

ARCHBOLD MEDICAL CENTER, INC.
AND SUBSIDIARIES



CONSOLIDATED FINANCIAL STATEMENTS
for the years ended September 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Archbold Medical Center, Inc. and Subsidiaries (Medical Center), which comprise the consolidated balance sheets as of September 30, 2020 and 2019, the related consolidated statements of revenue and support, expenses and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. For the year ended September 30, 2020, we also conducted our audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Continued

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Archbold Medical Center, Inc. and Subsidiaries as of September 30, 2020 and 2019, and the results of its operations and changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Medical Center adopted new accounting guidance, Financial Accounting Standards Board Accounting Standards Codification Accounting Standards Update No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2021, 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.



Albany, Georgia
January 19, 2021

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
as of September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 152,580,617	\$ 81,245,069
Assets limited as to use	6,236,401	6,125,805
Patient accounts receivable, net of allowance for doubtful accounts of \$23,000,000 in 2020 and \$27,000,000 in 2019	49,749,695	56,240,885
Estimated third-party payor settlements	2,245,767	506,141
Supplies, at lower of cost and net realizable value	4,438,931	4,616,717
Other current assets	<u>10,123,791</u>	<u>9,905,192</u>
Total current assets	<u>225,375,202</u>	<u>158,639,809</u>
Assets limited as to use:		
By lease for capital acquisition	42,080,780	39,325,131
Under trust agreement for self-insurance claims	62,883,837	54,730,026
Archbold Foundation, Inc.	100,941,575	96,497,498
Restricted by donors	<u>2,190,524</u>	<u>1,997,550</u>
	208,096,716	192,550,205
Less amount required to meet current obligations	<u>6,236,401</u>	<u>6,125,805</u>
Noncurrent assets limited as to use	<u>201,860,315</u>	<u>186,424,400</u>
Property and equipment, net	<u>211,184,058</u>	<u>218,078,815</u>
Other assets:		
Long-term investments	278,725,133	248,279,544
Investments in unconsolidated companies	1,495,133	1,495,133
Other noncurrent assets	<u>2,638,790</u>	<u>3,427,872</u>
Total other assets	<u>282,859,056</u>	<u>253,202,549</u>
Total assets	<u>\$ 921,278,631</u>	<u>\$ 816,345,573</u>

Continued

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	\$ 5,990,000	\$ 5,890,000
Accounts payable	13,641,424	11,860,591
Estimated third-party payor settlements	6,875,255	5,260,235
Accrued expenses:		
Salaries and compensation	18,986,131	15,211,029
Employee benefits	13,303,279	9,852,771
Malpractice and general	6,236,401	6,125,805
Other	1,426,356	1,827,138
Medicare advance payments	36,916,067	-
CARES Act Advances	<u>39,273,897</u>	<u>-</u>
Total current liabilities	142,648,810	56,027,569
Accrued malpractice and general, net of current portion	13,643,474	14,085,753
Long-term debt, net of current installments:		
Revenue certificates payable	<u>96,411,762</u>	<u>102,355,204</u>
Total liabilities	<u>252,704,046</u>	<u>172,468,526</u>
Net assets:		
Net assets without donor restrictions	666,384,061	641,879,497
Net assets with donor restrictions	<u>2,190,524</u>	<u>1,997,550</u>
Total net assets	<u>668,574,585</u>	<u>643,877,047</u>
Total liabilities and net assets	<u>\$ 921,278,631</u>	<u>\$ 816,345,573</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues, gains and other support:		
Patient service revenue (net of contractual allowances and discounts)	\$ 431,877,055	\$ 446,204,816
Provision for bad debts	<u>(64,791,374)</u>	<u>(67,064,477)</u>
Net patient service revenue	367,085,681	379,140,339
Other operating revenue	<u>5,219,976</u>	<u>6,443,839</u>
Total revenues, gains and other support	<u>372,305,657</u>	<u>385,584,178</u>
Operating expenses:		
Salaries and wages	144,837,883	140,197,528
Employee health and welfare	36,685,393	31,171,459
Professional fees	51,379,295	46,082,647
Supplies and other	119,552,904	125,826,184
Depreciation	26,244,627	27,677,208
Interest and amortization	<u>2,748,988</u>	<u>3,217,425</u>
Total operating expenses	<u>381,449,090</u>	<u>374,172,451</u>
Operating income (loss)	<u>(9,143,433)</u>	<u>11,411,727</u>
Nonoperating income (loss):		
Investment income and other	32,174,771	1,682,992
Archbold Foundation, Inc.	4,191,392	1,442,058
Loss on disposal of assets and other	(112,147)	(27,759)
Gain on sale of dialysis centers	<u>-</u>	<u>1,519,215</u>
Total nonoperating income	<u>36,254,016</u>	<u>4,616,506</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Excess revenues	\$ 27,110,583	\$ 16,028,233
Change in net unrealized gain (loss) on investments	(449,367)	7,674,600
Reclassification of equity security unrealized (gain) loss related to the adoption of ASU No. 2016-01	(2,315,315)	-
Grants and donations for purchase of property and equipment	<u>158,663</u>	<u>1,204,643</u>
Increase in net assets without donor restrictions	<u>24,504,564</u>	<u>24,907,476</u>
Net assets with donor restrictions:		
Change in net realized and unrealized gains on investments	<u>192,974</u>	<u>23,792</u>
Increase in net assets	24,697,538	24,931,268
Net assets, beginning of year	<u>643,877,047</u>	<u>618,945,779</u>
Net assets, end of year	<u>\$ 668,574,585</u>	<u>\$ 643,877,047</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, 2020 and 2019

	<u>2020</u>	Restated <u>2019</u>
Cash flows from operating activities:		
Increase in net assets	\$ 24,697,538	\$ 24,931,268
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net unrealized gains and losses on investments	449,367	(7,674,600)
Reclassification of equity security unrealized gain (loss) related to the adoption of ASU No. 2016-01	2,303,807	-
Grants and donations for purchase of property and equipment	(158,663)	(1,204,643)
Loss on disposal of assets and other	112,147	27,759
Gain on sale of dialysis centers	-	(1,519,215)
Net realized and unrealized gains and losses on restricted investments	(192,974)	(23,792)
Depreciation	26,244,627	27,677,208
Amortization	46,558	46,357
Forgiveness of physician notes receivable	571,966	829,802
Provision for bad debts	64,791,374	67,064,477
Changes in:		
Accounts receivable	(58,300,184)	(64,303,869)
Inventory and other current assets	(40,813)	(514,125)
Pledges receivable	1,134,476	544,760
Other noncurrent assets	217,116	(1,068,151)
Accounts payable	1,780,831	1,945,099
Accrued liabilities	6,493,145	(979,338)
Medicare advance payments	36,916,065	-
CARES Act advance	39,273,897	-
Estimated third-party payor settlements	<u>(124,606)</u>	<u>(3,139,225)</u>
Net cash provided by operating activities	<u>146,215,674</u>	<u>42,639,772</u>
Cash flows from investing activities:		
Capital expenditures	(19,462,017)	(17,709,345)
Proceeds from sale of assets and dialysis centers, net	-	1,519,215
Proceeds from sale of investments	202,124,701	386,369,942
Purchase of investments	<u>(254,043,017)</u>	<u>(408,931,329)</u>
Net cash used by investing activities	<u>(71,380,333)</u>	<u>(38,751,517)</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
for the years ended September 30, 2020 and 2019

	<u>2020</u>	Restated <u>2019</u>
Cash flows from financing activities:		
Payments on long-term debt	\$ (5,890,000)	\$ (5,785,000)
Proceeds from restricted contributions	<u>158,663</u>	<u>1,204,643</u>
Net cash used by financing activities	<u>(5,731,337)</u>	<u>(4,580,357)</u>
Net increase (decrease) in cash and cash equivalents	69,104,004	(692,102)
Cash and cash equivalents, beginning of year	<u>91,552,373</u>	<u>92,244,475</u>
Cash and cash equivalents, end of year	<u>\$ 160,656,377</u>	<u>\$ 91,552,373</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	\$ 152,580,617	\$ 81,245,069
Restricted cash and cash equivalents	7,866,124	9,755,874
Cash and cash equivalents in noncurrent assets	<u>209,636</u>	<u>551,430</u>
Total cash and cash equivalents	<u>\$ 160,656,377</u>	<u>\$ 91,552,373</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of capitalized interest	<u>\$ 2,750,788</u>	<u>\$ 3,170,295</u>

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

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2020 and 2019

1. Description of Organization and Summary of Significant Accounting Policies

Organization

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

The consolidated financial statements include the accounts of Archbold Medical Center, Inc. and its wholly controlled or owned subsidiaries for the years ended September 30, 2020 and 2019. 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.

Allowance for Doubtful Accounts

Accounts receivable is reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Medical Center analyzes a variety of information for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

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

Allowance for Doubtful Accounts, Continued

For receivables associated with services provided to patients who have third-party coverage, the Medical Center provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectibles, deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with non-contract and self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Medical Center records a provision for bad debts equal to the receivable in the period of service, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected, after all reasonable collection efforts have been exhausted, is charged off against the allowance for doubtful accounts.

The Medical Center's allowance for doubtful accounts for self-pay patients was approximately 95% of self-pay accounts receivable at September 30, 2020 and 92% at 2019. The Medical Center's provision for bad debts decreased from approximately \$67,064,000 for 2019 to approximately \$55,130,000 for 2020. The decrease in bad debt write-offs is a result of a decrease in gross patient service revenue and an increase in indigent care write offs. The Medical Center does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

Investments and Investment Income

The Medical Center adopted FASB ASU No. 2016-01 during fiscal year 2020. 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 sheet. For investments in equity securities without a readily determinable fair value that do not qualify for the net asset value (NAV) practical expedient in ASC 820-10-35-59, an entity is permitted to elect a practicability exception to the fair value measurement, under which the investment will be measured at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. 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. Prior to adoption of ASB ASU No. 2016-01 the Medical Center classified equity securities with readily determinable fair values as available-for-sale with unrealized gains and losses reflected as a change in net assets.

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

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

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

Assets Limited as to Use

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

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

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

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

Amounts required to meet certain liabilities of the Medical Center have been reclassified in the balance sheet at September 30, 2020 and 2019.

Property and Equipment

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

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

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

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

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, 2020 and 2019.

Refundable Advance

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

Cost of Borrowing

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

Deferred Financing Cost

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

Net Assets

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

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

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

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 of Revenues

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

Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final 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.

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.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

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

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 and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as increases in the appropriate categories of net assets in accordance with donor restrictions.

Estimated Malpractice and Other Self-Insurance Costs

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

Income Taxes

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

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

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, 2020 and 2019 or for the years then ended. The Medical Center's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

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

Fair Value Measurements

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

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

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

Recently Adopted Accounting Pronouncements

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The new guidance requires equity investments (except those accounted for under the equity method or those that result in consolidation) to be measured at fair value, with changes in fair value recognized in net income; simplifies the impairment assessment of equity investments without readily determinable fair values; and amends certain disclosure requirements associated with the fair value of financial instruments. The Medical Center adopted ASU No. 2016-01 on October 1, 2019 using the modified retrospective method of transition. Prior to adoption, the Medical Center classified equity securities with readily determinable fair values as available-for-sale with unrealized gains and losses reflected as a change to net assets. The primary impact of the new guidance is that changes in the fair value of equity investments will be recognized within the performance indicator, excess revenues, rather than below as a change to net assets. The cumulative effect adjustment made on October 1, 2019 was \$2,315,315.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

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

Recently Adopted Accounting Pronouncements, Continued

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows – Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Medical Center adopted the new guidance in 2020 and fiscal year 2019 was recast to conform to the new presentation.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update assists entities in determining when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The Medical Center adopted the new guidance for the year ending September 30, 2020 and adoption did not have a material impact on the financial statements.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*. The ASU was issued to provide relief for certain entities in light of the COVID-19 pandemic by deferring the effective dates of certain Updates, including subsequent amendments. The ASU is effective immediately. Earlier application of amendments are permitted to the extent specified in each Update as originally issued.

Accounting Pronouncement Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a new comprehensive revenue recognition standard. The new guidance, including subsequent amendments, is effective for the Medical Center as of October 1, 2020, with ASU No. 2020-05 deferral. The Medical Center is continuing to evaluate the impact the guidance will have on the financial statements.

Subsequent Event

In preparing these consolidated financial statements, the Medical Center has evaluated events and transactions for potential recognition or disclosure through January 19, 2021, the date the consolidated financial statements were available to be issued.

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2019 consolidated financial statements to conform to the fiscal year 2020 presentation. These reclassifications had no impact on the change in net assets in the accompanying consolidated financial statements.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

2. 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. The Medical Center does not believe that there are any significant credit risks associated with receivables due from third-party payors. A summary of the payment arrangements with major third-party payors follows:

- Medicare

Inpatient acute care services 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 per diems.

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

The Medical Center is reimbursed for certain 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, 2014.

Revenue from the Medicare program accounted for approximately 40% and 34% of the Medical Center's patient service revenue for the years ended 2020 and 2019. Laws and regulations governing the Medicare program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

2. Patient Service Revenue, Continued

• Medicare, Continued

The Medical Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the federal level including the initiation of the Recovery Audit Contractor (RAC) program. The RAC program was created to review Medicare claims for medical necessity and coding appropriateness. The RAC's have authority to pursue improper payments with a three year look back from the date the claim was paid. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare program.

• Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to the Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

The Medical Center is reimbursed 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, 2017.

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

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

Revenue from the Medicaid program accounted for approximately 6% and 6% of the Medical Center's patient service revenue for the years ended 2020 and 2019. Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

2. Patient Service Revenue, Continued

• Medicaid, Continued

The hospitals within the Medical Center participate in the Georgia Indigent Care Trust Fund (ICTF) Program. The hospitals receive ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the hospitals' estimated uncompensated cost of services to Medicaid and uninsured patients. The amount of ICTF payments recognized in net patient service revenue was approximately \$3,035,000 and \$2,754,000 for the years ended September 30, 2020 and 2019, respectively.

The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately \$3,468,000 and \$3,836,000 for the years ended September 30, 2020 and 2019, 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 \$5,106,000 and \$5,090,000 of provider payments relating to the Act are included in supplies and other expenses in the accompanying consolidated statements of revenue and support, expenses and changes in net assets for the years ended September 30, 2020 and 2019, respectively.

The Medical Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state level including the initiation of the Medicaid Integrity Contractor (MIC) program. This program was created to review Medicaid claims for medical necessity and coding appropriateness. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicaid program.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

2. Patient Service Revenue, Continued

• Other Arrangements

The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes 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.

The Medical Center recognizes patient service revenue associated with services provided to patients who have third-party coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Medical Center recognizes revenue on the basis of its agreed upon rates for services provided. On the basis of historical experience, a significant portion of the Medical Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Medical Center records a provision for bad debts equal to charges related to uninsured patients in the period the services are provided.

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	<u>Medicare</u>	<u>Medicaid</u>	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
2020	<u>\$ 171,571,500</u>	<u>\$ 26,474,716</u>	<u>\$ 168,990,588</u>	<u>\$ 64,840,251</u>	<u>\$ 431,877,055</u>
2019	<u>\$ 153,735,149</u>	<u>\$ 26,692,244</u>	<u>\$ 194,300,820</u>	<u>\$ 71,476,603</u>	<u>\$ 446,204,816</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

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 contractual adjustments and estimated uncollectibles, at September 30, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Medicare	35%	40%
Medicaid	15%	20%
Other third-party payors	<u>50%</u>	<u>40%</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, 2020 and 2019 is set forth in the following table. Investments are stated at fair value.

	<u>2020</u>	<u>2019</u>
By lease for capital acquisition:		
Cash and cash equivalents	\$ 828,936	\$ 1,554,098
Certificates of deposit	-	3,233,603
Mutual funds	11,123,418	3,076,850
U.S. corporate bonds	15,144,387	12,007,738
Federal agency bonds	5,721,839	5,158,955
U.S. Treasury securities	<u>9,262,200</u>	<u>14,293,887</u>
Total	<u>42,080,780</u>	<u>39,325,131</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

4. Investments, Continued

Assets Limited as to Use, Continued

	<u>2020</u>	<u>2019</u>
Under trust agreement for liability claims:		
Cash and cash equivalents	\$ 1,464,347	\$ 4,651,826
Certificates of deposit	-	501,867
Mutual funds	31,355,833	23,596,799
U.S. corporate bonds	5,198,925	3,948,724
Closely held securities - other	2,165,516	-
U.S. Treasury securities	8,675,627	8,914,380
U.S. equity securities	<u>14,023,589</u>	<u>13,116,430</u>
 Total	 <u>62,883,837</u>	 <u>54,730,026</u>
Archbold Foundation, Inc.:		
Investment portfolios:		
Cash and cash equivalents	6,481	380,900
Mutual funds	72,162,649	66,758,543
U.S. Treasury securities	2,410,435	2,929,590
U.S. equity securities	5,593,822	5,241,811
Alternative investments	13,599,336	11,268,861
Limited partnership	<u>-</u>	<u>3,999,836</u>
	93,772,723	90,579,541
Cash and cash equivalents	5,500,672	3,115,300
Pledges receivable	<u>1,668,180</u>	<u>2,802,657</u>
 Total	 <u>100,941,575</u>	 <u>96,497,498</u>
Restricted by donors:		
Cash and cash equivalents	65,688	53,747
Mutual funds	1,959,231	1,788,910
U.S. Treasury securities	159,959	149,519
U.S. corporate bonds	<u>5,646</u>	<u>5,374</u>
 Total	 <u>2,190,524</u>	 <u>1,997,550</u>
 Total assets limited to use	 <u>\$ 208,096,716</u>	 <u>\$ 192,550,205</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

4. Investments, Continued

Long-Term Investments

Long-term investments, stated at fair value, at September 30, 2020 and 2019, include:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 209,636	\$ 551,430
Certificates of deposit	468,290	7,849,224
Mutual funds	128,564,857	145,414,676
U.S. corporate bonds	31,381,048	28,239,748
Federal agency bonds	298,632	12,147,202
U.S. equity securities	70,317,837	438,207
U.S. Treasury securities	<u>47,484,833</u>	<u>53,639,057</u>
Total long-term investments	<u>\$ 278,725,133</u>	<u>\$ 248,279,544</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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Income:		
Interest and dividend income	\$ 12,928,887	\$ 3,632,085
Realized gains on sales of securities	10,984,174	5,861,015
Unrealized gains (losses) on investments	10,398,143	(5,834,001)
Reclassification of equity security unrealized gain (loss) related to the adoption of ASU No. 2016-01	<u>2,315,315</u>	<u>-</u>
Total income	<u>\$ 36,626,519</u>	<u>\$ 3,659,099</u>

Other changes in net assets without donor restrictions:

Unrealized gains (losses) on investments	<u>\$ (449,367)</u>	<u>\$ 7,674,600</u>
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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

4. Investments, Continued

Long-Term Investments, Continued

The following table provides a summary of the Medical Center's investments as of September 30, 2020 and 2019 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, 2020					
	Less than 12 Months		12 Months of More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Federal agency bonds	\$ 7,067,323	\$ (25,015)	\$ 5,042,275	\$ (27,116)	\$ 12,109,598	\$ (52,131)
Marketable securities	874	(1,016)	-	-	874	(1,016)
Mutual funds	66,681,314	(4,306,628)	-	-	66,681,314	(4,306,628)
Corporate bonds	2,520,830	(77,994)	1,703,168	(12,875)	4,223,998	(90,869)
Total	\$ 76,270,341	\$ (4,410,653)	\$ 6,745,443	\$ (39,991)	\$ 83,015,784	\$ (4,450,644)

Description of Securities	September 30, 2019					
	Less than 12 Months		12 Months of More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Certificates of deposit	\$ 3,027,951	\$ (2,682)	\$ -	\$ -	\$ 3,027,951	\$ (2,682)
Mutual funds	35,969,733	(3,117,726)	-	-	35,969,733	(3,117,726)
Corporate bonds	5,572,063	(27,708)	-	-	5,572,063	(27,708)
Federal agency bonds	7,721,298	(30,687)	3,308,307	(95,679)	11,029,605	(126,366)
Marketable securities	858,245	(2,992)	3,404	(80)	861,649	(3,072)
Total	\$ 53,149,290	\$ (3,181,795)	\$ 3,311,711	\$ (95,759)	\$ 56,461,001	\$ (3,277,554)

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, 2020, the debt securities with unrealized losses have depreciated % from the Medical Center's amortized cost basis. The majority of these securities are either guaranteed by the U. S. Government or other governments.

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.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

4. Investments, Continued

Long-Term Investments, Continued

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

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

5. Property and Equipment

A summary of property and equipment at September 30, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 9,618,798	\$ 9,367,795
Land improvements	6,279,632	6,187,303
Buildings	154,092,161	153,533,770
Fixed equipment	132,664,549	131,282,028
Major movable equipment	223,037,578	218,163,332
Leasehold improvements	<u>24,528,453</u>	<u>23,625,899</u>
	550,221,171	542,160,127
Less accumulated depreciation and amortization	<u>349,518,056</u>	<u>328,049,639</u>
	200,703,115	214,110,488
Construction-in-progress	<u>10,480,943</u>	<u>3,968,327</u>
Property and equipment, net	<u>\$ 211,184,058</u>	<u>\$ 218,078,815</u>

Depreciation expense for the years ended September 30, 2020 and 2019 amounted to approximately \$26,245,000 and \$27,677,000, respectively. Construction contracts exist for various projects at year end with a total commitment of \$4,854,000. At September 30, 2020, the remaining commitment on these contracts approximated \$3,121,000.

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

6. Long-Term Debt

A summary of long-term debt at September 30, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
Revenue Certificates, Series 2017A maturing in installments of \$545,000 to \$2,175,000 each November 1 beginning in 2031 until 2040. The certificates are secured by gross revenue and bear a variable interest rate.	\$ 17,985,000	\$ 17,985,000
Revenue Certificates, Series 2017B maturing in installments of \$2,170,000 to \$2,475,000 each November 1 beginning in 2018 until 2024. The certificates are secured by gross revenue and bear a variable interest rate.	9,295,000	11,360,000
Revenue Certificates, Series 2017C maturing in installments of \$3,820,000 to \$7,270,000 each November 1 beginning in 2019 until 2033. The certificates are secured by gross revenue and bear a fixed interest rate of 3.01%.	<u>75,205,000</u>	<u>79,030,000</u>
	102,485,000	108,375,000
Less current installments	<u>5,990,000</u>	<u>5,890,000</u>
	96,495,000	102,485,000
Less unamortized bond issue costs	<u>83,238</u>	<u>129,796</u>
Long-term debt, net of current installments	<u>\$ 96,411,762</u>	<u>\$ 102,355,204</u>

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

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

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

6. Long-Term Debt, Continued

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

<u>Year Ending September 30th</u>	<u>Amount</u>
2021	\$ 5,990,000
2022	6,100,000
2023	6,210,000
2024	6,315,000
2025	6,420,000
Hereafter	<u>71,450,000</u>
Total	<u>\$ 102,485,000</u>

7. Net Assets With Donor Restrictions

Net assets with donor restrictions at September 30, 2020 and 2019 are restricted to:

	<u>2020</u>	<u>2019</u>
Investments to be held in perpetuity, the income from which is expendable to support health care services	<u>\$ 2,190,524</u>	<u>\$ 1,997,550</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

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

7. Net Assets With Donor Restrictions, Continued

Endowment Fund, Continued

preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Medical Center, and (7) the Medical Center's investment policies.

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

Changes in endowment net assets as of September 30, 2020 and 2019 are as follows:

	<u>Endowment Net Assets</u>	
	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 1,997,550	\$ 1,973,758
Investment income	<u>192,974</u>	<u>23,792</u>
Endowment net assets, end of year	<u>\$ 2,190,524</u>	<u>\$ 1,997,550</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

8. Uncompensated Services

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

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Gross patient charges	<u>\$ 1,021,236,319</u>	<u>\$ 1,070,483,462</u>
Uncompensated services:		
Charity and indigent care	43,505,700	41,890,647
Medicare	369,108,686	406,535,830
Medicaid	94,594,306	100,035,460
Other	91,812,050	75,816,709
Bad debts	<u>55,129,898</u>	<u>67,064,477</u>
Total uncompensated care	<u>654,150,640</u>	<u>691,343,123</u>
Net patient service revenue	<u>\$ 367,085,679</u>	<u>\$ 379,140,339</u>

Uncompensated care includes charity and indigent care services of approximately \$66,157,000 and \$67,873,000 in 2020 and 2019, respectively. The cost of charity and indigent care services provided during 2020 and 2019 was approximately \$28,908,000 and \$27,985,000, 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, 2020 and 2019

9. Functional Expenses

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

<u>September 30, 2020</u>	<u>General and Administrative</u>	<u>Patient Care Services</u>	<u>Total</u>
Salaries and wages	\$ 27,252,872	\$ 117,585,011	\$ 144,837,883
Employee health and welfare	7,229,667	29,455,726	36,685,393
Professional fees	5,261,675	46,117,620	51,379,295
Supplies and other	26,701,654	92,843,472	119,545,126
Depreciation	3,834,813	22,409,814	26,244,627
Interest and amortization	<u>492,368</u>	<u>2,256,620</u>	<u>2,748,988</u>
 Total	 <u>\$ 70,773,049</u>	 <u>\$ 310,668,263</u>	 <u>\$ 381,441,312</u>

<u>September 30, 2019</u>	<u>General and Administrative</u>	<u>Patient Care Services</u>	<u>Total</u>
Salaries and wages	\$ 23,251,284	\$ 116,946,244	\$ 140,197,528
Employee health and welfare	5,853,965	25,317,494	31,171,459
Professional fees	5,091,759	40,990,888	46,082,647
Supplies and other	33,597,761	92,228,423	125,826,184
Depreciation	3,901,250	23,775,958	27,677,208
Interest and amortization	<u>533,599</u>	<u>2,683,826</u>	<u>3,217,425</u>
 Total	 <u>\$ 72,229,618</u>	 <u>\$ 301,942,833</u>	 <u>\$ 374,172,451</u>

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

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

10. Employee Thrift Savings Plan

The Medical Center has a defined contribution pension plan covering substantially all employees. Each year, participants may contribute up to 100% of pretax annual compensation as defined in the Plan, subject to Internal Revenue Code limitations. For participants who have completed one year of service, the Medical Center makes matching contributions on 50% of the first 4% of employee contributions. Matching contribution expenses for the Plan amounted to approximately \$1,626,000 and \$1,428,000 in 2020 and 2019, respectively. Discretionary contributions may be contributed at the option of the Medical Center's Board. Discretionary contribution expenses for the Plan amounted to approximately \$2,654,000 and \$2,477,000 in 2020 and 2019, respectively.

11. Self-Insurance – Employee Health Plan

The Medical Center has a self-insurance program for employee health claims, in which the Medical Center processes and pays claims. The Medical Center has purchased stop-loss insurance coverage for claims in excess of \$225,000 for each individual employee. Total expenses relative to this plan were approximately \$17,952,000 and \$13,605,000 for 2020 and 2019, respectively.

12. Fair Values of Financial Instruments

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

- *Cash and cash equivalents, accounts payable, accrued expenses, 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, 2020 and 2019 are as follows:

	2020		2019	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt	<u>\$ 102,485,000</u>	<u>\$ 94,950,789</u>	<u>\$ 108,375,000</u>	<u>\$ 102,505,233</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

12. Fair Values of Financial Instruments, Continued

Fair values of assets measured on a recurring basis at September 30, 2020 and 2019 are as follows:

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

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

12. Fair Values of Financial Instruments, Continued

	<u>September 30, 2019</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	\$ 10,307,301	\$ 10,307,301	\$ 10,307,301	\$ -	\$ -
Certificates of deposit	11,082,827	-	-	11,082,827	-
Mutual funds – fixed income	41,107,825	41,107,825	41,107,825	-	-
Mutual funds – equity	226,009,354	226,009,354	226,009,354	-	-
U.S. corporate bonds	40,252,860	-	-	40,252,860	-
Federal agency bonds	17,306,157	17,306,157	17,306,157	-	-
Fixed income securities – U.S. Treasuries	71,012,053	71,012,053	71,012,053	-	-
Marketable securities – consumer discretionary	582,855	582,855	582,855	-	-
Marketable securities – consumer staples	655,493	655,493	655,493	-	-
Marketable securities – energy	357,074	357,074	357,074	-	-
Marketable securities – financials	1,038,242	1,038,242	1,038,242	-	-
Marketable securities – healthcare	701,982	701,982	701,982	-	-
Marketable securities – industrials	145,406	145,406	145,406	-	-
Marketable securities – information technology	1,036,998	1,036,998	1,036,998	-	-
Marketable securities – utilities	359,728	359,728	359,728	-	-
Marketable securities – other	629,402	629,402	629,402	-	-
Marketable securities – real estate	-	-	-	-	-
REITS – financials	172,838	172,838	172,838	-	-
Total assets in the fair value hierarchy	422,758,395	\$ 371,422,708	\$ 51,335,687	\$ -	\$ -
Investments measured at net asset value	15,268,697				
Investments at fair value	\$ 438,027,092				

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

12. Fair Values of Financial Instruments, Continued

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

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

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

Investments Measured Using the Net Asset Value Per Share Practical Expedient

The following table sets forth additional information for assets valued at net asset value (NAV) as a practical expedient as of September 30, 2020 and 2019, respectively.

	as of September 30, 2020			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge Funds	<u>\$ 13,599,336</u>	None	Monthly - Annually	30 - 90 Days
Limited Partnerships	<u>\$ -</u>	None	None	None
	as of September 30, 2019			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge Funds	<u>\$ 11,268,861</u>	None	Monthly - Annually	30 - 90 Days
Limited Partnerships	<u>\$ 3,999,836</u>	None	None	None

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

12. Fair Values of Financial Instruments, Continued

- *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 marketable 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.
- *Limited partnerships:* Valued at NAV which is determined by the underlying assets held by the limited partnerships. The limited partnerships invest in a variety of equity securities, some of which do not have readily available market prices. In the absence of readily available market prices, the fair values are estimated by the investment managers of those equity securities. Estimated values may differ from the values that would have been used if readily available market prices existed or if the equity securities were liquidated at the valuation date.

13. Commitments and Contingencies

Lease Commitments – Grady County Hospital Authority

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

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

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

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

13. Commitments and Contingencies, Continued

Lease Commitments – Grady County Hospital Authority, Continued

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.

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

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

13. Commitments and Contingencies, Continued

Lease Commitments – Hospital Authority of Brooks County, Continued

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.

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, 2020. 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.

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

13. Commitments and Contingencies, Continued

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.

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.

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

14. Gain on Sale of Dialysis Centers

On November 1, 2017, the Medical Center entered into an Asset Purchase Agreement with a third party for the sale of its five outpatient dialysis centers and its home dialysis program for a total consideration of \$30 million. Five percent of the purchase price was placed in escrow pending certain indemnification provisions contained in the Agreement. This amount was released back to the Medical Center in 2019. In addition, the Medical Center entered into long-term real estate leases with the third-party buyer for the dialysis facilities. The sale did not have a major effect on the operations of the Medical Center. The gain on the sale of the dialysis centers is recorded in nonoperating income (loss) on the consolidated statements of revenue and support, expenses, and changes in net assets.

15. Rural Hospital Tax Credit

The State of Georgia (State) passed legislation which allows individuals or corporations 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 2019 and 2020. It is the Medical Center's policy to use these funds to offset the costs of uncompensated care. Contributions received under the program approximated \$1,632,000 and \$2,010,000 during the Medical Center's fiscal years 2020 and 2019, respectively, and are included in other operating revenue on the consolidated statements of revenue and support, expenses and changes in net assets.

16. Liquidity and Availability

As of September 30, 2020 and 2019, the Medical Center has a working capital of approximately \$82,726,000 and \$102,612,000 and average days (based on normal expenditures) cash on hand of 157 and 86 days, respectively.

Financial assets available for general expenditures within one year of the balance sheet date, consists of the following at September 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 152,580,617	\$ 81,245,069
Patient accounts receivable, net	49,749,695	56,240,885
Estimated third-party payor settlements	2,245,767	506,141
Long-term investments	278,725,133	248,279,544
Less: Conditional CARES Act advances	<u>(39,273,897)</u>	<u>-</u>
Total financial assets available	<u>\$ 444,027,315</u>	<u>\$ 386,271,639</u>

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

16. Liquidity and Availability, Continued

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

No other financial assets available are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Medical Center has other assets whose use is limited for self-insurance, capital acquisition, and for donor restricted purposes. These assets whose use is limited are not available for general expenditure within the next year and are not reflected in the amounts above. In addition, the Foundation has designated assets that could be made available if necessary not reflected in the amounts above as of September 30, 2020 and 2019 of \$100,941,575 and \$96,497,498, respectively. The Medical Center structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

17. Coronavirus (COVID-19)

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

On March 27, 2020, the President signed the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are 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 CARES Act 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 received approximately \$39,274,000 in grant stimulus funding in fiscal year 2020.

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ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

17. Coronavirus (COVID-19), Continued

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

The 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.

The Medical Center has received the following program funding:

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

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
September 30, 2020 and 2019

17. Coronavirus (COVID-19), Continued

- \$2.5 Billion Allocation for Nursing Homes – On August 27, 2020, HHS distributed \$2.5 billion to nursing homes to support increasing testing, staffing, and PPP needs. The Medical Center received \$339,000 in funding from this distribution.
- \$225 Million for COVID-19 Testing – On May 20, 2020 and July 31, 2020, HHS distributed \$225 million to over 4,500 rural health clinics (RHCs) based on a fixed payment of \$49,461 per RHC. The Medical Center received approximately \$201,000 in funding from this distribution.
- COVID-19 Testing and Treatment of Uninsured Patients – Health Resources and Services Administration (HRSA) is providing claims reimbursement for the testing and treatment of uninsured COVID-19 patients on or after February 4, 2020. The Medical Center received approximately \$92,000 in funding from this program.

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 March 31, 2021.
- Medicare Add-on for Inpatient Hospital COVID-19 Patients – Increased the Medicare payment for hospital patients admitted with COVID-19 by 20%.



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, 2020 and 2019, and our report thereon dated January 19, 2021, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information included in this report on pages 44 to 55, 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.

Driffin & Tucker, LLP

Albany, Georgia
January 19, 2021

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING BALANCE SHEET
September 30, 2020

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

Continued

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING BALANCE SHEET, Continued
September 30, 2020

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

See accompanying independent auditor's report on consolidating information.

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING BALANCE SHEET
September 30, 2019

	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	\$ 77,961,405	\$ 53,764	\$ -	\$ 182,197	\$ 78,197,366	\$ -	\$ 78,197,366
Patient accounts receivable, net	42,710,147	902,100	3,811,566	4,309,696	51,733,509	-	51,733,509
Due from related parties	1,706,135	-	38,141	-	1,744,276	(38,141)	1,706,135
Estimated third-party payor settlements	476,964	-	-	29,177	506,141	-	506,141
Supplies, at lower of cost and net realizable value	3,209,353	101,874	252,452	261,150	3,824,829	1	3,824,830
Other current assets	5,987,226	21,223	338,895	252,085	6,599,429	8,222	6,607,651
Total current assets	<u>132,051,230</u>	<u>1,078,961</u>	<u>4,441,054</u>	<u>5,034,305</u>	<u>142,605,550</u>	<u>(29,918)</u>	<u>142,575,632</u>
Assets limited as to use:							
By lease for capital acquisition	-	-	39,325,131	-	39,325,131	-	39,325,131
Restricted by donors	1,997,550	-	-	-	1,997,550	-	1,997,550
Noncurrent assets limited as to use	<u>1,997,550</u>	<u>-</u>	<u>39,325,131</u>	<u>-</u>	<u>41,322,681</u>	<u>-</u>	<u>41,322,681</u>
Property and equipment, net	<u>196,164,759</u>	<u>2,052,263</u>	<u>10,026,749</u>	<u>6,519,429</u>	<u>214,763,200</u>	<u>-</u>	<u>214,763,200</u>
Other assets:							
Long-term investments	233,939,193	-	-	-	233,939,193	-	233,939,193
Due from related parties, net of current portion	156,802,113	-	-	-	156,802,113	(17,658,948)	139,143,165
Investments in unconsolidated companies	1,216,849	-	-	-	1,216,849	-	1,216,849
Other noncurrent assets	2,723,362	11,850	270,795	65,367	3,071,374	(8,222)	3,063,152
Total other assets	<u>394,681,517</u>	<u>11,850</u>	<u>270,795</u>	<u>65,367</u>	<u>395,029,529</u>	<u>(17,667,170)</u>	<u>377,362,359</u>
Total assets	<u>\$ 724,895,056</u>	<u>\$ 3,143,074</u>	<u>\$ 54,063,729</u>	<u>\$ 11,619,101</u>	<u>\$ 793,720,960</u>	<u>\$ (17,697,088)</u>	<u>\$ 776,023,872</u>

Continued

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING BALANCE SHEET, Continued
September 30, 2019

	John D. Archbold Memorial Hospital	Brooks County Hospital	Grady General Hospital	Mitchell County Hospital	Balance	EJE's	John D. Archbold Memorial Hospital, Inc.
LIABILITIES AND NET ASSETS							
Current liabilities:							
Current portion of long-term debt	\$ 5,890,000	\$ -	\$ -	\$ -	\$ 5,890,000	\$ -	\$ 5,890,000
Accounts payable	6,082,391	6,842	342,000	343,650	6,774,883	1	6,774,884
Due to related parties	18,675,086	-	-	-	18,675,086	(38,141)	18,636,945
Estimated third-party payor settlements	3,219,489	622,040	771,394	647,312	5,260,235	-	5,260,235
Accrued expenses	1,309,353	93,968	32,145	74,984	1,510,450	-	1,510,450
Total current liabilities	<u>35,176,319</u>	<u>722,850</u>	<u>1,145,539</u>	<u>1,065,946</u>	<u>38,110,654</u>	<u>(38,140)</u>	<u>38,072,514</u>
Accrued malpractice and general, net of current portion	-	-	-	-	-	-	-
Long-term liabilities:							
Due to related parties	-	16,447,468	-	1,211,480	17,658,948	(17,658,948)	-
Long-term debt, net of current portion	102,355,204	-	-	-	102,355,204	-	102,355,204
Total long-term liabilities	<u>102,355,204</u>	<u>16,447,468</u>	<u>-</u>	<u>1,211,480</u>	<u>120,014,152</u>	<u>(17,658,948)</u>	<u>102,355,204</u>
Total liabilities	<u>137,531,523</u>	<u>17,170,318</u>	<u>1,145,539</u>	<u>2,277,426</u>	<u>158,124,806</u>	<u>(17,697,088)</u>	<u>140,427,718</u>
Net assets:							
Net assets (deficit) without donor restrictions	585,365,983	(14,027,244)	52,918,190	9,341,675	633,598,604	-	633,598,604
Net assets with donor restrictions	1,997,550	-	-	-	1,997,550	-	1,997,550
Total net assets	<u>587,363,533</u>	<u>(14,027,244)</u>	<u>52,918,190</u>	<u>9,341,675</u>	<u>635,596,154</u>	<u>-</u>	<u>635,596,154</u>
Total liabilities and net assets	<u>\$ 724,895,056</u>	<u>\$ 3,143,074</u>	<u>\$ 54,063,729</u>	<u>\$ 11,619,101</u>	<u>\$ 793,720,960</u>	<u>\$ (17,697,088)</u>	<u>\$ 776,023,872</u>

See accompanying independent auditor's report on consolidating information.

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING STATEMENT OF REVENUE AND EXPENSES
September 30, 2020

	John D. Archbold Memorial Hospital	Brooks County Hospital	Grady General Hospital	Mitchell County Hospital	Balance	EJE's	John D. Archbold Memorial Hospital, Inc.
Revenues, gains and other support:							
Patient service revenue (net of contractual allowances and discounts)	\$ 313,328,860	\$ 12,402,970	\$ 30,914,172	\$ 34,427,268	\$ 391,073,270	\$ -	\$ 391,073,270
Provision for bad debts	(45,291,649)	(3,001,187)	(6,446,429)	(6,011,151)	(60,750,416)	-	(60,750,416)
Net patient service revenue	268,037,211	9,401,783	24,467,743	28,416,117	330,322,854	-	330,322,854
Other operating revenue	3,629,550	341,303	285,499	372,529	4,628,881	-	4,628,881
Total revenues, gains and other support	271,666,761	9,743,086	24,753,242	28,788,646	334,951,735	-	334,951,735
Operating expenses:							
Salaries and wages	86,573,825	5,351,606	10,114,248	14,259,876	116,299,555	-	116,299,555
Employee health and welfare	23,983,784	1,348,360	2,479,666	3,963,021	31,774,831	-	31,774,831
Professional fees	31,289,034	945,394	4,768,818	4,123,227	41,126,473	-	41,126,473
Supplies and other	90,844,698	2,507,952	7,001,848	7,492,966	107,847,464	-	107,847,464
Depreciation	21,355,987	508,920	1,517,615	1,404,551	24,787,073	-	24,787,073
Interest and amortization	2,748,988	-	-	-	2,748,988	-	2,748,988
Total operating expenses	256,796,316	10,662,232	25,882,195	31,243,641	324,584,384	-	324,584,384
Operating income (loss)	14,870,445	(919,146)	(1,128,953)	(2,454,995)	10,367,351	-	10,367,351
Nonoperating income (loss):							
Investment income and other	24,700,447	1,507	1,701,561	4,022	26,407,537	-	26,407,537
Loss on disposal of assets and other	(5,064)	(64,155)	(42,928)	-	(112,147)	-	(112,147)
Gain on sale of dialysis centers	-	-	-	-	-	-	-
Total nonoperating income	24,695,383	(62,648)	1,658,633	4,022	26,295,390	-	26,295,390
Excess revenues (expenses)	\$ 39,565,828	\$ (981,794)	\$ 529,680	\$ (2,450,973)	\$ 36,662,741	\$ -	\$ 36,662,741

See accompanying independent auditor's report on consolidating information.

JOHN D. ARCHBOLD MEMORIAL HOSPITAL, INC.

CONSOLIDATING STATEMENT OF REVENUE AND EXPENSES
September 30, 2019

	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:							
Patient service revenue (net of contractual allowances and discounts)	\$ 317,244,206	\$ 12,531,320	\$ 36,767,769	\$ 36,528,184	\$ 403,071,479	\$ -	\$ 403,071,479
Provision for bad debts	<u>(44,979,855)</u>	<u>(2,894,977)</u>	<u>(7,046,392)</u>	<u>(7,669,544)</u>	<u>(62,590,768)</u>	<u>-</u>	<u>(62,590,768)</u>
Net patient service revenue	272,264,351	9,636,343	29,721,377	28,858,640	340,480,711	-	340,480,711
Other operating revenue	<u>3,753,344</u>	<u>410,815</u>	<u>938,002</u>	<u>619,407</u>	<u>5,721,568</u>	<u>-</u>	<u>5,721,568</u>
Total revenues, gains and other support	<u>276,017,695</u>	<u>10,047,158</u>	<u>30,659,379</u>	<u>29,478,047</u>	<u>346,202,279</u>	<u>-</u>	<u>346,202,279</u>
Operating expenses:							
Salaries and wages	81,587,442	5,234,352	9,147,706	13,782,659	109,752,159	-	109,752,159
Employee health and welfare	19,940,707	1,180,356	2,001,776	3,375,650	26,498,489	-	26,498,489
Professional fees	28,490,888	794,756	4,838,505	3,519,432	37,643,581	-	37,643,581
Supplies and other	94,529,102	2,720,896	7,298,866	8,185,612	112,734,476	-	112,734,476
Depreciation	22,605,611	552,214	1,526,140	1,431,512	26,115,477	-	26,115,477
Interest and amortization	<u>3,217,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,217,425</u>	<u>-</u>	<u>3,217,425</u>
Total operating expenses	<u>250,371,175</u>	<u>10,482,574</u>	<u>24,812,993</u>	<u>30,294,865</u>	<u>315,961,607</u>	<u>-</u>	<u>315,961,607</u>
Operating income (loss)	<u>25,646,520</u>	<u>(435,416)</u>	<u>5,846,386</u>	<u>(816,818)</u>	<u>30,240,672</u>	<u>-</u>	<u>30,240,672</u>
Nonoperating income (loss):							
Investment income (loss) and other	(326,736)	3,337	868,355	4,536	549,492	-	549,492
Loss on disposal of assets and other	(27,799)	-	-	-	(27,799)	-	(27,799)
Gain on sale of dialysis centers	<u>1,519,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,519,215</u>	<u>-</u>	<u>1,519,215</u>
Total nonoperating income	<u>1,164,680</u>	<u>3,337</u>	<u>868,355</u>	<u>4,536</u>	<u>2,040,908</u>	<u>-</u>	<u>2,040,908</u>
Excess revenues (expenses)	<u>\$ 26,811,200</u>	<u>\$ (432,079)</u>	<u>\$ 6,714,741</u>	<u>\$ (812,282)</u>	<u>\$ 32,281,580</u>	<u>\$ -</u>	<u>\$ 32,281,580</u>

See accompanying independent auditor's report on consolidating information.

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
September 30, 2020

	John D. Archbold Memorial Hospital, Inc.	Archbold Medical Center	Archbold Health Services, Inc.	Archbold Medical Enterprises, Inc.	Archbold Medical Group, Inc.	Archbold Foundation, Inc.	Archbold Self Insurance Trust Fund	Balance	EJE's	Archbold Medical Center, Inc.
ASSETS										
Current assets:										
Cash and cash equivalents	\$ 148,549,154	\$ -	\$ 3,787,559	\$ -	\$ 243,904	\$ -	\$ -	\$ 152,580,617	\$ -	\$ 152,580,617
Assets limited as to use	-	-	-	-	-	-	6,236,401	6,236,401	-	6,236,401
Patient accounts receivable, net	45,638,132	-	1,870,517	-	2,241,046	-	-	49,749,695	-	49,749,695
Due from related parties	597,874	28,317,903	-	-	-	-	-	28,915,777	(28,915,777)	-
Estimated third-party payor settlements	2,245,767	-	-	-	-	-	-	2,245,767	-	2,245,767
Supplies, at lower of cost and net realizable value	3,555,317	-	883,614	-	-	-	-	4,438,931	-	4,438,931
Other current assets	7,019,840	-	80,993	-	646,517	-	2,376,441	10,123,791	-	10,123,791
Total current assets	207,606,084	28,317,903	6,622,683	-	3,131,467	-	8,612,842	254,290,979	(28,915,777)	225,375,202
Assets limited as to use:										
By lease for capital acquisition	42,080,780	-	-	-	-	-	-	42,080,780	-	42,080,780
Under trust agreement for self-insurance claims	-	-	-	-	-	-	56,647,436	56,647,436	-	56,647,436
Archbold Foundation, Inc.	-	-	-	-	-	100,967,329	-	100,967,329	(25,754)	100,941,575
Restricted by donors	2,190,524	-	-	-	-	-	-	2,190,524	-	2,190,524
Noncurrent assets limited as to use	44,271,304	-	-	-	-	100,967,329	56,647,436	201,886,069	(25,754)	201,860,315
Property and equipment, net	208,258,715	-	1,293,768	-	1,605,821	-	-	211,158,304	25,754	211,184,058
Other assets:										
Long-term investments	263,225,562	6,043,520	9,456,051	-	-	-	-	278,725,133	-	278,725,133
Due from related parties, net of current portion	162,134,930	-	-	-	-	-	-	162,134,930	(162,134,930)	-
Investments in unconsolidated companies	1,216,849	278,284	-	-	-	-	-	1,495,133	-	1,495,133
Other noncurrent assets	2,276,319	-	-	-	362,471	-	-	2,638,790	-	2,638,790
Total other assets	428,853,660	6,321,804	9,456,051	-	362,471	-	-	444,993,986	(162,134,930)	282,859,056
Total assets	\$ 888,989,763	\$ 34,639,707	\$ 17,372,502	\$ -	\$ 5,099,759	\$ 100,967,329	\$ 65,260,278	\$ 1,112,329,338	\$ (191,050,707)	\$ 921,278,631

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET, Continued
September 30, 2020

	John D. Archbold Memorial Hospital, Inc.	Archbold Medical Center	Archbold Health Services, Inc.	Archbold Medical Enterprises, Inc.	Archbold Medical Group, Inc.	Archbold Foundation, Inc.	Archbold Self Insurance Trust Fund	Balance	EJE's	Archbold Medical Center, Inc.
LIABILITIES AND NET ASSETS										
Current liabilities:										
Current portion of long-term debt	\$ 5,990,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,990,000	\$ -	\$ 5,990,000
Accounts payable	7,098,888	5,530,232	343,141	-	669,163	-	-	13,641,424	-	13,641,424
Due to related parties	26,211,337	-	2,081,894	-	-	572,609	25,264	28,891,104	(28,891,104)	-
Estimated third-party payor settlements	6,875,255	-	-	-	-	-	-	6,875,255	-	6,875,255
Accrued expenses	1,172,533	29,106,362	1,102,038	-	2,307,168	27,665	6,236,401	39,952,167	-	39,952,167
Medicare advance payments	36,916,067	-	-	-	-	-	-	36,916,067	-	36,916,067
CARES Act advance	38,554,075	-	383,293	-	336,529	-	-	39,273,897	-	39,273,897
Total current liabilities	<u>122,818,155</u>	<u>34,636,594</u>	<u>3,910,366</u>	<u>-</u>	<u>3,312,860</u>	<u>600,274</u>	<u>6,261,665</u>	<u>171,539,914</u>	<u>(28,891,104)</u>	<u>142,648,810</u>
Accrued malpractice and general, net of current portion	-	-	-	-	-	-	13,643,474	13,643,474	-	13,643,474
Long-term liabilities:										
Due to related parties	-	-	-	24,672	162,134,931	-	-	162,159,603	(162,159,603)	-
Long-term debt, net of current portion	<u>96,411,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,411,762</u>	<u>-</u>	<u>96,411,762</u>
Total long-term liabilities	<u>96,411,762</u>	<u>-</u>	<u>-</u>	<u>24,672</u>	<u>162,134,931</u>	<u>-</u>	<u>-</u>	<u>258,571,365</u>	<u>(162,159,603)</u>	<u>96,411,762</u>
Total liabilities	<u>219,229,917</u>	<u>34,636,594</u>	<u>3,910,366</u>	<u>24,672</u>	<u>165,447,791</u>	<u>600,274</u>	<u>19,905,139</u>	<u>443,754,753</u>	<u>(191,050,707)</u>	<u>252,704,046</u>
Net assets:										
Net assets (deficit) without donor restrictions	667,569,322	3,113	13,462,136	(24,672)	(160,348,032)	100,367,055	45,355,139	666,384,061	-	666,384,061
Net assets with donor restrictions	<u>2,190,524</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,190,524</u>	<u>-</u>	<u>2,190,524</u>
Total net assets	<u>669,759,846</u>	<u>3,113</u>	<u>13,462,136</u>	<u>(24,672)</u>	<u>(160,348,032)</u>	<u>100,367,055</u>	<u>45,355,139</u>	<u>668,574,585</u>	<u>-</u>	<u>668,574,585</u>
Total liabilities and net assets	<u>\$ 888,989,763</u>	<u>\$ 34,639,707</u>	<u>\$ 17,372,502</u>	<u>\$ -</u>	<u>\$ 5,099,759</u>	<u>\$ 100,967,329</u>	<u>\$ 65,260,278</u>	<u>\$ 1,112,329,338</u>	<u>\$ (191,050,707)</u>	<u>\$ 921,278,631</u>

See accompanying independent auditor's report on consolidating information.

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET
September 30, 2019

	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	\$ 78,197,366	\$ -	\$ 2,764,373	\$ -	\$ 283,330	\$ -	\$ -	\$ 81,245,069	\$ -	\$ 81,245,069
Assets limited as to use	-	-	-	-	-	-	6,125,805	6,125,805	-	6,125,805
Patient accounts receivable, net	51,733,509	-	1,958,008	-	2,549,368	-	-	56,240,885	-	56,240,885
Due from related parties	1,706,135	20,411,630	-	-	-	-	-	22,117,765	(22,117,765)	-
Estimated third-party payor settlements	506,141	-	-	-	-	-	-	506,141	-	506,141
Supplies, at lower of cost and net realizable value	3,824,830	-	791,887	-	-	-	-	4,616,717	-	4,616,717
Other current assets	6,607,651	-	194,689	-	268,948	-	2,833,904	9,905,192	-	9,905,192
Total current assets	<u>142,575,632</u>	<u>20,411,630</u>	<u>5,708,957</u>	<u>-</u>	<u>3,101,646</u>	<u>-</u>	<u>8,959,709</u>	<u>180,757,574</u>	<u>(22,117,765)</u>	<u>158,639,809</u>
Assets limited as to use:										
By lease for capital acquisition	39,325,131	-	-	-	-	-	-	39,325,131	-	39,325,131
Under trust agreement for self-insurance claims	-	-	-	-	-	-	48,604,221	48,604,221	-	48,604,221
Archbold Foundation, Inc.	-	-	-	-	-	96,535,068	-	96,535,068	(37,570)	96,497,498
Restricted by donors	1,997,550	-	-	-	-	-	-	1,997,550	-	1,997,550
Noncurrent assets limited as to use	<u>41,322,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,535,068</u>	<u>48,604,221</u>	<u>186,461,970</u>	<u>(37,570)</u>	<u>186,424,400</u>
Property and equipment, net	<u>214,763,200</u>	<u>-</u>	<u>1,354,366</u>	<u>-</u>	<u>1,923,679</u>	<u>-</u>	<u>-</u>	<u>218,041,245</u>	<u>37,570</u>	<u>218,078,815</u>
Other assets:										
Long-term investments	233,939,193	5,547,895	8,792,456	-	-	-	-	248,279,544	-	248,279,544
Due from related parties, net of current portion	139,143,165	-	-	-	-	-	-	139,143,165	(139,143,165)	-
Investments in unconsolidated companies	1,216,849	278,284	-	-	-	-	-	1,495,133	-	1,495,133
Other noncurrent assets	3,063,152	-	-	-	364,720	-	-	3,427,872	-	3,427,872
Total other assets	<u>377,362,359</u>	<u>5,826,179</u>	<u>8,792,456</u>	<u>-</u>	<u>364,720</u>	<u>-</u>	<u>-</u>	<u>392,345,714</u>	<u>(139,143,165)</u>	<u>253,202,549</u>
Total assets	<u>\$ 776,023,872</u>	<u>\$ 26,237,809</u>	<u>\$ 15,855,779</u>	<u>\$ -</u>	<u>\$ 5,390,045</u>	<u>\$ 96,535,068</u>	<u>\$ 57,563,930</u>	<u>\$ 977,606,503</u>	<u>\$ (161,260,930)</u>	<u>\$ 816,345,573</u>

Continued

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET, Continued
September 30, 2019

	John D. Archbold Memorial Hospital, Inc.	Archbold Medical Center	Archbold Health Services, Inc.	Archbold Medical Enterprises, Inc.	Archbold Medical Group, Inc.	Archbold Foundation, Inc.	Archbold Self Insurance Trust Fund	Balance	EJE's	Archbold Medical Center, Inc.
LIABILITIES AND NET ASSETS										
Current liabilities:										
Current portion of long-term debt	\$ 5,890,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,890,000	\$ -	\$ 5,890,000
Accounts payable	6,774,884	4,393,627	126,759	-	565,321	-	-	11,860,591	-	11,860,591
Due to related parties	18,636,945	-	1,750,013	-	-	393,914	100,741	20,881,613	(20,881,613)	-
Estimated third-party payor settlements	5,260,235	-	-	-	-	-	-	5,260,235	-	5,260,235
Accrued expenses	1,510,450	21,841,067	1,285,026	-	2,229,419	24,976	6,125,805	33,016,743	-	33,016,743
Total current liabilities	<u>38,072,514</u>	<u>26,234,694</u>	<u>3,161,798</u>	<u>-</u>	<u>2,794,740</u>	<u>418,890</u>	<u>6,226,546</u>	<u>76,909,182</u>	<u>(20,881,613)</u>	<u>56,027,569</u>
Accrued malpractice and general, net of current portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,085,753</u>	<u>14,085,753</u>	<u>-</u>	<u>14,085,753</u>
Long-term liabilities:										
Due to related parties	-	-	-	24,672	140,354,645	-	-	140,379,317	(140,379,317)	-
Long-term debt, net of current portion	<u>102,355,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,355,204</u>	<u>-</u>	<u>102,355,204</u>
Total long-term liabilities	<u>102,355,204</u>	<u>-</u>	<u>-</u>	<u>24,672</u>	<u>140,354,645</u>	<u>-</u>	<u>-</u>	<u>242,734,521</u>	<u>(140,379,317)</u>	<u>102,355,204</u>
Total liabilities	<u>140,427,718</u>	<u>26,234,694</u>	<u>3,161,798</u>	<u>24,672</u>	<u>143,149,385</u>	<u>418,890</u>	<u>20,312,299</u>	<u>333,729,456</u>	<u>(161,260,930)</u>	<u>172,468,526</u>
Net assets:										
Net assets (deficit) without donor restrictions	633,598,604	3,115	12,693,981	(24,672)	(137,759,340)	96,116,178	37,251,631	641,879,497	-	641,879,497
Net assets with donor restrictions	<u>1,997,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,997,550</u>	<u>-</u>	<u>1,997,550</u>
Total net assets	<u>635,596,154</u>	<u>3,115</u>	<u>12,693,981</u>	<u>(24,672)</u>	<u>(137,759,340)</u>	<u>96,116,178</u>	<u>37,251,631</u>	<u>643,877,047</u>	<u>-</u>	<u>643,877,047</u>
Total liabilities and net assets	<u>\$ 776,023,872</u>	<u>\$ 26,237,809</u>	<u>\$ 15,855,779</u>	<u>\$ -</u>	<u>\$ 5,390,045</u>	<u>\$ 96,535,068</u>	<u>\$ 57,563,930</u>	<u>\$ 977,606,503</u>	<u>\$ (161,260,930)</u>	<u>\$ 816,345,573</u>

See accompanying independent auditor's report on consolidating information.

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

	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:										
Patient service revenue (net of contractual allowances and discounts)	\$ 391,073,270	\$ -	\$ 20,146,698	\$ -	\$ 20,657,087	\$ -	\$ -	\$ 431,877,055	\$ -	\$ 431,877,055
Provision for bad debts	(60,750,416)	-	(851,793)	-	(3,189,165)	-	-	(64,791,374)	-	(64,791,374)
Net patient service revenue	330,322,854	-	19,294,905	-	17,467,922	-	-	367,085,681	-	367,085,681
Other operating revenue	4,628,881	-	7,366	-	583,729	-	-	5,219,976	-	5,219,976
Total revenues, gains and other support	334,951,735	-	19,302,271	-	18,051,651	-	-	372,305,657	-	372,305,657
Operating expenses:										
Salaries and wages	116,299,555	13,013,144	7,138,877	-	20,898,899	281,609	-	157,632,084	(12,794,201)	144,837,883
Employee health and welfare	31,774,831	3,648,832	1,688,032	-	3,189,175	5,991	-	40,306,861	(3,621,468)	36,685,393
Professional fees	41,126,473	-	324,121	-	12,252,632	-	-	53,703,226	(2,323,931)	51,379,295
Supplies and other	107,847,464	(16,661,979)	9,304,521	-	3,443,757	785,057	(2,832,859)	101,885,961	17,666,943	119,552,904
Depreciation	24,787,073	-	601,673	-	855,881	11,815	-	26,256,442	(11,815)	26,244,627
Interest and amortization	2,748,988	-	-	-	-	-	-	2,748,988	-	2,748,988
Total operating expenses	324,584,384	(3)	19,057,224	-	40,640,344	1,084,472	(2,832,859)	382,533,562	(1,084,472)	381,449,090
Operating income	10,367,351	3	245,047	-	(22,588,693)	(1,084,472)	2,832,859	(10,227,905)	1,084,472	(9,143,433)
Nonoperating income (loss):										
Investment income and other	26,407,537	-	496,587	-	-	4,451,746	5,270,647	36,626,517	(4,451,746)	32,174,771
Archbold Foundation, Inc.	-	-	-	-	-	999,478	-	999,478	3,191,914	4,191,392
Loss on disposal of assets and other	(112,147)	-	-	-	-	-	-	(112,147)	-	(112,147)
Gain on sale of dialysis centers	-	-	-	-	-	-	-	-	-	-
Total nonoperating income	26,295,390	-	496,587	-	-	5,451,224	5,270,647	37,513,848	(1,259,832)	36,254,016
Excess revenues (expenses)	\$ 36,662,741	\$ 3	\$ 741,634	\$ -	\$ (22,588,693)	\$ 4,366,752	\$ 8,103,506	\$ 27,285,943	\$ (175,360)	\$ 27,110,583

See accompanying independent auditor's report on consolidating information.

ARCHBOLD MEDICAL CENTER, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF REVENUE AND EXPENSES
September 30, 2019

	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:										
Patient service revenue (net of contractual allowances and discounts)	\$ 403,071,479	\$ -	\$ 19,937,475	\$ -	\$ 23,196,023	\$ -	\$ -	\$ 446,204,977	\$ (161)	\$ 446,204,816
Provision for bad debts	<u>(62,590,768)</u>	<u>-</u>	<u>(1,155,319)</u>	<u>-</u>	<u>(3,318,388)</u>	<u>-</u>	<u>-</u>	<u>(67,064,475)</u>	<u>(2)</u>	<u>(67,064,477)</u>
Net patient service revenue	340,480,711	-	18,782,156	-	19,877,635	-	-	379,140,502	(163)	379,140,339
Other operating revenue	<u>5,721,568</u>	<u>-</u>	<u>4,873</u>	<u>-</u>	<u>717,399</u>	<u>-</u>	<u>-</u>	<u>6,443,840</u>	<u>(1)</u>	<u>6,443,839</u>
Total revenues, gains and other support	<u>346,202,279</u>	<u>-</u>	<u>18,787,029</u>	<u>-</u>	<u>20,595,034</u>	<u>-</u>	<u>-</u>	<u>385,584,342</u>	<u>(164)</u>	<u>385,584,178</u>
Operating expenses:										
Salaries and wages	109,752,159	12,175,073	7,550,414	-	22,474,714	276,309	-	152,228,669	(12,031,141)	140,197,528
Employee health and welfare	26,498,489	2,752,976	1,626,897	-	3,020,286	4,839	-	33,903,487	(2,732,028)	31,171,459
Professional fees	37,643,581	-	235,047	-	10,247,487	-	-	48,126,115	(2,043,468)	46,082,647
Supplies and other	112,734,476	(14,928,051)	8,679,974	-	3,858,775	890,110	(1,173,099)	110,062,185	15,763,999	125,826,184
Depreciation	26,115,477	-	598,803	-	962,928	11,815	-	27,689,023	(11,815)	27,677,208
Interest and amortization	<u>3,217,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,217,425</u>	<u>-</u>	<u>3,217,425</u>
Total operating expenses	<u>315,961,607</u>	<u>(2)</u>	<u>18,691,135</u>	<u>-</u>	<u>40,564,190</u>	<u>1,183,073</u>	<u>(1,173,099)</u>	<u>375,226,904</u>	<u>(1,054,453)</u>	<u>374,172,451</u>
Operating income	<u>30,240,672</u>	<u>2</u>	<u>95,894</u>	<u>-</u>	<u>(19,969,156)</u>	<u>(1,183,073)</u>	<u>1,173,099</u>	<u>10,357,438</u>	<u>1,054,289</u>	<u>11,411,727</u>
Nonoperating income (loss):										
Investment income (loss) and other	549,492	-	241,207	-	-	1,976,107	892,293	3,659,099	(1,976,107)	1,682,992
Archbold Foundation, Inc.	-	-	-	-	-	1,676,604	-	1,676,604	(234,546)	1,442,058
Loss on disposal of assets and other	(27,799)	-	5,394	-	(5,353)	-	-	(27,758)	(1)	(27,759)
Gain on sale of dialysis centers	<u>1,519,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,519,215</u>	<u>-</u>	<u>1,519,215</u>
Total nonoperating income	<u>2,040,908</u>	<u>-</u>	<u>246,601</u>	<u>-</u>	<u>(5,353)</u>	<u>3,652,711</u>	<u>892,293</u>	<u>6,827,160</u>	<u>(2,210,654)</u>	<u>4,616,506</u>
Excess revenues (expenses)	<u>\$ 32,281,580</u>	<u>\$ 2</u>	<u>\$ 342,495</u>	<u>\$ -</u>	<u>\$ (19,974,509)</u>	<u>\$ 2,469,638</u>	<u>\$ 2,065,392</u>	<u>\$ 17,184,598</u>	<u>\$ (1,156,365)</u>	<u>\$ 16,028,233</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) as of and for the year ended September 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2021.

Internal Control Over Financial Reporting

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

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

Continued

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

Compliance and Other Matters

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

Purpose of this Report

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

Albany, Georgia
January 19, 2021