

Northside Hospital, Inc. and Subsidiaries

Consolidated Financial Statements as of and for the
Years Ended September 30, 2020 and 2019 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Northside Hospital, Inc. and Subsidiaries:

We have audited the accompanying consolidated financial statements of Northside Hospital, Inc. (a Georgia not-for-profit corporation and a subsidiary of Northside Health Services, Inc.) and its subsidiaries ("Northside"), which comprise the consolidated balance sheets as of September 30, 2020 and 2019, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Northside's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northside's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northside as of September 30, 2020 and 2019, and the results of its operations, the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw your attention to Note 2 of the consolidated financial statements which contains disclosures about Northside's August 2019 affiliation and merger with Gwinnett Health System, Inc. Our opinion is not modified with respect to this matter.

Deloitte + Touche LLP

January 18, 2021

NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2020 AND 2019 (In thousands)

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 935,320	\$ 350,522
Patient accounts receivable, net	376,868	354,871
Inventories	86,731	70,194
Prepaid expenses and other assets	<u>89,086</u>	<u>81,851</u>
Total current assets	<u>1,488,005</u>	<u>857,438</u>
ASSETS WHOSE USE IS LIMITED—At fair value	<u>690,109</u>	<u>624,240</u>
PROPERTY AND EQUIPMENT	3,358,208	3,179,862
LESS ACCUMULATED DEPRECIATION AND AMORTIZATION	<u>(1,635,697)</u>	<u>(1,435,629)</u>
Property and equipment—net	<u>1,722,511</u>	<u>1,744,233</u>
OTHER ASSETS:		
Goodwill	202,244	202,244
Other intangible assets—net	129,253	130,759
Pension plan asset	22,508	8,916
Other	<u>61,946</u>	<u>60,488</u>
Total other assets	<u>415,951</u>	<u>402,407</u>
TOTAL	<u>\$4,316,576</u>	<u>\$3,628,318</u>

(Continued)

NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2020 AND 2019 (In thousands)

	2020	2019
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt and capital lease obligations	\$ 8,006	\$ 5,704
Accounts payable	247,756	262,246
Accrued salaries and employee benefits	215,060	184,110
Other accrued liabilities	551,791	140,657
Current portion of self-insurance liabilities	<u>81,131</u>	<u>59,173</u>
Total current liabilities	<u>1,103,744</u>	<u>651,890</u>
OTHER LONG-TERM LIABILITIES:		
Long-term self-insurance liabilities	234,901	195,100
Accrued pension costs	280,441	290,505
Real estate financing obligations	112,604	115,913
Due to affiliates	8,154	13,357
Other long-term liabilities	<u>45,560</u>	<u>51,483</u>
Total other long-term liabilities	<u>681,660</u>	<u>666,358</u>
LONG-TERM DEBT:		
Capital lease obligations—net of current portion	53,900	55,249
Other debt	<u>60,000</u>	<u>60,000</u>
Total liabilities	<u>1,899,304</u>	<u>1,433,497</u>
COMMITMENTS AND CONTINGENCIES (Notes 2, 10, and 13)		
NET ASSETS:		
Without donor restrictions	2,368,880	2,164,738
With donor restrictions	7,614	-
Noncontrolling interest	<u>40,778</u>	<u>30,083</u>
Total net assets	<u>2,417,272</u>	<u>2,194,821</u>
TOTAL	<u>\$4,316,576</u>	<u>\$3,628,318</u>

See notes to consolidated financial statements.

(Concluded)

NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (In thousands)

	2020	2019
REVENUES:		
Net patient service revenue	\$4,296,753	\$3,353,414
Other operating revenues	<u>367,335</u>	<u>210,953</u>
Total revenues	<u>4,664,088</u>	<u>3,564,367</u>
EXPENSES:		
Salaries and benefits	2,052,300	1,463,243
Supplies	1,157,767	917,576
Professional fees	466,272	443,290
Depreciation and amortization	211,573	172,752
Interest	11,526	10,345
Other (Note 1)	<u>621,799</u>	<u>459,461</u>
Total expenses	<u>4,521,237</u>	<u>3,466,667</u>
OPERATING INCOME	142,851	97,700
INVESTMENT INCOME (Note 3)	71,906	26,281
OTHER COMPONENTS OF NET PERIODIC PENSION COSTS	7,079	13,314
INHERENT CONTRIBUTION—GWINNETT HEALTH SYSTEM, INC. (Note 2)	<u>-</u>	<u>398,354</u>
REVENUES IN EXCESS OF EXPENSES	221,836	535,649
INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	<u>(5,926)</u>	<u>(3,081)</u>
REVENUES IN EXCESS OF EXPENSES ATTRIBUTABLE TO NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES	<u>\$ 215,910</u>	<u>\$ 532,568</u>

See notes to consolidated financial statements.

NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (In thousands)

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Noncontrolling Interest	Total
NET ASSETS—September 30, 2018	\$ 1,823,698	\$ -	\$ 29,826	\$ 1,853,524
Noncontrolling interest related to Gwinnett Health System, Inc.	-	-	3,505	3,505
Revenues in excess of expenses	532,568	-	3,081	535,649
Other	(585)	-	(6,329)	(6,914)
Change in unrecognized pension costs	<u>(190,943)</u>	<u>-</u>	<u>-</u>	<u>(190,943)</u>
Change in net assets	<u>341,040</u>	<u>-</u>	<u>257</u>	<u>341,297</u>
NET ASSETS—September 30, 2019	2,164,738	-	30,083	2,194,821
Noncontrolling interest related to Gwinnett Health System, Inc.	-	-	-	-
Revenues in excess of expenses	215,910	-	5,926	221,836
Other	(8,063)	7,614	4,769	4,320
Change in unrecognized pension costs	<u>(3,705)</u>	<u>-</u>	<u>-</u>	<u>(3,705)</u>
Change in net assets	<u>204,142</u>	<u>7,614</u>	<u>10,695</u>	<u>222,451</u>
NET ASSETS—September 30, 2020	<u>\$ 2,368,880</u>	<u>\$ 7,614</u>	<u>\$ 40,778</u>	<u>\$ 2,417,272</u>

See notes to consolidated financial statements.