



Northeast Georgia Health System, Inc.TM

FINANCIAL DISCLOSURE

Fiscal Year Ended
September 30, 2022

This information should be read in conjunction with the audited financial statements and the notes thereto for the fiscal years ended September 30, 2022 and 2021.

NORTHEAST GEORGIA HEALTH SYSTEM, INC. AND AFFILIATES

CONTINUING DISCLOSURE – ANNUAL REPORTING

Fiscal Year Ended September 30, 2022

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Northeast Georgia Health System, Inc.
743 Spring Street | Gainesville, Georgia 30501 | 770-219-9000

OFFICER'S CERTIFICATE

November 21, 2022

Re: Officer's Certificate for Obligated Group (Northeast Georgia Health System, Inc. and
Northeast Georgia Medical Center, Inc.)
Relating to the Quarterly Continuing Disclosure Report
Issues: Series 2017A and 2017B
Series 2020A
Series 2021A and 2021B

I hereby certify that the Financial Disclosure Report for the fiscal year ended September 30, 2022 constitutes the quarterly financial information required by the Continuing Disclosure Agreement. I further certify that the information complies with the Continuing Disclosure Agreement and the Rule, as required. DAC shall be entitled to rely on this certificate.

Sincerely,

Brian D. Steines
Chief Financial Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2022

Financial Results Fiscal Year 2022 Compared to Fiscal Year 2021

The Health System's income from operations decreased by 45.5% from a gain of \$217.1 million in fiscal year 2021 to a gain of \$118.2 million in fiscal year 2022.

The Health System's total operating revenue increased from \$1.9 billion in fiscal year 2021 to \$2.0 billion in fiscal year 2022, a 2.9% increase. This was driven by increases in acute patient volumes, surgical volumes, observation cases, emergency department volumes, imaging procedures, and physician practice volumes. Operating revenue for fiscal year 2022 includes \$17.6 million of CARES Act Provider Relief Funds and \$11.8 million of state funded labor.

Total operating expenses in fiscal 2022 were 9.1% higher than in fiscal year 2021 due to increases in salaries related to utilization of contract labor due to labor shortages and the additional 520 FTE's primarily due to staffing requirements as a result of volume growth. In addition, supply expense increased 8.4% due to increased volumes in key areas and supply shortages causing higher costs.

Net non-operating loss was \$104 million in fiscal year 2022 compared to a gain of \$121.2 million in fiscal year 2021 driven by declines in investment markets. The excess of revenue and gains over expenses and losses in fiscal year 2022 was \$14.3 million compared to a gain of \$338.3 million in fiscal year 2021.

The Health System's unrestricted cash and investments decreased from 340 days cash on hand as of September 30, 2021 to 296 days cash on hand as of September 30, 2022, excluding Medicare advanced payments received. The decrease in days cash on hand is primarily the result of an increase in operating expenses and declines in investment market performance, as discussed above.

Northeast Georgia Health System, Inc. and Affiliates
Consolidated Balance Sheets
September 31, 2022 and September 30, 2021

	Sept. 30, 2021	Sept. 30, 2021
ASSETS	Unaudited	Note A
Current Assets:		
Cash and cash equivalents	\$43,927,683	\$50,649,270
Investments	346,505,186	309,637,737
Patient accounts receivable, net	167,797,557	179,867,471
Accounts receivable, other	8,351,148	5,698,293
Estimated amounts due from third-party payers	11,838,558	22,284,802
Inventory	14,790,421	18,451,112
Prepaid expenses	10,503,667	6,514,137
Current portion of assets whose use is limited	16,089,411	13,289,360
Total Current Assets	619,803,631	606,392,182
Noncurrent Assets:		
Investments	964,669,989	1,123,662,948
Assets whose use is limited, less current portion	226,050,048	298,545,707
Board designated assets whose use is limited	89,738,979	95,182,131
Property, plant and equipment, net	931,457,310	792,360,272
Right-of-Use Assets	17,151,989	29,532,973
Other Noncurrent Assets:		
Notes receivable	272,711	381,909
Equity investments	2,228,429	2,847,227
Intangible assets	4,467,753	4,699,812
Pension Asset	54,674,069	
Land held for resale	3,890,990	5,583,015
Total Assets	\$2,914,405,897	\$2,959,188,175

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Northeast Georgia Health System, Inc. and Affiliates
Consolidated Balance Sheets (continued)

	Sept. 30, 2022	Sept. 30, 2021
	Unaudited	Note A
LIABILITIES & FUND EQUITY		
Current Liabilities:		
Current portion of long term debt	18,412,788	18,125,454
Current portion lease obligation	7,501,257	10,130,777
Accounts payable	109,123,762	90,559,359
Advance payments from third party payors	(38,687)	70,807,716
Deferred revenue	24,339,324	24,339,324
Estimated amounts due to third party payor	16,699,781	12,000,633
Accrued payroll and related deductions and accruals	102,436,065	141,899,131
Accrued interest	5,543,078	4,960,069
Total Current Liabilities	284,017,367	372,822,463
Noncurrent Liabilities:		
Long term debt, less current portion	1,177,634,374	1,196,547,368
Long term lease obligation	9,985,259	19,694,483
Estimated liability for insurance claims	62,360,565	58,874,704
Pension liability		5,585,454
Other long term liabilities	44,408,380	49,186,718
Total Liabilities	1,578,405,946	1,702,711,190
Net Assets:		
Without donor restrictions	1,306,492,214	1,231,253,977
With donor restrictions	29,507,737	25,223,007
Total Net Assets	1,335,999,951	1,256,476,985
Total Liabilities & Net Assets	\$2,914,405,897	\$2,959,188,175

Note A: The September 30, 2021 financial statements should be read in conjunction with the Northeast Georgia Health System, Inc. and Affiliates consolidated financial statements.

Northeast Georgia Health System, Inc. and Affiliates
Consolidated Statements of Operations and Changes in Net Assets

	Fiscal Years Ended September 30,	
	2022	2021
Operating Revenue		
Gross Patient Revenues	\$ 7,800,999,713	\$ 7,205,969,560
Total Deductions	5,894,968,415	5,399,016,791
Net Patient Service Revenue	1,906,031,298	1,806,952,769
Other Operating Income	84,300,455	126,654,407
Total Operating Revenue	1,990,331,752	1,933,607,177
Operating Expenses		
Salaries	952,113,522	849,613,585
Employee Benefits	151,839,344	149,937,871
Physician Fees	49,808,625	41,765,269
Utilities	17,648,900	14,527,725
Supplies	234,861,470	209,598,958
Drugs	103,203,751	102,191,908
Legal, Consulting & Prof Fees	9,186,712	6,738,864
Contracted Outside Services	76,419,725	74,449,060
Other	133,841,959	118,129,433
Insurance	15,079,636	17,917,059
Interest	36,911,897	36,655,841
Depreciation & Amortization	91,174,908	95,013,423
Total Operating Expenses	1,872,090,450	1,716,538,997
Operating Income	118,241,303	217,068,179
Non-Operating Revenue		
Other Income	3,950,020	3,836,834
Other Expense	(5,009,792)	(39,579,472)
Investments - Interest & Dividend Income	41,390,955	33,176,485
Investments - Realized Gain(Loss)	12,978,040	(4,224,111)
Investments - Unrealized Gain(Loss)	(156,175,765)	124,771,157
Investments - Change in Fair Value of Derivatives	0	0
Net Partnership Earnings	(1,106,859)	3,247,809
Total Non-operating Revenue	(103,973,401)	121,228,702
Revenue and Gains over Expenses and Losses	\$ 14,267,902	\$ 338,296,882

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Northeast Georgia Health System, Inc. and Affiliates
Consolidated Statements of Operations and Changes in Net Assets (continued)

	Fiscal Years Ended September 30,	
	2022	2021
Net Assets without Donor Restrictions		
Excess (deficit) of Revenue and Gains over Expenses and Losses	\$ 14,267,902	\$ 338,296,882
Other Changes	60,970,335	96,766,119
Increase (decrease) in unrestricted net assets	75,238,237	435,063,000
Net Assets with Donor Restrictions		
Donations	6,849,840	4,433,267
Net assets released from restrictions	(2,066,989)	(3,258,250)
Net Investment Earnings	(211,627)	507,097
Other changes	(286,494)	(135,589)
Increase (decrease) in donor restricted net assets	4,284,730	1,546,525
Change in net assets	79,522,967	436,609,526
Net assets, beginning of period	1,256,476,985	819,867,459
Net assets, end of period	\$ 1,335,999,951	\$ 1,256,476,985

Northeast Georgia Health System, Inc. and Affiliates
Consolidated Statement of Cash Flows

Year Ended
September 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets	\$	79,522,967
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization		91,174,908
Loss (Gain) on sale/disposal of PPE		(706,616)
Loss (Gain) Loss on sales of investments and assets limited as to use		(17,800,814)
Pension plan adjustments		(61,017,446)
Change in expected losses and discounts on pledges		241,775
Change in net unrealized gains/losses on investments and assets limited as to use		156,185,084
Restricted contributions		(6,849,840)
Changes in assets and liabilities:		
Inventory of supplies		3,660,691
Other current assets		(6,884,159)
Other long-term assets		(53,925,123)
Accrued interest		583,009
Accounts payable and other accrued expenses and other long-term liabilities		57,097,079
Accrued salaries, benefits, compensated absences and amounts withheld		(39,463,067)
Unearned revenue		-
Estimated third-party payor settlements		15,145,392
Estimated self-insurance liabilities		3,485,861
Lease liabilities		(11,100,271)
Total adjustments		141,896,379
NET CASH PROVIDED BY OPERATING ACTIVITIES		221,419,346

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**Northeast Georgia Health System, Inc. and Affiliates
Consolidated Statement of Cash Flows (continued)**

**Year Ended
September 30, 2022**

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property, plant and equipment	(205,372,110)
Proceeds from sales of PP&E	2,551,790
Purchases of investments and assets limited as to use	(884,698,959)
Proceeds from maturities and sales of investments and assets limited as to use	943,578,958

NET CASH USED IN INVESTING ACTIVITIES (143,940,321)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on long-term obligations and finance lease obligations	(20,204,048)
Recoupment of advance payments from third-party payers	(70,846,403)
Restricted contributions received	6,849,840

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES (84,200,612)

NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS (6,721,587)

**CASH AND CASH EQUIVALENTS
AT BEGINNING OF PERIOD** 50,649,270

**CASH AND CASH EQUIVALENTS
AT END OF PERIOD** 43,927,683

SOURCES OF PATIENT SERVICE REVENUE

Payments are made to the Health System by patients, by various insuring organizations (including self-insured employers), and by the federal and state governments under Medicare, Medicaid and other programs. The Health System is certified by the Georgia Department of Medical Assistance to participate in the Medicaid program and by the U.S. Department of Health and Human Services to participate in the Medicare program. The approximate amounts and percentages of gross patient charges for the period ended September 30, 2021 and 2022 were as follows:

PAYOR SUMMARY

	Fiscal Year Ended September 30,	
	2021	2022
Medicare	\$3,576,091,504	\$3,907,965,489
Medicaid	\$811,253,319	\$854,560,727
Blue Cross	\$788,045,712	\$865,610,254
Commercial	\$1,169,113,096	\$1,271,574,669
Other	\$261,345,875	\$329,020,908
Self-Pay	\$595,415,988	\$565,801,076
Totals	\$7,201,265,494	\$7,794,533,123

PERCENTAGE REVENUE BY PAYOR

	Fiscal Year Ended September 30,	
	2021	2022
Medicare	49.66%	50.14%
Medicaid	11.27%	10.96%
Blue Cross	10.94%	11.11%
Commercial	16.23%	16.31%
Other	3.63%	4.22%
Self-Pay	8.27%	7.26%
Totals	100.0%	100.0%

Excludes charges from Ambulance Services and Lifeline.

UTILIZATION STATISTICS

The following table summarizes certain operating and utilization statistics of the Health System for the six months ended September 30, 2021 and 2022:

	Fiscal Year Ended September 30,	
	2021	2022
Licensed Acute Beds (Adult)	799	799
Staffed Beds	733	739
Long-Term Care Beds	259	259
Newborn Patient Days	237,549	235,630
Acute Patient Days	5,734	5,829
Acute Discharges	41,678	41,124
System Adjusted Discharges	86,856	91,070
Acute Average Length of Stay (Days)	5.70	5.73
Med/Surg Patient Days	217,735	213,102
Med/Surg Discharges	39,213	38,057
Med/Surg Average Length of Stay (Days)	5.55	5.60
Long-Term Care Patient Days	64,214	67,424
Average Daily Patient Census		
Acute Care	650.8	645.6
Long-Term Care	175.9	184.7
Occupancy:		
Acute Care	88.8%	87.4%
Long-Term Care	67.9%	71.3%
Observation/BOP Visits	24,915	27,531
Deliveries	4,615	4,927
Operating Room- Number of Operations		
Inpatient	8,844	9,231
Outpatient	17,263	18,873
Total Operating Room- Number of Operations	26,107	28,104
Emergency Room Outpatient Visits	134,190	149,088
Hospital Outpatient Visits	465,313	499,211
NGPG wRVUs	2,519,312	2,705,118
Avg number of FT equivalent employees	8,262	8,782
Medicare Case Mix	2.0047	2.0099

Note: Staffed Beds does not include temporary beds set up and staffed during surges in patient volumes due to the COVID pandemic.

CAPITALIZATION

The following table summarizes the capitalization of the Health System as of September 30, 2022 and September 30, 2021.

	September 30, 2022	September 30, 2021
	<i>(Dollars in thousands)</i>	
Series 2017A Certificates	166,510	166,510
Series 2017B Certificates	135,170	137,784
Series 2020A Certificates	321,920	332,735
Series 2021A Certificates	221,535	221,535
Series 2021B Certificates	242,120	242,120
Less Unamortized Discount/Premium on Certificates	116,403	121,016
Other Long-Term Indebtedness	90	813
Total Indebtedness	\$1,203,568	\$1,222,514
Total Unrestricted Net Assets	1,306,492	1,231,254
Total Capitalization	\$2,510,060	\$2,453,768
Net Indebtedness as a Percentage of Total Capitalization	47.9 %	49.8 %

PRO FORMA MAXIMUM ANNUAL DEBT SERVICE

The following table sets forth the pro forma maximum annual debt service coverage of the Health System for the fiscal year ended September 30, 2022. The following information includes the results of entities that are not members of the Obligated Group.

	Fiscal Year Ended September 30, 2022
	<i>(Dollars in Thousands)</i>
Revenue and Gains in Excess of Expenses and Losses	\$14,268
Add: Depreciation and Amortization	91,175
Add: Interest Expense	36,912
Add: Unrealized Losses on Investments	<u>156,176</u>
Net Revenue Available for Debt Service	\$298,531
Pro Forma Maximum Annual Debt Service	\$60,812
Pro Forma Maximum Annual Debt Service Coverage Ratio	4.91x

LIQUIDITY

The following table sets forth the Health System's Days Cash on Hand at September 30, 2022 and 2021.

Days Cash on Hand <i>(Dollars in thousands)</i>	Fiscal Year Ended September 30,	
	2022	2021
Unrestricted Cash and Investments	1,444,881	1,508,324
Total Operating Expenses	1,872,091	1,716,539
Less: Depreciation and Amortization	91,175	95,013
Net Operating Expenses	1,780,916	1,621,526
Average Daily Operating Expenses	\$4,879	\$4,443
Days Cash on Hand	296	340