

ARCHBOLD MEDICAL CENTER, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
for the years ended September 30, 2021 and 2020



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Archbold Medical Center, Inc. and Subsidiaries
Thomasville, Georgia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Archbold Medical Center, Inc. and Subsidiaries (Medical Center), which comprise the consolidated balance sheets as of September 30, 2021 and 2020, the related consolidated statements of revenue and support, expenses and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Continued

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Medical Center's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Archbold Medical Center, Inc. and Subsidiaries as of September 30, 2021 and 2020, and the results of its operations and 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.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Medical Center adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2022, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

Draffin + Tucker, LLP

Albany, Georgia
January 20, 2022

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
as of September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 65,535,802	\$ 152,297,042
Assets limited as to use	7,194,768	6,236,401
Patient accounts receivable, net	57,179,613	50,033,270
Estimated third-party payor settlements	535,610	2,245,767
Supplies, at lower of cost and net realizable value	4,421,622	4,438,931
Other current assets	<u>11,910,266</u>	<u>10,123,791</u>
Total current assets	<u>146,777,681</u>	<u>225,375,202</u>
Assets limited as to use:		
By lease for capital acquisition	46,418,758	42,080,780
Under trust agreement for self-insurance claims	79,236,128	62,883,837
Archbold Foundation, Inc.	120,645,239	100,941,575
Restricted by donors	<u>2,671,134</u>	<u>2,190,524</u>
	248,971,259	208,096,716
Less amount required to meet current obligations	<u>7,194,768</u>	<u>6,236,401</u>
Noncurrent assets limited as to use	<u>241,776,491</u>	<u>201,860,315</u>
Property and equipment, net	<u>211,381,444</u>	<u>211,184,058</u>
Other assets:		
Long-term investments	404,915,122	278,725,133
Investments in unconsolidated companies	1,495,133	1,495,133
Other noncurrent assets	<u>2,954,541</u>	<u>2,638,790</u>
Total other assets	<u>409,364,796</u>	<u>282,859,056</u>
Total assets	<u>\$ 1,009,300,412</u>	<u>\$ 921,278,631</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS, Continued
as of September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 6,100,000	\$ 5,990,000
Accounts payable	15,383,312	13,641,424
Estimated third-party payor settlements	3,563,411	6,875,255
Accrued expenses:		
Salaries and compensation	13,553,482	18,958,465
Employee benefits	9,899,341	13,303,279
Malpractice and general	7,194,768	6,236,401
Other	2,237,871	1,438,716
Medicare advance payments	-	36,916,067
CARES Act advances	1,075,128	39,289,203
	<u>59,007,313</u>	<u>142,648,810</u>
Total current liabilities		
	<u>59,007,313</u>	<u>142,648,810</u>
Accrued malpractice and general, net of current portion	<u>14,249,234</u>	<u>13,643,474</u>
Long-term debt, net of current installments:		
Notes payable	50,000,000	-
Revenue certificates payable	<u>90,358,319</u>	<u>96,411,762</u>
Total long-term debt, net of current portion	<u>140,358,319</u>	<u>96,411,762</u>
Total liabilities	<u>213,614,866</u>	<u>252,704,046</u>
Net assets:		
Net assets without donor restrictions	793,014,412	666,384,061
Net assets with donor restrictions	<u>2,671,134</u>	<u>2,190,524</u>
Total net assets	<u>795,685,546</u>	<u>668,574,585</u>
Total liabilities and net assets	<u>\$ 1,009,300,412</u>	<u>\$ 921,278,631</u>

The independent auditor's report and accompanying notes are integral parts of these financial statements.

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF REVENUE AND SUPPORT,
EXPENSES AND CHANGES IN NET ASSETS
for the years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues, gains and other support:		
Net patient service revenue	\$ 401,785,539	\$ 367,085,681
Other operating revenue	6,478,058	5,219,976
CARES Act funding	<u>39,745,092</u>	<u>-</u>
Total revenues, gains and other support	<u>448,008,689</u>	<u>372,305,657</u>
Operating expenses:		
Salaries and wages	153,119,309	144,831,248
Employee health and welfare	36,586,932	36,666,558
Professional fees	59,602,630	51,379,205
Supplies and other	135,734,210	119,578,464
Depreciation	26,712,458	26,244,627
Interest and amortization	<u>2,483,262</u>	<u>2,748,988</u>
Total operating expenses	<u>414,238,801</u>	<u>381,449,090</u>
Operating income (loss)	<u>33,769,888</u>	<u>(9,143,433)</u>
Nonoperating income (loss):		
Investment income and other	72,843,634	32,174,771
Archbold Foundation, Inc.	23,195,430	4,191,392
Loss on disposal of assets and other	<u>(11,072)</u>	<u>(112,147)</u>
Total nonoperating income	<u>96,027,992</u>	<u>36,254,016</u>
Excess revenues	<u>\$ 129,797,880</u>	<u>\$ 27,110,583</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF REVENUE AND SUPPORT,
EXPENSES AND CHANGES IN NET ASSETS, Continued
for the years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Excess revenues	\$ 129,797,880	\$ 27,110,583
Change in net unrealized losses on investments	(4,115,441)	(449,367)
Reclassification of equity security unrealized gain related to the adoption of ASU No. 2016-01	-	(2,315,315)
Contributions for purchase of property and equipment	<u>947,912</u>	<u>158,663</u>
Increase in net assets without donor restrictions	<u>126,630,351</u>	<u>24,504,564</u>
Net assets with donor restrictions:		
Change in net realized and unrealized gains on investments	<u>480,610</u>	<u>192,974</u>
Increase in net assets	127,110,961	24,697,538
Net assets, beginning of year	<u>668,574,585</u>	<u>643,877,047</u>
Net assets, end of year	<u>\$ 795,685,546</u>	<u>\$ 668,574,585</u>

The independent auditor's report and accompanying notes are
integral parts of these financial statements.

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase in net assets	\$ 127,110,961	\$ 24,697,538
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net unrealized losses on investments	4,115,441	449,367
Reclassification of equity security unrealized gain related to the adoption of ASU No. 2016-01	-	2,303,807
Contributions for purchase of property and equipment	(947,912)	(158,663)
Loss on disposal of assets and other	11,072	112,147
Net realized and unrealized gains on restricted investments	(480,610)	(192,974)
Depreciation	26,712,458	26,244,627
Amortization	46,557	46,558
Forgiveness of physician notes receivable	461,300	571,966
Changes in:		
Patient accounts receivable	(7,146,344)	6,207,615
Supplies and other current assets	(1,769,166)	(40,813)
Pledges receivable	460,702	1,134,476
Other noncurrent assets	(777,051)	217,116
Accounts payable	1,741,888	1,780,831
Accrued expenses	(6,413,537)	6,493,145
Medicare advance payments	(36,948,169)	36,916,065
CARES Act advances	(38,214,075)	39,273,897
Estimated third-party payor settlements	<u>(1,601,686)</u>	<u>(124,606)</u>
Net cash provided by operating activities	<u>66,361,829</u>	<u>145,932,099</u>
Cash flows from investing activities:		
Capital expenditures	(26,921,372)	(19,462,017)
Proceeds from sale of investments	51,767,794	202,124,701
Purchase of investments	<u>(220,528,889)</u>	<u>(254,043,017)</u>
Net cash used by investing activities	<u>(195,682,467)</u>	<u>(71,380,333)</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
for the years ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from financing activities:		
Proceeds from the issuance of long-term debt	\$ 50,000,000	\$ -
Payments on long-term debt	(5,990,000)	(5,890,000)
Proceeds from restricted contributions	<u>947,912</u>	<u>158,663</u>
Net cash provided (used) by financing activities	<u>44,957,912</u>	<u>(5,731,337)</u>
Net increase (decrease) in cash and cash equivalents	(84,362,726)	68,820,429
Cash and cash equivalents, beginning of year	<u>160,372,802</u>	<u>91,552,373</u>
Cash and cash equivalents, end of year	<u>\$ 76,010,076</u>	<u>\$ 160,372,802</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	\$ 65,535,802	\$ 152,297,042
Restricted cash and cash equivalents	10,431,871	7,866,124
Cash and cash equivalents in noncurrent assets	<u>42,403</u>	<u>209,636</u>
Total cash and cash equivalents	<u>\$ 76,010,076</u>	<u>\$ 160,372,802</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of capitalized interest	<u>\$ 2,371,077</u>	<u>\$ 2,750,788</u>

The independent auditor's report and accompanying notes are integral parts of these financial statements.

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2021 and 2020

1. Description of Organization and Summary of Significant Accounting Policies

Organization

Archbold Medical Center, Inc. (Medical Center) as the parent corporation has sole control over its nonprofit subsidiaries, John D. Archbold Memorial Hospital, Inc., Archbold Health Services, Inc., Archbold Foundation, Inc., Archbold Medical Group, Inc. and sole ownership of its for-profit subsidiary, Archbold Medical Enterprises, Inc. John D. Archbold Memorial Hospital, Inc. operates John D. Archbold Memorial Hospital, Grady General Hospital, Brooks County Hospital, and Mitchell County Hospital and Nursing Homes. Archbold Health Services, Inc. provides facilities and support for home health care and ambulatory health care services. Archbold Foundation, Inc. (Foundation) solicits contributions and manages funds for the benefit of John D. Archbold Memorial Hospital, Inc. and Archbold Health Services, Inc. Archbold Medical Group, Inc. employs physicians and other support personnel to provide comprehensive health care services essential to the prevention and treatment of disease for the benefit of all individuals in the service area.

The consolidated financial statements include the accounts of Archbold Medical Center, Inc. and its wholly controlled or owned subsidiaries for the years ended September 30, 2021 and 2020. Significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in accordance 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 at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include certificates of deposit and investments in highly liquid debt instruments with original maturities of three months or less.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities, which are all classified as available-for-sale, are measured at fair value in the balance sheets.

Investment income or loss (including interest, dividends, and gains and losses, both realized and unrealized for equity securities, and realized gains and losses for debt securities) is included in excess of revenue over expenses unless the income is restricted by donor or law. Unrealized gains and losses on available-for-sale debt securities are excluded from excess of revenue over expenses.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

1. Description of Organization and Summary of Significant Accounting Policies, Continued

Investments and Investment Income, Continued

Investments in unconsolidated companies represent the Medical Center's participation in joint ventures and partnerships, which are accounted for on the equity method.

Assets Limited as to Use

Assets limited by a lease agreement for capital acquisition include cash and investments to be used for future capital improvements to Grady General Hospital.

Assets under trust agreement for liability claims include cash and investments for payment of malpractice and general liability claims incurred by the Medical Center.

The Foundation represents funds and pledges receivable which can be used, at the discretion of the Board of Trustees, to support the activities of the Hospitals and Archbold Health Services.

Restricted assets include investments to be held in perpetuity, the income of which is expendable to support health care services.

Amounts required to meet certain liabilities of the Medical Center have been reclassified in the balance sheet at September 30, 2021 and 2020.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Property and equipment donated for hospital operations are recorded at fair value as additions to net assets without donor restrictions when the assets are placed in service.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligation is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation in the consolidated financial statements.

Gifts of long-lived assets such as land, buildings, or equipment are reported as increases in net assets without donor restrictions, and are excluded from excess of revenues, 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 increases in net assets with donor restrictions. Absent explicit donor stipulations 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.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

1. Description of Organization and Summary of Significant Accounting Policies, Continued

Impairment of Long-Lived Assets

The Medical Center evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Medical Center has not recorded any impairment charges in the accompanying consolidated statements of revenue and support, expenses and changes in net assets for the years ended September 30, 2021 and 2020.

Refundable Advance

A refundable advance arises when assets are recognized before revenue recognition criteria have been satisfied. CARES Act advance payments are reported as a refundable advance until donor conditions such as qualifying expenditures have been substantially met. See Note 17 for additional information.

Cost of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Deferred Financing Cost

Costs related to the issuance of long-term debt were deferred and are being amortized using the effective interest method over the life of the related debt. These costs are reported on the consolidated balance sheets as a direct deduction from the carrying amount of the related debt liability.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - net assets available for use in general operations and not subject to donor imposed restrictions. The Board of Trustees has discretionary control over these resources. Designated amounts represent those net assets that the Board has set aside for a particular purpose. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

1. Description of Organization and Summary of Significant Accounting Policies, Continued

Net Assets, Continued

Net assets with donor restrictions - net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. 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 to net assets without donor restrictions.

Excess Revenues

The consolidated statements of revenue and support, expenses and changes in net assets include excess revenues. Changes in net assets without donor restrictions which are excluded from excess revenues, consistent with industry practice, include unrealized gains and losses on investments other than trading debt securities and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Net Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the amount that reflects the consideration to which the Medical Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors, and others and includes variable consideration for retroactive revenue adjustments under reimbursement arrangements with third-party payors. Retroactive adjustments are included in the determination of the estimated transaction price and adjusted in future periods as settlements are determined.

Charity Care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

1. Description of Organization and Summary of Significant Accounting Policies, Continued

Endowments

Endowments are provided to the Medical Center on a voluntary basis by individuals and private organizations. Certain endowments require that the principal or purchasing power of the endowment be retained in perpetuity. If a donor has not provided specific instructions, state law permits the Medical Center's Board of Trustees to authorize for expenditure the net appreciation of the investments of endowment funds.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Medical Center are reported at fair value at the date the promise is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional gifts received prior to the satisfaction of conditions are recorded as refundable advances. The gifts are reported as increases in the appropriate categories of net assets in accordance with donor restrictions.

Estimated Malpractice and Other Self-Insurance Costs

The provisions for estimated medical malpractice claims and other claims under self-insurance plans include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Income Taxes

The Medical Center, with the exception of Archbold Medical Enterprises, Inc., is a not-for-profit corporation that has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Medical Center applies accounting policies that prescribe when to recognize and how to measure the consolidated financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the Medical Center only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

1. Description of Organization and Summary of Significant Accounting Policies, Continued

Income Taxes, Continued

Based on the results of management's evaluation, no liability is recognized in the accompanying consolidated balance sheets for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of September 30, 2021 and 2020 or for the years then ended. The Medical Center's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosures*, defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

FASB ASC 820 describes the following three levels of inputs that may be used:

- *Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- *Level 2:* Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- *Level 3:* Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a new comprehensive revenue recognition standard. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Medical Center adopted ASU No. 2014-09 on October 1, 2020, using the full retrospective method of transition with practical expedients in FASB ASC 606-10-65-1(f) with no significant impact. The Medical Center performed an analysis of revenue streams and transactions under ASU No. 2014-09. In particular, for net patient service revenue, the Medical Center performed an analysis into the application of the portfolio approach as a practical expedient to group patient contracts with

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

1. Description of Organization and Summary of Significant Accounting Policies, Continued

Recently Adopted Accounting Pronouncements, Continued

similar characteristics, such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. Upon adoption, the majority of what was previously classified as provision for bad debts (representing approximately \$65 million for the year ended September 30, 2020 and presented as a reduction to net patient service revenue on the consolidated statements of revenue and support, expenses and changes in net assets is now treated as a price concession that reduces the transaction price, which is reported as net patient service revenue. Changes in credit issues not assessed at the date of service, are recognized as bad debt expense and included as a component of operating expenses on the consolidated statements of revenue and support, expenses and changes in net assets. The new standard also requires enhanced disclosures related to the disaggregation of revenue and significant judgments made in measurement and recognition. The adoption of this guidance did not materially impact total operating revenues, excess revenues or net assets.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, to streamline the disclosure requirements of ASC Topic 820, Fair Value Measurement. The update removes, modifies and adds certain disclosure requirements. The Medical Center adopted the new guidance for the year ending September 30, 2021 and adoption did not have a material impact on the consolidated financial statements.

Subsequent Event

In preparing these consolidated financial statements, the Medical Center has evaluated events and transactions for potential recognition or disclosure through January 20, 2022, the date the consolidated financial statements were available to be issued.

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2020 consolidated financial statements to conform to the fiscal year 2021 presentation. These reclassifications had no impact on the change in net assets in the accompanying consolidated financial statements.

2. Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which the Medical Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Medical Center bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

2. Net Patient Service Revenue, Continued

Performance obligations are determined based on the nature of the services provided by the Medical Center. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Medical Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patient care services. The Medical Center measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. These services are considered to be a single performance obligation and have a duration of less than one year. Revenue for performance obligations satisfied at a point in time is recognized when services are provided and the Medical Center does not believe it is required to provide additional services to the patient.

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

The Medical Center is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The Medical Center accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. As a result, the Medical Center has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract by contract basis.

The Medical Center has arrangements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. For uninsured patients that do not qualify for charity care, the Medical Center recognizes revenue on the basis of its standard rates, subject to certain discounts and implicit price concessions as determined by the Medical Center.

The Medical Center determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Medical Center's policy, and implicit price concessions provided to uninsured patients. Implicit price concessions represent difference between amounts billed and the estimated consideration the Medical Center expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors. The Medical Center determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies, and historical experience.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

2. Net Patient Service Revenue, Continued

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- Medicare

Inpatient acute care and outpatient services rendered to Medicare program beneficiaries by John D. Archbold Memorial Hospital and Grady General Hospital are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient acute and nonacute care services and outpatient services rendered to Medicare program beneficiaries by Brooks County Hospital and Mitchell County Hospital are paid based on a cost reimbursement methodology.

Inpatient rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge.

Inpatient psychiatric services rendered to Medicare program beneficiaries are paid at prospectively determined rates per diems.

Nursing Home services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system called Resource Utilization Groups (RUGs). Effective October 1, 2019, the services rendered to Medicare program beneficiaries will be paid based on a patient-driven payment methodology.

The Medical Center is paid for certain cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare Administrative Contractor (MAC). The Medical Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Medical Center. All hospital Medicare cost reports have been audited by the MAC through September 30, 2016.

- Medicaid

Inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Outpatient services are paid based upon cost reimbursement methodologies.

The Medical Center is paid for certain cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid fiscal intermediary. All hospital Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2018.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

2. Net Patient Service Revenue, Continued

• Medicaid, Continued

The Medical Center has also entered into contracts with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems.

Long-term care services are reimbursed by the Medicaid program based on a prospectively determined per diem. The per diem is determined by the facility's historical allowable operating costs adjusted for certain incentives and inflation factors.

The hospitals within the Medical Center participate in the Georgia Indigent Care Trust Fund (ICTF) Program. The hospitals receive ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the hospitals' estimated uncompensated cost of services to Medicaid and uninsured patients. The amount of ICTF payments recognized in net patient service revenue was approximately \$3,985,000 and \$3,035,000 for the years ended September 30, 2021 and 2020, respectively.

The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately \$3,191,000 and \$3,468,000 for the years ended September 30, 2021 and 2020, respectively.

During 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient service revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health. 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. The provider payment results in an increase in payments for Medicaid services to hospitals of approximately 11.88%. Approximately \$4,946,000 and \$5,106,000 of provider payments relating to the Act are included in supplies and other expenses in the accompanying consolidated statements of revenue and support, expenses and changes in net assets for the years ended September 30, 2021 and 2020, respectively.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

2. Net Patient Service Revenue, Continued

• Other Arrangements

Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

• Uninsured Patients

The Medical Center has a Financial Assistance Policy (FAP) in accordance with Internal Revenue Code Section 501(r). Based on the FAP, following a determination of financial assistance eligibility, an individual will not be charged more than the Amounts Generally Billed (AGB) for emergency or other medical care provided to individuals with insurance covering that care. AGB is calculated by reviewing claims that have been paid in full (including deductibles and coinsurance paid by the patient) to the Medical Center for medically necessary care by Medicare and private health insurers during a 12-month look-back period.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Medical Center's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Medical Center. In addition, the contracts the Medical Center has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors 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 payor, correspondence from the payor and the Medical Center's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price, were not significant in 2021 or 2020.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

2. Net Patient Service Revenue, Continued

Generally patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Medical Center also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Medical Center estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. 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 generally recorded as adjustments to patient service revenue in the period of the change. Adjustments arising from a change in the transaction price were not significant for the years ending September 30, 2021 and 2020. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended September 30, 2021 and 2020 was not significant.

Consistent with the Medical Center's mission, care is provided to patients regardless of their ability to pay. Therefore, the Medical Center has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles).

Net patient service revenue by major payor source, facility, and timing of revenue recognition for the years ended September 30, 2021 and 2020 is as follows:

Net Patient Service Revenue					
	<u>Medicare</u>	<u>Medicaid</u>	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
2021	\$ 145,451,095	\$ 25,115,369	\$ 147,976,575	\$ 83,242,500	\$ 401,785,539
2020	\$ 148,410,616	\$ 22,896,299	\$ 139,269,975	\$ 56,508,791	\$ 367,085,681
				Net Patient Service Revenue	
				<u>2021</u>	<u>2020</u>
John D. Archbold Memorial Hospital, Inc.				\$ 286,512,942	\$ 268,037,213
Brooks County Hospital				9,649,513	9,401,783
Grady General Hospital				31,036,118	24,467,743
Mitchell County Hospital				31,192,079	28,416,117
Archbold Health Services, Inc.				22,853,362	19,294,905
Archbold Medical Group, Inc.				20,541,525	17,467,920
Timing of revenue and recognition:					
Services transferred over time				\$ 401,785,539	\$ 367,085,681

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

2. Net Patient Service Revenue, Continued

Hospital net patient service revenue includes a variety of services mainly covering inpatient acute care services requiring overnight stays, outpatient procedures that require anesthesia or use of the Medical Center's diagnostic and surgical equipment, and emergency care services. Performance obligations are satisfied over time as the patient simultaneously receives and consumes the benefits the Medical Center performs. Requirements to recognize revenue for inpatient services are generally satisfied over periods that average approximately five days and for outpatient services are generally satisfied over a period of less than one day. Point-of-sale revenue, recorded in other revenue on the consolidated statements of revenue and support, expenses and changes in net assets, performance obligations are satisfied at a point in time when the goods are provided.

3. Concentrations of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors, net of variable considerations, at September 30, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Medicare	34%	35%
Medicaid	13%	15%
Other third-party payors	<u>53%</u>	<u>50%</u>
Total	<u>100%</u>	<u>100%</u>

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of patients comprising the receivables base.

The Medical Center maintains deposits/investments with financial institutions in excess of amounts insured. Management believes the credit risks related to these deposits/investments are minimal.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

4. Investments

Assets Limited as to Use

The composition of assets limited as to use at September 30, 2021 and 2020 is set forth in the following table. Investments are stated at fair value.

	<u>2021</u>	<u>2020</u>
By lease for capital acquisition:		
Cash and cash equivalents	\$ 5,718,258	\$ 828,936
Mutual funds	10,829,225	11,123,418
U.S. corporate bonds	11,582,911	15,144,387
Federal agency bonds	4,871,802	5,721,839
U.S. Treasury securities	<u>13,416,562</u>	<u>9,262,200</u>
Total	<u>46,418,758</u>	<u>42,080,780</u>
Under trust agreement for liability claims:		
Cash and cash equivalents	1,805,108	1,464,347
Mutual funds	40,476,348	31,355,833
U.S. corporate bonds	5,090,009	5,198,925
Closely held securities - other	-	2,165,516
Equity securities - preferred stock	472,763	-
U.S. Treasury securities	10,198,895	8,675,627
Federal agency bonds	2,125,430	-
U.S. equity securities	<u>19,067,575</u>	<u>14,023,589</u>
Total	<u>79,236,128</u>	<u>62,883,837</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

4. Investments, Continued

Assets Limited as to Use, Continued

	<u>2021</u>	<u>2020</u>
Archbold Foundation, Inc.:		
Investment portfolios:		
Cash and cash equivalents	\$ 27,241	\$ 6,481
Mutual funds	90,588,531	72,162,649
U.S. Treasury securities	-	2,410,435
U.S. equity securities	7,565,601	5,593,822
Alternative investments	<u>18,571,955</u>	<u>13,599,336</u>
	116,753,328	93,772,723
Cash and cash equivalents	2,684,433	5,500,672
Pledges receivable	<u>1,207,478</u>	<u>1,668,180</u>
 Total	 <u>120,645,239</u>	 <u>100,941,575</u>
 Restricted by donors:		
Cash and cash equivalents	196,831	65,688
Mutual funds	2,328,871	1,959,231
U.S. Treasury securities	139,985	159,959
U.S. corporate bonds	<u>5,447</u>	<u>5,646</u>
 Total	 <u>2,671,134</u>	 <u>2,190,524</u>
 Total assets limited to use	 <u>\$ 248,971,259</u>	 <u>\$ 208,096,716</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

4. Investments, Continued

Long-Term Investments

Long-term investments, stated at fair value, at September 30, 2021 and 2020, include:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 42,403	\$ 209,636
Certificates of deposit	-	468,290
Mutual funds	200,773,201	128,564,857
U.S. corporate bonds	24,751,688	31,381,048
Federal agency bonds	13,489,138	298,632
U.S. equity securities	100,725,001	70,317,837
Equity securities - preferred stock	2,489,380	-
U.S. Treasury securities	<u>62,644,311</u>	<u>47,484,833</u>
Total long-term investments	<u>\$ 404,915,122</u>	<u>\$ 278,725,133</u>

Investment income and gains (losses) for cash equivalents, assets limited as to use, and long-term investments are comprised of the following for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Income:		
Interest and dividend income	\$ 35,854,156	\$ 12,928,887
Realized gains on sales of securities	6,895,278	10,984,174
Unrealized gains on investments	53,440,894	10,398,143
Reclassification of equity security unrealized gain related to the adoption of ASU No. 2016-01	<u>-</u>	<u>2,315,315</u>
Total income	<u>\$ 96,190,328</u>	<u>\$ 36,626,519</u>
Other changes in net assets without donor restrictions:		
Unrealized losses on investments	<u>\$ (4,115,441)</u>	<u>\$ (449,367)</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

4. Investments, Continued

Long-Term Investments, Continued

The following table provides a summary of the Medical Center's investments as of September 30, 2021 and 2020 for which the cost basis of securities exceeds fair value, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position:

Description of Securities	September 30, 2021					
	Less than 12 Months		12 Months of More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Federal agency bonds	\$ 1,887	\$ (2,275)	\$ 13,746,433	\$ (266,211)	\$ 13,748,320	\$ (268,486)
U.S. Treasury securities	19,292,396	(210)	14,033,841	(438,274)	33,326,237	(438,484)
Equity securities	1,473,785	(24,786)	-	-	1,473,785	(24,786)
Mutual funds	82,866,491	(5,328,553)	-	-	82,866,491	(5,328,553)
Corporate bonds	2,407,685	(37,894)	7,980,464	(136,105)	10,388,149	(173,999)
Equity securities - preferred stock	1,452,764	(9,550)	-	-	1,452,764	(9,550)
Total	<u>\$ 107,495,008</u>	<u>\$ (5,403,268)</u>	<u>\$ 35,760,738</u>	<u>\$ (840,590)</u>	<u>\$ 143,255,746</u>	<u>\$ (6,243,858)</u>

Description of Securities	September 30, 2020					
	Less than 12 Months		12 Months of More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Federal agency bonds	\$ 7,067,323	\$ (25,015)	\$ 5,042,275	\$ (27,116)	\$ 12,109,598	\$ (52,131)
Equity securities	874	(1,016)	-	-	874	(1,016)
Mutual funds	66,681,314	(4,306,628)	-	-	66,681,314	(4,306,628)
Corporate bonds	2,520,830	(77,994)	1,703,168	(12,875)	4,223,998	(90,869)
Total	<u>\$ 76,270,341</u>	<u>\$ (4,410,653)</u>	<u>\$ 6,745,443</u>	<u>\$ (39,991)</u>	<u>\$ 83,015,784</u>	<u>\$ (4,450,644)</u>

Management evaluates securities for other-than temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Medical Center to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At September 30, 2021, the 238 debt securities with unrealized losses have depreciated 4.4% from the Medical Center's amortized cost basis. The majority of these securities are mutual funds.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

4. Investments, Continued

Long-Term Investments, Continued

Corporate Bonds, Federal Agency Bonds: The unrealized losses on the Medical Center's investment in bonds relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

As management has the ability to hold debt securities until maturity, or for the foreseeable future, no declines are deemed to be other-than-temporary.

Equity Securities, Mutual Funds: The Medical Center's investments in equity securities and mutual funds consist primarily of investments in common and preferred stock. Based on the Medical Center's evaluation of the common and preferred stock and their ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, no declines are deemed to be other-than-temporary.

The Medical Center's investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated financial statements.

5. Property and Equipment

A summary of property and equipment at September 30, 2021 and 2020 follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 9,787,763	\$ 9,618,798
Land improvements	6,368,172	6,279,632
Buildings	162,837,472	154,092,161
Fixed equipment	132,936,768	132,664,549
Major movable equipment	240,798,306	223,037,578
Leasehold improvements	<u>25,133,713</u>	<u>24,528,453</u>
	577,862,194	550,221,171
Less accumulated depreciation and amortization	<u>376,000,250</u>	<u>349,518,056</u>
	201,861,944	200,703,115
Construction-in-progress	<u>9,519,500</u>	<u>10,480,943</u>
Property and equipment, net	<u>\$ 211,381,444</u>	<u>\$ 211,184,058</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

5. Property and Equipment, Continued

Depreciation expense for the years ended September 30, 2021 and 2020 amounted to approximately \$26,712,000 and \$26,245,000, respectively. Construction contracts exist for various projects at year end with a total commitment of \$24,186,000. At September 30, 2021, the remaining commitment on these contracts approximated \$20,409,000. The Medical Center entered into a contract with Cerner for Electronic Health Record software with a total commitment of \$50,000,000. At September 30, 2021, the remaining commitment on this contract was \$50,000,000.

6. Long-Term Debt

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

	<u>2021</u>	<u>2020</u>
Revenue Certificates, Series 2017A maturing in installments of \$545,000 to \$2,175,000 each November 1 beginning in 2031 until 2040. The certificates are secured by gross revenue and bear a variable interest rate.	\$ 17,985,000	\$ 17,985,000
Revenue Certificates, Series 2017B maturing in installments of \$2,875,000 to \$2,475,000 each November 1 beginning in 2021 until 2024. The certificates are secured by gross revenue and bear a variable interest rate.	7,125,000	9,295,000
Revenue Certificates, Series 2017C maturing in installments of \$3,825,000 to \$7,270,000 each November 1 beginning in 2021 until 2033. The certificates are secured by gross revenue and bear a fixed interest rate of 3.01%.	71,385,000	75,205,000
Note payable, bearing interest of 1.17%, maturing in installments of \$3,400,000 to \$3,700,000 each November 1 beginning in 2022 until 2028. The note is collateralized by equipment.	25,000,000	-

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

6. Long-Term Debt, Continued

	<u>2021</u>	<u>2020</u>
Note payable, bearing interest of 1.85%, maturing in installments of \$2,900,000 to \$3,300,000 beginning each November 1 beginning in 2029 until 2036. The note is collateralized by equipment.	\$ 25,000,000	\$ -
	146,495,000	102,485,000
Less current installments	<u>6,100,000</u>	<u>5,990,000</u>
	140,395,000	96,495,000
Less unamortized bond issue costs	<u>36,681</u>	<u>83,238</u>
 Long-term debt, net of current installments	 <u>\$ 140,358,319</u>	 <u>\$ 96,411,762</u>

On July 12, 2017, the Medical Center issued \$17,985,000 of Series 2017A Revenue Certificates for the purpose of refunding the outstanding 2013A Series, \$15,435,000 of Series 2017B Revenue Certificates for the purpose of refunding the outstanding 2013B Series, and \$82,750,000 of Series 2017C Revenue Certificates for the purpose of defeasing the outstanding 2010 Series. The Revenue Certificates are privately placed with BB&T Community Holdings Co. Under the terms of an escrow agreement, the 2017C Revenue Certificate amounts received have been deposited into an irrevocable escrow and invested in United States treasury notes in order to redeem the remaining 2010 Series Certificates on November 2, 2020.

The terms of the 2017 revenue certificates place limits on the incurrence of additional borrowings and require that the Medical Center satisfy certain measures of financial performance as long as the notes are outstanding.

On August 4, 2021, Archbold Medical Center, Inc. entered into a promissory note with TD Bank for \$25,000,000 for the purpose of reimbursement for prior capital expenditures. Payments are due yearly beginning November 1, 2022, with a maturity date of November 1, 2028.

On August 4, 2021, Archbold Medical Center, Inc. entered into a promissory note with TD Bank for \$25,000,000 for the purpose of reimbursement for prior capital expenditures. Payments are due yearly beginning November 1, 2029, with a maturity date of November 1, 2036.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

6. Long-Term Debt, Continued

Scheduled principal repayments on long-term debt for the next five years are as follows:

<u>Year Ending September 30th</u>	<u>Amount</u>
2022	\$ 6,100,000
2023	9,610,000
2024	9,815,000
2025	9,920,000
2026	10,185,000
Thereafter	<u>100,865,000</u>
Total	<u>\$ 146,495,000</u>

7. Net Assets With Donor Restrictions

Net assets with donor restrictions at September 30, 2021 and 2020 are restricted to:

	<u>2021</u>	<u>2020</u>
Investments to be held in perpetuity, the income from which is expendable to support health care services	<u>\$ 2,671,134</u>	<u>\$ 2,190,524</u>

Endowment Fund

The Medical Center's donor-restricted endowment fund was established to support health care services. As required by generally accepted accounting principles, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Medical Center has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act (GUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Medical Center classifies as net assets with donor restrictions (a) the original value of its gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

7. Net Assets With Donor Restrictions, Continued

Endowment Fund, Continued

GUPMIFA, the Medical Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Medical Center, and (7) the Medical Center's investment policies.

The Medical Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets over the long term. Endowment assets include assets of donor-restricted funds that the Medical Center must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce positive results while assuming a moderate level of investment risk. The Medical Center expects its endowment fund, over time, to provide an average rate of return of approximately 3.5% annually. Actual results in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. The Medical Center's current spending policy is to reinvest the earnings into the existing endowment investments.

Changes in endowment net assets as of September 30, 2021 and 2020 are as follows:

	<u>Endowment Net Assets</u>	
	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 2,190,524	\$ 1,997,550
Investment income	<u>480,610</u>	<u>192,974</u>
Endowment net assets, end of year	<u>\$ 2,671,134</u>	<u>\$ 2,190,524</u>

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

8. Uncompensated Services

The Medical Center was compensated for services at amounts less than its established rates.

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Gross patient charges	<u>\$ 1,140,699,162</u>	<u>\$ 1,021,236,319</u>
Uncompensated services:		
Charity and indigent care	43,614,004	44,554,372
Medicare	431,721,836	391,759,703
Medicaid	107,031,355	94,410,788
Other	82,830,850	58,634,401
Price concessions	<u>73,715,578</u>	<u>64,791,374</u>
Total uncompensated care	<u>738,913,623</u>	<u>654,150,638</u>
Net patient service revenue	<u>\$ 401,785,539</u>	<u>\$ 367,085,681</u>

Uncompensated care includes charity and indigent care services of approximately \$43,614,000 and \$44,554,000 in 2021 and 2020, respectively. The cost of charity and indigent care services provided during 2021 and 2020 was approximately \$18,657,000 and \$19,469,000, respectively, computed by applying a total cost factor to the charges foregone.

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

9. Functional Expenses

The Medical Center provides general health care services primarily to residents within its geographic location. Expenses related to providing these services are as follows:

<u>September 30, 2021</u>	<u>General and Administrative</u>	<u>Patient Care Services</u>	<u>Total</u>
Salaries and wages	\$ 27,299,643	\$ 125,819,666	\$ 153,119,309
Employee health and welfare	6,023,160	30,563,772	36,586,932
Professional fees	5,970,377	53,632,253	59,602,630
Supplies and other	28,015,821	107,718,389	135,734,210
Depreciation	3,812,039	22,900,419	26,712,458
Interest and amortization	<u>442,741</u>	<u>2,040,521</u>	<u>2,483,262</u>
Total	<u>\$ 71,563,781</u>	<u>\$ 342,675,020</u>	<u>\$ 414,238,801</u>

<u>September 30, 2020</u>	<u>General and Administrative</u>	<u>Patient Care Services</u>	<u>Total</u>
Salaries and wages	\$ 27,246,010	\$ 117,585,238	\$ 144,831,248
Employee health and welfare	7,429,624	29,236,934	36,666,558
Professional fees	5,261,584	46,117,621	51,379,205
Supplies and other	26,844,393	92,734,071	119,578,464
Depreciation	3,970,039	22,274,588	26,244,627
Interest and amortization	<u>517,146</u>	<u>2,231,842</u>	<u>2,748,988</u>
Total	<u>\$ 71,268,796</u>	<u>\$ 310,180,294</u>	<u>\$ 381,449,090</u>

The consolidated financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including benefit expense, depreciation and amortization, interest expense, and other occupancy costs, are allocated to a function consistent with salaries.

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

10. Employee Thrift Savings Plan

The Medical Center has a defined contribution pension plan covering substantially all employees. Each year, participants may contribute up to 100% of pretax annual compensation as defined in the Plan, subject to Internal Revenue Code limitations. For participants who have completed one year of service, the Medical Center makes matching contributions on 50% of the first 4% of employee contributions. Matching contribution expenses for the Plan amounted to approximately \$1,811,000 and \$1,626,000 in 2021 and 2020, respectively. Discretionary contributions may be contributed at the option of the Medical Center's Board. Discretionary contribution expenses for the Plan amounted to approximately \$2,876,000 and \$2,654,000 in 2021 and 2020, respectively.

11. Self-Insurance - Employee Health Plan

The Medical Center has a self-insurance program for employee health claims, in which the Medical Center processes and pays claims. The Medical Center has purchased stop-loss insurance coverage for claims in excess of \$225,000 for each individual employee. Total expenses relative to this plan were approximately \$18,211,000 and \$17,952,000 for 2021 and 2020, respectively.

12. Fair Values of Financial Instruments

The following methods and assumptions were used by the Medical Center in estimating the fair value of its financial instruments:

- *Cash and cash equivalents, accounts payable, accrued expenses, Medicare advance payments, refundable advances, and estimated third-party payor settlements:* The carrying amount reported in the consolidated balance sheets approximates its fair value due to the short-term nature of these instruments.
- *Assets limited as to use and long-term investments:* Amounts reported in the consolidated balance sheets are at fair value.
- *Long-term debt:* The fair value of the Medical Center's fixed rate long-term debt is estimated using discounted cash flow analyses, based on current incremental borrowing rates. The remaining long-term debt carrying amount approximates its fair value. Based on inputs used in determining the estimated fair value, the Medical Center's long-term debt would be classified as Level 2 in the fair value hierarchy.

The carrying amounts and fair values of the Medical Center's long-term debt at September 30, 2021 and 2020 are as follows:

	2021		2020	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt	<u>\$ 146,495,000</u>	<u>\$ 137,556,773</u>	<u>\$ 102,485,000</u>	<u>\$ 94,950,789</u>

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

12. Fair Values of Financial Instruments, Continued

Fair values of assets measured on a recurring basis at September 30, 2021 and 2020 are as follows:

	September 30, 2021	Total	Fair Value Measurements at Reporting Date Using		
			Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Cash and cash equivalents	\$ 10,474,274	\$ 10,474,274	\$ 10,474,274	\$ -	\$ -
Mutual funds - fixed income	64,522,846	64,522,846	64,522,846	-	-
Mutual funds - equity	280,473,330	280,473,330	280,473,330	-	-
U.S. corporate bonds	41,430,055	-	-	41,430,055	-
Federal agency bonds	20,486,370	20,486,370	20,486,370	-	-
Fixed income securities - U.S. Treasuries	86,399,753	86,399,753	86,399,753	-	-
Equity securities - preferred stock	2,962,143	2,962,143	2,962,143	-	-
Equity securities - consumer discretionary	10,260,414	10,260,414	10,260,414	-	-
Equity securities - consumer staples	14,859,657	14,859,657	14,859,657	-	-
Equity securities - energy	2,469,178	2,469,178	2,469,178	-	-
Equity securities - financials	22,063,779	22,063,779	22,063,779	-	-
Equity securities - healthcare	19,932,725	19,932,725	19,932,725	-	-
Equity securities - industrials	10,786,193	10,786,193	10,786,193	-	-
Equity securities - information technology	23,746,221	23,746,221	23,746,221	-	-
Equity securities - utilities	7,985,040	7,985,040	7,985,040	-	-
Equity securities - other	9,524,928	9,524,928	9,524,928	-	-
Equity securities - real estate	2,964,207	2,964,207	2,964,207	-	-
REITS - financials	2,765,837	2,765,837	2,765,837	-	-
Total assets in the fair value hierarchy	634,106,950	\$ 592,676,895	\$ 592,676,895	\$ 41,430,055	\$ -
Investments measured at net asset value	18,571,955				
Investments at fair value	\$ 652,678,905				

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

12. Fair Values of Financial Instruments, Continued

	<u>September 30, 2020</u>	<u>Total</u>	Fair Value Measurements at Reporting Date Using		
			Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Cash and cash equivalents	\$ 8,075,760	\$ 8,075,760	\$ 8,075,760	\$ -	\$ -
Certificates of deposit	468,290	-	-	468,290	-
Mutual funds - fixed income	48,210,925	48,210,925	48,210,925	-	-
Mutual funds - equity	199,120,579	199,120,579	199,120,579	-	-
U.S. corporate bonds	51,730,006	-	-	51,730,006	-
Federal agency bonds	6,020,471	6,020,471	6,020,471	-	-
Fixed income securities					
- U.S. Treasuries	67,993,054	67,993,054	67,993,054	-	-
Equity securities - consumer discretionary	11,204,654	11,204,654	11,204,654	-	-
Equity securities - consumer staples	12,347,738	12,347,738	12,347,738	-	-
Equity securities - energy	2,720,917	2,720,917	2,720,917	-	-
Equity securities - financials	11,414,888	11,414,888	11,414,888	-	-
Equity securities - healthcare	15,558,082	15,558,082	15,558,082	-	-
Equity securities - industrials	9,903,500	9,903,500	9,903,500	-	-
Equity securities - information technology	17,233,617	17,233,617	17,233,617	-	-
Equity securities - utilities	2,178,002	2,178,002	2,178,002	-	-
Equity securities - other	5,942,144	5,942,144	5,942,144	-	-
Equity securities - real estate	1,073,727	1,073,727	1,073,727	-	-
REITS - financials	<u>357,979</u>	<u>357,979</u>	<u>357,979</u>	<u>-</u>	<u>-</u>
Total assets in the fair value hierarchy	471,554,333	\$ 419,356,037	\$ 419,356,037	\$ 52,198,296	\$ -
Investments measured at net asset value	<u>13,599,336</u>				
Investments at fair value	<u>\$ 485,153,669</u>				

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

12. Fair Values of Financial Instruments, Continued

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar investments in active or inactive markets. Valuation techniques utilized to determine fair value are consistently applied.

Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Certificates of deposit are valued at amortized cost. Interest is accrued and recognized in income when earned.

Investments Measured Using the Net Asset Value Per Share Practical Expedient

The following table sets forth additional information for assets valued at net asset value (NAV) as a practical expedient as of September 30, 2021 and 2020.

	as of September 30, 2021			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge Funds	<u>\$ 18,571,955</u>	None	Monthly - Annually	30 - 90 Days
	as of September 30, 2020			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge Funds	<u>\$ 13,599,336</u>	None	Monthly - Annually	30 - 90 Days

- *Alternative investments in hedge funds:* Valued at the NAV of shares held at year end. These hedge funds, for the most part, are invested in equity securities that trade in well-established and highly-liquid markets through multi-fund pools known as “fund of funds”. Each underlying hedge fund in the portfolio has annually audited financial statements and is priced monthly by Bank of New York Mellon (BNYM). BNYM then computes investor valuations based on ownership share of each pool and provides this information to each investor’s custodian.

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

13. Commitments and Contingencies

Lease Commitments - Grady County Hospital Authority

Pursuant to a lease agreement with Grady County Hospital Authority (Grady Authority), John D. Archbold Memorial Hospital, Inc. (Archbold) leased substantially all property, plant and equipment known as Grady General Hospital (Grady) from the Authority under the terms of a 15 year lease which expired in July 2001. The terms of the lease shall automatically extend for four successive periods of 15 years each, effective on August 1, 2001. The lease was amended to update the terms of the original lease and extend the lease period to 40 years, effective March 1, 2020. The amended lease also provides for the development and subsequent lease of a nursing home to be developed on a site adjacent to the Hospital.

Under the terms of the amended lease, Archbold will pay annual rent of \$25,000 for the hospital and \$25,000 for the nursing home, once the nursing home becomes operational.

Pursuant to the terms of the lease, the current assets and current liabilities of the Grady Authority were transferred to Archbold effective November 1, 1985. During the term of the lease, the expenses of operating the leased premises as a hospital will be paid by Archbold, and all revenues, materials, property and service rendered or received from any and all other sources will be collected, received, and become the property of Archbold. Archbold agrees to make repairs to the leased premises as necessary and to maintain specified insurance coverage. Property made unusable by ordinary wear and deterioration is to be replaced from the net revenues of Grady, and any such replacement property will be owned by the Authority. Property brought onto the premises by Archbold, which is not replacement property and was not acquired from the net revenues of Grady, remains Archbold's property. Revenues in excess of costs will be reinvested in improvements of Grady and become the property of the Grady Authority. Archbold has agreed not to deny urgent or emergency care to any person based upon an inability to pay.

Pursuant to the lease agreement, the Grady Authority transferred the net working capital to Archbold for use in operation of Grady. Upon expiration or earlier termination of the lease, Archbold shall pay the Grady Authority an amount equal to two times the average monthly operating expenses as working capital. Archbold will also turn over the excess accumulated funds since the inception of the lease upon termination. Subject to certain provisions in the lease, the Grady Authority will pay to Archbold an annual amount for indigent and charity care equal to 3% of hospital revenue and 1.5% of nursing home revenue.

Lease Commitments - Hospital Authority of Brooks County

On June 1, 1987, Archbold entered into a lease agreement with the Hospital Authority of Brooks County (Brooks Authority) to lease substantially all property, plant and equipment known as Brooks County Hospital (Brooks) from the Brooks Authority under the terms of a five year lease which expired December 31, 1992. The initial terms of the lease shall automatically extend for seven additional periods of five years each unless written notice of intent to terminate the lease is given to the Brooks Authority no less than 180 days prior to the end of the initial five-year lease period or any extension thereof.

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

13. Commitments and Contingencies, Continued

Lease Commitments - Hospital Authority of Brooks County, Continued

Under the terms of the lease, Archbold shall pay semi-annual rental payments of \$35,000 on January 1 and July 1 of each year beginning in 1988. The base rental for and during any renewal term hereof shall be \$1 per year; provided, however, that Archbold will pay as additional rental, after the initial term hereof, up to \$25,000 per year in indigent care services for the benefit of indigent citizens of Brooks County.

As additional rental, Archbold shall assume, obtain and retain all assets and liabilities of Brooks as of June 1, 1987, with the exception of the following assets and liabilities: the trust indenture as related to The Hospital Authority of Brooks County, Georgia Revenue Anticipation Refunding Certificates, Series 1976, dated as of April 1, 1976, including the aggregate amount of all unpaid principal and interest thereunder, which is not the responsibility of Archbold; any liabilities related to any claims, suits, causes of action and the like related to malpractice or other theories of liability which arose or are claimed to have arisen prior to July 1, 1986; all personal and real property of the Brooks Authority; and the restricted funds known as the Wilson Trust Fund and the Roundtree Trust Fund.

Pursuant to the terms of the lease, the current assets and current liabilities of the Brooks Authority were transferred to Archbold effective June 1, 1987. During the term of the lease, the expenses of operating the leased premises as a hospital will be paid by Archbold, and all revenues, materials, property and services rendered or received from any and all other sources will be collected, received, and become the property of Archbold. Archbold agrees to make repairs to the leased premises as necessary and to maintain specified insurance coverage. Property made unusable by ordinary wear and deterioration is to be replaced from the revenues of Brooks and any such replacement property will be owned by the Brooks Authority. Property brought onto the premises by Archbold, which is not replacement property and was not acquired from the net revenues of Brooks, remains Archbold's property. Revenues in excess of costs will be reinvested in improvements to Brooks and become the property of the Brooks Authority. Archbold has agreed not to deny urgent or emergency care to any person based upon an inability to pay.

Lease Commitments - Hospital Authority of Mitchell County

Archbold entered into a lease agreement on October 1, 1990 with the Hospital Authority of Mitchell County (Mitchell Authority) to lease substantially all property, plant, and equipment of Mitchell County Hospital, Mitchell Convalescent Center, and Pelham Parkway Nursing Home (Mitchell facilities). The lease shall continue for a period of fifteen years with an automatic first renewal term of fifteen years followed by a second renewal term of ten years. The lease may be terminated by Archbold without cause by giving notice to the Mitchell Authority of its intent to terminate at least one hundred eighty days prior to the expiration of any term.

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

13. Commitments and Contingencies, Continued

Lease Commitments - Hospital Authority of Mitchell County, Continued

As consideration for this lease agreement, Archbold will timely make all payments required of the Mitchell Authority under the Revenue Anticipation Certificates, Series 1990, Revenue Certificates, Series 1980 and any other indebtedness of the Mitchell Authority incurred with respect to the Mitchell facilities with the approval of Archbold. There were no outstanding obligations as of September 30, 2021. The base rental after all Mitchell Authority obligations have been satisfied in full shall be \$1 per year.

Pursuant to the terms of the lease, the current assets and current liabilities of the Mitchell Authority were transferred to Archbold effective September 30, 1990. During the term of the lease, the expenses of operating the leased premises as a hospital will be paid by Archbold, and all revenues, materials, property and service rendered or received from any and all other sources will be collected, received, and become the property of Archbold. Archbold agrees to make repairs to the leased premises as necessary and to maintain specified insurance coverage. Property made unusable by ordinary wear and deterioration is to be replaced from the revenues of the Mitchell facilities and any such replacement property will be owned by the Mitchell Authority. Property brought onto the premises by Archbold which is not replacement property and was not acquired from the net revenues of the Mitchell facilities, remains Archbold's property. Revenues in excess of costs will be reinvested in improvements to the Mitchell facilities and become the property of the Mitchell Authority. Archbold has agreed not to deny urgent or emergency care to any person based upon an inability to pay.

Compliance Plan

The healthcare industry has been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. In addition, the Reform Legislation includes provisions aimed at reducing fraud, waste, and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Medical Center has implemented a compliance plan focusing on such issues. There can be no assurance that the Medical Center will not be subjected to future investigations with accompanying monetary damages.

Health Care Reform

There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare at the national and the state levels. Legislation has been passed that includes cost controls on healthcare providers, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of these provisions are and will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Medical Center.

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

13. Commitments and Contingencies, Continued

Litigation

The Medical Center is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, administration is of the opinion that the professional and workers' compensation liability, if any, resulting therefrom will be covered by the Medical Center self-insurance fund.

Malpractice Self-Insurance

The Medical Center has a self-insurance program under which a trust fund was created to be used only for the limited purposes specified. These purposes include, but are not limited to, the payment of such sums as the Medical Center shall become legally obligated to pay any claim up to \$8 million and \$10 million in aggregate for damages resulting from operations.

Additionally, payment is restricted to expenses incurred in connection with an investigation, adjustment settlement, or defense of any claim or suit against the Medical Center, an officer, director, member or trustee of the Medical Center. The management of the trust fund is the responsibility of a bank, functioning as an independent fiduciary.

Malpractice claims in excess of the self-insurance retention limits are insured with commercial insurance carriers on a claims-made basis. The Medical Center's policy provides \$30 million in excess limits above the self-insurance retention.

15. Rural Hospital Tax Credit

The State of Georgia (State) passed legislation which allows individuals or Medical Centers to receive a State tax credit for making a contribution to certain qualified rural hospital organizations. The Medical Center submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program for calendar year 2020 and 2021. It is the Medical Center's policy to use these funds to offset the costs of uncompensated care. Contributions received under the program approximated \$2,086,000 and \$1,632,000 during the Medical Center's fiscal years 2021 and 2020, respectively, and are included in other operating revenue on the consolidated statements of revenue and support, expenses and changes in net assets.

16. Liquidity and Availability

As of September 30, 2021 and 2020, the Medical Center has a working capital of approximately \$87,770,000 and \$82,726,000 and average days (based on normal expenditures) cash on hand of 62 and 157 days, respectively.

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

16. Liquidity and Availability, Continued

Financial assets available for general expenditures within one year of the balance sheet date, consists of the following at September 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 65,535,802	\$ 152,297,042
Patient accounts receivable, net	57,179,613	50,033,270
Estimated third-party payor settlements	535,610	2,245,767
Long-term investments	404,915,122	278,725,133
Less: Conditional CARES Act advances	<u>(1,075,128)</u>	<u>(39,289,203)</u>
 Total financial assets available	 <u>\$ 527,091,019</u>	 <u>\$ 444,012,009</u>

CARES Act advances restricted for healthcare-related expense or lost revenue attributable to COVID-19 are excluded from table above.

No other financial assets available are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Medical Center has other assets whose use is limited for self-insurance, capital acquisition, and for donor restricted purposes. These assets whose use is limited are not available for general expenditure within the next year and are not reflected in the amounts above. In addition, the Foundation has designated assets that could be made available if necessary not reflected in the amounts above as of September 30, 2021 and 2020 of \$120,645,239 and \$100,941,575, respectively. The Medical Center structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

17. Coronavirus (COVID-19)

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The outbreak has put an unprecedented strain on the U.S. healthcare system, disrupted or delayed production and delivery of materials and products in the supply chain, and caused staffing shortages. The extent of the impact of COVID-19 on the Medical Center's operational and financial performance depends on certain developments, including the duration and spread of the outbreak, remedial actions and stimulus measures adopted by local and federal governments, and impact on the Medical Center's customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Medical Center's financial position or results of operations is uncertain.

On March 27, 2020, the President signed the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

17. Coronavirus (COVID-19), Continued

struggling to keep their doors open due to healthy patients delaying care and canceling elective services. On April 24, 2020, the *Paycheck Protection Program and Health Care Enhancement Act* was passed. This Act provides additional funding to replenish and supplement key programs under the CARES Act, including funds to health care providers for COVID-19 testing.

The Medical Center has received the following program funding:

- \$30 Billion General Distribution (1st round) - On April 10, 2020, HHS distributed \$30 billion to nearly 320,000 Medicare fee-for-service providers based on their portion of 2019 Medicare fee-for-service payments. The Medical Center received approximately \$6,300,000 in funding from this distribution.
- \$20 Billion General Distribution (2nd round) - On April 24, 2020, HHS distributed \$20 billion to Medicare fee-for-service providers based on revenues from cost report data or revenue submissions. The Medical Center received approximately \$1,300,000 in funding from this distribution. A supplemental distribution of approximately \$496,000 was distributed on June 19, 2020 as part of the 2nd round.
- \$10 Billion Rural Distribution - On May 6, 2020, HHS distributed \$10 billion to almost 4,000 rural health care providers including hospitals, health clinics, and health centers. The Medical Center received \$18,600,000 in funding from this distribution.
- \$4.9 Billion Allocation for Skilled Nursing Facilities (SNFs) - On May 22, 2020, HHS distributed \$4.9 billion to over 13,000 certified SNFs based on a fixed payment of \$50,000 plus \$2,500 per certified bed. The Medical Center received \$650,000 in funding from this distribution.
- \$10 Billion High-Impact Distribution (2nd round) - On July 17, 2020, HHS distributed \$10 billion to hospitals with over 160 COVID-19 admissions between January 1, 2020 and June 10, 2020, one admission per day, or a disproportionate intensity of COVID admissions. The Medical Center received \$11,550,000 in funding from this distribution.
- \$2.5 Billion Allocation for Nursing Homes - On August 27, 2020, HHS distributed \$2.5 billion to nursing homes to support increasing testing, staffing, and PPP needs. The Medical Center received \$339,000 in funding from this distribution.
- \$225 Million for COVID-19 Testing - On May 20, 2020 and July 31, 2020, HHS distributed \$225 million to over 4,500 rural health clinics (RHCs) based on a fixed payment of \$49,461 per RHC. The Medical Center received approximately \$201,000 in funding from this distribution.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

17. Coronavirus (COVID-19), Continued

- COVID-19 Testing and Treatment of Uninsured Patients - Health Resources and Services Administration (HRSA) is providing claims reimbursement for the testing and treatment of uninsured COVID-19 patients on or after February 4, 2020. The Medical Center received approximately \$450,000 and \$627,000 in funding from this program for the years ended September 31, 2021 and 2020, respectively.
- \$24.5 Billion General Distribution (Phase 3) - On October 1, 2020, HHS announced additional funding for which eligible providers could apply based on changes in operating revenues and additional operating expenses caused by the coronavirus. HHS began distributing these additional payments on December 16, 2020. The Medical Center received approximately \$363,000 in funding from this distribution.
- Nursing Home Infection Distribution - HHS allocated \$10 billion from the PRF directly to nursing homes through two channels: (1) a distribution to skilled nursing facilities for lost revenue and expenses related to preventing, preparing for, and responding to COVID-19; and (2) the Nursing Home Infection Control Distribution, for improving infection control practices and reducing rates of COVID-19 infection. During the months of November 2020 through February 2021, the Medical Center received approximately \$203,000.
- \$5 Million Rural Hospital Stabilization Operational Support Grant - The State of Georgia appropriated \$5 million for rural hospital stabilization grants and for additional emergency preparedness expenses. The grant was distributed based on data collected specific to COVID-19 inpatient admissions. The Medical Center received approximately \$180,000 in funding from this grant.
- \$78 Million State of Georgia CARES Act Coronavirus Relief Funds Grant - October 2020, The State of Georgia made available \$78 million to nursing centers across the state to meet current federal testing requirements. The Medical Center received approximately \$438,000 in funding from this grant for its nursing homes.

In addition, the CARES Act did the following:

- Sequestration - Suspended the Medicare sequestration payment adjustment, which reduces payments to providers by 2%, for the period May 1, 2020 through December 31, 2020 and extended to March 31, 2022 with subsequent legislation. Beginning April 1, 2022, the suspension is phased out through June 30, 2022.
- Medicare Add-on for Inpatient Hospital COVID-19 Patients - Increased the Medicare payment for hospital patients admitted with COVID-19 by 20%.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2021 and 2020

17. Coronavirus (COVID-19), Continued

On March 11, 2021, the American Rescue Plan Act (ARPA) was passed. This Act provides additional financial assistance for state and local governments, education, housing, food assistance, and additional grants programs. The Medical Center received the following program funding related to this Act:

- \$425 Million Rural Health Clinic Distribution - On June 10, 2021, HHS distributed \$425 million to over 4,200 RHC's for COVID-19 testing and mitigation based on a fixed payment of \$100,000 per RHC. The Medical Center received approximately \$300,000 in funding from this distribution.
- \$398 Million Small Rural Hospital Improvement Program (SHIP) Grant - July 2021, HHS appropriated approximately \$13.4 million to the State of Georgia Department of Community Health, State Office of Rural Health to disburse to 52 rural hospitals in Georgia for COVID-19 testing and mitigation. The Medical Center received approximately \$775,000 in funding from this distribution.

The CARES Act and ARPA funding is a conditional contribution and accounted for as a refundable advance until conditions have been substantially met or explicitly waived by the grantor. Because the use of the funds is limited to the purposes stated in the terms and conditions, the contributions are grantor restricted. The Medical Center reports restricted contributions, whose restrictions are met in the same period in which they are recognized (simultaneous release), as net assets without donor restrictions. Recognized revenue is reported as other operating revenue in the statements of revenue and support, expenses and changes in net assets. The Medical Center recognized approximately \$39,745,000 and \$0 in grant stimulus funding in fiscal years 2021 and 2020.

CARES Act and ARPA funding may be subject to audits. While the Medical Center currently believes its use of the funds is in compliance with applicable terms and conditions, there is a possibility payments could be recouped based on changes in reporting requirements or audit results.

The State of Georgia utilized Coronavirus Relief Fund monies to pay for and provide medical staffing to the Medical Center to assist with the COVID-19 pandemic. The amounts paid on behalf of the Medical Center approximated \$1,101,000 and \$207,000 for the years ended September 30, 2021 and 2020, respectively. These services were provided by individuals with specialized skills and would have been purchased if not provided. Therefore, these amounts qualify as contributed services and are included in other revenue and purchased services in the consolidated statements of revenue and support, expenses and changes in net assets.

The CARES Act also expanded the existing Medicare Accelerated and Advance Payment Program by allowing qualifying providers to receive an advanced Medicare payment. The advance payment will have to be repaid. Recoupment begins one year after the date of receipt of the advance payment with a rate of 25% for the first eleven months of repayment, and 50% for the six months afterward. Hospitals then have up to 29 months after recoupment to pay back the funds in full before interest with a rate 4% would begin to accrue. In April 2020, the Medical Center received approximately \$36,900,000 in advanced payments. During 2021, the Medical Center repaid approximately \$36,900,000.



INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATING INFORMATION

Board of Trustees
Archbold Medical Center, Inc. and Subsidiaries
Thomasville, Georgia

We have audited the consolidated financial statements of Archbold Medical Center, Inc. and Subsidiaries as of and for the years ended September 30, 2021 and 2020, and our report thereon dated January 20, 2022, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information included in this report on pages 46 to 57, inclusive, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities, and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position and results of operations of the individual entities.

The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statement as a whole.

Draffin & Tucker, LLP

Albany, Georgia
January 20, 2022

Let's Think Together.®

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING BALANCE SHEET
September 30, 2021

	John D. Archbold Memorial Hospital	Brooks County Hospital	Grady General Hospital	Mitchell County Hospital	Balance	EJE's	John D. Archbold Memorial Hospital, Inc.
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 61,488,168	\$ 51,539	\$ -	\$ 240,237	\$ 61,779,944	\$ -	\$ 61,779,944
Patient accounts receivable, net	39,381,716	899,048	3,996,470	7,699,297	51,976,531	-	51,976,531
Due from related parties	4,184,232	-	528,991	-	4,713,223	(528,991)	4,184,232
Estimated third-party payor settlements	273,472	-	262,138	-	535,610	-	535,610
Supplies, at lower of cost and net realizable value	3,226,494	81,265	205,071	181,926	3,694,756	-	3,694,756
Other current assets	7,696,813	72,504	331,199	223,395	8,323,911	-	8,323,911
Total current assets	116,250,895	1,104,356	5,323,869	8,344,855	131,023,975	(528,991)	130,494,984
Assets limited as to use:							
By lease for capital acquisition	-	-	46,418,758	-	46,418,758	-	46,418,758
Restricted by donors	2,671,134	-	-	-	2,671,134	-	2,671,134
Noncurrent assets limited as to use	2,671,134	-	46,418,758	-	49,089,892	-	49,089,892
Property and equipment, net	190,056,162	1,734,503	9,831,085	6,734,918	208,356,668	-	208,356,668
Other assets:							
Long-term investments	392,137,950	-	-	-	392,137,950	-	392,137,950
Due from related parties, net of current portion	204,609,524	-	-	-	204,609,524	(16,380,966)	188,228,558
Investments in unconsolidated companies	1,216,849	-	-	-	1,216,849	-	1,216,849
Other noncurrent assets	1,734,686	7,350	477,985	95,184	2,315,205	-	2,315,205
Total other assets	599,699,009	7,350	477,985	95,184	600,279,528	(16,380,966)	583,898,562
Total assets	\$ 908,677,200	\$ 2,846,209	\$ 62,051,697	\$ 15,174,957	\$ 988,750,063	\$ (16,909,957)	\$ 971,840,106

Continued

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING BALANCE SHEET, Continued
September 30, 2021

	John D. Archbold Memorial Hospital	Brooks County Hospital	Grady General Hospital	Mitchell County Hospital	Balance	EJE's	John D. Archbold Memorial Hospital, Inc.
LIABILITIES AND NET ASSETS							
Current liabilities:							
Current portion of long-term debt	\$ 6,100,000	\$ -	\$ -	\$ -	\$ 6,100,000	\$ -	\$ 6,100,000
Accounts payable	6,680,271	77,713	212,302	408,783	7,379,069	-	7,379,069
Due to related parties	21,852,356	-	-	2,102,834	23,955,190	(528,991)	23,426,199
Estimated third-party payor settlements	2,013,699	652,293	442,967	454,453	3,563,412	-	3,563,412
Accrued expenses	1,305,952	11,406	405	372,363	1,690,126	-	1,690,126
Medicare advance payments	-	-	-	-	-	-	-
CARES Act advance	-	258,376	258,376	558,376	1,075,128	-	1,075,128
Total current liabilities	37,952,278	999,788	914,050	3,896,809	43,762,925	(528,991)	43,233,934
Accrued malpractice and general, net of current portion	-	-	-	-	-	-	-
Long-term liabilities:							
Due to related parties	-	16,380,966	-	-	16,380,966	(16,380,966)	-
Long-term debt, net of current portion	140,358,319	-	-	-	140,358,319	-	140,358,319
Total long-term liabilities	140,358,319	16,380,966	-	-	156,739,285	(16,380,966)	140,358,319
Total liabilities	178,310,597	17,380,754	914,050	3,896,809	200,502,210	(16,909,957)	183,592,253
Net assets:							
Net assets (deficit) without donor restrictions	727,695,469	(14,534,545)	61,137,647	11,278,148	785,576,719	-	785,576,719
Net assets with donor restrictions	2,671,134	-	-	-	2,671,134	-	2,671,134
Total net assets	730,366,603	(14,534,545)	61,137,647	11,278,148	788,247,853	-	788,247,853
Total liabilities and net assets	\$ 908,677,200	\$ 2,846,209	\$ 62,051,697	\$ 15,174,957	\$ 988,750,063	\$ (16,909,957)	\$ 971,840,106

See accompanying independent auditor's report on consolidating information.

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING BALANCE SHEET
September 30, 2020

	John D. Archbold Memorial Hospital	Brooks County Hospital	Grady General Hospital	Mitchell County Hospital	Balance	EJE's	John D. Archbold Memorial Hospital, Inc.
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 148,266,662	\$ 56,834	\$ -	\$ 225,658	\$ 148,549,154	\$ -	\$ 148,549,154
Patient accounts receivable, net	38,738,246	632,876	3,235,802	3,031,208	45,638,132	-	45,638,132
Due from related parties	597,874	-	5,585,054	6,755,294	12,938,222	(12,340,348)	597,874
Estimated third-party payor settlements	1,094,877	1,150,890	-	-	2,245,767	-	2,245,767
Supplies, at lower of cost and net realizable value	3,080,607	72,137	240,808	161,765	3,555,317	-	3,555,317
Other current assets	6,527,633	30,829	228,567	232,811	7,019,840	-	7,019,840
Total current assets	198,305,899	1,943,566	9,290,231	10,406,736	219,946,432	(12,340,348)	207,606,084
Assets limited as to use:							
By lease for capital acquisition	-	-	42,080,780	-	42,080,780	-	42,080,780
Restricted by donors	2,190,524	-	-	-	2,190,524	-	2,190,524
Noncurrent assets limited as to use	2,190,524	-	42,080,780	-	44,271,304	-	44,271,304
Property and equipment, net	190,296,883	1,910,516	9,142,795	6,908,521	208,258,715	-	208,258,715
Other assets:							
Long-term investments	263,225,562	-	-	-	263,225,562	-	263,225,562
Due from related parties, net of current portion	174,486,351	-	-	-	174,486,351	(12,351,421)	162,134,930
Investments in unconsolidated companies	1,216,849	-	-	-	1,216,849	-	1,216,849
Other noncurrent assets	1,973,625	12,600	210,394	79,700	2,276,319	-	2,276,319
Total other assets	440,902,387	12,600	210,394	79,700	441,205,081	(12,351,421)	428,853,660
Total assets	\$ 831,695,693	\$ 3,866,682	\$ 60,724,200	\$ 17,394,957	\$ 913,681,532	\$ (24,691,769)	\$ 888,989,763

Continued

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING BALANCE SHEET, Continued
September 30, 2020

	John D. Archbold Memorial Hospital	Brooks County Hospital	Grady General Hospital	Mitchell County Hospital	Balance	EJE's	John D. Archbold Memorial Hospital, Inc.
LIABILITIES AND NET ASSETS							
Current liabilities:							
Current portion of long-term debt	\$ 5,990,000	\$ -	\$ -	\$ -	\$ 5,990,000	\$ -	\$ 5,990,000
Accounts payable	6,277,893	72,282	294,885	453,828	7,098,888	-	7,098,888
Due to related parties	38,551,685	-	-	-	38,551,685	(12,340,348)	26,211,337
Estimated third-party payor settlements	4,454,955	1,315,263	577,207	527,830	6,875,255	-	6,875,255
Accrued expenses	761,618	28,716	33,965	348,234	1,172,533	-	1,172,533
Medicare advance payments	32,103,253	1,584,335	2,042,095	1,186,384	36,916,067	-	36,916,067
CARES Act advance	22,892,042	3,523,703	4,150,351	7,987,979	38,554,075	-	38,554,075
Total current liabilities	111,031,446	6,524,299	7,098,503	10,504,255	135,158,503	(12,340,348)	122,818,155
Accrued malpractice and general, net of current portion	-	-	-	-	-	-	-
Long-term liabilities:							
Due to related parties	-	12,351,421	-	-	12,351,421	(12,351,421)	-
Long-term debt, net of current portion	96,411,762	-	-	-	96,411,762	-	96,411,762
Total long-term liabilities	96,411,762	12,351,421	-	-	108,763,183	(12,351,421)	96,411,762
Total liabilities	207,443,208	18,875,720	7,098,503	10,504,255	243,921,686	(24,691,769)	219,229,917
Net assets:							
Net assets (deficit) without donor restrictions	622,061,961	(15,009,038)	53,625,697	6,890,702	667,569,322	-	667,569,322
Net assets with donor restrictions	2,190,524	-	-	-	2,190,524	-	2,190,524
Total net assets	624,252,485	(15,009,038)	53,625,697	6,890,702	669,759,846	-	669,759,846
Total liabilities and net assets	\$ 831,695,693	\$ 3,866,682	\$ 60,724,200	\$ 17,394,957	\$ 913,681,532	\$ (24,691,769)	\$ 888,989,763

See accompanying independent auditor's report on consolidating information.

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING STATEMENT OF REVENUE AND EXPENSES
September 30, 2021

	John D. Archbold Memorial Hospital	Brooks County Hospital	Grady General Hospital	Mitchell County Hospital	Balance	EJE's	John D. Archbold Memorial Hospital, Inc.
Revenues, gains and other support:							
Net patient service revenue	\$ 286,512,942	\$ 9,649,513	\$ 31,036,118	\$ 31,192,079	\$ 358,390,652	\$ -	\$ 358,390,652
Other operating revenue	4,286,949	493,483	158,364	735,940	5,674,736	-	5,674,736
CARES Act funding	27,205,176	1,523,703	4,150,351	5,877,358	38,756,588	-	38,756,588
Total revenues, gains and other support	318,005,067	11,666,699	35,344,833	37,805,377	402,821,976	-	402,821,976
Operating expenses:							
Salaries and wages	90,355,829	5,400,913	10,894,485	15,239,198	121,890,425	-	121,890,425
Employee health and welfare	23,471,852	1,324,777	2,560,359	4,014,884	31,371,872	-	31,371,872
Professional fees	34,176,935	1,316,414	5,003,008	4,529,269	45,025,626	-	45,025,626
Supplies and other	101,852,229	2,682,734	7,780,139	8,352,277	120,667,379	-	120,667,379
Depreciation	21,776,790	472,218	1,489,334	1,485,116	25,223,458	-	25,223,458
Interest and amortization	2,483,262	-	-	-	2,483,262	-	2,483,262
Total operating expenses	274,116,897	11,197,056	27,727,325	33,620,744	346,662,022	-	346,662,022
Operating income	43,888,170	469,643	7,617,508	4,184,633	56,159,954	-	56,159,954
Nonoperating income (loss):							
Investment income and other	59,078,685	4,850	1,161,270	11,897	60,256,702	-	60,256,702
Loss on disposal of assets and other	(11,402)	-	414	(84)	(11,072)	-	(11,072)
Total nonoperating income	59,067,283	4,850	1,161,684	11,813	60,245,630	-	60,245,630
Excess revenues	\$ 102,955,453	\$ 474,493	\$ 8,779,192	\$ 4,196,446	\$ 116,405,584	\$ -	\$ 116,405,584

See accompanying independent auditor's report on consolidating information.

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING STATEMENT OF REVENUE AND EXPENSES
September 30, 2020

	John D. Archbold Memorial Hospital	Brooks County Hospital	Grady General Hospital	Mitchell County Hospital	Balance	EJE's	John D. Archbold Memorial Hospital, Inc.
Revenues, gains and other support:							
Net patient service revenue	\$ 268,037,211	\$ 9,401,783	\$ 24,467,743	\$ 28,416,117	\$ 330,322,854	\$ -	\$ 330,322,854
Other operating revenue	<u>3,629,550</u>	<u>341,303</u>	<u>285,499</u>	<u>372,529</u>	<u>4,628,881</u>	<u>-</u>	<u>4,628,881</u>
Total revenues, gains and other support	<u>271,666,761</u>	<u>9,743,086</u>	<u>24,753,242</u>	<u>28,788,646</u>	<u>334,951,735</u>	<u>-</u>	<u>334,951,735</u>
Operating expenses:							
Salaries and wages	86,573,825	5,351,606	10,114,248	14,259,876	116,299,555	-	116,299,555
Employee health and welfare	23,983,784	1,348,360	2,479,666	3,963,021	31,774,831	-	31,774,831
Professional fees	31,289,034	945,394	4,768,818	4,123,227	41,126,473	-	41,126,473
Supplies and other	90,844,698	2,507,952	7,001,848	7,492,966	107,847,464	-	107,847,464
Depreciation	21,355,987	508,920	1,517,615	1,404,551	24,787,073	-	24,787,073
Interest and amortization	<u>2,748,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,748,988</u>	<u>-</u>	<u>2,748,988</u>
Total operating expenses	<u>256,796,316</u>	<u>10,662,232</u>	<u>25,882,195</u>	<u>31,243,641</u>	<u>324,584,384</u>	<u>-</u>	<u>324,584,384</u>
Operating income (loss)	<u>14,870,445</u>	<u>(919,146)</u>	<u>(1,128,953)</u>	<u>(2,454,995)</u>	<u>10,367,351</u>	<u>-</u>	<u>10,367,351</u>
Nonoperating income (loss):							
Investment income (loss) and other	24,700,447	1,507	1,701,561	4,022	26,407,537	-	26,407,537
Loss on disposal of assets and other	(5,064)	(64,155)	(42,928)	-	(112,147)	-	(112,147)
Gain on sale of dialysis centers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total nonoperating income	<u>24,695,383</u>	<u>(62,648)</u>	<u>1,658,633</u>	<u>4,022</u>	<u>26,295,390</u>	<u>-</u>	<u>26,295,390</u>
Excess revenues (expenses)	<u>\$ 39,565,828</u>	<u>\$ (981,794)</u>	<u>\$ 529,680</u>	<u>\$ (2,450,973)</u>	<u>\$ 36,662,741</u>	<u>\$ -</u>	<u>\$ 36,662,741</u>

See accompanying independent auditor's report on consolidating information.

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
September 30, 2021

	John D. Archbold Memorial Hospital, Inc.	Archbold Medical Center	Archbold Health Services, Inc.	Archbold Medical Enterprises, Inc.	Archbold Medical Group, Inc.	Archbold Foundation, Inc.	Archbold Self Insurance Trust Fund	Balance	EJE's	Archbold Medical Center, Inc.
ASSETS										
Current assets:										
Cash and cash equivalents	\$ 61,779,944	\$ -	\$ 3,491,326	\$ -	\$ 264,532	\$ -	\$ -	\$ 65,535,802	\$ -	\$ 65,535,802
Assets limited as to use	-	-	-	-	-	-	7,194,768	7,194,768	-	7,194,768
Patient accounts receivable, net	51,976,531	-	2,638,398	-	2,564,684	-	-	57,179,613	-	57,179,613
Due from related parties	4,184,232	23,878,940	-	-	-	-	-	28,063,172	(28,063,172)	-
Estimated third-party payor settlements	535,610	-	-	-	-	-	-	535,610	-	535,610
Supplies, at lower of cost and net realizable value	3,694,756	-	726,866	-	-	-	-	4,421,622	-	4,421,622
Other current assets	8,323,911	-	62,825	-	1,224,484	-	2,299,047	11,910,267	(1)	11,910,266
Total current assets	<u>130,494,984</u>	<u>23,878,940</u>	<u>6,919,415</u>	<u>-</u>	<u>4,053,700</u>	<u>-</u>	<u>9,493,815</u>	<u>174,840,854</u>	<u>(28,063,173)</u>	<u>146,777,681</u>
Assets limited as to use:										
By lease for capital acquisition	46,418,758	-	-	-	-	-	-	46,418,758	-	46,418,758
Under trust agreement for self-insurance claims	-	-	-	-	-	-	72,041,360	72,041,360	-	72,041,360
Archbold Foundation, Inc.	-	-	-	-	-	120,664,373	-	120,664,373	(19,134)	120,645,239
Restricted by donors	2,671,134	-	-	-	-	-	-	2,671,134	-	2,671,134
Noncurrent assets limited as to use	<u>49,089,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,664,373</u>	<u>72,041,360</u>	<u>241,795,625</u>	<u>(19,134)</u>	<u>241,776,491</u>
Property and equipment, net	<u>208,356,668</u>	<u>-</u>	<u>1,221,132</u>	<u>-</u>	<u>1,784,511</u>	<u>-</u>	<u>-</u>	<u>211,362,311</u>	<u>19,133</u>	<u>211,381,444</u>
Other assets:										
Long-term investments	392,137,950	3,489,419	9,287,753	-	-	-	-	404,915,122	-	404,915,122
Due from related parties, net of current portion	188,228,558	-	-	-	-	-	-	188,228,558	(188,228,558)	-
Investments in unconsolidated companies	1,216,849	278,284	-	-	-	-	-	1,495,133	-	1,495,133
Other noncurrent assets	2,315,205	-	-	-	639,337	-	-	2,954,542	(1)	2,954,541
Total other assets	<u>583,898,562</u>	<u>3,767,703</u>	<u>9,287,753</u>	<u>-</u>	<u>639,337</u>	<u>-</u>	<u>-</u>	<u>597,593,355</u>	<u>(188,228,559)</u>	<u>409,364,796</u>
Total assets	<u>\$ 971,840,106</u>	<u>\$ 27,646,643</u>	<u>\$ 17,428,300</u>	<u>\$ -</u>	<u>\$ 6,477,548</u>	<u>\$ 120,664,373</u>	<u>\$ 81,535,175</u>	<u>\$ 1,225,592,145</u>	<u>\$ (216,291,733)</u>	<u>\$ 1,009,300,412</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET, Continued
September 30, 2021

	John D. Archbold Memorial Hospital, Inc.	Archbold Medical Center	Archbold Health Services, Inc.	Archbold Medical Enterprises, Inc.	Archbold Medical Group, Inc.	Archbold Foundation, Inc.	Archbold Self Insurance Trust Fund	Balance	EJE's	Archbold Medical Center, Inc.
LIABILITIES AND NET ASSETS										
Current liabilities:										
Current portion of long-term debt	\$ 6,100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,100,000	\$ -	\$ 6,100,000
Accounts payable	7,379,069	6,784,153	329,229	-	890,861	-	-	15,383,312	-	15,383,312
Due to related parties	23,426,199	-	2,530,903	24,672	-	1,526,569	554,829	28,063,172	(28,063,172)	-
Estimated third-party payor settlements	3,563,412	-	-	-	-	-	-	3,563,412	(1)	3,563,411
Accrued expenses	1,690,126	20,859,405	1,248,928	-	1,864,298	27,940	7,194,768	32,885,465	(3)	32,885,462
Medicare advance payments	-	-	-	-	-	-	-	-	-	-
CARES Act advance	1,075,128	-	-	-	-	-	-	1,075,128	-	1,075,128
Total current liabilities	<u>43,233,934</u>	<u>27,643,558</u>	<u>4,109,060</u>	<u>24,672</u>	<u>2,755,159</u>	<u>1,554,509</u>	<u>7,749,597</u>	<u>87,070,489</u>	<u>(28,063,176)</u>	<u>59,007,313</u>
Accrued malpractice and general, net of current portion	-	-	-	-	-	-	14,249,234	14,249,234	-	14,249,234
Long-term liabilities:										
Due to related parties	-	-	-	-	188,228,558	-	-	188,228,558	(188,228,558)	-
Long-term debt, net of current portion	<u>140,358,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,358,319</u>	<u>-</u>	<u>140,358,319</u>
Total long-term liabilities	<u>140,358,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,228,558</u>	<u>-</u>	<u>-</u>	<u>328,586,877</u>	<u>(188,228,558)</u>	<u>140,358,319</u>
Total liabilities	<u>183,592,253</u>	<u>27,643,558</u>	<u>4,109,060</u>	<u>24,672</u>	<u>190,983,717</u>	<u>1,554,509</u>	<u>21,998,831</u>	<u>429,906,600</u>	<u>(216,291,734)</u>	<u>213,614,866</u>
Net assets:										
Net assets (deficit) without donor restrictions	785,576,719	3,085	13,319,240	(24,672)	(184,506,169)	119,109,864	59,536,344	793,014,411	1	793,014,412
Net assets with donor restrictions	<u>2,671,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,671,134</u>	<u>-</u>	<u>2,671,134</u>
Total net assets	<u>788,247,853</u>	<u>3,085</u>	<u>13,319,240</u>	<u>(24,672)</u>	<u>(184,506,169)</u>	<u>119,109,864</u>	<u>59,536,344</u>	<u>795,685,545</u>	<u>1</u>	<u>795,685,546</u>
Total liabilities and net assets	<u>\$ 971,840,106</u>	<u>\$ 27,646,643</u>	<u>\$ 17,428,300</u>	<u>\$ -</u>	<u>\$ 6,477,548</u>	<u>\$ 120,664,373</u>	<u>\$ 81,535,175</u>	<u>\$ 1,225,592,145</u>	<u>\$ (216,291,733)</u>	<u>\$ 1,009,300,412</u>

See accompanying independent auditor's report on consolidating information.

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
September 30, 2020

	John D. Archbold Memorial Hospital, Inc.	Archbold Medical Center	Archbold Health Services, Inc.	Archbold Medical Enterprises, Inc.	Archbold Medical Group, Inc.	Archbold Foundation, Inc.	Archbold Self Insurance Trust Fund	Balance	EJE's	Archbold Medical Center, Inc.
ASSETS										
Current assets:										
Cash and cash equivalents	\$ 148,549,154	\$ -	\$ 3,503,984	\$ -	\$ 243,904	\$ -	\$ -	\$ 152,297,042	\$ -	\$ 152,297,042
Assets limited as to use	-	-	-	-	-	-	6,236,401	6,236,401	-	6,236,401
Patient accounts receivable, net	45,638,132	-	2,154,092	-	2,241,046	-	-	50,033,270	-	50,033,270
Due from related parties	597,874	28,317,903	-	-	-	-	-	28,915,777	(28,915,777)	-
Estimated third-party payor settlements	2,245,767	-	-	-	-	-	-	2,245,767	-	2,245,767
Supplies, at lower of cost and net realizable value	3,555,317	-	883,614	-	-	-	-	4,438,931	-	4,438,931
Other current assets	7,019,840	-	80,993	-	646,517	-	2,376,441	10,123,791	-	10,123,791
Total current assets	207,606,084	28,317,903	6,622,683	-	3,131,467	-	8,612,842	254,290,979	(28,915,777)	225,375,202
Assets limited as to use:										
By lease for capital acquisition	42,080,780	-	-	-	-	-	-	42,080,780	-	42,080,780
Under trust agreement for self-insurance claims	-	-	-	-	-	-	56,647,436	56,647,436	-	56,647,436
Archbold Foundation, Inc.	-	-	-	-	-	100,967,329	-	100,967,329	(25,754)	100,941,575
Restricted by donors	2,190,524	-	-	-	-	-	-	2,190,524	-	2,190,524
Noncurrent assets limited as to use	44,271,304	-	-	-	-	100,967,329	56,647,436	201,886,069	(25,754)	201,860,315
Property and equipment, net	208,258,715	-	1,293,768	-	1,605,821	-	-	211,158,304	25,754	211,184,058
Other assets:										
Long-term investments	263,225,562	6,043,520	9,456,051	-	-	-	-	278,725,133	-	278,725,133
Due from related parties, net of current portion	162,134,930	-	-	-	-	-	-	162,134,930	(162,134,930)	-
Investments in unconsolidated companies	1,216,849	278,284	-	-	-	-	-	1,495,133	-	1,495,133
Other noncurrent assets	2,276,319	-	-	-	362,471	-	-	2,638,790	-	2,638,790
Total other assets	428,853,660	6,321,804	9,456,051	-	362,471	-	-	444,993,986	(162,134,930)	282,859,056
Total assets	\$ 888,989,763	\$ 34,639,707	\$ 17,372,502	\$ -	\$ 5,099,759	\$ 100,967,329	\$ 65,260,278	\$ 1,112,329,338	\$ (191,050,707)	\$ 921,278,631

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET, Continued
September 30, 2020

	John D. Archbold Memorial Hospital, Inc.	Archbold Medical Center	Archbold Health Services, Inc.	Archbold Medical Enterprises, Inc.	Archbold Medical Group, Inc.	Archbold Foundation, Inc.	Archbold Self Insurance Trust Fund	Balance	EJE's	Archbold Medical Center, Inc.
LIABILITIES AND NET ASSETS										
Current liabilities:										
Current portion of long-term debt	\$ 5,990,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,990,000	\$ -	\$ 5,990,000
Accounts payable	7,098,888	5,530,232	343,141	-	669,162	-	-	13,641,423	-	13,641,423
Due to related parties	26,211,337	-	2,081,894	-	-	572,609	25,264	28,891,104	(28,891,104)	-
Estimated third-party payor settlements	6,875,255	-	-	-	-	-	-	6,875,255	-	6,875,255
Accrued expenses	1,172,533	29,106,362	1,102,038	-	2,307,168	27,665	6,236,401	39,952,167	-	39,952,167
Medicare advance payments	36,916,067	-	-	-	-	-	-	36,916,067	-	36,916,067
CARES Act advance	38,554,075	-	383,293	-	336,530	-	-	39,273,898	-	39,273,898
Total current liabilities	<u>122,818,155</u>	<u>34,636,594</u>	<u>3,910,366</u>	<u>-</u>	<u>3,312,860</u>	<u>600,274</u>	<u>6,261,665</u>	<u>171,539,914</u>	<u>(28,891,104)</u>	<u>142,648,810</u>
Accrued malpractice and general, net of current portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,643,474</u>	<u>13,643,474</u>	<u>-</u>	<u>13,643,474</u>
Long-term liabilities:										
Due to related parties	-	-	-	24,672	162,134,931	-	-	162,159,603	(162,159,603)	-
Long-term debt, net of current portion	<u>96,411,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,411,762</u>	<u>-</u>	<u>96,411,762</u>
Total long-term liabilities	<u>96,411,762</u>	<u>-</u>	<u>-</u>	<u>24,672</u>	<u>162,134,931</u>	<u>-</u>	<u>-</u>	<u>258,571,365</u>	<u>(162,159,603)</u>	<u>96,411,762</u>
Total liabilities	<u>219,229,917</u>	<u>34,636,594</u>	<u>3,910,366</u>	<u>24,672</u>	<u>165,447,791</u>	<u>600,274</u>	<u>19,905,139</u>	<u>443,754,753</u>	<u>(191,050,707)</u>	<u>252,704,046</u>
Net assets:										
Net assets (deficit) without donor restrictions	667,569,322	3,113	13,462,136	(24,672)	(160,348,032)	100,367,055	45,355,139	666,384,061	-	666,384,061
Net assets with donor restrictions	<u>2,190,524</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,190,524</u>	<u>-</u>	<u>2,190,524</u>
Total net assets	<u>669,759,846</u>	<u>3,113</u>	<u>13,462,136</u>	<u>(24,672)</u>	<u>(160,348,032)</u>	<u>100,367,055</u>	<u>45,355,139</u>	<u>668,574,585</u>	<u>-</u>	<u>668,574,585</u>
Total liabilities and net assets	<u>\$ 888,989,763</u>	<u>\$ 34,639,707</u>	<u>\$ 17,372,502</u>	<u>\$ -</u>	<u>\$ 5,099,759</u>	<u>\$ 100,967,329</u>	<u>\$ 65,260,278</u>	<u>\$ 1,112,329,338</u>	<u>\$ (191,050,707)</u>	<u>\$ 921,278,631</u>

See accompanying independent auditor's report on consolidating information.

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF REVENUE AND EXPENSES
September 30, 2021

	John D. Archbold Memorial Hospital, Inc.	Archbold Medical Center	Archbold Health Services, Inc.	Archbold Medical Enterprises, Inc.	Archbold Medical Group, Inc.	Archbold Foundation, Inc.	Archbold Self Insurance Trust Fund	Balance	EJE's	Archbold Medical Center, Inc.
Revenues, gains and other support:										
Net patient service revenue	\$ 358,390,652	\$ -	\$ 22,853,362	\$ -	\$ 20,541,525	\$ -	\$ -	\$ 401,785,539	\$ -	\$ 401,785,539
Other operating revenue	5,674,736	-	3,155	-	800,032	-	-	6,477,923	135	6,478,058
CARES Act funding	38,756,588	-	383,293	-	605,210	-	-	39,745,091	1	39,745,092
Total revenues, gains and other support	402,821,976	-	23,239,810	-	21,946,767	-	-	448,008,553	136	448,008,689
Operating expenses:										
Salaries and wages	121,890,425	13,873,672	7,773,248	-	22,909,013	297,617	-	166,743,975	(13,624,666)	153,119,309
Employee health and welfare	31,371,872	3,816,405	1,768,027	-	3,407,132	7,425	-	40,370,861	(3,783,929)	36,586,932
Professional fees	45,025,626	-	308,709	-	16,073,523	-	-	61,407,858	(1,805,228)	59,602,630
Supplies and other	120,667,379	(17,690,050)	12,890,209	-	2,832,868	5,607,121	(1,874,972)	122,432,555	13,301,655	135,734,210
Depreciation	25,223,458	-	606,632	-	882,368	6,621	-	26,719,079	(6,621)	26,712,458
Interest and amortization	2,483,262	-	-	-	-	-	-	2,483,262	-	2,483,262
Total operating expenses	346,662,022	27	23,346,825	-	46,104,904	5,918,784	(1,874,972)	420,157,590	(5,918,789)	414,238,801
Operating income (loss)	56,159,954	(27)	(107,015)	-	(24,158,137)	(5,918,784)	1,874,972	27,850,963	5,918,925	33,769,888
Nonoperating income (loss):										
Investment income and other	60,256,702	-	280,698	-	-	23,346,694	12,306,234	96,190,328	(23,346,694)	72,843,634
Archbold Foundation, Inc.	-	-	-	-	-	1,314,899	-	1,314,899	21,880,531	23,195,430
Loss on disposal of assets and other	(11,072)	-	-	-	-	-	-	(11,072)	-	(11,072)
Total nonoperating income	60,245,630	-	280,698	-	-	24,661,593	12,306,234	97,494,155	(1,466,163)	96,027,992
Excess revenues (expenses)	\$ 116,405,584	\$ (27)	\$ 173,683	\$ -	\$ (24,158,137)	\$ 18,742,809	\$ 14,181,206	\$ 125,345,118	\$ 4,452,762	\$ 129,797,880

See accompanying independent auditor's report on consolidating information.

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF REVENUE AND EXPENSES
September 30, 2020

	John D. Archbold Memorial Hospital, Inc.	Archbold Medical Center	Archbold Health Services, Inc.	Archbold Medical Enterprises, Inc.	Archbold Medical Group, Inc.	Archbold Foundation, Inc.	Archbold Self Insurance Trust Fund	Balance	EJE's	Archbold Medical Center, Inc.
Revenues, gains and other support:										
Net patient service revenue	\$ 330,322,854	\$ -	\$ 19,294,905	\$ -	\$ 17,467,920	\$ -	\$ -	\$ 367,085,679	\$ -	\$ 367,085,679
Other operating revenue	4,628,881	-	7,366	-	583,732	-	-	5,219,979	-	5,219,979
Total revenues, gains and other support	334,951,735	-	19,302,271	-	18,051,652	-	-	372,305,658	-	372,305,658
Operating expenses:										
Salaries and wages	116,299,555	13,006,509	7,138,877	-	20,898,899	281,609	-	157,625,449	(12,794,201)	144,831,248
Employee health and welfare	31,756,081	3,648,832	1,688,032	-	3,189,090	5,991	-	40,288,026	(3,621,468)	36,666,558
Professional fees	41,126,473	-	324,121	-	12,252,632	-	-	53,703,226	(2,324,021)	51,379,205
Supplies and other	107,866,214	(16,655,344)	9,304,521	-	3,443,842	785,057	(2,832,859)	101,911,431	17,667,033	119,578,464
Depreciation	24,787,073	-	601,673	-	855,881	11,815	-	26,256,442	(11,815)	26,244,627
Interest and amortization	2,748,988	-	-	-	-	-	-	2,748,988	-	2,748,988
Total operating expenses	324,584,384	(3)	19,057,224	-	40,640,344	1,084,472	(2,832,859)	382,533,562	(1,084,472)	381,449,090
Operating income	10,367,351	3	245,047	-	(22,588,692)	(1,084,472)	2,832,859	(10,227,904)	1,084,472	(9,143,432)
Nonoperating income (loss):										
Investment income (loss) and other	26,407,537	-	496,587	-	-	4,451,746	5,270,647	36,626,517	(4,451,746)	32,174,771
Archbold Foundation, Inc.	-	-	-	-	-	999,478	-	999,478	3,191,914	4,191,392
Loss on disposal of assets and other	(112,147)	-	-	-	-	-	-	(112,147)	-	(112,147)
Gain on sale of dialysis centers	-	-	-	-	-	-	-	-	-	-
Total nonoperating income	26,295,390	-	496,587	-	-	5,451,224	5,270,647	37,513,848	(1,259,832)	36,254,016
Excess revenues (expenses)	\$ 36,662,741	\$ 3	\$ 741,634	\$ -	\$ (22,588,692)	\$ 4,366,752	\$ 8,103,506	\$ 27,285,944	\$ (175,360)	\$ 27,110,584

See accompanying independent auditor's report on consolidating information.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Archbold Medical Center, Inc. and Subsidiaries
Thomasville, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Archbold Medical Center, Inc. and Subsidiaries (Medical Center) as of and for the year ended September 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated January 20, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Medical Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Continued

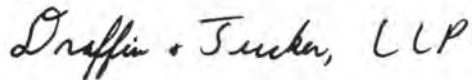
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Draffin + Tucker, LLP".

Albany, Georgia
January 20, 2022