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PIEDMONT HEALTHCARE, INC.
AND AFFILIATES

Single Audit Reporting in Accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

June 30, 2022

PIEDMONT HEALTHCARE, INC.
AND AFFILIATES

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KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors
Piedmont Healthcare, Inc. and Affiliates:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Piedmont Healthcare, Inc. and Affiliates (PHC), which comprise the consolidated balance sheet as of June 30, 2022, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 23, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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Purpose of This Report

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

KPMG LLP

Atlanta, Georgia
November 23, 2022

PIEDMONT HEALTHCARE, INC. AND AFFILIATES

Schedule of Expenditures of Federal Awards

Year ended June 30, 2022

Federal grantor/pass-through grantor/program title	Federal ALN number	Pass-through entity identifying number	Program expenditures	Amounts passed through to subrecipients
U.S. Department of Health and Human Services:				
COVID-19 HRSA COVID-19 Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund*	93.461		$ 29,486,711	—
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution*	93.498		69,075,195	—
Research and Development Cluster:				
Passed through National Heart, Lung and Blood Institute:				
Anticoagulation for New-Onset Post-Operative Atrial Fibrillation After CABG (PACES)	93.RD	GCO 08-1078	7,124	—
Passed through NRG Oncology:				
De-Escalation of Breast Radiation Trial for Hormone Sensitive, HER-2 Negative, Oncotype Recurrence Score Less Than or Equal to 18 Breast Cancer (DEBRA)	93.RD	NRG-BR007	2,700	—
Chemoradiation Versus Chemoradiation Plus Atezolizumab	93.RD	NRG-LU005	3,575	—
Total Research and Development Cluster			13,399	—
U.S. Department of Justice:				
Crime Victim Assistance	16.575		26,416	—
Total expenditures of federal awards			$ 98,601,721	—

* Denotes a major program

See accompanying notes to schedule of expenditures of federal awards.

See accompanying independent auditors’ report.

**PIEDMONT HEALTHCARE, INC.
AND AFFILIATES**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2022

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Piedmont Healthcare, Inc. and Affiliates (PHC) and is prepared using the accrual basis of accounting. This information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts in the Schedule may differ from amounts presented in or used in the preparation of PHC's basic financial statements. PHC has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

(2) Loans Outstanding

PHC had no loans outstanding with compliance requirements under the Uniform Guidance for the year ended June 30, 2022.

(3) COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (ALN No. 93.498)

As required by the granting agency, the COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (PRF) amounts presented in the Schedule represent lost revenues and expenses as reported to the U.S. Department of Health and Human Services for the PRF Portal Reporting time periods of January 1, 2022 to March 31, 2022 and July 1, 2022 to September 30, 2022.

KPMG LLP
Suite 2000
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Atlanta, GA 30308-3210

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
Piedmont Healthcare, Inc. and Affiliates:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Piedmont Healthcare, Inc. and Affiliates (PHC)'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of PHC's major federal programs for the year ended June 30, 2022. PHC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, PHC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of PHC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of PHC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to PHC's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on PHC's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about PHC's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 PHC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of PHC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of PHC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on PHC's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. PHC is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. PHC's response and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of PHC as of and for the year ended June 30, 2022, and have issued our report thereon dated November 22, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Atlanta, Georgia
August 11, 2023

PIEDMONT HEALTHCARE, INC.
AND AFFILIATES

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

(1) Summary of Auditors' Results

a. Type of report issued on whether the financial statements were prepared in accordance with U.S. generally accepted accounting principles: **Unmodified**

b. Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

c. Noncompliance material to the financial statements: **No**

d. Internal control deficiencies over major programs disclosed by the audit:

- Material weaknesses: **No**
- Significant deficiencies: **Yes – Finding No.2022-001**

e. Type of report issued on compliance for major programs: **Unmodified**

f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**

g. Major programs:

- COVID-19 HRSA COVID-19 Claims Reimbursement to Health Care Providers and Facilities for Testing and Treatment of the Uninsured Program and the COVID-19 Coverage Assistance Fund – U.S. Department of Health and Human Services – ALN 93.461
- COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution – U.S. Department of Health and Human Services – ALN 93.498

h. Dollar threshold used to distinguish between Type A and Type B programs: **$2,958,052**

i. Auditee qualified as a low-risk auditee: **No**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

Finding No: 2022-001 Activities Allowed or Unallowed/Allowable Costs

Federal Agency:

U.S. Department of Health and Human Services

Assistance Listing Number:

93.498

Program:

COVID -19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

Award Year:

January 1, 2020 through June 30, 2022

(a) Criteria or Requirement

Per 2 CFR 200.303, the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

(b) Condition Found, Including Perspective

During our test work, we selected a sample of 40 incentive bonus payments made during the fiscal year 2022 reporting period. We noted that PHC was unable to provide evidence of management review and approval for each of the incentive bonus payments sampled. These disbursements were made for allowable costs under the terms and conditions of the program.

(c) Possible Cause

PHC was unable to provide evidence of certain management reviews and approvals because the control was not designed to require the retention of documentation of management review at the transactional level.

(d) Questioned Cost

None.

(e) Effect

Evidence of the effective operation of management review controls was not maintained in accordance with Federal requirements.

(f) Statistical Validity

The sample was not intended to be, and was not, a statistically valid sample.

(g) Repeat Finding in the Prior Year

Repeat of prior year Finding No. 2021-001.

(h) Recommendation

We recommend that PHC strengthen controls over the management review process to enhance the retention of evidence of management review and approval.

PIEDMONT HEALTHCARE, INC.
AND AFFILIATES

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

(i) View of Responsible Officials

Management concurs with the finding. While we believe appropriate controls exist relating to the management review and approval of allowable costs at the transactional level, we concur that procedures relating to obtaining and maintaining documentation of such reviews need to be strengthened.

Management will ensure communication of the finding to the reviewers and submitters of allowable costs and revise procedures to ensure documentation of reviews and approvals is obtained and maintained. Prior to submitting allowable costs to Health Resources and Services Administration ("HRSA"), we will obtain documentation of the approval of these costs and maintain this documentation in the same manner as the documentation of the submission of the costs to HRSA.

PIEDMONT HEALTHCARE, INC. AND AFFILIATES

Consolidated Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

PIEDMONT HEALTHCARE, INC. AND AFFILIATES

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KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

Independent Auditors' Report

The Board of Directors
Piedmont Healthcare, Inc. and Affiliates:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Piedmont Healthcare, Inc. and Affiliates, which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Piedmont Healthcare, Inc. and Affiliates as of June 30, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Piedmont Healthcare, Inc. and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 U.S. generally accepted accounting principles, 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 Piedmont Healthcare, Inc. and Affiliates' ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit 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 auditors' 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 Piedmont Healthcare, Inc. and Affiliates' 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 Piedmont Healthcare, Inc. and Affiliates' 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2022 on our consideration of Piedmont Healthcare, Inc. and Affiliates' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Piedmont Healthcare, Inc. and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Piedmont Healthcare, Inc. and Affiliates' internal control over financial reporting and compliance.

KPMG LLP

Atlanta, Georgia
November 23, 2022

PIEDMONT HEALTHCARE, INC. AND AFFILIATES

Consolidated Balance Sheets

June 30, 2022 and 2021

(In thousands)

Assets		**2022**	**2021**
Current assets:			
Cash and cash equivalents	$	1,349,646	1,153,674
Patient accounts receivable, net		837,270	600,333
Current portion of self-insurance investments		39,855	32,631
Other current assets		279,310	198,548
Total current assets		2,506,081	1,985,186
Investments and assets limited as to use		1,778,914	1,495,101
Property and equipment, net		2,920,700	2,144,971
Operating lease right-of-use assets		413,446	233,871
Self-insurance investments, net of current portion		89,396	69,358
Beneficial interest in perpetual trust		8,323	10,340
Goodwill		761,278	101,965
Other assets		319,986	263,827
Total assets	$	8,798,124	6,304,619
Liabilities and Net Assets			
Current liabilities:			
Current portion of bonds payable	$	128,005	16,380
Accounts payable and accrued expenses		991,279	744,812
Estimated third-party payor settlements		142,243	119,929
Current portion of self-insurance reserves		64,259	53,612
Total current liabilities		1,325,786	934,733
Bonds payable, net of current portion		2,379,107	1,406,405
Medical office building financing obligation		30,143	43,034
Operating lease liabilities		384,284	205,013
Self-insurance reserves, net of current portion		122,853	91,322
Accrued pension cost and other benefits		27,766	61,723
Other long-term liabilities		201,311	204,815
Total liabilities		4,471,250	2,947,045
Net assets:			
Without donor restrictions		4,198,251	3,274,733
With donor restrictions		128,623	82,841
Total net assets		4,326,874	3,357,574
Total liabilities and net assets	$	8,798,124	6,304,619

See accompanying notes to consolidated financial statements.

PIEDMONT HEALTHCARE, INC. AND AFFILIATES

Consolidated Statements of Operations

Years ended June 30, 2022 and 2021

(In thousands)

		2022	2021
Revenue, gains, and other support:			
Net patient service revenue	$	5,672,117	4,407,948
Other revenue		285,271	156,524
Total revenue, gains, and other support		5,957,388	4,564,472
Expenses:			
Salaries and benefits		2,737,457	2,197,568
Supplies and other		2,494,981	1,692,875
Depreciation and amortization		228,351	193,676
Interest		71,890	46,555
Total expenses		5,532,679	4,130,674
Operating income before acquisition/integration costs and contribution received in acquisition		424,709	433,798
Acquisition/integration costs		(62,854)	(9,892)
Contribution received in acquisition		700,268	—
Operating income		1,062,123	423,906
Nonoperating gains (losses):			
Investment income (loss), net		(199,075)	336,632
Other components of pension gains		8,279	1,650
Gain from equity investments, net		24,063	10,456
Change in fair value of interest rate swaps		12,599	8,720
Total nonoperating (losses) gains, net		(154,134)	357,458
Excess of revenue, gains, and other support over expenses and losses		907,989	781,364
Net assets released from restrictions used for purchase of property and equipment		6,613	5,369
Pension adjustments		5,679	43,530
Other		3,237	3,448
Change in net assets without donor restrictions	$	923,518	833,711

See accompanying notes to consolidated financial statements.

PIEDMONT HEALTHCARE, INC. AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2022 and 2021

(In thousands)

		2022	2021
Net assets without donor restrictions:			
Excess of revenue, gains, and other support over expenses and losses	$	907,989	781,364
Net assets released from restrictions used for purchase of property and equipment		6,613	5,369
Pension adjustments		5,679	43,530
Other		3,237	3,448
Change in net assets without donor restrictions		923,518	833,711
Net assets with donor restrictions:			
Contributions		21,119	22,752
Change in beneficial interest in perpetual trust		(2,017)	2,230
Net assets released from restrictions used for purchase of property and equipment		(6,613)	(5,369)
Net assets released from restrictions used for operations		(5,806)	(6,331)
Net assets acquired in acquisition		38,442	—
Other		657	11
Change in net assets with donor restrictions		45,782	13,293
Change in net assets		969,300	847,004
Net assets at beginning of year		3,357,574	2,510,570
Net assets at end of year	$	4,326,874	3,357,574

See accompanying notes to consolidated financial statements.

PIEDMONT HEALTHCARE, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

(In thousands)

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	969,300	847,004
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		228,351	193,676
Contribution received in acquisition, net of cash acquired		(663,401)	—
Investment income, net		188,942	(330,424)
Change in beneficial interest in perpetual trust		2,017	(2,230)
Amortization of bond premium and debt issuance costs		(11,504)	(10,791)
Pension adjustments		(5,679)	(43,530)
Change in fair value of interest rate swaps		(12,599)	(8,720)
Contributions donor restricted for long-term investment		(21,119)	(22,752)
(Increase) decrease in:			
Patient accounts receivable		(155,210)	(93,348)
Other current assets		(38,786)	372
Bond proceeds receivable		—	(12,915)
Other assets		(1,031)	(68,775)
(Decrease) increase in:			
Accounts payable and accrued expenses		178,998	(184,088)
Estimated third-party payor settlements		(39,027)	28,064
Self-insurance reserves		10,712	10,090
Accrued pension cost		(33,957)	(22,892)
Other long-term liabilities		(48,151)	40,991
Net cash provided by operating activities		547,856	319,732
Cash flows from investing activities:			
Purchases of investments and assets limited as to use		(319,976)	(318,192)
Proceeds from sale of investments and assets limited as to use		399,225	304,757
Acquisition, net of cash acquired		(988,230)	—
Capital expenditures		(359,026)	(250,594)
Net cash used in investing activities		(1,268,007)	(264,029)
Cash flows from financing activities:			
Contributions donor restricted for long-term investment		21,119	22,752
Proceeds from note payable to a bank		1,000,000	—
Repayments on note payable to a bank		(1,025,504)	(2,065)
Proceeds from issuance of bonds payable		1,000,000	—
Repayments of indebtedness		(15,671)	(15,120)
Net cash provided by financing activities		979,944	5,567
Net increase in cash and cash equivalents		259,793	61,270
Cash and cash equivalents at beginning of year		1,189,424	1,128,154
Cash and cash equivalents at end of year	$	1,449,217	1,189,424
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$	71,732	53,030
Income taxes (net of refunds)		2,388	1,476
Supplemental disclosures of noncash investing and financing activities:			
Capital expenditures included in accounts payable and accrued expenses – investing activity	$	37,526	33,064
Reconciliation of cash and cash equivalents:			
Cash and cash equivalents	$	1,349,646	1,153,674
Cash funds in investments and assets limited as to use and self-insurance investments		99,571	35,750
	$	1,449,217	1,189,424

See accompanying notes to consolidated financial statements.

(1) Organization and General

The Board of Directors of Piedmont Healthcare, Inc. and Affiliates (collectively, PHC) appoints the governing boards of:

- Not-for-Profit Acute Care Hospitals:
  - Piedmont Atlanta Hospital, Inc. (Atlanta)
  - Piedmont Fayette Hospital, Inc. (Fayette)
  - Piedmont Mountainside Hospital, Inc. (Mountainside)
  - Piedmont Newnan Hospital, Inc. (Newnan)
  - Piedmont Henry Hospital (Henry)
  - Piedmont Newton Hospital (Newton)
  - Piedmont Athens Regional Hospital (Athens)
  - Piedmont Rockdale Hospital (Rockdale)
  - Piedmont Columbus Regional Midtown Hospital (Midtown)
  - Piedmont Columbus Regional Northside Hospital (Northside)
  - Piedmont Walton Hospital (Walton)
  - Piedmont Cartersville Hospital, Inc. (Cartersville)
  - Piedmont Eastside Hospital, Inc. (Eastside)
  - Piedmont Macon Hospital, Inc. (Macon)
  - Piedmont Macon North Hospital, Inc. (Macon North)
  - Piedmont Augusta Hospital, Inc. (Augusta)
  - Piedmont McDuffie Hospital, Inc. (McDuffie)
- Physician Practice Entities for the benefit of the PHC affiliates:
  - Piedmont Medical Care Corporation (PMCC). PMCC is a network of primary care, hospital-based, and certain specialty physicians.
  - Piedmont Heart Institute Physicians, Inc. (PHIP). PHIP is an integrated cardiovascular healthcare delivery program.
  - Athens Regional Physician Services, Inc. (ARPS). ARPS operates primary care physician practices.
  - Athens Regional Specialty Services Inc. (ARSS). ARSS operates specialty physician practices.
  - Regional FirstCare, Inc. (RFC). RFC operates urgent care centers and develops workers' compensation/occupational medicine programs.
  - Columbus Regional Medical Group (CRMG). CRMG is a network of primary care, hospital-based and certain specialty physicians.

- University Health Care Physicians, LLC (UHCP). UHCP is a network of primary and specialty care physicians.
- Foundations that assist in fundraising for PHC affiliates:
  - Piedmont Healthcare Foundation, Inc. (PHF).
  - Athens Regional Foundation, Inc. (ARF).
  - Columbus Regional Medical Foundation, Inc. (CRMF).
  - University Health Care Foundation, Inc. (UHCF)
- Cayman Islands Based Insurance Entities:
  - Amster-McRae Insurance Company (AMIC). AMIC insures the hospital professional liability and commercial general liability risks of PHC and certain PHC affiliates.
  - Walton Way Indemnity, SPC (WWI). WWI insures the hospital professional liability, commercial general liability, and workers' compensation risks of certain PHC affiliates.
- Other Entities:
  - Piedmont Clinic, Inc. (The Clinic). The Clinic is a physician-hospital organization whose purpose is to negotiate contracts with various managed care payors for the PHC affiliates.
  - Piedmont Heart Institute, Inc. (PHI). PHI provides cardiovascular research services for the benefit of the PHC affiliates.
  - Athens Regional Health Resources, Inc. (ARHR). ARHR provides outpatient medical care and health services.
  - Columbus Regional Health System (CRHS). operates of two acute care hospitals, physician practices, retail pharmacies, and joint ventures providing diagnostic imaging, a provider hospital organization (PHO), and a rehabilitation hospital.
  - Columbus Regional Health Resources, Inc. (CRHR). CRHR holds leases and manages real estate utilized in connection with CRHS operations.
  - My Health Alliance, LLC (MHA). MHA is a collaborative effort between CRHS and physicians pursuing clinical integration.
  - My Health Network, LLC (MHN). MHN is a PHO made up of employed and other community physicians providing credentialing services and access to payor contracts.
  - University Extended Care, Inc. (UEC). UEC operates PHC's three free-standing nursing facilities.
  - University Health Resources, Inc. (UHRI). UHRI engages in various medically related joint ventures.

Hereafter the "Columbus Entities" refers to Midtown, Northside, CRMG, CRHS, CRHR, MHA, MHN, and CRMF, collectively; the "Odyssey Entities" refers to Cartersville, Eastside, Macon and Macon North, collectively; and the "Augusta Entities" refers to Augusta, McDuffie, UHCP, UHCF, WWI, UEC and UHRI, collectively. The Odyssey Entities and the Augusta Entities were acquired during the year ended June 30, 2022 as described in note 3.

(2) Significant Accounting and Reporting Policies

A summary of the significant accounting and reporting policies applied by PHC in the preparation of its consolidated financial statements is presented below:

(a) Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and include the accounts of PHC, Atlanta, Fayette, Mountainside, Newnan, Henry, Newton, Athens, Rockdale, Walton, PMCC, PHIP, ARPS, ARSS, RFC, AMIC, PHF, ARF, The Clinic, PHI, ARHS, the Columbus Entities, the Odyssey Entities, and the Augusta Entities. All significant intercompany transactions and accounts have been eliminated in consolidation.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Significant items subject to such estimates and assumptions include the determination of the collectibility of receivables, net realizable patient service revenue, fair value of investments and assets limited as to use and interest rate swaps, reserves for general and professional liability, workers' compensation and health insurance claims, third-party payor settlements, the fair value of assets and liabilities acquired in business combinations, and the actuarially determined liability related to PHC's defined-benefit pension plans.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks, and investments in highly liquid debt instruments with maturities of three months or less when purchased, excluding amounts limited as to use. PHC invests cash not required for immediate operating needs principally with major financial institutions with strong credit ratings. By policy, the amount of credit exposure to any one institution is limited, and such investments are generally not collateralized.

(d) Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying consolidated balance sheets. Investment income or loss (including unrealized and realized gains and losses on investments, interest, and dividends) is included in the excess of revenue, gains, and other support over expenses and losses unless the income or loss is restricted by donor or law. PHC accounts for investment transactions on a settlement-date basis. All of PHC's investment portfolio is classified as trading, with unrealized gains and losses included in excess of revenue, gains, and other support over expenses and losses. Fair values are based on quoted market prices if available or estimated using quoted market prices for similar securities. PHC invests in alternative investments, which provide PHC with a proportionate share of the fair value of the fund returns. PHC primarily accounts for its ownership interests in the alternative investments based upon the net asset value, which is a practical expedient estimate of fair value. Accordingly, PHC's share of the alternative investments' income or loss, both realized and unrealized, is recognized as investment income. Alternative investments held by the noncontributory defined-benefit plans are accounted for at estimated fair value. The cost of substantially all securities sold is based on the average-cost method.

PHC classifies investments with maturities of less than one year from the balance sheet date as short term and investments with maturities of greater than one year from the balance sheet date as long term.

(e) Assets Limited as to Use

These assets are limited as to use by donor restrictions, debt instruments or designations by PHC's governing board for plant replacement, expansion of certain facilities, purchase of equipment, and payment of certain future debt service requirements.

(f) Other Current Assets

Other current assets consist primarily of inventory, prepaid assets, and non-patient receivables. Inventory is stated at the lower of average cost or net realizable value. Inventory consists primarily of pharmaceuticals and medical supplies.

(g) Property and Equipment

Property and equipment acquisitions are recorded at cost, with the exception of donated items, which are recorded at fair value at the date of donation. Expenditures for renewals and improvements are charged to the property accounts. For properties sold or retired, the cost and related accumulated depreciation are removed from the property accounts. Any resulting gains or losses are included in the accompanying consolidated statements of operations. Replacements, maintenance, and repairs that do not improve or extend the life of the respective assets are charged to operations. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The ranges of estimated useful lives are 10–25 years for land improvements, 15–40 years for buildings and fixtures, and 3–20 years for equipment.

Property and equipment under finance leases is stated at the lower of the present value of minimum lease payments at the beginning of the lease term or fair value at inception of the lease.

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

(h) Leases

PHC is a lessee in several noncancelable (1) operating leases, primarily for medical equipment, office space, and warehousing and (2) finance leases, for real estate and IT equipment.

(Continued)

PHC accounts for leases in accordance with Topic 842, *Leases,* (notes 2(bb) and 15(c)). PHC determines if an arrangement is or contains a lease at contract inception and recognizes a right of use (ROU) asset and a lease liability at the lease commencement date.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the commencement date. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases and is measured subsequently at amortized cost using the effective-interest method.

Key estimates and judgments include how PHC determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) the lease term, and (3) the lease payments.

- Topic 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, PHC cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, PHC generally uses its incremental borrowing rate as the discount rate for the lease. PHC's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Because PHC does not generally borrow on a collateralized basis, it uses the interest rate it pays on its noncollateralized borrowings as an input to deriving an appropriate incremental borrowing rate, adjusted for the amount of the lease payments, the lease term and the effect of that rate of designating specific collateral with a value equal to the unpaid lease payments for that lease.
- The lease term for all of PHC's leases includes the noncancelable period of the lease plus any additional periods covered by either a PHC option to extend (or not to terminate) the lease that PHC is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.
- Lease payments included in the measurement of the lease liability comprise of the following:
  - Fixed payments, including in-substance fixed payments, owed over the lease term (which includes termination penalties PHC would owe if the lease term assumes PHC's exercise of a termination option);
  - Variable lease payments that depend on an index or rate, initially measured using the index or rate at the lease commencement date;
  - Amounts expected to be payable under a PHC-provided residual value guarantee; and
  - The exercise price of an option to purchase the underlying asset if PHC is reasonably certain to exercise the option.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made on or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

(Continued)

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For finance leases, the ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to PHC or PHC is reasonably certain to exercise an option to purchase the underlying asset. Amortization of the ROU asset is recognized and presented separately from interest expense on the lease liability.

Variable lease payments associated with PHC's leases are recognized when the event, activity, or circumstance in the lease agreement in which those payments are assessed occurs. Variable lease payments are presented as operating expense in PHC's consolidated statements of operations in the same line item as expense arising from fixed lease payments (operating leases) or amortization of the ROU asset (finance leases).

ROU assets for operating and finance leases are periodically evaluated for impairment losses. PHC uses the long-lived assets impairment guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 360-10, *Property, Plant, and Equipment – Overall*, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize. See note 15(c).

PHC monitors for events or changes in circumstances that require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in operations.

Operating lease ROU assets are presented separately on the accompanying consolidated balance sheets. The current portion of operating lease liabilities is included in accounts payable and accrued expenses and the long-term portion is presented separately as operating lease liabilities on the accompanying consolidated balance sheets. Finance lease ROU assets are included in property and equipment, net. The current portion of finance lease liabilities is included in accounts payable and accrued expenses, and the long-term portion is included in other long-term liabilities on the accompanying consolidated balance sheets.

PHC has elected not to recognize ROU assets and lease liabilities for short-term leases of equipment that have a lease term of 12 months or less. PHC has elected not to apply the short-term lease recognition and measurement exemption for other classes of leased assets. PHC recognizes the lease payments associated with its short-term equipment leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as for all other PHC leases.

(Continued)

PHC's leases generally include non-lease maintenance services (i.e., equipment maintenance or common area maintenance). PHC allocates the consideration in the contract to the lease and non-lease maintenance component based on each component's relative standalone price. PHC determines stand-alone prices for the lease components based on the prices for which other lessors lease similar assets on a stand-alone basis. PHC determines stand-alone prices for the non-lease components (i.e., maintenance services) based on the prices that several suppliers charge for maintenance services for similar assets on a stand-alone basis. If observable standalone prices are not readily available, PHC estimates the stand-alone prices maximizing the use of observable information. For leases of certain equipment, PHC has elected the practical expedient to account for the lease and nonlease components as a single lease component. Therefore, for those leases, the lease payments used to measure the lease liability will include all fixed consideration included in the contract.

(i) Software and Software Development Costs

Software and software development costs include costs incurred by PHC to develop software for internal use in medical records maintenance, physician order entry, and clinical documentation.

Costs of software developed for internal use are accounted for in accordance with the provisions of FASB ASC 350-40, *Internal-Use Software*. In accordance with ASC 350-40, internal and external costs incurred to develop internal-use computer software during the application development stage are capitalized. Application development stage costs generally include software configuration, coding, installation of hardware, and testing. Costs of significant upgrades and enhancements that result in additional functionality are also capitalized.

All other costs incurred in connection with an internal software project, including maintenance, minor upgrades, enhancements, and training, are expensed as incurred. Capitalized software costs are amortized on a straight-line basis over the estimated useful lives of the related software applications (3–12 years).

(j) Long-Lived Assets

PHC periodically reviews long-lived assets, such as property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized to the extent that the carrying amount of an asset exceeds its fair value. Assets to be disposed of are separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposal group classified as held-for-sale are presented separately in the appropriate asset and liability sections of the consolidated balance sheet. In the period in which the disposal group is sold or classified as held-for-sale, the results of its operations are classified as discontinued operations in the consolidated statements of operations. Management believes that the long-lived assets in the accompanying consolidated balance sheets are appropriately valued at June 30, 2022 and 2021. No related impairment losses were recognized during the years ended June 30, 2022 and 2021.

(k) Goodwill

Goodwill totaled approximately $761,278,000 and $101,965,000 at June 30, 2022 and 2021, respectively. In accordance with ASC 350, *Intangibles – Goodwill and Other*, PHC evaluates its goodwill annually for potential impairment. No impairment losses on goodwill were recognized for the years ended June 30, 2022 or 2021.

(l) Other Assets

Included in other assets at June 30, 2022 and 2021 are investments in joint ventures of approximately $148,493,000 and $133,436,000, respectively, and assets relating to deferred compensation plans totaling approximately $96,359,000 and $109,949,000, respectively.

(m) Beneficial Interest in Perpetual Trust

PHC is the beneficiary of six separate endowments held in trust by a local bank, with fair values at June 30, 2022 and 2021 aggregating approximately $8,323,000 and $10,340,000, respectively. The beneficial interest at June 30, 2022 and 2021 has been recorded at fair value and the change in value for the years then ended has been recorded as a change in net assets with donor restrictions.

(n) Vacation Policy

PHC accrues employee vacation pay as earned by the employee.

(o) Advertising Costs

Advertising costs are expensed as incurred and approximated $8,894,000 and $7,424,000 for the years ended June 30, 2022 and 2021, respectively, and are included in supplies and other expenses in the accompanying consolidated statements of operations.

(p) Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported and are included in self-insurance reserves on the consolidated balance sheets.

(q) Net Assets with Donor Restrictions

Net assets with donor restrictions include those whose use by PHC is restricted by the donor to a specific time period or purpose, and those that have been restricted by donors to be maintained in perpetuity. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions.

(r) Net Patient Service Revenue and Patient Accounts Receivable

PHC has agreements with third-party payors that provide for payments to PHC at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, and includes estimated retroactive revenue adjustments under reimbursement agreements with third-party payors due to future audits, reviews, and investigations. Retroactive

(Continued)

adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Net patient service revenue is summarized below (in thousands):

		Year ended June 30	
		2022	2021
Patient service charges	$	27,454,577	19,888,089
Less contractual adjustments, implicit price concessions, and other deductions		21,782,460	15,480,141
Net patient service revenue	$	5,672,117	4,407,948

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by PHC. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. PHC believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in PHC hospitals receiving inpatient, outpatient, or emergency services. PHC measures the performance obligation from admission, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized as a component of other revenue in the consolidated statements of operations when goods are provided to PHC's patients and customers in a retail setting (e.g., pharmaceuticals) and PHC does not believe it is required to provide additional goods or services related to that sale.

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

PHC determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with PHC's policy, and implicit price concessions provided to patients. PHC determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience.

Consistent with its not-for-profit status, PHC provides care to patients regardless of their ability to pay. Therefore, PHC has determined it has provided implicit price concessions to uninsured patients and patients with otherwise uninsured balances (e.g., co-pays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts PHC expects to collect based on its collection history with those patients considering business and economic conditions, trends in healthcare coverage, and other collection indicators. Periodically, management assesses the adequacy of the allowance for implicit price concessions based upon historical write-off experience by payor category. The results of this review are then used to make any modifications to the provision for implicit price concessions to establish an appropriate allowance.

PHC has determined that the nature, amount, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. The following tables provide details of these factors.

Net patient service revenue by major payor sources is as follows (in thousands):

		Year ended June 30	
		2022	2021
Medicare	$	2,136,234	1,620,180
Medicaid		366,364	272,022
Other third-party payors		2,871,608	2,349,612
Self-pay patients		297,911	166,134
Net patient service revenue	$	5,672,117	4,407,948

The composition of net patient service revenue based on PHC's service lines for the years ended June 30, 2022 and 2021 are as follows (in thousands):

		2022	2021
Service lines:			
Hospital – inpatient	$	2,966,771	2,221,911
Hospital – outpatient and emergency		1,959,619	1,552,981
Physician services		745,727	633,056
Net patient service revenue	$	5,672,117	4,407,948

PHC records a provision for implicit price concessions related to self-pay patients in the period services are provided. For receivables associated with patients who have third-party coverage, PHC analyzes contractually due amounts and provides an allowance and a provision for implicit and explicit price concessions, if necessary. Accounts receivable are written off after collection efforts have been undertaken in accordance with PHC's policies.

(s) Charity Care

PHC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are not reported as patient service revenue.

(t) COVID-19 Pandemic

Additional funding for the Public Health and Social Services Emergency Fund (Relief Fund) was among the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), which was signed into law on March 27, 2020. PHC received approximately $31,507,000 and $68,862,000 in stimulus payments through the Relief Fund in both general and targeted distributions during the years ended June 30, 2022 and 2021, respectively. Approximately $44,609,000 and $68,862,000 of the payments qualified as reimbursement for lost revenues and incremental expenses and were recognized as other operating revenue in the accompanying consolidated statements of operations for the years ended June 30, 2022 and 2021, respectively. The recognition of amounts received is conditioned upon the provision of care for individuals with possible or actual cases of COVID-19 after January 31, 2020, and certification that the payment will be used to prevent, prepare for, and respond to coronavirus. Amounts are recognized as other operating revenue only to the extent that the underlying conditions are substantially met. Amounts received in 2020 not recognized as other revenue totaling approximately $12,959,000, were reflected in accounts payable and accrued expenses in the accompanying 2021 consolidated balance sheet and were recognized as other revenue during the year ended June 30, 2022 when the underlying conditions for recognition were met.

PHC received Medicare accelerated payments of approximately $355,628,000 during the year ended June 30, 2020. These advances were fully repaid during the year ended June 30, 2021. Prior to their affiliation with PHC, the Augusta Entities received approximately $64,501,000 of Medicare accelerated payments. Medicare is recouping these advance payments on a monthly basis through September 30, 2022. Prior to the Augusta Entities' affiliation with PHC, approximately $25,620,000 of these payments had been recouped. During the period March 1, 2022 through June 30, 2022, Medicare recouped approximately $19,176,000. The remaining amount of approximately $19,705,000, which was recouped through September 30, 2022, is reflected in accounts payable and accrued expenses in the accompanying 2022 consolidated balance sheet.

The CARES Act also allows for the delay in the payment of required federal tax deposits for certain payroll taxes, including the employer's portion of Social Security employment taxes incurred between March 27, 2020 and December 31, 2020. Amounts will be considered timely paid if 50% of the deferred amount is repaid by December 31, 2021 and the remainder by December 31, 2022. As of June 30, 2021, PHC had deferred payment of approximately $63,197,000 of employer taxes, of which $31,599,000 was included in accounts payable and accrued expenses and approximately $31,598,000 was included in other long-term liabilities in the accompanying 2021 consolidated balance sheet. PHC repaid approximately $31,599,000 prior to December 31, 2021 and the remaining deferred amount of approximately $31,598,000 is included in accounts payable and accrued expenses in the accompanying 2022 consolidated balance sheet and is expected to be repaid through December 31, 2022.

(u) Excess of Revenue, Gains, and Other Support over Expenses and Losses

The consolidated statements of operations include excess of revenue, gains, and other support over expenses and losses. Changes in net assets without donor restrictions, which are excluded from excess of revenue, gains, and other support over expenses and losses, consistent with industry practice, include pension adjustments and contributions of long-lived assets (including assets acquired using contributions, which by donor restriction, are to be used for the purposes of acquiring such assets).

(v) Pledges Receivable and Donor-Restricted Gifts

Unconditional promises to give cash and other assets to PHC are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are recorded at fair value at the date the donor conditions are substantially met. Gifts are reported as donor-restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

In February 2016, PHC was awarded a conditional grant by The Marcus Foundation, Inc. totaling $75,000,000 to support a portion of the construction of the Marcus Heart and Vascular Center. The grant is conditional upon incurring qualified expenditures toward and completion of the donor-stipulated construction project, as well as complying with certain post-construction conditions expiring through December 31, 2022. As of June 30, 2022, PHC had not recognized any contribution revenue related to the grant. Through both June 30, 2022 and 2021, PHC has received $75,000,000 under the grant, which is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

FASB ASC 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also requires disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

PHC has historically and to-date received a limited amount of donor-restricted endowment funds. The Board has interpreted Georgia’s State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. Income from PHC’s donor-restricted endowment funds is generally restricted to specific donor-directed purposes, and is therefore, accounted for within net assets with donor restrictions until expended in accordance with the donor’s stipulations. PHC oversees individual donor-restricted endowment funds to ensure that the fair value of the original gift is preserved.

PHC invests donor-restricted endowment funds within the framework of PHC’s overall investment management program.

Cash receipts from the sale of donated financial assets are classified consistent with cash donations received in the consolidated statements of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without the donor imposing any limitations for sale and were converted nearly immediately into cash.

(w) Interest Expense

PHC incurred interest expense totaling approximately $71,890,000 and $46,555,000 for the years ended June 30, 2022 and 2021, respectively. During 2022 and 2021, approximately $12,440,000 and $7,049,000, respectively, of interest was capitalized and included in property and equipment in the accompanying consolidated balance sheets.

(x) Income Taxes

Piedmont Healthcare, Inc., Atlanta, Fayette, Mountainside, Newnan, Henry, Newton, Athens, Rockdale, Midtown, Northside, Walton, Cartersville, Eastside, Macon, Macon North, Augusta, McDuffie, ARPS, ARSS, RFC, CRMG, ARHR, MHA, MHN, PHI, PHF, ARF, CRMF, CRHS, UHCP, UHCF, and UEC are organizations exempt from federal income tax pursuant to U.S. Internal Revenue Code (IRC) Section 501(a), as organizations described in Section 501(c)(3) of the IRC of 1986, as amended, and state income tax. AMIC and WWI are exempt from federal and local income tax pursuant to the laws of the Government of the Cayman Islands. There is currently no taxation imposed on income or capital gains by the Government of the Cayman Islands. If any form of tax legislation were to be enacted, AMIC has been granted an exemption until the year 2024. PMCC, PHIP, CRHR, and UHRI are taxable, not-for-profit entities that operated in a net loss position for financial reporting and tax purposes during the years ended June 30, 2022 and 2021. The Clinic is a taxable, not-for-profit entity, which has generated a taxable loss of $133,000 and taxable income of $4,300,000 for the years ended June 30, 2022 and 2021, respectively, and related tax expense of $1,075,000 for the year ended June 30, 2021. The Clinic had no related tax expense for the year ended June 30, 2022. The Clinic had no unused NOL carryforwards at June 30, 2022 or 2021 other than the newly created carryforward from the year ended June 30, 2022.

At June 30, 2022 and 2021, PHC's taxable entities had net operating loss (NOL) carryforwards totaling approximately $1,150,343,000 and $1,090,387,000, respectively, some of which expire at various dates up to 2036. These entities had deferred income tax assets totaling approximately $279,780,869 and $279,040,000 at June 30, 2022 and 2021, respectively. The deferred income tax assets, which consist primarily of net operating loss carryforwards and differences relating to allowance for implicit price concessions, are offset by a full valuation allowance. NOLs incurred before December 31, 2017 may be carried forward 20 years. NOLs incurred after that date may offset up to 80% of taxable income incurred within an unlimited carryforward period.

PHC accounts for income taxes under the provisions of ASC 740, *Income Taxes* (ASC 740). Under the requirements of ASC 740, tax-exempt organizations may be required to record an obligation as the result of a tax position they have historically taken on various uncertain tax exposure items. There were no material uncertain tax positions at June 30, 2022 or 2021.

(y) Defined-Benefit Pension Plans

PHC accounts for its defined-benefit pension plans in accordance with ASC 715, *Compensation – Retirement Benefits* (ASC 715). ASC 715 requires an entity to recognize in its balance sheet an asset for a defined-benefit postretirement plan's overfunded status or a liability for a plan's underfunded status; measure a defined-benefit postretirement plan's assets and obligations that determine its funded status at the end of the employer's fiscal year; and recognize changes in the funded status of a defined-benefit postretirement plan as a separate line item or items within changes in net assets without donor restrictions, apart from expenses, in the year in which the changes occur. Certain PHC employees participate in PHC's trusteed noncontributory defined-benefit pension plans (the Plans). The Plans' benefits are based on a combination of years of service and the employee's compensation. PHC's funding policy is to contribute annually to the Plans an amount sufficient to meet the minimum funding standards of Employee Retirement Income Security Act (ERISA) or an amount sufficient to maintain the Plans on a sound actuarial basis, as certified by an enrolled actuary. Plan assets consist primarily of common stocks, alternative investments, fixed-income investments, and cash equivalents.

(z) Prior Year Reclassification

A reclassification has been made to the 2021 consolidated balance sheet to present goodwill separately from other assets in order to conform to the 2022 presentation. The change had no impact on the results of operations, change in net assets, or cash flows in the accompanying consolidated financial statements.

(aa) Subsequent Events

PHC evaluated events and transactions occurring subsequent to June 30, 2022 through November 23, 2022, the date the consolidated financial statements were issued. During this period, there were no additional subsequent events that required recognition in the accompanying consolidated financial statements or disclosure in the related notes.

(bb) Recent Accounting Pronouncements

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU changes the presentation and disclosure requirements for not-for-profit entities to increase transparency about contributed nonfinancial assets. PHC adopted the amendments in the ASU effective July 1, 2021. The adoption of the amendments did not have a material effect on the consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides temporary optional guidance for a limited time to ease the potential accounting impacts associated with transitioning away from reference rates that are expected to be discontinued, such as the London Interbank Offered Rate (LIBOR). The ASU was effective upon issuance on March 12, 2020. No contract modifications have occurred relevant to the reference rate reform. If relevant contract modifications occur prior to December 31, 2022, the time at which the optional expedients in Topic 848 generally expire, they will not require reassessment or remeasurements by PHC and will be accounted for on a prospective basis. The adoption of ASU 2020-04 did not have a material effect on PHC's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which supersedes FASB ASC Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. ASU No. 2016-02 requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability, and additional qualitative and quantitative disclosures. ASU No. 2016-02 is effective for annual periods in fiscal years beginning after December 15, 2019, permits early adoption, and mandates a modified retrospective transition method. PHC adopted the provisions of ASU No. 2016-02 effective July 1, 2020 and, as a result, added approximately $299,197,000 of right-of-use assets and corresponding lease liabilities to the 2021 consolidated balance sheet. The adoption did not have a material impact on the 2021 consolidated statement of operations of PHC. Lease-related disclosures, including disclosures about noncash investing and financing activities, have significantly expanded as a result of PHC's implementation of ASU No. 2016-02. See note 15(c).

Additionally, in July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. ASU No. 2018-11 allows companies to adopt ASC 842 without revising comparative period reporting or disclosures and provides an optional practical expedient to lessors to not separate lease and nonlease components of a contract if certain criteria are met. This ASU is effective for PHC at the same time as it adopts ASU No. 2016-02. PHC has elected to adopt the package of transition practical expedients and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases, or (3) the accounting for initial direct costs that were previously capitalized. PHC did not elect the practical expedient to use hindsight for leases existing at the adoption date.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350)*: *Simplifying the Test for Goodwill Impairment*, which eliminates Step 2 from the impairment test and changes the requirement to perform an annual impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the fair value up to the amount of goodwill allocated to the reporting unit. The ASU also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment. The amendments are effective for goodwill impairment tests in fiscal years beginning after December 15, 2020. The adoption of ASU 2017-04 did not have a material impact on the accompanying consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, *Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*. The amendments in this ASU remove disclosures that no longer are considered cost-beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. The amendments in this ASU apply to all employers that sponsor defined benefit pension or other postretirement plans. PHC adopted the amendments in the ASU for the year ended June 30, 2022. The adoption of the amendments did not have a material effect on the consolidated financial statements.

In May 2019, the FASB issued ASU No. 2019-06, *Intangibles – Goodwill and Other (Topic 350), Business Combinations (Topic 805)*, and *Not-for-Profit Entities (Topic 958) Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities* (ASU No. 2019-06), which provides not-for-profit entities an open-ended effective date and unconditional one-time election to adopt the private company alternatives from Topic 350 and Topic 805. Topic 350 provides that an entity should amortize goodwill on a straight-line basis over

10 years, or less, if applicable. An accounting policy election is required to test goodwill for impairment at the entity or reporting unit level and requires testing for impairment when a triggering event occurs. Topic 805 requires customer-related intangible assets that are not capable of being sold or licensed independently from the other assets of a business and all noncompetition agreements be amortized consistent with the period of goodwill amortization. The ASU requires election of Topic 350 if Topic 805 is elected. Topic 350 may be adopted without adoption of Topic 805. As of June 30, 2022, PHC has not elected to adopt ASU No. 2019-06.

(3) Acquisitions

(a) Odyssey Entities

Effective August 1, 2021, PHC entered into an equity interest purchase agreement with Atlanta Healthcare Management, L.P.; Georgia, L.P.; Georgia Health Holdings, Inc.; EHCA, LLC; and Galen Holdco, LLC whereby PHC paid $988,321,000 to acquire certain assets and liabilities related to four acute care hospitals f/k/a Cartersville Medical Center, Eastside Medical Center, Coliseum Medical Center, and Coliseum Northside Hospital and an ambulatory surgery center (collectively, the Odyssey Entities). The total cost of the purchase has been allocated to the assets acquired and liabilities assumed based upon their respective fair values in accordance with ASC 958-805, *Not for Profit Entities – Business Combinations* (ASC 958-805).

Based on the purchase price allocation as of the August 1, 2021 acquisition date, PHC recorded the fair value of all assets acquired and liabilities assumed, resulting in goodwill of approximately $647,217,000 being recorded on the accompanying 2022 consolidated balance sheet.

A summary of the purchase price allocation, including assumed liabilities, is as follows (in thousands):

Assets:		
Other current assets	$	16,336
Property and equipment		309,474
Other long-term assets		26,599
Goodwill		647,217
Liabilities:		
Current liabilities		(8,987)
Long-term liabilities		(2,318)
Total purchase price	$	988,321

The revenue, gains and other support; operating income; and change in net assets without donor restrictions attributable to PHC related to the acquired Odyssey Entities for the period August 1, 2021 through June 30, 2022 were approximately $622,523,000, $15,393,000, and $15,393,000, respectively.

(b) Augusta Entities

Effective March 1, 2022, PHC entered into an affiliation agreement with University Health, Inc. and University Health Services, Inc. whereby it became the sole corporate member of the entity and its affiliates (previously collectively defined as the Augusta Entities). Although no consideration was transferred, PHC assumed all the assets and liabilities of the Augusta Entities as of the affiliation date.

(Continued)

As part of the affiliation, PHC assumed University Hospital's lease with The Richmond County Hospital Authority (the Richmond Authority). The lease covers certain assets and liabilities of University Hospital at the inception of the lease. At the termination of the lease, the assets and liabilities revert back to the Richmond Authority. In connection with the affiliation and PHC's assumption of the lease, the lease term was extended to expire in 40 years (note 4). The total cost of the affiliation with the Augusta Entities has been allocated to the assets acquired and liabilities assumed based upon their respective fair values in accordance with ASC 958-805.

Based on the purchase price allocation as of the March 1, 2022 acquisition date, PHC recorded the fair value of all assets acquired and liabilities assumed, resulting in approximately $738,710,000 being recorded as a contribution received in affiliation on the accompanying 2022 consolidated statements of operations and changes in net assets.

A summary of the purchase price allocation, including assumed liabilities, is as follows (in thousands):

Assets:		
Cash	$	74,975
Net patient accounts receivable		81,611
Other current assets		25,845
Assets limited as to use		493,127
Property and equipment		375,236
Other assets		64,195
Liabilities:		
Current liabilities		(136,867)
Long-term debt		(119,961)
Other liabilities		(119,451)
Total contribution received in affiliation		738,710
Restricted contribution received in affiliation		(38,442)
Unrestricted contribution received in affiliation	$	700,268

The revenue, gains, and other support; operating loss; and change in net assets without donor restrictions attributable to PHC related to the acquired Augusta Entities for the period March 1, 2022 through June 30, 2022 were approximately $223,885,000, $(7,038,000), and $(7,038,000), respectively.

The operating results of the Odyssey Entities and the Augusta Entities have been included in the accompanying consolidated statements of operations since their respective acquisition dates. The unaudited pro forma consolidated summary of operations, which gives effect to including the operating results of the Odyssey Entities and the Augusta Entities as if the acquisitions had occurred as of July 1, 2020, is as follows (in thousands):

		Year ended June 30	
		2022	2021
Revenue, gains, and other support	$	6,461,133	5,916,674
Operating income		349,970	495,714
Change in net assets without donor restrictions		943,100	1,036,932

Pro forma adjustments to operating income and change in net assets without donor restrictions include adjustments to record the Odyssey Entities' and the Augusta Entities' operating results on a consolidated basis, to record depreciation expense based on the estimated fair value assigned to the long-lived assets acquired, and to remove acquisition costs and contributions received in acquisition. These pro forma results are not necessarily indicative of the actual results of operations that would have occurred if these acquisitions had occurred on July 1, 2020.

(4) Acquired Leases

In connection with its acquisition of certain entities, PHC acquired certain leases with applicable hospital authorities covering hospital buildings and certain related other assets and liabilities. At the termination of these leases, the assets and liabilities revert back to the applicable authorities. The leases are as follows:

Hospital	Lessor	Year of termination
Henry	Hospital Authority of Henry County	2052
Newton	Newton County Hospital Authority	2055
Athens	Hospital Authority of Clarke County, Georgia	2056
Midtown and Northside	The Medical Center Hospital Authority	2058
Augusta	Richmond County Hospital Authority	2062

Through these lease agreements, PHC assumed responsibility of payment of the lessee hospitals' outstanding revenue certificates further discussed in note 9.

(5) Net Patient Service Revenue

PHC has agreements with third-party payors that provide for payments to PHC at amounts different from its established rates. A summary of payment arrangements with major third-party payors is as follows:

(a) Medicare and Medicaid

PHC renders care to patients covered by the Medicare and Medicaid programs. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. PHC is also reimbursed for certain retrospectively determined items at a tentative rate, with final settlement determined after submission of annual cost reports by PHC and audits by the Medicare fiscal intermediaries. Medicare reimburses for outpatient services based on a prospective outpatient payment system similar to the inpatient system.

Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment reimbursement methodology. Outpatient services are reimbursed under a cost-based methodology. PHC is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by PHC and audits thereof by the Medicaid fiscal intermediary.

Services rendered under these programs are recorded at established rates and adjusted to the estimated amount due from the third-party payors through recording of contractual adjustments and other discounts. Because PHC cannot pursue collections for the contractual adjustments or other discounts, they are not reported as revenue.

Net patient service revenue from the Medicare and Medicaid programs accounted for approximately 38% and 6%, respectively, of PHC’s net patient service revenue for the year ended June 30, 2022. Net patient service revenue from the Medicare and Medicaid programs accounted for approximately 37% and 6%, respectively, of PHC’s net patient service revenue for the year ended June 30, 2021. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue is reported at the estimated net realizable amounts from the Medicare and Medicaid programs for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations.

Final settlement has been reached for all Medicare and Medicaid cost reports prior to fiscal year 2015. PHC has recorded amounts due to Medicare and Medicaid of approximately $152,491,000 and $119,129,000 at June 30, 2022 and 2021, respectively, as an estimate of final third-party payor settlements for open cost report years. Management recorded favorable changes in estimates to net patient service revenue in the accompanying consolidated statements of operations related to third-party settlements of approximately $4,330,000 and $19,084,000 for the years ended June 30, 2022 and 2021, respectively. The amounts due to Medicare and Medicaid represent management’s best estimates of final settlements.

(b) Managed Care and Other Payors

PHC has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations (HMOs), and preferred provider organizations. The bases for payments to PHC under these agreements include prospectively determined rates per discharge, discounts from established charges, and daily rates.

(c) Self-Pay

PHC applied implicit price concessions to patient apportioned charges, valued at established charges, totaling approximately $573,538,000 and $305,723,000 for the years ended June 30, 2022 and 2021, respectively. In an effort to improve amounts collected from uninsured patients that do not apply and/or qualify for charity assistance, PHC offers discounted prices to the uninsured of 70% of gross charges. PHC provided discounts to uninsured patients of approximately $665,208,000 and $360,427,000 (recorded as deductions from net patient service revenue) for the years ended June 30, 2022 and 2021, respectively.

(d) Georgia Provider Payment Agreement Act

Effective July 1, 2010, the State of Georgia imposed a fee on not-for-profit hospitals based on net revenue levels as defined by the State of Georgia. Included in supplies and other expenses in the accompanying consolidated statements of operations for the years ended June 30, 2022 and 2021 is approximately $47,321,000 and $41,076,000, respectively, relating to this fee.

(6) Charity Care and Community Benefits

PHC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts significantly less than its established rates. Amounts determined to qualify as charity care are not reported as revenue or patient accounts receivable in the accompanying consolidated financial statements.

PHC maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services furnished under its charity care policy. The cost of providing this charity care was estimated to be approximately $144,596,000 and $158,404,000 for years ended June 30, 2022 and 2021, respectively. PHC estimates the direct and indirect costs of providing charity care by applying a cost to gross charges ratio to the gross uncompensated charges associated with providing charity care to patients.

PHC offers many other wellness and educational services to the community at low and, in some cases, no cost. PHC also partners with five charitable clinics to provide supportive services for low-income patients, including the provision of free laboratory and diagnostic services to clinic patients at no charge. PHC operates 24-hour emergency rooms that provide care to all patients, regardless of ability to pay. The costs for these services are included in operating expenses in the accompanying consolidated statements of operations.

(7) Investments

(a) Investments and Assets Limited as to Use

The composition of investments and assets limited as to use is set forth in the following table (in thousands):

	June 30	
	2022	**2021**
Investments internally designated for capital acquisition:		
Cash and cash equivalents	$ 87,858	35,081
Corporate obligations	24	27
Fixed-income securities	333,327	341,254
Corporate stocks	61,758	130,764
Mutual funds	847,535	690,066
Alternative investments	374,098	265,139
	1,704,600	1,462,331
Assets limited as to use:		
Cash and cash equivalents	10,671	669
Corporate obligations	1	1
Fixed-income securities	8,267	7,905
Corporate stocks	4,225	1,226
Mutual funds	44,145	16,500
Alternative investments	7,005	6,469
	74,314	32,770
Totals	$ 1,778,914	1,495,101

(b) Alternative Investments

Alternative investments included in investments and assets limited as to use at June 30, 2022 and 2021 consist of the following (in thousands):

		2022	2021
Canyon Balanced Fund	$	27,995	27,881
Clarion Lion Properties ING Fund		29,943	23,005
IFP Global Equity, L.P.		84,095	63,536
Magnitude International Fund		74,237	20,000
PHC Fund, Ltd.		98,012	137,186
AG Energy Partners II, L.P.		6,120	—
AG Net Lease Realty Fund II, L.P.		13,514	—
Angel Oak Real Estate Investment Fund III LP		2,984	—
Cerberus Real Estate Debt Fund II, L.P.		407	—
Cerberus Real Estate Debt Fund, L.P.		2,585	—
IRIS (US) Post Event Opportunities SP		384	—
CVI Clean Energy Fund C II, L.P.		350	—
Fortress Lending Fund III, L.P.		1,326	—
InSolve Global Credit Feeder Fund V, L.P.		3,749	—
King Street Global Drawdown Fund, L.P.		3,331	—
Oaktree Emerging Market Opportunities Fund, LP		825	—
Oaktree Real Estate Opportunities Fund VI, LP		3,222	—
Oaktree Strategic Credit Fund A, L.P.		5,581	—
PartnerSelect Suisse Strategic (US) Fund Institutional Opportunities SP		382	—
Principal Global Multi Strategy Fund Institutional Opportunities SP		17	—
Sandton Capital Solutions Offshore Fund V, LP		976	—
Stellus Credit Offshore Fund III, LP		796	—
VSS Structured Capital III, L.P.		20,272	—
	$	381,103	271,608

Redemption frequency and redemption notice periods for alternative investments held at June 30, 2022 are as follows:

	Redemption frequency	Redemption notice period
Canyon Balanced Fund	Quarterly	90 Days
Clarion Lion Properties ING Fund	Quarterly	90 Days
IFP Global Equity L.P.	Semi-Monthly	15 Days
Magnitude International Fund	Quarterly	65 Days
PHC Fund, Ltd.	Monthly	90 Days
AG Energy Partners II, L.P.	Not permitted	N/A
AG Net Lease Realty Fund II, L.P.	Not permitted	N/A
Angel Oak Real Estate Investment Fund III LP	Not permitted	N/A
Cerberus Real Estate Debt Fund II, L.P.	Not permitted	N/A
Cerberus Real Estate Debt Fund, L.P.	Not permitted	N/A
IRIS (US) Post Event Opportunities SP	Annually	90 Days
CVI Clean Energy Fund C II, L.P.	Not permitted	N/A
Fortress Lending Fund III, L.P.	Not permitted	N/A
InSolve Global Credit Feeder Fund V, L.P.	Not permitted	N/A
King Street Global Drawdown Fund, L.P.	Not permitted	N/A
Oaktree Emerging Market Opportunities Fund, LP	Not permitted	N/A
Oaktree Real Estate Opportunities Fund VI, LP	Not permitted	N/A
Oaktree Strategic Credit Fund A, L.P.	Quarterly	90 Days
PartnerSelect Suisse Strategic (US) Fund Institutional Opportunities SP	Not permitted	N/A
Principal Global Multi Strategy Fund Institutional Opportunities SP	Not permitted	N/A
Sandton Capital Solutions Offshore Fund V, LP	Not permitted	N/A
Stellus Credit Offshore Fund III, LP	Not permitted	N/A
VSS Structured Capital III, L.P.	Not permitted	N/A

(c) Self-Insurance Investments

The composition of self-insurance investments at June 30, 2022 and 2021 are as follows (in thousands):

	June 30	
	2022	**2021**
Cash and equivalents	$ 1,042	—
Corporate obligations	18,092	15,333
Fixed-income securities	45,078	31,187
Mortgage-backed securities	25,839	11,139
Foreign securities	—	1,063
Equity securities	39,200	43,267
	$ 129,251	101,989

(8) Property and Equipment

A summary of property and equipment, net is as follows (in thousands):

	June 30	
	2022	**2021**
Land and land improvements	$ 207,339	118,908
Buildings and fixtures	2,481,969	2,051,026
Equipment	2,029,687	1,387,681
	4,718,995	3,557,615
Less accumulated depreciation	1,940,935	1,712,584
	2,778,060	1,845,031
Construction in progress	142,640	299,940
Property and equipment, net	$ 2,920,700	2,144,971

Construction in progress at June 30, 2022 relates primarily to ongoing construction at Rockdale and ongoing construction of a new distribution center both of which are expected to be completed during the fiscal year ending June 30, 2023.

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 totaled approximately $228,351,000 and $193,676,000, respectively. Amortization of capitalized software costs of approximately $18,244,000 and $17,886,000 is included in depreciation and amortization expense in the accompanying consolidated statements of operations for the years ended June 30, 2022 and 2021, respectively.

Capitalized software and software development costs included in property and equipment were as follows (in thousands):

		June 30	
		2022	**2021**
Capitalized software and software development costs	$	166,057	155,499
Less accumulated amortization		129,766	111,522
Capitalized software and software development costs, net	$	36,291	43,977

Based on the amortizable capitalized software and software development costs that have been placed into service at June 30, 2022, the estimated amortization expense for the succeeding five fiscal years and thereafter is as follows (in thousands):

Year ending June 30:		
2023	$	14,544
2024		8,424
2025		5,484
2026		3,786
2027		2,270
Thereafter		1,783
	$	36,291

At June 30, 2022, PHC's remaining commitment for software and construction contracts approximated $103,601,000, primarily relating to ongoing construction projects expected to be completed during the fiscal year ending June 30, 2023.

In August 2006, Fayette entered into a ground lease with Piedmont Fayette Medical Office Building, LLC (PFB), whereby Fayette is leasing real property to PFB. In accordance with ASC 842, *Leases*, Fayette is considered the owner of the Medical Office Building (Fayette MOB) during the construction period and thereafter due to Fayette's continuing involvement in the Fayette MOB. Accordingly, the value of the building and the construction notes paid by the developer are included in the accompanying consolidated balance sheets. At June 30, 2021, the net book value of the Fayette MOB included in buildings and fixtures totaled approximately $12,605,000 and the related Medical Office Building financing obligation approximated $12,560,000. On September 1, 2021, PHC purchased the Fayette MOB from PFB for $16,000,000.

In August 2005, Atlanta entered into a ground lease with Piedmont Physicians Plaza, L.P. (PPP), whereby Atlanta is leasing real property to PPP. In accordance with ASC 842, *Leases*, Atlanta is considered the owner of the Medical Office Building (Piedmont MOB) during the construction period and thereafter due to Atlanta's continuing involvement in the Piedmont MOB. Accordingly, the cost of the building and the related financing obligation are included in PHC's consolidated balance sheets. At June 30, 2022 and 2021, the net book value of the Piedmont MOB included in buildings and fixtures totaled approximately $10,927,000 and $11,735,000, respectively, and the related Medical Office Building financing obligation approximated $30,143,000 and $30,015,000, respectively.

(9) Long-Term Debt

(a) Bonds Payable

Bonds payable consists of the following (in thousands):

	June 30	
	2022	2021
Series 2006, fixed interest rate of 4.50%, interest payments due semiannually, payable through 2024	$ 1,390	2,040
Series 2007, fixed interest rate of 2.47%, interest payments due semiannually, payable through 2024	3,257	4,665
Series 2014A, fixed interest rates ranging from 3.00% to 5.00%, interest payments due semiannually, payable through 2044	82,565	83,880
Series 2014B, variable interest rates (1.26% and 0.48% at June 30, 2022 and 2021, respectively) interest payments due monthly, payable through 2034	74,005	75,975
Series 2016A, fixed interest rates ranging from 3.00% to 5.00%, interest payments due semiannually, payable through 2046	382,020	391,470
Series 2016, fixed interest rates ranging from 2.00% to 5.00%, interest payments due annually, payable through 2036	113,190	—
Series 2017, fixed interest rate of 4.88%, interest payments due semiannually, payable through 2022	104,280	104,280
Series 2019A and Series 2019B, fixed interest rates ranging from 3.00% to 5.00%, interest payments due semiannually, payable through 2054	647,860	649,415
Series 2021, fixed interest rates ranging from 2.04% to 2.86%, interest payments due semiannually, payable through 2052	1,000,000	—
Unamortized original issue premium, net	111,910	120,356
Unamortized debt issuance costs	(13,365)	(9,296)
	2,507,112	1,422,785
Less current maturities	(128,005)	(16,380)
	$ 2,379,107	1,406,405

On September 9, 2021, PHC entered into taxable bonds totaling $1.0 billion (the Series 2021 Bonds). The proceeds from the bonds were used to refinance the 2021 Note Payable discussed below. The Series 2021 Bonds were issued on a taxable basis and are secured under a master trust indenture with all members of the PHC Obligated Group (Piedmont Healthcare, Inc. and all of its affiliates exclusive of AMIC, CRMF, the Odyssey Entities, and the Augusta Entities), which provides for, among other things, the deposit of revenue with the master trustee in the event of certain defaults, pledges of accounts receivable, pledges not to encumber property, and limitations on additional borrowings.

On October 17, 2019, the Medical Center Authority, the Coweta County Development Authority, the Hospital Authority of Fayette County, the Development Authority of Fulton County, the Development Authority of Rockdale County, and the Development Authority of Walton County, Georgia issued $152,940,000, $85,670,000, $31,380,000, $283,775,000, $64,565,000, and $31,085,000, respectively ($649,415,000 collectively), in Revenue Bonds Series 2019A and B (the Series 2019 Bonds) on behalf of PHC. The proceeds of the Series 2019 Bonds were used to redeem previously outstanding Series 2009A Bonds, Series 2010 Bonds, the 2018 Bridge Loan, and to fund certain construction projects. The Series 2019 Bonds have been issued on a tax-exempt basis and are secured under a master trust indenture with all members of the PHC Obligated Group, which provides for, among other things, the deposit of revenue with the master trustee in the event of certain defaults, pledges of accounts receivable, pledges not to encumber property, and limitations on additional borrowings.

In February 2017, the Medical Center Authority issued The Medical Center Hospital Authority Revenue Anticipation Certificates Series 2017 (the 2017 Bonds), in the amount of $104,280,000. The 2017 Bonds are secured by the net revenues of the then-existing Columbus Obligated Group (comprised of The Medical Center, Doctors Hospital, Northside Hospital, Columbus Regional Medical Group, Columbus Regional Health Resources, CRHS Long Term and Home Care, Columbus Regional Senior Living, Inc. and Columbus Regional Health System) as well as certain security interests in portions of real and personal property owned or leased by such members of the then-existing Columbus Obligated Group. The proceeds of the 2017 Bonds were loaned to the then-existing Columbus Obligated Group under a loan agreement and were used to refund all outstanding principal with respect to certain revenue notes that were previously issued by the Authority and then loaned to the then-existing Columbus Obligated Group for the purpose of advance refunding of the then existing 2008 Bonds and to pay all or a portion of the costs of issuance of the 2017 Bonds. The 2017 Bonds consist of term certificates maturing August 1, 2022 bearing interest at 4.88% paid semi-annually on August 1 and February 1. The 2017 Bonds were fully repaid on August 1, 2022.

On October 27, 2016, the Development Authority of Fulton County, the Hospital Authority of Fayette County, and the Hospital Authority of Clarke County, Georgia issued $197,555,000, $47,580,000, and $178,225,000, respectively ($423,360,000 collectively), in Revenue Bonds Series 2016A (the Series 2016 Bonds) on behalf of PHC. The proceeds of the Series 2016 Bonds were used to redeem previously outstanding Series 2009A and Athens Series 2007 and 2012 Revenue Bonds and for certain construction projects. The Series 2016 Bonds have been issued on a tax-exempt basis and are secured under a master trust indenture with all members of the PHC Obligated Group, which provides for, among other things, the deposit of revenue with the master trustee in the event of certain defaults, pledges of accounts receivable, pledges not to encumber property, and limitations on additional borrowings.

On October 1, 2016, the Richmond County Hospital Authority issued $135,745,000 of tax-exempt Series 2016 Revenue Anticipation Certificates (the Augusta Series 2016 Bonds) for the purpose of refunding previously outstanding revenue anticipation certificates in order to refinance the costs of acquiring, constructing, and equipping of hospital and health care facilities. The gross revenue and property of the entities in the Augusta Obligated Group (UHS, UHI, and UEC and affiliates of these corporations) are pledged as security for the Augusta Series 2016 Bonds. The related loan agreements and master trust indenture contain certain covenants on the part of the Augusta Obligated Group, including limitations on the incurrence of additional indebtedness, transfers of assets, maintenance of certain amounts of insurance and certain other financial covenants.

On November 19, 2014, the Development Authority of Fulton County, the Hospital Authority of Fayette County, and the Hospital Authority of Henry County issued $87,730,000, $42,060,000, and $53,420,000, respectively ($183,210,000 collectively), in Revenue Bonds Series 2014A and 2014B (the Series 2014 Bonds) on behalf of PHC. The proceeds of the Series 2014 Bonds were used to redeem previously outstanding Series 2004 and Series 2009B Revenue Bonds and for certain construction projects. The Series 2014 Bonds have been issued on a tax-exempt basis and are secured under a master trust indenture with all members of the PHC Obligated Group, which provides for, among other things, the deposit of revenue with the master trustee in the event of certain defaults, pledges of accounts receivable, pledges not to encumber property, and limitations on additional borrowings.

In May 2007, the Newton County Hospital Authority issued $17,225,000 Revenue Refunding Certificates, Series 2007 (the Series 2007 Bonds). The certificates were issued for the purpose of advance refunding Newton’s Series 1999 Bonds and paying costs of issuance of the 2007 Bonds. The Series 2007 Bonds have been issued on a tax-exempt basis and are secured by a pledge of and lien on the gross revenues derived by Newton and payments made by Newton County, Georgia to Newton pursuant to a contract between Newton and Newton County. Under the terms of the 2007 Bonds, Newton is required to maintain certain deposits with a trustee for payment of bond principal and interest. Such deposits are included in investments and assets limited as to use on the accompanying June 30, 2022 and 2021 consolidated balance sheets.

In April 2006, the Newton County Hospital Authority issued $8,930,000 Revenue Certificates, Series 2006 (the Series 2006 Bonds). The certificates were issued for the purpose of financing certain capital additions and improvements to Newton’s facilities and paying costs of issuance of the Series 2006 Bonds. The Series 2006 Bonds have been issued on a tax-exempt basis and are secured by a pledge of and lien on the gross revenues derived by Newton and payments made by Newton County, Georgia to Newton pursuant to a contract between Newton and Newton County. Under the terms of the Series 2006 Bonds, Newton is required to maintain certain deposits with a trustee for payment of bond principal and interest. Such deposits are included in investments and assets limited as to use on the accompanying June 30, 2022 and 2021 consolidated balance sheets.

(Continued)

Scheduled principal repayments on the Series 2021, Series 2019, Series 2017, Series 2016, Series 2014, Series 2007 and Series 2006 Bonds are as follows (in thousands):

Year ending June 30:		
2023	$	128,005
2024		24,987
2025		56,275
2026		25,945
2027		112,020
Thereafter		2,061,335
	$	2,408,567

(b) Notes Payable to Banks

Effective July 30, 2021, PHC entered into a note payable agreement (the “2021 Note Payable”) with a bank in the amount of $986,711,997. The proceeds of the 2021 Note Payable were used to purchase the Odyssey Entities effective August 1, 2021. On September 9, 2021, PHC issued the Series 2021 Bonds in the amount of $1.0 billion. PHC used $987,289,704 of the proceeds of the Series 2021 Bonds to repay in full the 2021 Note Payable. The remaining proceeds were maintained as operating cash.

Effective July 11, 2017, UHS entered into a promissory note with a bank. The proceeds of $25,000,000 were used to purchase certain assets of Trinity Hospital. The note is payable in monthly installments of principal and interest through June 2024 at a fixed annual interest rate of 2.63%. The note is secured by certain financial instruments. Under the terms of the agreement, these certain financial instruments must maintain a minimum market value that is at least 200% of the then outstanding principal amount under the agreement, which are classified as investments in the accompanying 2022 consolidated balance sheet. The note also has certain financial and other covenants for which UHS must comply.

Effective February 1, 2012, PHC entered into a note payable with a bank. The proceeds of the note totaling approximately $44,819,000 were used to fully repay Henry’s previously existing Series 1999 Bonds during fiscal year 2013. As of June 30, 2021, $25,504,000 was outstanding under the note. Effective June 29, 2016, the note was refinanced and certain terms were amended. Previous to June 29, 2016, the note bore interest at a rate of 1.8% per annum, payable monthly. Effective June 29, 2016, the note bore interest at a rate of the London InterBank Offered Rate (LIBOR) floating rate plus 0.65% (0.754% as of June 30, 2021,) and the remaining principal balance of the note was due on July 1, 2021 and is included in accounts payable and accrued expenses in the accompanying 2021 consolidated balance sheet. The note was fully repaid on July 1, 2021.

(c) Lines of Credit

PHC established a line of credit with a financial institution for $300,000,000 on April 1, 2020. The line has an interest rate of LIBOR plus 0.85% and a maturity date of March 31, 2021. Effective April 1, 2021, the line of credit was extended until March 31, 2022 and effective April 13, 2022 the line of credit was extended until March 29, 2023 and the interest rate was changed to the Secured Overnight Financing Rate (SOFR) plus 0.85%. There were no outstanding borrowings on the line of credit at

June 30, 2022 or 2021. On July 29, 2022, PHC borrowed $104,280,000 on the line of credit to repay the Series 2017 Bonds discussed above.

(d) Interest Rate Swap Agreements

PHC has five interest rate swap agreements that are not accounted for as cash flow hedges. These interest rate swaps are primarily utilized to economically hedge PHC's exposure to variable interest rates under its debt obligations. The change in value of the interest rate swaps is reported as a component of nonoperating gains (losses) in the period it occurs. At June 30, 2022 and 2021, the aggregate notional amount of PHC's interest rate swaps was approximately $96,820,000 and $99,270,000, respectively.

These interest rate swap agreements expose PHC to credit losses in the event of nonperformance by the counterparty to the financial instruments. The counterparty is a creditworthy financial institution and PHC management believes the counterparty will be able to fully satisfy its obligations under the contracts.

PHC's interest rate swaps are reported at estimated fair value in the accompanying consolidated balance sheets, as follows (in thousands):

		June 30	
		2022	**2021**
Other long-term liabilities	$	12,254	24,853

The effects of PHC's interest rate swaps on the accompanying consolidated statements of operations are as follows (in thousands):

		Year ended June 30	
		2022	**2021**
Gain recognized in nonoperating income	$	12,599	8,720
Expense recognized in supplies and other expenses		(3,257)	(3,381)
	$	9,342	5,339

PHC's long-term debt agreements subject PHC to certain debt covenants typical of such obligations.

(10) Medical Office Buildings

As discussed in note 8, PHC is considered the owner of the Fayette MOB and the Piedmont MOB for financial reporting purposes. In accordance with ASC 842, *Leases*, PHC has reflected the operations of the Piedmont and Fayette MOBs in its consolidated financial statements, which resulted in other revenue of approximately $5,543,000, interest expense of approximately $4,465,000, and supplies and other expenses of approximately $1,908,000 for the year ended June 30, 2022, and other revenue of approximately $6,599,000, interest expense of approximately $5,277,000, and supplies and other expenses of approximately $2,938,000 for the year ended June 30, 2021.

(11) Net Assets with Donor Restrictions

Spendable net assets with donor restrictions available primarily for capital purchases, education, and geriatric services were approximately $79,271,000 and $53,992,000 at June 30, 2022 and 2021, respectively.

Net assets with donor restrictions in perpetuity are summarized as follows, whose investment income is to be used according to the purpose description below (in thousands):

		June 30	
		2022	2021
Support of education	$	1,065	1,065
Beneficial interest in perpetual trust		8,323	10,340
Support of specific services		39,964	17,444
	$	49,352	28,849

(12) Employee Benefits

(a) Historical Retirement Plans

Prior to December 31, 2019, PHC had a trusteed, noncontributory defined-benefit pension plan (the PHC Plan) covering certain PHC employees. In fiscal year 2008, PHC's Board of Directors approved the freezing of the PHC Plan for participation purposes, so that employees hired or rehired on and after July 1, 2008 were not eligible to participate in the PHC Plan.

On September 20, 2012, the PHC Plan was amended to reflect a freeze as of December 31, 2014. Therefore, no further benefit accruals were provided after that date for additional credited service or earnings. In addition, all existing participants became fully vested as of December 31, 2014.

On July 1, 1986, CRHS established the Columbus Regional Healthcare System, Inc. Pension Plan (the CRHS Pension Plan), a noncontributory defined-benefit pension plan covering certain employees of CRHS and its affiliated companies that were employed prior to July 1, 2003. The plan provides benefits to the retired, terminated, and active employees and their beneficiaries based on earnings and years of credited service. The funding policy is to contribute annually such amounts as are necessary to provide assets sufficient to meet the benefits to be paid to the plan's members and to keep the plan actuarially sound.

Effective June 30, 2013, the plan was amended to freeze future service benefits.

Effective December 31, 2019, the PHC Plan was merged into the CRHS Pension Plan to form the Piedmont Healthcare, Inc. Consolidated Retirement Plan (the Consolidated Plan). At that time, all of the assets of the PHC Plan were transferred into the Consolidated plan.

(b) Piedmont Healthcare, Inc. Consolidated Retirement Plan

The changes in the PHC's projected benefit obligation, the fair value of plan assets and the funded status of the plan as of and for the years ended June 30, 2022 and 2021 are as follows (in thousands):

		2022	2021
Change in benefit obligations:			
Benefit obligations, beginning of period	$	584,576	587,659
Interest cost		12,939	13,385
Benefits paid		(21,401)	(20,304)
Actuarial loss (gain)		(104,567)	3,836
Benefit obligations, end of period		471,547	584,576
Change in plan assets:			
Fair value of plan assets, beginning of period		522,853	463,072
Actual return on plan assets		(77,671)	60,085
Contributions of plan sponsor		20,000	20,000
Benefits paid		(21,401)	(20,304)
Fair value of plan assets, end of period		443,781	522,853
Funded status of the plan, end of period	$	(27,766)	(61,723)

PHC recognizes the funded status of the Consolidated Plan as a liability and the gains or losses and prior service costs or credits not yet recognized as pension expense as changes in net assets without donor restrictions. Amounts reported in the accompanying consolidated balance sheets related to the Consolidated Plan consist of the following as of June 30, 2022 and 2021 (in thousands):

		2022	2021
Noncurrent liabilities	$	(27,766)	(61,723)
Unrecognized net actuarial loss in net assets without donor restrictions		107,876	113,555

The net periodic pension benefit of the Consolidated Plan and other amounts recognized in net assets without donor restrictions consist of the following for the years ended June 30, 2022 and 2021 (in thousands):

		2022	2021
Net periodic pension benefit:			
Interest cost on benefit obligation	$	12,939	13,385
Expected return on plan assets		(23,282)	(20,633)
Amortization of net actuarial loss		2,064	3,390
Net periodic pension benefit	$	(8,279)	(3,858)
Other changes in net assets without donor restrictions:			
Current net actuarial gain	$	(3,615)	(35,615)
Amortization of net actuarial loss		(2,064)	(3,390)
Other changes in net assets without donor restrictions	$	(5,679)	(39,005)

The actuarial assumptions used in the accounting for the net periodic pension cost for the Consolidated Plan were as follows:

	Year ended June 30	
	2022	2021
Discount rate	2.95 %	2.95 %
Rate of increase in future compensation levels	N/A	N/A
Expected long-term rate of return on plan assets	4.50 %	4.50 %

The actuarial assumptions used to determine the year-end benefit obligations for the Consolidated Plan were as follows:

	2022	2021
Discount rate	4.78 %	2.95 %
Rate of increase in future compensation levels	N/A	N/A

PHC uses fair value as the market-related value of assets in calculating the expected return on the Consolidated Plan assets component of net periodic pension benefit for the years ended June 30, 2022 and 2021.

(Continued)

The determination of the expected long-term rate of return on plan assets is based on assumptions that are developed by the Consolidated Plan investment consultant for each investment category as to the rate of return, risk, yield, and correlation with other categories that serve as components of the long-term strategy. The expected long-term rate of return reflects assumptions as to continued execution of the current strategic asset allocation and the plan's investment policy.

The mortality table used for the year ended June 30, 2022 was the Pri-2012 amounts-weighted mortality study, projected generationally from 2012 using improvement scale MP-2021.

The mortality table used for the year ended June 30, 2021 was the Pri-2012 amounts-weighted mortality study, projected generationally from 2012 using improvement scale MP-2020.

The investment strategy of the Consolidated Plan is to achieve a mix of approximately 95% of investments for long-term growth and 5% for near-term benefit payments. The target allocation for plan assets is 25% equity securities and 75% corporate bonds and government agencies. The fair value of plan assets of the Consolidated Plan at June 30, 2022 is as follows (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 19,115	—	—	19,115
Corporate bonds	—	221,231	—	221,231
Fixed-income securities	—	81,894	—	81,894
Mutual funds	—	58,812	—	58,812
Total assets at fair value	$ 19,115	361,937	—	381,052
Investments measured at NAV as a practical expedient				62,729
				$ 443,781

The fair value of plan assets of the Consolidated Plan at June 30, 2021 is as follows (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 21,751	—	—	21,751
Corporate bonds	—	202,020	—	202,020
Government obligations	7,861	—	—	7,861
Fixed-income securities	—	100,187	—	100,187
Mutual funds	—	124,524	—	124,524
Total assets at fair value	$ 29,612	426,731	—	456,343
Investments measured at NAV as a practical expedient				66,510
				$ 522,853

The fair values of the securities included in Level 1 and Level 2 are based on the pricing inputs described in note 17. The fair value of the remaining alternative investments was determined based on the use of net asset value per share as a practical expedient in accordance with ASC Topic 820, *Fair Value Measurement.*

PHC expects to contribute approximately $20,000,000 to the Consolidated Plan during fiscal year 2023.

Estimated future benefit payments are expected to be paid by the Consolidated Plan as follows for years ending June 30 (in thousands):

2023	$ 25,734
2024	27,393
2025	28,755
2026	29,935
2027	30,967
2028–2032	160,798

(c) The Medical Center Hospital Authority Pension Plan

The Medical Center Hospital Authority (TMC Authority) sponsored The Medical Center Hospital Authority Pension Plan (the TMC Authority Pension Plan), a frozen noncontributory, defined-benefit pension plan covering substantially all former employees of the TMC Authority. As a result of the corporate reorganization, PHC was obligated to pay pension benefits to eligible participants in the frozen plan. Effective November 30, 2020, the TMC Authority Pension Plan was terminated. In connection with the termination, PHC recorded a loss of $2,273,000, which is included in other components of pension benefit on the accompanying 2021 consolidated statement of operations.

(d) Health Care Plan

The Augusta Entities sponsor a defined benefit health care plan that provides postretirement medical benefits to full-time employees hired prior to January 1, 2005, who have worked 10 years and attained age 55 while in service with the Augusta Entities. Effective January 1, 2011, the plan requires the employee to work 20 years and attain the age of 60 while in service with the Augusta Entities. The plan is contributory with retiree contributions adjusted annually and contains other cost-sharing features such as deductibles and coinsurance. The accounting for the plan anticipates future cost-sharing changes to the plan that are consistent with the Augusta Entities' expressed intent to increase the retiree contribution rate annually for the expected increases in the health trend rates. PHC's policy is to fund benefits as they are actually submitted for payment by plan participants, rather than build a segregated reserve to finance future benefit payments.

As of June 30, 2022, approximately $992,000 is recorded in accounts payable and other accrued expenses and approximately $21,598,000 is recorded in other long-term liabilities representing the unfunded portion of this plan.

(e) Deferred Compensation Plans

PHC also offers two nonqualified deferred compensation plans, which are available to certain highly compensated PMCC and PHIP employees. These plans permit such employees to defer the receipt and taxation of all or a portion of their salary until future years. The deferred compensation is available for distribution to employees upon the election by the employee, provided the distribution election with respect to the deferred amounts has been made for a minimum of one year prior to the date of distribution.

All deferrals are held as part of PHC's general assets and are subject to the claims of PHC's general creditors. Employees' rights to the payment of benefits under these plans are equal to those of general and unsecured creditors of the PHC. PHC has no liability for losses under the deferred compensation plans.

The amounts recorded for the deferred compensation plans are approximately $90,266,000 and $104,208,000 at June 30, 2022 and 2021, respectively, and are recorded in offsetting amounts within other long-term liabilities and other assets in the accompanying consolidated balance sheets.

CRHS implemented a 457(b) plan for certain highly compensated senior employees and physicians. The plan is funded solely by employee contributions. The assets of the plan are the legal assets of CRHS until they are distributed to participants, and therefore, the plan assets and corresponding liability are reported in the accompanying consolidated balance sheets. Plan assets, at fair value, at both June 30, 2022 and 2021 totaled approximately $5,741,000 and are reflected in other assets with an offsetting liability in other long-term liabilities on the accompanying consolidated balance sheets.

(Continued)

(f) 401(k) and 403(b) Plans

PHC offers, as the sponsor, a deferred tax annuity plan (the 401(k) Plan) pursuant to Section 401(k) of the IRC of 1986, covering substantially all employees of PHC. Employees of the Augusta Entities have not yet been added to the 401(k) Plan, but are included in a separate deferred tax annuity plan (see further discussion below). PHC contributes 100% of pretax contributions up to the first 3% of eligible pay and 50% of pretax contributions up to the next 2% into the 401(k) Plan and may make an additional discretionary contribution. PHC recognized as salaries and benefits expense approximately $79,176,000 and $67,687,000 for the years ended June 30, 2022 and 2021, respectively, related to the 401(k) Plan. No discretionary contributions were made during the years ended June 30, 2022 or 2021.

The Augusta Entities have a deferred tax annuity plan for all eligible employees (the Augusta 403(b) Plan). Employer contributions are made at fixed rates of participants' compensation and contributions to the plan. PHC recognized as salaries and benefits expense approximately $1,411,000 for the year ended June 30, 2022 related to the 403(b) Plan.

(13) Continuing Care Retirement Community Management Agreement

On August 4, 2004, CRHS entered into a series of agreements with respect to TMC Authority's construction and funding of a continuing care retirement community (CCRC), which is not owned by CRHS. These agreements include a ground lease, a completion and support funding agreement, an indemnity agreement, an environmental compliance and indemnification agreement and a supplemental subordination agreement.

Under the terms of the ground lease, CRHS leases certain real estate to the TMC Authority through 2044. The TMC Authority issued tax-exempt bonds totaling $74,660,000 to construct a CCRC on the leased land. Upon termination of the lease agreement, the land and all improvements thereon will revert, or transfer, to CRHS.

CRHS issued an environmental compliance and indemnification agreement, which indemnifies certain third parties with respect to any environmental-related losses, which may be associated with the land. CRHS has assigned all of its rights in the leased property to specified third parties with respect to the TMC Authority's bond issue.

During the CCRC's construction phase, CRHS provided funds to the TMC Authority for the CCRC's construction amounting to approximately $3,100,000. This funding was initially recorded as a debt, subordinate to the Series 2004 Bonds. On April 1, 2007, the TMC Authority entered into an amended and restated loan agreement in conjunction with the issuance of the Series 2007 Bonds, which includes a provision whereby the TMC Authority will be released from its liability under the loan agreement upon termination of the ground lease. As such, at that time, the funding was recognized as a capital contribution to the TMC Authority.

The TMC Authority entered into a management agreement with Columbus Regional Senior Living, a controlled affiliate of CRHS, which subsequently entered into a submanagement agreement with a third-party to manage the operations of the CCRC and to perform the duties and obligations thereof pursuant to the management agreement. The CCRC management activity is immaterial to PHC as a whole.

PHC has agreed to indemnify the TMC Authority and specified third parties with respect to certain losses of the TMC Authority, including ad valorem real estate property taxes. As discussed in note 15(d), the TMC Authority is involved in a property tax dispute related to the CCRC, which exposes PHC to risk of loss.

(14) Concentrations of Credit Risk

PHC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors as of June 30, 2022 and 2021 are as follows:

	June 30	
	2022	**2021**
Medicare	31 %	26 %
Medicaid	12	18
Other third-party payors	40	44
Patients	17	12
	100 %	100 %

PHC recognizes that revenue and receivables from government agencies and third-party payors are significant to its operations. PHC does not believe that there are significant credit risks associated with these sources of revenue.

As of June 30, 2022 and 2021, PHC had approximately $1.391 billion and $1.172 billion, respectively, in funds deposited with various financial institutions in excess of Federal Deposit Insurance Corporation limits.

(15) Commitments and Contingencies

(a) General and Professional Liability Insurance

PHC has a self-insurance program for general and professional liability coverage through AMIC. AMIC insures PHC with professional liability risks of PHC affiliates, namely Atlanta, Mountainside, Fayette, Newnan, Henry, Newton, Athens, Rockdale, Walton, Midtown, Northside, Cartersville, Eastside, Macon, Macon North, and Piedmont Medical Care Corporation on a claims-made basis for the hospital professional. The insurance policies between PHC and AMIC are $5,000,000 per occurrence and $20,000,000 aggregate annual limit for coverage effective May 1, 2003 through April 30, 2005, and $5,000,000 per occurrence and $19,000,000 aggregate annual limit for coverage effective May 1, 2005 through April 30, 2014 returning to $5,000,000 per occurrence and $20,000,000 aggregate annual limit for coverage effective May 1, 2014 through April 30, 2016 and $5,000,000 per occurrence and $21,000,000 annual aggregate as of May 1, 2016 and $5,000,000 per occurrence and $25,000,000 annual aggregate as of May 1, 2017 and at $5,000,000 with the annual aggregate at $31,000,000 per occurrence as of May 1, 2018 and $7,000,000 per occurrence with an annual aggregate of $42,000,000 as of May 1, 2019. Beginning May 1, 2021, the per occurrence limit moved to $10,000,000 with an aggregate limit of $65,000,000. Beginning May 1, 2022, the per occurrence limit remained at $10,000,000 with an aggregate limit of $75,000,000.

(Continued)

AMIC provides commercial general liability coverage on an occurrence basis to the above facilities as well as PHIP, ARPS, ARSS, RFC, and CRMG. The per occurrence general liability limit provided by AMIC was reduced from $5,000,000 to $2,000,000 on May 1, 2011 and remains at that level. AMIC is consolidated by PHC. PHC records the reported and estimated incurred-but-not-reported liability based on an actuarial study at June 30, 2022 and 2021, which totaled approximately $136,466,000 and $119,670,000, respectively, and is recorded as self-insurance reserves in the accompanying consolidated balance sheets. Commercial insurance has been obtained on a claims-made (professional liability) and on an-occurrence (general liability) basis to provide for excess coverage.

At the time of PHC's acquisition of the Odyssey Entities, liability for malpractice claims related to care provided prior to the acquisition was maintained by the seller, whether such claim was asserted before or after acquisition. Effective August 1, 2021, the Odyssey Entities were included in AMIC's coverage of PHC as noted above. AMIC coverage of the Odyssey Entities applies to care occurring on or after August 1, 2021.

WWI provides professional and general liability coverage for the Augusta Entities, excluding UEC. WWI provides prior acts professional liability coverage for claims incurred but not reported from January 1, 1992 through July 1, 2002 and for claims incurred and reported from July 1, 2002 to the end of the current policy period, January 1, 2023.

WWI currently insures the Augusta Entities for professional and general liabilities under a $20,000,000 policy on a claims-made basis. WWI is directly responsible for up to $5,000,000 per claim with a policy aggregate of $10,000,000. The $20,000,000 excess coverage is ceded in two tiers of $10,000,000 each to "A" rated outside insurance providers with WWI remaining liable for $150,000 each and every claim in the excess layer.

WWI currently insures UEC with a separate claims made policy for $2,000,000 per claim with a $10,000,000 annual aggregate, retroactive to January 1, 1992 for professional and general liability claims. In 2016, all of the professional exposure for the full time employed physicians was placed with a commercial carrier without any self-insured liability retained by the Augusta Entities.

The general and professional self-insurance reserves included in the accompanying consolidated balance sheets include estimates of the ultimate costs for claims incurred but not reported through June 30, 2022 and 2021, applicable to the general and professional liability self-insurance plans for PHC. PHC records the reported and estimated incurred-but-not-reported liability based on an actuarial study at June 30, 2022, which totaled approximately $15,040,000 and is recorded as self-insurance reserves in the accompanying 2022 consolidated balance sheet.

(b) Other Self-Insurance Programs

PHC self-insures a portion of its workers' compensation liability exposure, excluding the exposure of the Augusta Entities, up to $450,000 per claim at June 30, 2022 and 2021. Reserves for the self-insurance program are established to provide for estimated claims losses and applicable legal expenses for any claims incurred, both reported and unreported, through June 30, 2022 and 2021, and are recorded in the accompanying consolidated financial statements. PHC recorded the reported and estimated incurred-but-not-reported liability for its claims at June 30, 2022 and 2021, which totaled approximately $10,696,000 and $8,933,000, respectively. Commercial insurance has been obtained on an-occurrence basis to provide for excess coverage.

(Continued)

WWI provides coverage for workers' compensation claims for all Georgia based employees of the Augusta Entities for up to $500,000 per claim with excess coverage of $2,000,000 provided by a commercial carrier. All South Carolina based employees of the Augusta Entities are covered by a commercial policy. PHC has recorded an estimated incurred but not reported liability relating to employees of the Augusta Entities of approximately $2,000,000 at June 30,2022.

The workers' compensation self-insurance reserves included in the accompanying consolidated balance sheets include estimates of the ultimate costs for claims incurred but not reported through June 30, 2022 and 2021. PHC has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued workers' compensation losses have been discounted at 2% at June 30, 2022 and 2021.

PHC is self-insured for employee health benefits for its subsidiaries, excluding the Augusta Entities, with reinsurance for high dollar claims. At June 30, 2022 and 2021, PHC recorded $22,910,000 and $16,331,000, respectively, as an estimated liability for health benefit claims within the current portion of self-insurance reserves line item in the accompanying consolidated balance sheets.

The employee health benefits self-insurance reserves in the accompanying consolidated balance sheets include estimates of the ultimate costs for claims incurred but not reported through June 30, 2022 and 2021, applicable to the employee health benefits self-insurance plans. PHC has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued employee health benefits losses have not been discounted due to the short-term nature of the payout of these liabilities.

In the opinion of management, adequate provision has been made for losses that may occur from the asserted and unasserted claims for all self-insurance programs.

(c) Leases

PHC is obligated under finance leases covering certain machinery and IT equipment that expire at various dates during the next six years.

PHC also has several noncancellable operating leases, primarily for medical and office equipment, warehouses, and office space that expire over the next five years. These leases generally contain renewal options for periods ranging from two to five years. Because PHC is not reasonably certain to exercise these renewal options, the options are generally not considered in determining the lease term, and associated potential option payments are excluded from lease payments. PHC's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments plus, for many of PHC's leases, variable payments. For PHC's medical equipment leases, variable payments include those for personal property tax. For office space leases that include variable payments, those include payments for PHC's proportionate share of the building's property taxes, insurance, and common area maintenance.

The components of lease cost for the years ended June 30, 2022 and 2021 were as follows (in thousands):

		Year ended June 30	
		2022	2021
Operating lease cost	$	67,908	61,571
Finance lease cost:			
Amortization of right of use assets		1,786	490
Interest on lease liabilities		659	141
Total finance lease cost		2,445	631
Variable lease cost		2,744	136
Short-term lease cost		1,948	1,399
Total lease cost	$	75,045	63,737

Supplemental cash flow information and weighted average remaining lease term and discount rate related to leases for the years ended June 30, 2022 and 2021 is as follows (in thousands):

		Year ended June 30	
		2022	2021
Other information:			
Operating cash flows from operating leases	$	69,060	63,058
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases		176,013	79,323
Weighted average remaining lease term – operating lease		10.0 years	7.7 years
Weighted average discount rate – operating leases		1.9 %	2.2 %

Amounts reported in the consolidated balance sheets as of June 30, 2022 and 2021 were as follows (in thousands):

		June 30	
		2022	**2021**
Operating leases:			
Operating lease ROU assets	$	413,446	233,871
Operating lease liabilities	$	384,284	205,010
Accounts payable and accrued expenses		68,470	51,787
Total operating lease liabilities	$	452,754	256,797
Finance leases:			
Machinery and equipment	$	39,647	17,004
Accumulated amortization		(10,596)	(4,907)
Property, plant, and equipment, net	$	29,051	12,097
Current installments of obligations under finance leases	$	2,701	3,302
Long-term portion of obligations under finance leases		16,195	10,390
Total finance lease liabilities	$	18,896	13,692

Maturities of lease liabilities under noncancellable leases are as follows (in thousands):

2022			
		Operating leases	**Finance leases**
2023	$	74,510	3,128
2024		70,186	2,945
2025		65,328	2,850
2026		52,871	2,684
2027		45,799	1,988
Thereafter		263,449	8,615
Total undiscounted lease payments		572,143	22,210
Less imputed interest		(119,389)	(3,314)
Total lease liabilities	$	452,754	18,896

2021		Operating leases	Finance leases
2022	$	59,743	3,605
2023		53,958	2,852
2024		48,346	2,191
2025		41,163	1,673
2026		26,861	1,284
Thereafter		95,381	4,468
Total undiscounted lease payments		325,452	16,073
Less imputed interest		(68,655)	(2,381)
Total lease liabilities	$	256,797	13,692

(d) Litigation and Other Commitment and Contingencies

PHC is involved in litigation arising in the ordinary course of business. Liabilities for loss contingencies arising in the ordinary course of business are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. After consultation with legal counsel, management estimates that these matters will be resolved without a material adverse effect on PHC's future financial position or results of operations.

In September 2015, CRHS entered into a settlement agreement with the United States and the State of Georgia to resolve certain allegations of improper coding and billing practices and physician compensation payments. The settlement agreement included a total fixed payment of $26,000,000 as well as a contingent amount, which was capped at $9,000,000. During the year ended June 30, 2021, PHC paid $4,170,000, which included the final installment amount due from the settlement. As such, PHC does not have any remaining liabilities relating to the settlement agreement.

Contemporaneously with the settlement agreement, CRHS entered into a Corporate Integrity Agreement (CIA) with the Office of Inspector General to promote compliance with the statues, regulations and written directives of Medicare, Medicaid, and all other Federal health care programs. The CIA, which commenced in September 2015, was for duration of five years and required CRHS to provide certain information and maintain certain requirements at CRHS each year. The CIA terminated in September 2020 with no further requirements.

The TMC Authority is involved in a property tax dispute over certain real estate it owns and leases. The Columbus Consolidated Government holds that the property in question is subject to ad valorem real estate property tax and is pursuing collection of billed property taxes for the years 2005 through 2021 related to the CCRC discussed in note 13. PHC has indemnified the TMC Authority for such property taxes; therefore, PHC could have exposure to loss related to the dispute. After an initial Superior Court of Muscogee County decision in favor of the TMC Authority and following subsequent appeals, the case had been remanded to Superior Court. Counsel for the TMC Authority intend to pursue the remanded case and seek to obtain judgment of the Superior Court that the TMC Authority's interest is exempt from property tax as a public property. The Superior Court granted summary judgment in favor of the TMC Authority in October 2020, holding that the property is exempt from ad valorem property tax. In November 2020, the Columbus Consolidated Government appealed that decision. The ultimate outcome of this matter is unknown at this time; however, given the prior judgments and management's evaluation of the facts, including consultation with external counsel, there is not a probable settlement amount that can be determined at this time.

(16) Functional Expenses

PHC provides general healthcare services to residents within its geographic location. Expenses related to providing these services on a functional basis for the years ended June 30 are as follows (in thousands):

		2022		2021	
		Healthcare	Admin	Healthcare	Admin
Salaries and benefits	$	2,425,309	312,148	1,977,239	220,329
Supplies and other expenses		2,210,472	284,509	1,523,190	169,685
Interest		63,693	8,197	41,887	4,668
Depreciation and amortization		202,312	26,039	174,258	19,418
	$	4,901,786	630,893	3,716,574	414,100

The consolidated financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, wages and benefits, supplies and other expenses, and depreciation and amortization, which include allocations on the basis of estimates of time and effort.

(17) Fair Value of Financial Instruments

PHC applies ASC 820, which defines fair value 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. ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

Certain of the PHC's financial assets and financial liabilities are measured at fair value on a recurring basis, including money market investments, fixed income and equity instruments, and interest rate swap agreements. The three levels of the fair value hierarchy defined by ASC 820 and a description of the valuation methodologies used for instruments measured at fair value are as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that PHC has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on pricing inputs that are either directly observable or that can be derived or supported from observable data as of the reporting date. Level 2 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 3 – Financial assets and liabilities whose values are 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. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value of financial assets and financial liabilities measured at fair value on a recurring basis was determined using the following inputs at June 30, 2022 (in thousands):

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,349,646	—	—	1,349,646
Investments and assets limited as to use:				
Cash and short-term investments	97,216	1,313	—	98,529
Corporate obligations	—	25	—	25
Fixed-income securities	341,594	—	—	341,594
Corporate stocks	65,983	—	—	65,983
Mutual funds	891,680	—	—	891,680
Total investments and assets limited as to use at fair value	1,396,473	1,338	—	1,397,811
Self-insurance investments:				
Cash and short-term investments	750	292	—	1,042
Corporate obligations	—	18,092	—	18,092
Fixed-income securities	45,078	—	—	45,078
Mortgage-backed securities	—	25,839	—	25,839
Equity securities	39,200	—	—	39,200
Total self-insurance investments	85,028	44,223	—	129,251

Assets		Level 1	Level 2	Level 3	Total
Beneficial interest in perpetual trust		—	—	8,323	8,323
Total assets at fair value	$	2,831,147	45,561	8,323	2,885,031
Investments and assets limited as to use measured at NAV as a practical expedient					381,103
					$ 3,266,134
Liabilities					
Interest rate swaps	$	—	12,254	—	12,254

The fair value of financial assets and financial liabilities measured at fair value on a recurring basis was determined using the following inputs at June 30, 2021 (in thousands):

Assets		Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$	1,153,674	—	—	1,153,674
Investments and assets limited as to use:					
Cash and short-term investments		35,750	—	—	35,750
Corporate obligations		—	22,451	—	22,451
Government obligations		25,241	5,904	—	31,145
Fixed-income securities		295,591	—	—	295,591
Corporate stocks		131,990	—	—	131,990
Mutual funds		706,566	—	—	706,566
Total investments and assets limited as to use at fair value		1,195,138	28,355	—	1,223,493
Self-insurance investments:					
Corporate obligations		—	15,333	—	15,333
Fixed-income securities		31,187	—	—	31,187
Mortgage-backed securities		—	11,139	—	11,139
Foreign securities		—	1,063	—	1,063
Equity securities		43,267	—	—	43,267
Total self-insurance investments		74,454	27,535	—	101,989

Assets		Level 1	Level 2	Level 3	Total
Beneficial interest in perpetual trust		—	—	10,340	10,340
Total assets at fair value	$	2,423,266	55,890	10,340	2,489,496
Investments and assets limited as to use measured at NAV as a practical expedient					271,608
					$ 2,761,104
Liabilities					
Interest rate swaps	$	—	24,853	—	24,853

Investments and assets limited as to use at June 30, 2022 and 2021 were in domestic investments unless otherwise noted.

The fair values of the securities included in Level 1 were determined through unadjusted quoted market prices. The fair value of Level 2 financial assets and liabilities were determined as follows:

Corporate obligations, government obligations, foreign securities and mortgage-backed securities – These Level 2 investments were determined through evaluated bid prices provided by third-party pricing services where quoted market values are not available. There is no significant subjectivity in the fair value estimate due to changes in the unobservable inputs.

Beneficial interest in perpetual trust – The fair values of these related financial assets were determined from the fair value of the underlying assets contributed to the trusts. Based on the nature of the underlying assets, there is no significant subjectivity in the fair value estimate due to changes in the unobservable inputs.

Interest rate swaps – The fair values of these financial liabilities interest rate swaps were determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved. The analysis reflects contractual terms of the interest rate swaps and uses observable market-based inputs, such as discount rates interpolated based on relevant swap curves. In addition, credit valuation adjustments are included to reflect nonperformance risk. PHC pays fixed rates ranging from 3.17% to 4.84% and receives cash flows based on 67.00% of one month LIBOR.

Change in beneficial interest in perpetual trust is included within net assets with donor restrictions in the accompanying consolidated statements of changes in net assets.

The carrying values of patient accounts receivable, pledges receivable, and accounts payable, and accrued expenses are reasonable estimates of their fair values due to the short-term nature of these financial instruments.

(18) Graduate Medical Education

Athens continues in its development of Accreditation Council for Graduate Medical Education (ACGME) residency programs, and has successfully recruited and employed program directors for the Internal Medicine and Transitional Year residency programs. The Internal Medicine residency program received ACGME accreditation approval on March 19, 2015 for a three-year training program. The Transitional Year residency program received ACGME accreditation approval on December 11, 2017, for a one-year training period. Athens has been approved to fill 75 internal medicine residency positions, or 25 per training year, and 10 transitional year residency positions per year. The Internal Medicine program currently has 60 internal medicine residents and will complete interviews of over 4,500 residency candidates to fill its 20 positions for the 2022 match. The Transitional Year currently has 10 residents and will complete interviews of over 800 candidates for the 2022 match. For the years ended June 30, 2022 and 2021, Athens received approximately $2,501,000 and approximately $3,223,000, respectively, for the Internal Medicine and Transitional Years residency programs.

Macon continues in its development of Accreditation Council for Graduate Medical Education (ACGME) residency programs, and has successfully recruited and employed program directors for the Internal Medicine, Emergency Medicine, Psychiatry, and Transitional Year Residency Programs. Macon has been approved to fill 89 total residency positions. The Internal Medicine Residency Program received ACGME initial accreditation approval on July 1, 2016, for a three-year training program and continued accreditation on January 21, 2022. The program has 30 ACGME approved positions, 10 per training year. Currently, all 30 positions are filled. The program will complete 135 interviews to fill 10 positions for the 2022 Match. The Emergency Medicine Residency Program received ACGME initial accreditation approval on April 8, 2019, for a three-year training program and accreditation with warning on April 28, 2022. The program has 30 ACGME approved positions, 10 per training year. In 2021, we reduced the number of incoming interns to 8. Currently, 29 of the 30 positions are filled. The program will complete 200 interviews to fill 8 out of 10 approved positions. The Psychiatry Residency Program received ACGME initial accreditation approval on February 10, 2017, for a four-year training program and continued accreditation on February 11, 2022. The program has 16 ACGME approved positions, 4 per training year. In 2021, the program received ACGME approval to accept 5 interns and currently has 17 positions filled. The program will complete 55 interviews to fill 4 positions for the 2022 Match. The Transitional Year Residency Program received ACGME accreditation approval on December 11, 2017, for a one-year training program and continued accreditation on December 8, 2021. The program has 13 ACGME approved positions; currently, all 13 positions are filled. The program will complete 115 interviews to fill 13 positions for the 2022 Match. For the period from August 1, 2021 through June 30, 2022, Macon received approximately $441,000 for the Internal Medicine, Emergency Medicine, Psychiatry, and Transitional Year Residency Programs.

(Continued)

(19) Availability of Resources and Liquidity

PHC has approximately $2,186,916,000 and $1,754,007,000 of financial assets at June 30, 2022 and 2021, respectively, available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash and cash equivalents of approximately $1,349,646,000 and $1,153,674,000, and patient accounts receivable, net of approximately $837,270,000 and $600,333,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. Patient accounts receivable is expected to be collected within one year. PHC has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 45 days of normal operating expenses, which are, on average, approximately $661,707,000 and $486,540,000 at June 30, 2022 and 2021, respectively. PHC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, PHC invests cash in excess of daily requirements in various short-term investments, including certificate of deposits and short-term treasury instruments.

Finding No. 2022-001 – Activities Allowed and Unallowable/Allowable Costs

Program:

COVID -19 Provider Relief Fund

Award Year:

January 1, 2020 through June 30, 2022

(a) Criteria or Requirement

Per 2 CFR 200.303, the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

(b) Condition Found, Including Perspective

During our test work, we selected a sample of 40 incentive bonus payments made during the fiscal year 2022 reporting period. We noted that PHC was unable to provide evidence of management review and approval for each of the incentive bonus payments sampled. These disbursements were made for allowable costs under the terms and conditions of the program.

(c) Possible Cause

PHC was unable to provide evidence of certain management reviews and approvals because the control was not designed to require the retention of documentation of management review at the transactional level.

(d) Questioned Cost

None.

(e) Effect

Evidence of the effective operation of management review controls was not maintained in accordance with Federal requirements.

(f) Statistical Validity

The sample was not intended to be, and was not, a statistically valid sample.

(g) Repeat Finding in the Prior Year

Repeat of prior year Finding No. 2021-001.

(h) Recommendation

We recommend that PHC strengthen controls over the management review process to enhance the retention of evidence of management review and approval.

(i) View of Responsible Officials

Management concurs with the finding. While we believe appropriate controls exist relating to the management review and approval of allowable costs at the transactional level, we concur that procedures relating to obtaining and maintaining documentation of such reviews need to be strengthened.

(j) Corrective Action Plan

Management will ensure communication of the finding to the reviewers and submitters of allowable costs and revise procedures to ensure documentation of reviews and approvals is obtained and maintained. Prior to submitting allowable costs to Health Resources and Services Administration ("HRSA"), we will obtain documentation of the approval of these costs and maintain this documentation in the same manner as the documentation of the submission of the costs to HRSA.

(k) Anticipated Completion Date

Correction of corrective action anticipated by August 31, 2023.

(l) Name of Person for Corrective Action

Marie Gaffney, Vice President Corporate Finance: (470) 271-6007.

(1) Finding No. 2021-001 Activities Allowed or Unallowed/Allowable Costs

Federal Agency:

U.S. Department of Health and Human Services

Assistance Listing Number:

93.498

Program:

COVID -19 Provider Relief Fund

Award Year:

January 1, 2020 through June 30, 2021

(a) Criteria or Requirement

Per 2 CFR 200.303, the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

(b) Condition Found, Including Perspective

During our test work, we selected a sample of 40 non-payroll disbursements and 40 incentive bonus payments made during the fiscal year 2021 reporting period. We noted that PHC was unableto provide evidence of management review and approval for each of the non-payroll disbursements and incentive bonus payments sampled. These disbursements were made for allowable costs under the terms and conditions of the program.

(c) Possible Cause

PHC was unable to provide evidence of certain management reviews and approvals because the control was not designed to require the retention of documentation of management review at the transactional level.

(d) Questioned Cost

None.

(e) Effect

Evidence of the effective operation of management review controls was not maintained in accordance with Federal requirements.

(f) Statistical Validity

The sample was not intended to be, and was not, a statistically valid sample.

(g) Repeat Finding in the Prior Year

Not a repeat finding.

(h) Recommendation

We recommend that PHC strengthen controls over the management review process to enhance the retention of evidence of management review and approval.

(i) View of Responsible Officials

Management concurs with the finding. While we believe appropriate controls exist relating to the management review and approval of allowable costs at the transactional level, we concur that procedures relating to obtaining and maintaining documentation of such reviews need to be strengthened.

(j) Corrective Action Plan

Management will ensure communication of the finding to the reviewers and submitters of allowable costs and revise procedures to ensure documentation of reviews and approvals is obtained and maintained. Prior to submitting allowable costs to Health Resources and Services Administration ("HRSA"), we will obtain documentation of the approval of these costs and maintain this documentation in the same manner as the documentation of the submission of the costs to HRSA.

(k) Status of 2021 Finding

Correction of corrective action anticipated by August 31, 2023.

(l) Name of Person for Corrective Action

Marie Gaffney, Vice President Corporate Finance: (470) 271-6007.