TANNER MEDICAL CENTER, INC.

COMBINED FINANCIAL STATEMENTS

for the years ended June 30, 2021 and 2020

Draffin Tucker

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C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Tanner Medical Center, Inc.
Carrollton, Georgia

Report on the Financial Statements

We have audited the accompanying combined financial statements of Tanner Medical Center, Inc. (Medical Center), which comprise the combined balance sheets as of June 30, 2021 and 2020, the related combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Tanner Medical Center, Inc. as of June 30, 2021 and 2020, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the combined financial statements, the Medical Center adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* on July 1, 2020. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 10, 2022, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

Draffin & Tucker, LLP

Albany, Georgia
January 10, 2022

TANNER MEDICAL CENTER, INC.

COMBINED BALANCE SHEETS
as of June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 140,842,275	$ 117,050,552
Short-term investments	123,502,478	102,175,716
Assets limited as to use, current portion	8,066,590	8,035,626
Patient accounts receivable, net	92,544,346	90,196,115
Supplies, at lower of cost and net realizable value	12,225,999	10,384,678
Estimated third-party payor settlements	771,584	1,479,359
Other current assets	23,953,309	18,377,271
Total current assets	401,906,581	347,699,317
Assets limited as to use:		
Internally designated	321,620,623	245,655,753
Held by trustee under indenture for debt obligations	46,476,774	26,035,626
Assets limited as to use, current portion	(8,066,590)	(8,035,626)
Noncurrent assets limited as to use	360,030,807	263,655,753
Property and equipment, net	396,982,258	399,267,449
Interest in net assets of Tanner Medical Foundation, Inc.	22,348,483	14,513,330
Other assets:		
Operating lease right-of-use assets	6,535,007	-
Finance lease right-of-use assets	5,190,348	-
Physician notes receivable and other	9,374,305	7,393,560
Goodwill and intangibles assets	2,545,200	2,908,800
Total other assets	23,644,860	10,302,360
Total assets	$ 1,204,912,989	$ 1,035,438,209

Continued

TANNER MEDICAL CENTER, INC.

COMBINED BALANCE SHEETS, Continued
as of June 30, 2021 and 2020

	2021	2020
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	$ 11,039,894	$ 10,520,376
Current portion of operating lease liabilities	923,016	-
Current portion of finance lease liabilities	677,342	-
Accounts payable	25,994,985	26,737,229
Accrued salaries	33,640,685	26,512,448
Other accrued expenses	10,703,163	9,729,161
Estimated third-party payor settlements	1,644,007	2,125,172
Current portion of Medicare advance payments	24,051,517	4,509,659
CARES Act refundable advances	7,577,068	3,799,429
Total current liabilities	116,251,677	83,933,474
Medicare advance payments, excluding current portion	7,785,116	31,567,617
Long-term debt, net of current portion:		
Notes payable	365,480	1,279,580
Revenue certificates payable	220,288,769	198,353,531
Total long-term debt, net of current portion	220,654,249	199,633,111
Operating lease liabilities	5,739,158	-
Finance lease liabilities	4,558,702	-
Total liabilities	354,988,902	315,134,202
Net assets:		
Net assets without donor restrictions	832,138,535	708,041,010
Net assets with donor restrictions	17,785,552	12,262,997
Total net assets	849,924,087	720,304,007
Total liabilities and net assets	$ 1,204,912,989	$ 1,035,438,209

See accompanying notes to financial statements.

TANNER MEDICAL CENTER, INC.

COMBINED STATEMENTS OF OPERATIONS
for the years ended June 30, 2021 and 2020

	2021	2020
Revenues, gains, and other support:		
Net patient service revenue	$ 644,682,082	$ 531,912,290
Other revenue	12,853,066	8,498,683
CARES Act funding	7,832,612	28,996,581
Total revenues, gains, and other support	665,367,760	569,407,554
Expenses:		
Salaries	238,037,733	227,699,023
Employee benefits	53,241,736	50,577,094
Contracted services	65,784,633	35,317,354
Purchased services	32,283,952	28,789,963
Supplies and drugs	133,966,628	103,959,846
Insurance	4,232,687	3,675,209
Depreciation and amortization	45,292,203	43,948,195
Interest and amortization	7,116,988	5,999,244
Other	47,602,704	46,489,593
Total expenses	627,559,264	546,455,521
Operating income	37,808,496	22,952,033
Other income (loss):		
Contributions and other	3,260,736	2,111,898
Investment income	23,116,442	24,110,474
Loss on disposal of assets	(420,318)	(4,682,562)
Net unrealized gain (loss) on investments	58,407,078	(14,933,576)
Gain on extinguishment of debt	302,451	-
Total other income	84,666,389	6,606,234
Excess revenues	122,474,885	29,558,267
Change in interest in net assets of Tanner Medical Foundation, Inc.	2,312,598	(100,229)
Contributions and transfers from (to) affiliated entities	(689,958)	402,366
Increase in net assets without donor restrictions	$ 124,097,525	$ 29,860,404

See accompanying notes to financial statements.

TANNER MEDICAL CENTER, INC.

COMBINED STATEMENTS OF CHANGES IN NET ASSETS
for the years ended June 30, 2021 and 2020

	2021	2020
Net assets without donor restrictions:		
Excess revenues	$ 122,474,885	$ 29,558,267
Change in interest in net assets of Tanner Medical Foundation, Inc.	2,312,598	(100,229)
Contributions and transfers from (to) affiliated entities	(689,958)	402,366
Increase in net assets without donor restrictions	124,097,525	29,860,404
Net assets with donor restrictions:		
Change in interest in net assets of Tanner Medical Foundation, Inc.	5,522,555	638,260
Increase in net assets	129,620,080	30,498,664
Net assets, beginning of year	720,304,007	689,805,343
Net assets, end of year	$ 849,924,087	$ 720,304,007

See accompanying notes to financial statements.

TANNER MEDICAL CENTER, INC.

COMBINED STATEMENTS OF CASH FLOWS
for the years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase in net assets	$ 129,620,080	$ 30,498,664
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(70,918,803)	695,830
Change in interest in net assets of Tanner Medical Foundation, Inc.	(7,835,153)	(538,031)
Loss on disposal of assets	420,318	4,682,562
Contributions and transfers to (from) affiliated entities	689,958	(402,366)
Depreciation	45,292,203	43,948,195
Amortization	(1,529,388)	(1,178,139)
Forgiveness of physician notes receivable	837,075	668,441
Gain on extinguishment of debt	(302,451)	-
Changes in:		
Patient accounts receivable	(2,348,231)	(22,006,190)
Other current assets	(7,417,359)	694,899
Physician notes receivable	(1,627,969)	(749,680)
Other assets	(1,189,851)	(425,919)
Accounts payable	(742,244)	5,099,756
Other accrued expenses	8,102,239	(164,263)
Medicare advance payments	(4,240,642)	36,077,276
CARES Act refundable advances	3,777,639	3,799,429
Estimated third-party payor settlements	226,610	(2,216,425)
Operating lease liabilities	(873,304)	-
Net cash provided by operating activities	89,940,727	98,484,039
Cash flows from investing activities:		
Purchase of property and equipment	(41,452,133)	(66,363,002)
Proceeds from sale of investments	193,483,489	327,068,187
Purchase of investments	(218,756,175)	(363,646,439)
Net cash used by investing activities	(66,724,819)	(102,941,254)

Continued

TANNER MEDICAL CENTER, INC.

COMBINED STATEMENTS OF CASH FLOWS, Continued
for the years ended June 30, 2021 and 2020

	2021	2020
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	$ 47,058,114	$ 43,400,000
Payments on finance lease liabilities	(343,807)	-
Payments on long-term debt	(24,597,203)	(9,264,758)
Net cash provided by financing activities	22,117,104	34,135,242
Net increase in cash and cash equivalents	45,333,012	29,678,027
Cash and cash equivalents, beginning of year	148,877,684	119,199,657
Cash and cash equivalents, end of year	$ 194,210,696	$ 148,877,684
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	$ 140,842,275	$ 117,050,552
Cash and cash equivalents in assets limited as to use	53,368,421	31,827,132
Total cash and cash equivalents	$ 194,210,696	$ 148,877,684

Supplemental disclosure of cash flow information:

- Cash paid for interest net of capitalized interest in 2021 and 2020 was approximately $8,150,000 and $6,798,000, respectively.
- Assets acquired through leases in 2021 was approximately $13.2 million.

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Organization

Tanner Medical Center, Inc. (Medical Center) is a not-for-profit healthcare system. The Medical Center provides inpatient, outpatient and emergency care services to residents of West Georgia and surrounding areas. Admitting physicians are primarily practitioners in the local area and employed physicians.

Tanner Medical Center, Inc. includes the following:

- Tanner Medical Center/Carrollton, established to provide comprehensive health care services through the operation of a 181-bed acute care hospital in Carrollton, Georgia.
- Tanner Medical Center/Villa Rica, established to provide comprehensive health care services through the operation of a 53-bed acute care hospital and Willowbrooke at Tanner/Villa Rica, a 92-bed psychiatric facility in Villa Rica, Georgia.
- Tanner Medical Center/Higgins General Hospital, established to provide comprehensive health care services through the operation of a 25-bed critical access hospital in Bremen, Georgia.
- Tanner Medical Group, established to operate physician practices in West Georgia and Eastern Alabama.
- Tanner Medical Center/East Alabama, established to provide comprehensive health care services through the operation of a 15-bed acute care hospital in Wedowee, Alabama. Critical access status was granted effective January 9, 2019.

Tanner Medical Center, Inc. is responsible for allocating resources and for approving budgets, major contracts and debt financing for all entities.

Principles of Combination

The accompanying combined financial statements include the accounts of Tanner Medical Center, Inc., Tanner Medical Center/Carrollton, Tanner Medical Center/Villa Rica, Willowbrooke at Tanner/Villa Rica, Tanner Medical Center/Higgins General Hospital, Tanner Medical Group, Tanner Medical Center/East Alabama and certain Auxiliary activities. All significant intercompany transactions have been eliminated.

Continued

1. Summary of Significant Accounting Policies, Continued

Leases Between Related Entities

Effective July 1, 1988, under a plan of reorganization, the Carroll City-County Hospital Authority which owns and previously operated Tanner Medical Center doing business as Tanner Medical Center/Carrollton and Tanner Medical Center/Villa Rica, leased Tanner Medical Center and its related facilities, along with a transfer of all other assets and liabilities, to Tanner Medical Center, Inc., a non-profit corporation which was created to lease and operate Tanner Medical Center and its related facilities for the benefit of the general public.

The initial term of the lease is for forty (40) years. The lease was amended in February 2020 to extend the term of the lease until December 31, 2060. Lease payments by Tanner Medical Center, Inc. to the Authority, or to the holder thereof as the Authority may direct, will comprise the debt payment and the note payments affecting the properties.

Upon termination of the lease agreement, Tanner Medical Center, Inc., shall reconvey, retransfer and reassign to the Authority the leased premises, plus its assets as then existing subject to such debt or other liabilities as may be applicable thereto.

Lease and Transfer Agreement with the Hospital Authority of the City of Bremen and County of Haralson, Georgia

During 1998, the Hospital Authority of the City of Bremen and County of Haralson, Georgia entered into a lease and transfer agreement with Tanner Medical Center, Inc. to become effective on October 1, 1998. The purpose and intent of the agreement was to transfer control over all the real property, operating assets, and existing Higgins General Hospital operations to Tanner Medical Center, Inc. from the Authority. The original lease was terminated and a new lease was agreed to during the 2002 fiscal year.

Lease and Transfer Agreement with the Randolph County Health Care Authority

During 2016, the Randolph County Health Care Authority (Authority) entered into a lease and transfer agreement with Tanner Medical Center Alabama, Inc. in which the Authority built a replacement facility for Wedowee Hospital. The replacement facility opened November 14, 2017 as Tanner Medical Center East Alabama. Accordingly, the results of operations for Tanner Medical Center East Alabama have been included in the accompanying combined financial statements from that date forward. The purpose and intent of the agreement was to transfer control over all the real property, operating assets, and operations to Tanner Medical Center Alabama, Inc. from the Authority. The primary reason for the agreement is to ensure the long-term availability and accessibility of quality health care to the residents of Randolph County. The lease is 35 years with an option to terminate after the first five. As a result of the lease and transfer agreement, an amount of approximately $19 million in net fixed assets was recognized in 2018. There was minimal consideration transferred in the form of nominal rent payments over the term of the lease.

Continued

1. Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of the combined 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 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 certain investments in highly liquid debt instruments with original maturities of three months or less.

Inventories

Inventories are stated at current market prices which approximates lower of cost and net realizable value as determined on a first-in, first-out basis.

Assets Limited As to Use

Investments in equity securities with readily determinable fair values and all investments in debt securities, which are all classified as trading securities, are measured at fair value in the balance sheets. Investment income or loss (including interest, dividends, and gains and losses, both realized and unrealized) is included in excess of revenue over expenses unless the income is restricted by donor or law.

Assets limited as to use primarily include assets held by trustees under indenture agreements, and designated assets set aside by the Board of Directors for future capital improvements and employee benefits, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the Medical Center have been reclassified on the balance sheets at June 30, 2021 and 2020.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Finance lease assets are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the asset. Such amortization is included in depreciation and amortization expense in the combined financial statements.

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. Approximately $0 and $338,000 in interest was capitalized during fiscal years ended June 30, 2021 and 2020, respectively.

Continued

1. Summary of Significant Accounting Policies, Continued

Property and Equipment, Continued

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 the excess of revenues over expenses, 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.

Goodwill and Intangible Assets

Goodwill represents the excess of the acquisition price over fair value of net assets acquired through business combinations. Effective July 1, 2018, the Medical Center adopted a new policy related to accounting for goodwill and began amortizing goodwill on a straight-line basis over a 10 year period. When events or circumstances indicate that goodwill may be impaired, goodwill is tested for impairment at the entity level. Impairment, if any, will be recognized for the difference between the fair value of the Medical Center and its carrying amount and will be limited to the carrying amount of goodwill. The Medical Center considered certain factors such as whether macroeconomic conditions, industry considerations, cost factors, and the sequence of events during the COVID-19 pandemic constituted a triggering event. The Medical Center's evaluation determined it is not more likely than not that the reporting unit's fair value is less than its carrying value.

Beneficial Interest in Net Assets of Foundation

The Medical Center accounts for the activities of its related Foundation in accordance with FASB ASC 958-20, *Not-For-Profit Entities, Financially Interrelated Entities.* FASB ASC 958-20 established reporting standards for transactions in which a donor makes a contribution to a not-for-profit organization which accepts the assets on behalf of or transfers these assets to a beneficiary which is specified by the donor. Tanner Medical Foundation, Inc. accepts assets on behalf of Tanner Medical Center, Inc.

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 23 for additional information.

1. Summary of Significant Accounting Policies, Continued

Deferred Financing Costs

Costs related to the issuance of long-term debt were deferred and are being amortized to interest expense using the straight-line method over the life of the related debt which approximates the effective interest method. These costs are reported on the combined 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 Directors 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.

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 over Expenses

The statement of operations includes excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services 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.)

Continued

1. Summary of Significant Accounting Policies, Continued

Net Patient Service Revenue

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

Charity Care

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

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 Directors to authorize for expenditure the net appreciation of the investments of endowment funds.

Donor Restricted Gifts

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

Estimated Malpractice and Other Self-Insurance Costs

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

Continued

1. Summary of Significant Accounting Policies, Continued

Income Taxes

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

Tanner Medical Group is part of a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code. The affiliated business services provided are, however, subject to unrelated business income taxes and a Form 990-T, Exempt Organization Business Income Tax Return is filed for these services.

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 combined statements of operations for the years ended June 30, 2021 and 2020.

Continued

1. 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 February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842),* which is a new comprehensive lease accounting model. The new standard clarifies the definition of a lease and requires lessees to recognize right-of-use assets and related lease liabilities for all leases with terms greater than twelve months. As part of the transition to the new standard, the Medical Center was required to measure and recognize leases that existed at July 1, 2020 using a modified retrospective approach. The Medical Center also elected the package of practical expedients permitted under the new standard that allowed the Medical Center to carry forward historical lease classification. The impact of adoption on the combined financial statements was an increase on July 1, 2020 in noncurrent assets to record the right-of-use assets and an increase in current and noncurrent liabilities to record lease liabilities for current operating and finance leases of approximately $7.5 million and $5.7 million, respectively, representing the present value of remaining lease payments.

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

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1. Subsequent Event

In preparing these combined financial statements, the Medical Center has evaluated events and transactions for potential recognition or disclosure through January 10, 2022, the date the combined financial statements were issued.

Prior Year Reclassifications

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

2. Net Patient Service Revenue

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

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

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

Continued

2. Net Patient Service Revenue, Continued

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

The Medical Center has arrangements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. For uninsured patients that do not qualify for charity care, the Medical Center recognizes revenue on the basis of its standard rates, subject to certain discounts and implicit price concessions as determined by the Medical Center. The Medical Center determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Medical Center's policy, and implicit price concessions provided to uninsured patients. Implicit price concessions represent difference between amounts billed and the estimated consideration the Medical Center expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors. The Medical Center determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies, and historical experience.

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

- Medicare

  Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.

  Tanner Medical Center/Higgins General Hospital and Tanner Medical Center/East Alabama have been granted Critical Access Hospital (CAH) designation by the Medicare Program. The CAH designation places certain restrictions on daily acute care inpatient census and an annual, average length of stay of acute care inpatients. Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology.

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

Continued

2. Net Patient Service Revenue, Continued

- Medicare, Continued

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

- Medicaid (Georgia Facilities)

  Inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Outpatient services are paid based upon cost reimbursement methodologies. The Medical Center is paid for certain cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid fiscal intermediary. The Medical Centers' Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 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.

  The Medical Center participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The Medical Center receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Medical Center's estimated uncompensated cost of services to Medicaid and uninsured patients. The amount of ICTF payments recognized in net patient service revenue was approximately $5,268,000 and $4,077,000 for the years ended June 30, 2021 and 2020, respectively.

  The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately $4,873,000 and $2,651,000 for the years ended June 30, 2021 and 2020, respectively.

Continued

2. Net Patient Service Revenue, Continued

- Medicaid (Georgia Facilities), Continued

  During 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (the Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient 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 will result in an increase in hospital payments on Medicaid services of 11.88%. Approximately $5,880,000 and $5,901,000 relating to the Act is included in other expenses in the accompanying statement of operations for the years ended June 30, 2021 and 2020, respectively.

- Medicaid (Alabama Facility)

  Inpatient services rendered to Medicaid program beneficiaries are reimbursed at an all-inclusive per diem rate based on date of adjudication in a given state fiscal year plus an Upper Payment Limit payment. Outpatient services are paid based upon a fee schedule.

- Blue Cross (Alabama Facility)

  Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization. Outpatient services rendered to Blue Cross subscribers are reimbursed using Enhanced Ambulatory Patient Grouping (EAPG). EAPG groups procedures and medical visits sharing similar characteristics and resource utilization, and generates payments based on a multiple of average resource utilization (determined by the EAPG model) and the provider base rate.

- Other Arrangements

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

- Uninsured Patients

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

Continued

2. Net Patient Service Revenue, Continued

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

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

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

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

Continued

2. Net Patient Service Revenue, Continued

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

	Net Patient Service Revenue				
	Medicare	Medicaid	Third-Party Payors	Self-Pay	Total All Payors
2021	$ 197,280,788	$ 53,805,806	$ 320,193,983	$ 73,401,505	$ 644,682,082
2020	$ 201,221,302	$ 57,858,589	$ 198,682,895	$ 74,149,504	$ 531,912,290

	Net Patient Service Revenue	
	2021	2020
Carrollton	$ 316,175,824	$ 280,256,148
Villa Rica	239,414,682	169,720,872
Higgins	36,191,028	34,425,344
Tanner Medical Group	43,031,651	36,620,156
East Alabama	9,868,897	10,889,770
Timing of revenue and recognition:		
Services transferred over time	$ 644,682,082	$ 531,912,290

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

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

Continued

2. Net Patient Service Revenue, Continued

The Medical Center has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Medical Center otherwise would have recognized is one year or less in duration.

3. Uncompensated Services

The Medical Center was compensated for services at amounts less than its established rates. Net patient service revenue includes amounts, representing the transaction price, based on standard charges reduced by variable considerations such as contractual adjustments, discounts, and implicit price concessions.

Uncompensated care includes charity and indigent care services of approximately $42,308,000 and $76,462,000 in 2021 and 2020, respectively. The cost of charity and indigent care services provided during 2021 and 2020 was approximately $13,719,000 and $26,448,000, respectively computed by applying total cost factor to the charges forgone.

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

	2021	2020
Gross patient charges	$ 1,935,300,085	$ 1,579,841,879
Uncompensated services:		
Charity and indigent care	42,307,504	76,461,861
Medicare	661,727,089	499,684,092
Medicaid	188,564,731	154,796,963
Other third-party payors	322,200,333	256,299,329
Price concessions	75,818,346	60,687,344
Total uncompensated care	1,290,618,003	1,047,929,589
Net patient service revenue	$ 644,682,082	$ 531,912,290

Continued

4. Assets Limited as to Use and Short-Term Investments

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

	2021	2020
Internally designated for capital acquisition:		
Cash and cash equivalents	$ 5,844,934	$ 4,852,994
Mutual funds - equity	136,051,418	89,001,538
Stocks and options	63,382,480	93,183,960
Exchange traded funds	95,975,957	44,992,990
U.S. corporate bonds	5,386,870	4,631,598
Federal agency bonds	11,727,841	5,691,740
Municipal bonds	1,428,352	1,436,445
Alternative investments - limited partnerships	776,058	685,816
	320,573,910	244,477,081
Internally designated for employee benefits:		
Cash and cash equivalents	1,046,713	938,512
Exchange traded funds	-	240,160
	1,046,713	1,178,672
Held by trustee under indenture:		
Cash and cash equivalents	46,476,774	26,035,626
Total assets limited as to use	368,097,397	271,691,379
Less current portion	8,066,590	8,035,626
Noncurrent assets limited as to use	$ 360,030,807	$ 263,655,753

Alternative investments are those investments for which a readily determinable fair value does not exist (that is, they are not listed on national exchanges or over-the-counter markets, nor are quoted market prices available from sources such as financial publications, the exchanges, or the National Association of Securities Dealers Quotations System). The underlying assets in these alternative investments can range from marketable securities to complex and/or nonliquid investments.

Continued

4. Assets Limited as to Use and Short-Term Investments, Continued

The primary vehicles related to alternative investments are fund of fund structures. A fund of hedge funds is an investment vehicle whose portfolio consists of shares in a number of hedge funds. The fund of funds - which may also be called a collective investment or a multi-manager investment - simply holds a portfolio of other investment funds instead of investing directly in securities such as stocks, bonds, commodities or derivatives.

Funds of hedge funds simply follow this strategy by constructing a portfolio of other hedge funds. How the underlying hedge funds are chosen can vary. A fund of hedge funds may invest only in hedge funds using a particular management strategy. Or, a fund of hedge funds may invest in hedge funds using many different strategies in an attempt to gain exposure to all of them. The benefit of owning any fund of fund is experienced management and diversification.

The fair values of alternative investments have been estimated using the net asset value per share of the investments. These securities have no unfunded commitments and offer monthly to quarterly liquidity with a 10 to 95 day notice period.

Corporate Bonds, Municipal 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.

Stocks and Options, Exchange Traded Funds, Mutual Funds, Alternative Investments: The Medical Center's investments in stocks and options, exchange traded funds, mutual funds, and alternative investments consist primarily of investments in common stock.

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 combined financial statements.

Short-term investments consists of certificates of deposit. Certificates of deposit with maturities greater than 3 months, but less than 12 months are stated at amortized cost, which approximate fair value.

Continued

5. Property and Equipment

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

	2021	2020
Land	$ 26,719,353	$ 26,659,472
Land improvements	19,024,085	18,804,955
Buildings	409,688,301	387,580,032
Equipment	267,248,285	268,359,611
	722,680,024	701,404,070
Less accumulated depreciation	346,227,728	317,750,090
	376,452,296	383,653,980
Construction in progress	20,529,962	15,613,469
Property and equipment, net	$ 396,982,258	$ 399,267,449

See Note 1 for details of land and buildings under capital lease obligations. Depreciation expense for the years ended June 30, 2021 and 2020 amounted to approximately $44,475,000 and $43,585,000, respectively. Construction contracts exist for various projects at year end with a total commitment of approximately $48,341,000. At June 30, 2021, the remaining commitment on these contracts approximated $27,914,000.

6. Physician Notes Receivable

Physician notes receivable consist primarily of loans secured by promissory notes to physicians under recruiting arrangements. In general, the loans are being forgiven over a period of time in which the physician practices medicine within the healthcare system of the Medical Center. If the physician discontinues medical practice, the outstanding principal and accrued interest becomes due immediately. The amounts forgiven and charged to expense during 2021 and 2020 were approximately $837,000 and $668,000, respectively.

Physician notes receivable also consist of educational loans to employees. In general, the educational loans are forgiven over a period of time in which the employee works for the Medical Center.

7. Deferred Financing Costs

Bond issue costs and loan origination fees are amortized over the life of the debt instrument. Amortization expense for the years ended June 30, 2021 and 2020 amounted to approximately $132,000 and $58,000, respectively.

Continued

8. Goodwill and Intangible Assets

A summary of goodwill and intangible assets at June 30, 2021 and 2020 follows:

	2021	2020
Goodwill and intangible assets	$ 2,545,200	$ 2,908,800

The goodwill and intangible assets are related to the Medical Center's purchase of a multiple sclerosis infusion therapy business. As discussed in Note 1, in 2019, the Medical Center began amortizing existing goodwill over a 10 year period on a prospective basis. The goodwill and intangible assets are evaluated for impairment when events or circumstances indicate that goodwill is impaired.

The changes in the carrying amount of goodwill and intangible assets for the years ended June 30, 2021 and 2020 follows:

	2021	2020
Balance at beginning of year:		
Goodwill and intangible assets	$ 8,208,742	$ 8,208,742
Accumulated amortization and impairment losses	(5,299,942)	(4,936,342)
	2,908,800	3,272,400
Goodwill and intangible assets acquired during the year	-	-
Amortization and impairment losses	(363,600)	(363,600)
	(363,600)	(363,600)
Balance at end of year:		
Goodwill and intangible assets	8,208,742	8,208,742
Accumulated amortization and impairment losses	(5,663,542)	(5,299,942)
	$ 2,545,200	$ 2,908,800

Continued

9. Long-Term Debt

A summary of long-term debt for the years ended June 30, 2021 and 2020 follows:

	2021	2020
Revenue Certificates, Series 2010, bearing interest of 3.25% to 5.00%, maturing in installments of $1,480,000 to $2,455,000 each July 1 until 2028. The certificates are collateralized by a pledge of the Medical Center's gross receipts. The certificates were refunded in full with Series 2020 during 2021.	$ -	$ 16,410,000
Revenue Certificates, Series 2015, bearing interest of 3.00% to 5.00%, maturing in installments of $1,540,000 to $4,450,000 each July 1 until 2045. The certificates are collateralized by a pledge of the Medical Center's gross receipts.	68,670,000	70,145,000
Revenue Certificates, Series 2016, bearing interest of 3.00% to 5.00%, maturing in installments of $915,000 to $1,845,000 each July 1 until 2038. The certificates are collateralized by a pledge of the Medical Center's gross receipts.	24,425,000	25,305,000
Revenue Certificates, Series 2016B, bearing interest of 2.00% to 5.00%, maturing in installments of $1,170,000 to $2,545,000 each July 1 until 2040. The certificates are collateralized by a pledge of the Medical Center's gross receipts.	36,205,000	36,290,000
Revenue Certificates, Series 2019A, bearing interest of 3.05%, maturing in installments of $76,245 to $96,546 each month until April 2029. The certificates are collateralized by the related equipment.	8,084,073	8,984,071
Revenue Certificates, Series 2019B, bearing interest of 2.36%, maturing in installments of $191,577 to $233,627 each month until December 2029. The certificates are collateralized by the related equipment.	21,615,212	23,885,011

Continued

9. Long-Term Debt, Continued

	2021	2020
Revenue Certificates, Series 2020, bearing interest of 3.00% to 5.00%, maturing in installments of $720,000 to $2,225,000 each July 1 until 2050. The certificates are collateralized by a pledge of the Medical Center's gross receipts.	$ 40,335,000	$ -
Note payable, bearing no interest, maturing in monthly installments of $129,058 until April 2022. The note is collateralized by equipment.	1,279,580	2,828,276
Note payable, bearing interest of 2.76%, maturing in monthly installments of $150,280 and $192,158 until December 2029. The note is collateralized by equipment.	17,493,118	18,400,000
Note payable, bearing no interest, maturing in annual installments of $121,627 until September 2024. This note is collateralized by technology.	487,307	-
	218,594,290	202,247,358
Less current portion	11,039,894	10,520,376
	207,554,396	191,726,982
Plus net unamortized premium and bond issuance costs	13,099,853	7,906,129
Total long-term debt, net of current portion	$ 220,654,249	$ 199,633,111

The long-term debt relates to the Revenue Anticipation Certificates, Series 2015, 2016, 2016B, 2019A, 2019B and 2020, issued by the Carroll City-County Hospital Authority (Authority). The lease agreement states that the payments required under the Trust Indenture and the Certificates shall be made by Tanner Medical Center, Inc., as rent.

Continued

9. Long-Term Debt, Continued

Series 2008 Revenue Certificates were issued by the Authority for the purpose of funding the construction of a new 58,858 square foot, one-story, patient care addition to the Tanner Medical Center - Villa Rica facility and the construction, renovation and equipping of a portion of the existing Tanner Medical Center - Carrollton facility relating to certain cardiovascular services. On March 1, 2016, the 2008 Series were partially defeased with proceeds from the 2016 Series. Under the terms of an escrow agreement, amounts received have been deposited into an irrevocable trust and invested in general obligations of the United States in order to redeem the remaining 2008 Series Certificates on July 1, 2018. The difference between the reacquisition price and the net carrying amount, $3,163,098, was recognized as a loss on defeasance on Tanner Medical Center's statement of operations as other income (loss) in 2016. The outstanding balance on the defeased 2008 Series as of June 30, 2021 is $24,540,000.

Series 2010 Revenue Certificates were issued by the Authority in August 2010 for the purpose of (a) financing the cost of the acquisition, construction, renovation, equipping, and installation of certain additions, extensions and improvements to the Tanner Medical Center, (b) refunding all of the Authority's then outstanding Revenue Anticipation Certificates Series 1998A, and (c) refunding all of the Authority's then outstanding Revenue Anticipation Certificates Series 2001. On September 26, 2016, the 2010 Series were partially defeased with proceeds from the 2016B Series. Under the terms of an escrow agreement, amounts received have been deposited into an irrevocable trust and invested in general obligations of the United States in order to redeem the remaining 2010 Series Certificates on July 1, 2030. The difference between the reacquisition price and the net carrying amount, $3,494,186, was recognized as a loss on defeasance on Tanner Medical Center's statement of operations as other income (loss) in 2017. The outstanding balance on the defeased 2010 Series as of June 30, 2021 is $24,980,000. The amounts not defeased in 2016 were refunded in full with the issuance of the Series 2020 Revenue Certificates in 2021. The difference between the reacquisition price and the net carrying amount, $302,451, was recognized as a gain on extinguishment of debt on Tanner Medical Center's statement of operations as other income (loss) in 2021.

On July 1, 2015, the Authority issued $71,560,000 of Series 2015 Revenue Anticipation Certificates for the benefit of Tanner Medical Center, Inc. A portion of the proceeds of the Series 2015 Certificates will be used to finance or refinance the cost of the acquisition, construction, renovation, equipping and installation of (a) certain additions, extensions and improvements to the Tanner Medical Center/Carrollton, including facility improvements, central energy plan improvements, and furnishings (b) new health pavilion facilities and furnishings, and (c) certain real estate (collectively, the "Project"). Tanner Medical Center, Inc. has received or applied for all required certificate of need approvals relating to the Project and will make payments on behalf of the Authority as they become due.

On March 1, 2016, the Authority issued $26,255,000 of Series 2016 Revenue Anticipation Certificates for the purpose of refunding the outstanding 2008 Series, maturing in the year 2019 and thereafter.

Continued

9. Long-Term Debt, Continued

On September 26, 2016, the Authority issued $36,855,000 of Series 2016B Revenue Anticipation Certificates for the purpose of refunding a portion of the Series 2010 Certificates, maturing in the year 2021 and thereafter.

On March 1, 2019, the Authority issued $10,000,000 of Series 2019A Revenue Anticipation Certificates for the benefit of Tanner Medical Center, Inc. The proceeds of the Series 2019A Certificates will be used to finance the cost of acquisition, construction, renovation, equipping, and installation of hospital related equipment, with monthly payments beginning May 2019.

On December 9, 2019, Tanner Medical Center, Inc. entered into a promissory note with Bank of America for $18,400,000 for the purpose of financing certain equipment, fixtures, and construction costs. Payments are due monthly, with a maturity date of December 20, 2029.

On December 13, 2019, the Authority issued $25,000,000 of Series 2019B Revenue Anticipation Certificates for the benefit of Tanner Medical Center, Inc. The proceeds of the Series 2019B Certificates will be used to finance the cost of acquisition, construction, renovation, equipping, and installation of hospital related equipment, with monthly payments beginning January 2020.

On August 1, 2020, the Authority issued $40,335,000 of Series 2020 Revenue Anticipation Certificates for the benefit of Tanner Medical Center, Inc. The proceeds of the Series 2020 Certificates will be used to refund the remaining Series 2010 Certificates as well as to finance the cost of the acquisition, construction, renovation, equipping and installation of hospital related equipment, with monthly payments beginning July 2021.

On July 30, 2020, Tanner Medical Center, Inc. entered into a financing agreement with Huntington Technology Finance, Inc. for $609,133 for the purpose of financing equipment and soft cost items. Payments are due annually, with a maturity date of September 1, 2024.

Under the terms of the Revenue Note Indenture, the Authority is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the balance sheet of Tanner Medical Center, Inc. The Revenue Note Indenture also places limits on the incurrence of additional borrowings and requires that Tanner Medical Center, Inc. satisfy certain measures of financial performance as long as notes are outstanding.

Should Tanner Medical Center, Inc. not be able to make payments on any Series of certificates, excluding the Series 2019A and 2019B Certificates, Carroll County has agreed to levy annually an ad valorem tax sufficient to enable the Authority to meet the obligations under the respective terms.

Continued

9. Long-Term Debt, Continued

Scheduled principal repayments on long-term debt are as follows:

	Long-term Debt
2022	$ 11,039,894
2023	9,891,212
2024	10,230,768
2025	10,609,081
2026	10,884,425
Thereafter	165,938,910
Total	$ 218,594,290

10. Leases

The Medical Center has operating and finance leases for buildings and equipment. The Medical Center determines if an arrangement is a lease at the inception of the contract. Leases with an initial term of twelve months or less are not recorded on the combined balance sheets. The Medical Center has lease agreements which require payments for lease and nonlease components and has elected to account for these as a single lease component.

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

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

Continued

10. Leases, Continued

Operating and finance lease right-of-use assets and lease liabilities as of June 30, 2021 were as follows:

Operating leases:	
Right-of-use assets:	
Operating lease right-of-use assets	$ 6,535,007
Lease liabilities:	
Current portion	$ 923,016
Long-term	5,739,158
Total operating lease liabilities	$ 6,662,174
Finance leases:	
Right-of-use assets:	
Finance lease right-of-use assets	$ 5,190,348
Lease liabilities:	
Current portion	$ 677,342
Long-term	4,558,702
Total finance lease liabilities	$ 5,236,044

Operating expenses for the leasing activity of the Medical Center as lessee for the year ended June 30, 2021 are as follows:

Lease Type	
Operating lease cost	$ 1,229,065
Finance lease interest	94,964
Finance lease amortization	453,248
Total lease cost	$ 1,777,277

In 2020, rental expense related to operating leases was approximately $3.5 million.

Continued

10. Leases, Continued

Cash paid for amounts included in the measurement of lease liabilities for the year ended June 30, 2021 is as follows:

Operating cash flows from operating leases	$ 1,087,487
Operating cash flows from finance leases	94,964
Financing cash flows from finance leases	343,807
Total	$ 1,526,258

The aggregate future lease payments for operating and finance leases as of June 30, 2021 were as follows:

2022	$ 835,131	$ 1,119,870
2023	818,576	1,166,197
2024	705,514	1,162,057
2025	559,790	1,063,742
2026	559,790	1,014,905
Thereafter	2,519,054	1,846,536
Total undiscounted cash flows	5,997,855	7,373,307
Less: present value discount	(761,811)	(711,133)
Total lease liabilities	$ 5,236,044	$ 6,662,174

Continued

10. Leases, Continued

Average lease terms and discount rates at June 30, 2021 were as follows:

Operating leases	5.97
Finance leases	8.63
Weighted-average discount rate:	
Operating leases	3.25%
Finance leases	3.25%

11. Net Assets with Donor Restrictions

A summary of the ending balances of net assets with donor restrictions is as follows:

	2021	2020
Subject to Expenditure for Specified Purpose		
Auxiliary General Fund	$ 441,768	$ 408,470
Roy Richards, Sr. Cancer Center Fund	977,548	908,145
Employee Humanitarian Assistance Fund	498,290	549,923
General Fund	310,347	300,932
Heart Center Fund	338,896	336,296
Indigent Care Fund	311,173	294,405
Magnolia Ball Fund	376,051	338,089
James and Jeraldine Tanner Fund	579,154	579,154
Tanner Ortho and Spine Center Fund	334,236	334,236
Greenspace Fund	390,085	19,633
Tanner Hospice Care	1,339,638	1,298,896
Other	5,162,127	2,986,424
Total	11,059,313	8,354,603

Continued

11. Net Assets with Donor Restrictions, Continued

	2021	2020
Endowment Funds to be Held in Perpetuity		
Adams Park Endowment Fund	$ 100,000	$ 100,000
Auxiliary General Endowment Fund	100,000	100,000
Bowdon Clinic Endowment Fund	450,990	450,990
Capital Improvement Endowment	5,000	5,000
Carol L. and Katherine E. Martin Endowment for Hospice Special Needs	55,784	55,784
E.V. and Lucy Patrick Endowment for Indigent Care	25,000	25,000
Gilreath Endowment for Cancer Care	348,511	348,511
Little Angels Endowment Fund	281,664	281,664
Raymond L. Abernathy family and Dale Howard Endowment for Nursing Education	10,000	10,000
Rev. Arthur and Bill Rucker Endowment for Cardiac Rehab	25,000	25,000
Roy Richards, Sr. Endowment for Cancer Care	750,000	750,000
Roy Richards, Sr. Endowment for Capital Improvement	14,154	14,154
Sally and Francis Tanner NICU Endowment Fund	1,267,125	1,209,291
Stacy C. Morin Endowment Fund	33,000	33,000
James R. Fulford Chair of Neurology Endowment Fund	638,075	500,000
Clarence and Helen Finleyson Endowment Fund	2,621,936	-
Total	6,726,239	3,908,394
Total net assets with donor restrictions	$ 17,785,552	$ 12,262,997

Endowment Fund

Tanner Medical Foundation's donor-restricted endowment funds were 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.

Continued

11. Net Assets with Donor Restrictions, Continued

Endowment Fund, Continued

The Board of Directors of Tanner Medical Foundation 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 Foundation 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. The remaining portion of the donor-restricted endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by GUPMIFA. In accordance with GUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation 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 Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce positive results while assuming a moderate level of investment risk. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. The asset mix guidelines have a target of 60% equities, 15% alternative investments and 25% fixed income. The Foundation's current spending policy is to distribute an amount equal to the total investment return which is expendable to support health care services.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or GUPFIMA requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2021 and 2020, there were no such deficiencies of this nature.

Continued

12. Defined Contribution Plan

The Medical Center has a 401(k) defined contribution plan. The 401(k) plan covers substantially all employees 18 years of age or older. Employees are 100% vested in employee contributions and become 100% vested in employer contributions after two years of credited service.

Prior to January 1, 2021, the Medical Center matched 4% of employee contributions at 100% and 50% of the next 2% of employee contributions in the 401(k) plan. Effective January 1, 2021, the Medical Center began matching 100% of the first 1% of employee contributions and 50% of the next 5%. The Medical Center's contributions to the plan were approximately $8,422,000 and $9,854,000 for the years ended June 30, 2021 and 2020, respectively.

13. Concentrations of Credit Risk

The Medical Center is located in West Georgia and East Alabama. 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 is:

	2021	2020
Medicare	28%	32%
Medicaid	7%	9%
Third-party payors	64%	58%
Patients	1%	1%
Total	100%	100%

At June 30, 2021, the Medical Center had deposits at major financial institutions which exceeded Federal Depository Insurance limits. Management believes the credit risks related to these deposits is minimal.

14. Contingencies

Compliance Plan

The healthcare industry has recently 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 federal 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.

Continued

14. Contingencies, Continued

Litigation

The Medical Center is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Medical Center's future financial position or results from operations. See malpractice insurance disclosures in Note 16.

Health Care Reform

There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare on the national or at the state level. 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.

15. Employee Health and Workers' Compensation Insurance

Tanner Medical Center, Inc. is self-insured for its employee group health and workers' compensation insurance. The Medical Center has estimated and recorded accruals for claims incurred but not reported or paid prior to the fiscal year end. The Medical Center has reinsurance with insurance companies in which the premiums are included as expense and reinsurance recoveries offset expense. Under these self-insurance programs, the Medical Center paid or accrued approximately $27,277,000 and $24,145,000 during fiscal years ended June 30, 2021 and 2020, respectively.

16. Malpractice Insurance

The Medical Center is covered by a claims-made general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis. The self-insured retention related to this policy in 2021 and 2020 is $100,000 per claim and $600,000 in aggregate. Liability limits related to this policy in 2021 and 2020 are $1 million per occurrence and $3 million in aggregate. The Medical Center uses a third-party administrator to review and analyze incidents that may result in a claim against the Medical Center. In conjunction with the third-party administrator, incidents are assigned reserve amounts for the ultimate liability that may result from an asserted claim. The Medical Center also uses independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims.

Various claims and assertions have been made against the Medical Center in its normal course of providing services. In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance.

Continued

16. Malpractice Insurance, Continued

Obligations covered by reinsurance contracts are included in the reserves for professional liability risks, as the Medical Center remains liable to the extent the reinsurers do not meet their obligations under the reinsurance contracts. The amounts recoverable under the reinsurance contracts include approximately $1,044,000 at June 30, 2021 and 2020, recorded in other current assets on the balance sheet.

17. Functional Expenses

The Medical Center provides general health care services to residents within its geographic location. Expenses related to providing these services in 2021 and 2020 are as follows:

	June 30, 2021		
	Patient Care Services	General and Administrative	Total
Salaries	$ 191,239,030	$ 46,798,703	$ 238,037,733
Employee benefits	19,613,202	33,628,534	53,241,736
Contracted services	58,676,183	7,108,450	65,784,633
Purchased services	18,485,780	13,798,172	32,283,952
Supplies and drugs	130,835,423	3,131,205	133,966,628
Insurance	4,090,370	142,317	4,232,687
Depreciation and amortization	14,073,354	31,218,849	45,292,203
Interest and amortization	7,100,919	16,069	7,116,988
Other	18,440,530	29,162,174	47,602,704
Total	$ 462,554,791	$ 165,004,473	$ 627,559,264

	June 30, 2020		
	Patient Care Services	General and Administrative	Total
Salaries	$ 182,053,551	$ 45,645,472	$ 227,699,023
Employee benefits	20,296,015	30,281,079	50,577,094
Contracted services	28,214,985	7,102,369	35,317,354
Purchased services	14,543,754	14,246,209	28,789,963
Supplies and drugs	102,182,687	1,777,159	103,959,846
Insurance	3,557,064	118,145	3,675,209
Depreciation and amortization	14,549,726	29,398,469	43,948,195
Interest and amortization	5,999,244	-	5,999,244
Other	16,829,338	29,660,255	46,489,593
Total	$ 388,226,364	$ 158,229,157	$ 546,455,521

Continued

17. Functional Expenses, Continued

The combined 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 depreciation and amortization, interest expense, and other occupancy costs, are allocated to a function consistent with salaries. Benefit expense is allocated consistent with salaries.

18. 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, Medicare advance payments, estimated third-party payor settlements:* The carrying amount reported in the balance sheet approximates its fair value due to the short-term nature of these instruments.

- *Short-term investments:* Amounts are stated at amortized cost, which approximates fair value.

- *Assets limited as to use:* Amounts reported in the combined balance sheets are at fair value. See Note 19 for fair value measurement disclosures.

- *Long-term debt:* The fair value of the Medical Center's debt is estimated based on the quoted market value for same or similar debt instruments. Based on inputs used in determining the estimated fair value, the Medical Center's 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 June 30, 2021 and 2020 are as follows:

	June 30, 2021		June 30, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 233,430,040	$ 220,866,151	$ 211,577,508	$ 215,559,657

19. Fair Value Measurement

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

		Fair Value Measurements at Reporting Date Using		
June 30, 2021	Fair Value	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	$ 53,368,421	$ 53,368,421	$ -	$ -
Mutual funds - equity	136,051,418	136,051,418	-	-
Stocks and options	63,382,480	63,382,480	-	-
Exchange traded funds	95,975,957	95,975,957	-	-
U.S. corporate bonds	5,386,870	-	5,386,870	-
Federal agency bonds	11,727,841	11,727,841	-	-
Municipal bonds	1,428,352	-	1,428,352	-
Total assets in fair value hierarchy	367,321,339	$ 360,506,117	$ 6,815,222	$ -
Investments measured at net asset value	776,058			
Total assets at fair value	$ 368,097,397			

Continued

19. Fair Value Measurement, Continued

June 30, 2020	Fair Value	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	$ 31,827,132	$ 31,827,132	$ -	$ -
Mutual funds - equity	89,001,538	89,001,538	-	-
Stocks and options	93,183,960	93,183,960	-	-
Exchange traded funds	45,233,150	45,233,150	-	-
U.S. corporate bonds	4,631,598	-	4,631,598	-
Federal agency bonds	5,691,740	5,691,740	-	-
Municipal bonds	1,436,445	-	1,436,445	-
Total assets in fair value hierarchy	271,005,563	$ 264,937,520	$ 6,068,043	$ -
Investments measured at net asset value	685,816			
Total assets at fair value	$ 271,691,379			

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. Financial assets using Level 2 inputs were primarily valued using pricing models maximizing the use of observable inputs for similar securities. Valuation techniques utilized to determine fair value are consistently applied.

All assets and liabilities have been valued using a market approach.

Continued

20. Related Organization

Tanner Medical Foundation, Inc. (Foundation) was established to raise funds to support the operation of the Medical Center. The Foundation's bylaws provide that all funds raised, except for funds acquired for the operation of the Foundation, be distributed to or be held for the benefit of the Medical Center. The Foundation's general funds, which represent the Foundation's undesignated resources, are distributed to the Medical Center in amounts and in periods determined by the Foundation's Board of Directors, who may also restrict the use of general funds for hospital plant replacement or expansion or other specific purposes. Plant replacement and expansion funds, specific-purpose funds, and assets obtained from endowment income of the Foundation are distributed to the Medical Center as required to comply with the purpose specified by donors. A summary of the Foundation's financial position and changes in net assets follows. The Medical Center's interest in the net assets of the Foundation is reported as a noncurrent asset in the balance sheets.

	June 30	
	2021	2020
Assets:		
Cash and cash equivalents	$ 2,256,193	$ 1,886,113
Unconditional promise to give	15,000	20,000
Investments	20,110,080	12,879,992
Other assets	3,171	139,440
Total assets	$ 22,384,444	$ 14,925,545
Liabilities and net assets:		
Accounts payable	$ 5,251	$ 907
Deferred revenue - annual ball	-	283,447
Due to related parties	30,710	127,861
Total liabilities	35,961	412,215
Net assets	22,348,483	14,513,330
Total liabilities and net assets	$ 22,384,444	$ 14,925,545
Revenue	$ 8,987,620	$ 1,960,757
Expenses	1,152,467	1,422,726
Change in net assets	7,835,153	538,031
Net assets, beginning of year	14,513,330	13,975,299
Net assets, end of year	$ 22,348,483	$ 14,513,330

Continued

21. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which will allow individuals or corporations to receive a State tax credit for making a contribution to certain qualified rural hospital organizations during calendar years 2017 through 2024. Higgins General Hospital (Higgins) submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program for calendar years 2021 and 2020. Contributions received under the program approximated $1,271,000 and $913,000 during fiscal years 2021 and 2020, respectively. Higgins has been approved by the State to participate in the program in 2022.

22. Liquidity and Availability

As of June 30, 2021 and 2020, the Medical Center has a working capital of approximately $285,654,904 and $263,765,843 and average days (based on normal expenditures) cash on hand of 363 and 336 days, respectively.

Financial assets available for general expenditure within one year of the balance sheet date, consists of the following at June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	$ 140,842,275	$ 117,050,552
Short-term investments	123,502,478	102,175,716
Patient accounts receivable, net	92,544,346	90,196,115
Estimated third-party payor settlements	771,584	1,479,359
UPL receivable	5,759,353	1,784,570
Assets limited as to use:		
Internally designated	321,620,623	245,655,753
Less: conditional CARES Act refundable advances	(7,577,068)	(3,799,429)
Total financial assets available	$ 677,463,591	$ 554,542,636

CARES Act refundable advances restricted for healthcare-related expense or lost revenue attributable to COVID-19 are excluded from the 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 estimates that approximately 100% of the Board designated funds is available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above. The Medical Center has other assets whose use is limited for debt service. These assets whose use is limited are not available for general expenditure within the next year and are not reflected in the amounts above. The Medical Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Continued

23. 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 operating revenue in the statements of operations.

CARES Act funding may be subject to audits. While the Medical Center currently believes it 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. After this period, a total of 29 months, CMS will issue letters requiring repayment of any outstanding balance, subject to an interest rate of four percent. In April 2020, the Medical Center received approximately $36,077,000 in advanced payments. During 2021, the Medical Center repaid approximately $ 4,200,000 in advanced payments.

Continued

23. Coronavirus (COVID-19), Continued

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 $6,494,000 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 $3,625,000 in funding from this distribution.

- $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 $22,025,000 in funding from this distribution.

- $225 Million for COVID-19 Testing - On May 20, 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 $297,000 in funding from this distribution. The Medical Center received an additional $49,461 distribution in December 2020.

- $10 Billion High-Impact Distribution (2nd) round - 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 $10,950,000 in funding from this distribution.

In addition, the CARES Act did the following:

- Sequestration - Suspended the Medicare sequestration payment adjustment, which reduces payments to providers by 2%, for the period May 1, 2020 through December 31, 2020 and extended to March 31, 2022 with subsequent legislation. Beginning April 1, 2022, the suspension is phased out through June 30, 2022.

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

ADDITIONAL INFORMATION

Draffin Tucker

INDEPENDENT AUDITOR'S REPORT ON
COMBINING AND SUPPLEMENTARY INFORMATION

The Board of Directors
Tanner Medical Center, Inc.
Carrollton, Georgia

We have audited the combined financial statements of Tanner Medical Center, Inc. as of and for the years ended June 30, 2021 and 2020, and our report thereon dated January 10, 2022, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on pages 53 through 58 is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, and results of operations of the individual companies, and it is not a required part of the combined financial statements. Accordingly, we do not express an opinion on the financial position, and results of operations of the individual companies.

The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information on pages 53 through 58 is fairly stated in all material respects in relation to the combined financial statements as a whole.

The statistical data on pages 49 and 50 and Schedule of Net Patient Service Revenue on pages 51 through 52, which are the responsibility of management, also are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the combined financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Draffin & Tucker, LLP

Albany, Georgia
January 10, 2022

Let's Think Together.®

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TANNER MEDICAL CENTER, INC.

STATISTICAL DATA
for the years ended June 30, 2021 and 2020

	(Unaudited) 2021	(Unaudited) 2020
Inpatient days:		
Medical/surgical days	73,448	55,212
Behavioral health	25,671	24,629
Skilled nursing	3,501	3,411
Total inpatient days	102,620	83,252
Average daily inpatient census	281	228
Adjusted average daily census	795	701
Admissions:		
Medical/surgical days	13,771	12,678
Behavioral health	4,334	4,316
Skilled nursing	242	246
Total admissions	18,347	17,240
Admissions by payor:		
Medicare - routine	7,346	6,912
Medicare - behavioral health	356	427
Medicaid	4,938	4,935
Other	5,707	4,966
Total admissions by payor	18,347	17,240
Average length of stay	5.6	4.8
Patient days by payor		
Medicare - routine	47,799	37,066
Medicare - behavioral health	2,455	3,202
Medicaid	23,924	21,873
Other	30,897	21,111
Total patients days by payor	105,075	83,252

Continued

TANNER MEDICAL CENTER, INC.

STATISTICAL DATA, Continued
for the years ended June 30, 2021 and 2020

	(Unaudited) 2021	(Unaudited) 2020
Deliveries	1,867	1,807
Surgery cases	13,965	12,234
Emergency room visits	114,447	116,928
Outpatient visits	344,785	316,434
Tanner Medical Group visits	423,161	375,259
Adjusted patient days	284,404	248,963

See accompanying auditor’s report on supplementary information.

TANNER MEDICAL CENTER, INC.

SCHEDULE OF NET PATIENT SERVICE REVENUE
June 30, 2021

	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/Higgins General Hospital	Tanner Medical Group	Georgia Facilities	Tanner East Alabama	Medical Center Balance At June 30, 2021
Gross patient charges							
Inpatient	$ 478,141,281	$ 210,066,911	$ 20,661,410	$ -	$ 708,869,602	$ 4,091,569	$ 712,961,171
Outpatient	522,135,271	447,248,751	77,430,716	-	1,046,814,738	23,403,138	1,070,217,876
Practice	24,625,429	16,907,656	10,088,377	94,932,455	146,553,917	5,567,121	152,121,038
Total gross patient charges	1,024,901,981	674,223,318	108,180,503	94,932,455	1,902,238,257	33,061,828	1,935,300,085
Uncompensated services:							
Charity and indigent care	24,157,979	13,637,396	3,381,106	366,986	41,543,467	764,037	42,307,504
Medicare	412,181,602	211,062,804	30,181,399	16,587	653,442,392	8,284,697	661,727,089
Medicaid	94,367,124	81,289,553	10,193,622	-	185,850,299	2,714,432	188,564,731
Other third-party payors	142,541,411	100,539,647	22,601,487	46,932,412	312,614,957	9,585,376	322,200,333
Price concessions	35,478,041	28,279,236	5,631,861	4,584,819	73,973,957	1,844,389	75,818,346
Total uncompensated care	708,726,157	434,808,636	71,989,475	51,900,804	1,267,425,072	23,192,931	1,290,618,003
Net patient service revenue	$ 316,175,824	$ 239,414,682	$ 36,191,028	$ 43,031,651	$ 634,813,185	$ 9,868,897	$ 644,682,082

See accompanying auditor’s report on supplementary information.

TANNER MEDICAL CENTER, INC.

SCHEDULE OF NET PATIENT SERVICE REVENUE
June 30, 2020

	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/Higgins General Hospital	Tanner Medical Group	Georgia Facilities	Tanner East Alabama	Medical Center Balance At June 30, 2020
Gross patient charges							
Inpatient	$ 372,019,558	$ 152,306,251	$ 13,068,271	$ -	$ 537,394,080	$ 3,119,964	$ 540,514,044
Outpatient	518,236,124	294,137,036	77,241,289	-	889,614,449	23,625,091	913,239,540
Practice	21,015,170	11,434,968	8,405,435	80,405,994	121,261,567	4,826,728	126,088,295
Total gross patient charges	911,270,852	457,878,255	98,714,995	80,405,994	1,548,270,096	31,571,783	1,579,841,879
Uncompensated services:							
Charity and indigent care	45,089,651	20,500,482	7,776,322	553,736	73,920,191	2,541,670	76,461,861
Medicare	354,224,039	115,021,478	25,335,448	-	494,580,965	5,103,127	499,684,092
Medicaid	79,756,751	62,553,867	9,272,106	-	151,582,724	3,214,239	154,796,963
Other third-party payors	120,236,637	69,129,115	17,574,479	41,097,317	248,037,548	8,261,781	256,299,329
Price concessions	31,707,626	20,952,441	4,331,296	2,134,785	59,126,148	1,561,196	60,687,344
Total uncompensated care	631,014,704	288,157,383	64,289,651	43,785,838	1,027,247,576	20,682,013	1,047,929,589
Net patient service revenue	$ 280,256,148	$ 169,720,872	$ 34,425,344	$ 36,620,156	$ 521,022,520	$ 10,889,770	$ 531,912,290

See accompanying auditor’s report on supplementary information.

TANNER MEDICAL CENTER, INC.

COMBINING BALANCE SHEETS
June 30, 2021

	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/Higgins General Hospital	Tanner Medical Group	Georgia Facilities	Tanner East Alabama	Medical Center Subtotal	Foundation, Auxiliary and Net EJE's	Balance At June 30, 2021
ASSETS									
Current assets:									
Cash and cash equivalents	$ 135,746,837	$ 111,336	$ 2,964	$ 1,138,726	$ 136,999,863	$ 3,599,642	$ 140,599,505	$ 242,770	$ 140,842,275
Short-term investments	123,502,478	-	-	-	123,502,478	-	123,502,478	-	123,502,478
Due from related parties	-	229,657,028	41,703,875	-	271,360,903	-	271,360,903	(271,360,903)	-
Assets limited as to use, current portion	8,066,590	-	-	-	8,066,590	-	8,066,590	-	8,066,590
Patient accounts receivable, net	50,429,055	34,080,235	4,821,679	1,887,364	91,218,333	1,326,013	92,544,346	-	92,544,346
Supplies, at lower of cost and net realizable value	7,079,906	3,909,417	581,685	416,942	11,987,950	206,155	12,194,105	31,894	12,225,999
Estimated third-party payor settlements	689,989	81,595	-	-	771,584	-	771,584	-	771,584
Other current assets	19,823,749	3,029,525	161,643	120,154	23,135,071	760,883	23,895,954	57,355	23,953,309
Total current assets	345,338,604	270,869,136	47,271,846	3,563,186	667,042,772	5,892,693	672,935,465	(271,028,884)	401,906,581
Assets limited as to use:									
Internally designated	321,620,623	-	-	-	321,620,623	-	321,620,623	-	321,620,623
Held by trustee under indenture	46,476,774	-	-	-	46,476,774	-	46,476,774	-	46,476,774
Assets limited as to use, current portion	(8,066,590)	-	-	-	(8,066,590)	-	(8,066,590)	-	(8,066,590)
Noncurrent assets limited as to use	360,030,807	-	-	-	360,030,807	-	360,030,807	-	360,030,807
Property and equipment, net	217,759,822	72,574,311	23,008,824	42,003,908	355,346,865	23,211,901	378,558,766	18,423,492	396,982,258
Interest in net assets of Tanner Medical Foundation, Inc.	-	-	-	-	-	-	-	22,348,483	22,348,483
Other assets:									
Operating lease right-of-use assets	5,610,323	718,883	66,469	-	6,395,675	139,332	6,535,007	-	6,535,007
Finance lease right-of-use assets	3,650,706	767,317	547,242	-	4,965,265	225,083	5,190,348	-	5,190,348
Physician notes receivable and other	9,254,305	-	-	-	9,254,305	-	9,254,305	120,000	9,374,305
Goodwill and intangible assets	-	2,545,200	-	-	2,545,200	-	2,545,200	-	2,545,200
Total other assets	18,515,334	4,031,400	613,711	-	23,160,445	364,415	23,524,860	120,000	23,644,860
Total assets	$ 941,644,567	$ 347,474,847	$ 70,894,381	$ 45,567,094	$ 1,405,580,889	$ 29,469,009	$ 1,435,049,898	$ (230,136,909)	$ 1,204,912,989

Continued

TANNER MEDICAL CENTER, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2021

	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/Higgins General Hospital	Tanner Medical Group	Georgia Facilities	Tanner East Alabama	Medical Center Subtotal	Foundation, Auxiliary and Net EJE's	Balance At June 30, 2021
LIABILITIES AND NET ASSETS									
Current liabilities:									
Current portion of long-term debt	$ 11,039,894	$ -	$ -	$ -	$ 11,039,894	$ -	$ 11,039,894	$ -	$ 11,039,894
Current portion of operating lease liabilities	737,706	137,537	24,254	-	899,497	23,519	923,016	-	923,016
Current portion of finance lease liabilities	535,623	70,629	50,372	-	656,624	20,718	677,342	-	677,342
Due to related parties	(33,455,607)	-	-	266,088,610	232,633,003	20,623,826	253,256,829	(253,256,829)	-
Accounts payable	16,789,934	5,517,459	956,399	348,062	23,611,854	680,209	24,292,063	1,702,922	25,994,985
Accrued salaries	27,676,106	2,963,208	1,007,517	1,640,526	33,287,357	348,687	33,636,044	4,641	33,640,685
Other accrued expenses	10,423,088	280,075	-	-	10,703,163	-	10,703,163	-	10,703,163
Estimated third-party payor settlements	57,163	35,768	778,593	-	871,524	772,483	1,644,007	-	1,644,007
Medicare advance payments	16,053,699	7,064,957	454,904	144,840	23,718,400	333,116	24,051,516	1	24,051,517
CARES Act refundable advances	1,311,344	2,431,092	57,199	1,474,323	5,273,958	2,303,110	7,577,068	-	7,577,068
Total current liabilities	51,168,950	18,500,725	3,329,238	269,696,361	342,695,274	25,105,668	367,800,942	(251,549,265)	116,251,677
Medicare advance payments, excluding current portion	5,769,669	1,789,909	68,048	72,420	7,700,046	85,070	7,785,116	-	7,785,116
Long-term debt, net of current portion:									
Notes payable	365,480	-	-	-	365,480	-	365,480	-	365,480
Revenue certificates payable	220,288,769	-	-	-	220,288,769	-	220,288,769	-	220,288,769
Total long-term debt, net of current portion	220,654,249	-	-	-	220,654,249	-	220,654,249	-	220,654,249
Operating lease liabilities	4,999,784	581,346	42,215	-	5,623,345	115,813	5,739,158	-	5,739,158
Finance lease liabilities	3,148,898	702,609	501,093	-	4,352,600	206,102	4,558,702	-	4,558,702
Total liabilities	285,741,550	21,574,589	3,940,594	269,768,781	581,025,514	25,512,653	606,538,167	(251,549,265)	354,988,902
Net assets:									
Net assets without donor restrictions	655,903,017	325,900,258	66,953,787	(224,201,687)	824,555,375	3,956,356	828,511,731	3,626,804	832,138,535
Net assets with donor restrictions	-	-	-	-	-	-	-	17,785,552	17,785,552
Total net assets	655,903,017	325,900,258	66,953,787	(224,201,687)	824,555,375	3,956,356	828,511,731	21,412,356	849,924,087
Total liabilities and net assets	$ 941,644,567	$ 347,474,847	$ 70,894,381	$ 45,567,094	$ 1,405,580,889	$ 29,469,009	$ 1,435,049,898	$ (230,136,909)	$ 1,204,912,989

See accompanying auditor's report on supplementary information.

TANNER MEDICAL CENTER, INC.

COMBINING BALANCE SHEETS
June 30, 2020

	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/Higgins General Hospital	Tanner Medical Group	Georgia Facilities	Tanner East Alabama	Medical Center Subtotal	Foundation, Auxiliary and Net EJE's	Balance At June 30, 2020
ASSETS									
Current assets:									
Cash and cash equivalents	$ 115,134,313	$ 99,858	$ (739)	$ 1,027,493	$ 116,260,925	$ 597,408	$ 116,858,333	$ 192,219	$ 117,050,552
Short-term investments	102,175,716	-	-	-	102,175,716	-	102,175,716	-	102,175,716
Due from related parties	-	193,441,034	41,197,494	-	234,638,528	-	234,638,528	(234,638,528)	-
Assets limited as to use, current portion	8,035,626	-	-	-	8,035,626	-	8,035,626	-	8,035,626
Patient accounts receivable, net	46,396,670	31,240,914	4,574,888	2,772,845	84,985,317	5,210,798	90,196,115	-	90,196,115
Supplies, at lower of cost and net realizable value	5,923,756	3,391,980	500,809	344,786	10,161,331	167,823	10,329,154	55,524	10,384,678
Estimated third-party payor settlements	482,821	-	994,539	1,999	1,479,359	-	1,479,359	-	1,479,359
Other current assets	16,553,933	993,195	143,309	236,815	17,927,252	435,208	18,362,460	14,811	18,377,271
Total current assets	294,702,835	229,166,981	47,410,300	4,383,938	575,664,054	6,411,237	582,075,291	(234,375,974)	347,699,317
Assets limited as to use:									
Internally designated	245,655,753	-	-	-	245,655,753	-	245,655,753	-	245,655,753
Held by trustee under indenture	26,035,626	-	-	-	26,035,626	-	26,035,626	-	26,035,626
Assets limited as to use, current portion	(8,035,626)	-	-	-	(8,035,626)	-	(8,035,626)	-	(8,035,626)
Noncurrent assets limited as to use	263,655,753	-	-	-	263,655,753	-	263,655,753	-	263,655,753
Property and equipment, net	230,519,260	74,093,535	24,928,679	41,435,352	370,976,826	25,026,752	396,003,578	3,263,871	399,267,449
Interest in net assets of Tanner Medical Foundation, Inc.	-	-	-	-	-	-	-	14,513,330	14,513,330
Other assets:									
Physician notes receivable and other	7,393,560	-	-	-	7,393,560	-	7,393,560	-	7,393,560
Goodwill and intangible assets	-	2,908,800	-	-	2,908,800	-	2,908,800	-	2,908,800
Total other assets	7,393,560	2,908,800	-	-	10,302,360	-	10,302,360	-	10,302,360
Total assets	$ 796,271,408	$ 306,169,316	$ 72,338,979	$ 45,819,290	$ 1,220,598,993	$ 31,437,989	$ 1,252,036,982	$ (216,598,773)	$ 1,035,438,209

Continued

TANNER MEDICAL CENTER, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2020

	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/Higgins General Hospital	Tanner Medical Group	Georgia Facilities	Tanner East Alabama	Medical Center Subtotal	Foundation, Auxiliary and Net EJE's	Balance At June 30, 2020
LIABILITIES AND NET ASSETS									
Current liabilities:									
Current portion of long-term debt	$ 10,520,376	$ -	$ -	$ -	$ 10,520,376	$ -	$ 10,520,376	$ -	$ 10,520,376
Due to related parties	(37,122,060)	-	-	252,803,884	215,681,824	15,179,002	230,860,826	(230,860,826)	-
Accounts payable	17,723,570	5,595,617	1,269,359	1,040,099	25,628,645	1,169,725	26,798,370	(61,141)	26,737,229
Accrued salaries	22,004,691	2,426,752	914,055	871,673	26,217,171	295,277	26,512,448	-	26,512,448
Other accrued expenses	9,595,293	127,333	-	-	9,722,626	6,535	9,729,161	-	9,729,161
Estimated third-party payor settlements	705,413	1,130,622	-	-	1,836,035	289,137	2,125,172	-	2,125,172
Medicare advance payments	3,010,069	1,324,679	85,295	27,158	4,447,201	62,458	4,509,659	-	4,509,659
CARES Act refundable advances	(3,753,349)	1,225,408	5,776,930	(2,915,966)	333,023	3,466,406	3,799,429	-	3,799,429
Total current liabilities	22,684,003	11,830,411	8,045,639	251,826,848	294,386,901	20,468,540	314,855,441	(230,921,967)	83,933,474
Medicare advanced payments, excluding current portion	21,070,482	9,272,756	597,061	190,102	31,130,401	437,216	31,567,617	-	31,567,617
Long-term debt, net of current portion:									
Notes payable	1,279,580	-	-	-	1,279,580	-	1,279,580	-	1,279,580
Revenue certificates payable	198,353,531	-	-	-	198,353,531	-	198,353,531	-	198,353,531
Total long-term debt, net of current portion	199,633,111	-	-	-	199,633,111	-	199,633,111	-	199,633,111
Total liabilities	243,387,596	21,103,167	8,642,700	252,016,950	525,150,413	20,905,756	546,056,169	(230,921,967)	315,134,202
Net assets:									
Net assets without donor restrictions	552,883,812	285,066,149	63,696,279	(206,197,660)	695,448,580	10,532,233	705,980,813	2,060,197	708,041,010
Net assets with donor restrictions	-	-	-	-	-	-	-	12,262,997	12,262,997
Total net assets	552,883,812	285,066,149	63,696,279	(206,197,660)	695,448,580	10,532,233	705,980,813	14,323,194	720,304,007
Total liabilities and net assets	$ 796,271,408	$ 306,169,316	$ 72,338,979	$ 45,819,290	$ 1,220,598,993	$ 31,437,989	$ 1,252,036,982	$ (216,598,773)	$ 1,035,438,209

See accompanying auditor's report on supplementary information.

TANNER MEDICAL CENTER, INC.

COMBINING STATEMENTS OF EXCESS OF REVENUES OVER EXPENSES
for the year ended June 30, 2021

	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/Higgins General Hospital	Tanner Medical Group	Georgia Facilities	Tanner East Alabama	Medical Center Subtotal	Foundation, Auxiliary and Net EJE's	Balance At June 30, 2021
Revenues, gains and other support:									
Net patient service revenue	$ 316,175,824	$ 239,414,682	$ 36,191,028	$ 43,031,651	$ 634,813,185	$ 9,868,897	$ 644,682,082	$ -	$ 644,682,082
Other revenue	9,634,439	2,453,710	108,986	411,723	12,608,858	70,720	12,679,578	173,488	12,853,066
CARES Act funding	3,493,448	1,275,239	1,237,542	530,309	6,536,538	1,296,074	7,832,612	-	7,832,612
Total revenues, gains and other support	329,303,711	243,143,631	37,537,556	43,973,683	653,958,581	11,235,691	665,194,272	173,488	665,367,760
Expenses:									
Salaries	128,162,747	56,133,796	14,546,990	32,046,473	230,890,006	6,957,212	237,847,218	190,515	238,037,733
Employee benefits	42,585,968	5,834,497	1,533,168	2,534,629	52,488,262	735,057	53,223,319	18,417	53,241,736
Contracted services	42,144,367	18,060,240	3,110,390	692,016	64,007,013	1,777,620	65,784,633	-	65,784,633
Purchased services	22,986,652	6,848,372	1,234,584	625,213	31,694,821	311,589	32,006,410	277,542	32,283,952
Supplies and drugs	65,164,580	61,202,870	3,081,219	3,256,564	132,705,233	1,112,748	133,817,981	148,647	133,966,628
Insurance	3,326,124	152,934	61,216	665,542	4,205,816	22,464	4,228,280	4,407	4,232,687
Depreciation and amortization	29,205,142	7,975,547	2,686,917	3,052,544	42,920,150	2,170,846	45,090,996	201,207	45,292,203
Interest and amortization	7,088,679	14,617	8,286	-	7,111,582	5,406	7,116,988	-	7,116,988
Other	39,150,889	6,030,323	701,734	749,897	46,632,843	637,528	47,270,371	332,333	47,602,704
Total expenses	379,815,148	162,253,196	26,964,504	43,622,878	612,655,726	13,730,470	626,386,196	1,173,068	627,559,264
Operating income (loss)	(50,511,437)	80,890,435	10,573,052	350,805	41,302,855	(2,494,779)	38,808,076	(999,580)	37,808,496
Other income (loss):									
Contributions and other	379,953	-	1,271,192	-	1,651,145	1,476,001	3,127,146	133,590	3,260,736
Investment income	23,116,442	-	-	-	23,116,442	-	23,116,442	-	23,116,442
Loss on disposal of assets	(282,656)	(113,082)	(11,672)	(3,460)	(410,870)	(9,448)	(420,318)	-	(420,318)
Net unrealized gain on investments	58,407,078	-	-	-	58,407,078	-	58,407,078	-	58,407,078
Loss on extinguishment of debt	302,451	-	-	-	302,451	-	302,451	-	302,451
Total other income	81,923,268	(113,082)	1,259,520	(3,460)	83,066,246	1,466,553	84,532,799	133,590	84,666,389
Excess revenues (expenses)	31,411,831	80,777,353	11,832,572	347,345	124,369,101	(1,028,226)	123,340,875	(865,990)	122,474,885
Shared service expenses	71,450,502	(39,943,244)	(8,608,234)	(18,351,371)	4,547,653	(4,547,653)	-	-	-
Excess of revenues over expenses and shared service expenses	$ 102,862,333	$ 40,834,109	$ 3,224,338	$ (18,004,026)	$ 128,916,754	$ (5,575,879)	$ 123,340,875	$ (865,990)	$ 122,474,885

See accompanying auditor’s report on supplementary information.

TANNER MEDICAL CENTER, INC.

COMBINING STATEMENTS OF EXCESS OF REVENUES OVER EXPENSES
for the year ended June 30, 2020

	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/Higgins General Hospital	Tanner Medical Group	Georgia Facilities	Tanner East Alabama	Medical Center Subtotal	Foundation, Auxiliary and Net EJE's	Balance At June 30, 2020
Revenues, gains and other support:									
Net patient service revenue	$ 280,256,148	$ 169,720,872	$ 34,425,344	$ 36,620,156	$ 521,022,520	$ 10,889,770	$ 531,912,290	$ -	$ 531,912,290
Other revenue	5,182,046	2,400,063	191,921	456,510	8,230,540	71,386	8,301,926	196,757	8,498,683
CARES Act funding	19,321,127	1,938,264	3,576,299	3,751,567	28,587,257	409,324	28,996,581	-	28,996,581
Total revenues, gains and other support	304,759,321	174,059,199	38,193,564	40,828,233	557,840,317	11,370,480	569,210,797	196,757	569,407,554
Expenses:									
Salaries	124,211,709	50,648,525	15,432,783	30,628,094	220,921,111	6,777,912	227,699,023	-	227,699,023
Employee benefits	39,640,369	5,677,505	1,735,143	2,737,786	49,790,803	786,291	50,577,094	-	50,577,094
Contracted services	22,956,570	7,453,522	2,391,177	458,700	33,259,969	2,057,385	35,317,354	-	35,317,354
Purchased services	22,060,866	4,404,981	1,384,403	460,040	28,310,290	275,897	28,586,187	203,776	28,789,963
Supplies and drugs	58,528,232	39,126,597	2,649,148	2,541,124	102,845,101	964,851	103,809,952	149,894	103,959,846
Insurance	2,956,432	98,837	44,566	557,295	3,657,130	18,079	3,675,209	-	3,675,209
Depreciation	29,136,942	7,609,465	2,612,825	2,469,526	41,828,758	2,119,437	43,948,195	-	43,948,195
Interest and amortization	5,999,244	-	-	-	5,999,244	-	5,999,244	-	5,999,244
Other	38,937,172	5,080,525	1,045,540	732,186	45,795,423	693,800	46,489,223	370	46,489,593
Total expenses	344,427,536	120,099,957	27,295,585	40,584,751	532,407,829	13,693,652	546,101,481	354,040	546,455,521
Operating income (loss)	(39,668,215)	53,959,242	10,897,979	243,482	25,432,488	(2,323,172)	23,109,316	(157,283)	22,952,033
Other income (loss):									
Contributions and other	161,105	-	912,706	-	1,073,811	1,085,219	2,159,030	(47,132)	2,111,898
Investment income	24,110,154	-	-	-	24,110,154	320	24,110,474	-	24,110,474
Loss on disposal of assets	(1,890,000)	(65,288)	(31,126)	(2,696,148)	(4,682,562)	-	(4,682,562)	-	(4,682,562)
Net unrealized loss on investments	(14,933,576)	-	-	-	(14,933,576)	-	(14,933,576)	-	(14,933,576)
Total other income	7,447,683	(65,288)	881,580	(2,696,148)	5,567,827	1,085,539	6,653,366	(47,132)	6,606,234
Excess revenues (expenses)	(32,220,532)	53,893,954	11,779,559	(2,452,666)	31,000,315	(1,237,633)	29,762,682	(204,415)	29,558,267
Shared service expenses	68,075,166	(33,895,443)	(9,594,109)	(19,749,568)	4,836,046	(4,836,046)	-	-	-
Excess of revenues over expenses and shared service expenses	$ 35,854,634	$ 19,998,511	$ 2,185,450	$ (22,202,234)	$ 35,836,361	$ (6,073,679)	$ 29,762,682	$ (204,415)	$ 29,558,267

See accompanying auditor’s report on supplementary 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*

The Board of Directors
Tanner Medical Center, Inc.
Carrollton, 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 combined financial statements of Tanner Medical Center, Inc. (Medical Center) as of and for the year ended June 30, 2021, and the related notes to the combined financial statements, and have issued our report thereon dated January 10, 2022.

Internal Control Over Financial Reporting

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

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

Continued

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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.

Draffin & Tucker, LLP

Albany, Georgia
January 10, 2022