
Nursing & Allied Health Continuing Education Endowment	589	589
Nursing & Allied Health Scholarships Endowment	248	243
Ocie Pope Scholarship Endowment	26	26
Pope Family Garden Endowment	100	100
Ron Kutay Scholarship Endowment	44	42
GME Endowment	544	465
Wilheit-Keys Peace Garden Endowment	155	155
	<u>\$ 30,630</u>	<u>\$ 29,507</u>

NOTE L--COMMITMENTS AND CONTINGENT LIABILITIES

General: The Foundation may be subject to legal proceedings and claims which arise in the ordinary course of its business. At September 30, 2023, management is not aware of any pending or threatened litigation, claims or assessments.

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

NOTE M--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:

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

Years Ended September 30, 2023 and 2022

- *Level 1:* Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2:* Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- *Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

The following table presents assets reported at fair value and their respective classification under the valuation hierarchy as of September 30, 2023 and 2022, respectively:

	<i>Carrying Value</i>	<i>Quoted Prices in Active Markets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
September 30, 2023				
Assets measured at fair value on a recurring basis:				
Cash and money market funds	\$ 538	\$ 538	\$ -	\$ -
Corporate bonds	3,837	-	3,837	-
Equity securities	5,989	5,989	-	-
Accrued income	33	-	33	-
Total assets	<u>\$ 10,397</u>	<u>\$ 6,527</u>	<u>\$ 3,870</u>	<u>\$ -</u>
September 30, 2022				
Assets measured at fair value on a recurring basis:				
Cash and money market funds	\$ 1,097	\$ 1,097	\$ -	\$ -
Corporate bonds	2,507	-	2,507	-
Equity securities	5,796	5,796	-	-
Accrued income	21	-	21	-
Total assets	<u>\$ 9,421</u>	<u>\$ 6,893</u>	<u>\$ 2,528</u>	<u>\$ -</u>

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

Years Ended September 30, 2023 and 2022

NOTE N--AVAILABILITY AND LIQUIDITY

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

Financial assets	\$ 44,321
Less those unavailable for expenditures within one year, due to:	
Amounts restricted by donors	<u>(30,630)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,691</u>

NOTE O--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 additional material recognizable subsequent events that required recognition or disclosure in the September 30, 2023 financial statements.

Supplementary Information

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

Net Asset Report - Unaudited
(Dollars in Thousands)

September 30, 2023 and 2022

	2023	2022
Net Assets Without Donor Restrictions		
100 Unrestricted Fund	\$ 5,350	\$ 2,687
101 MCF Endowment Fund Interest	1,728	1,406
103 Operating Expense	2,411	2,196
Total Net Assets Without Donor Restrictions	9,489	6,289
Net Assets With Donor Restrictions		
105 GME - Graduate Medical Education Fund	34	34
108 Auxiliary	7	24
111 Downey Society Fund	657	629
112 PDO Donations to Employee Leave Fund	-	14
132 Bob and Wanda Swoszowski Scholarship Endowment	21	21
137 GME- Jennings Lectureship Expenditure	17	-
141 Laurel Classic 2020-2021	148	148
143 Inpatient Hospice Unit	93	93
147 GME - Burrell Professorship Expenditure	388	397
150 Covid-19 Response	312	373
151 Verdis C. Puckett Pastoral Care Suite	227	227
155 ER Education Training Fund	22	22
161 Paramedicine	29	84
162 Telemedicine	97	136
163 Emergency Department	12	-
164 Lumpkin - General	10	10
166 Simulation	4	13
169 Barrow - General	10	10
171 GME Psychiatry	346	324
172 Neuroscience	687	711
173 NGMC Habersham	15	-
180 Safety Grant	120	120
200 Growing the Greater Good - Emergency Services Expansion	1,344	662
211 Technology Assistance for Good News Clinic	123	93
212 Therapeutic Music	25	171
213 ECMO	54	54
250 Fraser Estate Cancer Center	203	203
255 Don Pirkle Estate Gift	-	225
270 Fraser Resource Center	186	1,874
295 The David Pet Park	-	23
325 Nell's Prayer Garden Maintenance Expenditure	12	9
335 Smoot Family Courtyard Waterfall	872	852
345 David Pet Park Maintenance Expenditure	23	-
349 Jack and Janice Frost Water Garden Maintenance Expenditure	54	45
383 Growing the Greater Good	1,948	1,460
384 WATCH	2,944	3,116

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

September 30, 2023 and 2022

	<i>2023</i>	<i>2022</i>
385 Heart and Vascular	1,029	244
386 Oncology	513	507
387 Women & Children	72	75
388 WATCH Women & Children	536	498
389 WATCH Oncology	477	457
390 WATCH - Heart & Vascular	131	128
391 Hospice Care	2,267	1,925
393 Safe Kids	332	355
395 Hospice Barrow County	10	10
422 Braselton Emergency Services	199	199
463 Hospice Bereavement	58	58
466 Continuing Education Fund 2015	-	4
467 Mobile Simulation Unit	7	79
476 Nursing & Allied Health Continuing Education Expenditure	191	139
478 Nursing & Allied Health Scholarship Expenditure	210	197
530 Georgia Health Information Network Capacity Building Grant	340	340
551 Pediatric Playground	38	38
552 David Merritt - Nephrology Fund	50	50
565 Camp Braveheart	15	-
575 Cancer Research	33	33
595 Anne's Garden	33	22
597 Women's Imaging Fund	20	20
600 Ronnie Green Heart Center	90	86
604 Chapel Fund	-	429
605 Lillian Fraser Estate Gift	-	256
606 Braselton Chapel	267	267
608 2025 Medical Center Open	16	13
612 EMS Trauma Equipment Grant	16	16
623 GHA - RCH Grant	363	323
635 Rehabilitation	19	-
643 V.C. & Mary Puckett Spiritual Care Expenditure	-	50
656 The Estate of Joan Louise Kosmala	25	25
671 GME Internal Medicine	86	81
677 Georgia Heart Institute Conference	7	13
678 Georgia Heart Institute -- Grand Rounds	-	15
702 Employee Emergency Fund	-	57
706 Woody Stewart & Nancy Colston Endowment Expenditure	129	76
717 Evelyn Waugh Scholarship Expenditure	30	31
721 Ocie Pope Scholarship Expenditure	25	26
723 Destitute Patient Expenditure	19	27
727 Richard & Lona Pope Signature Gift	51	51

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

September 30, 2023 and 2022

	<i>2023</i>	<i>2022</i>
750 LeTrell Simpson Scholarship	23	23
754 Anne Thomas Scholarship Expenditure	60	65
758 John Ferguson Scholarship Expenditure	137	118
761 Johnson & Johnson Accusym	11	11
765 Woody Stewart Heart Failure Treatment Unit	36	29
808 2020 Medical Center Open	-	5
809 2021 Medical Center Open	-	59
811 2022 Medical Center Open	-	254
812 2023 Medical Center Open	254	23
813 2024 Medical Center Open	25	22
871 Braselton - General	273	305
930 Ron Kutay Memorial Scholarship	19	14
943 Laurel Classic 2022	74	73
946 GME- Emergency Medicine	13	10
947 Laurel Classic 2023	252	-
953 Hospice House	2,457	2,324
954 Marketplace	123	60
955 Braselton Georgia Heart Institute and Cardiac Wellness	5	-
957 Workforce Development	247	234
963 RCH - Infection Control	71	-
969 North Patient Tower Elevator Lobby Art Gallery	12	12
997 NICU	42	35
Other Funds	111	92
128 Wilheit-Keys Peace Garden Endowment	155	155
136 GME-Jennings Lectureship Endowment	100	100
146 GME - Burrell Professorship Endowment	444	365
269 Fraser Resource Salary Endowment	1,200	-
324 Nell's Prayer Garden Endowment	55	55
344 David Pet Park Endowment	80	80
350 Jack & Janice Frost Water Garden Endowment	100	100
412 Braselton Flag Plaza Endowment (C)	30	30
451 Hospice Endowment	51	51
475 Nursing & Allied Health Continuing Education Endowment	589	589
477 Nursing & Allied Health Scholarships Endowment	196	196
479 Ocie Pope Scholarship Endowment	52	47
642 V.C. & Mary Puckett Spiritual Care Endowment	456	456
703 NGHS Foundation Endowment	2,869	2,869
707 Woody Stewart & Nancy Colston Endowment	480	484
712 Pope Family Garden Endowment	100	100

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

September 30, 2023 and 2022

	<i>2023</i>	<i>2022</i>
718 Evelyn Waugh Scholarship Endowment	53	53
720 Ocie Pope Scholarship Endowment	26	26
722 Destitute Patient Endowment	186	186
753 Anne Thomas Scholarship Endowment	57	57
757 John Ferguson Scholarship Endowment	229	227
931 Ron Kutay Memorial Scholarship Endowment	44	42
942 Don Freeman Scholarship Endowment	27	25
948 GME Emergency Medicine Endowment	58	49
Total Net Assets With Donor Restrictions	<u>30,630</u>	<u>29,507</u>
Total Net Assets	<u>\$ 40,119</u>	<u>\$ 35,796</u>