

# Northside Hospital, Inc. and Subsidiaries

Consolidated Financial Statements as of and  
for the Years Ended September 30, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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 15, 2024

# NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2023 AND 2022 (In thousands)

	2023	2022
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 451,726	\$ 566,648
Patient accounts receivable—net	564,373	620,115
Inventories	113,038	108,384
Prepaid expenses and other assets	<u>102,748</u>	<u>89,191</u>
Total current assets	<u>1,231,885</u>	<u>1,384,338</u>
ASSETS WHOSE USE IS LIMITED—At fair value	<u>778,439</u>	<u>672,488</u>
PROPERTY AND EQUIPMENT—net	<u>2,312,705</u>	<u>2,010,874</u>
OTHER ASSETS:		
Right-of-use assets (Note 10)	288,903	-
Goodwill	210,646	210,646
Other intangible assets—net	178,648	143,050
Pension plan assets	199,033	77,385
Due from affiliates	28,250	23,902
Other	<u>5,286</u>	<u>44,464</u>
Total other assets	<u>910,766</u>	<u>499,447</u>
TOTAL	<u>\$ 5,233,795</u>	<u>\$ 4,567,147</u>

(Continued)

# NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2023 AND 2022 (In thousands)

	2023	2022
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Current portion of finance lease obligations (Note 10)	\$ 4,687	\$ 9,624
Current portion of operating lease obligations (Note 10)	48,906	-
Accounts payable	331,212	342,018
Accrued salaries and employee benefits	262,205	226,887
Other accrued liabilities	101,393	136,827
Current portion of self-insurance liabilities	<u>100,310</u>	<u>84,338</u>
Total current liabilities	<u>848,713</u>	<u>799,694</u>
OTHER LONG-TERM LIABILITIES:		
Long-term self-insurance liabilities	390,555	315,054
Operating lease obligations (Note 10)	241,599	-
Real estate financing obligations	144,280	86,574
Finance lease obligations—net of current portion (Note 10)	54,811	59,187
Other long-term liabilities	<u>10,133</u>	<u>42,479</u>
Total other long-term liabilities	<u>841,378</u>	<u>503,294</u>
Total liabilities	<u>1,690,091</u>	<u>1,302,988</u>
COMMITMENTS AND CONTINGENCIES (Notes 10 and 13)		
NET ASSETS:		
Without donor restrictions	3,510,347	3,230,489
With donor restrictions	5,482	6,624
Noncontrolling interest	<u>27,875</u>	<u>27,046</u>
Total net assets	<u>3,543,704</u>	<u>3,264,159</u>
TOTAL	<u>\$ 5,233,795</u>	<u>\$ 4,567,147</u>

See notes to consolidated financial statements.

(Concluded)

## NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (In thousands)

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	2023	2022
REVENUES:		
Net patient service revenue	\$ 5,839,678	\$ 5,442,456
Other operating revenues	<u>560,195</u>	<u>449,684</u>
Total revenues	<u>6,399,873</u>	<u>5,892,140</u>
EXPENSES:		
Salaries and benefits	3,041,643	2,776,460
Supplies	1,563,246	1,428,437
Professional fees	552,085	511,262
Depreciation and amortization	248,058	238,250
Other (Note 1)	<u>905,841</u>	<u>816,933</u>
Total expenses	<u>6,310,873</u>	<u>5,771,342</u>
OPERATING INCOME	89,000	120,798
INVESTMENT (LOSS) INCOME (Note 3)	118,550	(116,644)
OTHER COMPONENTS OF NET PERIODIC PENSION COSTS	<u>15,718</u>	<u>43,894</u>
REVENUES IN EXCESS OF EXPENSES	223,268	48,048
INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	<u>(16,235)</u>	<u>(11,415)</u>
REVENUES IN EXCESS OF EXPENSES ATTRIBUTABLE TO NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES	<u>\$ 207,033</u>	<u>\$ 36,633</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, 2023 AND 2022 (In thousands)

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Noncontrolling Interest	Total
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>
Revenues in excess of expenses	207,033		16,235	223,268
Other	(26,897)	(1,142)	(15,406)	(43,445)
Change in unrecognized pension costs	<u>99,722</u>	<u>-</u>	<u>-</u>	<u>99,722</u>
Change in net assets	<u>279,858</u>	<u>(1,142)</u>	<u>829</u>	<u>279,545</u>
NET ASSETS—September 30, 2023	<u>\$ 3,510,347</u>	<u>\$ 5,482</u>	<u>\$ 27,875</u>	<u>\$ 3,543,704</u>

See notes to consolidated financial statements.

# NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022 (In thousands)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 279,545</u>	<u>\$ 226,883</u>
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	248,058	238,250
Income on equity-method investments	(1,212)	(2,897)
Distributions from equity-method investments	2,992	2,833
Net realized and unrealized loss (gains) on investments	(90,439)	133,887
Change in unrecognized pension costs	(99,722)	(192,279)
Retirement plan expense in excess of current-year funding	(21,926)	(10,452)
Loss on extinguishment of real estate financing obligations	-	82,746
Other	15,948	12,651
Changes in assets and liabilities:		
Patient accounts receivable	55,742	(110,020)
Inventories	(4,654)	(14,699)
Prepaid expenses and other assets	12,381	13,223
Accounts payable	(62,876)	83,562
Accrued liabilities	57,025	(226,020)
Self-insurance liabilities	<u>91,473</u>	<u>2,769</u>
Total adjustments	<u>202,790</u>	<u>13,554</u>
Net cash provided by operating activities	<u>482,335</u>	<u>240,437</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of assets whose use is limited	(416,618)	(465,075)
Proceeds from disposal of assets whose use is limited	400,910	452,428
Acquisitions (Note 2)	(51,223)	(8,404)
Proceeds from sale of property and equipment	33	3,942
Purchase of property and equipment	(505,259)	(362,626)
Transactions with affiliates—net	(4,348)	(14,990)
Other	<u>3,400</u>	<u>(2,049)</u>
Net cash used in investing activities	<u>(573,105)</u>	<u>(396,774)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (repurchases) proceeds from real estate financing transactions	565	(100,526)
Net repayment of current and long-term debt and capital leases	(9,311)	(69,716)
Other, net	<u>(15,406)</u>	<u>(13,444)</u>
Net cash used in by financing activities	<u>(24,152)</u>	<u>(183,686)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(114,922)	(340,023)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>566,648</u>	<u>906,671</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 451,726</u>	<u>\$ 566,648</u>

See notes to consolidated financial statements.