GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATES

Consolidated Financial Statements and Consolidating Schedules

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATES

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Independent Auditors' Report

The Board of Directors
Grady Memorial Hospital Corporation:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Grady Memorial Hospital and affiliates (the System), which comprise the consolidated balance sheets as of December 31, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the System as of December 31, 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 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 the System 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. The financials statements of the Henry W. Grady Health System Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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 the 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 the System's 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 the System'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 2023 consolidating supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying supplementary financial responsibility information in schedule 3 as of and for the year ended December 31, 2023 is presented for purposes of additional analysis, as required by the U.S. Department of Education, 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 audits 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2024 on our consideration of the System's internal control over financial reporting and on our tests of its 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 the System's 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 the System's internal control over financial reporting and compliance.

KPMG LLP

Atlanta, Georgia
April 30, 2024

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATES

Consolidated Balance Sheets

December 31, 2023 and 2022

(In thousands)

Assets		**2023**	**2022**
Current assets:			
Cash and cash equivalents	$	367,603	213,551
Patient accounts receivable, net		257,129	204,880
Grants receivable, net		26,312	30,810
Current portion of notes receivable, new market tax credit		15,711	—
Current portion of pledges receivable		9,334	4,587
Other current assets		195,091	103,169
Total current assets		871,180	556,997
Investments		77,262	—
Assets limited as to use		51,456	126,792
Property and equipment, net		911,284	774,373
Notes receivable, new market tax credit, excluding current portion		53,756	69,467
Beneficial interest in net assets held by others		29,661	27,483
Pledges receivable, net, excluding current portion		5,187	2,031
Other assets		30,307	30,787
Total assets	$	2,030,093	1,587,930
Liabilities and Net Assets			
Current liabilities:			
Current portion of finance lease obligations	$	1,163	1,257
Accounts payable		75,735	54,973
Current portion of notes payable, net, new market tax credit		21,801	—
Current portion of self-insurance reserves		14,334	17,315
Due to third-party payors, net		93,962	10,184
Due to Medical Schools		52,677	21,664
Other accrued expenses		151,349	151,463
Total current liabilities		411,021	256,856
Finance lease obligations, excluding current portion		29,849	29,990
Notes payable, net, new market tax credit, excluding current portion		71,523	92,926
Self-insurance reserves, excluding current portion		43,000	41,428
Accrued postretirement benefit cost		—	36
Other long-term liabilities		41,345	42,671
Total liabilities		596,738	463,907
Net assets:			
Without donor restrictions		1,353,295	1,056,911
With donor restrictions		80,060	67,112
Total net assets		1,433,355	1,124,023
Commitments and contingencies			
Total liabilities and net assets	$	2,030,093	1,587,930

See accompanying notes to consolidated financial statements.

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATES

Consolidated Statements of Operations

Years ended December 31, 2023 and 2022

(In thousands)

	2023	2022
Revenue, gains, and other support:		
Net patient service revenue	$ 1,771,184	1,434,706
Contributions from Fulton and DeKalb Counties	55,500	55,435
Grant revenue	106,102	90,329
Other income	98,278	96,486
Total revenue, gains, and other support	2,031,064	1,676,956
Operating expenses:		
Salaries and benefits	851,442	747,191
Supplies and other expenses	935,955	840,878
Interest	4,093	4,491
Depreciation and amortization	79,760	74,729
Total operating expenses	1,871,250	1,667,289
Operating income	159,814	9,667
Nonoperating gains (losses), net:		
Investment income, net	15,577	(9,076)
Net periodic postretirement benefit credit	—	734
New market tax credit, net	(1,249)	7,868
Other	2,644	109
Total nonoperating gains (losses), net	16,972	(365)
Revenue, gains, and other support in excess of expenses and losses	176,786	9,302
Accrued postretirement benefit cost adjustments	—	(530)
Net assets released from restriction used for the purchase of property and equipment	5,510	3,522
Contributions and other used for the purchase of property and equipment	114,088	100,430
Change in net assets without donor restrictions	$ 296,384	112,724

See accompanying notes to consolidated financial statements.

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATES

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2023 and 2022

(In thousands)

		Without donor restrictions	With donor restrictions	Total
Net assets, December 31, 2021	$	944,187	61,335	1,005,522
Revenue, gains, and other support in excess of expenses and losses		9,302	—	9,302
Accrued postretirement benefit cost adjustments		(530)	—	(530)
Net assets released from restriction used for purchase of property and equipment		3,522	(3,522)	—
Net assets released from restriction used for operations		—	(3,087)	(3,087)
Net change in beneficial interest in net assets held by others		—	(3,272)	(3,272)
Contributions and other		100,430	15,658	116,088
Change in net assets		112,724	5,777	118,501
Net assets, December 31, 2022		1,056,911	67,112	1,124,023
Revenue, gains, and other support in excess of expenses and losses		176,786	—	176,786
Net assets released from restriction used for purchase of property and equipment		5,510	(5,510)	—
Net assets released from restriction used for operations		—	(13,521)	(13,521)
Net change in beneficial interest in net assets held by others		—	2,178	2,178
Contributions and other used for the purchase of property and equipment		114,088	29,801	143,889
Change in net assets		296,384	12,948	309,332
Net assets, December 31, 2023	$	1,353,295	80,060	1,433,355

See accompanying notes to consolidated financial statements.

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2023 and 2022

(In thousands)

		2023	2022
Cash flows from operating activities:			
Change in net assets	$	309,332	118,501
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		79,760	74,729
Loss/gain on asset disposal		144	(109)
Gain on close of 2015 New Market Tax Credit		—	(9,017)
Amortization of debt issuance costs		398	386
Accrued postretirement benefit cost adjustments		(36)	530
Net change in beneficial interest in net assets held by others		(2,178)	3,272
Net realized and unrealized gains on investments		(5,725)	9,078
Contributions used for the purchase of property and equipment		(119,598)	(103,952)
Changes in operating assets and liabilities:			
Patient accounts receivable		(52,249)	(22,458)
Grants and pledges receivable		(3,405)	(16,698)
Other current assets		(91,922)	(11,712)
Other assets		480	(28,496)
Accounts payable, due to Medical Schools, and other accrued expenses and liabilities		52,121	34,021
Due to third-party payors, net		83,778	(3,338)
Accrued postretirement benefit cost		—	(737)
Self-insurance reserves		(1,409)	(734)
Net cash provided by operating activities		249,491	43,266
Cash flows from investing activities:			
Purchase of property and equipment		(217,458)	(164,507)
Issuance of notes receivable		—	(28,654)
Purchases of investments and assets limited as to use		(35,495)	(42,292)
Proceeds from sales of investments and assets limited as to use		30,045	43,933
Net cash used in investing activities		(222,908)	(191,520)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt		—	38,760
Principal repayments under finance lease obligations		(1,378)	(1,249)
Debt issuance costs paid		—	(1,046)
Contributions used for the purchase of property and equipment		119,598	103,952
Net cash provided by financing activities		118,220	140,417
Net change in cash and cash equivalents		144,803	(7,837)
Cash and cash equivalents, beginning of year		267,540	275,377
Cash and cash equivalents, end of year	$	412,343	267,540
Reconciliation of cash and cash equivalents:			
Cash and cash equivalents	$	367,603	213,551
Cash funds in investments and assets limited as to use		44,740	53,989
Total cash and cash equivalents	$	412,343	267,540
Supplemental disclosure of cash flow information:			
Cash paid for interest	$	4,884	5,385
Supplemental disclosures of noncash investing activities:			
Accrued expenses for additions to property and equipment	$	22,674	24,360

See accompanying notes to consolidated financial statements.

(1) Organization, Business, and Summary of Significant Accounting Policies

Grady Memorial Hospital Corporation (the System) is a 501(c)(3) not-for-profit health system formed on March 17, 2008, which subsequently entered into a Lease and Transfer Agreement (the Agreement) effective June 1, 2008 with The Fulton-DeKalb Hospital Authority (the Authority). The System, located in Atlanta, Georgia, comprises Grady Memorial Hospital (the largest teaching hospital in the state), Hughes Spalding Children's Hospital (Hughes Spalding), five free-standing primary care clinics, and other significant healthcare facilities and services consistent with an integrated healthcare delivery and medical education system serving a major metropolitan area. The System has 953 licensed beds and is the principal safety-net healthcare provider for the Atlanta metropolitan area. In addition, the System maintains the primary Level I trauma center for the region.

The key terms and conditions associated with the Agreement are as follows:

- The System makes monthly lease payments to the Authority, totaling $2.5 million in the initial year of the Agreement, and increasing each year by an amount generally measured by inflation in the published Consumer Price Index (CPI), not to exceed 3%, for an initial term of 40 years.
- The System assumed the liabilities of the Authority related to its previous operation of the former Grady Memorial Hospital and related facilities.
- In exchange for the lease payments and assumption of liabilities, the Authority transferred to the System all of the Authority's right, title, and interest in the operating assets of Grady Memorial Hospital and provided to the System the right to use its related facilities.
- The System is the agent for the Authority with respect to pre-existing Operating Agreements among the Authority, Fulton County, and DeKalb County. The Operating Agreements define the obligations of the Authority with respect to (principally) the provision of indigent care to the citizens of Fulton and DeKalb Counties (the Counties), in exchange for related ongoing funding that the Counties provide. The Authority is obligated to remit directly to the System all such funds the Authority receives from the Counties.

Certain assets and obligations of the Authority were excluded from the Agreement. In particular, the Authority retained certain assets and obligations related to (a) its sponsorship of The Fulton-DeKalb Hospital Authority Employee Pension Plan (the Plan – a frozen plan effective May 19, 2008) and (b) pre-existing Authority hospital revenue bond issues.

The Authority has defined obligations within the Agreement related to how it will apply the lease payments to its own obligations. A portion of the lease payments is to be applied to the Authority's ongoing funding of the Plan, and the Agreement requires that the System fund any shortfall between required Plan funding and available funds from the lease payments. Should there be an excess of lease payments over the Authority's bona fide operating costs and pension obligations, such excess must be returned to the System. The Authority may not carry over excess funds from year to year. No such return of funds was received by the System for the years ended December 31, 2023 and 2022.

The System's acquisition of assets and assumption of liabilities under the Agreement was accounted for as a purchase. The System has recognized a finance lease obligation for the lease payments (excluding any future CPI adjustments), which were discounted at 7.24%, representing management's best estimate of a fair value rate that might be available to the System on an unenhanced credit basis. Other acquired assets and assumed liabilities were recognized at their respective estimated fair values.

Because any future funding obligations of the System for the Plan are currently indeterminable, those payments (if any) are accounted for on a "pay-as-you-go" basis and recognized currently in expense as invoiced from the Authority. During each of the years ended December 31, 2023 and 2022, the System recognized approximately $4.1 million in expense associated with its pension-funding obligation as described herein.

The Agreement subjects the System to a number of commercially typical covenants, principally related to continuance of its mission as a safety-net hospital system, maintenance of facilities, and financial and other reporting, including the System's obligation to deliver audited financial statements within 120 days of year-end.

The significant accounting policies used by the System in preparing and presenting its consolidated financial statements are as follows:

(a) Principles of Consolidation

The accompanying consolidated financial statements of the System include the accounts of Grady Memorial Hospital; Hughes Spalding; the Grady Health Foundation, Inc. (the Foundation); Grady Health Resources, Inc. (GHRI) (closed in 2022); Grady WIC, Inc. (GWIC); Grady CASS, Inc. (GRCAS); Grady Ponce, Inc. (GRPON); and Reliant Emergency Specialties, Inc. (Reliant). All significant intercompany accounts and transactions are eliminated in consolidation.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 explicit and implicit price concessions, allowances for uncollectible pledges, allowance for NMTC credit losses, fair value of investments and assets limited as to use, reserves for general and professional liability claims, third-party payor settlements, and the actuarially determined benefit liability related to the System's postretirement benefit plan.

In addition, 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 related to these programs will change by a material amount in the near term.

(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 original maturities of three months or less, excluding amounts limited as to use. The System maintains its cash and cash equivalents in domestic bank deposit accounts. The System invests its cash and cash equivalents with high-credit quality federally insured institutions. Cash and cash equivalent balances with any one institution may be in excess of federally insured limits. The System has not realized any losses in such accounts and believes it is not exposed to any significant credit risk.

(d) Investments, Assets Limited as to Use 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 items (including interest and dividends) are included in revenue, gains, and other support in excess of expenses and losses unless the investment income has donor restrictions.

Assets limited as to use include assets internally designated for capital acquisition and other uses, assets held by trustee under escrow agreements, an insurance guaranty trust fund, assets held for line of credit collateral, and funds limited by donors for specific purposes.

(e) Inventories

Inventories, consisting principally of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out method) or net realizable value.

(f) Property and Equipment, Net

Property and equipment transferred to the System under the terms of the Agreement are stated at fair value at the date of transfer. Property and equipment acquired subsequently are stated at cost, with the exception of donated items, which are stated 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 consolidated statement of operations. Replacements, maintenance, and repairs that do not improve or extend the life of respective assets are charged to operations. Equipment held under finance lease obligations is initially recorded at the lower of estimated fair value or the present value of minimum lease payments. Provisions for depreciation are computed using the straight-line method based on the estimated useful lives of the assets. Equipment held under finance lease obligations is amortized using the straight-line method over the shorter of the estimated useful life or the lease term, and such amortization is included in depreciation and amortization expense in the consolidated statement of operations.

A summary of asset classes and related ranges of estimated depreciable lives is as follows:

Land improvements	3–8 years
Buildings and improvements	5–40 years
Machinery, equipment, and vehicles	3–20 years
Computer hardware and software	3–10 years

(g) Leases

The System is a lessee in several noncancelable (1) operating leases, primarily for office space and parking lots and (2) finance leases, for lab and other equipment. Transactions give rise to leases when the System receives substantially all the economic benefits from and has the ability to direct the use of specified property and equipment. The System accounts for leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*. As such, the System 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 and financing leases, the lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. Finance leases are subsequently measured at amortized cost using the effective-interest method. Key estimates and judgments include how the System determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments.

ASC 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, the System 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, the System generally uses its incremental borrowing rate as the discount rate for the lease. The System'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.

The System has agreements with lease and non-lease components (such as common area maintenance) and generally has elected to account for the lease and non-lease components separately. The System elects not to recognize right-of-use assets and lease liabilities that arise from short-term leases (i.e. leases with terms of 12 months or less).

The lease term for all of the System's leases includes the noncancellable period of the lease plus any additional periods covered by either an option to extend (or not to terminate) the lease that the System is reasonably certain to exercise.

Lease payments included in the measurement of the lease liability are comprised of fixed payments, including in-substance fixed payments, owed over the lease term (which includes termination penalties the System would owe if the lease term reflects the System'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; and the exercise price of the System's option to purchase the underlying asset if the System is reasonably certain to exercise that option.

The ROU asset for operating leases is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made to the lessor at or before the commencement date, less the unamortized balance of lease incentives received and is included in other assets in the consolidated balance sheet. Lease expense is recognized on a straight-line basis over the lease term and is included in supplies and other expenses in the consolidated statement of operations.

(Continued)

The ROU asset for finance leases is measured at cost, 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 the System or the System is reasonably certain to exercise an option to purchase the underlying asset. In those cases, amortization of the ROU asset is recognized and presented separately from interest expense on the lease liability.

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

(h) Notes Receivable, New Market Tax Credit

Notes receivable, new market tax credit relates to four New Market Tax Credit (NMTC) Program financing arrangements established during 2015, 2017, 2020, and 2022 (as described in note 6) that exceed one year and bear interest at a market rate based on the borrowers' credit quality and are recorded at face value. Interest is recognized over the life of the notes. The System does not require collateral for the notes and does not intend to sell these receivables.

An allowance for credit losses is determined on an individual note basis if it is probable that the System will not collect all principal and interest contractually due. The System considers the borrowers' historical payment patterns, credit ratings as published by credit rating agencies, and general and industry-specific economic factors in determining probability of default. Impairment is measured based on the present value of expected future cash flows discounted at the notes' effective interest rates. The System does not accrue interest when a note is considered impaired. When ultimate collectability of the principal balance of an impaired note is in doubt, all related cash receipts are applied to reduce the principal amount of such notes until the principal has been recovered and are recognized as interest income thereafter. Impairment losses are charged against the allowance and increases in the allowance are charged to bad debt expense. Notes are written off against the allowance when all possible means of collection have been exhausted and the potential for recovery is considered remote. The System resumes accrual of interest when it is probable that the System will collect the remaining principal and interest of an impaired note. The notes receivable have no allowance for credit loss as of December 31, 2023 and 2022, which is the System's best estimate of the amount of credit losses.

(i) Net Assets with Donor Restrictions

Net assets with donor restriction are those whose use by the System is restricted by the donor to a specific time period or purpose. When a donor restriction expires, these net assets are reclassified to net assets without donor restrictions and are reported in the consolidated statement of operations as net assets released from restrictions. Donor restricted net assets can also be restricted by donors to be maintained in perpetuity. These net assets consist primarily of the System's beneficial interest in indigent care and nursing scholarship funds held by the Authority. All of the earnings of the funds are donor-restricted for the System's use in providing indigent and charity care.

(j) Patient Care Service Revenue

The System applies FASB Accounting Standards Codification (ASC) 606, which requires revenue to be recognized when promised goods and services are transferred to customers in amounts that reflect the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are reported at estimated net realizable value due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Retroactive 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.

(k) Charity Care

The System provides care to patients who meet certain criteria under its financial assistance policies at amounts less than its established rates. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

(l) Revenue, Gains, and Other Support in Excess of Expenses and Losses

The accompanying consolidated statements of operations include revenue, gains, and other support in excess of expenses and losses. Changes in net assets without donor restrictions, which are excluded from revenue, gains, and other support in excess of expenses and losses (to the extent applicable in any particular year), net assets released from restrictions and contributions used for purchase of property and equipment, and certain post retirement benefit plan accounting adjustments.

For purposes of presentation, transactions deemed by management to be ongoing, significant, or central to the provision of healthcare services are reported as revenue and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

(m) Promises to Give and Donor Restricted Gifts

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the underlying condition is satisfied by the System or the date the donor's intention to give becomes a promise to give. Gifts are reported as net assets with donor restrictions 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, these net assets are reclassified as net assets without donor restrictions and are reported in the consolidated statements of operations as net assets released from restrictions.

Gifts of long-lived assets, such as property and equipment, are excluded from revenue, gains, and other support in excess of expenses and losses and are reported as changes in net assets without donor restrictions, 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 net assets with donor restrictions. 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.

The System applies FASB ASC 958-205-45, *Reporting of Endowment Funds* (ASC 958-205-45). ASC 958-205-45 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent

Management of Institutional Funds Act of 2006, and serves to improve disclosures about an organization's endowment funds (both donor restricted and board designated).

The System has recorded a beneficial interest in donor-restricted endowment funds (note 16(c)) held by the Authority and does not maintain any board-designated or other endowments. Net changes in the estimated fair value of beneficial interest in net assets held by the Authority are reflected as increases or decreases to net assets with donor restrictions in the consolidated statement of changes in net assets. The System's Board has interpreted Georgia's State Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of an original donor-restricted endowment gift as of the gift date, absent explicit donor stipulations to the contrary. To the extent that income from any donor-restricted endowment fund is itself restricted to specific donor-directed purposes, such income is recorded within donor restricted net assets until expended in accordance with the donor's wishes. Should additional donor-restricted endowments be received, the System would oversee individual donor-restricted endowments to ensure that the fair value of the original gift is preserved.

(n) Asset Retirement Obligations

The System recognizes a liability for legal obligations associated with asset retirements in the period incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the System capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability (a component of long-term liabilities in the consolidated balance sheet) is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the recorded liability is recognized as a gain or loss in the consolidated statement of operations. The related amounts recorded by the System in the accompanying consolidated balance sheets totaled $1.3 million and $2.1 million at December 31, 2023 and 2022, respectively.

(o) Long-lived Assets

Long-lived assets, such as property and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for possible impairment, the System first compares undiscounted future cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. 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 statement of operations. The System believes that the long-lived assets in the accompanying consolidated balance sheets are appropriately valued at December 31, 2023 and 2022 and no related impairment losses were recognized during the years then ended.

(p) Income Taxes

The System has been recognized by the Internal Revenue Service as exempt from federal income tax under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3), and therefore, related income is generally not subject to federal or state income taxes. The Foundation has been similarly recognized. GHRI (closed in 2022), GWIC, GRCAS, and GRPON are exempt from federal income tax under Internal Revenue Code Section 501(a) as organizations described in Section 501(c)(2). Reliant is a taxable for-profit entity and is subject to federal and state income taxes; however, the tax accounts for this entity are nominal in fiscal years 2023 and 2022.

The System applies FASB ASC Topic 740, *Income Taxes* (ASC 740), which addresses the accounting for uncertain income tax positions. ASC Topic 740 provides guidance on when tax positions are recognized in an entity's financial statements and how the values of these positions are determined. There is no impact on the System's 2023 or 2022 consolidated financial statements as a result of applying ASC Topic 740.

(q) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources 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.

(r) CARES Act Funding

On March 11, 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus (COVID-19) to be a pandemic. The spread of COVID-19 around the world and in the U.S. has caused significant volatility in the global financial markets, including those in the U.S. On March 27, 2020, H.R. 748, the Coronavirus Aid, Relief, and Economic Security Act, "the CARES Act", was signed into legislation. Funding opportunities for healthcare providers under the CARES Act included the Public Health and Social Services Emergency Fund ("the Relief Fund"), which was distributed to eligible healthcare providers, Centers for Medicare and Medicaid Services Medicare Accelerated/Advanced Payment funding to accelerate three to six months of Medicare payments to eligible healthcare providers, and the Commercial Insurance/FEMA Public Assistance Program: Emergency Protective Measures for reimbursement for eligible emergency costs incurred. In addition to these provisions, the CARES Act also included various other cash flow enhancement measures such as payroll tax deferrals and employee retention credits, among others.

The Health System's response to COVID-19 included immediate actions to maintain continuity of essential operations, while also taking steps to support the health and safety of patients, employees, and the communities that the Health System serves. To ensure continued adequate safety measures throughout the pandemic, adhere to social distancing recommendations, and to meet patient and community needs, the Health System:

- Implemented the use of telehealth appointments and medical visits via video and phone.
- Temporarily closed or minimized clinic services and medical visits at the Hospital to limit exposure to COVID-19 for both patients and employees.
- Limited or postponed certain nonemergent elective procedures.

- Encouraged the use of the Health System mail-order pharmacy service to help patients avoid unnecessary outings.
- Invested in additional equipment and supplies, expanded testing resources, and created the necessary capacity to care for COVID-19 patients.
- Reconfigured medical facilities to permit social distancing and deployed other new COVID-19 specific safety measures such as contactless services and mask requirements to keep patients and employees safe.
- Provided COVID-19 vaccines to employees, employee family members, and to patients that met the state requirements.
- Avoided any furlough of employees to provide stability to them and the communities that the Health System serves.
- Offered various forms of assistance to employees.
- Transitioned many nonclinical office-based staff to a temporary remote work environment.

The recognition of amounts received under the CARES Act 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 income only to the extent that the underlying conditions are substantially met. Unrecognized amounts may be recognized as other income in future periods if the underlying conditions for recognition are met.

During the year ended December 31, 2022, the System received approximately $12.4 million in stimulus payments through the Relief Fund for both general and targeted distributions. The Relief Fund payments received during fiscal year 2022 qualified as reimbursement for lost revenues and/or incremental expenses and was recognized as other income in the accompanying consolidated statements of operations for the years ended December 31, 2022. No amounts were received or recognized for the year end December 31, 2023.

(s) Subsequent Events

The System has evaluated subsequent events through April 30, 2024 the date the consolidated financial statements were available to be issued, and determined that there are no additional events that required disclosure.

(t) Recently Issued Accounting Standards

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments,* which requires a financial asset (or a group of financial assets) measured at amortized cost to be presented at the net amount expected to be collected. Additionally, from 2016 through 2023, the FASB issued additional related ASUs that provide further guidance and clarification and become effective for the System upon the adoption of ASU 2016-13. The System adopted ASU 2016-13 and its related ASUs (collectively referred to as Topic 326) effective January 1, 2023 using a modified retrospective transition approach. As a result, the System was not required to adjust its comparative period financial information for effects of the standard or make the new required credit loss allowance disclosures for periods before the date of adoption. Prior period amounts continue to be presented in accordance with previously applicable GAAP. The adoption of the amendments did not have a material effect on the System's accompanying 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. In December 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848,* which extends the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the optional expedients in Topic 848. The adoption of ASU 2020-04 and ASU 2022-06 did not have a material effect on the System's accompanying consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-03, *Codification Improvements to Financial Instruments*, which clarifies guidance by providing enhanced wording to the following subtopics: fair value option disclosures, fair value measurement, investments-debt and equity securities, debt modifications and extinguishments, credit losses, and sales of financial assets. The subtopic amendments have different effective dates. Certain provisions were effective for the System in 2023 and were adopted as of January 1, 2023. The provision of No. ASU 2020-03 adopted in 2023 did not have a material effect on the System's consolidated financial statements.

In September 2020, the FASB issued 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. The System adopted the ASU effective January 1, 2022 on a retrospective basis. The adoption of the ASU did not have a material effect on the consolidated financial statements.

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842): Common Control Arrangements*. The ASU provides a practical expedient for private companies and not-for-profit entities to use the written terms and conditions of a common control arrangement to determine whether a lease exists and, if so, the classification of and accounting for that lease. The ASU also clarifies the accounting for and transfer of leasehold improvements associated with common control leases, thereby reducing diversity in practice. The amendments in this ASU affect all lessees that are a party to a lease between entities under common control in which there are leasehold improvements. The ASU is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The practical expedient may be applied on an arrangement-by arrangement basis. Management is evaluating the impact of ASU 2023-01 on its consolidated financial statements.

There were various other accounting standards and interpretations issued during 2022 and 2023 the System has not yet been required to adopt, none of which are expected to have a material impact on its financial position, results of operations, or cash flows.

(2) Principal Safety Net Healthcare Provider – Implications for the System

The System's formation was driven by the strategic vision of local business and community leaders who recognized the overriding importance of Grady Memorial Hospital in providing appropriately accessible healthcare for the indigent and other potentially under-served populations in the region. In short, the vision is founded on a deep desire to ensure that the System can both survive and thrive in an increasingly competitive and challenging healthcare industry environment. The System's ability to continue its mission on a long-term sustainable basis is a critical benefit to the citizens of both metropolitan Atlanta and the state of Georgia.

The System is the principal safety-net healthcare provider for the Atlanta metropolitan area. Additionally, because the System is the primary Level I trauma center for the region (and for other reasons unique to the System), it also has some patient volumes from outside of the Atlanta metropolitan area. The System's payor mix is heavily influenced by care to the uninsured and underinsured. The financing of the System's care for this critical population is provided through these key sources:

- Funding from the Counties, as described in note 1, which totaled approximately $55.5 million and $55.4 million for the 2023 and 2022 fiscal years, respectively, included in contributions from Fulton and DeKalb Counties in the accompanying consolidated statements of operations.
- In fiscal year 2023, ICTF was replaced by funding from the State of Georgia's Advancing Innovation to Deliver Equity program (GA-AIDE). The GA-AIDE program authorizes state directed payments to improve quality of care and outcomes for patients served by Georgia's largest single provider of Medicaid services (the System) and Georgia's state-owned Academic Medical Center (now known locally as Wellstar MCG Health following a transaction with Wellstar Health System, Inc. in August 2023. The directed payments fund investments in initiatives designed to improve health outcomes and experiences for the medically underserved. GA-AIDE funding totaled approximately $272.3 million for the 2023 fiscal year and $96.7 million for the 2022 fiscal year, included in net patient service revenue in the accompanying consolidated statements of operations.
- Funding from the combined state/federal Medicaid disproportionate share program (referred to in Georgia as the Indigent Care Trust Fund, or ICTF), which totaled approximately $60.9 million for the 2022 fiscal year, included in net patient service revenue in the accompanying consolidated statements of operations.
- Funding from the State of Georgia Upper Payment Limit (UPL) program, which totaled approximately $51.2 million and $63.1 million for the 2023 and 2022 fiscal years, respectively, included in net patient service revenue in the accompanying consolidated statements of operations.
- Funding from the State of Georgia Medicaid Directed Payment Program (HDPP). The Medicaid HDPP plans for delivery system and provider initiatives under Medicaid Managed Care Plan contracts and how payment should be distributed, which totaled approximately $22.2 million and $15.7 million for the 2023 and 2022 fiscal years, respectively, included in net patient service revenue in the accompanying consolidated statements of operations.

The System is largely dependent on these financing sources described above to provide net cash from operations at levels sufficient to fund the System's operating activities in a manner consistent with its mission. Any material reduction in funds from these financing sources would have a materially adverse impact on the System's financial results. Management recognizes the risks inherent in the System's dependence on these financing sources.

As previously noted, the System is the legal agent for the Authority's obligations to the Counties regarding the provision of indigent care to the Counties' citizens, under the terms of continuing Operating Agreements that obligate the Counties to fund the cost of that care according to certain defined criteria. To further clarify Fulton County's obligations (which have historically represented the significant majority of related funding), the Authority and Fulton County entered into a Memorandum of Understanding (the MOU), which effectively further memorializes the financial obligation of Fulton County under the Operating Agreements. System management views the MOU as an important additional level of confirmation ensuring that funding it receives from the Counties will continue at levels reasonably consistent with the services the System provides to the Counties' citizens. Nevertheless, funding under the Operating Agreements (as supplemented by the MOU) is necessarily subject to political and related implications arising from the Counties' budgeting and related processes, and therefore, there are no guarantees regarding future funding amounts beyond the commitments evidenced in the Operating Agreements.

Under the provisions of the ICTF program, the System contributed funds to be used by the state in the Medicaid program that are then supplemented by federal funds, the aggregate of which are often referred to as consolidation dollars. The consolidation dollars were returned to the System as additional Medicaid inpatient reimbursement. The state Medicaid program was funded on a state fiscal year basis (the state maintains a June 30 fiscal year-end). Under the provisions of the GA-AIDE program, for the year ended December 31, 2023, the System contributes funds to be used by the state in the Medicaid program that are then supplemented by federal funds, the aggregate of which are often referred to as consolidation dollars. The consolidation dollars are returned to the System as additional Medicaid reimbursement. The GA-AIDE program is funded on a state fiscal year basis (the state maintains a June 30 fiscal year-end). As of December 31, 2023, the System has been approved to participate in the state fiscal 2024 GA-AIDE program which has been approved by the Centers for Medicare & Medicaid Services (CMS). Nevertheless, there can be no assurance that the specific funding levels associated with the System's future participation in this program will be maintained at or near historical levels, or that the program will not ultimately be discontinued or materially modified. Distributions of the annual GA-AIDE funding are generally disbursed in periodic lump sums, the timing of which varies from year to year.

An important goal in the creation of the System was the cultivation of community donor support. To that end, the System has received multiple commitments since its 2008 formation through December 31, 2023 for contributions and conditional grants to support the System's significant need to improve its capital asset base. These funds have been, and will be, directed to a number of important capital asset needs, including major clinical equipment upgrades, new information technology systems, a new Center for Ambulatory Surgery Services (CASS) and improvements at the Ponce De Leon Center. These capital asset additions support the System's important strategic goals of improving clinical quality, attracting commercial and other insured patients, providing physicians and other clinicians clinical equipment that is consistent with current standards of care, and creating support systems that optimize effectiveness and efficiency in both clinical and nonclinical information reporting.

The System's ability to continue to pursue its safety net mission in a manner consistent with otherwise-comparable institutions serving major metropolitan areas is dependent on a number of factors, the most important of which have been described above. A reasonably assured funds flow from the Counties, continued participation in the Medicaid Supplemental Payment programs, which include ICTF, UPL, HDPP, and GA-AIDE at legacy levels (assuming no Medicaid expansion); an achievement of continued operational improvement strategies, and enhanced community fund-raising support are all vital

(Continued)

to the System's mission. Management believes that the System is well-positioned against the critical dependencies previously described. However, any material variance from the System's expectations in any of these areas could have an associated material adverse effect on its financial condition and its results of operations.

(3) Other Current Assets

The composition of other current assets is as follows:

	December 31 2023	December 31 2022
	(In thousands)	
Prepaid expenses	$ 21,066	12,468
Inventories	30,573	32,279
Due from state reimbursement programs (note 11)	121,710	37,567
Due from HSOC, Inc. (note 18(a))	14,674	14,551
Other current assets	7,068	6,304
	$ 195,091	103,169

(4) Investments and Assets Limited as to Use

The composition of assets limited as to use is as follows:

	Fair value hierarchy level (note 16)	December 31 2023	December 31 2022
		(In thousands)	
Internally designated for capital acquisition and other uses:			
Mutual funds	Level 1	$ 5,014	2,543
Investments:			
Cash and cash equivalents	Level 1	1,035	1,815
U.S. common equity	Level 1	5,049	3,766
Mutual funds	Level 1	23,909	20,675
Foreign common equity	Level 1	75	23
Foreign depository receipt	Level 1	2,394	2,372

	Fair value hierarchy level (note 16)	December 31 2023	2022
		(In thousands)	
Fixed income	Level 1	$ 37,177	35,302
Exchange traded funds	Level 1	7,623	5,102
Held by trustee under escrow agreements:			
Cash and cash equivalents	Level 1	4,312	9,310
Insurance guaranty trust fund:			
Cash and cash equivalents	Level 1	8,429	8,403
Limited by donors for specific purposes:			
Cash and cash equivalents	Level 1	30,964	34,461
High yield mutual funds	Level 1	1,130	1,130
Common collective trust funds	Level 1	1,607	1,890
		33,701	37,481
		$ 128,718	126,792

Investment income, net (net of investment fees) represents interest, dividends, realized and unrealized gains and losses and totaled approximately $15.6 million and $(9.1) million for the years ended December 31, 2023 and 2022, respectively.

(5) Property and Equipment, Net

A summary of property and equipment, net is as follows:

	December 31 2023	2022
	(In thousands)	
Land and land improvements	$ 22,470	5,101
Buildings and leasehold improvements	928,050	665,019
Furniture, fixtures and equipment	464,387	408,385
Computer hardware and software	176,144	159,026
	1,591,051	1,237,531
Less accumulated depreciation and amortization	(790,634)	(711,294)
	800,417	526,237
Construction in progress	110,867	248,136
	$ 911,284	774,373

Depreciation expense for the years ended December 31, 2023 and 2022 totaled approximately $79.8 million and $74.7 million, respectively. Construction in progress at December 31, 2023 and 2022 principally consists of expenditures related to new construction and renovation of existing facilities. Current projects in process at December 31, 2023 are planned for completion at various dates through fiscal year 2024 at an estimated total remaining cost to complete of approximately $53.3 million.

Equipment under finance lease obligations at December 31, 2023 and December 31, 2022, exclusive of amounts held under the Agreement and gross of accumulated amortization, is approximately $2.2 million and $1.0 million, respectively. Related accumulated amortization at December 31, 2023 and December 31, 2022 is approximately $0.7 million and $0.3 million, respectively.

(6) New Market Tax Credit (NMTC) Program

The System entered into certain transactions (the Transactions) with a bank (the Investor Member) and certain lenders on January 13, 2022 related to the 2022 NMTC, January 5, 2021 and December 3, 2020 related to the 2020 NMTC, August 16, 2017 related to the 2017 NMTC and April 17, 2015 related to the 2015 NMTC to obtain financing through the NMTC Program sponsored by the U.S. Department of Treasury. The NMTC Program permits certain corporate taxpayers to receive a credit against federal income taxes for making Qualified Equity Investments (QEIs) in Community Development Entities (CDEs). The credit provided to the investor totals 39% of the initial value of the QEI and is claimed over a seven-year credit allowance period. Through the Transactions, GRPON, GRCAS, GWIC and GHRI (closed in 2022), all wholly owned subsidiaries of the System, were formed for the purpose of effecting the System's participation in the NMTC Program. In addition, Grady Atlanta Investment Fund, LLC (the Investment Fund), a wholly owned subsidiary of the Investor Member, was formed as part of the 2015 Transaction for the purpose of investing in the related and subsequent CDEs.

(a) 2022 NMTC Transaction

As part of the 2022 transaction, the System contributed $28.7 million as a loan to the Investment Fund, and the Investor Member contributed $11.7 million as an equity interest in the Investment Fund. The Investment Fund then made QEIs totaling $39.0 million in exchange for an equity interest in four supporting CDEs. These CDEs then loaned $38.8 million, which represents the funding received by the CDEs less certain suballocation reporting fees and other transaction expenses, to GRPON as qualified low-income community investment loans (2022 QLICI Notes). These 2022 QLICI Notes do not require annual principal repayments, are secured by all of the assets of GRPON, and have a legal maturity date of January 13, 2044 and an anticipated repayment date of January 13, 2029 upon the exercise of the put option by the Investor Member. In connection with the 2022 Transaction, the System entered into a put/call agreement with the Investor Member. Under the terms of the put/call agreement, the System has the right to purchase the Investor Member's interest in the 2022 QLICI Notes at a nominal put price of $1,000 on January 13, 2029. If the put option is not exercised by the Investor Member on January 13, 2029, the System may exercise its right under the call provision to purchase the Investor Member's interest in the 2022 QLICI Notes at a nominal price of $1,000 during the earlier of six months following January 13, 2029 or six months following receipt of a Non-Put Election Notice (as defined) provided the System is compliant with certain other requirements stipulated in the put/call agreement.

The System has control over the operations of GRPON, and therefore, the accounts of this entity are included in the accompanying consolidated financial statements. The System provided funding to the Investment Fund and received and recorded a note receivable as part of the NMTC Program. A summary of note receivable, new market tax credit associated with the 2022 Transaction, is as follows:

		December 31	
		2023	2022
		(In thousands)	
Note receivable with interest paid annually at a rate of 1.0% to be fully settled on January 13, 2029	$	28,654	28,654

(b) 2020 NMTC Transaction

As part of the 2020 Transaction, the System contributed $17.9 million as a loan to the Investment Fund, and the Investor Member contributed $7.4 million as an equity interest in the Investment Fund. The Investment Fund then made QEIs totaling $25.0 million in exchange for an equity interest in four supporting CDEs. These CDEs then loaned $24.3 million, which represents the funding received by the CDEs less certain suballocation reporting fees and other transaction expenses, to GRCAS as qualified low-income community investment loans (2020 QLICI Notes), which are included in notes payable, net, new market tax credit (note 9) in the accompanying consolidated balance sheets. The 2020 QLICI Notes do not require annual principal repayments, are secured by all of the assets of GRCAS, and have a legal maturity date of December 3, 2047 and an anticipated repayment date of December 3, 2027 upon the exercise of the put option by the Investor Member. In connection with the 2020 Transaction, the System entered into a put/call agreement with the Investor Member. Under the terms of the put/call agreement, the System has the right to purchase the Investor Member’s interest in the 2020 QLICI Notes at a nominal put price of $1,000 on December 3, 2027. If the put option is not exercised by the Investor Member on December 3, 2027, the System may exercise its right under the call provision to purchase the Investor Member’s interest in the 2020 QLICI Notes at a nominal price of $1,000 during the earlier of six months following December 3, 2027 or six months following receipt of a Non-Put Election Notice (as defined) provided the System is compliant with certain other requirements stipulated in the put/call agreement.

On January 5, 2021, the System funded the second part of the 2020 NMTC Transaction, and the Investor Member contributed $3.0 million as an equity interest in the Investment Fund. The Investment Fund then made QEIs totaling $10.0 million in exchange for an equity interest in two additional supporting CDEs. These CDEs then loaned $9.9 million, which represents the funding received by the CDEs less certain suballocation reporting fees and other transaction expenses, to GRCAS as qualified low-income community investment loans (QLICI Notes). These QLICI Notes do not require annual principal repayments, are secured by all of the assets of GRCAS, and have a legal maturity date of January 5, 2048 and an anticipated repayment date of January 5, 2028 upon the exercise of the put option by the Investor Member. In connection with this Transaction, the System entered into a put/call agreement with the Investor Member. Under the terms of the put/call agreement, the System has the right to purchase the Investor Member’s interest in the QLICI Notes at a nominal put price of $1,000 on January 5, 2028. If the put option is not exercised by the Investor Member on January 5, 2028, the System may exercise its right under the call provision to purchase the Investor Member’s interest in the

QLICI Notes at a nominal price of $1,000 during the earlier of six months following January 5, 2028 or six months following receipt of a Non-Put Election Notice (as defined) provided the System is compliant with certain other requirements stipulated in the put/call agreement.

The System has control over the operations of GRCAS, and therefore, the accounts of this entity are included in the accompanying consolidated financial statements. The System provided funding to the Investment Fund and received and recorded notes receivable as part of the NMTC Program. A summary of notes receivable, new market tax credit associated with the 2020 Transaction, is as follows:

	December 31	
	2023	2022
	(In thousands)	
Note receivable with interest paid annually at a rate of 0.85% to be fully settled on January 5, 2028	$ 7,186	7,186
Note receivable with interest paid annually at a rate of 1.12% to be fully settled on December 3, 2027	17,916	17,916

(c) 2017 NMTC Transaction

As part of the 2017 Transaction, the System contributed $15.7 million as a loan to the Investment Fund, and the Investor Member contributed $7.4 million as an equity interest in the Investment Fund. The Investment Fund then made QEIs totaling $22.0 million in exchange for an equity interest in three supporting CDEs. These CDEs then loaned $21.8 million, which represents the funding received by the CDEs less certain suballocation reporting fees and other transaction expenses, to GWIC as qualified low-income community investment loans (2017 QLICI Notes), which are included in notes payable, net, new market tax credit (note 9) in the accompanying consolidated balance sheets. The 2017 QLICI Notes do not require annual principal repayments, are secured by all of the assets of GWIC, and have a legal maturity date of August 16, 2047 and an anticipated repayment date of August 16, 2024 upon the exercise of the put option by the Investor Member. In connection with the 2017 Transaction, the System entered into a put/call agreement with the Investor Member. Under the terms of the put/call agreement, the System has the right to purchase the Investor Member's interest in the 2017 QLICI Notes at a nominal put price of $1,000 on August 16, 2024. If the put option is not exercised by the Investor Member on August 16, 2024, the System may exercise its right under the call provision to purchase the Investor Member's interest in the 2017 QLICI Notes at a nominal price of $1,000 during the earlier of six months following August 16, 2024 or six months following receipt of a Non-Put Election Notice (as defined) provided the System is compliant with certain other requirements stipulated in the put/call agreement.

The System has control over the operations of GWIC, and therefore, the accounts of this entity are included in the accompanying consolidated financial statements. The System provided funding to the Investment Fund and received and recorded a note receivable as part of the NMTC Program. A summary of note receivable, new market tax credit associated with the 2017 Transaction, is as follows:

		December 31	
		2023	2022
		(In thousands)	
Note receivable with interest paid annually at a rate of 1.08% to be fully settled on August 16, 2024	$	15,711	15,711

(d) 2015 NMTC Transaction (closed in 2022)

As part of the 2015 Transaction, the System contributed $21.3 million as a loan to the Investment Fund, and the Investor Member contributed $13.5 million as an equity interest in the Investment Fund. The Investment Fund then made QEIs totaling $31.0 million in exchange for an equity interest in three supporting CDEs. These CDEs then loaned $30.4 million, which represents the funding received by the CDEs less certain suballocation reporting fees and other transaction expenses, to GHRI as qualified low-income community investment loans (2015 QLICI Notes), which are included in notes payable, net, new market tax credit (note 9) in the accompanying consolidated balance sheets. The 2015 QLICI Notes do not require annual principal repayments, are secured by all of the assets of GHRI, and have a legal maturity date of April 7, 2035 and had an anticipated repayment date of April 6, 2022 upon the exercise of the put option by the Investor Member. In connection with the 2015 Transaction, the System entered into a put/call agreement with the Investor Member. Under the terms of the put/call agreement, the System has the right to purchase the Investor Member's interest in the 2015 QLICI Notes at a nominal put price of $1,000 on April 6, 2022. If the put option is not exercised by the Investor Member on April 6, 2022, the System may exercise its right under the call provision to purchase the Investor Member's interest in the 2015 QLICI Notes at a nominal price of $1,000 during the earlier of six months following April 6, 2022 or six months following receipt of a Non-Put Election Notice (as defined) provided the System is compliant with certain other requirements stipulated in the put/call agreement.

Shortly after April 6, 2022, the Investor Member exercised its put rights to have the System purchase the Investor Member's interest for $1,000. On May 17, 2022, this transaction was completed, and the unwinding of the agreement took place. All remaining assets and liabilities were liquidated, the Investment fund was dissolved, the debt held by GHRI was forgiven, and the GHRI company ceased operations.

Prior to April 2022, System controlled the operations of GHRI. The System initially provided funding to the Investment Fund and received and recorded a note receivable as part of the NMTC Program. This note receivable was written off as of December 31, 2022 as part of the unwind. As a result of the unwinding transaction, Grady recorded a $9.0 million gain included in non-operating gains on the consolidated statement of operations for the year ended December 31, 2022.

(7) Pledges Receivable, Net

A summary of pledges receivable, net is as follows:

		December 31	
		2023	2022
		(In thousands)	
Less than one year	$	9,334	4,587
One to five years		5,815	2,305
		15,149	6,892
Less:			
Unamortized discount using discount rates ranging from 5.93% to 6.11% at December 31, 2023 and 2022		(325)	(136)
Allowance for doubtful pledges		(303)	(138)
	$	14,521	6,618

(8) Other Accrued Expenses

The composition of other accrued expenses is as follows:

		December 31	
		2023	2022
		(In thousands)	
Accrued salaries and benefits	$	84,847	72,922
Other accrued expenses		66,502	78,541
	$	151,349	151,463

(9) Notes Payable, Net, New Market Tax Credit

A summary of notes payable, net, new market tax credit is as follows:

		December 31	
		2023	2022
		(In thousands)	
Notes payable, net associated with the 2022 NMTC Transaction (note 6), interest paid annually at an interest rate of 0.82%, anticipated to be fully settled on January 13, 2029	$	38,760	38,760
Less:			
Unamortized debt issuance costs		(760)	(909)
		38,000	37,851

(Continued)

		December 31 2023	December 31 2022
		(In thousands)	
Notes payable, net associated with the 2020 NMTC Transaction (note 6), interest paid annually at an interest rate of 1.0%, anticipated to be fully settled on January 5, 2028	$	9,900	9,900
Notes payable, net associated with the 2020 NMTC Transaction (note 6), interest paid annually at an interest rate of 1.0%, anticipated to be fully settled on December 3, 2027		24,335	24,335
Less:			
Unamortized debt issuance costs		(712)	(894)
		33,523	33,341
Notes payable, net associated with the 2017 NMTC Transaction (note 6), interest paid annually at an interest rate of 1.0%, anticipated to be fully settled on August 16, 2024		21,840	21,840
Less:			
Unamortized debt issuance costs		(39)	(106)
		21,801	21,734
Notes payable, net, new market tax credit	$	93,324	92,926

(10) Insurance Programs

The System is self-insured for its general and professional liability insurance coverage. The System's self-insured retention is $7.5 million per claim and $30 million in the aggregate. Commercial insurance has been obtained through various carriers to provide for excess and umbrella coverage of $95 million in excess of the System's self-insured retention limits on a claims-made basis.

The general and professional self-insurance reserves included in the accompanying consolidated balance sheets, totaling $54.4 million and $54.8 million at December 31, 2023 and 2022, respectively, include estimates of the ultimate costs for both reported claims and claims incurred but not reported. The System has retained independent actuaries to estimate the ultimate costs of the settlement of such claims. Accrued general and professional liability costs are undiscounted at December 31, 2023 and 2022.

The System is self-insured for its workers' compensation liability exposures up to limits of $500,000 per claim. Commercial insurance has been obtained to provide for excess workers' compensation liability coverage. The related amounts recorded by the System in the accompanying consolidated balance sheets totaled $3.0 million and $4.0 million at December 31, 2023 and 2022, respectively (undiscounted at December 31, 2023 and 2022).

The System sponsors a self-insured program for its employee health benefits up to limits of $300,000 per claim for both fiscal years 2023 and 2022. The System recognized related reserves of approximately $6.8 million and $6.5 million in accrued medical benefits (included in other accrued expenses in the accompanying consolidated balance sheets) at December 31, 2023 and 2022, respectively. The reserves include estimates of the ultimate cost for claims incurred but not reported.

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

(11) Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government payors), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. The System bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The System 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 receiving inpatient acute care, long-term care services, EMS, and patients receiving services in outpatient centers. The System measures the performance obligation from admission into the hospital/nursing facility, 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 when goods are provided to the patients and customers in a retail setting (for example, pharmaceuticals), and the System does not believe it is required to provide additional goods or services related to that sale.

The System’s performance obligations relate to contracts with a duration of less than one year; therefore, the System has elected to apply the optional exemption provided in FASB ASC Paragraph 606-10-50-14(a) and 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 above are primarily related to inpatient acute care services 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.

The System is utilizing the portfolio approach practical expedient in ASC 606, for contracts related to net patient service revenue. The System accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for inpatient revenue and outpatient revenue. Based on historical collection trends and other analyses, the System has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

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

Consistent with the System's mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined it has provided implicit price concessions to uninsured patients and other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients.

For patients who meet the System's criteria for charity care, services are provided free or at a discounted amount. These patients are not billed for their healthcare services. These amounts are recorded as charity care services and are not reported as revenue.

Patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The System also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or by law, from standard charges. The System estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

The System has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies
- Length of the patient's service or episode of care
- Method of reimbursement (fee for service or agreed-upon rates with payors)
- The System's line of business that provided the service (for example, inpatient, outpatient, nursing home, etc.)

The System has agreements with governmental and other third-party payors that provide for reimbursement to the System at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between billings at established rates for services and amounts reimbursed by third-party payors. A summary of payment arrangements with major third-party payors is as follows:

Medicare – Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Certain types of exempt services and other defined payments related to Medicare beneficiaries are paid based upon cost reimbursement or other retroactive-determination methodologies. Payments for cost reimbursable items are made at tentative rates, with final settlement determined after submission of annual cost reports by Grady Memorial Hospital and audits by the Medicare administrative contractors. Grady Memorial Hospital's cost reports have been audited and settled for all fiscal years through 2017 except for fiscal year 2013. Revenue from the Medicare program accounted for approximately 37% of the System's net patient service revenue (excluding ICTF revenue) for both the years ended December 31, 2023 and 2022.

Medicaid – Inpatient services rendered to Medicaid program beneficiaries are generally paid based upon prospective reimbursement methodologies established by the state of Georgia. Certain types of exempt services and outpatient services related to Medicaid beneficiaries are paid based upon cost reimbursement or other retroactive-determination methodologies. Payments for cost reimbursable items are made at tentative rates, with final settlement determined after submission of annual cost reports by the System and audits by the Medicaid fiscal intermediary. Grady Memorial Hospital's cost reports have been audited and settled for all fiscal years through 2019. The System also contracts with certain managed care organizations to receive reimbursement for providing services to Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diem rates. Revenue from the Medicaid program (excluding ICTF revenue) accounted for approximately 22% and 26% of the System's net patient service revenue for the years ended December 31, 2023 and 2022, respectively.

The System has also entered into other reimbursement arrangements providing for payment methodologies, which include prospectively determined rates per discharge, prospectively determined per diem amounts, and discounts from established charges.

As described in note 2, the System participates in the state ICTF, UPL, HDPP, and GA-AIDE programs. Net amounts received from these programs are recognized as additional Medicaid inpatient reimbursement and, therefore, are reflected in net patient service revenue. The related net reimbursement benefit recognized by the System for the years ended December 31, 2023 and 2022 was approximately $345.7 million and $236.4 million, respectively. The fact that the System's fiscal year-end differs from the state fiscal year results in certain timing differences in terms of ICTF, UPL, HDPP, and GA-AIDE funds received and to be received. The System's ICTF, UPL, HDPP, and GA-AIDE revenue is subject to retrospective adjustment in future periods based upon audits as required by CMS. Estimated amounts receivable outstanding under the ICTF, UPL, HDPP, and GA-AIDE programs for fiscal years 2023 and 2022 as of December 31, 2023 and 2022 totaled $121.7 million and $37.6 million, respectively, and are included in other current assets in the accompanying consolidated balance sheets.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the System's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the System. In addition, the contracts the System has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the System's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Net patient service revenue increased by approximately $7.6 million and $12.4 million in 2023 and 2022, respectively, due to the adjustment of previously estimated third-party payor reserves that are no longer necessary as a result of final settlements, years that are no longer subject to audits, reviews, and investigations, and new reserves established in accordance with the System's policy.

The composition of net patient service revenue based on the System's major financial classes and lines of business for the years ended December 31, 2023 and 2022 is as follows:

		2023	2022
		(In thousands)	
Medicare	$	527,683	439,188
Medicaid		654,540	553,311
Other third-party payors		566,451	414,434
Uninsured – Self Pay		22,510	27,773
	$	1,771,184	1,434,706

		2023	2022
		(In thousands)	
Business lines:			
Grady Hospital – inpatient	$	1,106,534	900,258
Grady Hospital – outpatient		361,934	274,226
Hughes Spalding Children's Hospital – inpatient		6,051	5,656
Hughes Spalding Children's Hospital – outpatient		50,719	49,554
Grady EMS Services		59,841	58,426
Crestview Nursing Facility		26,547	26,614
Pharmacy Outpatient Sales – Point of sale services		159,558	119,972
	$	1,771,184	1,434,706

For the years ended December 31, 2023 and 2022, the System recognized revenue of $1.3 billion and $1.1 billion, respectively, from goods and services that transfer to the customer over time and $159.6 million and $120.0 million, respectively, from goods and services that transfer to the customer at a point in time. Also, for the years ended December 31, 2023 and 2022, approximately $345.7 million and $236.4 million, respectively, was recognized from the ICTF and UPL programs; these revenues are recognized as additional Medicaid reimbursement.

Uncompensated Care

As further described in notes 1 and 2, the System is the principal safety net healthcare provider for the Atlanta metropolitan area. As a result, the System provides significant amounts of healthcare services to a large number of uninsured citizens in the region, the majority of whom do not have the means to pay for the cost of services provided. Consistent with the System's mission, all patients are served without regard to ability to pay. Charity care is offered to residents of Fulton and DeKalb Counties in accordance with the System's financial assistance policies. While a significant number of uninsured patients apply and qualify for financial assistance, a large population of uninsured patients that are served by the System (especially those provided emergency care) are not eligible for financial assistance, and therefore, the System also incurs significant amounts of implicit price concessions related to the charges for services provided.

The System recognizes patient service revenue associated with services provided to patients with third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for its Financial Assistance Program, the System recognizes revenue on the basis of its discounted rates for services provided. Based on historical experience, a significant portion of the System's uninsured patients are unable or unwilling to pay for the services provided.

The System provides services to patients who do not have the ability to pay and who qualify for charity care services pursuant to established policies of the System. Charity care services are defined as those for which patients have the obligation and willingness to pay but do not have the financial wherewithal to do so. The System does not include charity care in net patient service revenue. The cost of charity care provided totaled approximately $176.3 million and $248.5 million for the years ended December 31, 2023 and 2022, respectively. The cost of uncompensated care, which is defined by the System as services related to patients who do not have the ability to pay including charity care, uninsured discounts, and implicit price concessions totaled approximately $368.3 million and $378.1 million for the years ended December 31, 2023 and 2022, respectively. The System estimated these costs by applying a ratio of cost to gross charges to the related gross uncompensated charges.

(12) Employee Benefits Plans

(a) Defined Contribution Savings Plan

The System sponsors a defined-contribution savings plan, which covers substantially all of its employees. Total matching contributions made and accrued under the savings plan totaled approximately $13.3 million and $11.4 million for the years ended December 31, 2023 and 2022, respectively.

Beginning January 1, 2009, the deferred retirement savings program changed from the previous 403(b) plan sponsored by the Authority to a 401(k) Plan sponsored by the System. The System matches employee contributions dollar for dollar up to 4% of eligible employees' base compensation after completion of one year of eligible service. Employees are immediately fully vested in matching contributions.

(13) Leases

In fiscal year 2022 the System adopted ASC Topic 842. The System leases certain property, buildings, and equipment under both operating and financing leases expiring through 2048. Leases with terms greater than 12 months are recorded with the related ROU assets and ROU obligations at the present value of lease payments over the term. The System uses its incremental borrowing rate to discount lease payments based on information available at lease commencement, as most leases do not provide a readily determinable implicit interest rate. The incremental borrowing rate for the year ended December 31, 2023 and 2022, ranged from 1.06% to 7.02% and 1.07% to 8.27%, respectively. Leases that include rental escalation clauses and renewal options are factored into the determination of lease payments when appropriate.

The following table presents ROU assets and lease liabilities included in the accompanying 2023 and 2022 consolidated balance sheets:

		December 31, 2023	December 31, 2022
		(In thousands)	
Operating leases:			
Operating lease ROU assets, included in other assets	$	35,686	28,390
Operating lease liabilities, included in other liabilities	$	32,542	25,923
Accounts payable and accrued expenses		6,183	5,252
Total operating lease liabilities	$	38,725	31,175
Finance leases:			
Building and equipment	$	38,461	37,317
Accumulated amortization		(16,487)	(15,218)
Property, plant, and equipment, net	$	21,974	22,099
Current installments of obligations under finance leases	$	1,163	1,257
Long-term portion of obligations under finance leases		29,849	29,990
Total finance lease liabilities	$	31,012	31,247

Operating and financing lease expense included in the accompanying 2023 and 2022 consolidated statements of operations is as follows:

		December 31, 2023	December 31, 2022
		(In thousands)	
Supplies and operating expenses:			
Operating lease expense	$	7,846	7,589
Short-term lease expense		6,923	4,949
Variable lease expense		901	687
Depreciation and amortization:			
Finance lease expense:			
Amortization of lease assets		428	1,149
Interest on lease liabilities		2,932	2,959
Total	$	19,030	17,333

The following table presents other supplemental qualitative disclosures as of and for the year ended December 31, 2023 and 2022:

		December 31, 2023	December 31, 2022
		(In thousands)	
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows used for operating leases	$	7,379	7,667
Financing cash flows used for finance leases		1,378	1,300
Additions to right-of-use assets obtained from operating leases	$	13,868	1,663
Additions to right-of-use assets obtained from finance leases		1,143	—
Weighted average remaining lease term (years):			
Operating leases		7.61	7.09
Finance leases		23.29	24.33
Weighted average discount rate:			
Operating leases		3.70 %	2.09 %
Finance leases		6.96 %	6.95 %

The undiscounted future lease payments under non-cancelable operating and financing leases and reconciliation to the corresponding liabilities included in the accompanying consolidated balance sheets are as follows:

	2023 (In thousands)			
	Operating leases	Finance leases	The Agreement (finance lease)	Total
2024	$ 7,771	755	2,500	11,026
2025	7,070	381	2,500	9,951
2026	5,529	291	2,500	8,320
2027	4,473	256	2,500	7,229
2028	4,418	118	2,500	7,036
Thereafter	16,610	25	48,543	65,178
Total lease payments	45,871	1,826	61,043	108,740
Less amount representing interest	(7,146)	(154)	(31,703)	(39,003)
Present value of undiscounted future cash flows	$ 38,725	1,672	29,340	69,737

	2022 (In thousands)			
	Operating leases	Finance leases	The Agreement (finance lease)	Total
2023	$ 6,269	855	2,500	9,624
2024	5,427	499	2,500	8,426
2025	4,498	124	2,500	7,122
2026	4,150	35	2,500	6,685
2027	3,311	—	2,500	5,811
Thereafter	10,889	—	51,043	61,932
Total lease payments	34,544	1,513	63,543	99,600
Less amount representing interest	(3,369)	(46)	(33,763)	(37,178)
Present value of undiscounted future cash flows	$ 31,175	1,467	29,780	62,422

Subsequent to December 31, 2023, the System entered into additional lease obligations of approximately $16.7 million.

(14) Donor Restricted Net Assets

Donor restricted net assets as of December 31, 2023 and 2022 are restricted for the following purposes:

		December 31	
		2023	2022
		(In thousands)	
Subject to expenditures for specific purposes:			
Capital improvements	$	36,064	25,626
Various other programs		16,244	15,912
		52,308	41,538
Subject to restriction in perpetuity		27,752	25,574
Total	$	80,060	67,112

(15) Business and Credit Concentrations

The System grants credit to patients, substantially all of whom reside in the System's service area. The System does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, and commercial insurance policies).

The composition of patient accounts receivable, net by payor type is as follows:

	December 31	
	2023	2022
Medicare	19 %	27 %
Medicaid	18	22
Commercial and other third-party payors	62	49
Patients	1	2
	100 %	100 %

(16) Fair Value of Financial Instruments

The System's estimates of fair value for financial assets and liabilities are based on the framework established in ASC 820, *Fair Value Measurement*, 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. This framework is based on the inputs used in valuation and gives the highest priority to quoted prices in active markets and requires observable inputs to be used in the valuations when available. The disclosure of fair value estimates in the ASC 820 hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the System's significant market assumptions. The three levels of hierarchy are as follows:

Level 1 – Valuations based on unadjusted quoted market prices for identical assets or liabilities in active markets

Level 2 – Valuations based on pricing inputs that are other than quoted prices in active markets, which are either directly or indirectly observable. Examples include quoted prices in active markets for underlying assets, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in an inactive market, or valuations based on models where significant inputs are observable or can be corroborated by observable market data

Level 3 – Valuations derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The hierarchy requires the use of observable market data when available. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The fair value hierarchy of the System's assets limited as to use is disclosed at note 4. Fair value disclosures under ASC 820 of the System's remaining financial instruments are as follows:

(a) Cash and Cash Equivalents

Cash and cash equivalents include short-term financial instruments whose carrying values approximate fair value, classified as Level 1 within the fair value hierarchy, given short-term maturity of these instruments.

(b) Investments

The carrying value of the System's investments is adjusted annually for changes in fair value and the fair value of these funds is $77.3 million and $69.1 million as of December 31, 2023 and 2022, respectively.

The majority of the related assets are investments in listed fixed income and mutual funds, which are classified as Level 1 within the fair value hierarchy (note 4).

(c) Beneficial Interest in Net Assets Held by Others

The carrying value of the System's beneficial interest in funds held by the Authority is adjusted annually for changes in fair value. The fair value of these funds is included in beneficial interest in net assets held by others in the accompanying consolidated balance sheets as of December 31, 2023 and 2022 totaling $28.2 million and $26.0 million, respectively. The remaining balance of $1.5 million at both December 31, 2023, and 2022 included in beneficial interest in net assets held by others represents investments held by HSOC, Inc. (note 18(a)), which are also adjusted annually for changes in fair value.

The majority of the related assets are investments in listed fixed income and equity securities, which are classified as Level 1 within the fair value hierarchy. The following is a summary of the fair value hierarchy for deposits and investments of the System's beneficial interest in funds held by the Authority and HSOC, Inc. as of December 31, 2023 and 2022, respectively (in thousands):

	2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 902	—	—	902
U.S. Common market	—	—	—	—
Mutual funds	10,085	—	—	10,085
Foreign common equity	—	—	—	—
Bond funds	1,111	—	—	1,111
ADR Common	—	—	—	—
International private equity funds	—	—	8,578	8,578
Exchange traded funds	8,985	—	—	8,985
	$ 21,083	—	8,578	29,661

	2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 124	—	—	124
U.S. Common market	2,042	—	—	2,042
Mutual funds	9,272	—	—	9,272
Foreign common equity	47	—	—	47
Bond funds	853	—	—	853
ADR Common	37	—	—	37
International private equity funds	—	—	9,895	9,895
Exchange traded funds	5,213	—	—	5,213
	$ 17,588	—	9,895	27,483

(d) Pledges Receivable, Net

Pledges receivable for current year gifts are initially measured at fair value in the year the receivable is recorded based on the present value of future cash flows discounted at a rate commensurate with the risks involved, which is an application of the income approach and is classified as Level 3 within the fair value hierarchy. Current year gifts included in pledges receivable reflected at fair value at December 31, 2023 and 2022 totaled approximately $12.6 million and $5.1 million, respectively.

(e) Patient Accounts and Grants Receivable, Accounts Payable, Due to Medical Schools, and Other Accrued Expenses

The carrying amounts of patient accounts and grants receivable, accounts payable, due to medical schools, and other accrued expenses approximate fair value and are classified as Level 1 within the fair value hierarchy, because of the short-term maturity of these instruments.

(17) Affiliation with Medical Schools

Grady Memorial Hospital serves as the largest teaching hospital in the state of Georgia. In that respect, the System has contracts with Emory University School of Medicine (Emory) and Morehouse School of Medicine (Morehouse) (collectively, the Medical Schools), wherein practicing interns and residents of Emory and Morehouse receive clinical training at Grady Memorial Hospital. The teaching services provided to the interns and residents are provided primarily by faculty members of the Medical Schools in addition to other clinical and administrative services, which they provide to Grady Memorial Hospital. The Medical Schools are compensated for the costs of interns and residents effectively at cost. The Medical Schools are compensated for the faculty teaching, administrative, and clinical services based on certain formulas that consider the number of interns and residents instructed, time spent performing administrative services and otherwise unreimbursed clinical services, and consider fair market value of compensation rates by specialty and ranking. Additionally, the System has agreed to fund other costs specifically associated with the ongoing provision of physician services by the Medical Schools, including the cost of professional liability exposures and the funding of intergovernmental transfers to enable the receipt of related Medicaid program supplemental payments for physician services billed by the Medical Schools. The System’s contracts with the Medical Schools expire on June 30, 2024. Net expenses for direct physician services, including physician UPL payments, under these contracts totaled approximately $226.8 million and $197.7 million for the years ended December 31, 2023 and 2022, respectively, and are included in supplies and other expenses in the accompanying consolidated statements of operations. Total amounts payable for direct physician services under these contracts totaled approximately $52.7 million and $21.7 million as of December 31, 2023 and 2022, respectively, and are included in due to Medical Schools in the accompanying consolidated balance sheets.

(18) Related-Party Transactions

(a) HSOC, Inc.

With the execution of the Agreement (note 1), HSOC, Inc. (HSOC) committed to a total of $15 million of donated capital for capital improvements to Hughes Spalding. The System has a contract with HSOC, a nonprofit affiliate of Children’s Healthcare of Atlanta (CHOA), whereby HSOC provides certain management, administrative, and related services to Hughes Spalding for an initial term of 15 years beginning in February 2006. This agreement was subsequently renewed for an additional 10 years at the election of HSOC until December 31, 2030. The contract requires that Hughes Spalding operate under the name “Children’s Healthcare of Atlanta at Hughes Spalding.” HSOC is responsible for the costs of operating Hughes Spalding. Until December 31, 2016, the System had a commitment of $2 million of specific annual support for the operation of Hughes Spalding and CHOA had a matching support commitment of $2 million annually. Additionally, the System was responsible for 50% of the Hughes Spalding “Excess/Deficit” (as defined) up to a total of $2 million annually, not to exceed $4 million in any successive rolling three-year period.

The System entered into an amendment to the contract with HSOC effective January 1, 2017, which modifie certain terms and conditions included in the original contract. Under the terms of the amended contract, HSOC is responsible for all operating cash losses of Hughes Spalding (excluding depreciation and the operating impact of in-kind clinical services provided by the System), as well as the funding of all capital investments during the term of the contract. As a result, the System is no longer responsible for any annual operating support payments nor the funding of any Hughes Spalding "Excess/Deficit" (as defined). The amended contract also requires the System to maintain certain professional services relationships with the Medical Schools.

The System maintains ownership of Hughes Spalding, including ownership of Hughes Spalding's certificate of need, licensure, and provider agreements. The System had long-term amounts due to HSOC totaling approximately $5.1 million and due from HSOC totaling approximately $1.5 million as of December 31, 2023 and 2022, respectively. Amounts due to and from HSOC are included in other liabilities or assets in the accompanying consolidated balance sheets. The System also had current amounts due from HSOC totaling approximately $14.7 million and $14.6 million as of December 31, 2023 and 2022, respectively. Amounts due from HSOC are included in other current assets in the accompanying consolidated balance sheets.

The contract also gives CHOA the right to acquire Hughes Spalding, subject to a lease/purchase negotiation with the System and other terms and conditions. Any such option, if elected, contemplates a reversionary interest on the part of the System and other System involvement in HSOC's potential ownership of Hughes Spalding, which would be subject to additional negotiation as well. The contract also contemplates that, given the $15 million in original donations by HSOC and other ongoing consideration under the agreement as described above, there would be no further economic consideration required in the exercise of the HSOC option. Given the significant uncertainties associated with the potential future exercise of the HSOC option, there is no current recognition of the option in the System's consolidated financial statements.

(b) Fulton-DeKalb Hospital Authority

During both the years ended December 31, 2023 and 2022, $2.5 million of lease payments were provided to the Authority in accordance with the Agreement (note 1). On August 17, 2012, the System and the Authority entered into an agreement whereby the Authority will fund a minimum of $0.7 million annually toward its pension obligation, as defined in the agreement. At the conclusion of the "lease years" ended May 31, 2023 and 2022, no excess funds were applied toward the Authority's pension obligation. As of December 31, 2023 and 2022, no amounts were due to the Authority under the System's annual funding obligation.

(19) Liquidity and Funds Available

The following table reflects the System's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for expenditure within one year. Financial assets considered unavailable include financial assets that are illiquid or not convertible to cash within one year, financial assets that are donor-restricted, and financial assets that the governing board has set aside for specific contingency reserves and projects, or for long-term investment as Board designated endowments.

	December 31	
	2023	2022
	(In thousands)	
Cash and cash equivalents	$ 367,603	213,551
Net patient accounts receivable, net	257,129	204,880
Investments	77,262	—
Grants receivable, net	26,312	30,810
Current portion of notes receivable, new market tax credit	15,711	—
Other receivables	143,452	58,422
Financial assets available to meet cash needs for general expenditures within one year	$ 887,469	507,663

The Foundation is substantially supported by contributions. As a result of its current capital campaign, the majority of its contributions are restricted. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to donors. Therefore, certain financial assets may not be available for general expenditures within one year.

As part of the System's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The System invests cash in excess of daily requirements in money market funds, fixed-income securities, and mutual funds.

(20) Lines of Credit

In June 2021, the System negotiated a line-of-credit facility for $60 million as a general revolving credit facility with an initial expiration date of June 2022. This was then renewed as of October 2022 and also again in July 2023 with the current expiration date of July 2024. Amounts outstanding under this facility currently accrue interest at Secured Overnight Financing Rate (SOFR) plus 1.1% (note 1). This facility carries a 15-basis point commitment fee on the unused line. In accordance with the revolving credit facility, the System was required in 2021 to transfer $80 million to investments as collateral (note 4). Upon the renewal in 2023, the collateral changed from investments to a security interest covering gross accounts receivable. No amounts were outstanding under the line of credit at December 31, 2023 or 2022.

(21) Functional Expenses

The System provides healthcare services to residents within its geographic location. Expenses related to providing these services on a functional basis were as follows for the years ended December 31, 2023 and 2022:

	2023			
	Program services	Management and general	Fundraising	Total
	(In thousands)			
Salaries and benefits	$ 658,444	192,327	671	851,442
Supplies and other expenses	792,885	141,410	1,660	935,955
Interest	2,413	1,680	—	4,093
Depreciation and amortization	54,518	25,242	—	79,760
	$ 1,508,260	360,659	2,331	1,871,250

	2022			
	Program services	Management and general	Fundraising	Total
	(In thousands)			
Salaries and benefits	$ 555,853	190,084	1,254	747,191
Supplies and other expenses	676,052	161,517	3,309	840,878
Interest	2,585	1,906	—	4,491
Depreciation and amortization	51,079	23,650	—	74,729
	$ 1,285,569	377,157	4,563	1,667,289

Certain costs have been allocated among the functional categories benefited. Expenses related to executive salaries and benefits have been allocated based on an estimate of time and effort. Expenses associated with occupying and maintaining system facilities have been allocated based on a study of usage. Other allocated expenses are based on an overhead analysis consistent with the system's cost reporting methodology.

(22) U.S. Department of Education Financial Responsibility Standards Information

The System participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. The criteria include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited financial statements submitted through ED's eZ-Audit system. The composite score has been and will continue to be based on three ratios: Primary Reserve, Equity, and Net Income. These ratios utilize the following financial data of the System, which are not otherwise presented in the consolidated financial statements or other notes to the consolidated financial statements, as of and for the year ended December 31, 2023:

Goodwill totaling $0.147 million is included in other assets in the accompanying 2023 consolidated balance sheet.

Notes payable, net, new market tax credit totaling $38.0 million, $33.5 million, and $21.8 million at December 31, 2023 were issued on January 13, 2022 related to the 2022 NMTC, January 5, 2021 and December 3, 2020 related to the 2020 NMTC, and August 16, 2017 related to the 2017 NMTC, respectively. The proceeds from the notes payable were used to fund capital assets in the accompanying 2023 consolidated balance sheet totaling $25.2 million, $228.2 million and $40.4 million, respectively. The funded capital assets consist principally of capital projects associated with renovation of the Women's and Infant's Center, construction of the Center for Advanced Surgical Services, and for the expansion and renovation of the Ponce De Leon Center.

Schedule 1

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATES

Consolidating Schedule – Balance Sheet Information

December 31, 2023

(In thousands)

Assets		GMHC	Foundation	GWIC	GCAS	GRPON	Reliant	Eliminations	Consolidated
Current assets:									
Cash and cash equivalents	$	363,099	4,076	4	11	30	383	—	367,603
Patient accounts receivable, net		257,129	—	—	—	—	—	—	257,129
Grants receivable, net		26,428	—	—	—	—	—	(116)	26,312
Current portion notes receivable, net new market tax credit		15,711	—	—	—	—	—	—	15,711
Current portion of pledges receivable		—	9,334	—	—	—	—	—	9,334
Other current assets		213,040	204	4,609	6,211	2,350	81	(31,404)	195,091
Total current assets		875,407	13,614	4,613	6,222	2,380	464	(31,520)	871,180
Investments		77,262	—	—	—	—	—	—	77,262
Assets limited as to use		14,221	33,701	90	999	2,445	—	—	51,456
Property and equipment, net		617,432	9	25,234	228,198	40,376	35	—	911,284
Notes receivable, new market tax credit, excluding current portion		53,756	—	—	—	—	—	—	53,756
Beneficial interest in net assets held by others		29,661	—	—	—	—	—	—	29,661
Pledges receivable, net, excluding current portion		—	5,187	—	—	—	—	—	5,187
Investments in affiliates		316,738	—	—	—	—	—	(316,738)	—
Other assets		29,022	1,285	—	—	—	—	—	30,307
Total assets	$	2,013,499	53,796	29,937	235,419	45,201	499	(348,258)	2,030,093
Liabilities and Net Assets									
Current liabilities:									
Current portion of finance lease obligations	$	1,163	—	—	—	—	—	—	1,163
Accounts payable		152,964	894	1,469	(15,904)	(33,621)	1,454	(31,521)	75,735
Current portion notes payable, net, new market tax credit		—	—	21,801	—	—	—	—	21,801
Current portion of self-insurance reserves		14,334	—	—	—	—	—	—	14,334
Due to third-party payors, net		93,962	—	—	—	—	—	—	93,962
Due to Medical Schools		52,677	—	—	—	—	—	—	52,677
Other accrued expenses		151,318	—	21	—	—	10	—	151,349
Total current liabilities		466,418	894	23,291	(15,904)	(33,621)	1,464	(31,521)	411,021
Finance lease obligations, excluding current portion		29,849	—	—	—	—	—	—	29,849
Notes payable, net, new market tax credit, excluding current portion		—	—	—	33,523	38,000	—	—	71,523
Self-insurance reserves, excluding current portion		43,000	—	—	—	—	—	—	43,000
Other long-term liabilities		39,801	1,544	—	—	—	—	—	41,345
Total liabilities		579,068	2,438	23,291	17,619	4,379	1,464	(31,521)	596,738
Net assets (deficit):									
Without donor restrictions		1,354,371	7,544	6,646	217,800	40,822	(965)	(272,923)	1,353,295
With donor restrictions		80,060	43,814	—	—	—	—	(43,814)	80,060
Total net assets (deficit)		1,434,431	51,358	6,646	217,800	40,822	(965)	(316,737)	1,433,355
Commitments and contingencies									
Total liabilities and net assets (deficit)	$	2,013,499	53,796	29,937	235,419	45,201	499	(348,258)	2,030,093

See accompanying independent auditors' report.

Schedule 2

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATES

Consolidating Schedule – Statement of Operations Information

Year ended December 31, 2023

(In thousands)

	GMHC	Foundation	GWIC	GCAS	GRPON	Reliant	Eliminations	Consolidated
Revenue, gains, and other support:								
Net patient service revenue	$ 1,771,184	—	—	—	—	—	—	1,771,184
Contributions from Fulton and DeKalb Counties	55,500	—	—	—	—	—	—	55,500
Grant revenue	106,102	—	—	—	—	—	—	106,102
Other income	96,041	8,287	—	—	—	570	(6,620)	98,278
Total revenue, gains, and other support	2,028,827	8,287	—	—	—	570	(6,620)	2,031,064
Operating expenses:								
Salaries and benefits	852,804	679	—	—	—	85	(2,126)	851,442
Supplies and other expenses	935,540	4,360	—	—	—	549	(4,494)	935,955
Interest	4,091	—	—	—	—	2	—	4,093
Depreciation and amortization	79,751	9	—	—	—	—	—	79,760
Total operating expenses	1,872,186	5,048	—	—	—	636	(6,620)	1,871,250
Operating income (loss)	156,641	3,239	—	—	—	(66)	—	159,814
Nonoperating gains (losses), net:								
Investment income, net	15,577	—	—	—	—	—	—	15,577
New market tax credit, net	(3,290)	—	(6)	685	1,362	—	—	(1,249)
Equity in gains (losses) of affiliates	5,214	—	—	—	—	—	(5,214)	—
Other	2,644	—	—	—	—	—	—	2,644
Total nonoperating gains (losses), net	20,145	—	(6)	685	1,362	—	(5,214)	16,972
Revenue, gains, and other support in excess of (less than) expenses and losses	176,786	3,239	(6)	685	1,362	(66)	(5,214)	176,786
Net assets released from restriction used for the purchase of property and equipment	5,510	—	—	—	—	—	—	5,510
Contributions and other used for the purchase of property and equipment	114,088	—	—	—	—	—	—	114,088
Change in net assets without donor restrictions	$ 296,384	3,239	(6)	685	1,362	(66)	(5,214)	296,384

See accompanying independent auditors' report.

Schedule 3

GRADY MEMORIAL HOSPITAL CORPORATION AND AFFILIATES

Financial Responsibility Supplemental Schedule

December 31, 2023

(In thousands)

Primary reserve ratio:			
Expendable net assets:			
Net assets without donor restrictions	Consolidated balance sheet	$	1,353,295
Net assets with donor restrictions	Consolidated balance sheet		52,308
Net assets with donor restrictions – restricted in perpetuity	Notes to consolidated financial statements – Note (14) – Donor restricted net assets subject to restriction in perpetuity		27,752
Goodwill	Notes to consolidated financial statements – Note (22) – Goodwill		147
Property and equipment, net	Consolidated balance sheet		911,284
Notes payable	Consolidated balance sheet		93,324
Total expenses:			
Total expenses	Consolidated statement of operations – Operating expenses		1,858,450
Equity ratio:			
Modified net assets:			
Net assets without donor restrictions	Consolidated balance sheet	$	1,353,295
Net assets with donor restrictions	Consolidated balance sheet		52,308
Goodwill	Notes to consolidated financial statements – Note (22) – Goodwill		147
Modified assets:			
Total assets	Consolidated balance sheet		2,030,093
Goodwill	Notes to consolidated financial statements – Note (22) – Goodwill		147
Net income ratio:			
Change in net assets without donor restrictions:			
Change in net assets without donor restrictions	Consolidated statement of operations	$	296,384
Total revenue without donor restrictions and gains without donor restrictions:			
Total revenue, gains and other support	Consolidated statement of operations		2,031,064
Investment income, net	Consolidated statement of operations		15,577
Net assets released from restriction used for the purchase of property and equipment	Consolidated statement of changes in net assets		5,510
Contributions used for the purchase of property and equipment	Consolidated statement of changes in net assets		114,088

See accompanying independent auditors’ report.