PYA
CERTIFIED PUBLIC ACCOUNTANTS

Financial Statements

Northeast Georgia Medical Center, Inc.
(A Controlled Affiliate of Northeast Georgia Health System, Inc.)

Years Ended September 30, 2024 and 2023

NORTHEAST GEORGIA MEDICAL CENTER, INC.
(A Controlled Affiliate of Northeast Georgia Health System, Inc.)

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Years Ended September 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Northeast Georgia Medical Center, Inc.:

Opinion

We have audited the financial statements of Northeast Georgia Medical Center, Inc. (NGMC), which comprise the balance sheets as of September 30, 2024 and 2023, the related statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NGMC as of September 30, 2024 and 2023, and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NGMC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Sole Member of Northeast Georgia Health System, Inc. (NGHS)

NGMC is an entity whose sole member is NGHS and is part of a group of entities controlled or managed by NGHS. As discussed in Note A, NGHS allocates various expenses and liabilities to members of this group of entities, and, as such, the accompanying financial statements reflect the results of these allocations and not necessarily the results of NGMC on a stand-alone basis. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NGMC's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NGMC's ability to continue as a going concern for a reasonable period of time.

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

PYA, P.C.

Atlanta, Georgia
January 29, 2025

NORTHEAST GEORGIA MEDICAL CENTER, INC.
(A Controlled Affiliate of Northeast Georgia Health System, Inc.)

Balance Sheets
(Dollars in Thousands)

	September 30, 2024	September 30, 2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 27,774**	$ 15,290
Investments	**605,123**	341,095
Assets limited as to use, required for current obligations	**318**	238
Patient accounts receivable	**172,571**	169,629
Inventory of supplies	**14,413**	15,923
Other current assets	**62,109**	30,427
Unconditional promise to give from affiliate - Note O	**-**	2,000
TOTAL CURRENT ASSETS	**882,308**	574,602
INVESTMENTS	**1,042,328**	1,034,120
ASSETS LIMITED AS TO USE		
Under indenture agreements - held by trustees	**11,065**	130
Other	**23,077**	19,468
	34,142	19,598
Less amounts required for current obligations	**(318)**	(238)
ASSETS LIMITED AS TO USE	**33,824**	19,360
PROPERTY AND EQUIPMENT, net	**1,196,015**	918,753
OTHER ASSETS		
Other	**14,043**	16,580
Right-of-use asset, finance leases	**14,813**	118
Right-of-use asset, operating leases	**36,732**	13,634
TOTAL OTHER ASSETS	**65,588**	30,332
TOTAL ASSETS	**$ 3,220,063**	$ 2,577,167

NORTHEAST GEORGIA MEDICAL CENTER, INC.
(A Controlled Affiliate of Northeast Georgia Health System, Inc.)

Balance Sheets - Continued
(Dollars in Thousands)

	September 30, 2024	September 30, 2023
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	**$ 25,616**	$ 21,903
Accrued interest	**7,441**	5,460
Accounts payable and other accrued expenses	**152,802**	138,639
Accrued salaries, benefits, compensated absences, and amounts withheld	**57,292**	50,984
Current portion of finance lease liability	**2,397**	14
Current portion of operating lease liability	**3,862**	5,930
Unearned revenue - Notes B and P	**-**	9,404
Estimated amounts due to third-party payers	**12,004**	12,731
Current portion of affiliate note payable - Note G	**509**	-
TOTAL CURRENT LIABILITIES	**261,923**	245,065
LONG-TERM DEBT, less current portion	**1,404,737**	1,155,821
DUE TO AFFILIATES, net - Note O	**564**	628
OTHER LONG-TERM LIABILITIES		
Deferred compensation	**22,613**	19,004
Finance lease liability, less current portion	**12,623**	**-**
Operating lease liability, less current portion	**33,714**	7,839
Affiliate note payable, less current portion - Note G	**9,826**	-
TOTAL OTHER LONG-TERM LIABILITIES	**78,776**	26,843
TOTAL LIABILITIES	**1,746,000**	1,428,357
COMMITMENTS AND CONTINGENCIES - Notes H, K, and S		
NET ASSETS		
Without donor restrictions	**1,474,063**	1,148,810
TOTAL NET ASSETS	**1,474,063**	1,148,810
TOTAL LIABILITIES AND NET ASSETS	**$ 3,220,063**	$ 2,577,167

NORTHEAST GEORGIA MEDICAL CENTER, INC.
(A Controlled Affiliate of Northeast Georgia Health System, Inc.)

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

	Year Ended September 30,	
	2024	***2023***
Changes in net assets without donor restrictions:		
Patient service revenue	**$ 1,806,939**	$ 1,727,624
Other operating revenue	**63,454**	72,326
TOTAL OPERATING REVENUES	**1,870,393**	1,799,950
Expenses:		
Salaries and wages	**607,355**	603,708
Employee benefits	**124,100**	110,735
Provider Fees	**74,520**	68,253
Utilities	**13,304**	12,908
Supplies	**346,800**	323,053
Legal, consulting, and professional fees	**7,691**	9,518
Purchased Services	**46,363**	51,625
Insurance	**926**	2,143
Interest	**32,977**	35,149
Management fees	**172,422**	163,710
Depreciation and amortization	**80,849**	78,635
Other operating expenses	**125,963**	111,467
TOTAL OPERATING EXPENSES	**1,633,270**	1,570,904
OPERATING INCOME BEFORE PROVIDER RELIEF FUND REVENUE	**237,123**	229,046
Provider relief fund revenue - Note P	**8,385**	8,385
INCOME FROM OPERATIONS	**245,508**	237,431
Nonoperating (losses) gains:		
Donations from affiliates	**-**	161
Gain from investments, net	**183,672**	145,153
Gain (loss) on sale of property and equipment, net	**(3)**	25
Miscellaneous, net	**207**	(80)
NET NONOPERATING GAINS	**183,876**	145,259
EXCESS OF REVENUE AND GAINS OVER EXPENSES AND LOSSES	**429,384**	382,690

NORTHEAST GEORGIA MEDICAL CENTER, INC.
(A Controlled Affiliate of Northeast Georgia Health System, Inc.)

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

	Year Ended September 30,	
	2024	***2023***
Other changes in net assets without donor restrictions:		
Transfers of equity to affiliates, net	**(104,131)**	(178,285)
TOTAL OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**(104,131)**	(178,285)
INCREASE IN NET ASSETS	**325,253**	204,405
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	**1,148,810**	944,405
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	**$ 1,474,063**	$ 1,148,810

NORTHEAST GEORGIA MEDICAL CENTER, INC.
(A Controlled Affiliate of Northeast Georgia Health System, Inc.)

Statements of Cash Flows
(Dollars in Thousands)

	Year Ended September 30, 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	**$ 325,253**	$ 204,405
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**80,849**	78,635
Interest amortization on bond premiums	**(5,109)**	(4,613)
Gain on sale of property, plant and equipment	**3**	(25)
Gain on sale of investments and assets limited as to use	**(6,340)**	(33,221)
Change in net unrealized gains/losses on investments and assets limited as to use	**(130,189)**	(71,130)
Transfers of equity to affiliates, net	**104,131**	178,285
Changes in assets and liabilities:		
Patient accounts receivable	**(2,942)**	(25,270)
Inventory of supplies	**1,510**	(2,298)
Other current assets	**(31,682)**	(14,382)
Unconditional promise to give from affiliate	**2,000**	4,000
Other long-term assets	**7,062**	38,171
Accrued interest	**1,981**	(83)
Accounts payable and other accrued expenses and other long-term liabilities	**16,120**	33,233
Accrued salaries, benefits, compensated absences, and amounts withheld	**6,308**	(7,715)
Unearned revenue	**(9,404)**	(7,366)
Estimated third-party payer settlements	**(727)**	(1,718)
Lease liabilities	**(6,302)**	(5,875)
Total adjustments	**27,269**	158,628
NET CASH PROVIDED BY OPERATING ACTIVITIES	**352,522**	363,033
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	**(352,375)**	(321,766)
Proceeds from sales of property, plant, and equipment	**-**	105
Purchases of investments and assets limited as to use	**(1,123,881)**	(711,359)
Proceeds from maturities and sales of investments and assets limited as to use	**973,630**	840,476
Advances to affiliates	**(96,695)**	(177,969)

NORTHEAST GEORGIA MEDICAL CENTER, INC.
(A Controlled Affiliate of Northeast Georgia Health System, Inc.)

Statements of Cash Flows - Continued
(Dollars in Thousands)

	Year Ended September 30, 2024	2023
NET CASH USED IN INVESTING ACTIVITIES	**(599,321)**	(370,513)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable and long-term debt, net of issuance costs and discounts	**278,000**	-
Principal payments on long-term debt and finance lease obligations	**(18,717)**	(15,616)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**259,283**	(15,616)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**12,484**	(23,096)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**15,290**	38,386
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 27,774**	$ 15,290
SUPPLEMENTAL INFORMATION:		
Cash paid during the year for interest	**$ 38,577**	$ 39,402
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES:		
Property, plant, and equipment received and accrued in payables	**$ 25,454**	$ 23,802
Lease liabilities arising from obtaining right-of-use assets	**$ 46,056**	$ 5,876
Operating cash flows from operating leases	**$ 8,313**	$ 5,833
Financing cash flows from finance leases	**$ 1,377**	$ 1,585

NOTE A--ORGANIZATION AND OPERATIONS

Northeast Georgia Medical Center, Inc. (NGMC) was formed to serve and promote the public health of the general population and operates an acute care hospital with a 557-bed campus in Gainesville and a 134-bed campus in Braselton, and their related facilities, for the benefit of the general public. Effective October 2023, Braselton ASC, LLC (Braselton ASC) began operations. Braselton ASC is an Ambulatory Surgery Center that was formed to provide more access to outpatient surgical services. This entity is included in NGMC's operations.

Northeast Georgia Health System, Inc. (NGHS) is the parent company to NGMC. The financial statements of NGMC are included in the consolidated financial statements of NGHS and affiliates. The accompanying financial statements reflect the financial position and operating results of NGMC and include various allocations of expenses, gains, losses, and associated liabilities from NGHS. Certain disclosures herein relate to NGHS as a whole (rather than just NGMC) and are identified as NGHS disclosures in the notes to the financial statements. Due to the nature of allocations of NGHS activities and liabilities to NGMC, these financial statements may not reflect the financial position and results of operations of NGMC on a stand-alone basis.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 period. Significant estimates include estimated explicit and implicit price concessions, amounts due to or from third-party payers, investment valuations, allocations of functional expenses, depreciable lives and impairment considerations of property and equipment, deferred liabilities, and professional and other insurance liabilities. Actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents include cash and short-term term deposits and similar money market instruments, with maturities of less than three months when purchased, excluding amounts included as assets limited as to use or in the long-term investment portfolio.

Investments and Assets Limited as to Use: Investments and assets limited as to use are stated at fair value based on quoted market prices, and investments without quoted market prices are reported at estimated fair market value utilizing observable and unobservable inputs. Substantially all investments are classified as trading securities. The portion of investments related to financial instruments with remaining maturities of less than one year and the portion of assets limited as to use that is required to satisfy current obligations are classified as current assets.

(Dollars in Thousands)

Assets limited as to use include assets held by trustees under bond indenture agreements, assets held by trustees under professional liability and workers' compensation self-insurance trust arrangements, and assets designated by the Board for specific purposes.

Interest and dividend investment income on proceeds of borrowings that are held by trustees, to the extent not capitalized, is reported as a part of other operating revenue. Investment income and losses on all other investments and assets limited as to use (including gains and losses on sales of proceeds of borrowings that are held by trustees) is reported, net of investment expenses, as nonoperating gains and losses. The cost of securities sold is determined on the specific identification method, with net realized gains and losses reported as nonoperating gains and losses.

Unrealized gains and losses on investments and assets limited as to use are recorded as nonoperating gains or losses from investments.

Inventory of Supplies: Inventory consists of medical and other supplies and is stated at the lower of cost or net realizable value, with cost determined by the first-in, first-out method.

Other Current Assets: NGMC pays for various service agreements in advance of the service periods. These prepaid expenses are capitalized and amortized over the service period. NGMC is also involved in various agreements and contractual arrangements under which they have an unconditional obligation to receive payments at September 30, 2024 and 2023. These non-patient receivables are expected to be settled in less than twelve months from year end and have been included in other current assets in the accompanying Balance Sheets. The balance of other current assets in the accompanying Balance Sheets is comprised of the following at September 30:

	2024	2023
Prepaids	$ 16,379	$ 11,498
Other receivables	10,650	9,307
Estimated amounts due from third-party payors	35,080	9,622
Other current assets	$ 62,109	$ 30,427

Property, Equipment, and Depreciation: Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets using the half-year method. The depreciable lives range from 15 to 40 years for buildings and land improvements, and from 3 to 15 years for equipment and vehicles. Expenditures for maintenance, repairs and minor renewals are charged to operations as incurred. Expenditures for betterments and major renewals are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the financial statements. Any resulting gain or loss is included in nonoperating gains and losses. Asset retirement obligations are recorded as a liability when property and equipment are acquired or when events occur that create a liability that is reasonably estimable. No such liabilities were identified and recorded during the years ended September 30, 2024 or 2023.

NGMC periodically reviews property and equipment for indicators of potential impairment of long-lived assets and, if such review indicates carrying amounts may not be recoverable, adjusts the carrying value and recognizes a loss. Management does not believe that any unrecognized impairment exists at September 30, 2024 and 2023, respectively.

Capitalized Interest: NGMC capitalizes interest costs incurred in financing expenditures for property during a required construction or development period in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 835-20-15-5. Capitalized interest consists primarily of interest incurred related to the construction of medical facilities for which deposits or progress payments have been made. Interest costs incurred during the year ended September 30, 2024 and 2023, are $32,978, and $35,149, respectively. During the year ended September 30, 2024 and 2023, the NGMC capitalized interest in the amounts of $7,580 and $4,170, respectively. Capitalized interest is included in the cost of the respective property for which the interest was incurred and is included in property and equipment in the Balance Sheets. NGMC's capitalization policy is based on the weighted-average interest rate on borrowings specifically related to the construction projects and applied to qualifying expenditures incurred during the construction period. For the year ended September 30, 2024, the capitalization rate used to determine capitalized interest ranges between 2.50% to 5.00% based on interest rates of outstanding borrowings, specifically the Revenue Anticipation Certificates Series 2024 and Series 2021A. For the year ended September 30, 2023, the capitalization rates used to determine capitalized interest range between 2.50% to 5.00% based on interest rates of outstanding borrowings, specifically the Revenue Anticipation Certificates Series 2021A.

Lease Liabilities and Right-of-Use Assets: NGMC determines if an arrangement is a lease at inception and classifies its leases at commencement. Leases are classified as either a finance lease or an operating lease. NGMC does not recognize right-of-use assets or lease liabilities for leases with a term of 12 months or less. The present value of the future minimum lease payments over the lease term is recorded as a lease liability at the commencement of a contract that has a term in excess of one year. The present value is determined by discounting the required payments using the stated or implicit interest rate in the lease or, if not stated or implied, NGMC's incremental borrowing rate, which was 7% for the years ended September 30, 2024 and 2023. NGMC has lease agreements that contain both lease and non-lease components, which it has elected to combine. As such, future minimum lease payments include fixed payments for non-lease components within a lease agreement but exclude variable lease payments not dependent on an index or rate, such as common area maintenance, operating expenses, utilities, or other costs that are subject to fluctuation. NGMC's lease terms may include options to extend or terminate the lease. Periods beyond the noncancellable term of the lease are included in the measurement of the lease liability when it is reasonably certain that NGMC will exercise the associated extension option or waive the termination option. A right-of-use asset is also recorded equal to the lease liability plus any initial direct costs, prepayments, or incentives. NGMC periodically reviews right-of-use assets for indications of potential impairment. If such review indicates carrying amounts may not be recoverable, the carrying value is adjusted, and a loss is recorded. No impairment losses were recognized during the years ended September 30, 2024 or 2023.

(Dollars in Thousands)

Other Long-Term Assets: During fiscal year 2023, NGMC capitalized implementation costs, in accordance with Accounting Standards Codification (ASC) 350-40, related to the development of internal-use software. These costs and the accumulated amortization are included in other long-term assets. The asset is amortized over its estimated useful life of seven years. Amortization expense for the year ended September 30, 2024 and 2023, is $2,486 and is included in depreciation and amortization expense in the Statements of Operations and Changes in Net Assets. The capitalized asset is composed of the following for the years ended:

	September 30, 2024	September 30, 2023
Gross software implementation fees	$ 17,400	$ 17,400
Less: Accumulated amortization	(4,972)	(2,486)
	$ 12,428	$ 14,914

Deferred Financing Costs: Deferred financing costs relate to NGMC's long-term debt and are amortized over the terms of the respective issues in a manner that approximates the effective interest method and are reported as a direct deduction of the related long-term debt.

Estimated Professional Liability Self-Insurance and Other Long-Term Liabilities: Self-insurance liabilities include estimated reserves for reported and unreported professional liability claims and are recorded at the estimated net present value of such claims. Such estimates are subject to significant change in future periods. Other long-term liabilities include obligations under deferred compensation arrangements and other liabilities that management estimates are not payable within one year.

Excess of Revenue and Gains Over Expenses and Losses: The Statements of Operations and Changes in Net Assets include *Excess of Revenue and Gains Over Expenses and Losses*. Changes in net assets without donor restrictions, which are excluded from *Excess of Revenue and Gains Over Expenses and Losses*, consistent with industry practice, include transfers of assets to and from affiliates for other than goods or services, and contributions of long-lived assets, including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets.

Transactions deemed by management to be ongoing, major, or central to the provision of healthcare services of NGMC are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

Charity Care: NGMC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Generally, care provided for a patient whose household income is at or below 300 percent of the federal poverty guidelines is approved for charity care. Because NGMC does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue. Additionally, under an agreement with the Georgia Department of Community Health Division of Medical Assistance (Georgia Medicaid), the Hospital Authority of Hall County, and the City of Gainesville through NGMC pays into an indigent care trust fund and is then eligible to receive indigent care trust fund payments. Charges foregone, based on established rates, related to charity care were $334,659 and $356,877 in 2024 and 2023, respectively, which are net of indigent care trust fund proceeds of $1,396 and $5,245 in 2024 and 2023, respectively.

The estimated cost of providing charity care totaled $67,662 and $75,857 for the years ended September 30, 2024 and 2023, respectively. The estimated costs of providing charity care are based on a calculation that applies a ratio of costs to charges to the gross uncompensated charges associated with providing charity care. The ratio of costs to charges is calculated based on NGMC's total expenses divided by gross patient service revenue.

In addition to the patient charity care services, NGMC provides a number of other services to benefit the impoverished for which little or no payment is received. Medicare, Medicaid, and State indigent programs do not cover the full cost of providing care to beneficiaries of those programs. NGMC also provides services to the community at large, for which it receives little or no payment. Explicit price concessions for the years ended September 30, 2024 and 2023, include approximately $93,611 and $78,397, respectively, related to discounts provided to self-insured patients in order to facilitate prompt payment.

Patient Service Revenue/Receivables: Patient service revenue is reported on the accrual basis and reflects the amount that NGMC expects to receive in exchange for services provided during the period, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided and may have a term of several days or longer. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges.

Generally, NGMC performance obligations satisfied over time relate to patients receiving inpatient acute care services. NGMC measures the performance obligation from admission into one of

NGMC's facilities, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services.

All of NGMC's performance obligations relate to contracts with a duration of less than one year; therefore, NGMC has elected to apply the optional exemptions provided in FASB ASC 606-10-50-14(a) and as a result, 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.

NGMC determines the transaction price for patient service revenue based on standard charges for goods and services provided, reduced by explicit price concessions for contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with NGMC's financial assistance policy, and implicit price concessions provided to uninsured or under-insured patients. NGMC determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. Implicit price concessions are mainly comprised of amounts due directly from patients and represent NGMC's primary collection risk. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the age of those accounts. Accounts are written off when all reasonable collection efforts have been made. NGMC determines its estimate of implicit price concessions based on an analysis of historical loss experience and expected net collections, business and economic conditions, trends in federal, state, and private employer health care coverage, and other collection indicators.

Retroactive adjustments for third-party payers are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or additional information is obtained.

Patient accounts receivable are reported net of both an estimated allowance for explicit price concessions and an allowance for implicit price concessions. NGMC receives payments for services rendered from federal and state agencies, managed care health plans, commercial insurance companies, employers, and patients. NGMC recognizes that revenues and receivables from government agencies are significant to its operations but does not believe there are significant credit risks associated with these government agencies. NGMC does not believe there are any other significant concentrations of revenues from any particular payer that would subject NGMC to any significant credit risks in the collection of accounts receivable. NGMC's policy does not require collateral or other security for patient accounts receivable. NGMC routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans, or policies.

NGMC 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 payers for the effects of a significant financing component due to NGMC'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 payer pays for that service will be one year or less. NGMC does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. However, in these cases, the financing component is not deemed to be significant to the contracts.

Income Taxes: NGMC is classified as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes has been made in the accompanying financial statements. At September 30, 2024 and 2023, respectively, management does not believe NGMC holds any uncertain tax positions that would require financial statement recognition or disclosure under generally accepted accounting principles. It is NGMC's policy to recognize interest and/or penalties related to income tax matters as an operating expense where applicable.

Other Revenue: NGMC received new capitalization funds from the Georgia Board of Health Care Workforce (GBHCW) in the amount of $7,208 and $9,709 for the years ended September 30, 2024 and 2023, respectively, to develop and grow training programs for primary care physicians. In addition, $2,888 and $1,200 of funds were accrued for from the GBHCW for the years ended September 30, 2024 and 2023, respectively. These funds are recognized as other operating revenue in the accompanying Statements of Operations and Changes in Net Assets. Amounts accrued are included in other current assets in the accompanying Balance Sheets.

Additionally, during the year ended September 30, 2023, NGMC recognized other revenue of $10,257 for settlements received under the Georgia Quality Jobs Tax Credit (GA QJTC) for claims submitted to the State of Georgia for fiscal years 2020 through 2024. Under this program, credits are awarded to taxpayers for creating at least 50 new quality jobs. A new quality job is a job that: (1) is located in the State of Georgia; (2) has a regular work week of 30 hours or more; (3) is not a job that is or was already located in the State of Georgia regardless of which taxpayer the individual performed services for; (4) pays at or above 110 percent of the average wage of the county in which it is located; and (5) for a taxpayer that initially claimed the credit in a taxable year beginning before January 1, 2012, the job has no predetermined end date. The credit amount varies depending upon the pay of the new quality jobs. A portion of the GA QJTC funds received in fiscal year 2023 was related to prior year filings, and a portion was related to fiscal year 2023 filings. The credit received in fiscal year 2023 for fiscal year 2023 amounts to be filed amounted to approximately $4,077. This portion of the GA QJTC received was an estimate. At September

30, 2023, NGMC placed a 25% reserve against this estimated portion of the credit as the amount was subject to review by the state of Georgia during fiscal year 2024 and could be adjusted by the state. The reserve is netted against the GA QJTC revenue recognized and is recorded as unearned revenue, along with the reserve mentioned in Note P, in the accompanying Balance Sheets as of September 30, 2023. During fiscal year 2024, the GA QJTC claims for fiscal year 2023 were settled with the state, and the entire $4,077 of unearned revenue remaining at September 30, 2023, was recognized. This revenue is included in other revenue in the accompanying Statement of Operations and Changes in Net Assets for the year ended September 30, 2024. No unearned revenue related to the GA QJTC is remaining at September 30, 2024.

Recently Adopted Accounting Pronouncements: On October 1, 2023, NGMC adopted FASB Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments* (ASC 326). This standard replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. CECL required an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including customer receivables. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. As management has elected to adopt this statement effective October 1, 2023, the provisions of Topic 326 have no changes to the previously reported results. The impact of this adoption is not considered material and primarily resulted in enhanced disclosures. As of September 30, 2024, the financial assets held by NGMC that are subject to the guidance in FASB ASC 326 were patient accounts receivable.

Reclassifications: Certain reclassifications have been made to the 2023 amounts to conform to the 2024 presentation. These reclassifications had no material impact on the increase in net assets.

NOTE C--NET PATIENT SERVICE REVENUE/RECEIVABLES

NGMC has agreements with various third-party payers that provide for payments at amounts different from established rates. A summary of the payment arrangements with significant third-party payers follows:

> *Medicare:* Acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon diagnostic related group assignments, which are determined by the patient's clinical diagnosis and medical procedures utilized. NGMC receives additional payments from Medicare based on the provision of services to a disproportionate share of Medicaid and other low-income patients. The Medicare program reimburses for outpatient services under a prospective method utilizing an ambulatory

payment classification system which classifies outpatient services based upon medical procedures and diagnosis codes. Certain nonacute services and defined capital costs are paid based on a cost reimbursement methodology. NGMC is paid at a tentative rate with final settlement determined after submission of their annual cost reports and audits thereof by the Medicare fiscal intermediary.

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid based on prospectively determined rates per discharge using diagnosis related group assignments. Outpatient services are paid under a cost reimbursement methodology at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Georgia Department of Community Health.

Other: NGMC has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations and employer groups. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Amounts recorded under certain of these contractual arrangements are subject to review and final determination by various program intermediaries. Settlements with third-party payers for retroactive adjustments due to audits, reviews, or investigations are considered variable considerations 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 payer, correspondence from the payer, and historical settlement activity, including an assessment to ensure that a significant reversal of revenue recognized will not occur. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such audits, reviews, and investigations. No significant amount of patient service revenue was recognized for the years ended September 30, 2024 and 2023, as a result of changes in or adjustments to prior years' settlement estimates or final settlements of prior periods. Medicare cost reports prior to 2019 have generally been settled, and Medicaid cost reports prior to 2021 have generally been settled.

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. NGMC also provides services to uninsured and underinsured patients who do not qualify for financial assistance. Based on historical experience, a significant portion of uninsured and underinsured patients are unable or unwilling to pay for their responsible amounts for services provided and a significant discount for this implicit price concession is recorded in the period services are provided.

(Dollars in Thousands)

Using a portfolio approach, NGMC estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience, current market conditions, and anticipated or known changes in economic conditions or events. In addition, for uninsured patients, NGMC reduces charges from current rates based on average discounts provided to certain third-party payers. 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 recorded as adjustments to patient service revenue in the period of the change. Adjustments for such changes in the estimated transaction price were not significant for the years ended September 30, 2024 and 2023. Subsequent changes that are determined to be the result of an adverse change in the patient's ability or intention to pay are recorded as bad debt expense or a provision for credit losses. No significant amount of bad debt expense or provision of credit losses were reported for the years ended September 30, 2024 and 2023.

NGMC participates in the Strengthening The Reinvestment Of a Necessary-Workforce in Georgia Program (GA-STRONG). The GA-STRONG program is designed to address Georgia's healthcare workforce shortage through increased funding for hospitals on the front lines of workforce development. GA-STRONG funding recognized is included in patient service revenue in the accompanying Statements of Operations and Changes in Net Assets, and amounts accrued are included in other current assets in the accompanying Balance Sheets. Amounts recognized and accrued in 2024 and 2023 for the GA-STRONG program include:

2024		
Recognized	Received	Accrued
$ 57,010	$ 24,854	$ 32,156

2023		
Recognized	Received	Accrued
$ 52,908	$ 44,997	$ 7,911

NGMC also participates in the Georgia DCH Hospital Direct Payment Program (HDPP). The HDPP program provides additional Medicaid funding for eligible participating public hospitals. This program is designed to increase provider funding of critical services for the Medicaid population and strengthen Georgia's healthcare workforce. HDPP funding is included in patient service revenue in the accompanying Statements of Operations and Changes in Net Assets, and amounts accrued are included in other current assets in the consolidated Balance Sheets. Amounts recognized and accrued in 2024 and 2023 for the HDPP program include:

(Dollars in Thousands)

2024		
Recognized	Received	Accrued
$ 12,477	$ 9,553	$ 2,924

2023		
Recognized	Received	Accrued
$ 13,989	$ 12,723	$ 1,266

NGMC also participates in the Georgia Department of Community Health Upper Payment Limit (UPL) program. The UPL program allows for non-state local government hospitals and nursing homes to be paid 100 percent of the amount Medicare would pay for similar Medicaid services. UPL funding recognized is included in patient service revenue in the accompanying Statements of Operations and Changes in Net Assets, and amounts accrued for the UPL program are included in other current assets in the accompanying Balance Sheets. Amounts recognized and accrued in 2024 and 2023 for the UPL program include:

2024		
Recognized	Received	Accrued
$ 9,783	$ 9,783	$ -

2023		
Recognized	Received	Accrued
$ 18,687	$ 18,242	$ 445

Effective July 1, 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (the Act) whereby certain hospitals, as defined in the Act, are assessed a “provider payment” in the amount of 1.45% of their net patient service revenue, as defined in the Act. 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 and are considered a community benefit by providers. Approximately $21,253 and $17,334 relating to the Act are included in other operating expenses in the accompanying Statements of Operations and Changes in Net Assets for the years ended September 30, 2024 and 2023, respectively.

Patient service revenue, net of contractual adjustments, discounts, and implicit price concessions based on the type of service, is composed of the following for the year ended September 30:

(Dollars in Thousands)

	2024	2023
Medicare	$ 934,770	$ 869,241
Medicaid	173,598	181,013
Commercial	504,540	480,351
Self-Pay	112,798	123,853
Other	81,233	73,166
Patient service revenue	$ 1,806,939	$ 1,727,624

NOTE D--INVESTMENTS AND ASSETS LIMITED AS TO USE

A portion of NGMC's assets limited as to use are maintained in shared accounts with the assets of NGHS and other subsidiaries of NGHS and are stated at fair value based on quoted market prices. A pro-rata share of investment gains and losses is allocated to NGMC based on its percentage of assets in the shared accounts. The composition of NGMC's share of assets limited as to use at September 30 is as follows:

	2024	2023
Indenture agreements - held by trustees:		
Cash and money market funds	$ 10,984	$ 124
Accrued income	81	6
	11,065	130
Other:		
Cash and money market funds	22,850	14,638
Certificate of deposit	227	227
Mutual funds	-	4,603
	23,077	19,468
	34,142	19,598
Less assets limited as to use that are required for current obligations	(318)	(238)
	$ 33,824	$ 19,360

The composition of NGMC investments at September 30, 2024 and 2023, is as follows:

	2024	2023
Cash and money market funds	$ 60,379	$ 66,209
U.S. Treasury and agency obligations	522,922	330,220

(Dollars in Thousands)

	2024	2023
Mutual funds	49,826	49,058
Corporate bonds	238,107	236,152
Equity securities	774,013	691,249
Accrued income	2,204	2,327
	1,647,451	1,375,215
Less current investments	(605,123)	(341,095)
	$ 1,042,328	$ 1,034,120

Investment income on proceeds of borrowings that are held by trustees was $226 and $2,197 for the years ended September 30, 2024 and 2023, respectively, and is included as a part of other operating revenue in the accompanying Statements of Operations and Changes in Net Assets. The net gain from all other investments and assets limited as to use for the years ended September 30, 2024 and 2023, was comprised of the following:

	2024	2023
Interest and dividend income	$ 50,724	$ 44,559
Net realized gains	6,340	33,221
Change in net unrealized gains/losses	130,189	71,130
Investment expense	(3,581)	(3,757)
Net investment gain	$ 183,672	$ 145,153

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

NOTE E--PROPERTY AND EQUIPMENT, NET

Property and equipment at September 30, 2024 and 2023, are as follows:

	2024	2023
Land	$ 8,088	$ 8,088
Land improvements	13,172	13,172
Building and building equipment	795,303	769,425

(Dollars in Thousands)

	2024	**2023**
Equipment	766,417	721,170
Vehicles	3,950	3,908
	1,586,930	1,515,763
Less accumulated depreciation	(1,067,980)	(991,594)
	518,950	524,169
Construction in progress - Note S	677,065	394,584
	$ 1,196,015	$ 918,753

Depreciation expense associated with property and equipment, net for the years ended September 30, 2024 and 2023 was $76,762 and $74,075, respectively.

NOTE F--LONG-TERM DEBT

A summary of long-term debt at September 30, 2024 and 2023, is as follows:

	2024	**2023**
Revenue Anticipation Certificates, Series 2024 5.00% interest rate; interest payments due semi-annually through October 2035	$ 246,920	$ -
Plus unamortized premium	29,260	-
Revenue Anticipation Certificates, Series 2021A Interest rates ranging from 2.50% to 5.00%; interest payments due semi-annually through February 2051	218,770	221,535
Plus unamortized premium	26,171	27,398
Revenue Anticipation Certificates, Series 2021B Interest rates ranging from 2.85% to 3.00%; interest payments due semi-annually through February 2054	242,120	242,120
Revenue Anticipation Certificates, Series 2020A Interest rates ranging from 3.00% to 5.00%; interest payments due semi-annually through February 2047	298,610	310,550
Plus unamortized premium	53,114	55,484

(Dollars in Thousands)

	2024	*2023*
Revenue Anticipation Certificates, Series 2017A		
Interest rates ranging from 4.00% to 5.00%; interest payments due semi-annually through February 2045	166,510	166,510
Plus unamortized premium	12,488	12,943
Revenue Anticipation Certificates, Series 2017B		
Interest rates ranging from 3.75% to 5.50%; interest payments due semi-annually through February 2045	129,516	132,420
Plus unamortized premium	15,402	15,964
	1,438,881	1,184,924
Less current portion	(25,616)	(21,903)
Less issuance cost	(8,528)	(7,200)
	$ 1,404,737	$ 1,155,821

All of the outstanding Revenue Anticipation Certificates utilize the same basic structure. The Hospital Authority of Hall County and the City of Gainesville (the Authority) issue Revenue Anticipation Certificates that are exempt from Federal income tax. The Authority loans the proceeds from the sale of the certificates to NGHS and NGMC. For each issue of certificates, there is a trust indenture that controls the business terms of that debt. NGHS and NGMC (the Obligated Group) are bound by a note payable to the Authority to provide amounts sufficient to pay the maturing installments of principal and interest. The trust indentures require that certain funds be deposited with the trustee. These funds are included in assets limited as to use in the accompanying Balance Sheets and are available to pay principal and interest, subject to the provisions of the indentures.

In connection with the formation of NGHS, the Authority entered into a lease agreement dated October 1, 1986, with NGMC, whereby the Authority leased all of its assets (including the main hospital campus) to NGMC. In return, NGMC assumed all of the debt and other obligations of the Authority. The lease includes ongoing covenants, including a duty to provide indigent care. The lease had an initial term of forty years and has since been extended to September 1, 2054. Management believes that NGMC was in compliance with all of its lease obligations as of September 30, 2024.

All of the outstanding Revenue Anticipation Certificates are secured by a Master Trust Agreement, with parity to all issues, whereby the Obligated Group has pledged all of its gross revenues to secure the prompt payment of the certificates. The Master Trust Agreement limits additional indebtedness and provides that any default on any obligation secured under the Master Trust

Agreement is a default under the Master Trust Agreement as well. NGMC has also mortgaged its interest in the main hospital campus (including equipment and related assets) to the Master Trustee under a 2010 Leasehold Deed to Secure Debt and Security Agreement. The Master Trust Agreement dated February 1, 2010, was amended and restated as of March 1, 2020, pursuant to the Series 2020A Certificates issuance. The Master Trust Agreement is supplemented by Supplemental Master Indentures issued with the Series 2021 Certificates, dated as of September 1, 2021, and the Supplemental Master Indentures issued with the Series 2024 certificates, dated as of July 1, 2024.

The terms of the various indentures require the maintenance of certain financial ratios and compliance with other covenants. Management believes the Obligated Group was in compliance with all financial and other covenants as of September 30, 2024 and 2023, respectively.

In July 2024, the Obligated Group issued Revenue Anticipation Certificates Series 2024 in the aggregate principal amount of $246,920. The proceeds of the sale of the Series 2024 Certificates were used to (i) finance or reimburse NGHS or its affiliates for the cost of the acquisition, construction, installation, and equipping of certain medical facilities and equipment owned or operated by NGHS or its affiliates and (ii) pay related costs of issuing the Series 2024 Certificates. The Series 2024 Certificates bear interest at a rate of 5.00%. Interest on the Series 2024 Certificates shall accrue interest based on the actual number of days elapsed during the interest rate period and a year of 360 days. The 2024 Certificates, maturing on October 15, 2034, are subject to mandatory sinking fund redemption payments on October 15, 2030, and October 15, 2034, in the amounts of $120,375 and $126,545, respectively. The sale proceeds of the Series 2024 Certificates were subject to an original issue premium and issuance costs of $29,756 and $1,676, respectively, and will be amortized monthly in accordance with the term of the Series 2024 Certificates.

The Series 2024 Certificates are not subject to conversion or optional redemption by the Authority, at the direction of NGHS, prior to maturity. NGHS has the option to purchase the Series 2024 Certificates in lieu of optional redemption prior to maturity. If a 2024 Certificate has been called for optional redemption, NGHS may exercise its right to purchase by delivery to the Bond Trustee, on or prior to the business day preceding the optional redemption date, of written notice from NGHS specifying that the Series 2024 Certificates shall not be redeemed, but instead shall be purchased. Upon delivery of such notice from NGHS, and delivery by NGHS of funds for the purchase of such Series 2024 Certificates on or prior to the purchase date, the Series 2024 Certificates shall not be redeemed but shall instead be subject to mandatory tender on the date that would have been the optional redemption date at a purchase price equal to the redemption price, which is the principal amount thereof plus accrued interest, that would have been payable with respect to such Series 2024 Certificates. Series 2024 Certificates purchased (i) shall not be canceled or retired but shall continue to be outstanding, (ii) shall be delivered to, or as directed by, NGHS, and (iii) shall continue to bear interest at a rate of 5.00% where interest is accrued based on the actual number of days elapsed during the interest rate period and a year of 360 days. In the event that NGHS fails to purchase such Series 2024 Certificates, in lieu of redemption, the Series 2024 Certificates so called will be redeemed on the date on which they are called for redemption.

In September 2021, the Obligated Group issued Revenue Anticipation Certificates Series 2021A, in the aggregate principal amount of $221,535, and Taxable Revenue Anticipation Certificates Series 2021B, in the aggregate principal amount of $242,120, collectively referred to herein as the Series 2021 Certificates. The proceeds of the sale of the Series 2021 Certificates were used to (i) advance refund the outstanding amounts and issuance costs of the Series 2014A Certificates, (ii) pay related costs of issuing the Series 2021 Certificates, and (iii) finance a portion of the cost of the acquisition, construction, renovation, installation, and equipping of additions or improvements to the healthcare facilities operated by NGHS and its affiliated in Hall County, Georgia. The Series 2021A Certificates bear interest ranging from 2.50% to 5.00%. Except during a term or fixed interest rate period, interest on the Series 2021A Certificates shall accrue interest based on the actual number of days elapsed during the interest rate period and a year of 360 days. The Series 2021A Certificates bearing interest at 4.00% and maturing on February 15, 2046, are subject to mandatory sinking fund redemption payments beginning February 15, 2042, and ending February 15, 2046, which range from $3,190 to $3,830. The Series 2021A Certificates maturing on February 15, 2051, are subject to mandatory sinking fund redemption payments beginning February 15, 2047, and ending February 15, 2051, which range from $1,565 to $16,215. The Series 2021A Certificates bearing interest at 3.00% and maturing on February 15, 2051, are subject to mandatory sinking fund redemption payments beginning February 15, 2047, and ending February 15, 2051, which range from $1,070 to $7,505. The Series 2021A Certificates bearing interest at 2.50% and maturing on February 15, 2051, are subject to mandatory sinking fund redemption payments beginning February 15, 2047, and ending February 15, 2051, which range from $1,335 to $9,385. The sale proceeds of the Series 2021A Certificates were subject to an original issue premium and issuance costs of $29,953 and $1,449, respectively, and will be amortized monthly in accordance with the term of the Series 2021A Certificates.

Series 2021A Certificates are subject to optional redemption by the Authority, at the direction of NGHS, at a redemption price of the entire principal amount thereof plus accrued interest on or after February 15, 2031.

The Series 2021B Certificates bear interest ranging from per 2.85% to 3.00%. Except during a term or fixed interest rate period, interest on the Series 2021B Certificates shall accrue interest based on the actual number of days elapsed during the interest rate period and a year of 360 days. The Series 2021B Certificates maturing on February 15, 2046, are subject to mandatory sinking fund redemption payments beginning February 15, 2041, and ending February 15, 2046, which range from $5,475 to $21,055. The Series 2021B Certificates maturing on February 15, 2054, are subject to mandatory sinking fund redemption payments beginning February 15, 2047, and ending

February 15, 2054, which range from $21,680 to $26,745. The sale proceeds of the Series 2021A Certificates were subject to issuance costs of $1,624 and will be amortized monthly in accordance with the term of the Series 2021B Certificates.

The Series 2021B Certificates maturing on February 15, 2046, and February 15, 2054, are subject to optional redemption prior to maturity at the option of NGHS on or after November 15, 2045, and November 15, 2053, respectively, at a redemption price of the entire principal amount of such Series 2021B Certificates to be redeemed. If redeemed prior to these dates, a redemption price equal to the Make-Whole Redemption Price, as determined by an independent accounting firm or financial advisor, plus accrued interest shall be paid.

In March 2020, the Obligated Group issued Revenue Anticipation Certificates Series 2020A, in the aggregate principal amount of $339,260. The proceeds of the sale of the Series 2020A Certificates were used to (i) advance refund the outstanding amounts of the Series 2010A, Series 2010B, Series 2011A, Series 2014B, Series 2017C, and the Series 2017D Certificates which were issued to finance or refinance a portion of the cost of the acquisition, construction, installation, and equipping of hospital and related facilities for NGHS or its affiliates, and (ii) pay related costs of issuing the Series 2020A Certificates. The Series 2020A Certificates bear interest ranging from 3.00% to 5.00%. Except during a term or fixed interest rate period, interest on the Series 2020A Certificates shall accrue interest based on the actual number of days elapsed during the interest rate period and a year of 365 days. The 2020A Certificates maturing on February 15, 2045, are subject to mandatory sinking fund redemption payments beginning February 15, 2041, and ending February 15, 2045, which range from $14,440 to $17,370. The 2020A Certificates maturing on February 15, 2047, are subject to mandatory sinking fund redemption payments beginning February 15, 2046, and ending February 15, 2047, which range from $24,300 to $25,040. The sale proceeds of the Series 2020A Certificates were subject to an original issue premium and issuance costs of $63,777 and $2,822, respectively, and will be amortized monthly in accordance with the term of the Series 2020A Certificates.

In February 2017, the Obligated Group issued Revenue Anticipation Certificates Series 2017A, Series 2017B, Series 2017C, and Series 2017D in the aggregate principal amount of $460,565. The proceeds of the sale of the Series 2017 Certificates were used to (i) advance refund a portion of the outstanding amount of the Series 2010A and Series 2010B Certificates, (ii) finance a portion of the costs of certain additions and improvements to, and equipment for, the healthcare facilities operated by NGHS and its affiliates in Hall County, Georgia, and (iii) pay related costs of issuing the Series 2017 Certificates.

The Series 2017A Certificates consist of $170,025 term certificates maturing at various dates through February 15, 2045, bearing interest at rates ranging from 4.00% to 5.00% and subject to mandatory sinking fund redemption payments beginning February 15, 2038, and ending February 15, 2042, which range from $10,775 to $12,995; and mandatory sinking fund redemption payments beginning February 15, 2043, and ending February 15, 2045, which range from $11,825 to $13,065. Certificates maturing on or after February 15, 2028, are subject to optional redemption at par plus accrued interest by the Authority, at the direction of NGHS, on or after February 15, 2027.

(Dollars in Thousands)

The Series 2017B Certificates consist of $140,540 term certificates maturing at various dates through February 15, 2045, bearing interest at rates ranging from 3.75% to 5.50% and subject to mandatory sinking fund redemption payments beginning February 15, 2038, and ending February 15, 2042, which range from $6,215 to $10,460; and mandatory sinking fund redemption payments beginning February 15, 2043, and ending February 15, 2045, which range from $6,890 to $7,655. Certificates maturing on or after February 15, 2028, are subject to optional redemption at par plus accrued interest by the Authority, at the direction of NGHS, on or after February 15, 2027.

The advance refunding of the 2014A Certificates, previously described, was accomplished by placing funds in an escrow account in order to satisfy the remaining scheduled principal and interest payments of the outstanding debt through and including February 15, 2025, the redemption date. As of September 30, 2024 and 2023, the balance of the respective deposits in escrow are $208,266 and $207,482, respectively, and as such, there is debt outstanding and not recognized due to advance refunding in the Balance Sheets at September 30, 2024 and 2023. All other advance refunding previously noted were redeemed with their respective deposits placed in escrow prior to September 30, 2021.

The Series 2017B and Series 2021B Certificates are also secured by an Intergovernmental Contract between the Authority and Hall County, Georgia. If the Obligated Group fails to timely pay these Certificates, Hall County has promised to assess up to seven mills of property tax as an additional source of payment for the Certificate holders.

Scheduled maturities of long-term debt, excluding unamortized original issue discounts and premiums, for each of the next five years and in the aggregate at September 30, 2024, are as follows:

Year Ending September 30,		
2025	$	18,515
2026		19,465
2027		20,460
2028		21,510
2029		22,615
Thereafter		1,199,881
	$	1,302,446

(Dollars in Thousands)

NOTE G--AFFILIATE NOTE PAYABLE

During May 2024, NGMC entered into a loan agreement with NGHS in the amount of $10,500, with a maturity date in May 2039. Interest and principal is due monthly on this loan beginning in May 2024 in installments of $80 per month, with all payments first applied to accrued interest and then to the principal balance of the outstanding loan. The interest rate on this loan is 4.50% per annum, with interest accruing daily. At September 30, 2024, $10,335 was outstanding on this loan.

Scheduled maturities of the loan agreement for each of the next five years and in the aggregate at September 30, 2024, are as follows:

Year Ending September 30,		
2025	$	509
2026		533
2027		557
2028		583
2029		609
Thereafter		7,544
	$	10,335

NOTE H--LEASES

NGMC has entered into various non-cancelable leases with third parties for medical office space and medical equipment. The components of lease expense, included in other operating expenses on the Statements of Operations and Changes in Net Assets, at September 30, 2024 and 2023, are as follows:

		2024		***2023***
Finance lease costs:				
Amortization of right-to-use-asset	$	1,555	$	1,621
Interest on lease liability		282		-
Operating lease cost		8,313		5,833
Short term lease cost		5,394		4,597
	$	15,544	$	12,051
Other information:				
Right-of-use assets obtained for new finance leases	$	15,135	$	-
Right-of-use assets obtained for new operating leases	$	30,921	$	5,876

(Dollars in Thousands)

	2024	***2023***
Weighted average remaining lease term - finance leases	5.28	0.17
Weighted average remaining lease term - operating leases	14.41	3.31
Weighted average discount rate - finance leases	6.91%	0.00%
Weighted average discount rate - operating leases	5.75%	3.49%

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

Year Ending September 30,	***Finance***	***Operating***
2025	$ 3,343	$ 5,735
2026	3,419	5,002
2027	3,435	3,657
2028	3,388	3,142
2029	2,710	2,650
Thereafter	1,670	37,685
Total lease payments	17,965	57,871
Less: Interest portion	(2,945)	(20,295)
Present value of lease obligations	15,020	37,576
Less: Current portion	(2,397)	(3,862)
Long-term lease obligations	$ 12,623	$ 33,714

NOTE I--PENSION PLAN

NGHS sponsors a defined benefit pension plan (the plan). An employee was eligible to participate in the plan following the attainment of age 21 and completion of at least 1,000 hours of service during a calendar year. Generally, NGHS and its affiliates make annual contributions to the plan equal to the amount necessary to meet the minimum funding standards of ERISA. Employees are not permitted to contribute to the plan.

Normal retirement benefits are provided at the later of age 65 or on the participant's fifth anniversary of entering the plan. Early retirement benefits are available at age 55 and completion of ten years of vesting service. Prior to changes in the plan (discussed below), the plan also provided for disability, death, and delayed retirement benefits.

(Dollars in Thousands)

The plan formula changed effective January 1, 2006, so that the benefit is equal to a past service benefit plus a future service benefit. The past service benefit is equal to the benefit earned as of December 31, 2005, under the existing formula. The future service benefit is equal to 1% of earnings for each calendar year in which the participant works at least 1,000 hours.

Effective January 1, 2006, the defined benefit pension plan was closed to new employees. Additionally, the plan no longer provided disability benefits. Effective December 31, 2020, the Plan was frozen for the accrual of additional benefits. No further benefits are accrued on behalf of a participant for service or earnings after December 31, 2020.

The following table sets forth the plan's changes in projected benefit obligations, changes in the plan's assets and funded status of the plan as determined by management with assistance from the plan's independent consulting actuary at September 30, 2024 and 2023:

	Year Ended September 30,	
	2024	***2023***
Change in benefit obligations		
Benefit obligations, beginning of year	$ 209,589	$ 229,772
Service cost	990	910
Interest cost	11,906	12,092
Benefits paid	(13,453)	(23,622)
Actuarial gain	22,658	(9,563)
Benefit obligations, end of year	$ 231,690	$ 209,589
Change in plan assets		
Fair value of plan assets, beginning of year	$ 292,558	$ 284,446
Actual return on plan assets	48,852	32,999
Expenses	(1,185)	(1,264)
Benefits paid	(13,453)	(23,623)
Fair value of plan assets, end of year	$ 326,772	$ 292,558
Funded status of the plan at end of year	$ 95,082	$ 82,969

Benefits paid in the above table include only those amounts paid directly from plan assets in fiscal years 2024 and 2023.

The accumulated benefit obligation (ABO) of the plan was $231,690 and $209,589 at September 30, 2024 and 2023, respectively. In accordance with generally accepted accounting principles, NGHS recognizes the funded status of the plan as an asset or liability, and the gains or losses and prior service costs or credits not yet recognized as pension expense, as a change in net assets without donor restrictions. Due to the plan being frozen during fiscal year 2021, future pay is no longer considered in determining the accrued benefit for the remaining active participants and as such the ABO is equal to the projected benefit obligation (PBO) at September 30, 2024 and 2023.

(Dollars in Thousands)

Amounts recognized in the Consolidated Balance Sheets of NGHS consist of the following:

	2024	***2023***
Noncurrent assets	$ 95,082	$ 82,969
Net asset recognized	$ 95,082	$ 82,969

Amounts recognized in net assets without donor restrictions of NGHS consist of the following:

	2024	***2023***
Unrecognized net actuarial loss	$ 29,976	$ 37,006
	$ 29,976	$ 37,006

Net periodic pension cost and other amounts recognized in net assets without donor restrictions of NGHS consist of the following:

	2024	***2023***
Net periodic pension cost		
Service cost with interest to year-end	$ 990	$ 910
Interest cost on the projected benefit obligation	11,906	12,092
Expected return on plan assets	(18,660)	(19,568)
Amortization of net actuarial loss	681	562
Net periodic pension cost	(5,083)	(6,004)
Other changes in net assets without donor restrictions		
Net gain	(6,349)	(21,729)
Amortization of net actuarial loss	(681)	(562)
Total recognized in net assets without donor restrictions	(7,030)	(22,291)
Total recognized in net periodic pension cost and net assets without donor restrictions	$ (12,113)	$ (28,295)

(Dollars in Thousands)

The actuarial assumptions used for the plan as of September 30, 2024 and 2023, are as follows:

Discount rates	5.00%	5.85%
Rates of increase in future compensation levels	varies by age	varies by age
Expected long-term rate of return on plan assets	6.50%	6.50%
Rates of increase in maximum benefit and compensation limits	0.00%	0.00%

The discount rate has a significant effect on the calculation of the pension benefit obligations. Estimates used in the discount rate and other assumptions are subject to change in the future.

The determination of the expected long-term rate of return on plan assets is based on assumptions that are developed by the plan's investment consultant for each investment category as to the rate of return, risk, yield, and correlation with other categories that serve as components of the long-term strategy. Based on these assumptions, eligible components are tested over the desired time frame given the acceptable tolerance of risk determined by NGHS. The expected long-term rate of return reflects assumptions as to continued execution of the current strategic asset allocation, modern portfolio theory, and the plan's investment policy.

The composition of plan assets at September 30, 2024 and 2023 is as follows:

	Carrying Value	*Quoted Prices in Active Markets (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
September 30, 2024				
Money market funds	$ 10,758	$ 10,758	$ -	$ -
Corporate bonds	54,194	-	54,194	-
Mutual funds and equity securities	261,232	261,232	-	-
Accrued income	588	588	-	-
	$ 326,772	$ 272,578	$ 54,194	$ -
September 30, 2023				
Money market funds	$ 16,227	$ 16,227	$ -	$ -
Corporate bonds	49,444	-	49,444	-
Mutual funds and equity securities	226,273	226,273	-	-
Accrued income	614	614	-	-
	$ 292,558	$ 243,114	$ 49,444	$ -

(Dollars in Thousands)

NGHS' investment policy requires the pension fund to reflect the requirements of ERISA and to be managed within the following diversification parameters: large and mid-cap multi-national equities of 25-40%; dividend-oriented equities representing a defensive equity strategy with loss mitigation provided by covered call options of 25-40%; and investment grade fixed income securities with an emphasis on intermediate maturities of 20-25%. No contributions were made by NGHS to the plan during fiscal year 2024 or 2023. No contributions are expected in future years.

Estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year Ending September 30,		
2025	$	12,518
2026		12,864
2027		13,257
2028		13,630
2029		13,982
2030-2034		74,398

NOTE J--OTHER RETIREMENT PLANS

During 2006, NGHS created the Northeast Georgia Health System, Inc. 401(k) Retirement Savings Plan for substantially all employees. Prior to January 1, 2024, matching contributions by the System were 100% of each employee's elective deferrals up to 1% of compensation and 50% of each employee's elective deferrals that exceed 1% of compensation but that do not exceed 6%. During the year ended September 30, 2024, the Plan was amended to increase the System's matching contributions. Effective January 1, 2024, matching contributions by the System are 100% of each employee's elective deferrals up to 2% of compensation and 50% of each employee's elective deferrals that exceed 2% of compensation but that do not exceed 6%. Expense for NGMC under the 401(k) Retirement Savings Plan was $17,915 and $14,689 for the years ended September 30, 2024 and 2023, respectively.

NGHS also has other deferred compensation and benefit plans maintained for specific purposes. Assets and liabilities are included in the accompanying financial statements of NGMC where appropriate.

NOTE K--ESTIMATED LIABILITY FOR SELF-INSURANCE CLAIMS

NGHS has established trust funds for the purpose of funding professional liability and self-insured workers' compensation, which covers NGMC up to specified retention levels, generally $7,000 per occurrence and $38,000 in the aggregate (annually) for professional liability and $500 per occurrence for worker's compensation with no annual aggregate. Losses exceeding aggregate annual limits up to maximum limits are covered by insurance purchased from commercial carriers, and management intends to maintain such insurance coverage in the future. As of September 30, 2024, management is not aware of any claims that will ultimately settle above the specified retention levels and, accordingly, has not recognized any insurance recovery receivables.

Funding for professional liability is on a claims-made basis, while workers' compensation is determined on an occurrence basis. Funding of the trusts is based upon estimates of potential liability provided by annual independent actuarial valuations and includes provisions for claims reported and claims incurred but not reported in excess of insurance limits. NGMC is involved in litigation relating to medical malpractice and workers' compensation and other claims arising in the ordinary course of business. There are also known incidents occurring through September 30, 2024, that may result in the assertion of additional claims, and other unreported claims may be asserted arising from services provided in the past. Estimated self-insurance liabilities in the Consolidated Balance Sheets of NGHS and affiliates consist of amounts accrued by NGHS related to these self-insurance programs and have not been discounted. Amounts accrued by NGHS were approximately $82,168 and $72,919 at September 30, 2024 and 2023, respectively. Operating expenses for the years ended September 30, 2024 and 2023, include $923 and $2,142, respectively, for professional liability and workers' compensation.

NGHS maintains a self-insurance program to provide medical and dental coverage for eligible employees and their dependents. Reinsurance above $225 annually per individual with no aggregate limit is maintained through a commercial excess coverage policy. Operating expenses in the accompanying Statements of Operations and Changes in Net Assets for the years ended September 30, 2024 and 2023 include $66,184 and $57,268, respectively, related to these benefits. At September 30, 2024, $5,887 and $11,903, respectively, in estimated incurred, but unpaid medical and dental claims are included in accounts payable and accrued expenses in the accompanying balance sheets.

NOTE L--CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject NGMC to concentrations of credit risk consist primarily of cash and cash equivalents, investments and assets limited as to use (Note D), and patient revenue and accounts receivable.

NGMC places cash and cash equivalents with banking institutions that are insured by the Federal Deposit Insurance Corporation. At times, NGMC has deposits in excess of these insurance limits. NGMC is exposed to loss of the uninsured amounts in the event of nonperformance by the banking institution; however, NGMC does not anticipate any such losses.

(Dollars in Thousands)

NGMC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The estimated mix of patient service revenue from patients and major third-party payers for the years ended September 30, 2024 and 2023, is as follows:

	2024	***2023***
Governmental programs		
Medicare	51%	50%
Medicaid	10%	11%
Commercial insurance	28%	28%
Self-pay and other	11%	11%
	100%	100%

The patient responsibility related to charges for which the third-party has not yet paid is included in other current assets in the accompanying Balance Sheets. The mix of receivables from patients and third-party payers based on charges at established rates is as follows as of September 30:

	2024	***2023***
Medicare	23%	25%
Medicaid	8%	8%
Commercial	37%	36%
Other	12%	10%
Self-Pay	20%	21%
	100%	100%

NOTE M--OPERATING EXPENSE BY FUNCTIONAL CLASSIFICATION

NGMC provides healthcare services to residents within its geographical location. Expenses are allocated by function based on estimates of employees' time incurred, usage of resources, and other methods. Expenses based on functional classification related to providing these services during the years ended September 30, 2024 and 2023, are as follows:

	Healthcare Services	***Support Services***	***Total***
September 30, 2024			
Salaries and benefits	$ 642,034	$ 89,421	$ 731,455
Utilities	11,678	1,626	13,304

NORTHEAST GEORGIA MEDICAL CENTER, INC.
(A Controlled Affiliate of Northeast Georgia Health System, Inc.)

Notes to Financial Statements - Continued
(Dollars in Thousands)

Years Ended September 30, 2024 and 2023

	Healthcare Services	*Support Services*	*Total*
Provider fees	65,410	9,110	74,520
Supplies	304,404	42,396	346,800
Legal, consulting, and professional fees	6,751	940	7,691
Purchased services	40,695	5,668	46,363
Interest	28,945	4,032	32,977
Insurance	813	113	926
Management fees	151,343	21,079	172,422
Other operating expenses	110,564	15,399	125,963
Depreciation and amortization	70,965	9,884	80,849
	$ 1,433,602	$ 199,668	$ 1,633,270
September 30, 2023			
Salaries and benefits	$ 640,712	$ 73,731	$ 714,443
Utilities	11,576	1,332	12,908
Provider fees	61,209	7,044	68,253
Supplies	289,714	33,339	323,053
Legal, consulting, and professional fees	8,536	982	9,518
Purchased services	46,297	5,328	51,625
Interest	31,522	3,627	35,149
Insurance	1,922	221	2,143
Management fees	146,815	16,895	163,710
Other operating expenses	99,964	11,503	111,467
Depreciation and amortization	70,520	8,115	78,635
	$ 1,408,787	$ 162,117	$ 1,570,904

NOTE N--AVAILABILITY AND LIQUIDITY

NGMC manages its cash and investments through a formalized investment process, which includes evaluating cash needs for routine and nonroutine activities and adjusting the amount of cash held and the maturity of investments. NGMC's financial assets reduced by amounts not available for general use are as follows at September 30, 2024:

(Dollars in Thousands)

Financial assets	$	1,881,938
Less those unavailable for expenditures within one year, due to:		
Amounts restricted under insurance agreements, bond agreements, board designation, or other		(34,142)
Financial assets available to meet cash needs for general expenditures within one year	$	1,847,796

NOTE O--RELATED PARTY TRANSACTIONS

NGMC routinely engages in transactions with NGHS and other controlled affiliates of NGHS, including Northeast Georgia Physician Group, Inc. (NGPG), NGMC-Barrow, LLC (NGMC-Barrow), NGMC-Lumpkin, LLC (NGMC-Lumpkin), NGMC-Habersham, LLC (NGMC-Habersham), Northeast Georgia Home Health (NGHH), The Georgia Heart Institute, LLC (GHI), Northeast Georgia Health Partners, LLC (NGHP), Northeast Georgia Health Partners Network, LLC (NGHP Network), Northeast Georgia Rehabilitation Hospital (NGRH), Northeast Georgia PEO, LLC (PEO), Lanier Community Assurance, Ltd. (LCA) and The Medical Center Foundation (the Foundation). Amounts due from affiliates bear no interest and represent capital and other expenditures paid on behalf of affiliates at September 30, 2024 and 2023, respectively.

In 2024 and 2023, NGMC purchased capital assets for NGHS in the amounts of $31,204 and $63,634, respectively, for NGPG in the amounts of $5,300 and $1,946, respectively, for NGMC-Barrow in the amount of $2,473 and $2,883, respectively, and for NGMC-Lumpkin in the amount of $23,933 and $33,361, respectively. NGMC purchased capital assets in the amount of $302 for NGHP in 2024, and no capital assets were purchased from NGHP in 2023. NGMC purchased $12 in capital assets for the Foundation in fiscal year 2024 and no capital assets in 2023. NGMC purchased capital assets of $346 and $285 for GHI in 2024 and 2023, respectively. NGMC also purchased $1,365 of capital assets for NGMC-Habersham in fiscal year 2024, and $18,182 of capital assets were purchased for NGMC-Habersham in fiscal year 2023. During fiscal year 2024, NGMC purchased $11,330 of assets for NGRH. No capital assets were purchased for NGRH in 2023.

During 2024 and 2023, donations in the amounts of $3,201 and $3,507, respectively, were received from the Foundation. In addition, during the year ended September 30, 2022, the Foundation granted NGMC a $6,000 unconditional promise to give related to a capital commitment to be paid by the Foundation in $2,000 annual installments over a three-year period. As of September 30, 2023, there was $2,000 left to be received under this unconditional promise to give. At September 30, 2024, there were no amounts left to be received under this unconditional promise to give.

(Dollars in Thousands)

In 2024 and 2023, NGHS charged NGMC with allocated management fees in the amounts of $172,422 and $163,710, respectively. Based on NGHS overhead cost allocations, certain salary, insurance, information technology costs, and other operating expenses are recognized in other operating expenses rather than natural classification. Administrative overhead allocated from NGMC was $20,338 and $9,850 for the years ended September 30, 2024 and 2023, respectively.

During 2024 and 2023, amounts due to/from NGHS, NGMC-Barrow, NGMC-Lumpkin, NGMC-Habersham, NGHP Network, GHI, NGPG, PEO, NGHH, and NGHP were transferred from/to those entities through a non-cash transfer of net assets as reflected in the accompanying Statements of Operations and Changes in Net Assets. Accrued salaries include $13,456 and $10,078 as of September 30, 2024 and 2023, respectively, related to affiliated entities that were included in the non-cash transfers of net assets. The transfer of net assets, including the amounts due to/from these related parties, consisted of the following for the years ended September 30, 2024 and 2023:

	2024	***2023***
NGHS	$ 46,461	$ 75,850
NGMC-Barrow	(8,406)	(1,568)
NGPG	35,352	19,812
NGHP	4,043	2,589
PEO	(160)	(264)
NGMC - Habersham	(7,497)	27,128
NGHH	582	-
GHI	32,573	24,347
NGHP Network	1,014	1,290
NGMC-Lumpkin	17,497	26,932
	$ 121,459	$ 176,116

Other transfers of equity to/from affiliates includes approximately $2,657 and $2,470 in 2024 and 2023, respectively, related to routine operating support for the Foundation. During 2024 and 2023, total assets released from restrictions at the Foundation for capital purposes were $2,011 and $1,631, respectively.

NOTE P--CORONAVIRUS DISEASE 2019 (COVID-19) IMPACT

In March 2020, the outbreak of the coronavirus disease 2019 (COVID-19) was declared a public health emergency (PHE). The COVID-19 PHE severely restricted economic activity and resulted in volatility in financial markets. The healthcare industry was impacted due to a general decrease in non-emergent patient volumes, cancellations, and delays of elective medical procedures, as well as COVID-19 related expenses.

Government support, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provided essential funding to eligible hospitals, physicians, and other healthcare providers. During the year ended September 30, 2020, NGMC received approximately $74,198 of CARES Act Provider Relief Funds (PRF). A portion of this amount, totaling $38,859 was recognized as revenue as of September 30, 2020, to offset estimated lost revenue and COVID-19 related expenses incurred based on the initial reporting guidelines published by the Department of Health and Human Services (HHS). The remaining amount was recorded as unearned revenue as of September 30, 2020, to be recognized when expended for the intended purposes or repaid. NGMC received approximately $512 of PRF during the year ended September 30, 2021. The entire amount of this funding along with the amounts recorded as unearned revenue as of September 30, 2020, were recognized as revenue as of September 30, 2021, based on the revised reporting guidelines published by HHS on June 11, 2021. During the year ended September 30, 2022, NGMC received approximately $14,300 from the American Rescue Plan (ARP) for services provided to rural Medicaid and Medicare beneficiaries from January 1, 2019, through September 30, 2020, that was recognized as revenue as of September 30, 2023. During the years ended September 30, 2024 and 2023, no additional PRF funding was received. NGMC placed a 25% reserve against all PRF funds received through September 30, 2021, as management held the belief that HHS, based on the other significant changes occurring since the outbreak of COVID-19 in rules for recognizing revenue from PRF funds issued by HHS, could again change the current terms and conditions regarding the recognition of PRF funds. During the year ended September 30, 2023, half of this reserve was removed, and $8,385 of the unearned revenue remaining at September 30, 2022, was recognized as revenue. The remaining reserve amount is recorded in unearned revenue in the accompanying Balance Sheets as of September 30, 2023. During the year ended September 30, 2024, the remaining half of this reserve was removed, and $8,385 of the unearned revenue remaining at September 30, 2023, was recognized as revenue. No unearned revenue related to PRF is remaining at September 30, 2024.

NOTE Q--FAIR VALUE OF FINANCIAL INSTRUMENTS

NGMC has estimated the fair value of financial instruments using available market information as of September 30, 2024 and 2023, and the valuation methodologies considered appropriate. The estimates presented are not necessarily indicative of amounts that NGMC could realize in a current market exchange.

Cash and Cash Equivalents: The carrying amounts reported in the Balance Sheets for cash, cash equivalents, and short-term investments approximate fair value.

Investments: Fair value of issues traded on public exchanges is based on the market price in such exchanges at year end. The fair value of other issues is also based on quoted market prices.

Assets Limited as to Use: Fair value of issues traded on public exchanges is based on the market price in such exchanges at year end. The fair value of other issues is also based on quoted market prices and other observable inputs.

Estimated Self-Insurance and Other Long-Term Liabilities: It is not practical to estimate the fair market value of estimated self-insurance liabilities due to the uncertainty of when these amounts may be paid. Deferred compensation liabilities are based on the related investments which are reported at fair value.

The carrying value of certain other financial instruments approximates fair value due to the nature and short-term maturities of these investments.

NOTE R--FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

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

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

The following table presents assets and liabilities reported at fair value and their respective classification under the valuation hierarchy:

(Dollars in Thousands)

		Carrying Value		Quoted Prices in Active Markets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
September 30, 2024								
Assets measured at fair value on a recurring basis:								
Cash and money market funds	$	94,440	$	94,440	$	-	$	-
Mutual funds		49,826		49,826		-		-
U.S. Treasury and agency obligations		522,922		522,922		-		-
Corporate bonds		238,107		-		238,107		-
Equity securities		774,013		774,013		-		-
Accrued income		2,285		2,285		-		-
Total assets	$	1,681,593	$	1,443,486	$	238,107	$	-
September 30, 2023								
Assets measured at fair value on a recurring basis:								
Cash and money market funds	$	81,198	$	81,198	$	-	$	-
Mutual funds		53,661		53,661		-		-
U.S. Treasury and agency obligations		330,220		330,220		-		-
Corporate bonds		236,152		-		236,152		-
Equity securities		691,249		691,249		-		-
Accrued income		2,333		2,333		-		-
Total assets	$	1,394,813	$	1,158,661	$	236,152	$	-

NOTE S--COMMITMENTS AND CONTINGENCIES

NGHS construction in progress at September 30, 2024, relates primarily to ongoing projects, routine capital improvements at existing facilities, and scheduled projects related to an NGHS Development Plan to be completed over the next several years. The estimated cost to complete current construction in progress at September 30, 2024, is approximately $386,771 over that time frame, primarily related to the construction of a new tower expansion project at NGMC. Cost to complete construction in progress under signed contracts at September 30, 2024 is approximately $297,408.

Healthcare Industry: The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse, and under provisions of the Health Insurance Portability and Accountability Act of 1996, patient records, privacy, and security. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

NOTE T--SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that required recognition or disclosure in the September 30, 2024, financial statements.