ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINED FINANCIAL STATEMENTS

for the years ended June 30, 2024 and 2023

Draffin Tucker

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CONTENTS

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
St. Joseph's/Candler Health System, Inc.
Savannah, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying combined financial statements of St. Joseph's/Candler Health System, Inc. (System), which comprise the combined balance sheets as of June 30, 2024 and 2023, and the related combined statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, based on our audits and the report of the other auditors, the accompanying combined financial statements present fairly, in all material respects, the financial position of St. Joseph's/Candler Health System, Inc. as of June 30, 2024 and 2023, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Geechee Reinsurance Company, LLC, a wholly-owned subsidiary, which statements reflect total assets constituting 6% of combined total assets as of June 30, 2024 and 2023, and total revenues constituting 1% of combined total revenues for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Geechee Reinsurance Company, LLC, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of St. Joseph's/Candler Health System, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of Geechee Reinsurance Company, LLC were not audited in accordance with *Government Auditing Standards.*

Continued

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Responsibilities of Management for the Financial Statements

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Joseph's/Candler Health System, Inc.'s ability to continue as a going concern within one year after the date that the combined financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 of a reasonable user based on these combined financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 combined 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 combined 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 St. Joseph's/Candler Health System, Inc.'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 combined financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Joseph's/Candler Health System, Inc.'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.

Continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 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.

Draffin & Tucker, LLP

Albany, Georgia
October 24, 2024

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINED BALANCE SHEETS
as of June 30, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 74,147,275	$ 56,017,588
Assets limited as to use required for current liabilities	13,983,506	6,028,787
Patient accounts receivable, net	138,148,325	119,831,605
Other receivables	13,570,701	16,832,289
Inventories	43,416,304	19,900,580
Prepaid expenses	13,520,944	13,586,490
Total current assets	296,787,055	232,197,339
Assets limited as to use:		
Held in trust under bond indenture	48,592,393	55,670,357
Restricted under deferred compensation agreements	450,088	1,105,937
Board designated	354,940,573	304,192,933
Total assets limited as to use	403,983,054	360,969,227
Property and equipment, net	314,740,712	293,826,708
Other assets:		
Long-term investments	4,107,853	1,847,543
Goodwill on long-term investments	56,577,257	56,577,257
Operating lease right-of-use assets	5,650,551	7,210,436
Beneficial interest in net assets of Foundations	15,902,291	14,412,607
Total other assets	82,237,952	80,047,843
Total assets	$ 1,097,748,773	$ 967,041,117

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINED BALANCE SHEETS, Continued
as of June 30, 2024 and 2023

	2024	2023
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	$ 8,994,910	$ 1,859,654
Current portion of operating lease liabilities	1,421,679	1,664,175
Accounts payable	52,130,633	39,059,057
Accrued employee related expenses	32,732,543	28,942,809
Other accrued expenses	18,961,198	17,291,205
Estimated third-party payor settlements	1,035,550	2,280,270
Total current liabilities	115,276,513	91,097,170
Long-term debt, excluding current maturities	335,712,815	327,399,075
Operating lease liabilities, excluding current portion	4,468,354	5,817,422
Accrued self-insurance claims	33,742,243	29,439,843
Deferred compensation payable	6,776,063	7,186,572
Total liabilities	495,975,988	460,940,082
Net assets:		
St. Joseph's/Candler Health System, Inc. net assets:		
Without donor restrictions	583,814,430	488,563,284
With donor restrictions:		
Purpose restrictions	9,537,922	9,190,915
Perpetual in nature	1,035,000	1,035,000
Total St. Joseph's/Candler Health System, Inc. net assets	594,387,352	498,789,199
Noncontrolling interest in joint ventures	7,385,433	7,311,836
Total net assets	601,772,785	506,101,035
Total liabilities and net assets	$ 1,097,748,773	$ 967,041,117

The accompanying notes are an integral part of these financial statements.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS
for the years ended June 30, 2024 and 2023

	2024	2023
Revenues, gains and other support:		
Net patient service revenue	$ 855,006,796	$ 803,230,604
Other revenue	111,590,376	83,956,177
Total revenues, gains and other support	966,597,172	887,186,781
Expenses:		
Salaries and wages	334,588,140	323,172,031
Employee benefits	63,084,599	56,953,350
Physician and professional fees	92,350,192	77,085,505
Materials and supplies	279,535,196	258,062,733
Purchased services	52,976,969	51,185,475
Insurance	14,394,879	10,410,535
Interest	5,341,944	11,344,713
Depreciation and amortization	32,743,221	30,970,263
Other	55,026,138	53,887,200
Total expenses	930,041,278	873,071,805
Income from operations	36,555,894	14,114,976
Nonoperating income (loss):		
Investment income	18,899,450	14,444,737
Unrealized gains on securities	39,642,202	19,424,479
Net periodic pension cost	-	(47,953,082)
Other nonoperating gains	26,445	1,471,655
Nonoperating income (loss), net	58,568,097	(12,612,211)
Revenues and gains in excess of expenses and losses	95,123,991	1,502,765
Net gain attributable to noncontrolling interest in joint ventures	(1,720,149)	(1,031,403)
Revenues and gains in excess of expenses and losses after noncontrolling interest	93,403,842	471,362

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS, Continued
for the years ended June 30, 2024 and 2023

	2024	2023
Net assets without donor restrictions:		
Increase in beneficial interest in net assets of Foundations	$ 1,142,677	$ 624,567
Contributions for property	704,627	92,815
Amortization of prior service cost on defined benefit pension plan	-	(971,236)
Recognition of prior net losses on defined benefit pension plan	-	46,191,163
Increase in net assets without donor restrictions	95,251,146	46,408,671
Net assets with donor restrictions:		
Increase in beneficial interest in net assets of Foundations, net	347,007	130,908
Increase in St. Joseph's/Candler Health System, Inc. net assets	95,598,153	46,539,579
Net assets, beginning of year	498,789,199	452,249,620
Net assets, end of year	$ 594,387,352	$ 498,789,199
Noncontrolling interest in joint ventures:		
Net income	$ 1,720,149	$ 1,031,403
Distributions to partners	(1,646,552)	(1,912,620)
Increase (decrease) in noncontrolling interest	73,597	(881,217)
Noncontrolling interest in joint ventures, beginning of year	7,311,836	8,193,053
Noncontrolling interest in joint ventures, end of year	$ 7,385,433	$ 7,311,836

The accompanying notes are an integral part of these financial statements.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINED STATEMENTS OF CASH FLOWS
for the years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Increase in net assets including noncontrolling interest	$ 95,671,750	$ 45,658,362
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Change in fair value of derivative instruments	-	4,356
Beneficial interest in net assets of Foundations, net	(1,489,684)	(755,475)
Net realized and unrealized gains on investments	(41,859,550)	(23,963,105)
Depreciation and amortization	32,743,221	30,970,263
Amortization of operating lease right-of-use assets	1,559,885	1,802,769
Amortization of bond premium/issuance cost	(7,739,260)	(771,983)
Distributions to partners	1,646,552	1,912,620
Contributions for property	(704,627)	(92,815)
Changes in:		
Patient accounts receivable	(18,316,720)	(14,288,002)
Other receivables	3,261,588	(2,727,586)
Inventories	(23,515,724)	2,242,968
Prepaid expenses	65,546	(4,122,162)
Accounts payable	13,071,576	8,400,445
Accrued liabilities	5,459,727	709,108
Estimated third-party payor settlements	(1,244,720)	(657,877)
CARES Act refundable advance	-	(7,780,104)
Accrued self-insurance claims	4,302,400	58,613
Accrued pension costs	-	(4,626,965)
Deferred compensation payable	(410,509)	399,429
Operating lease liabilities	(1,591,564)	(1,787,640)
Net cash provided by operating activities	60,909,887	30,585,219
Cash flows from investing activities:		
Purchases of property and equipment	(53,657,226)	(46,703,063)
Proceeds from sale of assets limited as to use	71,522,278	81,290,482
Purchases of assets limited as to use	(80,453,853)	(80,217,510)
Interest rate swap termination	-	2,295,329
Sales (purchases) of long-term investments, net	(2,260,310)	1,466,183
Net cash used by investing activities	(64,849,111)	(41,868,579)

Continued

COMBINED STATEMENTS OF CASH FLOWS, Continued
for the years ended June 30, 2024 and 2023

	2024	2023
Cash flows from financing activities:		
Repayment of long-term debt	$(725,000)	$(291,999)
Proceeds from issuance of long-term debt	17,972,882	57,305,172
Proceeds from refinancing of debt	6,404,377	-
Payments on finance lease liabilities	(464,002)	(697,192)
Contributions for property	704,627	92,815
Distributions to partners	(1,646,552)	(1,912,620)
Net cash provided by financing activities	22,246,332	54,496,176
Net increase in cash and cash equivalents	18,307,108	43,212,816
Cash and cash equivalents, beginning of year	120,294,796	77,081,980
Cash and cash equivalents, end of year	$ 138,601,904	$ 120,294,796
Reconciliation of cash and cash equivalents to the combined balance sheets:		
Cash and cash equivalents in current assets	$ 74,147,275	$ 56,017,588
Cash and cash equivalents in assets limited as to use	64,454,629	64,277,207
Total	$ 138,601,904	$ 120,294,795
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 14,222,873	$ 11,896,751

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

Organization

St. Joseph's/Candler Health System, Inc. (System), a not-for-profit membership corporation, was formed in 1997 under a Joint Operating Agreement entered into between Candler Hospital, Inc. (CH), Saint Joseph's Hospital, Inc. (SJH), and their various respective affiliates, such that the System became the parent organization of CH, SJH, and the affiliates. The Sisters of Mercy of the Americas, Inc. (SMA) is the sole member of the System.

The System is governed by its Board of Trustees (Board) with 19 members. The Board is self-perpetuating and elects its own members, except for the right of the South Central Leadership Team of SMA to appoint three trustees who shall be Sisters of SMA or another congregation of Roman Catholic religious women; and three trustees serve as ex-officio members, the System CEO (ex-officio voting) and the Presidents of the Medical Staff of CH and SJH (ex-officio nonvoting).

The System operates a comprehensive integrated healthcare network and serves as the controlling body of its affiliated entities as follows:

CH is a not-for-profit corporation, of which the System is the sole member, established to provide comprehensive health care services through the operation of a 384-bed acute care hospital in Savannah, Georgia. CH is the sole member of and operates SJC Oncology Services - Georgia, LLC in Savannah, Georgia, SJC Oncology Services - South Carolina, LLC in Hilton Head, South Carolina, Candler Medical Oncology Practice, LLC, Candler ENT Practice, LLC, and SJ/SC Cardiology, LLC, all of which are single member LLC's that provide advanced radiation oncology and other specialized services.

SJH is a not-for-profit corporation, of which the System is the sole member, established to provide comprehensive health care services through the operation of a 330-bed acute care hospital in Savannah, Georgia. SJH is the sole member of and operates St. Joseph's Medical Group, LLC, St. Joseph's Cardiology Group, LLC, SJC Electrophysiology, LLC, and St. Joseph's Vascular Group, LLC, all of which are single member LLC's that provide specialized physician services.

SJC Home Health, Inc. (Home Health) is a not-for-profit corporation, of which the System is the sole member, established to provide home health services in a twenty-one county area in southeast Georgia.

Continued

1. Summary of Significant Accounting Policies, Continued

Organization, Continued

Georgia Infirmary, Inc. (Infirmary) is a not-for-profit corporation, of which the System is the sole corporate member. The System shall have, and may exercise with respect to the Infirmary, all rights and authorities granted by law to members of nonprofit corporations in Georgia or the bylaws of the Infirmary, except that the System does not have the authority to change the mission of the Infirmary as outlined in the Infirmary's original Articles of Incorporation. In the event of any merger or sale of substantially all of the assets of the System, all membership interests of the System in the Infirmary shall be deemed surrendered by the System and reverted to the Infirmary. The Infirmary is an adult day health provider and also provides a case management program to improve health outcomes for elderly or disabled Medicaid recipients with chronic medical conditions.

SJC Ventures, Inc. (SJCV) is a for-profit corporation and wholly owned stock subsidiary of the System organized to be the sole shareholder of SJC Medical Group, Inc., SJC Properties, Inc. and SJC Health Services, Inc., thereby creating an affiliated group of corporations eligible to report on a consolidated basis for federal income tax purposes within the meaning of the Internal Revenue Code of 1986, as amended. In the accompanying combining information, the wholly owned subsidiaries of SJCV are presented separately.

SJC Medical Group, Inc. (SJCMG) is a for-profit corporation which owns, operates, and manages physician practices, in addition to performing billing services, of which SJCV is the sole shareholder. SJCMG maintains a controlling interest in Chatham Hospitalists, LLC.

SJC Properties, Inc. (Properties) is a for-profit corporation, wholly owned by SJCV, which owns and develops certain real estate and manages several medical office buildings.

SJC Health Services, Inc. (Health Services) is a for-profit corporation, wholly owned by SJCV, organized to further the health care delivery of the System. Health Services maintains a controlling interest in SJC/Wayne Medical Oncology, LLC and St. Joseph's/Candler Urgent Care Centers, LLC.

Geechee Reinsurance Company, LLC (Geechee) is a captive insurance company formed under the laws of the State of South Carolina to insure the general and professional liability risks of the System. Geechee is organized as a single member LLC with the System as its sole member.

The combined financial statements include the accounts of St. Joseph's/Candler Health System, Inc. and its affiliated entities. All significant intercompany accounts and transactions have been eliminated.

Continued

1. Summary of Significant Accounting Policies, Continued

Basis of Accounting

These combined financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the System as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classifying net assets and transactions as net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - net assets available for use in general operations and not subject to donor imposed restrictions. The Board of Trustees has discretionary control over these resources. Designated amounts represent those net assets that the Board has set aside for a particular purpose. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net assets with donor restrictions - net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing, purpose of the related expenditures, or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Use of Estimates

The preparation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America requires management to 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments such as certificates of deposit, commercial paper and money market accounts purchased with a maturity of three months or less.

Continued

1. Summary of Significant Accounting Policies, Continued

Pension Cost

The System sponsored a frozen defined benefit pension plan. The System recognizes the overfunded and underfunded status of the defined benefit pension plan in its combined balance sheets. Changes in the funded status are recorded in the year in which the changes occurred in the combined statements of operations and changes in net assets. Components of the net periodic pension cost other than service cost are reported in nonoperating income (loss). See Note 12 for additional information.

Inventories

Inventories are stated at the lower of cost and net realizable value, as determined on a first-in, first-out basis.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities, which are all classified as trading securities, are measured at fair value in the combined balance sheets. For investments in equity securities without a readily determinable fair value that do not qualify for the net asset value (NAV) practical expedient in ASC 820-10-35-59, an entity is permitted to elect a practicability exception to fair value measurement, under which the investment will be measured at cost, less impairment, plus or minus observable price changes (in orderly transactions) of an identical or similar investment of the same issuer. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in excess revenues unless the income or loss is restricted by donor or law.

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements; restricted assets under a deferred compensation agreement; and designated assets set aside by the Board for future capital improvements, self-insurance and unfunded deferred compensation, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the System have been reclassified in the combined balance sheets at June 30, 2024 and 2023.

1. Summary of Significant Accounting Policies, Continued

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Finance lease assets are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the asset. Such amortization is included in depreciation and amortization in the combined financial statements. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as increases in net assets without donor restrictions, and are excluded from excess revenues, 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 increases in net assets with donor restrictions. Absent explicit donor stipulations addressing 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.

Goodwill

Goodwill and intangible assets with indefinite lives are tested for impairment annually and more frequently in the event of an impairment indicator. Intangible assets with definite lives are amortized over their respective estimated useful lives, and reviewed whenever events or circumstances indicate impairment may exist.

The System assesses qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the System determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then an impairment loss for the amount by which the carrying amount exceeds the reporting unit's fair value is recorded.

As of June 30, 2024 and 2023, the System had goodwill of $56,577,257. The System has elected June 30th as its annual impairment assessment date. The System completed its annual impairment assessment and concluded that no material goodwill or indefinite lived intangible asset impairment charge was required for 2024.

Continued

1. Summary of Significant Accounting Policies, Continued

Beneficial Interest in Net Assets of Foundations

The System accounts for the activities of its related Foundations in accordance with FASB ASC 958-20, *Not-for-Profit Entities, Financially Interrelated Entities.* FASB ASC 958-20 establishes reporting standards for transactions in which a donor makes a contribution to a not-for-profit organization which accepts the assets on behalf of or transfers these assets to a beneficiary which is specified by the donor. The St. Joseph's Foundation of Savannah, Inc. and Candler Foundation, Inc. accept assets on behalf of SJH and CH, respectively.

Deferred Financing Costs

Costs related to the issuance of long-term debt were deferred and are being amortized using the straight-line method over the life of the related debt which approximates the effective interest method. These costs are reported on the combined balance sheets as a direct deduction from the carrying amount of the related debt liability.

Revenues and Gains in Excess of Expenses and Losses

The combined statements of operations and changes in net assets includes revenues and gains in excess of expenses and losses. Changes in net assets without donor restrictions which are excluded from revenues and gains in excess of expenses and losses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, adjustments to pension obligations, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. 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, and others and includes variable consideration for retroactive revenue adjustments under reimbursement arrangements with third-party payors. Retroactive adjustments are included in the determination of the estimated transaction price and adjusted in future periods as settlements are determined.

Continued

1. Summary of Significant Accounting Policies, Continued

Charity Care

The System provides care to patients who meet certain criteria under its financial assistance policy without charge or 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.

Estimated Self-Insurance Costs

The provision for estimated malpractice claims and other claims under self-insurance plans include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Income Taxes

The System, CH, SJH, Home Health and Infirmary are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Only net income from activities designated as unrelated to the exempt purposes of CH, SJH, Home Health, and Infirmary are subject to federal and state unrelated business income tax. Geechee is organized as a single member LLC owned by System and is treated as a disregarded entity for tax purposes.

The System applies accounting policies that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the System only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Based on the results of management's evaluation, no liability is recognized in the accompanying combined balance sheets for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of June 30, 2024 and 2023 or for the years then ended. The System's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Continued

1. Summary of Significant Accounting Policies, Continued

Income Taxes, Continued

SJCV, SJCMG, Properties, and Health Services have generally incurred operating losses for tax purposes and have not recorded a current or deferred tax provision due to significant net operating loss (NOL) carryforwards which would be utilized to offset any potential tax liabilities generated from future taxable income. At June 30, 2024, NOL carryforwards expiring through 2044 amounted to approximately $84,376,000 and are available for the offset of future taxable income. No asset has been recognized related to this NOL carryforward due to continued operating losses.

Impairment of Long-Lived Assets

The System evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The System has not recorded any material impairment charges in the accompanying combined statements of operations and changes in net assets for the years ended June 30, 2024 and 2023.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosures,* defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. FASB ASC 820 describes the following three levels of inputs that may be used:

- *Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

- *Level 2:* Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

- *Level 3:* Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Continued

1. Summary of Significant Accounting Policies, Continued

Recently Adopted Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2017-04, *Intangibles - Goodwill and Other* (Topic 350): Simplifying the Test for Goodwill Impairment. ASU 2017-04 is intended to simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. The System's prospective adoption did not have a material effect on the combined financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326), which introduces a new current expected credit loss (CECL) method for measuring credit losses on financial assets measured at amortized cost, replacing the previous incurred loss method that delays recognition until it is probable a loss has been incurred. The new guidance requires the immediate recognition of estimated credit losses that are expected to occur. The System adopted the new guidance effective July 1, 2023. Adoption of the standard did not have a significant impact to the combined financial statements.

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2023 combined financial statements to conform to the fiscal year 2024 presentation. These reclassifications had no impact on the change in net assets in the accompanying combined financial statements.

Subsequent Events

In preparing these combined financial statements, the System has evaluated events and transactions for potential recognition or disclosure through October 24, 2024, the date the combined financial statements were issued.

Continued

2. Investments

Assets Limited as to Use

The composition of assets limited as to use at June 30, 2024 and 2023 is set forth in the following table. Investments are stated at fair value.

	2024	2023
Held in trust under bond indenture:		
Cash and cash equivalents	$ 62,370,366	$ 61,699,140
Mutual funds - fixed income	4	4
Total	62,370,370	61,699,144
Restricted under deferred compensation agreements:		
Mutual funds - equity	450,088	1,105,937
Total	450,088	1,105,937
Board designated:		
Cash and cash equivalents	2,084,263	2,578,067
Mutual funds - fixed income	96,796,206	91,114,692
Mutual funds - equity	169,197,334	152,192,690
Mutual funds - international equity	54,220,192	34,120,237
Equity securities - common stock	29,647,518	23,619,882
Equity securities - international	3,001,768	378,170
Interest receivable	198,821	189,195
Total	355,146,102	304,192,933
Total assets limited as to use	417,966,560	366,998,014
Less amounts required for current liabilities	13,983,506	6,028,787
Total	$ 403,983,054	$ 360,969,227

Continued

2. Investments, Continued

Assets Limited as to Use, Continued

Investment income and gains for assets limited as to use, cash equivalents, and investments are comprised of the following for the years ending June 30, 2024 and 2023:

	2024	2023
Income:		
Interest income and dividends	$ 16,682,102	$ 10,746,677
Realized gains on sales of securities	2,217,348	4,538,622
Total investment income net of investment expense	$ 18,899,450	$ 15,285,299
Unrealized gains on securities	$ 39,642,202	$ 19,424,479

The System's investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying combined financial statements.

3. Property and Equipment

A summary of property and equipment at June 30, 2024 and 2023 follows:

	2024	2023
Land	$ 31,656,170	$ 31,350,358
Land improvements	11,018,623	10,744,992
Building and fixed equipment	441,658,894	419,551,933
Major movable equipment	377,026,947	356,979,313
Finance lease right-of-use assets	122,371	550,745
	861,483,005	819,177,341
Less accumulated depreciation	570,290,941	538,618,330
	291,192,064	280,559,011
Construction-in-progress	23,548,648	13,267,697
Property and equipment, net	$ 314,740,712	$ 293,826,708

Depreciation expense for the years ended June 30, 2024 and 2023 amounted to approximately $32,052,000 and $30,013,000, respectively.

Amortization expense on finance lease right-of-use assets for the years ended June 30, 2024 and 2023 was approximately $454,000 and $665,000, respectively.

Continued

3. Property and Equipment, Continued

Construction contracts exist for various projects at year end with a total commitment of approximately $39.4 million. At June 30, 2024, the remaining commitment on these contracts approximated $25 million.

4. Goodwill

The System acquired Savannah Oncology Group on July 15, 2009. Savannah Oncology Group includes SJC Oncology Services - Georgia, LLC and SJC Oncology Services - South Carolina, LLC. The goodwill is evaluated annually for impairment.

The System, through a joint venture in which Health Services maintains a controlling interest, acquired a portfolio of urgent care centers to form St. Joseph's/Candler Urgent Care Centers, LLC on May 1, 2019. The goodwill is evaluated annually for impairment.

The changes in the carrying amount of goodwill for the years ended June 30, 2024 and 2023, are as follows:

	2024	2023
Balance at beginning of year:		
Goodwill	$ 68,235,402	$ 68,235,402
Accumulated impairment losses	(11,658,145)	(11,658,145)
	56,577,257	56,577,257
Goodwill acquired during the year	-	-
Impairment losses	-	-
Balance at end of the year:		
Goodwill	68,235,402	68,235,402
Accumulated impairment losses	(11,658,145)	(11,658,145)
Balance at end of the year	$ 56,577,257	$ 56,577,257

5. Related Organizations

Candler Foundation, Inc. and St. Joseph's Foundation of Savannah, Inc. (Foundations) were established to raise funds to support the operations of CH and SJH (Hospitals). The Foundations' bylaws provide that all funds raised, except for funds acquired for the operations of the Foundations, be distributed to or be held for the benefit of the Hospitals. The Foundations' general funds, which represent the Foundations' undesignated resources, are distributed to the Hospitals in amounts and in periods determined by the Foundations' Boards of Directors, who may also restrict the use of general funds for Hospital plant replacement or expansion or other specific purposes. Plant replacement and expansion funds, specific-purpose funds, and assets obtained from endowment income of the Foundations are distributed to the Hospitals as required to comply with the purpose specified by donors.

Continued

5. Related Organizations, Continued

A summary of the Foundations' assets, liabilities, net assets, and changes in net assets follows. The Hospitals' interest in the net assets of the Foundations is reported as a noncurrent asset in the combined balance sheets.

Candler Foundation, Inc.

	2024	2023
Assets:		
Cash	$ 201,101	$ 567,494
Investments	12,338,692	10,962,003
Other assets	82,676	136,175
Due from related parties	189,545	-
Total assets	$ 12,812,014	$ 11,665,672
Liabilities:		
Accounts payable and accrued expenses	$ 22,486	$ 11,819
Due to related parties	-	142,994
Total liabilities	22,486	154,813
Net assets:		
Without donor restrictions	3,693,106	2,748,370
With donor restrictions:		
Purpose restrictions	8,161,422	7,827,489
Perpetual in nature	935,000	935,000
Total net assets	12,789,528	11,510,859
Total liabilities and net assets	$ 12,812,014	$ 11,665,672
Revenue and support	$ 3,475,706	$ 2,459,544
Expenses	2,197,037	1,878,286
Change in net assets	1,278,669	581,258
Net assets, beginning of year	11,510,859	10,929,601
Net assets, end of year	$ 12,789,528	$ 11,510,859

Continued

5. Related Organizations, Continued

St. Joseph's Foundation of Savannah, Inc.

	2024	2023
Assets:		
Cash	$ 314,326	$ 158,247
Investments	2,990,197	2,689,207
Other assets	212,339	81,799
Total assets	$ 3,516,862	$ 2,929,253
Liabilities:		
Accounts payable and accrued expenses	$ 8,840	$ 3,026
Due to related parties	395,260	24,479
Total liabilities	404,100	27,505
Net assets:		
Without donor restrictions	1,636,262	1,438,322
With donor restrictions:		
Purpose restrictions	1,376,500	1,363,426
Perpetual in nature	100,000	100,000
Total net assets	3,112,762	2,901,748
Total liabilities and net assets	$ 3,516,862	$ 2,929,253
Revenue and support	$ 1,398,882	$ 958,806
Expenses	1,187,868	784,589
Change in net assets	211,014	174,217
Net assets, beginning of year	2,901,748	2,727,531
Net assets, end of year	$ 3,112,762	$ 2,901,748

6. Long-Term Debt

The Hospital Authority of Savannah (Authority) issued a $46,185,000 principal bond Series 2013A pursuant to a Bond Trust Indenture dated November 1, 2013, by and between the Authority and the bond trustee, Regions Bank. The Authority simultaneously entered into a Loan Agreement dated November 1, 2013, by and between the Authority and the System, CH, and SJH (Obligated Group). Interest will be paid annually through July 2026 by the System to the Authority. Subsequently, principal and interest will be paid through July 2031. Proceeds

Continued

6. Long-Term Debt, Continued

for the 2013A Revenue Bonds have been used (1) to finance the costs of constructing additions and improvements to, and equipment for, CH and SJH, (2) currently refund the outstanding principal amount of the Series 2003 Bonds, and (3) pay the costs of issuing the bonds and refunding the Series 2003 Bonds.

In May 2023, the System issued an official call to purchase all bonds outstanding of the Series 2013A Revenue Bonds. The System purchased and resold the 2013A Series Bonds to Bank of America, N. A. effective July 3, 2023. Proceeds for this refinance have been used (1) to call the Series 2013A bonds for purchase, (2) amend call structure of Revenue Bonds to make them noncallable, and (3) reissue bonds to Bank of America at a premium.

The Authority issued a $30,025,000 taxable term bond Series 2013B pursuant to a Bond Trust Indenture dated November 1, 2013, by and between the Authority and the bond trustee, Regions Bank. The Authority simultaneously entered into a Loan Agreement dated November 1, 2013, by and between the Authority and the System, CH, and SJH. Interest will be paid annually through July 2023. Subsequently, principal and interest will be paid through July 2027. Proceeds for the 2013B Revenue Bonds have been used (1) to finance the costs of constructing additions and improvements to, and equipment for, CH and SJH, (2) currently refund the outstanding principal amount of the Series 1998C Bonds, and (3) pay the costs of issuing the taxable bonds and refunding the Series 1998C Bonds.

The Authority issued a $12,000,000 principal bond Series 2017 pursuant to a Bond Trust Indenture dated December 27, 2017, by and between the Authority, the System, and the bond trustee, Regions Bank. Principal and interest will be paid monthly through July 2026. The purpose of the Bond is to refund a portion of Series 2016A in order to finance the construction of an additional campus of SJH for outpatient services. In November 2019, the Authority issued the Series 2019A bonds and a portion of the proceeds were allocated to refund the Series 2017.

The Authority issued a $106,960,000 principal bond Series 2019A pursuant to a Bond Trust Indenture dated November 1, 2019, by and between the Authority and the bond trustee, Regions Bank. The Authority simultaneously entered into a Loan Agreement dated November 1, 2019, by and between the Authority and the Obligated Group. The Obligated Group has used the proceeds to (1) pay the costs of issuance of the Series 2019A bonds, (2) refund the outstanding principal amounts of the Series 2016 and 2017 bonds, and (3) fund the Project Fund and the Expense Fund pursuant to the Bond Trust Indenture.

The Authority issued a $61,625,000 principal bond Series 2019B pursuant to a Bond Trust Indenture dated November 1, 2019, by and between the Authority and the bond trustee, Regions Bank. The Authority simultaneously entered into a Loan Agreement dated November 1, 2019, by and between the Authority and the Obligated Group. The Obligated Group has used the proceeds to (1) pay the costs of issuance of the Series 2019B bonds, (2) fund the Project Fund and the Expense Fund pursuant to the Bond Trust Indenture, and (3) refinance the outstanding principal amounts of the CH Master Note Series 2016B.

Continued

6. Long-Term Debt, Continued

The Authority issued a $19,020,000 principal bond Series 2019C pursuant to a Bond Trust Indenture dated November 1, 2019, by and between the Authority and the bond trustee, Wells Fargo Bank, N.A. The Authority simultaneously entered into a Loan Agreement dated November 1, 2019, by and between the Authority and the Obligated Group. The Obligated Group has used the proceeds to (1) pay the costs of issuance of the Series 2019C bonds and (2) fund the Project Fund and the Expense Fund pursuant to the Bond Trust Indenture.

The Authority issued a $55,500,000 principal bond Series 2023 pursuant to a Bond Trust Indenture dated May 1, 2023, by and between the Authority and the bond trustee, Regions Bank. The Authority simultaneously entered into a Loan Agreement dated May 1, 2023, by and between the Authority and the Obligated Group. The Obligated Group has used the proceeds to (1) pay the costs of issuance of the Series 2023 bonds, and (2) fund the Project Fund and Expense Fund pursuance to the Bond Trust Indenture. Interest will be paid semi-annually through July 2025. Subsequently, principal and interest will be paid through July 2053.

On April 25, 2024, the System entered into a line-of-credit agreement with Regions Bank for a maximum $50,000,000. Interest on the loan is a floating rate per annum equal to Term Secured Overnight Financing Rate (SOFR) plus 0.95%. Interest is payable monthly beginning June 2024. The System is also obligated to pay an availability fee of 0.05% per annum based on the daily average unused portion of the loan. The line-of-credit has a maturity date of April 25, 2026.

A summary of long-term debt at June 30, 2024 and 2023 follows:

	2024	2023
Hospital Authority of Savannah Revenue Bonds, St. Joseph's/Candler Health System, Inc.:		
Issue Series 2013A:		
5.50% serial bonds, principal due in varying annual installments beginning in July 2027 to July 2031.	$ 46,185,000	$ 46,185,000
Issue Series 2013B:		
6.00% term bonds, principal due in varying annual installments beginning in July 2024 to July 2027.	30,025,000	30,025,000
Unamortized premium	-	1,024,959
Total	30,025,000	31,049,959

Continued

6. Long-Term Debt, Continued

	2024	2023
Hospital Authority of Savannah Revenue Bonds, St. Joseph's/Candler Health System, Inc., continued:		
Issue Series 2019A:		
4.00% term bonds, principal due in varying annual installments beginning July 2035 to July 2044 and 3.125% term bonds, principal due in annual installments of $13,675,000 in July 2043 and $6,325,000 in July 2044.	$ 106,960,000	$ 106,960,000
Issue Series 2019B:		
3.989% term bonds, principal due in varying annual installments beginning in July 2033 to July 2038.	61,625,000	61,625,000
Issue Series 2019C:		
5.00% term bonds, principal due in annual installments of $12,080,000 in July 2032 and $6,940,000 in July 2033.	19,020,000	19,020,000
Unamortized premium	7,868,396	8,512,261
Total	26,888,396	27,532,261
Issue Series 2023:		
3.77% term bonds, principal due in varying annual installments beginning in July 2025 to July 2053.	55,500,000	55,500,000
Executive Court Partnership, LLP - promissory note, 0.00% note, principal due in annual installments of $475,000 in September 2023 through 2026.	1,425,000	1,900,000
The Sturgess Clan, LLC - promissory note, 0.00% note, principal due in annual installments of $125,000 in March 2024 and 2025.	-	250,000

Continued

6. Long-Term Debt, Continued

	2024	2023
Regions Bank - line-of-credit, variable interest rate based on SOFR plus 0.95%, interest payable monthly, principal due April 2026.	$ 17,972,882	$ -
Finance lease liabilities (Note 7)	156,103	620,104
	346,737,381	331,622,324
Less unamortized debt issue costs	2,029,656	2,363,595
	344,707,725	329,258,729
Less current maturities	8,351,046	1,087,670
Less current portion of unamortized premiums	643,864	771,984
Total long-term debt	$ 335,712,815	$ 327,399,075

Premiums and discounts on long-term debt are amortized using the straight-line method over the life of the related bonds which approximates the effective interest method.

Under the terms of the bond indentures, the System is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the accompanying combined balance sheets. The bond indentures also place limits on the incurrence of additional borrowings and require that the System satisfy certain measures of financial performance as long as the bonds are outstanding. Additionally, the bond indentures are secured by gross receipts of the System, CH, and SJH.

Scheduled principal repayments on long-term debt (excluding finance lease liabilities) for the next five years are as follows:

Year Ending June 30	Amount
2025	$ 8,215,000
2026	27,158,000
2027	9,710,000
2028	9,785,000
2029	10,345,000
Thereafter	273,500,000
Total	$ 338,713,000

7. Leases

The System has operating and finance leases for buildings and equipment. The System determines if an arrangement is a lease at the inception of a contract. Leases with an initial term of twelve months or less are not recorded on the combined balance sheets. The System has lease agreements which require payments for lease and nonlease components and has elected to account for these as a single lease component.

Continued

7. Leases, Continued

Right-of-use assets represent the System's right to use an underlying asset during the lease term, and lease liabilities represent the System's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date, based on the net present value of fixed lease payments over the lease term. The System has entered into lease arrangements that contain options to extend or terminate the lease in future periods. These options are included in the lease term used to compute the lease liabilities as presented on the combined balance sheets when it is reasonably certain the option will be exercised.

As most of the System's operating leases do not provide an implicit rate, the System uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The System considers recent debt issuances, as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates. Finance lease agreements generally include an interest rate that is used to determine the present value of future lease payments. Operating fixed lease expense and finance lease amortization expense are recognized on a straight-line basis over the lease term. Variable lease costs consist primarily of common area maintenance and are not significant to total lease expense.

Operating and finance lease right-of-use assets and lease liabilities as of June 30, 2024 and 2023 were as follows:

	2024	2023
Operating leases:		
Right-of-use assets:		
Operating lease right-of-use assets	$ 5,650,551	$ 7,210,436
Lease liabilities:		
Current portion	$ 1,421,679	$ 1,664,175
Long-term	4,468,354	5,817,422
Total operating lease liabilities	$ 5,890,033	$ 7,481,597
Finance leases:		
Right-of-use assets:		
Property and equipment, net	$ 122,371	$ 550,745
Lease liabilities:		
Current portion	$ 136,046	$ 487,670
Long-term	20,057	132,434
Total finance lease liabilities	$ 156,103	$ 620,104

Continued

7. Leases, Continued

Operating expenses for the leasing activity of the System as lessee for the years ended June 30, 2024 and 2023 are as follows:

Lease Type	2024	2023
Operating lease cost	$ 1,908,482	$ 2,481,780
Finance lease interest	17,702	42,454
Finance lease amortization	453,750	665,410
Total lease cost	$ 2,379,934	$ 3,189,644

Cash paid for amounts included in the measurement of lease liabilities for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Operating cash flows from operating leases	$ 1,935,223	$ 2,465,020
Operating cash flows from finance leases	18,883	44,771
Financing cash flows from finance leases	464,002	697,192
Total	$ 2,418,108	$ 3,206,983

The aggregate future lease payments for operating and finance leases as of June 30, 2024 were as follows:

Year Ending June 30	Finance	Operating
2025	$ 139,856	$ 1,622,598
2026	5,200	1,472,567
2027	5,200	1,358,216
2028	5,200	1,073,932
2029	5,200	866,359
Thereafter	2,600	9,425
Total undiscounted cash flows	163,256	6,403,097
Less: present value discount	(7,153)	(513,064)
Total lease liabilities	$ 156,103	$ 5,890,033

Continued

7. Leases, Continued

Average lease terms and discount rates at June 30, 2024 and 2023 were as follows:

	2024	2023
Weighted-average remaining lease term (years):		
Operating leases	4.50	5.16
Finance leases	1.19	1.07
Weighted-average discount rate:		
Operating leases	3.97%	3.97%
Finance leases	4.61%	4.00%

8. Derivative Financial Instruments

In 2020, the System entered into a forward starting interest swap to take advantage of different interest rate positions. The fair market value of the swap is reported in derivative financial instruments on the combined balance sheets. The swap was terminated in 2023.

The portion of the swap results not designated as a hedging derivative is included in revenues and gains in excess of expenses and losses. For the year ending June 30, 2023, this earnings impact totaled $(4,356). Upon termination, the swap counterparty paid the System approximately $2.3 million.

9. Net Assets with Donor Restrictions

A summary of the net assets with donor restrictions at June 30, 2024 and 2023 follows:

	2024	2023
Net assets with donor restrictions that are subject to expenditure for a specified purpose:		
Candler Foundation, Inc.	$ 8,161,422	$ 7,827,489
St. Joseph's Foundation of Savannah, Inc.	1,376,500	1,363,426
Total	$ 9,537,922	$ 9,190,915
Net assets with donor restrictions that are perpetual in nature:		
Candler Foundation, Inc.	$ 935,000	$ 935,000
St. Joseph's Foundation of Savannah, Inc.	100,000	100,000
Total	$ 1,035,000	$ 1,035,000

Continued

10. 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 programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the System bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as 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 patient services. The System measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. These services are considered to be a single performance obligation and have a duration of less than one year. Revenue for performance obligations satisfied at a point in time is recognized when services are provided and the System does not believe it is required to provide additional services to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, 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 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. As a result, 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 has arrangements with third-party payors that provide for payments to the System at amounts different from its established rates. For uninsured patients that do not qualify for charity care, the System recognizes revenue on the basis of its standard rates, subject to certain discounts and implicit price concessions as determined by the System. The System determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the System's policy, and implicit price concessions provided to

Continued

10. Patient Service Revenue, Continued

uninsured patients. Implicit price concessions represent the difference between amounts billed and the estimated consideration the System expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors. The System determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies, and historical experience.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- Medicare

  Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

  The System is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare Administrative Contractor (MAC). The System's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the System. The System's Medicare cost reports have been audited by the MAC through 2020 for CH and SJH.

  Laws and regulations governing the Medicare program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

  The System believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the federal level including the initiation of the Recovery Audit Contractor (RAC) program. The RAC program was created to review Medicare claims for medical necessity and coding appropriateness. The RACs have authority to pursue improper payments with a three year look-back from the date the claim was paid. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare program.

- Medicaid

  Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

Continued

10. Patient Service Revenue, Continued

- Medicaid, Continued

The System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary. The System's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through 2020 for CH and SJH.

During 2022, Medicaid implemented the Medicaid CMOs Direct Payment Program (DPP). Under the DPP, eligible hospitals will receive increased Medicaid funding via an annual lump sum direct payment. The direct payment will be based on the difference between Medicare reimbursement and Medicaid payments using UPL calculations. The direct payment is made to the CMOs and the CMOs are required to transfer the payment to the hospital. The net amount of DPP payment adjustments recognized in net patient service revenue was approximately $(79,000) and $2,227,000 during 2024 and 2023, respectively. In 2024, the net payment resulted from assessments paid by the hospitals being greater than reimbursements received from the program.

Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The System has also entered into contracts with certain managed care organizations to receive reimbursement for providing services to selected enrolled 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 diems.

The System believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state level including the initiation of the Medicaid Integrity Contractor (MIC) program. This program was created to review Medicaid claims for medical necessity and coding appropriateness. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicaid program.

The System participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The System receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the System's estimated uncompensated cost of services to Medicaid and uninsured patients. The amount of ICTF payments recognized in net patient service revenue was approximately $3,300,000 and $2,300,000 for the years ended June 30, 2024 and 2023, respectively.

Continued

10. Patient Service Revenue, Continued

- Medicaid, Continued

  The state of Georgia enacted legislation known as the Provider Payment Agreement Act (Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient service revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment results in an increase in payments for Medicaid services to hospitals of approximately 11.88%. Approximately $9,298,000 and $8,252,000 of provider payments relating to the Act are included as a reduction in net patient service revenue in the accompanying combined statements of operations and changes in net assets for the years ended June 30, 2024 and 2023, respectively.

- Other Agreements

  The System has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the System under these agreements include prospectively determined rates per discharge, prospectively determined daily rates, fixed rate fee schedules, and discounts from established charges.

- Uninsured Patients

  The System maintains a Financial Assistance Policy (FAP) in accordance with Internal Revenue Code Section 501(r). Based on the FAP, following a determination of financial assistance eligibility, an individual will not be charged more than the Amounts Generally Billed (AGB) for emergency or other medical care provided to individuals with insurance covering that care. AGB is calculated by reviewing claims that have been paid in full (including deductibles and coinsurance paid by the patient) to the System for medically necessary care by Medicare and private health insurers during a 12-month look-back period.

Settlements with third-party payors for retroactive 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. Adjustments arising from a change in the transaction price, were not significant in 2024 or 2023.

Continued

10. Patient Service Revenue, Continued

Generally, 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 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. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Adjustments arising from a change in the transaction price were not significant for the years ending June 30, 2024 and 2023. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay based on current or future estimated credit losses (determined on a portfolio basis when applicable) are recorded as credit loss expense. Credit loss expense for the years ended June 30, 2024 and 2023 was not significant.

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 patients with other uninsured balances (for example, copays and deductibles).

Net patient service revenue by major payor source, facility, and timing of revenue recognition for the years ended June 30, 2024 and 2023 is as follows:

	Net Patient Service Revenue				
	Medicare	Medicaid	Third-Party Payors	Self-Pay	Total All Payors
2024	$ 347,984,463	$ 26,513,698	$ 479,519,676	$ 988,959	$ 855,006,796
2023	$ 333,664,602	$ 36,814,055	$ 411,448,112	$ 21,303,835	$ 803,230,604

	Net Patient Service Revenue	
	2024	2023
Candler Hospital	$ 467,034,172	$ 441,011,906
St. Joseph's Hospital	327,507,182	300,555,311
SJC Home Health	9,946,089	9,638,151
SJC Medical Group	30,152,108	31,972,007
SJC Health Services	17,081,295	16,779,596
Georgia Infirmary	3,285,950	3,273,633
Timing of revenue and recognition:		
Services transferred over time	$ 855,006,796	$ 803,230,604

Continued

10. Patient Service Revenue, Continued

Hospital net patient service revenue includes a variety of services mainly covering inpatient acute care services requiring overnight stays, outpatient procedures that require anesthesia or use of the System's diagnostic and surgical equipment, and emergency care services. Performance obligations for the hospitals, home health, and other ancillary patient services are satisfied over time as the patient simultaneously receives and consumes the benefits the System performs. Requirements to recognize revenue for inpatient services are generally satisfied over periods that average approximately four days and for outpatient services are generally satisfied over a period of less than one day. Retail pharmacy, reference lab, and other point-of-sale revenues' performance obligations are satisfied at a point in time when the goods and services are provided. These revenues are recorded in other revenue on the combined statement of operations and changes in net assets.

The System has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the System's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the System does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The System has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the System otherwise would have recognized is one year or less in duration.

11. Uncompensated Services

Net patient service revenue includes amounts, representing the transaction price, based on standard charges reduced by variable considerations such as contractual adjustments, discounts, and implicit price concessions. Uncompensated care includes charity and indigent services of approximately $145,000,000 and $117,000,000 for 2024 and 2023, respectively. The cost of charity and indigent services provided during 2024 and 2023 was approximately $44,000,000 and $34,000,000, respectively, computed by applying a total cost factor to the charges foregone for uninsured claims and an estimated unreimbursed cost for insured claims.

Continued

11. Uncompensated Services, Continued

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2024 and 2023.

	2024	2023
Gross patient charges	$ 3,733,325,175	$ 3,463,985,730
Uncompensated services:		
Charity and indigent care	145,023,026	117,138,917
Medicare	1,612,241,213	1,487,136,186
Medicaid	172,718,620	203,362,738
Other third-party payors	908,969,645	799,142,546
Price concessions	39,365,875	53,974,739
Total uncompensated care	2,878,318,379	2,660,755,126
Net patient service revenue	$ 855,006,796	$ 803,230,604

12. Pension Plans

The System had a defined benefit pension plan (Plan) covering substantially all of its employees. Effective July 1, 2006, the System approved a plan amendment that effectively froze the Plan for any future service cost. The Plan benefits for retired, terminated and active employees or their beneficiaries were based on years of service and employee compensation during three of the last ten years of covered employment. The Plan is a Church Plan (as defined by ERISA) and is not subject to the Funding Standard Account Requirements of IRC Section 412 or to coverage under Title IV of ERISA. Annual contributions to the Plan are based on the Board's discretion. The Plan was terminated effective June 30, 2022 though a Plan Amendment and the Plan was subsequently liquidated in 2023. The disclosures are based on projections of actuarial information and actual plan assets as of June 30, 2022.

The projected benefit obligation is the actuarial present value of that portion of the projected benefits attributable to employee service rendered through June 30, 2006. Cumulative net actuarial gains and losses are amortized over the average future service of active participants. Prior service cost is amortized over the remaining average future service of active employees as of the date the prior service cost arose. As of June 30, 2023, all actuarial gains and losses and prior service cost are recognized in the combined statement of operations and changes in net assets.

Continued

12. Pension Plans, Continued

The actuarially computed net periodic pension cost for the Plan for the year ended June 30, 2023 included the following components:

	2023
Interest cost on projected benefit obligation	$ -
Expected return on plan assets	-
Actual loss on plan assets	2,733,155
Recognition of prior net losses on defined benefit pension plan	46,191,163
Amortization of prior service cost	(971,236)
Net periodic pension cost	47,953,082
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:	
Change in net actuarial loss	-
Recognition of prior net losses on defined benefit pension plan	(46,191,163)
Amortization of prior service cost	971,236
Total recognized in net assets without donor restrictions	(45,219,927)
Total recognized in net periodic pension cost and net assets without donor restrictions	$ 2,733,155

The change in projected benefit obligation for the Plan for the year ended June 30, 2023 included the following components:

	2023
Projected benefit obligation, beginning of year	$ 102,737,678
Interest cost	-
Actuarial loss (gain)	-
Benefits paid	(102,737,678)
Projected benefit obligation, end of year	$ -
Accumulated benefit obligation	$ -

Continued

12. Pension Plans, Continued

The change in plan assets for the Plan for the year ended June 30, 2023 included the following components:

	2023
Plan assets at fair value, beginning of year	$ 98,110,713
Actual return on assets	(2,733,155)
Employer contributions	7,360,120
Benefits paid	(102,737,678)
Plan assets at fair value, end of year	$ -

The System created a 401(k) plan effective January 1, 2004. All employees of the System who have reached age 21 and have completed one year of eligible service are eligible to participate in the employer matching program. Employees may deposit a portion of their earnings for each pay period on a pre-tax basis and the System matches 50% of each participant's voluntary contributions up to a maximum of 6% of the employee's annual salary. Matching contribution expenses for the years ended June 30, 2024 and 2023 totaled approximately $5,146,000 and $4,042,000, respectively. Discretionary contribution expense for the years ended June 30, 2024 and 2023 totaled $15,782 and $-0-, respectively.

The System maintains an unfunded Supplemental Executive Retirement Plan (SERP), which provides retirement benefits to certain officers and select employees. This plan is nonqualified and does not have a minimum funding requirement. The liability for this SERP obligation is included as deferred compensation payable and the assets set aside as a reserve for this liability are included in Board designated assets limited as to use in the accompanying combined balance sheets.

13. Self-Insurance Claims

The System insures its professional and general liability on a claims-made basis through Geechee, a wholly-owned subsidiary, with a self-insured retention limit of $7,000,000. The System insures its employed physician professional liability on a claims-made basis through Geechee with a self-insured retention limit of $4,000,000. At June 30, 2024, there are known claims and incidents that may result in additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. The System has employed independent actuaries to assist in estimating the ultimate costs, if any, of settlement of such claims that are not covered by commercial insurance.

Continued

13. Self-Insurance Claims, Continued

Accrued malpractice losses have been discounted at 6.00% for both June 30, 2024 and 2023, and in management's opinion, provide an adequate reserve for loss contingencies. The estimate of these potential claims is approximately $33,000,000 and $28,000,000 at June 30, 2024 and 2023 and is included in accrued self-insurance claims in the accompanying combined balance sheets. Management was not aware of any asserted or unasserted claims that exceed the System's insurance coverage as of June 30, 2024.

The System is self-insured with respect to workers' compensation claims up to a self-insurance retention limit of $750,000 per claim. Workers compensation claims in excess of the self-insurance retention limits are insured with a commercial insurance carrier on a claims-made basis. Management was not aware of any asserted or unasserted claims that exceed the System's excess workers' compensation coverage as of June 30, 2024.

The System is self-insured with respect to employee health insurance claims. The System maintains reinsurance through a commercial excess coverage policy, which covers annual individual employee claims paid in excess of $400,000. Under this self-insurance program, the System paid or accrued approximately $31,228,373 and $26,833,848 during the fiscal years ended June 30, 2024 and 2023, respectively.

14. Concentrations of Credit Risk

The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net accounts receivable from patients and third-party payors for CH and SJH at June 30, 2024 and 2023 was as follows:

	2024	2023
Medicare	29%	29%
Medicaid	4%	6%
Managed care	43%	40%
Commercial and other	13%	14%
Patients	11%	11%
Total	100%	100%

At June 30, 2024, the System had deposits at major financial institutions which exceeded the $250,000 Federal Depository Insurance limits. Management believes the credit risks related to these deposits is minimal.

15. Functional Expenses

The System provides general health care services primarily to residents within its geographic location. Expenses related to providing these services in 2024 and 2023 are as follows:

2024	Health Care Services	General and Administrative	Total	Eliminations	Combined Total
Salaries and wages	$ 248,414,673	$ 86,173,467	$ 334,588,140	$ -	$ 334,588,140
Employee benefits	45,411,715	17,672,884	63,084,599	-	63,084,599
Physician and professional fees	64,311,304	32,659,105	96,970,409	(4,620,217)	92,350,192
Materials and supplies	271,407,737	8,127,459	279,535,196	-	279,535,196
Purchased services	33,650,427	26,327,317	59,977,744	(7,000,775)	52,976,969
Insurance	8,528,189	11,589,112	20,117,301	(5,722,422)	14,394,879
Interest	5,341,944	-	5,341,944	-	5,341,944
Depreciation and amortization	12,550,239	20,192,982	32,743,221	-	32,743,221
Other	28,998,753	27,983,336	56,982,089	(1,955,951)	55,026,138
Total	$ 718,614,981	$ 230,725,662	$ 949,340,643	$(19,299,365)	$ 930,041,278

2023	Health Care Services	General and Administrative	Total	Eliminations	Combined Total
Salaries and wages	$ 249,097,947	$ 74,074,084	$ 323,172,031	$ -	$ 323,172,031
Employee benefits	40,879,529	16,073,821	56,953,350	-	56,953,350
Physician and professional fees	54,135,259	27,816,810	81,952,069	(4,866,564)	77,085,505
Materials and supplies	250,890,685	7,172,048	258,062,733	-	258,062,733
Purchased services	30,370,130	26,288,779	56,658,909	(5,473,434)	51,185,475
Insurance	8,934,994	7,956,545	16,891,539	(6,481,004)	10,410,535
Interest	11,344,713	-	11,344,713	-	11,344,713
Depreciation and amortization	11,906,843	19,063,420	30,970,263	-	30,970,263
Other	27,624,186	27,913,628	55,537,814	(1,650,614)	53,887,200
Total	$ 685,184,286	$ 206,359,135	$ 891,543,421	$(18,471,616)	$ 873,071,805

Continued

15. Functional Expenses, Continued

The combined financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and amortization, interest expense, and other occupancy costs, are allocated to a function based on a square footage basis. Benefit expense is allocated consistent with salaries.

16. Fair Values of Financial Instruments

The following methods and assumptions were used by the System in estimating the fair value of its financial instruments:

- *Cash and cash equivalents, accounts payable, accrued expenses, estimated third-party payor settlements:* The carrying amount reported in the combined balance sheets approximates its fair value, due to the short-term nature of these instruments.

- *Assets limited as to use:* Amounts reported in the combined balance sheets are at fair value. See below for fair value measurement disclosures.

- *Long-term debt:* The fair value of the System's fixed rate long-term debt is estimated based on quoted market value for same or similar debt instruments. The remaining long-term debt carrying amount approximates its fair value. Based on inputs used in determining the estimated fair value, the System's long-term debt would be classified as Level 2 in the fair value hierarchy.

The carrying amounts and fair values of the System's long-term debt at June 30, 2024 and 2023 are as follows:

	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 346,581,278	$ 338,262,834	$ 331,002,220	$ 316,380,423

Continued

16. Fair Values of Financial Instruments, Continued

Fair values of assets measured on a recurring basis at June 30, 2024 and 2023 are as follows:

		Fair Value Measurements at June 30, 2024		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 64,454,629	$ -	$ 64,454,629	$ -
Mutual funds - fixed income	96,796,210	96,796,210	-	-
Mutual funds - equity	169,647,422	169,197,334	450,088	-
Mutual funds - international equity	54,220,192	54,220,192	-	-
Equity securities - common stock	29,647,518	29,647,518	-	-
Equity securities - international	3,001,768	3,001,768	-	-
Interest receivable	198,821	-	198,821	-
Total assets	$ 417,966,560	$ 352,863,022	$ 65,103,538	$ -

		Fair Value Measurements at June 30, 2023		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 64,277,207	$ -	$ 64,277,207	$ -
Mutual funds - fixed income	91,114,696	91,114,696	-	-
Mutual funds - equity	153,298,627	152,192,690	1,105,937	-
Mutual funds - international equity	34,120,237	34,120,237	-	-
Equity securities - common stock	23,619,882	23,619,882	-	-
Equity securities - international	378,170	378,170	-	-
Interest receivable	189,195	-	189,195	-
Total assets	$ 366,998,014	$ 301,425,675	$ 65,572,339	$ -

Following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

- *Cash and cash equivalents:* Valued at amortized cost, which approximates fair value.

- *Equity securities including mutual funds:* Certain equity securities are valued at the closing price reported on the active market on which the individual securities are traded. Other equity securities are valued based on quoted prices for similar investments in active or inactive markets or valued using observable market data.

Continued

16. Fair Values of Financial Instruments, Continued

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar investments in active or inactive markets. Valuation techniques utilized to determine fair value are consistently applied.

17. Commitments and Contingencies

Health Care Reform

There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of health care at the national and the state levels. Legislation has been passed that includes cost controls on healthcare providers, insurance market reforms, delivery system reforms, and various individual and business mandates among other provisions. The costs of these provisions are and will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the System.

Compliance Plan

The healthcare industry has been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. In addition, the Reform Legislation includes provisions aimed at reducing fraud, waste, and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The System has implemented a compliance plan focusing on such issues. There can be no assurance that the System will not be subjected to future investigations with accompanying monetary damages.

Litigation

The System is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the System's future financial position or results from operations.

Continued

18. Liquidity and Availability

As of June 30, 2024 and 2023, the System has working capital of approximately $181,511,000 and $141,100,000, respectively.

Financial assets available for general expenditures within one year of June 30, 2024 and 2023, consist of the following:

	2024	2023
Cash and cash equivalents	$ 74,147,275	$ 56,017,588
Patient accounts receivable, net	138,148,325	119,831,605
Other receivables	13,570,701	16,832,289
Assets limited as to use - board designated	354,940,573	304,192,933
Total financial assets available	$ 580,806,874	$ 496,874,415

None of the financial assets available are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The System estimates that approximately 100% of the Board designated funds are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above. The System has other assets whose use is limited for other purposes. These assets whose use is limited are not available for general expenditure within the next year and are not reflected in the amounts above. The System structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the System has approximately $32,000,000 available for expenditures from its line-of-credit agreement with Regions Bank. See Note 6.

19. Coronavirus (COVID-19)

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The outbreak has put an unprecedented strain on the U.S. healthcare system, disrupted or delayed production and delivery of materials and products in the supply chain, and caused staffing shortages. The extent of the impact of COVID-19 on the System's operational and financial performance depends on certain developments, including the duration and spread of the outbreak, remedial actions and stimulus measures adopted by local and federal governments, and impact on the System's customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the System's financial position or results of operations is uncertain. The federal Public Health Emergency for COVID-19 expired on May 11, 2023.

Continued

19. Coronavirus (COVID-19), Continued

On March 27, 2020, the President signed the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors open due to healthy patients delaying care and canceling elective services. On April 24, 2020, the Paycheck Protection Program and Health Care Enhancement Act was passed. This Act provides additional funding to replenish and supplement key programs under the CARES Act, including funds to health care providers for COVID-19 testing. On March 11, 2021, the *American Rescue Plan Act* (ARP) was passed. This Act provides additional funding to replenish and supplement key programs, including funds to hospitals and other providers that serve patients living in rural areas. The CARES Act funding is a conditional contribution and accounted for as a refundable advance until conditions have been substantially met or explicitly waived by the grantor. Because the use of the funds is limited to the purposes stated in the terms and conditions, the contributions are grantor restricted. The System reports restricted contributions, whose restrictions are met in the same period in which they are recognized (simultaneous release), as net assets without donor restrictions. The System received approximately $28,000,000 in provider relief funds in fiscal years 2020, 2021 and 2022, of which approximately $14,000,000 was recognized as revenue in fiscal year 2020, $6,000,000 was recognized as revenue in fiscal year 2022, and $8,000,000 was recognized as revenue in fiscal year 2023. Recognized revenue is reported as other operating revenue in the combined statements of operations and changes in net assets.

Provider relief funding may be subject to audits. While the System currently believes its use of the funds is in compliance with applicable terms and conditions, there is a possibility payments could be recouped based on changes in reporting requirements or audit results.

On April 10, 2020, the System received payments in the amount of approximately $66.25 million under the Accelerated and Advance Payment Program expansion as part of the CARES Act. The program provides emergency funding and addresses cash flow difficulties when there are disruptions in claims submission and/or claims processing. Centers for Medicare and Medicaid Services (CMS) expanded the program for all Medicare providers throughout the country. In October 2020, a Continuing Resolution was passed which allows providers to defer repayment of these funds for up to 29 months before interest starts accruing. The System repaid the entire amount over the interest free period with final payment occurring in September 2022.

INDEPENDENT AUDITOR'S REPORT ON COMBINING INFORMATION

The Board of Trustees
St. Joseph's/Candler Health System, Inc.
Savannah, Georgia

We have audited the combined financial statements of St. Joseph's/Candler Health System, Inc. as of and for the years ended June 30, 2024 and 2023, and our report thereon dated October 24, 2024, which expressed an unmodified opinion on those combined financial statements, appears on pages 1 through 3. Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information included in this report on pages 48 through 67, inclusive, is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations and cash flows of the individual entities, and is not a required part of the combined financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual entities.

The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information, which insofar as it relates to Geechee Reinsurance Company, LLC, a wholly-owned subsidiary, is based on the report of other auditors, is fairly stated in all material respects in relation to the combined financial statements taken a whole.

Draffin & Tucker, LLP

Albany, Georgia
October 24, 2024

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS
June 30, 2024

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Assets						
Current assets:						
Cash and cash equivalents	$ 51,703,755	$ 5,405,000	$ 1,179,132	$ 962,678	$ 2,204,249	$ -
Assets limited as to use required for current liabilities	13,983,506	-	-	-	-	-
Patient accounts receivable, net	-	73,305,468	59,337,930	947,359	3,935,497	-
Other receivables	2,507,968	7,054,024	3,219,575	-	550,497	20,219
Due from (to) affiliates	-	75,247,474	(27,246,126)	-	-	-
Inventories	577,001	33,900,167	8,292,714	-	-	-
Prepaid expenses	10,515,928	1,881,950	721,092	9,109	347,582	3,035
Total current assets	79,288,158	196,794,083	45,504,317	1,919,146	7,037,825	23,254
Assets limited as to use:						
Held in trust under bond indenture	48,592,393	-	-	-	-	-
Restricted under deferred compensation agreements	-	-	450,088	-	-	-
Board designated	285,567,128	-	-	-	12,878,750	-
Total assets limited as to use	334,159,521	-	450,088	-	12,878,750	-
Property and equipment, net	20,838,571	139,933,506	133,205,720	84,342	5,710,895	11,660,666
Other assets:						
Investments in affiliates	578,908,941	-	-	-	-	-
Long-term investments	-	1,982,439	69,991	4,610	33,655	2,015,810
Goodwill on long-term investments	-	48,323,352	-	-	161,000	-
Operating lease right-of-use assets	(11,966)	799,348	3,100	-	364,231	520,028
Beneficial interest in net assets of Foundations	-	12,789,528	3,112,763	-	-	-
Total other assets	578,896,975	63,894,667	3,185,854	4,610	558,886	2,535,838
Total assets	$ 1,013,183,225	$ 400,622,256	$ 182,345,979	$ 2,008,098	$ 26,186,356	$ 14,219,758

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2024

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Totals	Eliminations	Combined Totals
Assets, Continued						
Current assets:						
Cash and cash equivalents	$ 5,822,690	$ 1,427,645	$ 5,442,126	$ 74,147,275	$ -	$ 74,147,275
Assets limited as to use required for current liabilities	-	-	-	13,983,506	-	13,983,506
Patient accounts receivable, net	508,842	113,229	-	138,148,325	-	138,148,325
Other receivables	120,320	98,098	-	13,570,701	-	13,570,701
Due from (to) affiliates	-	-	-	48,001,348	(48,001,348)	-
Inventories	646,422	-	-	43,416,304	-	43,416,304
Prepaid expenses	36,474	5,774	-	13,520,944	-	13,520,944
Total current assets	7,134,748	1,644,746	5,442,126	344,788,403	(48,001,348)	296,787,055
Assets limited as to use:						
Held in trust under bond indenture	-	-	-	48,592,393	-	48,592,393
Restricted under deferred compensation agreements	-	-	-	450,088	-	450,088
Board designated	-	1,672,555	54,822,140	354,940,573	-	354,940,573
Total assets limited as to use	-	1,672,555	54,822,140	403,983,054	-	403,983,054
Property and equipment, net	645,846	2,661,166	-	314,740,712	-	314,740,712
Other assets:						
Investments in affiliates	-	-	-	578,908,941	(578,908,941)	-
Long-term investments	1,348	-	-	4,107,853	-	4,107,853
Goodwill on long-term investments	8,092,905	-	-	56,577,257	-	56,577,257
Operating lease right-of-use assets	3,975,810	-	-	5,650,551	-	5,650,551
Beneficial interest in net assets of Foundations	-	-	-	15,902,291	-	15,902,291
Total other assets	12,070,063	-	-	661,146,893	(578,908,941)	82,237,952
Total assets	$ 19,850,657	$ 5,978,467	$ 60,264,266	$ 1,724,659,062	$(626,910,289)	$ 1,097,748,773

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2024

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Liabilities and Net Assets						
Current liabilities:						
Current maturities of long-term debt	$ 8,519,910	$ 475,000	$ -	$ -	$ -	$ -
Current portion of operating lease liabilities	(11,644)	259,199	3,162	-	161,411	183,433
Accounts payable	5,692,888	29,901,709	14,653,213	142,286	1,131,474	52,808
Accrued employee related expenses	11,760,197	10,789,553	8,105,316	426,734	1,164,521	45,492
Other accrued expenses	9,000,395	4,067,341	2,254,400	18	2,692,841	78,399
Due to affiliates	47,999,992	-	-	-	-	-
Estimated third-party payor settlements	-	(3,649,914)	4,685,464	-	-	-
Total current liabilities	82,961,738	41,842,888	29,701,555	569,038	5,150,247	360,132
Long-term debt, excluding current maturities	334,762,815	950,000	-	-	-	-
Operating lease liabilities, excluding current portion	-	542,928	-	-	180,046	356,461
Accrued self-insurance claims	1,071,319	-	-	-	-	-
Deferred compensation payable	-	-	450,088	-	6,325,975	-
Total liabilities	418,795,872	43,335,816	30,151,643	569,038	11,656,268	716,593
Net assets:						
St. Joseph's/Candler Health System, Inc. net assets:						
Common stock	-	-	-	-	500	500
Without donor restrictions	594,387,353	347,753,221	150,717,836	1,439,060	14,106,122	13,502,665
With donor restrictions:						
Purpose restrictions	-	8,161,422	1,376,500	-	-	-
Perpetual in nature	-	935,000	100,000	-	-	-
Total St. Joseph's/Candler Health System, Inc. net assets	594,387,353	356,849,643	152,194,336	1,439,060	14,106,622	13,503,165
Noncontrolling interest in joint ventures	-	436,797	-	-	423,466	-
Total net assets	594,387,353	357,286,440	152,194,336	1,439,060	14,530,088	13,503,165
Total liabilities and net assets	$ 1,013,183,225	$ 400,622,256	$ 182,345,979	$ 2,008,098	$ 26,186,356	$ 14,219,758

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2024

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Totals	Eliminations	Combined Totals
Liabilities and Net Assets, Continued						
Current liabilities:						
Current maturities of long-term debt	$ -	$ -	$ -	$ 8,994,910	$ -	$ 8,994,910
Current portion of operating lease liabilities	826,118	-	-	1,421,679	-	1,421,679
Accounts payable	366,449	43,885	145,921	52,130,633	-	52,130,633
Accrued employee related expenses	142,434	298,296	-	32,732,543	-	32,732,543
Other accrued expenses	791,628	-	76,176	18,961,198	-	18,961,198
Due (from) to affiliates	-	-	1,356	48,001,348	(48,001,348)	-
Estimated third-party payor settlements	-	-	-	1,035,550	-	1,035,550
Total current liabilities	2,126,629	342,181	223,453	163,277,861	(48,001,348)	115,276,513
Long-term debt, excluding current maturities	-	-	-	335,712,815	-	335,712,815
Operating lease liabilities, excluding current portion	3,388,919	-	-	4,468,354	-	4,468,354
Accrued self-insurance claims	-	-	32,670,924	33,742,243	-	33,742,243
Deferred compensation payable	-	-	-	6,776,063	-	6,776,063
Total liabilities	5,515,548	342,181	32,894,377	543,977,336	(48,001,348)	495,975,988
Net assets:						
St. Joseph's/Candler Health System, Inc. net assets:						
Common stock	165,000	-	120,000	286,000	(286,000)	-
Without donor restrictions	7,644,939	5,636,286	27,249,889	1,162,437,371	(578,622,941)	583,814,430
With donor restrictions:						
Purpose restrictions	-	-	-	9,537,922	-	9,537,922
Perpetual in nature	-	-	-	1,035,000	-	1,035,000
Total St. Joseph's/Candler Health System, Inc. net assets	7,809,939	5,636,286	27,369,889	1,173,296,293	(578,908,941)	594,387,352
Noncontrolling interest in joint ventures	6,525,170	-	-	7,385,433	-	7,385,433
Total net assets	14,335,109	5,636,286	27,369,889	1,180,681,726	(578,908,941)	601,772,785
Total liabilities and net assets	$ 19,850,657	$ 5,978,467	$ 60,264,266	$ 1,724,659,062	$(626,910,289)	$ 1,097,748,773

See accompanying independent auditor's report on combining information.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS
June 30, 2023

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Assets						
Current assets:						
Cash and cash equivalents	$ 39,640,439	$ 2,165,697	$ 249,007	$ 163,561	$ 519,461	$ -
Assets limited as to use required for current liabilities	6,028,787	-	-	-	-	-
Patient accounts receivable, net	-	62,762,568	51,283,186	898,288	3,769,020	-
Other receivables	3,624,228	9,598,201	2,353,590	-	104,577	6,643
Due from (to) affiliates	-	32,069,983	(23,944,823)	-	-	-
Inventories	579,623	10,041,136	8,726,655	-	-	-
Prepaid expenses	9,963,296	2,018,348	1,262,127	5,347	278,993	12,279
Total current assets	59,836,373	118,655,933	39,929,742	1,067,196	4,672,051	18,922
Assets limited as to use:						
Held in trust under bond indenture	55,670,357	-	-	-	-	-
Restricted under deferred compensation agreements	-	1,105,937	-	-	-	-
Board designated	244,858,841	-	-	-	11,099,203	-
Total assets limited as to use	300,529,198	1,105,937	-	-	11,099,203	-
Property and equipment, net	20,364,763	129,690,235	121,097,153	87,196	7,635,975	11,834,345
Other assets:						
Investments in affiliates	483,310,784	-	-	-	-	-
Long-term investments	-	2,066,546	(2,223,030)	4,610	33,655	1,964,414
Goodwill on long-term investments	-	48,323,352	-	-	161,000	-
Operating lease right-of-use assets	14,041	1,047,914	64,634	-	707,942	710,393
Beneficial interest in net assets of Foundations	-	11,510,859	2,901,748	-	-	-
Total other assets	483,324,825	62,948,671	743,352	4,610	902,597	2,674,807
Total assets	$ 864,055,159	$ 312,400,776	$ 161,770,247	$ 1,159,002	$ 24,309,826	$ 14,528,074

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2023

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Totals	Eliminations	Combined Totals
Assets, Continued						
Current assets:						
Cash and cash equivalents	$ 4,216,024	$ 691,174	$ 8,372,225	$ 56,017,588	$ -	$ 56,017,588
Assets limited as to use required for current liabilities	-	-	-	6,028,787	-	6,028,787
Patient accounts receivable, net	1,007,176	111,367	-	119,831,605	-	119,831,605
Other receivables	1,090,825	54,225	-	16,832,289	-	16,832,289
Due from (to) affiliates	-	-	-	8,125,160	(8,125,160)	-
Inventories	553,166	-	-	19,900,580	-	19,900,580
Prepaid expenses	40,488	5,612	-	13,586,490	-	13,586,490
Total current assets	6,907,679	862,378	8,372,225	240,322,499	(8,125,160)	232,197,339
Assets limited as to use:						
Held in trust under bond indenture	-	-	-	55,670,357	-	55,670,357
Restricted under deferred compensation agreements	-	-	-	1,105,937	-	1,105,937
Board designated	-	1,412,595	46,822,294	304,192,933	-	304,192,933
Total assets limited as to use	-	1,412,595	46,822,294	360,969,227	-	360,969,227
Property and equipment, net	329,151	2,787,890	-	293,826,708	-	293,826,708
Other assets:						
Investments in affiliates	-	-	-	483,310,784	(483,310,784)	-
Long-term investments	1,348	-	-	1,847,543	-	1,847,543
Goodwill on long-term investments	8,092,905	-	-	56,577,257	-	56,577,257
Operating lease right-of-use assets	4,665,512	-	-	7,210,436	-	7,210,436
Beneficial interest in net assets of Foundations	-	-	-	14,412,607	-	14,412,607
Total other assets	12,759,765	-	-	563,358,627	(483,310,784)	80,047,843
Total assets	$ 19,996,595	$ 5,062,863	$ 55,194,519	$ 1,458,477,061	$(491,435,944)	$ 967,041,117

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2023

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Liabilities and Net Assets						
Current liabilities:						
Current maturities of long-term debt	$ 1,026,431	$ 709,434	$ 123,789	$ -	$ -	$ -
Current portion of operating lease liabilities	12,438	248,215	62,283	-	385,582	193,896
Accounts payable	6,985,141	15,052,706	15,430,750	194,305	925,270	27,115
Accrued employee related expenses	17,092,710	5,872,241	4,364,149	366,212	957,384	24,681
Other accrued expenses	8,123,777	3,809,981	2,022,461	-	2,402,147	27,662
Due to affiliates	5,112,123	-	-	-	-	-
Estimated third-party payor settlements	-	(3,571,604)	5,851,880	(6)	-	-
Total current liabilities	38,352,620	22,120,973	27,855,312	560,511	4,670,383	273,354
Long-term debt, excluding current maturities	325,849,075	1,550,000	-	-	-	-
Operating lease liabilities, excluding current portion	745	802,126	3,150	-	341,330	539,844
Accrued self-insurance claims	1,063,525	-	-	-	-	-
Deferred compensation payable	-	1,105,937	-	-	6,080,635	-
Total liabilities	365,265,965	25,579,036	27,858,462	560,511	11,092,348	813,198
Net assets:						
St. Joseph's/Candler Health System, Inc. net assets:						
Common stock	-	-	-	-	500	500
Without donor restrictions	498,789,194	277,575,909	132,448,359	598,491	12,793,512	13,714,376
With donor restrictions:						
Purpose restrictions	-	7,827,489	1,363,426	-	-	-
Perpetual in nature	-	935,000	100,000	-	-	-
Total St. Joseph's/Candler Health System, Inc. net assets	498,789,194	286,338,398	133,911,785	598,491	12,794,012	13,714,876
Noncontrolling interest in joint ventures	-	483,342	-	-	423,466	-
Total net assets	498,789,194	286,821,740	133,911,785	598,491	13,217,478	13,714,876
Total liabilities and net assets	$ 864,055,159	$ 312,400,776	$ 161,770,247	$ 1,159,002	$ 24,309,826	$ 14,528,074

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2023

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Totals	Eliminations	Combined Totals
Liabilities and Net Assets, Continued						
Current liabilities:						
Current maturities of long-term debt	$ -	$ -	$ -	$ 1,859,654	$ -	$ 1,859,654
Current portion of operating lease liabilities	761,761	-	-	1,664,175	-	1,664,175
Accounts payable	145,344	37,782	260,644	39,059,057	-	39,059,057
Accrued employee related expenses	114,612	150,820	-	28,942,809	-	28,942,809
Other accrued expenses	821,093	-	84,084	17,291,205	-	17,291,205
Due (from) to affiliates	-	-	3,013,037	8,125,160	(8,125,160)	-
Estimated third-party payor settlements	-	-	-	2,280,270	-	2,280,270
Total current liabilities	1,842,810	188,602	3,357,765	99,222,330	(8,125,160)	91,097,170
Long-term debt, excluding current maturities	-	-	-	327,399,075	-	327,399,075
Operating lease liabilities, excluding current portion	4,130,227	-	-	5,817,422	-	5,817,422
Accrued self-insurance claims	-	-	28,376,318	29,439,843	-	29,439,843
Deferred compensation payable	-	-	-	7,186,572	-	7,186,572
Total liabilities	5,973,037	188,602	31,734,083	469,065,242	(8,125,160)	460,940,082
Net assets:						
St. Joseph's/Candler Health System, Inc. net assets:						
Common stock	165,000	-	120,000	286,000	(286,000)	-
Without donor restrictions	7,453,530	4,874,261	23,340,436	971,588,068	(483,024,784)	488,563,284
With donor restrictions:						
Purpose restrictions	-	-	-	9,190,915	-	9,190,915
Perpetual in nature	-	-	-	1,035,000	-	1,035,000
Total St. Joseph's/Candler Health System, Inc. net assets	7,618,530	4,874,261	23,460,436	982,099,983	(483,310,784)	498,789,199
Noncontrolling interest in joint ventures	6,405,028	-	-	7,311,836	-	7,311,836
Total net assets	14,023,558	4,874,261	23,460,436	989,411,819	(483,310,784)	506,101,035
Total liabilities and net assets	$ 19,996,595	$ 5,062,863	$ 55,194,519	$ 1,458,477,061	$(491,435,944)	$ 967,041,117

See accompanying independent auditor's report on combining information.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF EXCESS REVENUES (EXPENSES)
June 30, 2024

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Revenues, gains and other support:						
Net patient service revenue	$ -	$ 467,034,172	$ 327,507,182	$ 9,946,089	$ 30,152,108	$ -
Other revenue	-	86,289,270	19,493,354	41	7,167,843	1,760,421
Total revenues, gains and other support	-	553,323,442	347,000,536	9,946,130	37,319,951	1,760,421
Expenses:						
Salaries and wages	-	165,796,213	124,818,089	6,639,855	31,829,864	455,053
Employee benefits	-	31,904,796	23,789,654	1,228,833	4,198,958	176,311
Physician and professional fees	-	53,466,157	28,905,536	20,944	7,164,896	32,537
Materials and supplies	-	162,993,500	108,818,455	336,888	2,664,306	19,381
Purchased services	-	37,438,332	17,971,382	25,460	2,141,768	89,830
Insurance	-	5,526,093	3,962,045	-	497,819	-
Interest	-	3,204,912	2,137,032	-	-	-
Depreciation and amortization	-	16,988,737	14,377,810	16,133	584,095	430,330
Other	-	28,531,545	19,998,960	859,979	3,629,488	960,556
Total expenses	-	505,850,285	344,778,963	9,128,092	52,711,194	2,163,998
Income (loss) from operations	-	47,473,157	2,221,573	818,038	(15,391,243)	(403,577)
Nonoperating income (loss):						
Investment income	-	9,218,987	7,268,517	-	290,400	-
Unrealized gains on securities	-	18,983,984	12,655,989	-	1,489,148	-
Gain on investments in affiliates	93,403,842	-	-	-	-	-
Other nonoperating gains (losses)	-	(7,043)	(5,087)	-	(39,393)	77,968
Nonoperating income, net	93,403,842	28,195,928	19,919,419	-	1,740,155	77,968
Revenues and gains in excess (deficient) of expenses and losses	93,403,842	75,669,085	22,140,992	818,038	(13,651,088)	(325,609)
Net gain attributable to noncontrolling interest in joint ventures	-	(349,455)	-	-	-	-
Revenues and gains in excess (deficient) of expenses and losses after noncontrolling interest	$ 93,403,842	$ 75,319,630	$ 22,140,992	$ 818,038	$(13,651,088)	$(325,609)

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF EXCESS REVENUES (EXPENSES), Continued
June 30, 2024

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Totals	Eliminations	Combined Totals
Revenues, gains and other support:						
Net patient service revenue	$ 17,081,295	$ 3,285,950	$ -	$ 855,006,796	$ -	$ 855,006,796
Other revenue	10,210,171	246,219	5,722,422	130,889,741	(19,299,365)	111,590,376
Total revenues, gains and other support	27,291,466	3,532,169	5,722,422	985,896,537	(19,299,365)	966,597,172
Expenses:						
Salaries and wages	2,751,225	2,297,841	-	334,588,140	-	334,588,140
Employee benefits	1,262,490	523,557	-	63,084,599	-	63,084,599
Physician and professional fees	7,089,469	141,535	149,335	96,970,409	(4,620,217)	92,350,192
Materials and supplies	4,632,265	70,401	-	279,535,196	-	279,535,196
Purchased services	2,284,063	26,909	-	59,977,744	(7,000,775)	52,976,969
Insurance	291,584	1,082	9,838,678	20,117,301	(5,722,422)	14,394,879
Interest	-	-	-	5,341,944	-	5,341,944
Depreciation and amortization	184,388	161,728	-	32,743,221	-	32,743,221
Other	2,671,262	329,550	749	56,982,089	(1,955,951)	55,026,138
Total expenses	21,166,746	3,552,603	9,988,762	949,340,643	(19,299,365)	930,041,278
Income (loss) from operations	6,124,720	(20,434)	(4,266,340)	36,555,894	-	36,555,894
Nonoperating income (loss):						
Investment income	195,734	35,435	1,890,377	18,899,450	-	18,899,450
Unrealized gains on securities	-	227,665	6,285,416	39,642,202	-	39,642,202
Gain on investments in affiliates	-	-	-	93,403,842	(93,403,842)	-
Other nonoperating gains (losses)	-	-	-	26,445	-	26,445
Nonoperating income, net	195,734	263,100	8,175,793	151,971,939	(93,403,842)	58,568,097
Revenues and gains in excess (deficient) of expenses and losses	6,320,454	242,666	3,909,453	188,527,833	(93,403,842)	95,123,991
Net gain attributable to noncontrolling interest in joint ventures	(1,370,694)	-	-	(1,720,149)	-	(1,720,149)
Revenues and gains in excess (deficient) of expenses and losses after noncontrolling interest	$ 4,949,760	$ 242,666	$ 3,909,453	$ 186,807,684	$(93,403,842)	$ 93,403,842

See accompanying independent auditor's report on combining information.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF EXCESS REVENUES (EXPENSES)
June 30, 2023

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Revenues, gains and other support:						
Net patient service revenue	$ -	$ 441,011,906	$ 300,555,311	$ 9,638,151	$ 31,972,007	$ -
Other revenue	-	57,538,428	20,473,916	171,528	8,744,492	1,964,326
Total revenues, gains and other support	-	498,550,334	321,029,227	9,809,679	40,716,499	1,964,326
Expenses:						
Salaries and wages	-	155,099,325	119,496,845	6,501,275	30,605,595	393,941
Employee benefits	-	28,327,180	21,211,065	1,117,292	4,526,894	126,337
Physician and professional fees	-	47,604,837	25,974,924	12,500	6,898,378	16,257
Materials and supplies	-	150,410,464	101,707,279	371,645	2,393,721	21,379
Purchased services	-	35,271,112	17,596,670	19,342	2,172,867	105,655
Insurance	-	5,665,240	3,990,759	-	565,969	-
Interest	-	6,804,522	4,540,191	-	-	-
Depreciation and amortization	-	15,990,312	13,532,917	18,212	664,037	400,140
Other	-	27,231,662	20,230,691	910,460	2,884,414	1,354,911
Total expenses	-	472,404,654	328,281,341	8,950,726	50,711,875	2,418,620
Income (loss) from operations	-	26,145,680	(7,252,114)	858,953	(9,995,376)	(454,294)
Nonoperating income (loss):						
Investment income	-	8,996,931	1,956,807	-	485,619	-
Unrealized gains on securities	-	9,555,374	6,370,250	-	700,349	-
Gain on investments in affiliates	471,362	-	-	-	-	-
Net periodic pension cost	-	(28,771,849)	(19,181,233)	-	-	-
Other nonoperating gains (losses)	-	18,662	(166,605)	-	(765)	1,620,363
Nonoperating income (loss), net	471,362	(10,200,882)	(11,020,781)	-	1,185,203	1,620,363
Revenues and gains in excess (deficient) of expenses and losses	471,362	15,944,798	(18,272,895)	858,953	(8,810,173)	1,166,069
Net gain attributable to noncontrolling interest in joint ventures	-	(41,266)	-	-	-	-
Revenues and gains in excess (deficient) of expenses and losses after noncontrolling interest	$ 471,362	$ 15,903,532	$(18,272,895)	$ 858,953	$(8,810,173)	$ 1,166,069

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF EXCESS REVENUES (EXPENSES), Continued
June 30, 2023

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Totals	Eliminations	Combined Totals
Revenues, gains and other support:						
Net patient service revenue	$ 16,779,596	$ 3,273,633	$ -	$ 803,230,604	$ -	$ 803,230,604
Other revenue	6,754,893	299,206	6,481,004	102,427,793	(18,471,616)	83,956,177
Total revenues, gains and other support	23,534,489	3,572,839	6,481,004	905,658,397	(18,471,616)	887,186,781
Expenses:						
Salaries and wages	8,874,219	2,200,831	-	323,172,031	-	323,172,031
Employee benefits	1,160,574	484,008	-	56,953,350	-	56,953,350
Physician and professional fees	1,159,952	153,201	132,020	81,952,069	(4,866,564)	77,085,505
Materials and supplies	3,078,263	79,982	-	258,062,733	-	258,062,733
Purchased services	1,466,499	26,764	-	56,658,909	(5,473,434)	51,185,475
Insurance	284,430	1,443	6,383,698	16,891,539	(6,481,004)	10,410,535
Interest	-	-	-	11,344,713	-	11,344,713
Depreciation and amortization	193,879	170,766	-	30,970,263	-	30,970,263
Other	2,638,149	285,420	2,107	55,537,814	(1,650,614)	53,887,200
Total expenses	18,855,965	3,402,415	6,517,825	891,543,421	(18,471,616)	873,071,805
Income (loss) from operations	4,678,524	170,424	(36,821)	14,114,976	-	14,114,976
Nonoperating income (loss):						
Investment income	33,427	17,979	2,953,974	14,444,737	-	14,444,737
Unrealized gains on securities	-	54,767	2,743,739	19,424,479	-	19,424,479
Gain on investments in affiliates	-	-	-	471,362	(471,362)	-
Net periodic pension cost	-	-	-	(47,953,082)	-	(47,953,082)
Other nonoperating gains (losses)	-	-	-	1,471,655	-	1,471,655
Nonoperating income (loss), net	33,427	72,746	5,697,713	(12,140,849)	(471,362)	(12,612,211)
Revenues and gains in excess (deficient) of expenses and losses	4,711,951	243,170	5,660,892	1,974,127	(471,362)	1,502,765
Net gain attributable to noncontrolling interest in joint ventures	(990,137)	-	-	(1,031,403)	-	(1,031,403)
Revenues and gains in excess (deficient) of expenses and losses after noncontrolling interest	$ 3,721,814	$ 243,170	$ 5,660,892	$ 942,724	$(471,362)	$ 471,362

See accompanying independent auditor's report on combining information.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF CASH FLOWS
June 30, 2024

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Cash flows from operating activities:						
Increase (decrease) in net assets including noncontrolling interest	$ 95,598,159	$ 70,464,700	$ 18,282,551	$ 840,569	$ 1,312,610	$(211,711)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:						
Beneficial interest in net assets of Foundations, net	-	(1,278,669)	(211,015)	-	-	-
Net realized and unrealized (gains) losses on investments	(34,033,964)	1,105,937	(450,088)	-	(1,440,265)	-
Depreciation and amortization	-	16,988,737	14,377,810	16,133	584,095	430,330
Amortization of operating lease right-of-use assets	26,007	248,566	61,534	-	343,711	190,365
Amortization of bond premium/issuance cost	(7,739,260)	-	-	-	-	-
Distributions to partners	-	-	-	-	-	-
Contributions of property	-	(429,627)	(275,000)	-	-	-
Changes in:						
Patient accounts receivable	-	(10,542,900)	(8,054,744)	(49,071)	(166,477)	-
Other receivables	1,116,260	2,544,177	(865,985)	-	(445,920)	(13,576)
Inventories	2,622	(23,859,031)	433,941	-	-	-
Prepaid expenses	(552,632)	136,398	541,035	(3,762)	(68,589)	9,244
Accounts payable	(1,292,253)	14,849,003	(777,537)	(52,019)	206,204	25,693
Accrued liabilities	(4,455,895)	5,174,672	3,973,106	60,540	497,831	71,548
Estimated third-party payor settlements	-	(78,310)	(1,166,416)	6	-	-
Accrued self-insurance claims	7,794	-	-	-	-	-
Deferred compensation payable	-	(1,105,937)	450,088	-	245,340	-
Operating lease liabilities	(24,827)	(248,214)	(62,271)	-	(385,455)	(193,846)
Net cash provided by operating activities	48,652,011	73,969,502	26,257,009	812,396	683,085	308,047
Cash flows from investing activities:						
Proceeds (purchases) of property and equipment	(473,809)	(27,232,008)	(26,486,377)	(13,279)	1,340,985	(256,651)
Proceeds from sale of assets limited as to use	60,577,576	-	-	-	1,483,528	-
Purchases of assets limited as to use	(67,891,408)	-	-	-	(1,814,526)	-
Investment in affiliates	(95,598,157)	-	-	-	-	-
Sales (purchases) of long-term investments, net	-	84,107	(2,293,021)	-	-	(51,396)
Net cash provided (used) by investing activities	(103,385,798)	(27,147,901)	(28,779,398)	(13,279)	1,009,987	(308,047)

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF CASH FLOWS, Continued
June 30, 2024

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Totals	Eliminations	Combined Totals
Cash flows from operating activities:						
Increase (decrease) in net assets including noncontrolling interest	$ 311,551	$ 762,025	$ 3,909,453	$ 191,269,907	$(95,598,157)	$ 95,671,750
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:						
Beneficial interest in net assets of Foundations, net	-	-	-	(1,489,684)	-	(1,489,684)
Net realized and unrealized (gains) losses on investments	-	(225,306)	(6,815,864)	(41,859,550)	-	(41,859,550)
Depreciation and amortization	184,388	161,728	-	32,743,221	-	32,743,221
Amortization of operating lease right-of-use assets	689,702	-	-	1,559,885	-	1,559,885
Amortization of bond premium/issuance cost	-	-	-	(7,739,260)	-	(7,739,260)
Distributions to partners	1,646,552	-	-	1,646,552	-	1,646,552
Contributions of property	-	-	-	(704,627)	-	(704,627)
Changes in:						
Patient accounts receivable	498,334	(1,862)	-	(18,316,720)	-	(18,316,720)
Other receivables	970,505	(43,873)	-	3,261,588	-	3,261,588
Inventories	(93,256)	-	-	(23,515,724)	-	(23,515,724)
Prepaid expenses	4,014	(162)	-	65,546	-	65,546
Accounts payable	221,105	6,103	(114,723)	13,071,576	-	13,071,576
Accrued liabilities	(1,643)	147,476	(7,908)	5,459,727	-	5,459,727
Estimated third-party payor settlements	-	-	-	(1,244,720)	-	(1,244,720)
Accrued self-insurance claims	-	-	4,294,606	4,302,400	-	4,302,400
Deferred compensation payable	-	-	-	(410,509)	-	(410,509)
Operating lease liabilities	(676,951)	-	-	(1,591,564)	-	(1,591,564)
Net cash provided by operating activities	3,754,301	806,129	1,265,564	156,508,044	(95,598,157)	60,909,887
Cash flows from investing activities:						
Proceeds (purchases) of property and equipment	(501,083)	(35,004)	-	(53,657,226)	-	(53,657,226)
Proceeds from sale of assets limited as to use	-	7,715	9,453,459	71,522,278	-	71,522,278
Purchases of assets limited as to use	-	(53,960)	(10,693,959)	(80,453,853)	-	(80,453,853)
Investment in affiliates	-	-	-	(95,598,157)	95,598,157	-
Sales (purchases) of long-term investments, net	-	-	-	(2,260,310)	-	(2,260,310)
Net cash provided (used) by investing activities	(501,083)	(81,249)	(1,240,500)	(160,447,268)	95,598,157	(64,849,111)

Continued

COMBINING STATEMENTS OF CASH FLOWS, Continued
June 30, 2024

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Cash flows from financing activities:						
Repayment of long-term debt	$ -	$(725,000)	$ -	$ -	$ -	$ -
Proceeds from issuance of long-term debt	17,972,882	-	-	-	-	-
Proceeds from refinancing of debt	6,404,377	-	-	-	-	-
Payments on finance lease liabilities	(230,779)	(109,434)	(123,789)	-	-	-
Contributions for property	-	429,627	275,000	-	-	-
Distributions to partners	-	-	-	-	-	-
Transfers to (from) affiliates, net	42,887,869	(43,177,491)	3,301,303	-	-	-
Net cash provided (used) by financing activities	67,034,349	(43,582,298)	3,452,514	-	-	-
Net increase (decrease) in cash and cash equivalents	12,300,562	3,239,303	930,125	799,117	1,693,072	-
Cash and cash equivalents, beginning of year	102,892,257	2,165,697	249,007	163,561	649,002	-
Cash and cash equivalents, end of year	$ 115,192,819	$ 5,405,000	$ 1,179,132	$ 962,678	$ 2,342,074	$ -

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF CASH FLOWS, Continued
June 30, 2024

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Totals	Eliminations	Combined Totals
Cash flows from financing activities:						
Repayment of long-term debt	$ -	$ -	$ -	$(725,000)	$ -	$(725,000)
Proceeds from issuance of long-term debt	-	-	-	17,972,882	-	17,972,882
Proceeds from refinancing of debt	-	-	-	6,404,377	-	6,404,377
Payments on finance lease liabilities	-	-	-	(464,002)	-	(464,002)
Contributions for property	-	-	-	704,627	-	704,627
Distributions to partners	(1,646,552)	-	-	(1,646,552)	-	(1,646,552)
Transfers to (from) affiliates, net	-	-	(3,011,681)	-	-	-
Net cash provided (used) by financing activities	(1,646,552)	-	(3,011,681)	22,246,332	-	22,246,332
Net increase (decrease) in cash and cash equivalents	1,606,666	724,880	(2,986,617)	18,307,108	-	18,307,108
Cash and cash equivalents, beginning of year	4,216,024	725,567	9,233,681	120,294,796	-	120,294,796
Cash and cash equivalents, end of year	$ 5,822,690	$ 1,450,447	$ 6,247,064	$ 138,601,904	$ -	$ 138,601,904

See accompanying independent auditor's report on combining information.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF CASH FLOWS
June 30, 2023

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Cash flows from operating activities:						
Increase (decrease) in net assets including noncontrolling interest	$ 44,840,849	$ 17,141,569	$(17,869,616)	$ 858,952	$(8,810,173)	$ 1,166,069
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:						
Change in fair value of derivative instruments	4,356	-	-	-	-	-
Beneficial interest in net assets of Foundations, net	-	(581,258)	(174,217)	-	-	-
Net realized and unrealized gains on investments	(19,908,915)	(164,424)	-	-	(783,619)	-
Depreciation and amortization	-	15,990,312	13,532,917	18,212	664,037	400,140
Amortization of operating lease right-of-use assets	161,465	319,089	166,031	-	142,012	257,754
Amortization of bond premium/issuance cost	(771,983)	-	-	-	-	-
Distributions to partners	-	-	-	-	-	-
Contributions of property	-	(92,815)	-	-	-	-
Changes in:						
Patient accounts receivable	-	(8,545,055)	(5,690,699)	47,308	(141,707)	-
Other receivables	(3,374,342)	(1,686,815)	2,097,447	-	241,436	31,190
Inventories	882,531	2,132,954	(570,884)	-	-	-
Prepaid expenses	(3,898,731)	88,762	(323,185)	2,452	(8,384)	1,670
Accounts payable	2,222,393	3,591,508	2,285,207	78,543	55,120	(29,772)
Accrued liabilities	762,945	86,507	84,565	(13,829)	10,620	24,173
Medicare advance payments	-	(1,954,295)	1,291,750	-	4,668	-
CARES Act refundable advance	-	(3,765,542)	(2,668,630)	(171,336)	(986,682)	-
Accrued self-insurance claims	(118,314)	-	-	-	-	-
Accrued pension costs, net	(4,626,965)	-	-	-	-	-
Deferred compensation payable	-	164,424	-	-	235,005	-
Operating lease liabilities	(167,391)	(317,887)	(168,198)	-	(154,667)	(257,845)
Net cash provided (used) by operating activities	16,007,898	22,407,034	(8,007,512)	820,302	(9,532,334)	1,593,379
Cash flows from investing activities:						
Proceeds (purchases) of property and equipment	(3,075,787)	(23,229,930)	(18,193,923)	(18,978)	(510,685)	(1,666,046)
Proceeds from sale of assets limited as to use	64,675,095	-	-	-	3,648,984	-
Purchases of assets limited as to use	(65,647,354)	-	-	-	(4,066,524)	-
Interest rate swap termination	2,295,329	-	-	-	-	-
Investment in affiliates	4,608,340	-	-	-	-	-
Sales (purchases) of long-term investments, net	-	(828,076)	2,292,159	1,900	-	200
Net cash provided (used) by investing activities	2,855,623	(24,058,006)	(15,901,764)	(17,078)	(928,225)	(1,665,846)

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF CASH FLOWS, Continued
June 30, 2023

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Totals	Eliminations	Combined Totals
Cash flows from operating activities:						
Increase (decrease) in net assets including noncontrolling interest	$ 2,818,311	$ 243,171	$ 660,890	$ 41,050,022	$ 4,608,340	$ 45,658,362
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:						
Change in fair value of derivative instruments	-	-	-	4,356	-	4,356
Beneficial interest in net assets of Foundations, net	-	-	-	(755,475)	-	(755,475)
Net realized and unrealized gains on investments	-	(54,767)	(3,051,380)	(23,963,105)	-	(23,963,105)
Depreciation and amortization	193,879	170,766	-	30,970,263	-	30,970,263
Amortization of operating lease right-of-use assets	756,418	-	-	1,802,769	-	1,802,769
Amortization of bond premium/issuance cost	-	-	-	(771,983)	-	(771,983)
Distributions to partners	1,912,620	-	-	1,912,620	-	1,912,620
Contributions of property	-	-	-	(92,815)	-	(92,815)
Changes in:						
Patient accounts receivable	113,544	(71,393)	-	(14,288,002)	-	(14,288,002)
Other receivables	(45,175)	8,673	-	(2,727,586)	-	(2,727,586)
Inventories	(201,633)	-	-	2,242,968	-	2,242,968
Prepaid expenses	17,473	(2,217)	-	(4,122,160)	-	(4,122,160)
Accounts payable	(60,932)	(2,266)	260,644	8,400,445	-	8,400,445
Accrued liabilities	(230,309)	(2,747)	(12,817)	709,108	-	709,108
Medicare advance payments	-	-	-	(657,877)	-	(657,877)
CARES Act refundable advance	(187,914)	-	-	(7,780,104)	-	(7,780,104)
Accrued self-insurance claims	-	-	176,927	58,613	-	58,613
Accrued pension costs, net	-	-	-	(4,626,965)	-	(4,626,965)
Deferred compensation payable	-	-	-	399,429	-	399,429
Operating lease liabilities	(721,652)	-	-	(1,787,640)	-	(1,787,640)
Net cash provided (used) by operating activities	4,364,630	289,220	(1,965,736)	25,976,881	4,608,340	30,585,221
Cash flows from investing activities:						
Proceeds (purchases) of property and equipment	(16,993)	9,276	-	(46,703,066)	-	(46,703,066)
Proceeds from sale of assets limited as to use	-	6,786	12,959,617	81,290,482	-	81,290,482
Purchases of assets limited as to use	-	(24,765)	(10,478,867)	(80,217,510)	-	(80,217,510)
Interest rate swap termination	-	-	-	2,295,329	-	2,295,329
Investment in affiliates	-	-	-	4,608,340	(4,608,340)	-
Sales (purchases) of long-term investments, net	-	-	-	1,466,183	-	1,466,183
Net cash provided (used) by investing activities	(16,993)	(8,703)	2,480,750	(37,260,242)	(4,608,340)	(41,868,582)

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF CASH FLOWS, Continued
June 30, 2023

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Cash flows from financing activities:						
Repayment of long-term debt	$(291,999)	$ -	$ -	$ -	$ -	$ -
Proceeds from issuance of long-term debt	55,155,172	2,150,000	-	-	-	-
Payments on finance lease liabilities	(244,487)	(212,421)	(240,284)	-	-	-
Contributions for property	-	92,815	-	-	-	-
Distributions to partners	-	-	-	-	-	-
Transfers to (from) affiliates, net	(31,788,626)	651,585	23,855,949	(965,895)	10,341,805	72,467
Net cash provided (used) by financing activities	22,830,060	2,681,979	23,615,665	(965,895)	10,341,805	72,467
Net increase (decrease) in cash and cash equivalents	41,693,581	1,031,007	(293,611)	(162,671)	(118,754)	-
Cash and cash equivalents, beginning of year	61,198,676	1,134,690	542,618	326,232	767,755	-
Cash and cash equivalents, end of year	$ 102,892,257	$ 2,165,697	$ 249,007	$ 163,561	$ 649,001	$ -

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF CASH FLOWS, Continued
June 30, 2023

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Totals	Eliminations	Combined Totals
Cash flows from financing activities:						
Repayment of long-term debt	$ -	$ -	$ -	$(291,999)	$ -	$(291,999)
Proceeds from issuance of long-term debt	-	-	-	57,305,172	-	57,305,172
Payments on finance lease liabilities	-	-	-	(697,192)	-	(697,192)
Contributions for property	-	-	-	92,815	-	92,815
Distributions to partners	(1,912,620)	-	-	(1,912,620)	-	(1,912,620)
Transfers to (from) affiliates, net	(4,654,491)	(371,399)	2,858,605	-	-	-
Net cash provided (used) by financing activities	(6,567,111)	(371,399)	2,858,605	54,496,176	-	54,496,176
Net increase (decrease) in cash and cash equivalents	(2,219,474)	(90,882)	3,373,619	43,212,815	-	43,212,815
Cash and cash equivalents, beginning of year	6,435,498	816,449	5,860,062	77,081,980	-	77,081,980
Cash and cash equivalents, end of year	$ 4,216,024	$ 725,567	$ 9,233,681	$ 120,294,795	$ -	$ 120,294,795

See accompanying independent auditor's report on combining information.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
St. Joseph's/Candler Health System, Inc.
Savannah, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Joseph's/Candler Health System, Inc., which comprise the combined balance sheet as of June 30, 2024, and the related combined statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated October 24, 2024.

Our report includes a reference to other auditors who audited the financial statements of Geechee Reinsurance Company, LLC, a wholly-owned subsidiary, as described in our report on the System's combined financial statements. The financial statements of Geechee Reinsurance Company, LLC, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Geechee Reinsurance Company, LLC.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

Continued

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the combined financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Draffin & Tucker, LLP

Albany, Georgia
October 24, 2024