Southeast Georgia Health System, Inc.

Independent Auditor's Report, Consolidated Financial Statements, and Supplementary Information

April 30, 2023 and 2022

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Independent Auditor's Report

Board of Directors
Southeast Georgia Health System, Inc.
Brunswick, GA

Opinion

We have audited the accompanying consolidated financial statements of Southeast Georgia Health System, Inc. (the "System"), which comprise the consolidated balance sheets as of April 30, 2023 and 2022, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audits, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the System as of April 30, 2023 and 2022, and the results of operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audits of the Consolidated Financial Statements" section of our report. We are required to be independent of the System 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.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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Auditor's Responsibilities for the Audits of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System'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.

Report on Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

FORVIS, LLP

Tampa, FL
July 31, 2023

Southeast Georgia Health System, Inc.
Consolidated Balance Sheets
April 30, 2023 and 2022
(in thousands)

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ -	$ 4,478
Patient accounts receivable	68,693	76,368
Other receivables	10,677	25,322
Supplies and pharmaceutical inventories	13,544	12,491
Assets limited as to use	7,013	5,835
Other current assets	4,372	4,669
Total current assets	104,299	129,163
Assets limited as to use:		
Restricted by third-parties for construction	-	1,639
Internally designated for self-insurance	13,954	12,391
Internally designated for capital improvements and other purposes	161,043	184,622
Total assets limited as to use, net of current	174,997	198,652
Property and equipment, net	363,053	358,939
Other assets	6,337	5,967
Total assets	$ 648,686	$ 692,721

Southeast Georgia Health System, Inc.
Consolidated Balance Sheets
April 30, 2023 and 2022
(in thousands)

(Continued)

	2023	2022
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	**$ 6,266**	$ 6,984
Accounts payable	**37,145**	23,728
Accrued salaries and compensated absences	**21,027**	19,087
Other accrued expenses and deferrals	**21,272**	15,467
Medicare advance payment liability	**-**	20,459
Estimated third-party payor settlements	**729**	1,675
Total current liabilities	**86,439**	87,400
Long-term debt, net of current maturities	**235,585**	243,248
Line of credit	**14,649**	-
Professional liability claims obligation, net of current	**13,954**	12,391
Other noncurrent liabilities	**4,131**	3,874
Total liabilities	**354,758**	346,913
Net assets:		
Without donor restrictions	**293,928**	345,808
Total liabilities and net assets	**$ 648,686**	$ 692,721

Southeast Georgia Health System, Inc.
Consolidated Statements of Operations and Changes in Net Assets
Years Ended April 30, 2023 and 2022
(in thousands)

	2023	2022
Operating revenues:		
Net patient service revenue	**$ 458,360**	$ 461,886
Other revenues	**5,067**	24,040
Total operating revenues	**463,427**	485,926
Operating expenses:		
Salaries and wages	**197,030**	186,253
Employee benefits	**43,544**	45,558
Contract personnel	**63,282**	62,553
Professional fees	**8,096**	6,933
Supplies and drugs	**88,413**	89,302
Physician fees	**10,700**	12,038
Insurance and utilities	**15,544**	15,464
Outside services	**39,540**	35,837
Depreciation and amortization	**26,166**	25,306
Hospital provider fees and assessments	**10,982**	12,079
Other	**8,421**	10,840
Interest expense	**4,640**	4,429
Total operating expenses	**516,358**	506,592
Loss from operations	**(52,931)**	(20,666)
Nonoperating revenues (expenses):		
Net investment income (loss)	**2,630**	(6,463)
Other	**178**	1,483
Total nonoperating revenues (expenses), net	**2,808**	(4,980)
Deficit of revenues under expenses	**(50,123)**	(25,646)
Other changes in net assets	**(1,757)**	(2,420)
Decrease in net assets	**(51,880)**	(28,066)
Net assets, beginning of year	**345,808**	373,874
Net assets, end of year	**$ 293,928**	$ 345,808

Southeast Georgia Health System, Inc.
Consolidated Statements of Cash Flows
Years Ended April 30, 2023 and 2022
(in thousands)

	2023	2022
Cash flows from operating activities:		
Decrease in net assets	$ (51,880)	$ (28,066)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation and amortization	26,166	25,306
Net realized and unrealized losses on investments	3,260	11,475
Other noncash activity	(1,454)	(1,406)
Changes in operating assets and liabilities:		
Patient accounts receivable	7,675	(3,326)
Other receivables	14,645	(16,635)
Accounts payable and accrued expenses	17,375	8,939
Estimated third-party payor settlements	(946)	(997)
Deferred revenue - Provider Relief Funds	-	(7,984)
Medicare advance payment liability	(20,459)	(25,968)
Other noncurrent liabilities	257	1,624
Other	4,679	(533)
Net cash used by operating activities	(682)	(37,571)
Cash flows from investing activities:		
Purchases of capital assets	(30,679)	(40,424)
Net change in assets limited as to use	37,955	10,220
Net cash provided (used) by investing activities	7,276	(30,204)
Cash flows from financing activities:		
Principal payments on long-term debt	(6,983)	(7,902)
Advances on revolving line of credit	141,500	-
Payments on revolving line of credit	(126,851)	-
Proceeds from issuance of long-term debt	-	811
Net cash provided (used) by financing activities	7,666	(7,091)
Increase (decrease) in cash and cash equivalents	14,260	(74,866)
Cash, restricted cash, and equivalents, beginning of year	15,756	90,622
Cash, restricted cash, and equivalents, end of year	$ 30,016	$ 15,756

See accompanying notes.

Southeast Georgia Health System, Inc.
Consolidated Statements of Cash Flows
Years Ended April 30, 2023 and 2022
(in thousands)

(Continued)

	2023	2022
Reconciliation of cash, restricted cash, and equivalents:		
Beginning of year:		
Cash and cash equivalents	**$ 4,478**	$ 60,564
Restricted cash and cash equivalents, included in assets limited as to use	**11,278**	30,058
Cash, restricted cash, and equivalents, beginning of year	**$ 15,756**	$ 90,622
End of year:		
Cash and cash equivalents	**$ -**	$ 4,478
Restricted cash and cash equivalents, included in assets limited as to use	**30,016**	11,278
Cash, restricted cash, and equivalents, end of year	**$ 30,016**	$ 15,756
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 11,188**	$ 10,752

Notes to Consolidated Financial Statements

1. Reporting Entity and Affiliates

Southeast Georgia Health System, Inc.

Southeast Georgia Health System, Inc. (the "System"), a Georgia not-for-profit corporation, operates an integrated healthcare system in coastal southeast Georgia. The System includes the following operations: Southeast Georgia Health System Brunswick Campus (the "Brunswick Campus"), which includes a 300-bed acute care hospital, an outpatient care center, and a rehabilitation and wound center; Southeast Georgia Health System Camden Campus (the "Camden Campus"), a 40-bed acute care hospital located in St. Marys, Georgia; and two skilled nursing facilities - Senior Care Center-Brunswick, located in Brunswick, Georgia, and Senior Care Center-St. Marys, located in St. Marys, Georgia.

The System also includes the following controlled affiliates:

- Cooperative Healthcare Services, Inc., a Georgia not-for-profit corporation doing business as Southeast Georgia Physician Associates ("SGPA"), the operations of which consist primarily of various physician practices located in Brunswick, Georgia and the surrounding geographic region
- Southeast Georgia Health System Foundation, Inc. (the "Foundation"), which exists for the sole benefit of the System and receives contributions to support the System and its charitable activities

Glynn-Brunswick Memorial Hospital Authority

Glynn-Brunswick Memorial Hospital Authority (the "Authority"), a public body corporate and politic, was established by the governing bodies of Glynn County, Georgia (the "County"), and the City of Brunswick, Georgia (the "City"), on March 1, 1961, under the Hospital Authorities Law of Georgia. The Authority is governed by nine members appointed by the governing bodies of the County and the City. Prior to May 1, 2015, the Authority did business as Southeast Georgia Health System.

Effective May 1, 2015, the Authority undertook a corporate restructuring and executed a lease and transfer agreement with the System, which assumed substantially all of the operations, assets and liabilities of the Authority and agreed to operate the facilities thereof as a community healthcare provider and to perform and abide by all covenants, agreements, and restrictions thereof for an initial period of forty years. Under the agreement, the System makes nominal lease payments to the Authority plus amounts sufficient to make debt service payments on Authority conduit debt obligations as they come due, and assumes all operational, financial, indigent care, and community responsibilities. Because the System's Board of Directors is self-perpetuating, and the Authority does not have financial accountability for the System, the System and its controlled affiliates are excluded from the Authority's reporting entity subsequent to the restructuring.

Coastal Community Health, Inc.

In September 2015, the System entered into the Coastal Community Health, Inc. ("Coastal") Affiliation Agreement with Baptist Health System, Inc., a Florida not-for-profit corporation, in order to pursue potential operational efficiencies in areas such as supply chain management, information systems, and care coordination in the southeast Georgia and northeast Florida regions. The Coastal governing board consists of seven individuals, three of whom are appointed by the System's Board of Directors. Under the affiliation agreement, the Coastal governing board maintains certain reserved powers which could influence specific operational and governance matters of the System. The reserved powers do not constitute a control relationship over the System.

2. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies consistently applied by management in the preparation of the accompanying consolidated financial statements:

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the System and its controlled affiliates. Material intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The System has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for state or federal income taxes has been presented in the accompanying consolidated financial statements.

The System recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The System has determined that it does not have any material unrecognized tax benefits or obligations.

Cash and Cash Equivalents

The System considers money market funds and all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. The System maintains cash deposits in excess of federally insured limits and requires financial institutions to pledge collateral for the excess uninsured amounts.

Debt Issuance Costs

Debt issuance costs are amortized over the term of the related debt using the interest method and are reported as a reduction in long-term debt.

Assets Limited as to Use

Assets limited as to use include assets set aside by the System's Board of Directors for future capital improvements, self-insurance, debt service, and other purposes, over which the Board retains control and may at their discretion subsequently use for other purposes, and assets held by trustees under loan agreements for construction and debt service. Amounts required to meet current obligations have been classified as current assets.

Investments in marketable debt and equity securities are reported at fair value in the consolidated balance sheet. Alternative investments are reported using net asset value ("NAV") as a practical expedient for fair value. Interest, dividends and gains and losses, both realized and unrealized, on such investments are reported as nonoperating revenues (expenses) when earned.

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, there is at least a reasonable possibility that changes in the values of investment securities will occur in the near term and that these changes could materially affect the amounts reported in the consolidated balance sheets.

Supplies and Pharmaceutical Inventories

Pharmaceutical inventories are valued at lower of cost or market on the first-in, first-out basis. Supplies and storeroom inventories are valued at average cost.

Property and Equipment

Property and equipment are reported at historical cost. Depreciation is computed on the straight-line method and is provided over the estimated useful life of each class of depreciable asset as follows:

Land improvements	15 to 20 years
Buildings and building improvements	20 to 40 years
Information systems, equipment, and furniture	3 to 15 years

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others as services are rendered, including implicit price concessions and estimated retroactive adjustments under reimbursement agreements. Such amounts are recognized on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The System provides care to patients who meet certain criteria under its charity care policy, without charge or at amounts less than its established rates. The System's charity care policy follows federal government guidelines in determining which patients qualify for charity care. Charity services are defined as those for which patients have the obligation and willingness to pay but do not have the ability to do so. Charges related to charity services are written off as charity care in accordance with established policies and are not recognized as net patient service revenue.

Deficit of Revenues under Expenses

The System's consolidated statements of operations and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues primarily result from exchange transactions associated with providing healthcare services, which is the System's principal activity. Investment income and losses and certain nonexchange revenues are reported as nonoperating revenues. Operating expenses include all expenses incurred to provide healthcare services.

Changes in net assets without donor restrictions that are excluded from deficit of revenues under expenses, consistent with relevant accounting literature and industry practice, include contributions of long-lived assets (including assets acquired using contributions that, by donor restriction, were to be used for the purpose of acquiring such assets), equity transactions with noncontrolling interests, and certain pension accounting items.

Compensated Absences

The System's team members earn paid time off ("PTO") at varying rates depending on salary and years of service. PTO time accumulates based on years of service and generally any days not used at year-end will carry over to the next fiscal year, subject to a maximum limit. Each year, eligible team members may receive payment for up to 25 percent of their PTO balance, but not more than 100 hours per year. Accrued PTO is paid at the time of termination except that team members hired after June 30, 2018, who subsequently terminate their employment with the System, are eligible to receive payment for their unused accrued PTO only if they have been employed by the System for three years or more. At April 30, 2023 and 2022, the System has accrued liabilities of approximately $10,924,000 and $10,464,000, respectively, related to compensated absences.

Leases

At lease inception, the System determines whether an arrangement is or contains a lease. Leases result in the recognition of right of use ("ROU") assets and lease liabilities on the consolidated balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The System determines lease classification as operating or finance at the lease commencement date.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The System uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the System uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments. Operating ROU assets are calculated as the present value of the lease payments plus initial direct costs and any prepayments less any lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates and the presence of factors that would cause a significant economic penalty to the System if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. The System has elected not to recognize a ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated with short-term leases is included in lease expense in the accompanying consolidated statements of operations and changes in net assets.

For finance leases, after lease commencement, the lease liability is measured on an amortized cost basis and increased to reflect interest on the liability and decreased to reflect the lease payment made during the period. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The ROU asset is subsequently measured at cost, less any accumulated amortization and any accumulated impairment losses. Amortization on the ROU asset is recognized over the period from the commencement date to the earlier of the end of the useful life of the ROU asset, or the end of the lease term. The discount rate used by the System for finance leases is generally the incremental borrowing rate, as most such leases do not provide a readily determinable implicit interest rate. To the extent a lease arrangement includes both lease and non-lease components, the components are not accounted for separately.

CARES Act Provider Relief Funding

The System has received Provider Relief Funds under the federal Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). These relief funds are considered nonexchange transactions subject to terms and conditions specified by the U.S. Department of Health and Human Services ("HHS"). These conditions create a restriction that such funds must be used to prevent, prepare for, or respond to the COVID 19 pandemic, creating purpose restrictions in addition to conditions. This conditional grant revenue is recognized as other operating revenue to the extent conditions/restrictions for entitlement are met for eligible expenses or lost revenues. The System reports conditional contributions for which the conditions and related restrictions are met in the same reporting period as net assets without donor restrictions. Such funds are subject to recoupment to the extent the conditions for entitlement are not met. See Note 17.

Subsequent Events

In preparing these consolidated financial statements, the System has evaluated events and transactions for potential recognition or disclosure through July 31, 2023, the date the consolidated financial statements were issued.

3. Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurer and government programs) and others. A significant portion of the System's net patient service revenues are derived from third-party payor programs. The System's agreements with third-party payors provide for payments to the System at amounts different from its established rates. Revenues received under third-party arrangements are subject to audit and retroactive adjustment. Generally, the System bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. The System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligations. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care, skilled nursing, and rehabilitation services. The System measures the performance obligation from admission to the point when it is no longer required to provide services to that patient, which is generally the time of discharge. Revenue for performance obligations satisfied at a point in time generally relate to patients receiving outpatient services or patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) where the System does not provide additional goods beyond the point of service.

The System has elected the practical expedients available under GAAP related to accounting for significant financing components and incremental contract acquisition costs. Management has determined any such amounts are insignificant. In addition, because all of its performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the optional exemption from disclosure of amounts associated with unsatisfied performance obligations at the end of the reporting period. Such unsatisfied or partially unsatisfied performance obligations primarily relate to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are typically completed when patients are discharged, which generally occurs within days or weeks of the end of the reporting period. Management has determined that the System has an unconditional right to payment subject only to the passage of time for services provided to these in-house patients through the end of the reporting period. Such amounts are reported within patient accounts receivable in the consolidated balance sheets.

The System determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions such as contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the System's policy, and implicit price concessions provided to uninsured patients. The System determines its estimates of explicit price concessions for contractual adjustments and discounts based on contractual agreements, discount policies, and historical experience. The System determines its estimate of implicit price concessions based on its historical collection experience with this class of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. Management believes that the financial effects of using this practical expedient are not materially different from an individual contract approach.

The Medicare program pays prospectively determined rates for inpatient and outpatient operating and capital related services. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Revenue for services rendered under Medicare third-party payor programs has been recorded at estimated settlement amounts. Final determination of the settlement amounts is subject to review by appropriate authorities or their agents and to the extent that ultimate settlement amounts differ from amounts previously estimated, related adjustments are reflected in the financial statements in the period of final settlement. As discussed in Note 17, the System received approximately $48,000,000 in advance payments from the Medicare program in April 2020, which was initially recorded as deferred revenue on the accompanying consolidated balance sheets. The deferred revenue was recognized as net patient service revenue according to the program provisions, as services were provided to Medicare beneficiaries and billed claims are applied against the advance liability. As of April 30, 2023, all of the Medicare advance payments have been recouped.

The Medicaid program pays prospectively determined rates for inpatient operating and capital related services, and certain outpatient services. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The remaining outpatient services are paid on a cost reimbursement basis. The System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary. Georgia Medicaid has moved a significant portion of its beneficiaries to managed care companies called Care Management Organizations ("CMO"). Contractual payments are made by the CMO for services provided using the same methodology and payment rates as traditional Medicaid.

The Georgia General Assembly has established a provider fee arrangement for the purpose of funding the Medicaid program. The provider fee percentage is set by the Georgia Department of Community Health based on the appropriation in the State Medicaid budget. The System paid approximately $5,072,000 and $5,021,000 to the State for the years ended April 30, 2023 and 2022, respectively, under this program.

Under the provisions of the Georgia Indigent Care Trust Fund ("ICTF"), Medicaid disproportionate share hospitals ("DSH") contribute funds to be used by the State in the Medicaid program, which may be supplemented by federal funds (combination dollars). Combination dollars are returned to DSH as additional Medicaid inpatient reimbursement. During 2023 and 2022, approximately $6,909,000 and $3,445,000 respectively, was recorded as net patient service revenue, and approximately $1,973,000 and $772,000, respectively, was recorded as hospital provider fees and assessments relating to ICTF. The federal government does not ensure future ICTF funding.

Under Georgia Upper Payment Limit Rate ("UPL") provisions, government owned or operated hospitals and critical access eligible hospitals may contribute funds to be used by the State in the Medicaid program, which may be supplemented by federal funds (combination dollars). Combination dollars are returned in the form of UPL payments and are recorded as additional Medicaid inpatient and outpatient reimbursement. During 2023 and 2022, approximately $10,234,000 and $20,595,000, respectively, was recorded as net patient service revenue, and approximately $2,793,000 and $5,302,000, respectively, was recorded as hospital provider fees and assessments relating to UPL. The federal government does not ensure future UPL funding.

During 2022, the state of Georgia issued uniform percentage payments for services provided at state government and non-state government hospitals, under the Medicaid Managed Care Hospital Direct Payment Program ("DPP"). Under the provisions of the DPP, DPP hospitals contribute funds to be used by the State in the Medicaid program, which may be supplemented by federal funds (combination dollars). Combination dollars are returned to DPP hospitals as additional Medicaid reimbursement. During the years ended April 30, 2023 and 2022, approximately $4,038,000 and $3,445,000, respectively, was recorded as net patient service revenue, and approximately $1,122,000 and $928,000, respectively, was recorded as hospital provider fees and assessments relating to DPP. The federal government does not ensure future DPP funding.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates may change by a material amount in the near term. The System believes that it is in compliance with all applicable laws and regulations. The System is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the System's consolidated financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance can result in significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The System also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. The System's contracts with commercial and nongovernmental payors also provide for retroactive audit and review of claims.

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

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The System also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The System estimates the transaction price for patients with deductibles and coinsurance and for those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Net patient service revenue decreased $8,336,000 and increased $641,000 during the years ended April 30, 2023 and April 30, 2022, respectively, due to differences in actual settlements of prior period cost reports and other changes in prior estimates.

Consistent with the System's mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients. Patients who meet the System's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

The System has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service lines, method of reimbursement and timing of when revenue is recognized.

The System's net patient service revenue for the year ended April 30, 2023 is disaggregated in the following table (dollars in thousands):

	Brunswick Campus	Camden Campus	SGPA	Senior Care Centers	Eliminations	Total	Total %
Medicare							
Inpatient	$ 87,454	$ 6,706	$ -	$ 2,575	$ (393)	$ 96,342	21%
Outpatient	54,356	9,470	29,926	-	(383)	93,369	20%
Medicaid							
Inpatient	14,460	2,464	-	15,184	(131)	31,977	7%
Outpatient	6,605	1,073	10,328	-	(74)	17,932	4%
Other third-party							
Inpatient	52,749	9,095	-	2,292	(262)	63,874	14%
Outpatient	86,631	24,591	30,748	-	(580)	141,390	31%
Self-pay							
Inpatient	7,135	355	-	277	(32)	7,735	2%
Outpatient	4,549	1,176	40	-	(24)	5,741	1%
Total	$ 313,939	$ 54,930	$ 71,042	$ 20,328	$ (1,879)	$ 458,360	100%

The System's net patient service revenue for the year ended April 30, 2022 is disaggregated in the following table (dollars in thousands):

	Brunswick Campus	Camden Campus	SGPA	Senior Care Centers	Eliminations	Total	Total %
Medicare							
Inpatient	$ 90,049	$ 9,964	$ -	$ 1,938	$ (724)	$ 101,227	22%
Outpatient	46,094	10,427	26,494	-	(606)	82,409	18%
Medicaid **(a)**							
Inpatient	36,111	6,717	-	19,041	(452)	61,417	13%
Outpatient	12,832	3,738	10,301	-	(195)	26,676	6%
Other third-party							
Inpatient	44,258	12,605	-	1,216	(423)	57,656	12%
Outpatient	70,750	20,824	28,587	-	(877)	119,284	26%
Self-pay							
Inpatient	8,344	990	-	516	(70)	9,780	2%
Outpatient	576	1,336	1,548	-	(23)	3,437	1%
Total	$ 309,014	$ 66,601	$ 66,930	$ 22,711	$ (3,370)	$ 461,886	100%

(a) **Includes reimbursement from HHS *Covid-19 Claims Reimbursement to Health Care Providers and Facilities for Testing, Treatment, and Vaccine Administration for the Uninsured***

4. Concentrations of Credit Risk

In the course of providing healthcare services, the System grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of, or is otherwise entitled to receive, patient benefits under governmental and commercial health insurance programs, plans and policies. For the years ended April 30, 2023 and 2022, approximately 53 and 58 percent, respectively, of the System's net patient service revenue was derived from the federal Medicare and Medicaid programs.

The System provides healthcare services in Glynn and Camden counties and the surrounding areas in southeast Georgia and, as a result, has a related geographic concentration of credit risk pertaining to patient accounts receivable.

The composition of receivables from patients and third-party payors as of April 30, 2023 and 2022 is as follows:

	2023		2022	
	Gross	Net	Gross	Net
Medicare	**35%**	**37%**	31%	32%
Medicaid	**10%**	**8%**	8%	6%
Other third-party payors	**25%**	**42%**	30%	44%
Self-pay (including patient-responsible balances after third-party payment)	**30%**	**13%**	31%	18%
	100%	**100%**	100%	100%

5. Assets Limited as to Use

Assets limited as to use consist of deposits and investments which are exposed to various risks. The System employs a number of investment managers and has adopted a formal investment policy which endeavors to conform with the Uniform Prudent Investor Act and the Prudent Investor Standard as a means of managing its exposure to risk. Due to the level of risk associated with certain investment securities, there is a reasonable possibility that the values of investment securities will change in the near term by a material amount.

Concentration of credit risk. The System has an investment policy which provides objectives and guidelines for diversification of funds, but places no specific limit on the amount that may be invested in any one issuer.

Interest rate risk. The System has an investment policy that considers investment risks and provides for a prudent approach with regular monitoring and reporting. The investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit risk. The System has adopted an investment policy that permits specific investments, including debt and equity securities, separate accounts, mutual funds, trusts, partnerships, commingled funds, pooled funds, contracts, and other types of investments. The policy provides guidelines regarding risk tolerance and investment objectives by type, including credit rating, liquidity, market capitalization, region, sector, and investment strategy.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. The System secures its deposits through depository insurance, a collateral pool administered under the direction of the State of Georgia Office of Treasury and Fiscal Services, and collateral held by third parties or the respective pledging financial institutions' trust departments in the System's name.

Assets Limited as to Use

The composition of assets limited as to use at April 30, 2023 and 2022 is summarized as follows (in thousands):

	2023	2022
Internally designated for debt service:		
Mutual funds	**$ 7,013**	$ 5,835
Restricted by third-parties for construction:		
Money market funds	**-**	1,639
Internally designated for self-insurance:		
Mutual funds	**13,954**	12,391
Internally designated for capital improvements and other purposes:		
Cash depository accounts	**1,032**	284
Money market funds	**28,984**	9,355
Corporate bonds	**2,516**	1,342
Corporate equity securities	**7,215**	7,803
Mutual funds	**100,682**	145,589
U.S. agencies mortgage/asset-backed	**7,857**	6,937
U.S. treasuries	**-**	1,567
Alternative investment	**12,757**	11,745
	161,043	184,622
Total	**$ 182,010**	$ 204,487

Investment income and gains and losses for assets limited as to use are comprised of the following for the years ended April 30, 2023 and 2022 (in thousands):

	2023	2022
Interest and dividend income	**$ 5,890**	$ 5,012
Net realized gains	**180**	22,373
Net unrealized (losses) gains	**(3,440)**	(33,848)
	$ 2,630	$ (6,463)

6. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The System has categorized its financial instruments into a three-level fair value hierarchy based on the priority of inputs used in related valuation techniques. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within multiple levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

A description of the valuation methodologies used for instruments measured at fair value on a recurring basis in accordance with the three-level fair value hierarchy follows:

> *Level One* – Values based on unadjusted quoted prices for identical assets or liabilities in an active market that the System has the ability to access.
>
> *Level Two* – Values based on pricing inputs which are either directly observable or that can be derived or supported from observable data. These inputs may include quoted prices for similar assets or liabilities in nonactive markets or pricing models whose inputs are observable for substantially the full term of the asset or liability.
>
> *Level Three* – Values based on prices or valuation techniques that require inputs that are both significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources.

Level One investments held by the System include common stocks and mutual funds that are traded in active markets. Level Two investments held by the System include U.S. government and corporate obligations which are valued using prices that are determined through observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics. Other than as described in Note 11 for the pension plan investments, the System did not hold any Level Three securities as of April 30, 2023 and 2022.

The System's alternative investment portfolio is comprised of private pooled investment funds with underlying investment holdings. At April 30, 2023 and 2022, approximately $11,150,000 and $11,216,000, respectively, is invested in a hedge fund through fund of funds structures, and $1,607,000 and $529,000 is invested in a private equity fund. The hedge fund achieves diversification by allocating investment funds across various money managers or market groups, using different trading methods, and focusing on different markets worldwide. The fund managers employ a variety of investment strategies and hedging techniques to achieve long-term capital growth, while seeking to reduce volatility. The private equity fund achieves long-term capital appreciation and current returns of capital contributions through investments primarily in junior securities of domestic and foreign issuers engaged in the information, business services, healthcare, education and related industries.

Alternative investments may have less liquidity, a stale quoted price, or varying prices from independent sources. The System is subject to limitations on redemption on its alternative hedge fund investments, whereby redemptions can only occur quarterly with ninety-five days' notice. In addition to a one year lock up period, redemptions on hedge fund investments are restricted up to twenty-five percent of the System's investment in the fund per redemption period. In accordance with GAAP, alternative investments measured at NAV as a practical expedient for fair value are excluded from the fair level hierarchy. As of April 30, 2023, the System has approximately $3,462,000 in remaining capital commitments for the private equity fund.

Fair value estimates are based on pertinent information available to management as of April 30, 2023 and 2022, respectively. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of the consolidated financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

The fair value hierarchy of assets limited as to use at April 30, 2023 is summarized as follows (in thousands):

	Level 1	Level 2	Total
Money market mutual funds	$ 28,984	$ -	$ 28,984
Corporate equities	7,215	-	7,215
Mutual funds:			
Equities	71,152	-	71,152
Bonds/fixed income	31,529	-	31,529
Closed end	18,968	-	18,968
U.S. agencies mortgage/asset backed	-	7,857	7,857
Corporate bonds	-	2,516	2,516
	$ 157,848	$ 10,373	168,221
Cash depository accounts			1,032
Alternative investment measured at NAV			12,757
Total assets limited as to use			$ 182,010

The fair value hierarchy of assets limited as to use at April 30, 2022 is summarized as follows (in thousands):

	Level 1	Level 2	Total
Money market mutual funds	$ 10,994	$ -	$ 10,994
Corporate equities	7,803	-	7,803
Mutual funds:			
Equities	80,190	-	80,190
Bonds/fixed income	24,327	-	24,327
Balanced	3,711	-	3,711
Closed end	55,587	-	55,587
U.S. agencies mortgage/asset backed	-	6,937	6,937
U.S. treasuries	-	1,567	1,567
Corporate bonds	-	1,342	1,342
	$ 182,612	$ 9,846	192,458
Cash depository accounts			284
Alternative investment measured at NAV			11,745
Total assets limited as to use			$ 204,487

7. Property and Equipment

Property and equipment is summarized as follows at April 30, 2023 and 2022 (in thousands):

	2023	2022
Land and land improvements	**$ 33,672**	$ 33,672
Buildings and building improvements	**413,260**	407,268
Information systems, equipment, and furniture	**188,934**	184,408
Construction in progress	**24,771**	5,128
	660,637	630,476
Less accumulated depreciation	**(297,584)**	(271,537)
Property and equipment, net	**$ 363,053**	$ 358,939

During the years ended April 30, 2023 and 2022, the System capitalized approximately $5,343,000 and $4,519,000 of interest, respectively.

8. Long-Term Debt

Long-term debt at April 30, 2023 and 2022 is summarized as follows (in thousands):

	2023	2022
Series 2020 fixed rate refunding revenue anticipation certificates, bearing interest at 4.0 percent to 5.0 percent, payable semi-annually on the first day of February and August each year, maturing annually through 2038, beginning August 2030	**$ 35,715**	$ 35,715
Series 2018 refunding revenue anticipation certificates, bearing interest at 3.35 percent, payable semi-annually on the first day of February and August each year, maturing annually through 2034	**7,265**	7,750
Series 2017 fixed rate revenue anticipation certificates, bearing interest at 4.0 percent to 5.0 percent, payable semi-annually on the first day of February and August each year, maturing annually through 2048, beginning 2039	**106,860**	106,860
Series 2015 fixed rate refunding revenue anticipation certificates, bearing interest at 3.5 percent to 5.0 percent, payable semi-annually on the first day of February and August each year, maturing annually through 2035	**68,500**	72,620

	2023	2022
Notes payable, bearing interest at rates ranging from 2.98 percent to 4.22 percent, payable in monthly installments of principal and interest, maturing annually through 2032, secured by revenues and real property	**$ 8,558**	$ 10,537
Finance lease obligations	**317**	725
	227,215	234,207
Plus unamortized issuance premiums	**16,031**	17,488
Less current maturities	**(6,266)**	(6,984)
Less unamortized issuance costs	**(1,395)**	(1,463)
Long-term debt, excluding current maturities	**$ 235,585**	$ 243,248

Scheduled principal repayments on long-term debt and finance lease obligations for years ending April 30 are as follows (in thousands):

2024	$ 6,266
2025	6,249
2026	6,528
2027	6,828
2028	7,134
Thereafter	194,210
	$ 227,215

Pursuant to the lease and transfer agreement, master trust indenture ("MTI"), master note, and loan agreements, the System is the borrower for certain revenue anticipation certificates issued by the Authority as a conduit for the System. The certificates are limited obligations of the Authority. The proceeds from the issuance of the certificates by the Authority are loaned to the System, which is required to pay the Authority amounts sufficient to pay the scheduled principal and interest on the certificates as such amounts come due. Southeast Georgia Health System, Inc., SGPA, and the Authority are members of the obligated group, and the System has pledged its net revenues as security for all such obligations issued under the MTI.

In February 2020, the Authority issued the Refunding Revenue Anticipation Certificates (“Series 2020 Certificates”) in the amount of $35,715,000 and loaned the proceeds to the System. The purpose of the issuance was to advance refund a portion of the outstanding Series 2008B Variable Rate Revenue Anticipation Certificates (“Series 2008B Certificates”).

In May 2018, the Authority issued the Refunding Revenue Anticipation Certificates (“Series 2018 Certificates”) in the amount of $9,265,000 and loaned the proceeds to the System. The purpose of the issuance was to advance refund a portion of the outstanding 2008A Fixed Rate Revenue Anticipation Certificates (“Series 2008A Certificates”).

In December 2017, the Authority issued Fixed Rate Revenue Anticipation Certificates (“Series 2017 Certificates”) in the amount of $106,860,000 and loaned the proceeds to the System. The purpose of the issuance was to fund renovations and expansion of the Brunswick Campus, including the Emergency Department and the Surgical Platform/Central Sterile Supply Area, and to fund renovations and an upgrade to the central energy plant and infrastructure.

In April 2015, the Authority issued Refunding Revenue Anticipation Certificates ("Series 2015 Certificates") in the amount of $83,935,000 and loaned the proceeds to the System. The purpose of the issuance was to advance refund a portion of the outstanding Series 2008A Certificates, as well as to pay costs of issuance.

In November 2019, the System entered into a master credit agreement with a third party lender to refinance two outstanding notes payable with the issuance of two term loans in the amounts of $11,400,000 and $3,300,000, respectively, which carry annual fixed interest rates of 3.10 percent and 2.98 percent, respectively. The System is required to make monthly principal and interest payments through scheduled maturity for the first loan in November 2029, and through scheduled maturity in March 2023 when the second loan was paid off. The master credit agreement is secured by the System's net revenues under the MTI.

The revolving line of credit bears interest at a variable rate equal to the benchmark secured overnight financing rate ("SOFR") plus 1.5 percent per annum, with a minimum interest rate of 3.0 percent per annum. In July 2022, the credit agreement was amended to increase the borrowing capacity on the revolving line of credit from $6,000,000 to $20,000,000. As of April 30, 2023 and 2022, there were approximately $14,649,000 and $0, respectively, in outstanding advances on the line of credit. The line of credit matures in July 2024.

The MTI and master credit agreement both contain various restrictive covenants pertaining to certain measures of financial performance. At April 30, 2023, the System violated the rate covenant requirement in the MTI and the debt service coverage ratio covenant requirement in the master credit agreement. The System has obtained a waiver of the covenant violation under the master credit agreement and is undertaking the measures provided for in the MTI to cure the rate covenant violation. Should the System violate future financial covenants, the trustee and third party lender could declare events of default and exercise their rights and remedies under the respective debt agreements, including acceleration of all outstanding debt.

9. Commitments and Contingencies

The System is involved in litigation in the ordinary course of business related to professional liability claims. The System maintains umbrella insurance with a limit of $15,000,000 each occurrence and $15,000,000 annual aggregate for professional liability and other general liability claims exceeding self-retained limits of $2,000,000 individually and $6,000,000 collectively, on an annual basis. The System is self-insured under these limits. At April 30, 2023, malpractice and other various claimants had filed claims that are in various stages of processing, and some may ultimately be brought to trial.

The System has engaged the services of an independent actuary to perform an annual evaluation of estimated professional liability claims obligations and to determine the reserve requirements at the end of each fiscal year. The discount rate used in actuarial calculations for 2023 and 2022 was 3.5 percent. The current portion of the estimated professional liability claims obligation included in other accrued expenses totaled approximately $4,651,000 and $4,130,000 at April 30, 2023 and 2022, respectively, while the noncurrent obligation totaled approximately $13,954,000 and $12,391,000, respectively. Self-insured professional liability claims expense for 2023 and 2022 aggregated approximately $6,019,000 and $6,714,000, respectively. Management is of the opinion that the accrual for professional liability claims is adequate for loss contingencies, however, it is possible that actual losses may differ from management's estimates.

The System has designated noncurrent assets limited as to use of approximately $13,954,000 and $12,391,000 at April 30, 2023 and 2022, respectively, for self-insurance reserves.

10. Employee Benefit Trust and Self-Insurance

The System maintains a plan and trust agreement to provide life insurance, accident and health benefits (including hospitalization, medical, surgical, major medical, and other health benefits), and workers' compensation for its team members. The System maintains excess workers' compensation and employers' liability insurance above self-insured retention limits of $600,000 per occurrence through the Georgia Self Insurers Guarantee Trust Fund. The System maintains irrevocable standby letters of credit in the amount of $2,850,000 for the State of Georgia's worker's compensation program and $755,000 fund the security deposit for State of Georgia's unemployment compensation benefits as of April 30, 2023. At April 30, 2023 and 2022, there were no outstanding advances on the letters of credit.

Life insurance coverage is provided by premiums paid to an independent insurance carrier. Health benefits for team members and their dependents, if elected, are funded entirely by contributions into the plan by the System and its team members. The plan is administered by a third-party administrator.

Claims liabilities related to health benefit and workers' compensation are included in other accrued expenses at April 30, 2023 and 2022 in the amount of $2,625,000 and $2,650,000, respectively.

11. Retirement Plans

The Authority sponsors a frozen non-contributory defined benefit pension plan. Benefits in the defined benefit pension plan were frozen in 1998, and participants were offered incentives to transfer their benefit to the 403(b) defined contribution plan. Most participants converted to the defined contribution plan and the Authority funded the remaining pension obligation.

Under the lease and transfer agreement, the System has assumed the plan obligation and has agreed to fund the future benefits of the remaining participants in the frozen pension plan.

The plan will continue in existence as long as benefits are being paid to existing participants. The calculated benefits are based on years of service and the team member's compensation during the last five years of employment.

Assumptions used in the accounting for net periodic pension costs in the System's financial statements for the years ended April 30, 2023 and 2022 were as follows:

	2023	**2022**
Weighted average discount rate	**4.81%**	4.17%
Expected long-term rate of return	**4.17%**	2.65%

Estimated future benefit payments are as follows for years ending April 30 (in thousands):

2024	$ 1,106
2025	463
2026	450
2027	431
2028	412
2029-2033	1,785

As of April 30, 2023 and 2022, the plan was approximately 126 percent and 119 percent funded, respectively, with a total pension liability of approximately $5,364,000 and $5,816,000, respectively, and assets totaling approximately $6,740,000 and $6,926,000, respectively.

Plan assets are invested and managed in accordance with the System's investment policy, which provides for a "prudent investor" approach to investment and asset management decisions. Plan assets are held with a life insurance company under a group annuity contract. The Plan assets are classified within the fair value hierarchy as Level Three investments and are measured utilizing contract value, which is the expected redemption price of the investment as of the measurement date.

The System sponsors a 403(b) defined contribution plan. Under the plan, participants receive employer matching contributions based on individual deferral contributions and years of credited service. Employer discretionary contributions are made annually as a percent of each participant's salary. The System administers the plan and can change or alter plan provisions. Contributions to the 403(b) plan aggregated approximately $7,499,000 and $7,755,000 during the years ended April 30, 2023 and 2022, respectively.

12. Charity Care and Community Service

The System is committed to meeting the needs of the communities which it serves. To this end, the System provides care to patients who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured. The amount of support provided for the years ended April 30, 2023 and 2022 is as follows (in thousands):

	2023	2022
Indigent care:		
Based on established rates	**$ 38,357**	$ 38,351
Based on estimated costs of the care provided	**14,613**	14,266
Implicit price concessions:		
Provision for bad debts, based on established rates	**64,906**	60,458

The System provides financial support for a variety of programs designed to meet the health and educational needs of the communities which it serves. The amount of direct financial support provided to those community programs for the year ended April 30, 2023 and 2022 was as follows (in thousands):

	2023	2022
College of Coastal Health Professional Education	**$ 455**	$ 455
Athletic trainer support to schools	**301**	250
Davis Love Foundation	**75**	75
American Cancer Society	**5**	7
Coastal Community Health Services	**47**	-
Forward Brunswick	**-**	10
Emergency & Acute Care Medical Co. Southeast LLC	**3,738**	3,563
Total	**$ 4,621**	$ 4,360

The System also sponsored and participated in over 70 and 90 other programs during 2023 and 2022, respectively, in support of not-for-profit community organizations, providing direct financial support to those activities in the amount of approximately $181,000 and $228,000 during the years ended April 30, 2023 and 2022, respectively.

13. Charitable Remainder Trust

The System is beneficiary to a charitable remainder trust. The trust provides for the payment of distributions over the trust's term to designated beneficiaries, of which the System is the sole remaining beneficiary. The trust indenture provides that, contingent upon approval of the trustee, the remaining trust assets are available to fund permanent additions to the System. In May 2018, the trustee and the System entered into an agreement, whereby the System requested, and the Trustee agreed, to allow the distribution of the entire remainder of the trust funds to the System over a period of five years to help facilitate renovations within the System. At April 30, 2023, all trust funds have been collected.

14. Liquidity and Availability of Resources

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year are reflected in the consolidated balance sheets as current assets and certain assets limited as to use and include the following balances at April 30, 2023 and 2022 (in thousands):

	2023	2022
Cash and cash equivalents	**$ -**	$ 4,478
Patient accounts receivable	**68,693**	76,368
Other receivables	**10,677**	25,322
Assets limited as to use	**168,056**	184,622
Total	**$ 247,426**	$ 290,790

The System has certain assets limited as to use which have been internally designated for future capital improvements and other purposes. Such board-designated amounts may be made available for general expenditure in the normal course of operations and, accordingly, have been included in the table above. The System has other assets limited as to use which are restricted or designated for construction, debt service, and self-insurance and are not available for general expenditure, and, accordingly, which have been excluded from the table above.

As discussed in in Note 8, the System maintains a $20,000,000 line of credit. As of April 30, 2023 and 2022, approximately $14,649,000 and $0, respectively, had been drawn on the line of credit.

The System funds its operations primarily through service charges to patients. At the discretion of management, excess cash not needed for operating expenditures are invested in various investment funds. Management's goal is to assure liquidity to satisfy all short-term liabilities within seven calendar days by maintaining a portfolio consisting of high quality, actively traded securities.

15. Functional Expenses

The System provides inpatient, outpatient, emergency care services, and long-term care primarily for residents of coastal southeast Georgia. Functional expenses related to providing these services for the year ended April 30, 2023 are as follows (in thousands):

	Healthcare Services	General & Administrative	Total
Salaries and wages	**$ 186,339**	**$ 10,691**	**$ 197,030**
Employee benefits	**43,484**	**60**	**43,544**
Contract personnel	**63,236**	**46**	**63,282**
Professional fees	**583**	**7,513**	**8,096**
Supplies and drugs	**88,222**	**191**	**88,413**
Physician fees	**10,650**	**50**	**10,700**
Insurance and utilities	**15,521**	**23**	**15,544**
Outside services	**38,208**	**1,332**	**39,540**
Depreciation and amortization	**26,166**	**-**	**26,166**
Hospital provider fee	**10,982**	**-**	**10,982**
Other	**5,456**	**2,965**	**8,421**
Interest expense	**4,640**	**-**	**4,640**
Total operating expenses	**$ 493,487**	**$ 22,871**	**$ 516,358**

Functional expenses related to providing these services for the year ended April 30, 2022 are as follows (in thousands):

	Healthcare Services	General & Administrative	Total
Salaries and wages	$ 178,075	$ 8,178	$ 186,253
Employee benefits	45,500	58	45,558
Contract personnel	62,250	303	62,553
Professional fees	225	6,708	6,933
Supplies and drugs	89,044	258	89,302
Physician fees	11,966	72	12,038
Insurance and utilities	15,440	24	15,464
Outside services	34,928	909	35,837
Depreciation and amortization	25,306	-	25,306
Hospital provider fee	12,079	-	12,079
Other	7,154	3,686	10,840
Interest expense	4,429	-	4,429
Total operating expenses	$ 486,396	$ 20,196	$ 506,592

16. Leases

The System leases certain equipment and office buildings under the terms of non-cancellable operating leases. For leases with terms greater than 12 months, the related ROU assets and lease obligations are recorded at the present value of lease payments over their respective terms. Many of the leases include rental escalation clauses and renewal options that are factored into the determination of lease payments and terms when appropriate.

ROU assets under finance leases at April 30, 2023 and 2022 are included in property and equipment and amounted to approximately $1,072,000 and $1,640,000, respectively, net of accumulated amortization.

The components of lease expense were as follows for the year ended April 30, 2023, and 2022 (in thousands):

	2023	2022
Operating lease expense	$ 1,573	$ 2,260
Finance lease expense:		
Amortization of ROU assets	568	952
Interest on lease liabilities	16	33
Total lease expense	$ 2,157	$ 3,245

Supplemental cash flow information related to leases was as follows for the years ended April 30, 2023 and 2022, respectively (in thousands):

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 1,573	$ 2,260
Operating cash flows from finance leases	16	33
Financing cash flows from finance leases	409	725

The following table presents lease-related assets and liabilities for the year ended April 30, 2023, and 2022 (in thousands):

	2023	2022
Operating leases:		
Operating lease ROU assets (other assets)	$ 5,095	$ 4,818
Current operating lease liabilities (other accrued expenses and deferrals)	$ 1,047	$ 868
Noncurrent lease liabilities (other noncurrent liabilities)	4,131	3,874
Total operating lease liabilities	$ 5,178	$ 4,742

The following is a schedule of lease liability maturities related to leases with third-parties for the year ending April 30, 2023 (in thousands):

	Operating	Finance
2024	$ 1,309	$ 319
2025	1,058	-
2026	934	-
2027	859	-
2028	468	-
Thereafter	1,225	-
Total	5,854	319
Less: interest	(676)	(16)
Lease liability	5,178	319
Less: current portion	(1,047)	(319)
Noncurrent lease liability	$ 4,131	$ -

17. COVID-19 Pandemic

During 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak has been disrupting supply chains and affecting operations across a range of industries. The ultimate extent of the impact of the outbreak on the System's operational and financial performance depends on certain developments, including the duration and spread of the outbreak, impact on patients, employees and vendors and governmental, regulatory and private sector responses. The consolidated financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

In response to the COVID-19 pandemic, the CARES Act was signed into law on March 27, 2020. One provision of the CARES Act was the establishment of the Provider Relief Funds, administered by HHS. The Provider Relief Funds have been distributed to healthcare providers throughout the country to support the battle against the COVID-19 pandemic. During fiscal year 2022, the System received approximately $7,623,000, of distributions from this fund. These funds are intended to reimburse qualifying expenses and lost revenues attributable to COVID-19 and are subject to the terms, conditions and regulatory requirements set forth by HHS. If the total distributions received by the System exceed the cumulative amount of qualifying expenses and lost revenues attributable to COVID-19, any excess funding may be subject to recoupment. The Provider Relief Funds are accounted for as conditional contributions and related revenues are recognized as conditions are substantially met. During the year ended April 30, 2022, the System recognized approximately $15,608,000 in other operating revenues, in the accompanying consolidated statements of operations and changes in net assets. The amounts recognized as income are subject to future audits and potential adjustments, which could be material and result in recoupments. Management is of the belief that the System is in compliance with the terms and conditions of the Provider Relief Funds and that there will not be recoupments.

In 2020, the Center for Medicare and Medicaid Services ("CMS") enhanced the Accelerated and Advance Payment ("AAP") Program. The program enhancement was designed to increase cash flow to Medicare providers and suppliers impacted by COVID-19. In April 2020, the System received approximately $48,000,000 from the CMS AAP program. The funds received from the AAP are an advance that providers must pay back. These funds are shown on the accompanying consolidated balance sheets as Medicare advance payment liability. During fiscal years 2022 and 2023, the advance payments received by the System were offset against Medicare claims submitted to CMS and, as of April 30, 2023, the full $48,000,000 had been recouped by CMS.

Supplementary Information

Southeast Georgia Health System, Inc.
Consolidating Balance Sheet
April 30, 2023
(in thousands)

	Brunswick Campus (1)	Camden Campus	SGPA	Eliminations	Total Obligated Group	Foundation	Subtotal	Eliminations	Consolidated
ASSETS									
Current assets:									
Cash and cash equivalents	$ 741	$ (277)	$ (464)	$ -	$ -	$ -	$ -	$ -	$ -
Patient accounts receivable	52,118	7,638	8,937	-	68,693	-	68,693	-	68,693
Other receivables	7,588	1,491	1,075	-	10,154	523	10,677	-	10,677
Supplies and pharmaceutical inventories	10,768	2,590	186	-	13,544	-	13,544	-	13,544
Assets limited as to use	7,013	-	-	-	7,013	-	7,013	-	7,013
Other current assets	3,989	296	81	-	4,366	-	4,366	6	4,372
Total current assets	82,217	11,738	9,815	-	103,770	523	104,293	6	104,299
Assets limited as to use:									
Internally designated for self-insurance	13,954	-	-	-	13,954	-	13,954	-	13,954
Internally designated for capital improvements and other purposes	152,353	-	-	-	152,353	8,690	161,043	-	161,043
Total assets limited as to use, net	166,307	-	-	-	166,307	8,690	174,997	-	174,997
Property and equipment, net	330,390	31,257	1,536	(130)	363,053	-	363,053	-	363,053
Other assets:									
Investment in affiliates	34,285	-	-	(25,075)	9,210	-	9,210	(9,210)	-
Intercompany receivable	-	28,655	-	-	28,655	-	28,655	(28,655)	-
Other assets	3,091	58	3,188	-	6,337	-	6,337	-	6,337
Total other assets	37,376	28,713	3,188	(25,075)	44,202	-	44,202	(37,865)	6,337
Total assets	$ 616,290	$ 71,708	$ 14,539	$ (25,205)	$ 677,332	$ 9,213	$ 686,545	$ (37,859)	$ 648,686

1 The Senior Care Centers are included in the Brunswick Campus financial information above.

Southeast Georgia Health System, Inc.
Consolidating Balance Sheet
April 30, 2023
(in thousands)

(Continued)

	Brunswick Campus (1)	Camden Campus	SGPA	Eliminations	Total Obligated Group	Foundation	Subtotal	Eliminations	Consolidated
LIABILITIES AND NET ASSETS									
Current liabilities:									
Current maturities of long-term debt	$ 4,963	$ 1,303	$ -	$ -	$ 6,266	$ -	$ 6,266	$ -	$ 6,266
Accounts payable	32,823	2,669	1,653	-	37,145	-	37,145	-	37,145
Intercompany payable	14,342	-	14,304	-	28,646	2	28,648	(28,648)	-
Accrued salaries and compensated absences	12,953	1,046	7,028	-	21,027	-	21,027	-	21,027
Other accrued expenses and deferrals	15,890	2,378	3,004	-	21,272	-	21,272	-	21,272
Estimated third-party payor settlements	640	89	-	-	729	-	729	-	729
Total current liabilities	81,611	7,485	25,989	-	115,085	2	115,087	(28,648)	86,439
Long-term debt, net of current maturities	215,450	20,135	-	-	235,585	-	235,585	-	235,585
Line of credit	14,649	-	-	-	14,649	-	14,649	-	14,649
Professional liability claims obligation, net	9,331	2,407	2,216	-	13,954	-	13,954	-	13,954
Other noncurrent liabilities	1,321	-	2,810	-	4,131	-	4,131	-	4,131
Total liabilities	322,362	30,027	31,015	-	383,404	2	383,406	(28,648)	354,758
Net assets - without donor restrictions	293,928	41,681	(16,476)	(25,205)	293,928	9,211	303,139	(9,211)	293,928
Total liabilities and net assets	$ 616,290	$ 71,708	$ 14,539	$ (25,205)	$ 677,332	$ 9,213	$ 686,545	$ (37,859)	$ 648,686

1 The Senior Care Centers are included in the Brunswick Campus financial information above.

Southeast Georgia Health System, Inc.
Consolidating Statement of Operations and Changes in Net Assets
Year Ended April 30, 2023
(in thousands)

	Brunswick Campus (1)	Camden Campus	SGPA	Eliminations	Total Obligated Group	Foundation	Subtotal	Eliminations	Consolidated
Operating revenues:									
Net patient service revenue	$ 334,267	$ 54,930	$ 71,042	$ (1,879)	$ 458,360	$ -	$ 458,360	$ -	$ 458,360
Other revenues	5,129	1,801	8,624	(10,953)	4,601	924	5,525	(458)	5,067
Total operating revenues	339,396	56,731	79,666	(12,832)	462,961	924	463,885	(458)	463,427
Operating expenses:									
Salaries and wages	93,368	19,206	84,217	-	196,791	239	197,030	-	197,030
Employee benefits	24,314	4,887	14,283	-	43,484	60	43,544	-	43,544
Contract personnel	57,658	4,907	717	-	63,282	-	63,282	-	63,282
Professional fees	7,880	-	216	-	8,096	-	8,096	-	8,096
Supplies and drugs	72,263	10,478	5,663	-	88,404	9	88,413	-	88,413
Physician fees	13,018	4,024	1,118	(7,460)	10,700	-	10,700	-	10,700
Insurance and utilities	12,674	2,022	844	-	15,540	4	15,544	-	15,544
Outside services	28,334	8,467	4,549	(1,879)	39,471	69	39,540	-	39,540
Depreciation and amortization	23,033	2,753	380	-	26,166	-	26,166	-	26,166
Hospital provider fees and assessments	8,999	1,796	187	-	10,982	-	10,982	-	10,982
Other	6,069	1,289	4,992	(3,493)	8,857	83	8,940	(519)	8,421
Interest expense	3,855	785	-	-	4,640	-	4,640	-	4,640
Total operating expenses	351,465	60,614	117,166	(12,832)	516,413	464	516,877	(519)	516,358
Income (loss) from operations	(12,069)	(3,883)	(37,500)	-	(53,452)	460	(52,992)	61	(52,931)
Nonoperating revenues (expenses):									
Net investment income	2,605	10	7	-	2,622	8	2,630	-	2,630
Other	997	57	-	-	1,054	(828)	226	(48)	178
Total nonoperating revenues, net	3,602	67	7	-	3,676	(820)	2,856	(48)	2,808
Excess (deficit) of revenues over (under) expenses	(8,467)	(3,816)	(37,493)	-	(49,776)	(360)	(50,136)	13	(50,123)
Other changes in net assets	(1,757)	-	-	-	(1,757)	-	(1,757)	-	(1,757)
Equity in earnings of affiliates	(41,669)	-	-	41,309	(360)	-	(360)	360	-
Equity transfers	-	-	37,472	(37,472)	-	-	-	-	-
Increase (decrease) in net assets	$ (51,893)	$ (3,816)	$ (21)	$ 3,837	$ (51,893)	$ (360)	$ (52,253)	$ 373	$ (51,880)

1 The Senior Care Centers are included in the Brunswick Campus financial information above.