

Northside Hospital, Inc. and Subsidiaries

Consolidated Financial Statements as of and
for the Years Ended September 30, 2024 and
2023, 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, 2024 and 2023, 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, 2024 and 2023, 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 14, 2025

NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2024 AND 2023 (In thousands)

	2024	2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 604,489	\$ 451,726
Patient accounts receivable—net	580,659	564,373
Inventories	117,116	113,038
Prepaid expenses and other assets	<u>117,323</u>	<u>102,748</u>
Total current assets	<u>1,419,587</u>	<u>1,231,885</u>
ASSETS WHOSE USE IS LIMITED—At fair value	<u>988,164</u>	<u>778,439</u>
PROPERTY AND EQUIPMENT—net	<u>2,584,875</u>	<u>2,312,705</u>
OTHER ASSETS:		
Right-of-use assets (Note 10)	341,559	288,903
Goodwill	211,064	210,646
Other intangible assets—net	122,568	178,648
Pension plan assets	267,593	199,033
Due from affiliates	30,305	28,250
Other	<u>2,971</u>	<u>5,286</u>
Total other assets	<u>976,060</u>	<u>910,766</u>
TOTAL	<u>\$ 5,968,686</u>	<u>\$ 5,233,795</u>

(Continued)

NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2024 AND 2023 (In thousands)

	2024	2023
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of finance lease obligations (Note 10)	\$ 4,348	\$ 4,687
Current portion of operating lease obligations (Note 10)	48,723	48,906
Accounts payable	350,996	331,212
Accrued salaries and employee benefits	305,696	262,205
Other accrued liabilities	157,719	101,393
Current portion of self-insurance liabilities	120,919	100,310
	<u>988,401</u>	<u>848,713</u>
OTHER LONG-TERM LIABILITIES:		
Long-term self-insurance liabilities	441,940	390,555
Operating lease obligations (Note 10)	295,377	241,599
Real estate financing obligations	140,442	144,280
Finance lease obligations—net of current portion (Note 10)	50,463	54,811
Other long-term liabilities	12,425	10,133
	<u>940,647</u>	<u>841,378</u>
Total other long-term liabilities	<u>940,647</u>	<u>841,378</u>
Total liabilities	<u>1,929,048</u>	<u>1,690,091</u>
COMMITMENTS AND CONTINGENCIES (Notes 10 and 13)		
NET ASSETS:		
Without donor restrictions	4,001,656	3,510,347
With donor restrictions	4,176	5,482
Noncontrolling interest	33,806	27,875
	<u>4,039,638</u>	<u>3,543,704</u>
Total net assets	<u>4,039,638</u>	<u>3,543,704</u>
TOTAL	<u>\$ 5,968,686</u>	<u>\$ 5,233,795</u>

See notes to consolidated financial statements.

(Concluded)

NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023 (In thousands)

	2024	2023
REVENUES:		
Net patient service revenue	\$ 6,607,292	\$ 5,839,678
Other operating revenues	<u>564,253</u>	<u>560,195</u>
Total revenues	<u>7,171,545</u>	<u>6,399,873</u>
EXPENSES:		
Salaries and benefits	3,322,778	3,041,643
Supplies	1,729,699	1,563,246
Professional fees	594,188	552,085
Depreciation and amortization	250,139	248,058
Other (Note 1)	<u>1,045,995</u>	<u>905,841</u>
Total expenses	<u>6,942,799</u>	<u>6,310,873</u>
OPERATING INCOME	228,746	89,000
INVESTMENT INCOME (Note 3)	218,345	118,550
OTHER COMPONENTS OF NET PERIODIC PENSION COSTS	<u>23,950</u>	<u>15,718</u>
REVENUES IN EXCESS OF EXPENSES	471,041	223,268
INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	<u>(18,625)</u>	<u>(16,235)</u>
REVENUES IN EXCESS OF EXPENSES ATTRIBUTABLE TO NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES	<u>\$ 452,416</u>	<u>\$ 207,033</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, 2024 AND 2023 (In thousands)

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Noncontrolling Interest	Total
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>
Revenues in excess of expenses	452,416	-	18,625	471,041
Other	-	(1,306)	(12,694)	(14,000)
Change in unrecognized pension costs	<u>38,893</u>	<u>-</u>	<u>-</u>	<u>38,893</u>
Change in net assets	<u>491,309</u>	<u>(1,306)</u>	<u>5,931</u>	<u>495,934</u>
NET ASSETS—September 30, 2024	<u>\$ 4,001,656</u>	<u>\$ 4,176</u>	<u>\$ 33,806</u>	<u>\$ 4,039,638</u>

See notes to consolidated financial statements.

NORTHSIDE HOSPITAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023 (In thousands)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 495,934</u>	<u>\$ 279,545</u>
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	250,139	248,058
Income on equity-method investments	(513)	(1,212)
Distributions from equity-method investments	314	2,992
Net realized and unrealized gains on investments	(190,557)	(90,439)
Change in unrecognized pension costs	(38,893)	(99,722)
Retirement plan expense in excess of current-year funding	(29,666)	(21,926)
Loss on impairment of intangible assets	53,922	-
Other	13,307	15,948
Changes in assets and liabilities:		
Patient accounts receivable	(14,686)	55,742
Inventories	(4,078)	(4,654)
Prepaid expenses and other assets	41,431	12,381
Accounts payable	77,190	(62,876)
Accrued liabilities	(9,251)	57,025
Self-insurance liabilities	<u>71,994</u>	<u>91,473</u>
Total adjustments	<u>220,653</u>	<u>202,790</u>
Net cash provided by operating activities	<u>716,587</u>	<u>482,335</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of assets whose use is limited	(365,532)	(416,618)
Proceeds from disposal of assets whose use is limited	345,657	400,910
Acquisitions (Note 2)	(12,070)	(51,223)
Proceeds from sale of property and equipment	-	33
Purchase of property and equipment	(512,149)	(505,259)
Transactions with affiliates—net	(2,055)	(4,348)
Other	<u>(605)</u>	<u>3,400</u>
Net cash used in investing activities	<u>(546,754)</u>	<u>(573,105)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from real estate financing transactions	-	565
Net repayment of current and long-term debt and capital leases	(4,376)	(9,311)
Other—net	<u>(12,694)</u>	<u>(15,406)</u>
Net cash used in by financing activities	<u>(17,070)</u>	<u>(24,152)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	152,763	(114,922)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>451,726</u>	<u>566,648</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 604,489</u>	<u>\$ 451,726</u>

See notes to consolidated financial statements.