

Northside Hospital, Inc. and Subsidiaries

Consolidated Financial Statements as of and for
the Years Ended September 30, 2022 and 2021,
and Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the 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, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Northside Hospital Inc. and its subsidiaries as of September 30, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northside's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northside's ability to continue as a going concern for a reasonable period of time.

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

Deloitte + Touche LLP

January 13, 2023

NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2022 AND 2021 (In thousands)

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 566,648	\$ 906,671
Patient accounts receivable—net	620,115	509,845
Inventories	108,384	93,678
Prepaid expenses and other assets	<u>89,191</u>	<u>107,431</u>
Total current assets	<u>1,384,338</u>	<u>1,617,625</u>
ASSETS WHOSE USE IS LIMITED—At fair value	<u>672,488</u>	<u>793,189</u>
PROPERTY AND EQUIPMENT—net	<u>2,010,874</u>	<u>1,868,106</u>
OTHER ASSETS:		
Goodwill	210,646	213,050
Other intangible assets—net	143,050	144,896
Pension plan assets	77,385	51,726
Due from affiliates	23,902	9,516
Other	<u>44,464</u>	<u>37,009</u>
Total other assets	<u>499,447</u>	<u>456,197</u>
TOTAL	<u>\$ 4,567,147</u>	<u>\$ 4,735,117</u>

(Continued)

NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2022 AND 2021 (In thousands)

	2022	2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of debt and capital lease obligations	\$ 9,624	\$ 13,432
Accounts payable	342,018	257,188
Accrued salaries and employee benefits	226,887	238,869
Other accrued liabilities	136,827	346,913
Current portion of self-insurance liabilities	<u>84,338</u>	<u>84,451</u>
Total current liabilities	<u>799,694</u>	<u>940,853</u>
OTHER LONG-TERM LIABILITIES:		
Long-term self-insurance liabilities	315,054	312,172
Accrued pension costs	-	177,072
Real estate financing obligations	86,574	108,308
Other long-term liabilities	<u>42,479</u>	<u>42,365</u>
Total other long-term liabilities	<u>444,107</u>	<u>639,917</u>
LONG-TERM DEBT:		
Capital lease obligations—net of current portion	59,187	51,071
Other debt	<u>-</u>	<u>66,000</u>
Total liabilities	<u>1,302,988</u>	<u>1,697,841</u>
COMMITMENTS AND CONTINGENCIES (Notes 10 and 13)		
NET ASSETS:		
Without donor restrictions	3,230,489	3,001,433
With donor restrictions	6,624	8,168
Noncontrolling interest	<u>27,046</u>	<u>27,675</u>
Total net assets	<u>3,264,159</u>	<u>3,037,276</u>
TOTAL	<u>\$4,567,147</u>	<u>\$4,735,117</u>

See notes to consolidated financial statements.

(Concluded)

NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021 (In thousands)

	2022	2021
REVENUES:		
Net patient service revenue	\$ 5,442,456	\$ 5,058,831
Other operating revenues	<u>449,684</u>	<u>458,175</u>
Total revenues	<u>5,892,140</u>	<u>5,517,006</u>
EXPENSES:		
Salaries and benefits	2,776,460	2,334,865
Supplies	1,428,437	1,357,894
Professional fees	511,262	523,838
Depreciation and amortization	238,250	221,651
Other (Note 1)	<u>816,933</u>	<u>700,638</u>
Total expenses	<u>5,771,342</u>	<u>5,138,886</u>
OPERATING INCOME	120,798	378,120
INVESTMENT (LOSS) INCOME (Note 3)	(116,644)	108,816
OTHER COMPONENTS OF NET PERIODIC PENSION COSTS	<u>43,894</u>	<u>25,173</u>
REVENUES IN EXCESS OF EXPENSES	48,048	512,109
INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	<u>(11,415)</u>	<u>(9,933)</u>
REVENUES IN EXCESS OF EXPENSES ATTRIBUTABLE TO NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES	<u>\$ 36,633</u>	<u>\$ 502,176</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, 2022 AND 2021 (In thousands)

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Noncontrolling Interest	Total
NET ASSETS—September 30, 2020	<u>\$ 2,368,880</u>	<u>\$ 7,614</u>	<u>\$ 40,778</u>	<u>\$ 2,417,272</u>
Revenues in excess of expenses	502,176	-	9,933	512,109
Other	823	554	(23,036)	(21,659)
Change in unrecognized pension costs	<u>129,554</u>	<u>-</u>	<u>-</u>	<u>129,554</u>
Change in net assets	<u>632,553</u>	<u>554</u>	<u>(13,103)</u>	<u>620,004</u>
NET ASSETS—September 30, 2021	<u>3,001,433</u>	<u>8,168</u>	<u>27,675</u>	<u>3,037,276</u>
Revenues in excess of expenses	36,633	-	11,415	48,048
Other	144	(1,544)	(12,044)	(13,444)
Change in unrecognized pension costs	<u>192,279</u>	<u>-</u>	<u>-</u>	<u>192,279</u>
Change in net assets	<u>229,056</u>	<u>(1,544)</u>	<u>(629)</u>	<u>226,883</u>
NET ASSETS—September 30, 2022	<u>\$ 3,230,489</u>	<u>\$ 6,624</u>	<u>\$ 27,046</u>	<u>\$ 3,264,159</u>

See notes to consolidated financial statements.