

ARCHBOLD MEDICAL CENTER, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
for the years ended September 30, 2023 and 2022



Let's Think Together.®

ARCHBOLD MEDICAL CENTER, INC.
AND SUBSIDIARIES



CONSOLIDATED FINANCIAL STATEMENTS
for the years ended September 30, 2023 and 2022

CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-3
Consolidated Financial Statements:	
Balance Sheets	4-5
Statements of Revenue and Support, Expenses and Changes in Net Assets	6-7
Statements of Cash Flows	8-9
Notes to Consolidated Financial Statements	10-47
Consolidating Information:	
Independent Auditor's Report on Consolidating Information	48
Consolidating Balance Sheet - John D. Archbold Memorial Hospital, Inc. - 2023	49-50
Consolidating Balance Sheet - John D. Archbold Memorial Hospital, Inc. - 2022	51-52
Consolidating Statement of Revenue and Expenses - John D. Archbold Memorial Hospital, Inc. - 2023	53
Consolidating Statement of Revenue and Expenses - John D. Archbold Memorial Hospital, Inc. - 2022	54
Consolidating Balance Sheet - Archbold Medical Center, Inc. and Subsidiaries - 2023	55-56
Consolidating Balance Sheet - Archbold Medical Center, Inc. and Subsidiaries - 2022	57-58
Consolidating Statement of Revenue and Expenses - Archbold Medical Center, Inc. and Subsidiaries - 2023	59
Consolidating Statement of Revenue and Expenses - Archbold Medical Center, Inc. and Subsidiaries - 2022	60
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 <i>Government Auditing Standards</i>	61-62



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 2022, and 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.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Medical Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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. 2016-02, *Leases (Topic 842)* on October 1, 2022. Our opinion is not modified with respect to this matter.

Continued

Let's Think Together.®

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center's ability to continue as a going concern for a reasonable period of time.

Continued

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2024, 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 22, 2024

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
as of September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 47,615,829	\$ 69,111,754
Assets limited as to use	8,891,491	7,929,657
Patient accounts receivable, net	61,832,768	49,831,774
Estimated third-party payor settlements	1,094,828	185,670
Supplies, at lower of cost and net realizable value	4,763,538	4,778,376
Other current assets	<u>15,235,097</u>	<u>12,800,874</u>
Total current assets	<u>139,433,551</u>	<u>144,638,105</u>
Assets limited as to use:		
By lease for capital acquisition	9,751,781	30,097,986
Under trust agreement for self-insurance claims	83,746,196	71,376,663
Archbold Foundation, Inc.	105,999,652	99,367,227
Restricted by donors	<u>2,657,501</u>	<u>2,322,848</u>
	202,155,130	203,164,724
Less amount required to meet current obligations	<u>8,891,491</u>	<u>7,929,657</u>
Noncurrent assets limited as to use	<u>193,263,639</u>	<u>195,235,067</u>
Property and equipment, net	<u>235,518,474</u>	<u>223,148,985</u>
Other assets:		
Long-term investments	381,481,379	335,141,649
Investments in unconsolidated companies	2,372,037	2,351,511
Other noncurrent assets	3,830,604	3,674,513
Right-of-use asset-finance	515,465	-
Right-of-use asset-operating	<u>2,241,671</u>	<u>-</u>
Total other assets	<u>390,441,156</u>	<u>341,167,673</u>
Total assets	<u>\$ 958,656,820</u>	<u>\$ 904,189,830</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS, Continued
as of September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 9,815,000	\$ 9,610,000
Current portion of finance lease liabilities	163,370	-
Current portion of operating lease liabilities	1,004,284	-
Accounts payable	18,235,759	15,836,889
Estimated third-party payor settlements	2,445,905	3,098,805
Accrued expenses:		
Salaries and compensation	15,021,510	14,117,079
Employee benefits	9,456,293	9,099,344
Malpractice and general	8,891,491	7,929,657
Other	2,173,205	2,016,276
CARES Act and ARPA advances	-	457,610
Total current liabilities	<u>67,206,817</u>	<u>62,165,660</u>
Accrued malpractice and general, net of current portion	<u>11,576,083</u>	<u>12,446,138</u>
Long-term debt, net of current installments:		
Notes payable	43,100,000	46,600,000
Revenue certificates payable	<u>77,870,000</u>	<u>84,185,000</u>
Total long-term debt, net of current portion	<u>120,970,000</u>	<u>130,785,000</u>
Finance lease liabilities, net of current portion	<u>369,122</u>	<u>-</u>
Operating lease liabilities, net of current portion	<u>1,262,841</u>	<u>-</u>
Total liabilities	<u>201,384,863</u>	<u>205,396,798</u>
Net assets:		
Net assets without donor restrictions	754,614,456	696,470,184
Net assets with donor restrictions	<u>2,657,501</u>	<u>2,322,848</u>
Total net assets	<u>757,271,957</u>	<u>698,793,032</u>
Total liabilities and net assets	<u>\$ 958,656,820</u>	<u>\$ 904,189,830</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues, gains and other support:		
Net patient service revenue	\$ 446,731,021	\$ 407,898,283
Other operating revenue	7,088,863	6,094,603
CARES Act and ARPA funding (repayment)	<u>(89,135)</u>	<u>14,548,771</u>
Total revenues, gains and other support	<u>453,730,749</u>	<u>428,541,657</u>
Operating expenses:		
Salaries and wages	160,937,266	158,137,254
Employee health and welfare	37,536,124	37,491,745
Professional fees	74,022,513	71,250,927
Supplies and other	156,002,449	140,359,031
Depreciation	26,760,090	26,418,653
Interest and amortization	<u>3,618,634</u>	<u>3,156,103</u>
Total operating expenses	<u>458,877,076</u>	<u>436,813,713</u>
Operating loss	<u>(5,146,327)</u>	<u>(8,272,056)</u>
Nonoperating income (loss):		
Investment income (loss) and other	45,700,630	(59,862,955)
Archbold Foundation, Inc.	9,988,000	(18,140,762)
Gain (loss) on disposal of assets and other	52,051	(345,494)
Gain on the sale of business unit	<u>-</u>	<u>3,605,041</u>
Total nonoperating income (loss)	<u>55,740,681</u>	<u>(74,744,170)</u>
Excess revenues (expenses)	<u>\$ 50,594,354</u>	<u>\$ (83,016,226)</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions:		
Excess revenues (expenses)	\$ 50,594,354	\$ (83,016,226)
Change in net unrealized gains (losses) on investments	6,467,047	(13,714,120)
Contributions for purchase of property and equipment	<u>1,082,871</u>	<u>186,118</u>
Increase (decrease) in net assets without donor restrictions	<u>58,144,272</u>	<u>(96,544,228)</u>
Net assets with donor restrictions:		
Change in net realized and unrealized gains (losses) on investments	<u>334,653</u>	<u>(348,286)</u>
Increase (decrease) in net assets	58,478,925	(96,892,514)
Net assets, beginning of year	<u>698,793,032</u>	<u>795,685,546</u>
Net assets, end of year	<u>\$ 757,271,957</u>	<u>\$ 698,793,032</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 58,478,925	\$ (96,892,514)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(22,205,918)	108,621,033
Contributions for purchase of property and equipment	(1,082,871)	(186,118)
(Gain) loss on disposal of assets and other	(52,051)	345,494
Gain on sale of business unit	-	(3,605,041)
Net realized and unrealized (gains) losses on restricted investments	(334,653)	348,286
Depreciation	26,760,090	26,418,653
Amortization	-	36,681
Amortization of operating leases	1,012,164	-
Forgiveness of physician notes receivable	707,533	621,119
Changes in:		
Patient accounts receivable	(12,000,994)	7,347,839
Supplies and other current assets	(2,419,385)	(1,247,362)
Pledges receivable	641,910	300,610
Other noncurrent assets	(863,624)	(1,341,091)
Accounts payable	2,398,870	453,577
Accrued expenses	1,510,088	(1,495,081)
CARES Act advances	(457,610)	(617,518)
Estimated third-party payor settlements	(1,562,058)	(145,787)
Operating lease liabilities	(986,710)	-
	<u>49,543,706</u>	<u>38,962,780</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sale of PP&E	263,949	-
Capital expenditures	(39,171,508)	(38,531,688)
Proceeds from sale of business unit	-	2,488,780
Proceeds from sale of investments	207,812,898	153,637,177
Purchase of investments	(231,896,409)	(144,364,405)
	<u>(62,991,070)</u>	<u>(26,770,136)</u>
Net cash used by investing activities		

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
for the years ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from financing activities:		
Payments on long-term debt	\$ (9,610,000)	\$ (6,100,000)
Payments on finance lease liabilities	(152,942)	-
Proceeds from restricted contributions	<u>1,082,871</u>	<u>186,118</u>
Net cash used by financing activities	<u>(8,680,071)</u>	<u>(5,913,882)</u>
Net increase (decrease) in cash and cash equivalents	(22,127,435)	6,278,762
Cash and cash equivalents, beginning of year	<u>82,288,838</u>	<u>76,010,076</u>
Cash and cash equivalents, end of year	<u>\$ 60,161,403</u>	<u>\$ 82,288,838</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	\$ 47,615,829	\$ 69,111,754
Assets limited as to use	11,548,113	12,228,681
Cash and cash equivalents in noncurrent assets	<u>997,461</u>	<u>948,403</u>
Total cash and cash equivalents	<u>\$ 60,161,403</u>	<u>\$ 82,288,838</u>

Supplemental disclosure of cash flow information:

- Cash paid for interest net of capitalized interest in 2023 and 2022 was approximately \$3,531,863 and \$3,082,817, respectively.
- Assets acquired through leases in 2023 was approximately \$3.9 million.

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, 2023 and 2022

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. Archbold Medical Enterprises, Inc. was dissolved effective January 1, 2023. 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 Health Services, Inc. was merged into John D. Archbold Memorial Hospital, Inc. effective January 1, 2023. 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, 2023 and 2022. 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, 2023 and 2022

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 sheets at September 30, 2023 and 2022.

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. For fiscal year 2022, 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. For fiscal year 2023, finance lease assets are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the asset. Such amortization is included in depreciation expense 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, 2023 and 2022

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, 2023 and 2022.

Refundable Advance

A refundable advance arises when assets are recognized before revenue recognition criteria have been satisfied. CARES Act and ARPA advance payments are reported as a refundable advance until donor conditions such as qualifying expenditures have been substantially met. See Note 18 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, 2023 and 2022

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 (Expenses)

The consolidated statements of revenue and support, expenses and changes in net assets include excess revenues (expenses). Changes in net assets without donor restrictions which are excluded from excess revenues (expenses), 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, 2023 and 2022

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. Archbold Medical Enterprises, Inc. was dissolved effective January 1, 2023.

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.

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, 2023 and 2022 or for the years then ended. The Medical Center's tax returns are subject to

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

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

Income Taxes, Continued

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 Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which is a new comprehensive lease accounting model. The new standard clarifies the definition of a lease and requires lessees to recognize right-of-use assets and related lease liabilities for all leases with terms greater than twelve months. As part of the transition to the new standard, the Medical Center was required to measure and recognize leases that existed at October 1, 2022 using a modified retrospective approach. The Medical Center also elected the package of practical expedients permitted under the new standard that allowed it to carry forward historical lease classification. At October 1, 2022 the impact of adoption on the financial statements was an increase in noncurrent assets to record the right-to-use assets and an increase in current and noncurrent liabilities to record lease liabilities for current operating and finance leases of approximately \$2.3 million and \$533,000, representing the present value of remaining lease payments.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

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

Accounting Pronouncement Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326), which introduces a new current expected credit loss (CECL) method for measuring credit losses on financial assets measured at amortized cost, replacing the previous incurred loss method that delays recognition until it is probable a loss has been incurred. The new guidance requires the immediate recognition of estimated credit losses that are expected to occur. The new guidance, including subsequent amendments, is effective for the Medical Center as of October 1, 2023. The Medical Center is continuing to evaluate the impact the guidance will have on the consolidated financial statements.

Subsequent Events

In preparing these consolidated financial statements, the Medical Center has evaluated events and transactions for potential recognition or disclosure through January 22, 2024, the date the consolidated financial statements were available to be issued.

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2022 consolidated financial statements to conform to the fiscal year 2023 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.

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.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

2. Net Patient Service Revenue, Continued

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 the 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, 2023 and 2022

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 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, 2018.

- 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, 2020.

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.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

2. Net Patient Service Revenue, Continued

• Medicaid, Continued

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 \$6,576,000 and \$6,223,000 for the years ended September 30, 2023 and 2022, 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 \$2,687,000 and \$5,694,000 for the years ended September 30, 2023 and 2022, 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 \$5,100,000 and \$5,039,000 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, 2023 and 2022, respectively.

During 2022, Medicaid implemented the Medicaid CMOs Direct Payment Program (DPP). Under the DPP, eligible hospitals will receive increased Medicaid funding via an annual lump sum direct payment. The direct payment will be based on the difference between Medicare reimbursement and Medicaid payments using UPL calculations. The direct payment is made to the CMOs and the CMOs are required to transfer the payment to the hospital. The net amount of DPP payment adjustments recognized in net patient service revenue was approximately \$621,000 and \$363,000 during 2023 and 2022, respectively.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

2. Net Patient Service Revenue, Continued

• Medicaid, Continued

During 2022, Medicaid implemented the Supplemental Quality Incentive (SQI) payment program for nursing homes that demonstrate improvement in one of four quality metrics. The nursing home demonstrated improvement in two of the four quality metrics and recognized SQI payments of approximately \$265,000 and \$688,000 in net patient service revenue during 2023 and 2022, respectively.

• 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.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

2. Net Patient Service Revenue, Continued

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 2023 or 2022.

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, 2023 and 2022. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended September 30, 2023 and 2022 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).

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

2. Net Patient Service Revenue, Continued

Net patient service revenue by major payor source, facility, and timing of revenue recognition for the years ended September 30, 2023 and 2022 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>	
2023	<u>\$ 173,088,119</u>	<u>\$ 39,986,554</u>	<u>\$ 156,311,979</u>	<u>\$ 77,344,369</u>	<u>\$ 446,731,021</u>	
2022	<u>\$ 157,065,040</u>	<u>\$ 33,355,565</u>	<u>\$ 152,177,371</u>	<u>\$ 65,300,307</u>	<u>\$ 407,898,283</u>	
					<u>Net Patient Service Revenue</u>	
					<u>2023</u>	<u>2022</u>
John D. Archbold Memorial Hospital			\$	336,544,900	\$ 284,954,266	
Brooks County Hospital				11,215,205	11,551,363	
Grady General Hospital				30,797,270	31,558,830	
Mitchell County Hospital				37,600,454	34,825,614	
Archbold Health Services, Inc.				6,273,742	23,848,636	
Archbold Medical Group, Inc.				24,299,450	21,159,574	
					<u>Timing of revenue and recognition:</u>	
Services transferred over time			\$	<u>446,731,021</u>	<u>\$ 407,898,283</u>	

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.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

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, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Medicare	32%	30%
Medicaid	10%	11%
Other third-party payors	<u>58%</u>	<u>59%</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.

4. Investments

Assets Limited as to Use

The composition of assets limited as to use at September 30, 2023 and 2022 is set forth in the following table. Investments are stated at fair value.

	<u>2023</u>	<u>2022</u>
By lease for capital acquisition:		
Cash and cash equivalents	\$ 982,117	\$ 736,742
Mutual funds	3,029,139	8,586,666
U.S. corporate bonds	2,796,595	7,325,569
Federal agency bonds	1,641,554	1,858,327
U.S. Treasury securities	<u>1,302,376</u>	<u>11,590,682</u>
Total	<u>9,751,781</u>	<u>30,097,986</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

4. Investments, Continued

Assets Limited as to Use, Continued

	<u>2023</u>	<u>2022</u>
Under trust agreement for liability claims:		
Cash and cash equivalents	\$ 6,016,626	\$ 6,999,652
Mutual funds	52,759,513	31,496,501
U.S. corporate bonds	3,364,970	4,288,124
Equity securities - preferred stock	379,069	318,512
U.S. Treasury securities	10,767,707	10,797,734
Federal agency bonds	2,839,532	1,033,200
U.S. equity securities	7,618,779	15,917,275
Alternative investments	-	525,665
	<u>83,746,196</u>	<u>71,376,663</u>
Total		
Archbold Foundation, Inc.:		
Investment portfolios:		
Cash and cash equivalents	18,887	22,211
Mutual funds	75,309,365	70,353,493
U.S. equity securities	7,236,543	6,135,365
Alternative investments	18,793,771	17,555,185
	<u>101,358,566</u>	<u>94,066,254</u>
Cash and cash equivalents	4,376,159	4,394,105
Pledges receivable	264,927	906,868
	<u>105,999,652</u>	<u>99,367,227</u>
Total		
Restricted by donors:		
Cash and cash equivalents	154,324	75,971
Mutual funds	2,224,396	1,954,067
U.S. Treasury securities	273,936	287,941
U.S. corporate bonds	4,845	4,869
	<u>2,657,501</u>	<u>2,322,848</u>
Total		
Total assets limited to use	<u>\$ 202,155,130</u>	<u>\$ 203,164,724</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

4. Investments, Continued

Long-Term Investments

Long-term investments, stated at fair value, at September 30, 2023 and 2022, include:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 997,461	\$ 948,403
Certificates of deposit	488,015	-
Mutual funds	238,303,490	155,393,601
U.S. corporate bonds	18,301,330	22,551,916
Federal agency bonds	16,152,713	6,990,094
U.S. equity securities	38,413,468	87,014,939
Equity securities - preferred stock	1,894,300	1,630,188
U.S. Treasury securities	<u>66,930,602</u>	<u>60,612,508</u>
Total long-term investments	<u>\$ 381,481,379</u>	<u>\$ 335,141,649</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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Income:		
Interest and dividend income	\$ 35,756,204	\$ 16,100,042
Realized gains on sales of securities	3,819,276	849,687
Unrealized gains (losses) on investments	<u>17,489,777</u>	<u>(95,756,600)</u>
Total income (loss)	<u>\$ 57,065,257</u>	<u>\$ (78,806,871)</u>
Other changes in net assets without donor restrictions:		
Unrealized losses on investments	<u>\$ 6,467,047</u>	<u>\$ (13,714,120)</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

4. Investments, Continued

Long-Term Investments, Continued

The following table provides a summary of the Medical Center's investments as of September 30, 2023 and 2022 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, 2023					
	Less than 12 Months		12 Months of More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Federal agency bonds	\$ 10,948,262	\$ (434,841)	\$ 6,845,887	\$ (991,184)	\$ 17,794,149	\$ (1,426,025)
U.S. Treasury securities	602,532	(3,177)	10,353,792	(1,803,184)	10,956,324	(1,806,361)
Equity securities	1,132,387	(53,846)	-	-	1,132,387	(53,846)
Mutual funds	127,774,882	(24,294,221)	-	-	127,774,882	(24,294,221)
Corporate bonds	9,568,909	(890,453)	12,054,018	(1,832,895)	21,622,927	(2,723,348)
Equity securities - preferred stock	1,132,059	(128,714)	-	-	1,132,059	(128,714)
Certificates of deposit	488,015	(1,984)	-	-	488,015	(1,984)
Total	<u>\$ 151,647,046</u>	<u>\$ (25,807,236)</u>	<u>\$ 29,253,697</u>	<u>\$ (4,627,263)</u>	<u>\$ 180,900,743</u>	<u>\$ (30,434,499)</u>

Description of Securities	September 30, 2022					
	Less than 12 Months		12 Months of More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Federal agency bonds	\$ 2,453,159	\$ (141,996)	\$ 4,957,840	\$ (843,438)	\$ 7,410,999	\$ (985,434)
U.S. Treasury securities	432,862	(344)	20,191,284	(2,067,979)	20,624,146	(2,068,323)
Equity securities	1,433,514	(135,649)	-	-	1,433,514	(135,649)
Mutual funds	137,269,751	(33,781,222)	-	-	137,269,751	(33,781,222)
Corporate bonds	11,721,175	(1,071,550)	18,024,240	(2,765,945)	29,745,415	(3,837,495)
Equity securities - preferred stock	1,505,478	(213,494)	-	-	1,505,478	(213,494)
Total	<u>\$ 154,815,939</u>	<u>\$ (35,344,255)</u>	<u>\$ 43,173,364</u>	<u>\$ (5,677,362)</u>	<u>\$ 197,989,303</u>	<u>\$ (41,021,617)</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, 2023, the 288 debt securities with unrealized losses have depreciated 16.8% 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, 2023 and 2022

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.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

5. Property and Equipment

A summary of property and equipment at September 30, 2023 and 2022 follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 9,787,763	\$ 9,787,763
Land improvements	6,906,787	6,377,831
Buildings	170,716,451	165,860,499
Fixed equipment	135,008,235	133,543,338
Major movable equipment	279,208,823	254,944,258
Leasehold improvements	<u>28,428,094</u>	<u>26,187,433</u>
	630,056,153	596,701,122
Less accumulated depreciation and amortization	<u>422,745,710</u>	<u>396,593,793</u>
	207,310,443	200,107,329
Construction-in-progress	<u>28,208,031</u>	<u>23,041,656</u>
Property and equipment, net	<u>\$ 235,518,474</u>	<u>\$ 223,148,985</u>

Depreciation expense for the years ended September 30, 2023 and 2022 amounted to approximately \$26,760,000 and \$26,419,000, respectively. Construction contracts exist for various projects at year end with a total commitment of \$22,389,000. At September 30, 2023, the remaining commitment on these contracts approximated \$1,985,000. The Medical Center entered into a contract with Cerner for Electronic Health Record software with a total commitment of \$54,000,000. At September 30, 2023, the remaining commitment on this contract was \$43,000,000.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

6. Long-Term Debt

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

	<u>2023</u>	<u>2022</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 an installment of \$2,475,000 on November 1, 2023. The certificates are secured by gross revenue and bear a variable interest rate.	2,475,000	4,850,000
Revenue Certificates, Series 2017C maturing in installments of \$3,840,000 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%.	63,725,000	67,560,000
Note payable, bearing interest of 1.17%, maturing in installments of \$3,500,000 to \$3,700,000 each November 1 beginning in 2022 until 2028. The note is collateralized by equipment.	21,600,000	25,000,000
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.	<u>25,000,000</u>	<u>25,000,000</u>
	130,785,000	140,395,000
Less current installments	<u>9,815,000</u>	<u>9,610,000</u>
Long-term debt, net of current installments	<u>\$ 120,970,000</u>	<u>\$ 130,785,000</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

6. Long-Term Debt, Continued

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.

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

<u>Year Ending September 30th</u>	<u>Amount</u>
2024	\$ 9,815,000
2025	9,920,000
2026	10,185,000
2027	10,350,000
2028	10,620,000
Thereafter	<u>79,895,000</u>
Total	<u>\$ 130,785,000</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

7. Leases

The Medical Center has operating and finance lease for buildings and equipment. The Medical Center determines if an arrangement is a lease at the inception of the contract. Leases with an initial term of twelve months or less are not recorded on the consolidated balance sheets. The Medical Center has lease agreements which require payments for lease and nonlease components and has elected to account for these as a single lease component. For leases that commenced before the effective date of ASU 2016-02, the Medical Center elected the permitted practical expedients to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases.

Right-of-use assets represent the Medical Center's right to use an underlying asset during the lease term, and lease liabilities represent the Medical Center's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date, based on the net present value of fixed lease payments over the lease term. The Medical Center has entered into lease arrangements that contain options to extend or terminate the lease in future periods. These options are included in the lease term used to compute the lease liabilities as presented on the consolidated balance sheets when it is reasonably certain the option will be exercised.

As most of the Medical Center's operating leases do not provide an implicit rate, the Medical Center uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Medical Center considers recent debt issuances, as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates. Finance lease agreements generally include an interest rate that is used to determine the present value of future lease payments. Operating fixed lease expense and finance lease amortization expense are recognized on a straight-line basis over the lease term. Variable lease costs consist primarily of common area maintenance and are not significant to total lease expense.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

7. Leases, Continued

Operating and finance lease right-of-use assets and lease liabilities as of September 30, 2023 were as follows:

Operating leases:

Right-of-use assets:

Operating lease right-of-use assets	\$ 2,241,671
-------------------------------------	--------------

Lease liabilities:

Current portion	\$ 1,004,284
Long-term	<u>1,262,841</u>

Total operating lease liabilities	<u>\$ 2,267,125</u>
-----------------------------------	---------------------

Finance leases:

Right-of-use assets:

Finance lease right-of-use assets	<u>\$ 515,465</u>
-----------------------------------	-------------------

Lease liabilities:

Current portion	\$ 163,370
Long-term	<u>369,122</u>

Total finance lease liabilities	<u>\$ 532,492</u>
---------------------------------	-------------------

Operating expenses for the leasing activity of the Medical Center as lessee for the year ended September 30, 2023 are as follows:

Lease Type

Operating lease cost	\$ 1,232,392
Finance lease interest	49,367
Finance lease amortization	<u>169,969</u>
Total lease cost	<u>\$ 1,451,728</u>

In 2022, rental expense related to operating leases was approximately \$1.3 million.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

7. Leases, Continued

Cash paid for amounts included in the measurement of lease liabilities for the year ended September 30, 2023 is as follows:

Operating cash flows from operating leases	\$ 1,204,149
Operating cash flows from finance leases	45,365
Financing cash flows from finance leases	<u>152,942</u>
 Total	 <u>\$ 1,402,456</u>

The aggregate future lease payments for operating and finance leases as of September 30, 2023 were as follows:

	<u>Finance</u>	<u>Operating</u>
2024	\$ 200,750	\$ 1,149,104
2025	144,345	997,373
2026	120,278	222,008
2027	104,370	102,000
2028	38,062	25,500
Thereafter	<u>13,816</u>	<u>-</u>
Total undiscounted cash flows	621,621	2,495,985
Less: present value discount	<u>(89,129)</u>	<u>(228,860)</u>
Total lease liabilities	<u>\$ 532,492</u>	<u>\$ 2,267,125</u>

Average lease terms and discount rates at September 30, 2023 were as follows:

Weighted-average remaining lease term (years):	
Operating leases	2.38
Finance leases	4.01
Weighted-average discount rate:	
Operating leases	8.50%
Finance leases	8.50%

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

8. Net Assets With Donor Restrictions

Net assets with donor restrictions at September 30, 2023 and 2022 are restricted to:

	<u>2023</u>	<u>2022</u>
Investments to be held in perpetuity, the income from which is expendable to support health care services	<u>\$ 2,657,501</u>	<u>\$ 2,322,848</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 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.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

8. Net Assets With Donor Restrictions, Continued

Endowment Fund, Continued

Changes in endowment net assets as of September 30, 2023 and 2022 are as follows:

	<u>Endowment Net Assets</u>	
	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 2,322,848	\$ 2,671,134
Investment income (loss)	<u>334,653</u>	<u>(348,286)</u>
Endowment net assets, end of year	<u>\$ 2,657,501</u>	<u>\$ 2,322,848</u>

9. 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 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Gross patient charges	<u>\$ 1,263,351,245</u>	<u>\$ 1,149,915,857</u>
Uncompensated services:		
Charity and indigent care	55,074,554	45,457,127
Medicare	489,967,834	445,439,500
Medicaid	106,346,873	103,503,049
Other	123,600,524	96,409,479
Price concessions	<u>41,630,439</u>	<u>51,208,419</u>
Total uncompensated care	<u>816,620,224</u>	<u>742,017,574</u>
Net patient service revenue	<u>\$ 446,731,021</u>	<u>\$ 407,898,283</u>

Uncompensated care includes charity and indigent care services of approximately \$55,075,000 and \$45,457,000 in 2023 and 2022, respectively. The cost of charity and indigent care services provided during 2023 and 2022 was approximately \$21,819,000 and \$19,292,000, respectively, computed by applying a total cost factor to the charges foregone.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

10. 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, 2023</u>	<u>General and Administrative</u>	<u>Patient Care Services</u>	<u>Total</u>
Salaries and wages	\$ 29,656,131	\$ 131,281,135	\$ 160,937,266
Employee health and welfare	6,117,665	31,418,459	37,536,124
Professional fees	5,491,496	68,531,017	74,022,513
Supplies and other	30,442,599	125,559,850	156,002,449
Depreciation	1,918,036	24,842,054	26,760,090
Interest and amortization	<u>267,925</u>	<u>3,350,709</u>	<u>3,618,634</u>
Total	<u>\$ 73,893,852</u>	<u>\$ 384,983,224</u>	<u>\$ 458,877,076</u>
<u>September 30, 2022</u>	<u>General and Administrative</u>	<u>Patient Care Services</u>	<u>Total</u>
Salaries and wages	\$ 29,089,521	\$ 129,047,733	\$ 158,137,254
Employee health and welfare	6,564,889	30,926,856	37,491,745
Professional fees	5,061,650	66,189,277	71,250,927
Supplies and other	30,913,289	109,445,742	140,359,031
Depreciation	2,215,231	24,203,422	26,418,653
Interest and amortization	<u>264,643</u>	<u>2,891,460</u>	<u>3,156,103</u>
Total	<u>\$ 74,109,223</u>	<u>\$ 362,704,490</u>	<u>\$ 436,813,713</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.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

11. 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 \$1,864,000 and \$1,603,000 in 2023 and 2022, respectively. Discretionary contributions may be contributed at the option of the Medical Center's Board. Discretionary contribution expenses for the Plan amounted to approximately \$3,209,000 and \$2,946,000 in 2023 and 2022, respectively.

12. 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 \$17,733,000 and \$18,119,000 for 2023 and 2022, respectively.

13. 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, 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, 2023 and 2022 are as follows:

	2023		2022	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt	<u>\$ 130,785,000</u>	<u>\$ 119,778,728</u>	<u>\$ 140,395,000</u>	<u>\$ 130,302,561</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

13. Fair Values of Financial Instruments, Continued

Fair values of assets measured on a recurring basis at September 30, 2023 and 2022 are as follows:

	September 30, 2023	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	\$	12,545,574	\$ 12,545,574	\$ -	\$ -
Certificates of deposit		488,015	488,015	-	-
Mutual funds - fixed income		46,116,252	46,116,252	-	-
Mutual funds - equity		325,509,651	325,509,651	-	-
U.S. corporate bonds		24,467,740	-	24,467,740	-
Federal agency bonds		20,633,799	20,633,799	-	-
Fixed income securities					
- U.S. Treasuries		79,274,621	79,274,621	-	-
Equity securities - preferred stock		2,273,369	2,273,369	-	-
Equity securities - consumer discretionary		2,118,386	2,118,386	-	-
Equity securities - consumer staples		7,852,599	7,852,599	-	-
Equity securities - energy		1,137,810	1,137,810	-	-
Equity securities - financials		10,780,831	10,780,831	-	-
Equity securities - healthcare		10,237,619	10,237,619	-	-
Equity securities - industrials		8,584,183	8,584,183	-	-
Equity securities - information technology		3,027,164	3,027,164	-	-
Equity securities - utilities		4,120,761	4,120,761	-	-
Equity securities - other		2,069,225	2,069,225	-	-
Equity securities - real estate		807,647	807,647	-	-
REITS - financials		<u>2,532,565</u>	<u>2,532,565</u>	-	-
Total assets in the fair value hierarchy		564,577,811	<u>\$ 540,110,071</u>	<u>\$ 24,467,740</u>	<u>\$ -</u>
Investments measured at net asset value		<u>18,793,771</u>			
Investments at fair value		<u>\$ 583,371,582</u>			

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

13. Fair Values of Financial Instruments, Continued

	<u>September 30, 2022</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	\$ 13,177,084	\$ 13,177,084	\$ -	\$ -	
Mutual funds - fixed income	52,959,388	52,959,388	-	-	
Mutual funds - equity	214,824,940	214,824,940	-	-	
U.S. corporate bonds	34,170,478	-	34,170,478	-	
Federal agency bonds	9,881,621	9,881,621	-	-	
Fixed income securities					
- U.S. Treasuries	83,288,865	83,288,865	-	-	
Equity securities - preferred stock	1,948,700	1,948,700	-	-	
Equity securities -					
consumer discretionary	7,960,977	7,960,977	-	-	
Equity securities -					
consumer staples	12,567,610	12,567,610	-	-	
Equity securities -					
energy	2,478,733	2,478,733	-	-	
Equity securities -					
financials	16,993,562	16,993,562	-	-	
Equity securities -					
healthcare	18,959,302	18,959,302	-	-	
Equity securities -					
industrials	11,019,537	11,019,537	-	-	
Equity securities -					
information technology	18,854,941	18,854,941	-	-	
Equity securities -					
utilities	5,480,189	5,480,189	-	-	
Equity securities -					
other	10,383,995	10,383,995	-	-	
Equity securities -					
real estate	1,660,477	1,660,477	-	-	
REITS - financials	<u>2,708,257</u>	<u>2,708,257</u>	-	-	
Total assets in the fair value hierarchy	519,318,656	<u>\$ 485,148,178</u>	<u>\$ 34,170,478</u>	<u>\$ -</u>	
Investments measured at net asset value	<u>18,080,850</u>				
Investments at fair value	<u>\$ 537,399,506</u>				

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

13. 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.

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, 2023 and 2022.

	as of September 30, 2023			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge Funds	<u>\$ 18,793,771</u>	None	Monthly - Annually	30 - 90 Days
	as of September 30, 2022			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge Funds	<u>\$ 18,080,850</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.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

14. 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.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

14. 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.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

14. 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, 2023. 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.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

14. 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. Gain on Sale of Business Unit

On March 14, 2022, the Medical Center entered into a joint venture and with a third party for the purchase of the home health business unit for total consideration of \$3,730,000. The sale did not have a major effect on the operations of the Medical Center. The gain on the sale of the home health business unit is recorded in nonoperating income (loss) on the consolidated statements of revenue and support, expenses, and changes in net assets for fiscal year 2022.

16. 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 2022 and 2023. It is the Medical Center's policy to use these funds to offset the costs of uncompensated care. Contributions received under the program approximated \$2,738,000 and \$1,835,000 during the Medical Center's fiscal years 2023 and 2022, respectively, and are included in other operating revenue on the consolidated statements of revenue and support, expenses and changes in net assets.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

17. Liquidity and Availability

As of September 30, 2023 and 2022, the Medical Center has a working capital of approximately \$72,227,000 and \$82,472,000 and average days (based on normal expenditures) cash on hand of 40 and 61 days, respectively.

Financial assets available for general expenditures within one year of the balance sheet date, consist of the following at September 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 47,615,829	\$ 69,111,754
Patient accounts receivable, net	61,832,768	49,831,774
Estimated third-party payor settlements	1,094,828	185,670
Long-term investments	381,481,379	335,141,649
Less: Conditional CARES Act and ARPA advances	<u>-</u>	<u>(457,610)</u>
Total financial assets available	<u>\$ 492,024,804</u>	<u>\$ 453,813,237</u>

CARES Act and ARPA 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, 2023 and 2022 of \$105,999,652 and \$99,367,227, respectively. The Medical Center structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

18. 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.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

18. Coronavirus (COVID-19), Continued

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 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 received approximately \$0 and \$2,417,000 in program funding in fiscal year 2023 and 2022, respectively. The federal Public Health Emergency for COVID-19 expired on May 11, 2023.

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%.

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 approximately \$0 and \$12,294,000 in program funding in fiscal year 2023 and 2022, respectively.

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 repaid approximately \$89,000 in grant stimulus funding in fiscal year 2023 and recognized approximately \$14,549,000 in grant stimulus funding in fiscal year 2022, respectively.

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.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2023 and 2022

18. Coronavirus (COVID-19), Continued

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 \$16,358,000 and \$19,284,000 for the years ended September 30, 2023 and 2022, 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 the advance payments in full.



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, 2023 and 2022, and our report thereon dated January 22, 2024, which expressed an unmodified opinion on those financial statements, appears on pages 1 through 3. 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 49 to 60, 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 22, 2024

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING BALANCE SHEET
September 30, 2023

	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	\$ 47,138,605	\$ 43,587	\$ -	\$ 200,724	\$ 47,382,916	\$ -	\$ 47,382,916
Patient accounts receivable, net	48,331,396	1,566,219	4,162,273	4,501,025	58,560,913	-	58,560,913
Due from related parties	20,156,934	-	-	926,140	21,083,074	(18,978,046)	2,105,028
Estimated third-party payor settlements	1,049,821	-	45,007	-	1,094,828	-	1,094,828
Due from Mitchell County Hospital Authority	-	-	-	187,836	187,836	-	187,836
Supplies, at lower of cost and net realizable value	4,265,545	82,439	182,683	232,871	4,763,538	-	4,763,538
Other current assets	<u>11,052,986</u>	<u>424,513</u>	<u>469,583</u>	<u>385,691</u>	<u>12,332,773</u>	<u>-</u>	<u>12,332,773</u>
Total current assets	<u>131,995,287</u>	<u>2,116,758</u>	<u>4,859,546</u>	<u>6,434,287</u>	<u>145,405,878</u>	<u>(18,978,046)</u>	<u>126,427,832</u>
Assets limited as to use:							
By lease for capital acquisition	-	-	9,751,781	-	9,751,781	-	9,751,781
Restricted by donors	<u>2,657,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,657,501</u>	<u>-</u>	<u>2,657,501</u>
Noncurrent assets limited as to use	<u>2,657,501</u>	<u>-</u>	<u>9,751,781</u>	<u>-</u>	<u>12,409,282</u>	<u>-</u>	<u>12,409,282</u>
Property and equipment, net	<u>192,358,834</u>	<u>2,369,249</u>	<u>32,156,845</u>	<u>7,329,394</u>	<u>234,214,322</u>	<u>-</u>	<u>234,214,322</u>
Other assets:							
Long-term investments	378,358,042	-	-	-	378,358,042	-	378,358,042
Due from related parties, net of current portion	266,273,005	-	-	-	266,273,005	(18,766,544)	247,506,461
Finance lease right-of-use assets	515,465	-	-	-	515,465	-	515,465
Operating lease right-of-use assets	752,750	-	-	-	752,750	-	752,750
Investments in unconsolidated companies	2,093,753	-	-	-	2,093,753	-	2,093,753
Other noncurrent assets	<u>2,913,873</u>	<u>-</u>	<u>138,904</u>	<u>11,665</u>	<u>3,064,442</u>	<u>-</u>	<u>3,064,442</u>
Total other assets	<u>650,906,888</u>	<u>-</u>	<u>138,904</u>	<u>11,665</u>	<u>651,057,457</u>	<u>(18,766,544)</u>	<u>632,290,913</u>
Total assets	<u>\$ 977,918,510</u>	<u>\$ 4,486,007</u>	<u>\$ 46,907,076</u>	<u>\$ 13,775,346</u>	<u>\$ 1,043,086,939</u>	<u>\$ (37,744,590)</u>	<u>\$ 1,005,342,349</u>

Continued

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING BALANCE SHEET, Continued
September 30, 2023

	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	\$ 9,815,000	\$ -	\$ -	\$ -	\$ 9,815,000	\$ -	\$ 9,815,000
Current portion of finance lease liabilities	163,370	-	-	-	163,370	-	163,370
Current portion of operating lease liabilities	380,712	-	-	-	380,712	-	380,712
Accounts payable	7,579,631	97,383	811,250	943,611	9,431,875	-	9,431,875
Due to related parties	40,982,749	-	4,479,014	-	45,461,763	(18,978,046)	26,483,717
Estimated third-party payor settlements	1,394,795	556,718	95,472	398,920	2,445,905	-	2,445,905
Accrued expenses	2,353,741	6,462	46,480	204,027	2,610,710	-	2,610,710
Total current liabilities	<u>62,669,998</u>	<u>660,563</u>	<u>5,432,216</u>	<u>1,546,558</u>	<u>70,309,335</u>	<u>(18,978,046)</u>	<u>51,331,289</u>
Long-term debt							
Due to related parties	-	18,766,544	-	-	18,766,544	(18,766,544)	-
Long-term debt, net of current portion	<u>120,970,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,970,000</u>	<u>-</u>	<u>120,970,000</u>
Total long-term debt, net of current portion	<u>120,970,000</u>	<u>18,766,544</u>	<u>-</u>	<u>-</u>	<u>139,736,544</u>	<u>(18,766,544)</u>	<u>120,970,000</u>
Finance lease liabilities, net of current portion	<u>369,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,122</u>	<u>-</u>	<u>369,122</u>
Operating lease liabilities, net of current portion	<u>395,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>395,020</u>	<u>-</u>	<u>395,020</u>
Total liabilities	<u>184,404,140</u>	<u>19,427,107</u>	<u>5,432,216</u>	<u>1,546,558</u>	<u>210,810,021</u>	<u>(37,744,590)</u>	<u>173,065,431</u>
Net assets:							
Net assets (deficit) without donor restrictions	790,856,869	(14,941,100)	41,474,860	12,228,788	829,619,417	-	829,619,417
Net assets with donor restrictions	<u>2,657,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,657,501</u>	<u>-</u>	<u>2,657,501</u>
Total net assets	<u>793,514,370</u>	<u>(14,941,100)</u>	<u>41,474,860</u>	<u>12,228,788</u>	<u>832,276,918</u>	<u>-</u>	<u>832,276,918</u>
Total liabilities and net assets	<u>\$ 977,918,510</u>	<u>\$ 4,486,007</u>	<u>\$ 46,907,076</u>	<u>\$ 13,775,346</u>	<u>\$ 1,043,086,939</u>	<u>\$ (37,744,590)</u>	<u>\$ 1,005,342,349</u>

See accompanying independent auditor's report on consolidating information.

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING BALANCE SHEET
September 30, 2022

	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	\$ 63,484,437	\$ 26,816	\$ -	\$ 237,400	\$ 63,748,653	\$ -	\$ 63,748,653
Patient accounts receivable, net	36,822,276	1,064,056	3,311,863	4,367,580	45,565,775	-	45,565,775
Due from related parties	4,756,339	-	-	1,135,031	5,891,370	(3,247,329)	2,644,041
Estimated third-party payor settlements	-	-	185,670	-	185,670	-	185,670
Supplies, at lower of cost and net realizable value	3,321,162	102,944	253,225	209,185	3,886,516	-	3,886,516
Other current assets	8,929,608	48,416	402,658	234,685	9,615,367	-	9,615,367
Total current assets	<u>117,313,822</u>	<u>1,242,232</u>	<u>4,153,416</u>	<u>6,183,881</u>	<u>128,893,351</u>	<u>(3,247,329)</u>	<u>125,646,022</u>
Assets limited as to use:							
By lease for capital acquisition	-	-	30,097,986	-	30,097,986	-	30,097,986
Restricted by donors	2,322,848	-	-	-	2,322,848	-	2,322,848
Noncurrent assets limited as to use	<u>2,322,848</u>	<u>-</u>	<u>30,097,986</u>	<u>-</u>	<u>32,420,834</u>	<u>-</u>	<u>32,420,834</u>
Property and equipment, net	<u>191,431,463</u>	<u>1,885,956</u>	<u>20,260,694</u>	<u>6,442,267</u>	<u>220,020,380</u>	<u>-</u>	<u>220,020,380</u>
Other assets:							
Long-term investments	323,708,197	-	-	-	323,708,197	-	323,708,197
Due from related parties, net of current portion	233,473,476	-	-	-	233,473,476	(17,059,776)	216,413,700
Investments in unconsolidated companies	1,216,849	-	-	-	1,216,849	-	1,216,849
Other noncurrent assets	2,945,194	7,350	247,964	112,447	3,312,955	-	3,312,955
Total other assets	<u>561,343,716</u>	<u>7,350</u>	<u>247,964</u>	<u>112,447</u>	<u>561,711,477</u>	<u>(17,059,776)</u>	<u>544,651,701</u>
Total assets	<u>\$ 872,411,849</u>	<u>\$ 3,135,538</u>	<u>\$ 54,760,060</u>	<u>\$ 12,738,595</u>	<u>\$ 943,046,042</u>	<u>\$ (20,307,105)</u>	<u>\$ 922,738,937</u>

Continued

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING BALANCE SHEET, Continued
September 30, 2022

	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	\$ 9,610,000	\$ -	\$ -	\$ -	\$ 9,610,000	\$ -	\$ 9,610,000
Accounts payable	6,332,765	90,383	236,708	563,990	7,223,846	-	7,223,846
Due to related parties	24,109,259	-	2,112,298	-	26,221,557	(3,247,329)	22,974,228
Estimated third-party payor settlements	2,207,479	527,757	-	326,595	3,061,831	-	3,061,831
Accrued expenses	1,561,213	8,496	35,527	140,434	1,745,670	-	1,745,670
Medicare advance payments	-	-	-	-	-	-	-
CARES Act and ARPA advance	-	-	-	457,610	457,610	-	457,610
Total current liabilities	<u>43,820,716</u>	<u>626,636</u>	<u>2,384,533</u>	<u>1,488,629</u>	<u>48,320,514</u>	<u>(3,247,329)</u>	<u>45,073,185</u>
Accrued malpractice and general, net of current portion	-	-	-	-	-	-	-
Long-term liabilities:							
Due to related parties	-	17,059,776	-	-	17,059,776	(17,059,776)	-
Long-term debt, net of current portion	<u>130,785,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,785,000</u>	<u>-</u>	<u>130,785,000</u>
Total long-term liabilities	<u>130,785,000</u>	<u>17,059,776</u>	<u>-</u>	<u>-</u>	<u>147,844,776</u>	<u>(17,059,776)</u>	<u>130,785,000</u>
Total liabilities	<u>174,605,716</u>	<u>17,686,412</u>	<u>2,384,533</u>	<u>1,488,629</u>	<u>196,165,290</u>	<u>(20,307,105)</u>	<u>175,858,185</u>
Net assets:							
Net assets (deficit) without donor restrictions	695,483,285	(14,550,874)	52,375,527	11,249,966	744,557,904	-	744,557,904
Net assets with donor restrictions	<u>2,322,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,322,848</u>	<u>-</u>	<u>2,322,848</u>
Total net assets	<u>697,806,133</u>	<u>(14,550,874)</u>	<u>52,375,527</u>	<u>11,249,966</u>	<u>746,880,752</u>	<u>-</u>	<u>746,880,752</u>
Total liabilities and net assets	<u>\$ 872,411,849</u>	<u>\$ 3,135,538</u>	<u>\$ 54,760,060</u>	<u>\$ 12,738,595</u>	<u>\$ 943,046,042</u>	<u>\$ (20,307,105)</u>	<u>\$ 922,738,937</u>

See accompanying independent auditor's report on consolidating information.

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING STATEMENT OF REVENUE AND EXPENSES
September 30, 2023

	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	\$ 336,544,897	\$ 11,215,205	\$ 30,797,270	\$ 37,600,454	\$ 416,157,826	\$ 3	\$ 416,157,829
Other operating revenue	6,077,629	235,783	301,258	126,022	6,740,692	(1)	6,740,691
CARES Act and ARPA funding	-	-	-	-	-	-	-
Total revenues, gains and other support	<u>342,622,526</u>	<u>11,450,988</u>	<u>31,098,528</u>	<u>37,726,476</u>	<u>422,898,518</u>	<u>2</u>	<u>422,898,520</u>
Operating expenses:							
Salaries and wages	99,503,955	5,909,784	11,983,493	16,900,284	134,297,516	-	134,297,516
Employee health and welfare	25,252,689	1,403,705	2,731,495	4,154,739	33,542,628	-	33,542,628
Professional fees	40,960,519	1,673,142	6,682,100	6,203,512	55,519,273	1	55,519,274
Supplies and other	129,821,589	2,603,772	7,223,720	8,655,052	148,304,133	-	148,304,133
Depreciation	22,380,486	513,074	1,485,056	1,405,920	25,784,536	(1)	25,784,535
Interest and amortization	3,618,407	-	88	88	3,618,583	-	3,618,583
Total operating expenses	<u>321,537,645</u>	<u>12,103,477</u>	<u>30,105,952</u>	<u>37,319,595</u>	<u>401,066,669</u>	<u>-</u>	<u>401,066,669</u>
Operating income (loss)	<u>21,084,881</u>	<u>(652,489)</u>	<u>992,576</u>	<u>406,881</u>	<u>21,831,849</u>	<u>2</u>	<u>21,831,851</u>
Nonoperating income (loss):							
Investment income and other	40,961,372	3,664	(3,762,684)	3,565	37,205,917	(1)	37,205,916
Gain (loss) on disposal of assets and other	52,051	-	-	-	52,051	-	52,051
Total nonoperating income	<u>41,013,423</u>	<u>3,664</u>	<u>(3,762,684)</u>	<u>3,565</u>	<u>37,257,968</u>	<u>(1)</u>	<u>37,257,967</u>
Excess revenues (expenses)	<u>\$ 62,098,304</u>	<u>\$ (648,825)</u>	<u>\$ (2,770,108)</u>	<u>\$ 410,446</u>	<u>\$ 59,089,817</u>	<u>\$ 1</u>	<u>\$ 59,089,818</u>

See accompanying independent auditor's report on consolidating information.

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING STATEMENT OF REVENUE AND EXPENSES
September 30, 2022

	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	\$ 284,954,269	\$ 11,551,363	\$ 31,558,830	\$ 34,825,614	\$ 362,890,076	\$ -	\$ 362,890,076
Other operating revenue	4,605,124	144,544	89,397	819,131	5,658,196	-	5,658,196
CARES and ARPA Act funding	9,559,170	133,328	1,581,363	1,321,881	12,595,742	-	12,595,742
Total revenues, gains and other support	299,118,563	11,829,235	33,229,590	36,966,626	381,144,014	-	381,144,014
Operating expenses:							
Salaries and wages	93,823,295	5,833,025	11,392,933	16,608,107	127,657,360	-	127,657,360
Employee health and welfare	24,309,317	1,379,717	2,584,577	4,141,761	32,415,372	-	32,415,372
Professional fees	42,560,399	1,412,964	5,575,410	5,980,353	55,529,126	-	55,529,126
Supplies and other	101,862,323	2,746,008	7,135,650	8,838,751	120,582,732	-	120,582,732
Depreciation	21,507,316	471,863	1,480,356	1,432,567	24,892,102	-	24,892,102
Interest and amortization	3,156,103	-	-	-	3,156,103	-	3,156,103
Total operating expenses	287,218,753	11,843,577	28,168,926	37,001,539	364,232,795	-	364,232,795
Operating income (loss)	11,899,810	(14,342)	5,060,664	(34,913)	16,911,219	-	16,911,219
Nonoperating income (loss):							
Investment income and other	(48,288,365)	7,547	74,170	14,773	(48,191,875)	-	(48,191,875)
Gain (loss) on disposal of assets and other	(311,176)	(9,534)	(16,742)	(8,042)	(345,494)	-	(345,494)
Total nonoperating income	(48,599,541)	(1,987)	57,428	6,731	(48,537,369)	-	(48,537,369)
Excess expenses	\$ (36,699,731)	\$ (16,329)	\$ 5,118,092	\$ (28,182)	\$ (31,626,150)	\$ -	\$ (31,626,150)

See accompanying independent auditor's report on consolidating information.

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
September 30, 2023

	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	\$ 47,382,916	\$ -	\$ -	\$ -	\$ 232,911	\$ -	\$ -	\$ 47,615,827	\$ 2	\$ 47,615,829
Assets limited as to use	-	-	-	-	-	-	8,891,491	8,891,491	-	8,891,491
Patient accounts receivable, net	58,560,913	-	-	-	3,271,855	-	-	61,832,768	-	61,832,768
Due from related parties	2,105,028	26,483,716	-	-	-	-	-	28,588,744	(28,588,744)	-
Estimated third-party payor settlements	1,094,828	-	-	-	-	-	-	1,094,828	-	1,094,828
Due from Mitchell County Hospital Authority	187,836	-	-	-	-	-	-	187,836	-	187,836
Supplies, at lower of cost and net realizable value	4,763,538	-	-	-	-	-	-	4,763,538	-	4,763,538
Other current assets	12,332,773	-	-	-	822,218	-	1,892,270	15,047,261	-	15,047,261
Total current assets	126,427,832	26,483,716	-	-	4,326,984	-	10,783,761	168,022,293	(28,588,742)	139,433,551
Assets limited as to use:										
By lease for capital acquisition	9,751,781	-	-	-	-	-	-	9,751,781	-	9,751,781
Under trust agreement for self-insurance claims	-	-	-	-	-	-	74,854,705	74,854,705	-	74,854,705
Archbold Foundation, Inc.	-	-	-	-	-	106,007,971	-	106,007,971	(8,319)	105,999,652
Restricted by donors	2,657,501	-	-	-	-	-	-	2,657,501	-	2,657,501
Noncurrent assets limited as to use	12,409,282	-	-	-	-	106,007,971	74,854,705	193,271,958	(8,319)	193,263,639
Property and equipment, net	234,214,322	-	-	-	1,295,833	-	-	235,510,155	8,319	235,518,474
Other assets:										
Long-term investments	378,358,042	3,123,337	-	-	-	-	-	381,481,379	-	381,481,379
Due from related parties, net of current portion	247,506,461	-	-	-	-	-	-	247,506,461	(247,506,461)	-
Finance lease right-of-use assets	515,465	-	-	-	-	-	-	515,465	-	515,465
Operating lease right-of-use assets	752,750	-	-	-	1,488,921	-	-	2,241,671	-	2,241,671
Investments in unconsolidated companies	2,093,753	278,284	-	-	-	-	-	2,372,037	-	2,372,037
Other noncurrent assets	3,064,442	-	-	-	766,162	-	-	3,830,604	-	3,830,604
Total other assets	632,290,913	3,401,621	-	-	2,255,083	-	-	637,947,617	(247,506,461)	390,441,156
Total assets	\$ 1,005,342,349	\$ 29,885,337	\$ -	\$ -	\$ 7,877,900	\$ 106,007,971	\$ 85,638,466	\$ 1,234,752,023	\$ (276,095,203)	\$ 958,656,820

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET, Continued
September 30, 2023

	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	\$ 9,815,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,815,000	\$ -	\$ 9,815,000
Current portion of finance lease liabilities	163,370	-	-	-	-	-	-	163,370	-	163,370
Current portion of operating lease liabilities	380,712	-	-	-	623,571	-	-	1,004,283	1	1,004,284
Accounts payable	9,431,875	7,966,487	-	-	837,397	-	-	18,235,759	-	18,235,759
Due to related parties	26,483,717	-	-	-	-	500,198	1,604,830	28,588,745	(28,588,745)	-
Estimated third-party payor settlements	2,445,905	-	-	-	-	-	-	2,445,905	-	2,445,905
Accrued expenses	2,610,710	21,915,737	-	-	2,095,590	28,972	8,891,491	35,542,500	(1)	35,542,499
Total current liabilities	51,331,289	29,882,224	-	-	3,556,558	529,170	10,496,321	95,795,562	(28,588,745)	67,206,817
Accrued malpractice and general, net of current portion	-	-	-	-	-	-	11,576,083	11,576,083	-	11,576,083
Long-term liabilities:										
Due to related parties	-	-	-	-	247,506,460	-	-	247,506,460	(247,506,460)	-
Long-term debt, net of current portion	120,970,000	-	-	-	-	-	-	120,970,000	-	120,970,000
Total long-term debt, net of current portion	120,970,000	-	-	-	247,506,460	-	-	368,476,460	(247,506,460)	120,970,000
Finance lease liabilities, net of current portion	369,122	-	-	-	-	-	-	369,122	-	369,122
Operating lease liabilities, net of current portion	395,020	-	-	-	867,821	-	-	1,262,841	-	1,262,841
Total liabilities	173,065,431	29,882,224	-	-	251,930,839	529,170	22,072,404	477,480,068	(276,095,205)	201,384,863
Net assets:										
Net assets (deficit) without donor restrictions	829,619,417	3,113	-	-	(244,052,939)	105,478,801	63,566,062	754,614,454	2	754,614,456
Net assets with donor restrictions	2,657,501	-	-	-	-	-	-	2,657,501	-	2,657,501
Total net assets	832,276,918	3,113	-	-	(244,052,939)	105,478,801	63,566,062	757,271,955	2	757,271,957
Total liabilities and net assets	\$ 1,005,342,349	\$ 29,885,337	\$ -	\$ -	\$ 7,877,900	\$ 106,007,971	\$ 85,638,466	\$ 1,234,752,023	\$ (276,095,203)	\$ 958,656,820

See accompanying independent auditor's report on consolidating information.

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
September 30, 2022

	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	\$ 63,748,653	\$ -	\$ 5,089,495	\$ -	\$ 273,606	\$ -	\$ -	\$ 69,111,754	\$ -	\$ 69,111,754
Assets limited as to use	-	-	-	-	-	-	7,929,657	7,929,657	-	7,929,657
Patient accounts receivable, net	45,565,775	-	1,733,130	-	2,532,869	-	-	49,831,774	-	49,831,774
Due from related parties	2,644,041	24,994,050	-	-	-	-	-	27,638,091	(27,638,091)	-
Estimated third-party payor settlements	185,670	-	-	-	-	-	-	185,670	-	185,670
Supplies, at lower of cost and net realizable value	3,886,516	-	891,861	-	-	-	-	4,778,377	(1)	4,778,376
Other current assets	9,615,367	-	81,198	-	1,184,178	-	1,920,130	12,800,873	1	12,800,874
Total current assets	<u>125,646,022</u>	<u>24,994,050</u>	<u>7,795,684</u>	<u>-</u>	<u>3,990,653</u>	<u>-</u>	<u>9,849,787</u>	<u>172,276,196</u>	<u>(27,638,091)</u>	<u>144,638,105</u>
Assets limited as to use:										
By lease for capital acquisition	30,097,986	-	-	-	-	-	-	30,097,986	-	30,097,986
Under trust agreement for self-insurance claims	-	-	-	-	-	-	63,447,006	63,447,006	-	63,447,006
Archbold Foundation, Inc.	-	-	-	-	-	99,380,746	-	99,380,746	(13,519)	99,367,227
Restricted by donors	2,322,848	-	-	-	-	-	-	2,322,848	-	2,322,848
Noncurrent assets limited as to use	<u>32,420,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,380,746</u>	<u>63,447,006</u>	<u>195,248,586</u>	<u>(13,519)</u>	<u>195,235,067</u>
Property and equipment, net	<u>220,020,380</u>	<u>-</u>	<u>1,573,934</u>	<u>-</u>	<u>1,541,152</u>	<u>-</u>	<u>-</u>	<u>223,135,466</u>	<u>13,519</u>	<u>223,148,985</u>
Other assets:										
Long-term investments	323,708,197	2,742,881	8,690,570	-	-	-	-	335,141,648	1	335,141,649
Due from related parties, net of current portion	216,413,700	-	-	-	-	-	-	216,413,700	(216,413,700)	-
Investments in unconsolidated companies	1,216,849	278,284	856,378	-	-	-	-	2,351,511	-	2,351,511
Other noncurrent assets	3,312,955	-	-	-	361,560	-	-	3,674,515	(2)	3,674,513
Total other assets	<u>544,651,701</u>	<u>3,021,165</u>	<u>9,546,948</u>	<u>-</u>	<u>361,560</u>	<u>-</u>	<u>-</u>	<u>557,581,374</u>	<u>(216,413,701)</u>	<u>341,167,673</u>
Total assets	<u>\$ 922,738,937</u>	<u>\$ 28,015,215</u>	<u>\$ 18,916,566</u>	<u>\$ -</u>	<u>\$ 5,893,365</u>	<u>\$ 99,380,746</u>	<u>\$ 73,296,793</u>	<u>\$ 1,148,241,622</u>	<u>\$ (244,051,792)</u>	<u>\$ 904,189,830</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET, Continued
September 30, 2022

	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	\$ 9,610,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,610,000	\$ -	\$ 9,610,000
Accounts payable	7,223,846	7,235,382	458,154	-	919,507	-	-	15,836,889	-	15,836,889
Due to related parties	22,974,228	-	1,995,150	24,672	-	1,539,211	1,104,830	27,638,091	(27,638,091)	-
Estimated third-party payor settlements	3,061,831	-	36,974	-	-	-	-	3,098,805	-	3,098,805
Accrued expenses	1,745,670	20,776,702	563,510	-	2,118,087	28,728	7,929,658	33,162,355	1	33,162,356
CARES Act and ARPA advance	457,610	-	-	-	-	-	-	457,610	-	457,610
	<u>45,073,185</u>	<u>28,012,084</u>	<u>3,053,788</u>	<u>24,672</u>	<u>3,037,594</u>	<u>1,567,939</u>	<u>9,034,488</u>	<u>89,803,750</u>	<u>(27,638,090)</u>	<u>62,165,660</u>
Total current liabilities										
Accrued malpractice and general, net of current portion	-	-	-	-	-	-	12,446,138	12,446,138	-	12,446,138
Long-term liabilities:										
Due to related parties	-	-	-	-	216,413,700	-	-	216,413,700	(216,413,700)	-
Long-term debt, net of current portion	130,785,000	-	-	-	-	-	-	130,785,000	-	130,785,000
	<u>130,785,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,413,700</u>	<u>-</u>	<u>-</u>	<u>347,198,700</u>	<u>(216,413,700)</u>	<u>130,785,000</u>
Total long-term liabilities										
Total liabilities	<u>175,858,185</u>	<u>28,012,084</u>	<u>3,053,788</u>	<u>24,672</u>	<u>219,451,294</u>	<u>1,567,939</u>	<u>21,480,626</u>	<u>449,448,588</u>	<u>(244,051,790)</u>	<u>205,396,798</u>
Net assets:										
Net assets (deficit) without donor restrictions	744,557,904	3,131	15,862,778	(24,672)	(213,557,929)	97,812,807	51,816,167	696,470,186	(2)	696,470,184
Net assets with donor restrictions	2,322,848	-	-	-	-	-	-	2,322,848	-	2,322,848
	<u>746,880,752</u>	<u>3,131</u>	<u>15,862,778</u>	<u>(24,672)</u>	<u>(213,557,929)</u>	<u>97,812,807</u>	<u>51,816,167</u>	<u>698,793,034</u>	<u>(2)</u>	<u>698,793,032</u>
Total net assets										
Total liabilities and net assets	<u>\$ 922,738,937</u>	<u>\$ 28,015,215</u>	<u>\$ 18,916,566</u>	<u>\$ -</u>	<u>\$ 5,893,365</u>	<u>\$ 99,380,746</u>	<u>\$ 73,296,793</u>	<u>\$ 1,148,241,622</u>	<u>\$ (244,051,792)</u>	<u>\$ 904,189,830</u>

See accompanying independent auditor's report on consolidating information.

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF REVENUE AND EXPENSES
September 30, 2023

	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	\$ 416,157,829	\$ -	\$ 6,273,742	\$ -	\$ 24,299,450	\$ -	\$ -	\$ 446,731,021	\$ -	\$ 446,731,021
Other operating revenue	6,740,691	-	1,093	-	347,080	-	-	7,088,864	(1)	7,088,863
CARES Act and ARPA funding	-	-	-	-	(89,135)	-	-	(89,135)	-	(89,135)
Total revenues, gains and other support	<u>422,898,520</u>	<u>-</u>	<u>6,274,835</u>	<u>-</u>	<u>24,557,395</u>	<u>-</u>	<u>-</u>	<u>453,730,750</u>	<u>(1)</u>	<u>453,730,749</u>
Operating expenses:										
Salaries and wages	134,297,516	14,099,254	869,618	-	25,291,215	303,238	-	174,860,841	(13,923,575)	160,937,266
Employee health and welfare	33,542,628	4,263,643	207,494	-	3,698,963	7,167	-	41,719,895	(4,183,771)	37,536,124
Professional fees	55,519,274	-	23,953	-	20,060,770	-	-	75,603,997	(1,581,484)	74,022,513
Supplies and other	148,304,133	(18,362,897)	4,728,868	-	5,170,474	4,826,918	(3,216,553)	141,450,943	14,551,506	156,002,449
Depreciation	25,784,535	-	144,624	-	830,931	5,200	-	26,765,290	(5,200)	26,760,090
Interest and amortization	3,618,583	-	-	-	52	-	-	3,618,635	(1)	3,618,634
Total operating expenses	<u>401,066,669</u>	<u>-</u>	<u>5,974,557</u>	<u>-</u>	<u>55,052,405</u>	<u>5,142,523</u>	<u>(3,216,553)</u>	<u>464,019,601</u>	<u>(5,142,525)</u>	<u>458,877,076</u>
Operating income (loss)	<u>21,831,851</u>	<u>-</u>	<u>300,278</u>	<u>-</u>	<u>(30,495,010)</u>	<u>(5,142,523)</u>	<u>3,216,553</u>	<u>(10,288,851)</u>	<u>5,142,524</u>	<u>(5,146,327)</u>
Nonoperating income (loss):										
Investment income (loss) and other	37,205,916	-	(38,628)	-	-	11,364,627	8,533,342	57,065,257	(11,364,627)	45,700,630
Archbold Foundation, Inc.	-	-	-	-	-	1,443,890	-	1,443,890	8,544,110	9,988,000
Gain (loss) on disposal of assets	52,051	-	-	-	-	-	-	52,051	-	52,051
Gain on the sale of business unit	-	-	-	-	-	-	-	-	-	-
Total nonoperating income (loss)	<u>37,257,967</u>	<u>-</u>	<u>(38,628)</u>	<u>-</u>	<u>-</u>	<u>12,808,517</u>	<u>8,533,342</u>	<u>58,561,198</u>	<u>(2,820,517)</u>	<u>55,740,681</u>
Excess revenues (expenses)	<u>\$ 59,089,818</u>	<u>\$ -</u>	<u>\$ 261,650</u>	<u>\$ -</u>	<u>\$ (30,495,010)</u>	<u>\$ 7,665,994</u>	<u>\$ 11,749,895</u>	<u>\$ 48,272,347</u>	<u>\$ 2,322,007</u>	<u>\$ 50,594,354</u>

See accompanying independent auditor's report on consolidating information.

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF REVENUE AND EXPENSES
September 30, 2022

	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	\$ 362,890,076	\$ -	\$ 23,848,636	\$ -	\$ 21,159,574	\$ -	\$ -	\$ 407,898,286	\$ (3)	\$ 407,898,283
Other operating revenue	5,658,196	-	5,176	-	431,230	-	-	6,094,602	1	6,094,603
CARES Act and ARPA funding	12,595,742	-	626,377	-	1,326,653	-	-	14,548,772	(1)	14,548,771
Total revenues, gains and other support	<u>381,144,014</u>	<u>-</u>	<u>24,480,189</u>	<u>-</u>	<u>22,917,457</u>	<u>-</u>	<u>-</u>	<u>428,541,660</u>	<u>(3)</u>	<u>428,541,657</u>
Operating expenses:										
Salaries and wages	127,657,360	14,104,742	5,866,330	-	24,059,232	306,649	-	171,994,313	(13,857,059)	158,137,254
Employee health and welfare	32,415,372	4,168,452	1,395,564	-	3,684,583	7,423	-	41,671,394	(4,179,649)	37,491,745
Professional fees	55,529,126	-	199,822	-	19,575,995	-	-	75,304,943	(2,210,011)	73,094,932
Supplies and other	120,582,732	(18,273,212)	16,449,166	-	3,735,852	4,354,080	(3,912,160)	122,936,458	15,578,568	138,515,026
Depreciation	24,892,102	-	612,996	-	913,555	5,615	-	26,424,268	(5,615)	26,418,653
Interest and amortization	3,156,103	-	-	-	-	-	-	3,156,103	-	3,156,103
Total operating expenses	<u>364,232,795</u>	<u>(18)</u>	<u>24,523,878</u>	<u>-</u>	<u>51,969,217</u>	<u>4,673,767</u>	<u>(3,912,160)</u>	<u>441,487,479</u>	<u>(4,673,766)</u>	<u>436,813,713</u>
Operating income	<u>16,911,219</u>	<u>18</u>	<u>(43,689)</u>	<u>-</u>	<u>(29,051,760)</u>	<u>(4,673,767)</u>	<u>3,912,160</u>	<u>(12,945,819)</u>	<u>4,673,763</u>	<u>(8,272,056)</u>
Nonoperating income (loss):										
Investment income (loss) and other	(48,191,875)	-	(38,745)	-	-	(18,943,916)	(11,632,335)	(78,806,871)	18,943,916	(59,862,955)
Archbold Foundation, Inc.	-	-	-	-	-	2,320,626	-	2,320,626	(20,461,388)	(18,140,762)
Loss on disposal of assets and other	(345,494)	-	-	-	-	-	-	(345,494)	-	(345,494)
Gain on the sale of business unit	-	-	3,605,041	-	-	-	-	3,605,041	-	3,605,041
Total nonoperating income	<u>(48,537,369)</u>	<u>-</u>	<u>3,566,296</u>	<u>-</u>	<u>-</u>	<u>(16,623,290)</u>	<u>(11,632,335)</u>	<u>(73,226,698)</u>	<u>(1,517,472)</u>	<u>(74,744,170)</u>
Excess revenues (expenses)	<u>\$ (31,626,150)</u>	<u>\$ 18</u>	<u>\$ 3,522,607</u>	<u>\$ -</u>	<u>\$ (29,051,760)</u>	<u>\$ (21,297,057)</u>	<u>\$ (7,720,175)</u>	<u>\$ (86,172,517)</u>	<u>\$ 3,156,291</u>	<u>\$ (83,016,226)</u>

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) which comprise the consolidated balance sheet as of September 30, 2023, and the related consolidated statements of revenue and support, expenses and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 22, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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

61

Let's Think Together.®

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center's consolidated financial statements are free from 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 consolidated 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.

Draffin & Tucker, LLP

Albany, Georgia
January 22, 2024