FLOYD HEALTHCARE MANAGEMENT, INC.
ROME, GEORGIA

CONSOLIDATED FINANCIAL STATEMENTS

for the years ended June 30, 2021 and 2020

Draffin Tucker

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Floyd Healthcare Management, Inc.
Rome, Georgia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Floyd Healthcare Management, Inc.(Corporation), which comprise the consolidated balance sheets as of June 30, 2021 and 2020, the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Continued

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Floyd Healthcare Management, Inc. as of June 30, 2021 and 2020, and the results of its operations and changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Corporation adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* on July 1, 2020. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have issued our report dated October 25, 2021, on our consideration of Floyd Healthcare Management, Inc.'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 Floyd Healthcare Management, Inc's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Floyd Healthcare Management, Inc.'s internal control over financial reporting and compliance.

Draffin & Tucker, LLP

Albany, Georgia
October 25, 2021

FLOYD HEALTHCARE MANAGEMENT, INC.

CONSOLIDATED BALANCE SHEETS
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 82,290,854	$ 73,887,797
Assets limited as to use, current portion	6,865,941	6,791,552
Short-term investments	39,431,868	40,588,203
Patient accounts receivable, net	79,189,241	70,525,418
Inventories	13,179,260	12,192,708
Other current assets	20,876,309	11,329,925
Total current assets	241,833,473	215,315,603
Assets limited as to use:		
By board for capital improvements	201,844,568	188,095,035
Under indenture agreement - held by trustee	7,592,647	7,528,444
457 F Plan - held by trustee	755,567	598,244
Total assets limited as to use	210,192,782	196,221,723
Less amount required to meet current obligations	6,865,941	6,791,552
Noncurrent assets limited as to use	203,326,841	189,430,171
Property and equipment, net	150,047,567	155,774,029
Other assets:		
Operating lease right-of-use assets	2,682,414	-
Finance lease right-of-use assets	42,230,967	2,944,652
Other	4,359,471	3,012,562
Total other assets	49,272,852	5,957,214
Total assets	$ 644,480,733	$ 566,477,017

	2021	2020
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	$ 4,906,164	$ 4,731,163
Current portion of operating lease liabilities	1,156,150	-
Current portion of finance lease liabilities	4,867,100	453,869
Accounts payable	12,438,361	13,258,362
Estimated third-party payor settlements	2,722,794	1,890,548
Accrued expenses:		
Salaries and compensation	10,871,798	6,177,866
Employee benefits	17,242,188	17,025,300
Other	14,596,742	15,284,146
CARES Act refundable advance	300,000	12,014,810
Medicare accelerated and advance payments	27,092,414	5,371,577
Total current liabilities	96,193,711	76,207,641
Medicare accelerated and advance payments, net of current portion	14,037,475	37,601,045
Long-term debt, net of current portion	167,946,100	173,644,097
Operating lease liabilities, net of current portion	1,497,049	-
Finance lease liabilities, net of current portion	38,917,545	3,883,123
Noncurrent post-retirement liability	24,588,102	37,714,825
Due to the Hospital Authority of Floyd County	9,572,890	8,489,068
Total liabilities	352,752,872	337,539,799
Net assets without donor restrictions	291,727,861	228,937,218
Total liabilities and net assets	$ 644,480,733	$ 566,477,017

See auditor’s report and notes to financial statements.

FLOYD HEALTHCARE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
for the years ended June 30, 2021 and 2020

	2021	2020
Operating revenues:		
Net patient service revenue	$ 502,698,776	$ 448,611,949
CARES Act funding	26,914,212	9,611,977
Other operating revenue	4,145,439	3,614,717
Total operating revenues	533,758,427	461,838,643
Expenses:		
Operating expenses	454,549,816	434,989,999
Depreciation and amortization	26,510,760	21,272,917
Interest	8,157,953	6,860,310
Total expenses	489,218,529	463,123,226
Operating income (loss)	44,539,898	(1,284,583)
Nonoperating income (expenses):		
Investment income and other	9,724,871	8,397,652
Pension benefit (expense)	452,752	378,001
Total nonoperating income	10,177,623	8,775,653
Excess revenues over expenses	54,717,521	7,491,070
Contributions for capital improvement and expansion	170,500	360,000
Defined benefit pension plan:		
Current year actuarial gain (loss)	8,935,466	(12,046,338)
Amortization of actuarial loss	1,189,671	782,681
Equity transfer to fund Hospital Authority of Floyd County Pension Plan	(2,222,515)	535,193
Change in net assets without donor restrictions	62,790,643	(2,877,394)
Net assets, beginning of year	228,937,218	231,814,612
Net assets, end of year	$ 291,727,861	$ 228,937,218

See auditor's report and notes to financial statements.

FLOYD HEALTHCARE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 62,790,643	$(2,877,394)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Proceeds from contributions for capital improvement and expansion	(170,500)	(360,000)
Depreciation	26,510,760	21,272,917
Amortization	(800,797)	(821,723)
Pension deferrals	(10,125,137)	11,263,657
Pension (benefit) expense	(452,752)	(378,001)
Pension contributions	(2,706,157)	(3,167,229)
Realized and unrealized gain on investments	(3,732,691)	(3,672,783)
Changes in:		
Patient accounts receivable	(8,663,823)	5,519,888
Inventories and other assets	(11,879,845)	1,385,738
Accounts payable, accrued expenses, and other current liabilities	3,403,415	(3,783,377)
Estimated third-party payor settlements	832,246	(660,582)
Due to the Hospital Authority of Floyd County	1,083,822	(568,190)
CARES Act refundable advance	(11,714,810)	12,014,810
Medicare accelerated and advance payments	(1,842,733)	42,972,622
Operating lease liabilities	(1,357,439)	-
Net cash provided by operating activities	41,174,202	78,140,353
Cash flows from investing activities:		
Purchase of property and equipment	(15,384,480)	(9,749,597)
Proceeds from sale of investments	442,022,100	382,000,730
Purchase of investments	(447,595,620)	(457,568,285)
Net cash used by investing activities	(20,958,000)	(85,317,152)
Cash flows from financing activities:		
Payment on long-term debt	(4,722,199)	(4,539,139)
Payment on finance lease liabilities	(3,752,933)	(413,727)
Proceeds from the contributions for capital improvement and expansion	170,500	360,000
Net cash used by financing activities	(8,304,632)	(4,592,866)
Net increase (decrease) in cash and cash equivalents	11,911,570	(11,769,665)
Cash and cash equivalents, beginning of year	81,987,100	93,756,765
Cash and cash equivalents, end of year	$ 93,898,670	$ 81,987,100

Continued

FLOYD HEALTHCARE MANAGEMENT, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
for the years ended June 30, 2021 and 2020

	2021	2020
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	$ 82,290,854	$ 73,887,797
Restricted cash and cash equivalents	11,607,816	8,099,303
Total cash and cash equivalents	$ 93,898,670	$ 81,987,100

Supplemental disclosures of cash flow information:

- Cash paid for interest in 2021 and 2020 was approximately $9,000,000 and $8,000,000, respectively.
- The Corporation acquired right-of-use assets through leases of approximately $47,000,000 in 2021.

See auditor’s report and notes to financial statements.

1. Summary of Significant Accounting Policies

Organization

Floyd Healthcare Management, Inc. (Corporation), a Georgia not-for-profit corporation, provided management services to the Hospital Authority of Floyd County through December 31, 1997 pursuant to a management agreement. The following entities comprised the Hospital Authority of Floyd County (Authority) prior to a lease of the facilities as described below: Floyd Medical Center, an acute care hospital providing inpatient, outpatient, and primary care services; Floyd Behavioral Health Center, a long-term care psychiatric facility; Heyman HospiceCare at Floyd; and Floyd Home Health Agency.

Pursuant to the Lease, Transfer and Reversion Agreement between Hospital Authority of Floyd County and Floyd Healthcare Management, Inc. (Lease) the Authority leased the above described operations and substantially all of its net assets to Floyd Healthcare Management, Inc., effective January 1, 1998. The Corporation sold the home healthcare services in 2007. The above-mentioned management agreement was replaced and superseded by the Lease. The consideration to be paid by the Corporation consists primarily of: payment of principal and interest on the Hospital Authority of Floyd County Revenue Anticipation Certificates; payment equal to the contribution which the Authority is required to make to satisfy minimum funding obligations under the Authority's defined benefit pension plan with respect to benefits which had accrued under such plan prior to the Lease; and the provision of healthcare services to indigent, charity and other needy patients equal but not limited to a minimum dollar amount annually as set forth in the Lease.

In 2012, the Authority entered into a lease agreement with Cedartown-Polk County Hospital Authority (Cedartown-Polk Authority) to lease all of the assets associated with Polk Medical Center, a Critical Access Hospital (CAH) providing inpatient and outpatient services. The lease had an effective date of April 1, 2012, at which time the assets and operations of Polk Medical Center transferred to the Authority. Upon signing the lease, the Corporation created a Georgia nonprofit corporation called Polk Medical Center, Inc. (PMCI) to manage the day to day operations of Polk Medical Center through a management agreement. The Corporation is the sole member of PMCI. Pursuant to the lease and related agreements, PMCI applied for and was granted a Certificate of Need to build a new hospital to be owned by Cedartown-Polk Authority to replace the current facilities at Polk Medical Center at no cost to Cedartown-Polk Authority. Construction of the new hospital was completed in November 2014. On November 6, 2014, the new facility opened, at which time, the Authority’s lease with Cedartown-Polk Authority ended and a new lease agreement became effective between PMCI and Cedartown-Polk Authority. When the Authority’s lease with Cedartown-Polk Authority ended, the assets, liabilities and operations of Polk Medical Center transferred to Cedartown-Polk Authority. The new lease between PMCI and Cedartown-Polk Authority had a 35-year term and an effective date of November 6, 2014, at which time the assets and operations of Polk Medical Center transferred to PMCI.

Continued

1. Summary of Significant Accounting Policies, Continued

Organization, Continued

Floyd Cherokee Medical Center, LLC (FCMC) is an Alabama limited liability corporation that was created on April 10, 2018. Floyd Healthcare Management, Inc. (Corporation) is the sole member of FCMC. FCMC entered into a lease with an effective date of June 1, 2018 with the Cherokee County Health Care Authority, an Alabama public corporation organized under the laws of the State of Alabama, to transfer control of Cherokee Medical Center to FCMC. Cherokee Medical Center is a 60-bed acute care hospital located in Centre, Alabama.

The consolidated financial statements include the accounts of the Corporation and its affiliates, Floyd Medical Center (FMC), Floyd Behavioral Health Center, Floyd Primary Care, Heyman HospiceCare at Floyd, Floyd Emergency Physicians, Floyd Emergency Medical Services, Accountable Care Organization of Floyd Medical Center LLC, Floyd Neonatology Physicians, LLC, Polk Medical Center, Inc., and Floyd Cherokee Medical Center, LLC. Significant intercompany transactions have been eliminated. As of June 30, 2020, Floyd Emergency Physicians and Accountable Care Organization of Floyd Medical Center LLC were closed and no longer operating.

Use of Estimates

The preparation of consolidated financial statements in conformity 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 financial statements. Estimates also affect 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 with original maturities of three months or less.

The Corporation routinely invests its surplus operating funds in money market mutual funds. These funds generally invest in highly liquid U. S. government and agency obligations.

Short-Term Investments

The Corporation holds Medicare accelerated and advance payments in short-term investments, which consists primarily of corporate bonds with maturities of twelve months or less, carried at fair value. See Notes 3 and 14 for additional information.

Inventory

Inventories are valued at lower of cost and net realizable value, using the first-in, first-out method.

Continued

1. Summary of Significant Accounting Policies, Continued

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, assets held by trustees under indenture agreements, and assets held by trustee for the 457 F Plan. Amounts required to meet current liabilities of the Corporation have been reclassified in the balance sheet at June 30, 2021 and 2020.

Investments in equity securities with readily determinable fair values and all investments in debt securities, which are classified as trading securities, are measured at fair value in the balance sheet. Investment income or loss (including interest, dividends, and gains and losses, both realized and unrealized) is included in excess revenues over expenses unless the income is restricted by donor or law.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using 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 expense in the consolidated financial statements.

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 the excess revenues over expenses, 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 about how long those long-lived assets must be maintained; expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment of Long-Lived Assets

The Corporation 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 Corporation has not recorded any impairment charges in the accompanying consolidated statements of operations and changes in net assets for the years ended June 30, 2021 and 2020.

Continued

1. Summary of Significant Accounting Policies, Continued

Refundable Advance

A refundable advance arises when assets are recognized before revenue recognition criteria have been satisfied. CARES Act advance payments are reported as a refundable advance until donor conditions such as qualifying expenditures have been substantially met. See Note 3 for additional information.

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Deferred Financing Cost

Costs related to the issuance of the 2012A, 2012B, FMC 2016, and PMCI 2016 Revenue Certificates were deferred and are being amortized using the effective interest method over the life of the related debt. Debt issuance costs related to a recognized debt liability are presented in the balance sheets as a direct deduction from the carrying amount of the related debt liability.

Pension Plan

The Corporation sponsors a frozen defined benefit pension plan. The Corporation recognizes the overfunded and underfunded status of the defined benefit pension plan in its consolidated balance sheets. Changes in the funded status are recorded in the year in which the changes occurred in the consolidated statements of operations. Components of the net periodic pension cost are reported in nonoperating income (expenses). See Note 10 for additional information.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - net assets available for use in general operations and not subject to donor imposed restrictions. The Board of Directors 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.

Continued

1. Summary of Significant Accounting Policies, Continued

Net Assets, Continued

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 or 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.

Excess Revenues Over Expenses

The consolidated statement of operations and changes in net assets includes excess revenues over expenses as a performance indicator. Changes in net assets without donor restrictions which are excluded from the performance indicator, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, defined benefit actuarial gains and losses and the resulting amortization associated with those gains and losses, defined benefit prior service costs and credits and the resulting amortization associated with those costs and credits, 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).

Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Net Patient Service Revenue

The Corporation has agreements with third-party payors that provide for payments to the Corporation 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 Corporation expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors, and others and include 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

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional gifts, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional gifts received prior to the satisfaction of conditions are recorded as refundable advances. The gifts are reported as increases in the appropriate categories of net assets in accordance with donor restrictions.

Risk Management

The Corporation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. The Corporation is self-insured for employee health and accident benefits as well as medical malpractice claims and judgments, as discussed in Note 11. The provisions for estimated claims under self-insurance plans include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Income Taxes

The Corporation is a not-for-profit corporation that has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Corporation 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 Corporation 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 balance sheet for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of June 30, 2021 and 2020 or for the years then ended. The Corporation’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

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.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is a new comprehensive lease accounting model. The new standard clarifies the definition of a lease and requires lessees to recognize right-of-use assets and related lease liabilities for all leases with terms greater than twelve months. As part of the transition to the new standard, the Corporation was required to measure and recognize leases that existed at July 1, 2020 using a modified retrospective approach. The Corporation did not elect the package of practical expedients permitted under the new standard that allowed the Corporation to carry forward historical lease classification. The reassessment resulted in operating leases qualifying as finance leases upon adoption due to including lease term renewal options in measurement. The impact of adoption on the consolidated financial statements was an increase on July 1, 2020 in other noncurrent assets to record right-of-use assets and an increase in other current and noncurrent liabilities to record lease liabilities for current operating and finance leases of approximately $4 million and $31 million, respectively, representing the present value of remaining lease payments.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, to streamline the disclosure requirements of ASC Topic 820, Fair Value Measurement. The update removes, modifies and adds certain disclosure requirements. The Organization adopted the new guidance for the year ending June 30, 2021 and adoption did not have a material impact on the financial statements.

Continued

1. Summary of Significant Accounting Policies, Continued

Accounting Pronouncement Not Yet Adopted

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new standard increases transparency around contributed nonfinancial assets received by not-for-profit entities, including transparency on how those assets are used and how they are valued. The new guidance is effective for the Corporation as of July 1, 2021. The Corporation is continuing to evaluate the impact the guidance will have on the financial statements.

Subsequent Event

In preparing these consolidated financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through October 25, 2021, the date the consolidated financial statements were issued. See Note 18 for additional information.

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2020 consolidated financial statements to conform to the fiscal year 2021 presentation. These reclassifications had no impact on the change in net assets in the accompanying financial statements.

2. Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which the Corporation 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 Corporation 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 Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation 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 Corporation 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 Corporation does not believe it is required to provide additional services to the patient.

Continued

2. Net Patient Service Revenue, Continued

Because all of its performance obligations relate to contracts with a duration of less than one year, the Corporation 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 Corporation is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The Corporation 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 Corporation 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 Corporation has arrangements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard rates, subject to certain discounts and implicit price concessions as determined by the Corporation. The Corporation 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 Corporation’s policy, and implicit price concessions provided to uninsured patients. Implicit price concessions represent the difference between amounts billed and the estimated consideration the Corporation expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors. The Corporation determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies, and historical experience.

Continued

2. Net Patient Service Revenue, Continued

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

- Medicare

  Inpatient acute care, psychiatric and rehabilitation services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.

  FMC is paid for certain reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by FMC and audits thereof by the Medicare Administrative Contractor (MAC). FMC'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 FMC. FMC's Medicare cost reports have been audited by the MAC through June 30, 2016.

- Medicaid

  Inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Outpatient services are paid based upon cost reimbursement methodologies. FMC is paid for certain cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by FMC and audits thereof by the Medicaid fiscal intermediary. FMC's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2018.

  FMC 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.

  FMC participates in the Georgia Indigent Care Trust Fund (ICTF) Program. FMC receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on FMC's estimated uncompensated cost of services to Medicaid and uninsured patients. The amount of ICTF payments recognized in net patient service revenue in the consolidated financial statements include payment adjustments for the years ended June 30, 2021 and 2020 of approximately $4,200,000 and $4,100,000, respectively.

Continued

2. Net Patient Service Revenue, Continued

- Medicaid, Continued

  The Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately $8,100,000 and $4,500,000 to FMC for the years ended June 30, 2021 and 2020, respectively.

  During 2010, 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 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 will result in an increase in hospital payments on Medicaid services of approximately 11.88%. FMC recorded approximately $4,900,000 and $4,700,000 relating to the Act in operating expenses in the accompanying statement of operations for the years ended 2021 and 2020, respectively.

- Other Arrangements

  Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

- Uninsured Patients

  FMC has adopted 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 FMC for medically necessary care by Medicare and private health insurers during a 12-month look-back period.

Continued

2. Net Patient Service Revenue, Continued

A summary of PMCI's payment arrangements with major third-party payors follows:

- Medicare

  Polk Medical Center has been granted Critical Access Hospital (CAH) designation by the Medicare Program. The CAH designation places certain restrictions on daily acute care inpatient census and an annual, average length of stay of acute care inpatients. Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology.

  PMCI is paid for certain cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by PMCI and audits thereof by the Medicare Administrative Contractor (MAC). PMCI'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 PMCI. PMCI's Medicare cost reports have been audited by the MAC through June 30, 2016.

- Medicaid

  Inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Outpatient services are paid based upon cost reimbursement methodologies. PMCI is paid for certain cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by PMCI and audits thereof by the Medicaid fiscal intermediary. PMCI's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2018.

  PMCI 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.

  PMCI participates in the Georgia Indigent Care Trust Fund (ICTF) Program. PMCI receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on PMCI's estimated uncompensated cost of services to Medicaid and uninsured patients. The amount of ICTF payments recognized in net patient service revenue was approximately $900,000 and $1,500,000 for the years ended June 30, 2021 and 2020, respectively.

Continued

2. Net Patient Service Revenue, Continued

- Medicaid, Continued

  The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately $80,000 for the years ended June 30, 2021 and 2020.

- Other Arrangements

  Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

- Uninsured Patients

  PMCI has 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 PMCI for medically necessary care by Medicare and private health insurers during a 12-month look-back period.

A summary of FCMC's payment arrangements with major third-party payors follows:

- Medicare

  Inpatient acute care and outpatient services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors.

  FCMC is paid for certain cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by FCMC and audits thereof by the Medicare Administrative Contractor (MAC). FCMC'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 FCMC.

Continued

2. Net Patient Service Revenue, Continued

- Medicaid

  Effective October 1, 2020, the Alabama Medicaid Agency approved FCMC as a public hospital to be reimbursed as follows. The Hospital Funding Program governs Medicaid payments. For public hospitals, the Hospital Funding Program utilizes federal funds derived from disproportionate share hospital (DSH) payments to provide inpatient and outpatient payments.

  Hospitals receive quarterly DSH payments during the state fiscal year (SFY), base per diem payments for inpatient services, and outpatient payments based on the Medicaid fee schedule maintained by the Medicaid Agency. These payments are determined and provided by the Alabama Medicaid Agency. The Alabama Medicaid Agency claims the maximum allowable DSH amount from the federal government and distributes these funds to hospitals based on a hospital's share of statewide uncompensated care.

  DSH transactions are considered interim payments by the Centers for Medicare and Medicaid Services (CMS), the federal agency responsible for managing states' Medicaid programs. The Alabama Medicaid Agency is required to conduct reconciliations of DSH payments to hospitals with actual cost incurred by the hospitals. The reconciliation process for SFY 2018 was in progress at year-end. Based on these reconciliations, the State of Alabama through the Medicaid Agency is responsible for any excess funds claimed above allowed amounts or unclaimed funds below allowed amounts from CMS. If the reconciliation shows the cost incurred for all public hospitals is more than the total DSH payments received, no individual hospital adjustment will be made; however, if the cost incurred for all public hospitals is less than the total DSH payments received, each individual hospital will be required to reimburse its pro rata share of payments received for the difference noted. During 2021, there were no audit findings requiring reimbursement from public hospitals.

- Blue Cross

  Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined rates per day of hospitalization. Outpatient services are paid on an enhanced ambulatory patient grouping (EAPG) methodology. Under this methodology, FCMC is reimbursed at prospectively determined rates per service.

- Other Arrangements

  Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Continued

2. Net Patient Service Revenue, Continued

- Uninsured Patients

  FCMC has 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 FCMC for medically necessary care by Medicare and private health insurers during a 12-month look-back period.

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

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 Corporation'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 2021 and 2020.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Corporation 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.

Continued

2. Net Patient Service Revenue, Continued

Adjustments arising from a change in the transaction price were not significant for the years ending June 30, 2021 and 2020. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended June 30, 2021 and 2020 was not significant.

Consistent with the Corporation's mission, care is provided to patients regardless of their ability to pay. Therefore, the Corporation has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles).

Patients who meet the Corporation's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Net patient service revenue by major payor source for the years ended June 30, 2021 and 2020 is as follows:

	2021	2020
Medicare	$ 177,545,674	$ 145,284,585
Medicaid	80,322,542	72,909,983
Third-party payors	196,998,419	216,671,442
Self-pay	47,832,141	13,745,939
Net patient service revenue	$ 502,698,776	$ 448,611,949

Net patient service revenue by facility, line of business, and timing of revenue recognition for the years ended June 30, 2021 and 2020 are as follows:

	June 30, 2021			
	FMC	PMCI	FCMC	Total
Services lines				
Hospital	$ 414,619,050	$ 33,267,176	$ 11,736,208	$ 459,622,434
Physician Practice	33,566,429	-	-	33,566,429
Rural Health Clinics	-	-	2,875,119	2,875,119
Ambulance	6,634,794	-	-	6,634,794
Total	$ 454,820,273	$ 33,267,176	$ 14,611,327	$ 502,698,776
Timing of revenue and recognition:				
Services transferred over time	$ 454,820,273	$ 33,267,176	$ 14,611,327	$ 502,698,776

Continued

2. Net Patient Service Revenue, Continued

	June 30, 2020			
	FMC	PMCI	FCMC	Total
Services lines				
Hospital	$ 372,816,242	$ 29,435,786	$ 9,717,261	$ 411,969,289
Physician Practice	31,240,428	-	-	31,240,428
Rural Health Clinics	-	-	-	-
Ambulance	5,402,232	-	-	5,402,232
Total	$ 409,458,902	$ 29,435,786	$ 9,717,261	$ 448,611,949
Timing of revenue and recognition:				
Services transferred over time	$ 409,458,902	$ 29,435,786	$ 9,717,261	$ 448,611,949

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 Corporation's diagnostic and surgical equipment, and emergency care services. Performance obligations for the patient services are satisfied over time as the patient simultaneously receives and consumes the benefits the Corporation performs. Requirements to recognize revenue for inpatient services are generally satisfied over periods that average approximately five days and outpatient services are generally satisfied over a period of less than one day. Retail pharmacy, cafeteria, and gift shop revenue, recorded in other revenue on the consolidated statements of operations, performance obligations are satisfied at a point in time when the goods are provided.

The Corporation 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 Corporation'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 Corporation 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 Corporation 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 Corporation otherwise would have recognized is one year or less in duration.

Continued

3. 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 Corporation'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 Corporation'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 Corporation's financial position or results of operations is uncertain.

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. 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 Corporation reports restricted contributions, whose restrictions are met in the same period in which they are received (simultaneous release), as net assets without donor restrictions. Recognized revenue is reported as operating revenues in the consolidated statements of operations and changes in net assets.

FMC received approximately $19,000,000 in grant stimulus funding in fiscal years 2020 and 2021 of which the entire amount was recognized as operating revenues on the consolidated statements of operations and changes in net assets.

PMCI received approximately $4,300,000 in grant stimulus funding in fiscal years 2020 and 2021 of which approximately $3,800,000 was recognized as operating revenues by PMCI and approximately $500,000 was transferred to the Corporation and recognized as operating revenues on the consolidated statements of operations and changes in net assets.

FCMC received approximately $9,300,000 in grant stimulus funding in fiscal years 2020 and 2021 of which approximately $1,200,000 was recognized as operating revenues by FCMC and approximately $7,800,000 was transferred to the Corporation and recognized as operating revenues on the consolidated statements of operations and changes in net assets, and approximately $300,000 was recorded as a CARES Act refundable advance on the consolidated balance sheets as of June 30, 2021.

Continued

3. Coronavirus (COVID-19), Continued

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

The Corporation has received the following program funding:

- $30 Billion General Distribution (1st round) - On April 10, 2020, HHS distributed $30 billion to nearly 320,000 Medicare fee-for-service providers based on their portion of 2019 Medicare-fee-for service payments. FMC received and recognized approximately $6,253,000 in funding from this distribution. PMCI received and transferred approximately $584,000 to the Corporation in funding from this distribution. FCMC received and transferred approximately $202,000 to the Corporation in funding from this distribution.

- $20 Billion General Distribution (2nd round) - On April 24, 2020, HHS distributed $20 billion to Medicare fee-for-service providers based on revenues from cost report data or revenue submission. FMC received and recognized approximately $2,347,000 in funding from this distribution. PMCI received and recognized approximately $60,000 in funding from this distribution.

- $10 Billion Rural Distribution - On May 6, 2020, HHS distributed $10 billion to almost 4,000 rural health care providers including hospitals, health clinics, and health centers. PMCI received and recognized approximately $3,595,000 in funding from this distribution. FCMC received and transferred approximately $3,420,000 to the Corporation in funding from this distribution.

- $10 Billion Safety Net Hospitals Distribution - On June 12, 2020, HHS distributed $10 billion to almost 800 providers that disproportionately serve Medicaid recipients and the uninsured. FCMC received $5,000,000 in funding from this distribution. FCMC transferred approximately $4,130,000 to the Corporation.

- $50 Million State Hospital Association Distribution - On April 17, 2020, HHS allocated $50 million to all state hospital associations which are authorized to distribute these funds to hospitals and health systems in their respective states that are engaged in COVID-19 preparedness and response activities. FMC received and recognized approximately $21,000 in funding from the Georgia Hospital Association related to this distribution.

- $4.9 Million Small Rural Hospital Improvement Program (SHIP) Grant - On April 22, 2020, HHS appropriated approximately $4.9 million to the State of Georgia Department of Community Health, State Office of Rural Health to disburse to 58 rural hospitals in Georgia for the purpose of preventing, preparing for, and responding to COVID-19. PMCI received and recognized approximately $85,000 in funding from this distribution.

Continued

3. Coronavirus (COVID-19), Continued

- Alabama Small Rural Hospital Improvement Program (SHIP) Grant - In April of 2020, the Alabama Hospital Association announced that the Health Resources and Services Administration's (HRSA) Federal Office of Rural Health Policy received $180 million to support COVID-19 related activities, of which nearly $150 million will go to hospitals responding to the health crisis through the SHIP grant mechanism. FCMC expended approximately $83,000 of COVID related expenses which will be reimbursed through the SHIP program and was recognized as CARES Act funding.

- $1 Billion Small Metropolitan Areas - On July 10, 2020, HHS announced additional funding for certain special rural Medicare designation hospitals in urban areas as well as others who provide care in smaller non-rural communities. FMC received $4,500,000 in funding from this distribution.

- $24.5 Billion General Distribution (Phase 3) - On October 1, 2020, HHS announced additional funding for which eligible providers could apply based on changes in operating revenues and additional operating expenses caused by the coronavirus. HHS began distributing these additional payments on December 16, 2020. FMC received $5,700,000 in funding from this distribution.

The CARES Act also did the following:

- Sequestration - Suspended the Medicare sequestration payment adjustment, which reduces payments to providers by 2%, for the period May 1, 2020 through December 31, 2020 and extended to December 31, 2021 with subsequent legislation.

- Medicare Add-on for Inpatient Hospital COVID-19 Patients - Increased the Medicare payment for hospital patients admitted with COVID-19 by 20%.

- The existing Medicare Accelerated and Advance Payment Program was expanded by allowing qualifying providers to receive an advanced Medicare payment. The advance payment will have to be repaid. Recoupment begins one year after the date of receipt of the advance payment with a rate of 25% for the first 11 months of repayment, and 50% for the six months afterward. Hospitals then have up to 29 months after recoupment to pay back the funds in full before interest with a rate of 4% would begin to accrue. In April 2020, FMC and PMCI received and recorded as a liability approximately $39,149,000 and $3,823,000 in advanced payments, respectively. In September 2020, PMCI received an additional $1,310,000 in advanced payments.

Continued

4. Uncompensated Charges

The Corporation was compensated for services at amounts less than its established rates. 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. The charges for these uncompensated services for 2021 and 2020 were approximately $1,670,100,000 and $1,471,700,000 respectively.

Uncompensated charges include charity and indigent care services of approximately $54,800,000 and $64,100,000 in 2021 and 2020, respectively. Charity and indigent care services provided to Floyd County residents in 2021 and 2020 were approximately $29,000,000 and $26,900,000, respectively. Charity and indigent care services provided to Polk County residents in 2021 and 2020 were approximately $10,400,000 and $13,900,000, respectively. The cost of charity and indigent care services provided during 2021 and 2020 was approximately $12,300,000 and $15,500,000, respectively computed by applying a total cost factor to the charges foregone.

The following is a summary of uncompensated charges and a reconciliation of gross patient charges to net patient service revenue for 2021 and 2020.

	2021	2020
Gross patient charges	$ 2,172,831,610	$ 1,920,298,847
Uncompensated charges:		
Charity and indigent care	54,795,544	64,083,971
Medicare	721,895,703	627,218,666
Medicaid	275,514,159	263,561,198
Other third-party payors	496,308,649	363,688,562
Price concessions	121,618,779	153,134,501
Total uncompensated charges	1,670,132,834	1,471,686,898
Net patient service revenue	$ 502,698,776	$ 448,611,949

Continued

5. Concentrations of Credit Risk

The Corporation located in Northwest Georgia and Northeast Alabama, grants credit without collateral to its patients substantially all of whom are local residents of Northwest Georgia and Northeast Alabama and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	2021	2020
Medicare	21%	22%
Medicaid	7%	8%
Other third-party payors	72%	70%
Total	100%	100%

Management considers the concentrations of credit risk with respect to accounts receivable to be limited due to the large number of patients comprising the receivables base.

The Corporation maintains deposits with financial institutions which exceed the Federal Depository insurance limits. At June 30, 2021, management believes the credit risk associated with these deposits is minimal.

Continued

6. Assets Limited as to Use

Assets limited as to use are stated at fair value. The composition of assets limited as to use at June 30, 2021 and 2020 is set forth in the following table.

	2021	2020
Assets limited as to use:		
By board for capital improvements:		
Cash and cash equivalents	$ 4,015,169	$ 567,814
CMO and asset backed securities	1,602,307	1,274,238
Mutual funds - equity	10,158,225	10,783,641
Mutual funds - corporate bonds	33,575,388	31,698,156
Mutual funds - fixed income	38,691,338	31,974,912
Mutual funds - international	-	1,123,599
Mutual funds - real estate	349,815	260,338
Corporate bonds	35,700,841	25,979,490
Mortgage backed securities	27,271,872	19,774,954
Federal agency bonds	1,242,920	1,326,400
U.S. Treasury obligations	32,904,709	40,262,674
Municipal bonds	751,590	-
Investment in Babson Partnership	275,683	9,507,568
Investment in TCW Partnership	1,057,486	1,068,812
Equities - common stock	3,402,820	2,251,788
U.S. government index fund	10,844,405	10,240,651
	201,844,568	188,095,035
Under indenture agreement - held by trustee:		
Cash and cash equivalents	7,592,647	7,528,444
457 F Plan - held by trustee:		
Cash and cash equivalents	-	3,045
Mutual funds - equity	445,967	326,064
Mutual funds - international	94,520	71,498
Corporate bonds	215,080	197,637
	755,567	598,244
Total assets limited as to use	$ 210,192,782	$ 196,221,723

Continued

6. Assets Limited as to Use, Continued

Investment income, losses, and gains for assets limited as to use, cash equivalents, and other investments are comprised of the following for the years ending June 30, 2021 and 2020:

	2021	2020
Income:		
Interest and dividend income	$ 5,992,180	$ 4,724,869
Realized gain on securities	2,859,034	8,595,775
Unrealized gain (loss) on securities	873,657	(4,922,992)
Total investment income net of investment expenses	$ 9,724,871	$ 8,397,652

The Corporation'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 changes could materially affect the amounts reported in the accompanying consolidated financial statements.

7. Property and Equipment

A summary of property and equipment at June 30, 2021 and 2020 follows:

	2021	2020
Land	$ 15,713,676	$ 15,613,114
Land improvements	4,394,462	4,855,484
Buildings	167,662,640	168,599,918
Fixed equipment	52,706,938	53,710,778
Major moveable equipment	139,921,771	137,380,650
Leasehold improvements	11,962,165	12,303,740
	392,361,652	392,463,684
Less accumulated depreciation	247,338,457	237,118,194
	145,023,195	155,345,490
Construction in progress	5,024,372	428,539
Property, plant and equipment, net	$ 150,047,567	$ 155,774,029

Depreciation expense for the years ended June 30, 2021 and 2020 amounted to approximately $19,500,000 and $21,300,000, respectively. There are no significant construction contracts at year end.

Continued

8. Long-Term Debt

Long-term debt and capital lease obligations for the years ended June 30, 2021 and 2020 follows:

	2021	2020
Revenue Certificates, Series 2012A payable in installments ranging from $450,000 to $585,000 each July 1, until 2026 with a final payment of $13,380,000 on July 1, 2042. The certificates are guaranteed by the gross revenues of the Obligated Group. The certificates bear interest rates per annum ranging from 2.00% to 5.00%.	$ 16,625,000	$ 17,100,000
Revenue Certificates, Series 2012B payable in installments ranging from $1,225,000 to $3,725,000 each July 1, until 2027 with a final payment of $10,915,000 on July 1, 2032. The certificates are guaranteed by the gross revenues of the Obligated Group. The certificates bear interest rates per annum ranging from 4.00% to 5.00%.	22,445,000	23,780,000
Revenue Certificates, FMC Series 2016 payable in installments ranging from $1,400,000 to $6,220,000 each July 1, until 2043. The certificates are guaranteed by the gross revenues of the Obligated Group. The certificates bear interest rates per annum ranging from 3.125% to 5.00%.	77,580,000	79,125,000
Revenue Certificates, PMCI Series 2016 payable in installments ranging from $35,000 to $5,515,000 each July 1, until 2039. The certificates are guaranteed by the gross revenues of the Obligated Group. The certificates bear interest rates per annum ranging from 3.125% to 5.00%.	30,095,000	30,165,000

Continued

8. Long-Term Debt, Continued

	2021	2020
Notes payable with monthly payments ranging from $9,266 to $30,358, guaranteed by the gross revenues of Floyd Healthcare Management, Inc.	$ 4,454,369	$ 4,778,500
Term loan, guaranteed by the gross revenues of Floyd Healthcare Management, Inc. and the Authority, payable in monthly installments of $125,000 including interest of 4.02% until 2031.	12,396,648	13,369,716
Total long-term debt	163,596,017	168,318,216
Unamortized bond premium	11,530,363	12,495,308
Less unamortized bond issuance costs	(2,274,116)	(2,438,264)
Less current maturities of long-term debt	(4,906,164)	(4,731,163)
Long-term debt, net of current maturities	$ 167,946,100	$ 173,644,097

Scheduled principal repayments on long-term debt for the next five years are as follows:

	Long-Term Debt
2022	$ 4,906,164
2023	5,150,895
2024	5,373,840
2025	8,321,559
2026	5,581,472
Thereafter	134,262,087
Total	$ 163,596,017

Revenue Anticipation Certificates, FMC Series 2016 were issued to (i) finance the cost of acquisition, construction, equipping and installation of certain additions, extensions and improvements to healthcare facilities and equipment operated by Floyd Healthcare Management, Inc.; (ii) pay all or a portion of the costs of issuance of the FMC Series 2016 Certificates; (iii) refund all of the Series 2003 Certificates; and (iv) advance refund all of the Series 2009 Certificates. Under the terms of an escrow agreement, a portion of the proceeds for the FMC Series 2016 Certificates was deposited into an escrow fund in order to redeem the remaining Series 2009 Certificates on July 1, 2019. The defeasance resulted in a loss of approximately $5,603,000.

8. Long-Term Debt, Continued

Revenue Anticipation Certificates, PMCI Series 2016 were issued to (i) refund the $34 million due under a Bridge Loan Agreement; (ii) finance certain renovation projects; and (iii) pay costs of issuance of the PMCI Series 2016 Certificates.

Revenue Anticipation Certificates, Series 2012A were issued to (i) finance or refinance, in whole or in part, the costs of the acquisition, construction, renovation, expansion, installation and equipping of new or existing medical and healthcare facilities and equipment of the Corporation; (ii) fund a debt service reserve fund; and (iii) pay all or a portion of the costs of issuance of the Series 2012A Certificates.

Revenue Anticipation Certificates, Series 2012B were issued to (i) refund the $35,000,000 Series 2002 Certificates; (ii) fund a debt service reserve fund; and (iii) pay all or a portion of the costs of issuance of the Series 2012B Certificates. The provision for payment of the Series 2002 Certificates constitutes a defeasance of the bonds and the lien on the related bond indentures. The defeasance resulted in a loss of approximately $687,000.

The Corporation, PMCI, and the Authority are members of the Obligated Group of the Revenue Anticipation Certificates FMC Series 2016, PMCI Series 2016, Series 2012A, and Series 2012B. Additionally, if the Authority and the Corporation cannot meet their obligation under the FMC Series 2016, Series 2012A, and Series 2012B Certificates, Floyd County has agreed to make payments to the Certificate Trustee sufficient to guarantee the payment of the principal and interest on these certificates pursuant to Georgia law and the constitutional power of the County.

At its option, to be exercised on or before the 45th day preceding any sinking fund redemption date, the Corporation may (a) deliver to the Certificate Trustee for cancellation FMC Series 2016, PMCI Series 2016, Series 2012A, or Series 2012B Certificates of the appropriate maturity in any aggregate principal amount desired or (b) receive a credit in respect of its sinking fund redemption obligation for any FMC Series 2016, PMCI Series 2016, Series 2012A, or Series 2012B Certificates of the appropriate maturity which prior to said date have been redeemed (otherwise than through the operation of the mandatory sinking fund obligation) and cancelled by the Certificate Trustee and not theretofore applied as a credit against any prior mandatory sinking fund redemption obligation. Each FMC Series 2016, PMCI Series 2016, Series 2012A, or Series 2012B Certificate so delivered or previously redeemed shall be credited by the Certificate Trustee at 100% of the principal amount thereof on the obligation of the Corporation on such sinking fund redemption date and any excess shall be credited on future sinking fund redemption obligations in such order as may be specified by the Corporation. The principal amount of such FMC Series 2016, PMCI Series 2016, Series 2012A, or Series 2012B Certificates to be redeemed by operation of the sinking fund shall be accordingly reduced.

Continued

8. Long-Term Debt, Continued

Under the terms of the FMC Series 2016, PMCI Series 2016, Series 2012A, and 2012B indentures, the Corporation is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use. The indentures also place limits on the incurrence of additional borrowings and require that the Corporation satisfy certain measures of financial performance as long as the Certificates are outstanding. In the opinion of management, all measures of financial performance have been satisfied.

Notes payable

Notes payable primarily consist of a note the Corporation obtained in 2014 for $5,000,000 for the construction of the Polk Medical Center medical office building. The note has a stated interest rate of 3.99%. The monthly payments on the note are $30,358 for twenty years.

Term Loan

The revolving lines of credit of $15,000,000 were refinanced during fiscal year 2019. These lines of credit were refinanced into a term loan, payable in monthly payments of $125,000 including interest based on a 4.02% per annum interest rate with the remaining balance due and payable on a maturity date of September 1, 2023 and will automatically extend for successive periods until paid off in 2031.

Line of Credit

In 2013, the Corporation signed promissory notes for revolving lines of credit totaling $25,000,000. The loans have a stated interest rate of LIBOR plus 1.3%. During fiscal year 2019, the revolving lines of credit were refinanced so that the $15,000,000 portion already drawn on the line of credit was converted to a term loan and the undrawn portion remained open for future draws. The refinanced line of credit carries an interest rate of LIBOR plus 0.7%. At June 30, 2021, approximately $10,000,000 of unused borrowing remains on the lines of credit.

9. Leases

The Corporation has operating and finance leases for buildings and equipment. The Corporation 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 consolidated balance sheets. The Corporation has lease agreements which require payments for lease and nonlease components and has elected to account for these as a single lease component.

Right-of-use assets represent the Corporation’s right to use an underlying asset during the lease term, and lease liabilities represent the Corporation’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

Continued

9. Leases, Continued

term. The Corporation 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 balance sheets when it is reasonably certain the option will be exercised.

As most of the Corporation's operating leases do not provide an implicit rate, the Corporation uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Corporation 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, 2021 were as follows:

Operating leases:	
Right-of-use assets:	
Operating lease right-of-use assets	$ 2,682,414
Lease liabilities:	
Current portion	$ 1,156,150
Long-term	1,497,049
Total operating lease liabilities	$ 2,653,199
Finance leases:	
Right-of-use assets:	
Finance lease right-of-use assets	$ 42,230,967
Lease liabilities:	
Current portion	$ 4,867,100
Long-term	38,917,545
Total finance lease liabilities	$ 43,784,645

Continued

9. Leases, Continued

Operating expenses for the leasing activity of the Corporation as lessee for the year ended June 30, 2021 are as follows:

Lease Type	
Operating lease cost	$ 1,458,416
Finance lease interest	1,683,428
Finance lease amortization	5,598,458
Short-term lease cost	963,439
Total lease cost	$ 9,703,741

In 2020, rental expense related to operating leases was approximately $5.3 million.

Cash paid for amounts included in the measurement of lease liabilities for the year ended June 30, 2021 is as follows:

Operating cash flows from operating leases	$ 1,487,631
Operating cash flows from finance leases	1,683,428
Financing cash flows from finance leases	3,752,933
Total	$ 6,923,992

The aggregate future lease payments for operating and finance leases as of June 30, 2021 were as follows:

Year Ending June 30	Finance	Operating
2022	$ 6,574,269	$ 1,235,026
2023	5,846,064	961,535
2024	5,046,232	559,604
2025	3,192,083	23,472
2026	3,240,844	-
Thereafter	35,433,057	-
Total undiscounted cash flows	59,332,549	2,779,637
Less: present value discount	(15,547,904)	(126,438)
Total lease liabilities	$ 43,784,645	$ 2,653,199

Continued

9. Leases, Continued

Average lease terms and discount rates at June 30, 2021 were as follows:

Weighted-average remaining lease term (years):	
Operating leases	2.48
Finance leases	14.29
Weighted-average discount rate:	
Operating leases	4.02%
Finance leases	4.18%

10. Employee Benefit Plans

At January 1, 1998, the Corporation implemented a defined benefit pension plan (Plan) covering substantially all of its employees. The benefits are based on 1.75% of earnings for each year after January 1, 1998, with the total benefit subject to thirty-five years of benefit service maximum. The Corporation's funding policy is to contribute annually an amount intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. Benefit accruals for active participants within the Corporation’s retirement plan were effectively frozen on March 31, 2014.

An actuarial valuation of the Plan was performed with a measurement date of June 30, 2021 and a measurement period of July 1, 2020 to June 30, 2021.

The following table sets forth the Plan’s funded status, the related changes in the defined benefit plan, and amounts recognized in the financial statements at June 30, 2021 and 2020:

	2021	2020
Plan assets at fair value	$ 86,953,123	$ 75,577,688
Projected benefit obligation	(110,785,658)	(112,694,269)
Funded status	$(23,832,535)	$(37,116,581)
Amounts recognized in the balance sheet consist of:		
Pension liability	$(23,832,535)	$(37,116,581)
457 F plan liability	(755,567)	(598,244)
Noncurrent post-retirement liability	$(24,588,102)	$(37,714,825)

Continued

10. Employee Benefit Plans, Continued

	2021	2020
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 112,694,269	$ 104,582,029
Interest cost	2,553,580	3,323,762
Actuarial loss	535,820	9,572,255
Benefits paid	(4,998,011)	(4,783,777)
Benefit obligation at end of year	$ 110,785,658	$ 112,694,269
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 75,577,688	$ 75,183,875
Benefits paid	(4,998,011)	(4,783,777)
Return on plan assets	13,667,289	2,010,361
Employer contributions	2,706,157	3,167,229
Fair value of plan assets at end of year	$ 86,953,123	$ 75,577,688
Cumulative amounts recognized in net assets without donor restrictions consist of:		
Net actuarial loss	$ 33,848,345	$ 43,973,482

The accumulated benefit obligation for the defined benefit pension plan was approximately $111,000,000 and $113,000,000 at June 30, 2021 and 2020, respectively.

	2021	2020
Components of net periodic benefit cost:		
Interest cost	$ 2,553,580	$ 3,323,762
Expected return on plan assets	(4,196,003)	(4,484,444)
Amortization of unrecognized net loss	1,189,671	782,681
Net periodic benefit cost (income)	(452,752)	(378,001)
Other change in plan assets and benefit obligations recognized in the statement of operations and changes in net assets:		
Current year actuarial (gain) loss	$(8,935,466)	$ 12,046,338
Amortization of actuarial loss	(1,189,671)	(782,681)
Total other changes	(10,125,137)	11,263,657
Total recognized in statement of operations and change in net assets	$(10,577,889)	$ 10,885,656

Continued

10. Employee Benefit Plans, Continued

	2021	2020
Assumptions:		
Weighted-average assumptions used to determine benefit obligations at June 30:		
Discount rate	2.98%	2.98%
Rate of compensation increase	N/A	N/A
Expected long-term rate of return	5.65%	5.60%
Weighted-average assumptions used to determine periodic benefit cost for the years ended June 30:		
Discount rate	2.98%	3.71%
Expected long-term return on plan assets	5.60%	6.00%
Rate of compensation increase	N/A	N/A

The discount rate for pension cost purposes is the rate at which the pension obligations could be effectively settled. This rate is developed from yields on available high-quality bonds and reflects the plan's expected cash flows.

The liabilities of the Plan were calculated based on the January 1, 2021 census data projected to June 30, 2021 using reasonable actuarial assumptions and methodology. Liabilities have been calculated using the June 30, 2021 Aon Hewitt AA Above Median Yield Curve with a 2.98% effective discount rate. These rates were selected by Floyd Medical Center as the rates for reporting as of June 30, 2021.

Mortality assumptions are based on the Pri-2012 mortality table projected forward with the MP-2020 mortality improvement scale.

Assumptions used to determine statutory contribution limits must be reasonable taking into account the experience of the plan and reasonable expectations. However, certain assumptions (such as interest and mortality) are either prescribed by the IRS or are subject to IRS approval. The interest rates used to determine the funding target and target normal cost are based on high-quality corporate bond yield curve.

The net transition asset/obligation, net actuarial gain/loss, and prior service cost/credit amount expected to be recognized in net periodic benefit cost for the 12 months beginning July 1, 2021 are as follows:

Net transition (assets)/obligation	$ -
Actuarial loss	860,861
Prior service cost	-
Total	$ 860,861

Continued

10. Employee Benefit Plans, Continued

Plan Assets

The composition of plan assets at June 30, 2021 and 2020 is as follows:

	2021	2020
Money market funds	$ 1,380,515	$ 1,253,857
Mutual funds - corporate bonds	8	37
AHGT common collective trust funds:		
ACWI-EX US PASS	-	3,464,300
GBL Real Estate	-	7,278,103
High Yield Bond	-	3,276,767
Mid LOC	-	6,071,657
Non-US Active	-	6,267,056
US LG FI ACT CR	-	16,962,532
US Passive Eqty	-	4,819,764
US SMC Active	-	657,312
SSGA INT US GOV BD	-	10,186,784
AON Hewitt collective trust funds:		
CORE RL EST	9,042,528	-
GLB RL EST CL I	1,136,406	-
High Yield Plus CL	268,410	-
Inter CR BD	9,444,057	-
Large Cap Equity IX	5,248,474	-
Long CR BD	14,275,981	-
Non-US Equity CL I	6,772,008	-
Non-US Equity IX FD	3,444,607	-
US Inter Govt BD IX	14,203,643	-
US Long Govt BD IX	179,439	-
Multi-Asset CR	4,135,834	-
GLB Equity CL I	8,260,508	7,424,662
Large Cap Equity CL	7,036,366	6,195,357
SM & Mid Cap Equity	2,124,339	1,719,500
Total	$ 86,953,123	$ 75,577,688

Continued

10. Employee Benefit Plans, Continued

The asset allocation at the end of 2021 and 2020, by asset category:

Asset Category	Actual Allocation, End of Year 2021	2020
AHGT ACWI-EX US PASS	0.0%	4.6%
AHGT GBL Real Estate	0.0%	9.6%
AHGT High Yield Bond	0.0%	4.3%
AHGT Mid LOC	0.0%	8.0%
AHGT Non-US Active	0.0%	8.3%
AHGT US LG FI ACT CR	0.0%	22.4%
AHGT US Passive Eqty	0.0%	6.4%
AHGT US SMC Active	0.0%	0.9%
AHGT SSGA INT US GOV BD	0.0%	13.5%
AON Coll/CORE RL EST	10.4%	0.0%
AON Coll/GLB RL EST CL I	1.3%	0.0%
AON Coll/High Yield Plus CL	0.3%	0.0%
AON Coll/Inter CR BD	10.9%	0.0%
AON Coll/Large Cap Equity IX	6.0%	0.0%
AON Coll/Long CR Bd	16.4%	0.0%
AON Coll/Non-US Equity CL I	7.8%	0.0%
AON Coll/Non-US Equity IX FD	4.0%	0.0%
AON Coll/US Inter Govt BD IX	16.3%	0.0%
AON Coll/US Long Govt BD IX	0.2%	0.0%
AON Coll/Multi-Asset CR	4.8%	0.0%
AON Coll/GLB Equity CL I	9.5%	9.8%
AON Coll/Large Cap Equity CL	8.1%	8.2%
AON Coll/SM & Mid Cap Equity	2.4%	2.3%
Other	1.6%	1.7%
Total	100.0%	100.0%

The Corporation's investment strategy with respect to pension plan assets is to provide a secure source of retirement income to Plan beneficiaries. The Corporation's basis used to determine expected return on assets assumption is determined from a strategic asset allocation study undertaken by an investment consultant to identify an appropriate asset mixture likely to produce a moderate growth of total asset value while managing risk through suitable diversification. The study included an analysis of various asset classes, their correlation to one another, and assumptions as to each asset class' risk and return characteristics.

Continued

10. Employee Benefit Plans, Continued

The Corporation has approved the use of the following classes of marketable securities for asset allocation and investment purposes for the Plan:

- Domestic common stocks
- International (non-U.S.) common stocks
- Domestic and foreign government, mortgage-backed and corporate bonds
- Cash equivalents
- AHGT common collective trust funds
- AON Hewitt collective trust funds
- Other asset classes that the Committee may from time to time deem prudent

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

- *Money market funds*: Valued at amortized cost, which approximates fair value.

- *Common collective trust funds and pooled investment funds*: Valued daily using the NAV. The NAVs are based on the fair value of each fund's underlying investments. The NAV is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported NAV.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Continued

10. Employee Benefit Plans, Continued

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2021 and 2020:

	Assets at Fair Value as of June 30, 2021			
	(Level 1)	(Level 2)	(Level 3)	Total
Mutual funds	$ 8	$ -	$ -	$ 8
Money market funds	-	1,380,515	-	1,380,515
Total assets in the FV hierarchy:	$ 8	$ 1,380,515	$ -	1,380,523
Investments measured at NAV				85,572,600
Investments at fair value				$ 86,953,123

	Assets at Fair Value as of June 30, 2020			
	(Level 1)	(Level 2)	(Level 3)	Total
Mutual funds	$ 37	$ -	$ -	$ 37
Money market funds	-	1,253,857	-	1,253,857
Total assets in the FV hierarchy:	$ 37	$ 1,253,857	$ -	1,253,894
Investments measured at NAV				74,323,794
Investments at fair value				$ 75,577,688

Continued

10. Employee Benefit Plans, Continued

The following table summarizes investments measured at fair value using the NAV per share as a practical expedient.

	As of June 30, 2021			
Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
AON Hewitt funds:				
CORE RL EST	$ 9,042,528	$ -	Daily	None
GLB RL EST CL I	1,136,406	-	Daily	None
High Yield Plus CL	268,410	-	Daily	None
Inter CR BD	9,444,057	-	Daily	None
Large Cap Equity IX	5,248,474	-	Daily	None
Long CR BD	14,275,981	-	Daily	None
Non-US Equity CL I	6,772,008	-	Daily	None
Non-US Equity IX FD	3,444,607	-	Daily	None
US Inter Govt BD IX	14,203,643	-	Daily	None
US Long Govt BD IX	179,439	-	Daily	None
Multi-Asset CR	4,135,834	-	Daily	None
GLB Equity CL I	8,260,508	-	Daily	None
Large Cap Equity CL	7,036,366	-	Daily	None
SM & Mid Cap Equity	2,124,339	-	Daily	None
Total AHG funds	$ 85,572,600	$ -		

	As of June 30, 2020			
Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
AHGT funds:				
ACWI-EX US PASS	$ 3,464,300	$ -	Daily	None
GBL Real Estate	7,278,103	-	Daily	None
High Yield Bond	3,276,767	-	Daily	None
Mid LOC	6,071,657	-	Daily	None
Non-US Active	6,267,056	-	Daily	None
US LG FI ACT CR	16,962,532	-	Daily	None
US Passive Eqty	4,819,764	-	Daily	None
US SMC Active	657,312	-	Daily	None
SSGA INT US GOV BD	10,186,784	-	Daily	None
AON Hewitt funds:				
GLB Equity CL I	7,424,662	-	Daily	None
Large Cap Equity CL	6,195,357	-	Daily	None
SM & Mid Cap Equity	1,719,500	-	Daily	None
Total AHG funds	$ 74,323,794	$ -		

Continued

10. Employee Benefit Plans, Continued

Contributions

The Corporation expects to make approximately $1,195,000 in contributions in 2022.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid.

Year Ended	Pension Benefits
2022	$ 5,195,000
2023	$ 5,251,000
2024	$ 5,360,000
2025	$ 5,473,000
2026	$ 5,547,000
Year 2027 and beyond	$ 28,593,000

Effective December 31, 2005, the Corporation froze future accruals for active participants electing to join the plan.

Defined Contribution Plan

Floyd Healthcare Management, Inc. established a 401(k) retirement plan effective January 1, 2006. The plan is a defined contribution 401(k) profit sharing plan covering full-time employees over the age of eighteen who are not participating in the defined benefit pension plan. Employees may immediately contribute between 1% and 25% of their salary, subject to the maximum dollar limit allowed by the IRS. The Corporation will match 100% of the employee's contributions up to 3% of their salary plus 50% of the next 2% of the employee's contributions for all participating employees with at least one year of service and over 1,000 hours worked in a calendar year. The employer contributions during the fiscal years ending June 30, 2021 and 2020 were approximately $5,000,000 and $4,800,000, respectively.

11. Self-Insurance

Malpractice

The professional liability self-insurance retention limits for FMC are $1 million per occurrence and $4 million in aggregate. Malpractice claims in excess of the self-insurance retention limits are insured with commercial insurance carriers on a claims-made basis. The policy covers malpractice claims up to $15 million in aggregate. At June 30, 2021, 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 Corporation 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.

PMCI and FCMC are covered by a claims-made general and professional liability insurance policy with a specified deductible of $50,000 per incident and excess coverage on a claims-made basis. Liability limits related to this policy in 2021 are $1 million per occurrence and $3 million in aggregate. In addition, PMCI and FCMC are covered by the Corporation's umbrella policy that covers malpractice claims up to $15 million in aggregate. PMCI and FCMC use a third-party administrator to review and analyze incidents that may result in a claim against PMCI and FCMC. In conjunction with the third-party administrator, incidents are assigned reserve amounts for the ultimate liability that may result from an asserted claim.

Various claims and assertions have been made against the Corporation in its normal course of providing services. In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance.

Employee Hospitalization

The Corporation has a self-insurance program for employee health insurance under which a third-party administrator processes and pays claims. The Corporation reimburses the third-party administrator monthly for claims incurred and paid to other providers. The charges, less any deductibles and coinsurance for covered services provided to employees by the Corporation, are written off against gross patient service revenue. In addition, the Corporation has entered into a loss financing agreement with ten Georgia hospitals through a program developed by Georgia ADS, LLC. The Shared Financing Layer covers claims from $225,000 to $850,000. In addition, the Georgia ADS Program provides reimbursement on eligible claims over $850,000 with an unlimited maximum. Under this self-insurance program, the Corporation paid or accrued and expensed to third parties approximately $20,300,000 and $19,300,000 during the years ended June 30, 2021 and 2020, respectively. The Corporation wrote off services to employees net of deductible and coinsurance of approximately $23,400,000 and $22,300,000 during the years ended June 30, 2021 and 2020, respectively.

Continued

12. Functional Expenses

The Corporation provides general health care services to residents in Northwest Georgia and Northeast Alabama.

Expenses related to providing these services in 2021 are as follows:

	2021		
	Patient Care Services	General and Administrative	Total
Salaries and wages	$166,703,115	$ 37,877,204	$ 204,580,319
Employee health and welfare	54,893,271	13,831,069	68,724,340
Professional fees	20,055,786	1,774,584	21,830,370
Supplies and other	111,877,172	47,537,615	159,414,787
Depreciation and amortization	19,514,920	6,995,840	26,510,760
Interest	7,182,399	975,554	8,157,953
Total	$ 380,226,663	$ 108,991,866	$ 489,218,529

Expenses related to providing these services in 2020 are as follows:

	2020		
	Patient Care Services	General and Administrative	Total
Salaries and wages	$ 158,512,676	$ 36,564,110	$ 195,076,786
Employee health and welfare	51,821,944	13,385,917	65,207,861
Professional fees	18,919,662	1,715,997	20,635,659
Supplies and other	101,565,510	52,504,183	154,069,693
Depreciation and amortization	15,778,207	5,494,710	21,272,917
Interest	6,115,317	744,993	6,860,310
Total	$ 352,713,316	$ 110,409,910	$ 463,123,226

The consolidated 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.

Continued

13. Fair Value of Financial Instruments

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

- *Cash and cash equivalents, accounts payable, accrued expenses, estimated third-party payor settlements, CARES Act refundable advance, and Medicare accelerated and advance payments*: The carrying amount reported in the balance sheet approximates its fair value due to the short-term nature of these instruments.

- *Short-term investments, assets limited as to use, and cash surrender value of life insurance policy*: Amounts reported in the balance sheet are at fair value. See Note 14 for fair value measurement disclosures.

- *Long-term debt*: The fair value of the Corporation's long-term debt is estimated based on the quoted market value for same or similar debt instruments. The carrying amounts for the lines of credit and term loan approximate its fair value. Based on inputs used in determining the estimated fair value, the Corporation's long-term debt would be classified as Level 2 in the fair value hierarchy.

The carrying amounts and fair values of the Corporation's long-term debt at June 30, 2021 and 2020 are as follows:

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 175,126,379	$ 179,504,242	$ 180,813,524	$ 185,058,696

Continued

14. Fair Value Measurement

Fair values of assets measured on a recurring basis at June 30, 2021 and 2020 are as follows:

		Fair Value Measurement at Reporting Date Using		
June 30, 2021	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:				
Money market mutual funds	$ 4,419,503	$ 4,419,503	$ -	$ -
Short-term investments:				
Corporate bonds	32,731,923	-	32,731,923	-
Mortgage backed securities	6,699,945	-	6,699,945	-
Capital improvements:				
Cash and cash equivalents	4,015,170	4,015,170	-	-
CMO and asset backed securities	1,602,307	-	1,602,307	-
Mutual funds - equity	10,158,225	10,158,225	-	-
Mutual funds - corporate bonds	33,575,388	33,575,388	-	-
Mutual funds - fixed income	38,691,338	38,691,338	-	-
Mutual funds - real estate	349,814	349,814	-	-
Municipal Bonds	751,590	751,590	-	-
Corporate bonds	35,700,841	-	35,700,841	-
Mortgage backed securities	27,271,872	532,842	26,739,030	-
Federal agency bonds	1,242,920	1,242,920	-	-
U.S. Treasury obligations	32,904,709	32,904,709	-	-
Equities - common stock	3,402,820	3,402,820	-	-
U.S. government index fund	10,844,405	10,844,405	-	-
Under indenture agreement:				
Cash and cash equivalents	7,592,647	7,592,647	-	-
457 F plan - held by trustee:				
Mutual funds - equity	445,967	445,967	-	-
Mutual funds - international	94,520	94,520	-	-
Corporate bonds	215,080	215,080	-	-
Cash surrender value of life insurance policy	72,132	-	72,132	-
Total assets in the fair value hierarchy	252,783,116	$ 149,236,938	$ 103,546,178	$ -
Investments measured at NAV	1,333,169			
Total investments at fair value	$ 254,116,285			

Continued

14. Fair Value Measurement, Continued

June 30, 2020	Fair Value	Fair Value Measurement at Reporting Date Using: 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:				
Money market mutual funds	$ 2,229,128	$ 2,229,128	$ -	$ -
Short-term investments:				
Corporate bonds	36,507,422	-	36,507,422	-
Mortgage backed securities	4,080,781	-	4,080,781	-
Capital improvements:				
Cash and cash equivalents	567,814	567,814	-	-
CMO and asset backed securities	1,274,238	-	1,274,238	-
Mutual funds - equity	10,783,641	10,783,641	-	-
Mutual funds - corporate bonds	31,698,156	31,698,156	-	-
Mutual funds - fixed income	31,974,912	31,974,912	-	-
Mutual funds - international	1,123,599	1,123,599	-	-
Mutual funds - real estate	260,338	260,338	-	-
Corporate bonds	25,979,490	-	25,979,490	-
Mortgage backed securities	19,774,954	-	19,774,954	-
Federal agency bonds	1,326,400	1,326,400	-	-
U.S. Treasury obligations	40,262,674	40,262,674	-	-
Equities - common stock	2,251,788	2,251,788	-	-
U.S. government index fund	10,240,651	10,240,651	-	-
Under indenture agreement:				
Cash and cash equivalents	7,528,444	7,528,444	-	-
457 F plan - held by trustee:				
Cash and cash equivalents	3,045	3,045	-	-
Mutual funds - equity	326,064	326,064	-	-
Mutual funds - international	71,498	71,498	-	-
Corporate bonds	197,637	197,637	-	-
Cash surrender value of life insurance policy	2,228,111	-	2,228,111	-
Total assets in the fair value hierarchy	230,690,785	$ 140,845,789	$ 89,844,996	$ -
Investments measured at NAV	10,576,380			
Total investments at fair value	$ 241,267,165			

Continued

14. Fair Value Measurement, 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.

Securities or other assets for which market quotations are not broad, representative or readily available will be valued at fair value in accordance with procedures established by and under the general supervision and responsibility of the investment manager or its designee. Such procedures may include the use of independent pricing services (which use prices based upon yields or prices of securities of comparable quality, type, coupon and maturity) and/or indications as to value from dealers and exchanges; provided that prices obtained from independent pricing sources, including dealers and exchanges, may be adjusted by the investment manager or its designee if, in the reasonable belief of the investment manager or its designee, a more accurate value may be obtained by reference to recent trading activity or by incorporating other relevant information (including considerations of general market conditions) that may not be reflected in pricing obtained from independent pricing sources.

Unlisted securities will be valued at the average of the quoted bid and asked prices in the over-the-counter market. The value of each such security for which readily available market quotations exist is based on a decision as to the broadest and most representative market for such security.

The cash surrender value of life insurance policy represents the fair market value less surrender charges for life insurance policies held by the Corporation.

The mortgage backed securities are primarily invested in Ginnie Mae loan mortgages and Fannie Mae papers.

The following investments are measured at fair value using the NAV per share as a practical expedient.

- The Babson Limited Partnership invests in senior secured loans, other high yield loans, high yield bonds, non-investment grade fixed income or debt securities and other debt instruments as decided by the partnership's investment management. The Babson Partnership values the underlying investments each month and updates the partnership's net assets accordingly. The majority of the partnership's investments are senior secured loans and utilize private secondary markets to value the investment. There is no penalty or fee for a partner to redeem their share of the partnership. There are no unfunded commitments. Any distributions can be accessed monthly. The fair value of the Corporation's investment in the Babson Limited Partnership for the years ended June 30, 2021 and 2020 was approximately $276,000 and $9,508,000, respectively.

Continued

14. Fair Value Measurement, Continued

- TCW Direct Lending, LLC (TCW) invests in highly-customized senior secured loans to middle market companies. TCW engages a third-party valuation firm to assist in the valuation of the investment, which includes using market data on syndicated loans, analyzing the strength of covenants, collateral, and management, as well as the outlook on the borrowing company and its industry. TCW values the underlying investments each quarter and updates the Corporation's investment in TCW accordingly. As of June 30, 2020, the Corporation had committed $3,000,000 to TCW, with approximately $2,390,000 that has been drawn down by TCW. The Corporation has an unfunded commitment of $760,000 which includes $150,000 of recallable distributions. Any capital distributions from TCW can be accessed monthly. The Corporation is committed to the investment for a three-year investment period and a three year unwind period with two one-year extensions; however, the investment could be sold on a secondary market. The fair value of the Corporation's investment in TCW for the years ended June 30, 2021 and 2020 was approximately $1,057,000 and $1,069,000, respectively.

15. Commitments and Contingencies

Litigation: The Corporation 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 Corporation's future financial position or results from operations.

Regulatory Compliance: 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 Corporation has implemented a compliance plan focusing on such issues. There can be no assurance that the Corporation will not be subjected to future investigations with accompanying monetary damages.

Hospital Authority of Floyd County Pension Plan: Pursuant to the Lease described in Note 1, the Corporation agreed to make an annual payment equal to the contribution which the Authority is required to make to satisfy minimum funding obligations under the Authority's Pension Plan with respect to benefits which had accrued under such plan, prior to the Lease. The pension liability as actuarially determined was approximately $9,600,000 and $8,400,000 at June 30, 2021 and 2020, respectively. The liability is included in due to the Hospital Authority of Floyd County on the balance sheet.

Continued

16. Health Care Reform

There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare 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 Corporation.

17. Liquidity and Availability

As of June 30, 2021 and 2020, the Corporation has a working capital (current assets minus current liabilities) of $145,639,762 and $139,107,962 and average days (based on normal expenditures) cash on hand of 65 days and 51 days, respectively.

Financial assets available for general expenditure within one year of the balance sheet date, consists of the following at June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	$ 81,990,854	$ 61,872,988
Short-term investments	39,431,868	40,588,203
Patient accounts receivable, net	79,189,241	70,525,418
Other current assets	14,298,475	5,976,197
Assets limited as to use:		
Internally designated for capital improvements	201,844,568	188,095,035
Total financial assets available	$ 416,755,006	$ 367,057,841

Cash and cash equivalents in the table above do not include the CARES Act refundable advance restricted for healthcare-related expenses or lost revenue attributable to COVID-19 of $300,000 and $12,015,000 in fiscal years 2021 and 2020, respectively. No other financial assets available in the table above are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Corporation estimates that approximately 100% of the internally designated funds for capital improvements could be available for general expenditure within one year in the normal course of operations if approved by the Board of Directors. Accordingly, these assets have been included in the quantitative information above. The Corporation has other assets whose use is limited for debt service, and for retirement plan 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 Corporation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as more fully described in Note 8, the Corporation has available an unused line of credit of $10,000,000, which it could draw upon in the event of an unanticipated liquidity need.

Continued

18. Subsequent Event

Effective July 1, 2021, the Corporation entered into a Member Substitution Agreement (Agreement) with The Charlotte-Mecklenburg Hospital Authority (CMHA). Under this Agreement, CMHA contributed $179,000,000 to payoff or refund notes payable and bonds payable in July 2021. In July 2021, the Corporation contributed approximately $112,000,000 to The Floyd-Polk Healthcare Foundation, Inc. which is a newly formed organization to support the health care needs of Floyd and Polk Counties. In July 2021, CMHA contributed $30,000,000 to The Floyd-Polk Healthcare Foundation, Inc. In July 2021, the Corporation contributed $2,000,000 to the Hospital Authority of Floyd County. Under this Agreement, CMHA commits to spend significant resources on capital and other operating needs of the Corporation in return for certain representation on the Corporation's Board of Directors and specific board rights.

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION

Board of Directors
Floyd Healthcare Management, Inc.
Rome, Georgia

We have audited the consolidated financial statements of Floyd Healthcare Management, Inc. as of and for the years ended June 30, 2021 and 2020, and our report thereon dated October 25, 2021, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information included in this report on pages 57 to 70, inclusive, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Draffin & Tucker, LLP

Albany, Georgia
October 25, 2021

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FLOYD HEALTHCARE MANAGEMENT, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Fiscal Year Ended June 30, 2021

Summary of Financial Condition and Results of Operations

The financial results for Floyd Healthcare Management, Inc. for fiscal year ended June 30, 2021, includes several events in the operations of our main facilities. Floyd Medical Center, an acute care hospital, and Floyd Behavioral Health, a behavioral health facility, are located in Rome, with 304 licensed beds. Polk Medical Center is licensed as a 25-bed critical access hospital in Cedartown, Georgia, and Floyd Cherokee Medical Center is licensed as a 60-bed acute care hospital in Centre, Alabama. Management's Discussion and Analysis of Financial Condition and Results of Operations will review the financial results for fiscal year 2021, the significant events impacting financial performance and management's outlook.

Floyd Healthcare Management, Inc. recorded gross patient charges during fiscal year 2021 of $2,173 million up 13.2% over the previous year. Deductions (including contractual adjustments for Medicare, Medicaid, and managed care plus provisions for indigent and charity care) and implicit price concessions for the fiscal year totaled $1,670 million, an increase of 13.5% or 76.99% of gross patient charges. Operating expenses for the fiscal year were $454.5 million, an increase of 4.5% over the previous year, a result of increased payroll and surgical supplies. Operating expenses as a percent of total operating revenues decreased from 94.2% to 85.1% in fiscal year 2021.

The operating gain on earnings before interest, depreciation, and amortization (EBIDA) increased to $79.3 million in fiscal year 2021 from $26.8 million in the prior year. The EBIDA margin for fiscal year 2021 was 14.9% compared to 5.8% in the previous year. Capital expenses, including depreciation, amortization and interest were up 24.5% to $35.0 million. Total expenses for fiscal year 2021 were $489.2 million, an increase of 5.6% over fiscal year 2020. Non-operating income was $10.2 million.

Floyd Healthcare Management, Inc.'s surgical cases increased 3.7% in fiscal year 2021 to 11,689 cases from 11,272. Floyd continued to see its commercial insurance remain at 31% of gross revenue in fiscal year 2021.

Floyd Healthcare Management, Inc. has been and will continue to be a vital health care resource for Rome, northwest Georgia, and northeast Alabama. Management remains optimistic that the programs completed, in progress and planned will ensure the long-term growth and viability of the health care system.

The following sections of Management's Discussion and Analysis of Financial Condition and Results of Operations will provide expanded information on the financial results and significant events.

Patient Volume, Gross Revenue and Net Revenue

During fiscal year 2021, Floyd Healthcare Management, Inc. recorded total inpatient admissions of 18,175, an increase of 950 admissions over the previous year. Overall outpatient volumes of 543,818 for the System increased from the prior year total of 521,793. In fiscal year 2021, emergency center areas saw 91,508 visits, not included in outpatient volumes shown above compared to 96,565 in fiscal year 2020.

Gross patient charges by major payor sources included Medicare, commercial insurance and Medicaid representing 41.82%, 31.39% and 16.53% respectively, for fiscal year 2021. Medicare and Medicaid combined for 58% of gross patient charges, compared to 59% from the prior year. Deductions and price concessions combined to account for over $1,670 million in reductions from gross patient charges during fiscal year 2021 compared to approximately $1,472 million in fiscal year 2020. Expressed as a percent of gross patient charges, total deductions and price concessions for fiscal year 2021 consumed 76.9% of each gross patient charges dollar, up from 76.6% in the prior year. Net patient service revenue increased 12.1% to approximately $502.7 million.

Expenses

Operating expense increased 4.5% to $454.5 million in fiscal year 2021 from $435.0 million in the prior year. The ratio of operating expense to total operating revenue decreased to 85.1% during fiscal 2021 from 94.2% in the prior year. Staffing expense, including salary, wages, and employee benefit programs, increased 5.0% to approximately $273.3 million. Staffing expenses represent 60.2% of the operating expenses, down from 59.8% in the prior year. Staffing expense continues to reflect sustained or growing service needs for patient care; growing pressures on the availability and costs of selected technical personnel; and overall upward market pressures on wages and employee benefit levels. Operating expenses less staffing expenses for fiscal year 2021 account for approximately $181.2 million. Total capital expenses for fiscal year 2021 were approximately $35.0 million. The ratio of capital expense to total operating revenue decreased to 6.6% up from 6.1% in the prior year.

Liquidity, Investment and Debt

Unrestricted cash resources consisted of approximately $241.3 million in short and intermediate term investments and approximately $82.3 million in operating cash for a total of $323.6 million. For fiscal year 2021, Floyd Healthcare Management, Inc. recognized investment income in the amount of approximately $8.8 million. The number of days cash on hand, measuring the equivalent days of operating expenses contained in Floyd Healthcare Management, Inc.'s unrestricted cash resources, including cash, cash equivalents, and funded depreciation were 255.4 days as of June 30, 2021, compared to 250.6 days as of June 30, 2020.

The cumulative investment in property and equipment, based on acquisition cost, was $397.4 million on June 30, 2021. Accumulated depreciation for these assets at the end of fiscal year 2021 is $247.3 million, yielding net property and equipment of $150 million. The average age of plant, an accounting measurement of overall plant and equipment age increased to 12.6 years. As of June 30, 2021, Floyd Healthcare Management, Inc. was responsible for $167.9 million in long-term debt, which includes approximately $39 million for the 2012 revenue certificates, and $107.7 for the 2016 revenue certificates.

Detailed Financials by Subsidiaries

The following are the consolidating Balance Sheet and Statement of Excess Revenues (Expenses) for Floyd Healthcare Management, Inc. broken down by subsidiary:

FLOYD HEALTHCARE MANAGEMENT, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS, Continued
Fiscal Year Ended June 30, 2021

CONSOLIDATING BALANCE SHEET

	Floyd Medical Center	Polk Medical Center, Inc.	Floyd Cherokee Medical Center, LLC	Floyd Physicians, LLC	Other	Consolidated Totals
ASSETS						
Current assets:						
Cash and cash equivalents	$ 56,944,911	$ 12,190,903	$ 1,576,636	$ 188	$ 11,578,216	$ 82,290,854
Assets limited as to use, current	6,033,529	832,412	-	-	-	6,865,941
Short-term investments	34,856,839	4,575,029	-	-	-	39,431,868
Patient account receivable, net	65,590,749	5,911,283	2,129,717	576,784	4,980,708	79,189,241
Inventories	12,481,038	281,047	257,624	-	159,551	13,179,260
Other current assets	18,807,470	343,275	708,663	187,933	828,968	20,876,309
Total current assets	194,714,536	24,133,949	4,672,640	764,905	17,547,443	241,833,473
Assets limited as to use:						
By Board for capital improvements	149,129,409	52,715,159	-	-	-	201,844,568
Under indenture agreement - held by trustee	6,760,217	832,430	-	-	-	7,592,647
457 F Plan - held by trustee	755,567	-	-	-	-	755,567
Total assets limited as to use	156,645,193	53,547,589	-	-	-	210,192,782
Less amount required to meet current obligations	6,033,529	832,412	-	-	-	6,865,941
Noncurrent assets limited as to use	150,611,664	52,715,177	-	-	-	203,326,841
Property and equipment, net	123,641,240	18,600,916	2,296,989	6,420	5,502,002	150,047,567
Other assets:						
Operating lease right-of-use assets	2,497,299	185,115	-	-	-	2,682,414
Finance lease right-of-use assets	36,762,202	2,195,187	719,837	-	2,553,741	42,230,967
Other	3,884,973	-	-	-	474,498	4,359,471
Total other assets	43,144,474	2,380,302	719,837	-	3,028,239	49,272,852
Total assets	$ 512,111,914	$ 97,830,344	$ 7,689,466	$ 771,325	$ 26,077,684	$ 644,480,733

See accompanying independent auditor's report on supplemental information.

FLOYD HEALTHCARE MANAGEMENT, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS, Continued
Fiscal Year Ended June 30, 2021

CONSOLIDATING BALANCE SHEET, Continued

	Floyd Medical Center	Polk Medical Center, Inc.	Floyd Cherokee Medical Center, LLC	Floyd Physicians, LLC	Other	Consolidated Totals
LIABILITIES AND NET ASSETS						
Current liabilities:						
Current portion of long-term debt	$ 4,826,164	$ 80,000	$ -	$ -	$ -	$ 4,906,164
Current portion of operating lease liabilities	1,081,722	74,428	-	-	-	1,156,150
Current portion of finance lease liabilities	4,048,341	102,999	228,947	-	486,813	4,867,100
Accounts payable	10,716,749	616,080	502,291	185,137	418,104	12,438,361
Estimated third-party payor settlements	1,529,278	1,223,000	(29,551)	-	67	2,722,794
Salaries and compensation	8,077,537	306,790	220,626	68,903	2,197,942	10,871,798
Employee benefits	14,749,316	808,880	387,947	6,466	1,289,579	17,242,188
Other accrued expenses	13,012,866	1,380,167	50,000	96,666	57,043	14,596,742
CARES Act refundable advance	-	-	300,000	-	-	300,000
Medicare accelerated and advance payments	24,181,245	2,911,169	-	-	-	27,092,414
Total current liabilities	82,223,218	7,503,513	1,660,260	357,172	4,449,548	96,193,711
Medicare accelerated and advance payments, net of current portion	12,090,623	1,946,852	-	-	-	14,037,475
Long-term debt, net of current portion	135,016,811	32,929,289	-	-	-	167,946,100
Operating lease liabilities, net of current portion	1,386,362	110,687	-	-	-	1,497,049
Finance lease liabilities, net of current portion	33,701,196	2,567,648	507,632	-	2,141,069	38,917,545
Noncurrent post-retirement liability	24,588,102	-	-	-	-	24,588,102
Due to/from related parties	(164,742,660)	(4,000,022)	11,522,363	6,905,323	150,314,996	-
Due to the Hospital Authority of Floyd County	9,572,890	-	-	-	-	9,572,890
Total liabilities	133,836,542	41,057,967	13,690,255	7,262,495	156,905,613	352,752,872
Net assets without donor restrictions	378,275,372	56,772,377	(6,000,789)	(6,491,170)	(130,827,929)	291,727,861
Total liabilities and net assets	$ 512,111,914	$ 97,830,344	$ 7,689,466	$ 771,325	$ 26,077,684	$ 644,480,733

See accompanying independent auditor's report on supplemental information.

CONSOLIDATING STATEMENT OF EXCESS REVENUES (EXPENSES)

	Floyd Medical Center	Polk Medical Center, Inc.	Floyd Cherokee Medical Center, LLC	Floyd Physicians, LLC	Other	Consolidated Totals
Operating revenues:						
Net patient service revenue	$ 406,999,333	$ 33,267,176	$ 14,611,326	$ 2,237,618	$ 45,583,323	$ 502,698,776
CARES Act funding	22,094,767	3,684,188	1,135,257	-	-	26,914,212
Other operating revenue	2,727,265	37,390	565,537	-	815,247	4,145,439
Total operating revenues	431,821,365	36,988,754	16,312,120	2,237,618	46,398,570	533,758,427
Expenses:						
Operating expenses	363,834,351	21,104,372	14,902,841	5,231,690	49,476,562	454,549,816
Depreciation and amortization	21,697,214	2,509,828	450,223	1,188	1,852,307	26,510,760
Interest	6,600,417	1,409,373	33,567	-	114,596	8,157,953
Total expenses	392,131,982	25,023,573	15,386,631	5,232,878	51,443,465	489,218,529
Operating income (loss)	39,689,383	11,965,181	925,489	(2,995,260)	(5,044,895)	44,539,898
Nonoperating income (expenses):						
Investment income and other	7,019,872	2,630,631	20,039	-	54,329	9,724,871
Pension benefit (expense)	452,752	-	-	-	-	452,752
Total nonoperating income	7,472,624	2,630,631	20,039	-	54,329	10,177,623
Excess revenues (expenses)	$ 47,162,007	$ 14,595,812	$ 945,528	$(2,995,260)	$(4,990,566)	$ 54,717,521

See accompanying independent auditor's report on supplemental information.

Community Benefits Summary for FY 2021

Providing a Helping Hand: Charity Care and Community Benefits

Perhaps most significant in meeting community health needs is the continuing commitment of Floyd to provide comprehensive health care services to all individuals regardless of ability to pay. In FY 2021, $92,667,177 in unreimbursed care was delivered by Floyd Healthcare Management, Inc. to individuals in the form of traditional charity care and through public programs and services. The value of all community benefit activities combined totaled $96,562,802.

Indigent care is the care provided to individuals who live in a family whose combined income falls below 125 percent of the federal poverty level for a family of a specific size. Currently, a family of four with a total annual family income of less than $33,125 is eligible for indigent care. Patients who qualify as indigent receive their hospital services at no cost to them.

Charity care is the medical care provided to low-income patients at a discounted rate. Floyd hospitals discount hospital charges on a sliding scale for patients whose combined family income falls between 125 percent and 400 percent of the federal poverty level for uninsured families of a specific size. The limit for insured families is 400 percent of the federal poverty level. For example, an individual living in a family of four with a total annual family income of $106,000 is eligible for a discount of 70 percent.

Patients who come to Floyd Medical Center, Polk Medical Center, Floyd Cherokee Medical Center or our behavioral health facility with no health insurance coverage or a low annual income meet with a financial counselor to determine if they are eligible for government assistance or for indigent or charity care. In FY 2021, Floyd financial counselors assisted 375 low-income residents in seeking eligibility for Medicaid programs including presumptive eligibility. There were 19,112 individual Medicaid patients treated at Floyd Medical Center for a total of 42,817 encounters. At Polk Medical Center, 4,917 individual Medicaid patients were treated for a total of 10,026 encounters, and at Floyd Cherokee Medical Center, 2,074 Medicaid patients were treated for a total of 3,441 encounters. Also, 221 individual Medicaid patients were treated at Floyd Behavioral Health Center for a total of 350 encounters.

Community Service

Individually and corporately, Floyd continues to be actively involved in the communities where we have a presence, lending leadership, time and other valuable resources to efforts to improve the quality of life for families in northwest Georgia and northeast Alabama.

In FY 2021, the organization's outreach into the community, along with the provision of trauma and neonatal intensive care services resulted in nearly 142,625 encounters through educational programs and screenings, physical examinations for athletes, childbirth classes, support groups and community outreach. Floyd co-workers and volunteers contributed 51,960 hours to community endeavors at an expense of $2,650,709.

- Floyd Medical Center made the COVID-19 vaccine available to the public through the on-site clinic. In FY21, the clinic administered 19,144 vaccinations at a cost of $682,787 to the organization.

- Floyd Medical Center offers 8-week, weekend, and online childbirth classes to help expectant parents be better prepared for labor, delivery and caring for their baby. Some insurances and government health coverage programs pay for childbirth education. Expectant parents who do not have coverage for these classes are not denied participation. In FY 2021, 96 individuals learned about childbirth, breastfeeding and newborn care through these childbirth education classes at a cost to the organization of $10,918.

- Cardiopulmonary resuscitation, Stop the Bleed and First Aid educators provide CPR and First Aid training to Floyd employees, employees of other companies and to members of the public. In addition, Floyd's Chest Pain program provides hands-only CPR training in the community. In FY 2021, 61 individuals received CPR and/or First Aid training from Floyd staff members at a cost to the organization of $1,539.

- Diabetes educators meet with patients in the hospital to help them manage their disease, but they also provide education about prediabetes, diabetes management and other related topics to individuals in the communities we serve. In FY 2021, educators provided 200 hours of free diabetes education at a cost to the organization of $14,950.

- One of the largest non-billed services expenses at Floyd lies in our efforts to support schools and colleges in training nurses, doctors, nurse practitioners, physician assistants and other health professionals with real-life training opportunities while shadowing or being mentored by Floyd employees in their respective fields. In FY 2021, working with 477 nursing students, Floyd staff members provided 32,358 hours of clinical education at a cost of $210,340 to the organization. Many of these students eventually accept jobs in our service area, providing much-needed medical expertise in our primary and secondary service areas. In addition, 175 allied health students received 25,892 hours of training from Floyd staff members at a cost to the organization of $168,285. In FY 2021, 87 medical students studying to become physicians trained at Floyd. Floyd staff members provided 13,602 hours of clinical education to medical students not in our residency program at a cost of $88,400.

- Floyd Emergency Medical Services, supplemented by other Floyd departments, is a fixture at community events throughout the year, providing onsite ambulance back-up, First Aid stations and medical support when it is needed. In FY 2021, 104,171 people benefitted from medical care and support at community events at a cost of $146,471 to the organization.

- Floyd is heavily invested in local schools. In addition to the 17,000 students who are covered by the school nurses provided in Floyd County, Rome City and Polk County schools, Floyd provides health and safety training programs and career day speakers to students throughout the area. In FY 2021, 4,225 students benefitted from school-based education programs presented by Floyd departments at a cost of $12,773. As part of those efforts, Floyd supplies Certified Athletic Trainers to every high school in Floyd, Polk and Chattooga counties. Providing Athletic trainers to schools cost the organization $1,328,796 in the past fiscal year.

- The Floyd County Clinic, which Floyd Medical Center operates through the Family Medicine Residency program, had 194 outpatient visits in FY 2021. The Clinic provides assistance to financially and medically indigent patients to reduce their need for emergency and inpatient hospital care. In addition, 14 outpatient visits were recorded through Floyd's We Care Program in FY 2021, which helps low-income patients without health insurance or governmental benefits control and improve chronic conditions with preventive care.

- Floyd provides maintenance prescription pharmaceuticals to low-income uninsured outpatients at no cost to the patient through its hospital pharmacy. Any qualified, low-income patient under the care of the Family Medicine Residency program or being discharged from Floyd Medical Center may be eligible to receive the prescribed medications. In FY 2021, Floyd provided 14,314 prescription pharmaceuticals to 673 low-income, uninsured patients at a cost of $270,881. The Polk Medical Center pharmacy provided $983 in prescription pharmaceuticals to low income, uninsured patients.

- Floyd helped to create, contributed supplies and provided seed money to fund the Faith and Deeds Clinic of Rome, a local organization that provides free primary medical care to low income, uninsured patients in our community. The clinic traces its roots to a volunteer mission effort to provide basic medical care services to Floyd County's homeless community. Now housed in its own facility, the clinic schedules patients with volunteer physicians, dentists and nurses and receive free lab tests and assistance with prescription medications. Floyd also provides $25,000 in financial support to the clinic annually.

- Floyd's Mobile Mammography Coach is equipped with state-of-the-art, digital mammography equipment and is used to reach out to the mostly rural and underserved areas in and around the four-county service area. The coach provided 2,482 mammograms to women in our service area in FY 2021. Of those, 711 patients were past due for a mammogram, 146 women had never had a mammogram before, and 174 screenings revealed an abnormality that required further testing, and 11 women were diagnosed with cancer as a result of their visit to the mobile mammography coach. The goal of this program is to reach women who have never had a mammogram, in hopes of reducing the breast cancer mortality rate in our region, which is among the highest in the nation. The coach traveled 7,210 miles in FY 2021 to women in seven Georgia counties and two Alabama counties to make mammography and clinical breast exams convenient for them. This program seeks to provide services and education to these women with the goal of reducing the mortality rate and improving the lives of these women and their families.

- As a system of community hospitals, Floyd is continuously looking for opportunities to reach farther into our communities to meet the needs of the full spectrum of individuals who seek medical care in northwest Georgia and northeast Alabama. We currently have several outreach programs aimed at improving access to health care in our communities.

Members of the Floyd team are committed to the community in many ways. In FY 2021, Floyd co-workers loaned their talents and leadership skills to school, civic and professional organizations. A partial list of the leadership roles Floyd employees held during this time includes:

- Member, Association of Professional Chaplains
- Member, Berry College Campbell School of Business Executive Advisory Council
- Mentor, Berry College Leadership
- Member, Berry College Reunion Committee
- Member, Berry College Reunion Scholarship Committee
- Member, Blood Assurance Rome/Floyd Advisory Board of Directors
- Vice President, Calhoun Youth Competition Summer Swim Program Board of Directors
- Member, Change Healthcare Customer Solution Council
- Member, Cherokee County Alabama Chamber of Commerce
- Member, Compassionate Paws Board of Directors
- Secretary, Coosa River Basin Initiative (CRBI) Executive Board of Directors
- Member, Coosa Valley Fair Board of Directors
- Advocate, Court Appointed Special Advocates (CASA)
- Treasurer, Cumberland Wilderness Retreat Board of Directors
- Member, First Baptist Church of Rome Budget and Personnel Committees
- Member, First Presbyterian Church of Rome Family Equipping Ministry Team
- Member, First Presbyterian Church of Rome Marriage Ministry Team
- Member, Floyd County Career Academy Board of Directors
- Member, Floyd Opioid Stewardship Committee
- Member, Free Clinic of Rome Board of Directors
- Treasurer, Georgia Access Management Association (GAMA)
- Vice President, Georgia Access Management Association (GAMA)
- Member, Georgia Association of Development Professionals (GADP)
- Member, Georgia Healthcare Financial Management Association (HFMA) Board
- Member, Georgia Healthcare Information and Management Systems Society (HIMSS)
- President-Elect, Georgia Health Information Management Systems Society (HIMSS)
- Chair, Georgia Healthcare Information and Management Systems Society (HIMSS) Communications Committee
- Chair, Georgia Healthcare Information and Management Systems Society (HIMSS) Gala and Golf Committees
- Member, Georgia Highlands College Nursing Advisory Board of Directors
- Member, Georgia Hospital Association Bylaws Review Committee
- Member, Georgia Hospital Association Center for Rural Health Board of Directors
- Member, Georgia Organization of Nurse Leaders Board of Directors
- Board Advisor, Georgia Society of Healthcare Volunteers
- Secretary, Georgia Society for Volunteer and Retail Professionals
- Member, Georgia Society of Healthcare Marketing and Public Relations Board of Directors
- Member, Healthcare Coalition Advisory Committee
- Member, HSI Financial Services Board of Directors
- Member, Kiwanis Club of Polk County Board of Directors
- Southeast Regional Delegate, National Association of Healthcare Access Management

- Member, Open Door Home Board of Directors
- Member, Opioid Task Force for the Medical Association of Georgia
- Chair, Polk County Chamber of Commerce Board of Directors
- Medical Representative, Polk County College and Career Academy
- Member, Polk County Water Authority Board of Directors
- Member, Revenue Cycle Match Advisory Board of Directors
- Chair, Rockmart Farmers Market Board of Directors
- Member, Rome City School Board of Directors
- Member, Rome Downtown Development Association (DDA)
- Chair, Rome Downtown Development Authority Promotions Committee
- Member, Rome Exchange Club
- Member, Rome Exchange Club Family Resource Center Board of Directors
- Member, Rome Floyd County Board of Adjustments
- Member, Rome/Floyd County Commission on Children and Youth
- Member, Rome/Floyd Parks Recreation Department Board of Directors
- Member, Rome Office of Tourism Board of Directors
- Reserve Police Officer, Rome Police Department
- Member, Rome Seven Hills Rotary Club
- Secretary, Rome Seven Hills Rotary Club
- Member, Southeastern Healthcare Volunteer Leaders
- Chair, St. Mary's School Advisory Council
- Chairman, Unity Christian School Board
- Community Coach, Unity Christian School Middle School Football and Basketball Teams
- Member, United Way of Rome and Floyd County Board of Directors
- Elder, West Rome Baptist Church
- Member, Windham Brannon Health Practice Advisory Panel
- Member, YMCA Board of Directors

Accreditations and Certifications

In 2021, Floyd held the following certifications and accreditation from The Joint Commission:

Floyd Medical Center

- Hospital/Home Care
- Behavioral Health Care
- Laboratory
- Advanced Palliative Care
- Advanced Heart Failure
- Inpatient Diabetes Care
- Primary Stroke Center
- Joint Replacement – Hip
- Joint Replacement – Knee
- Spine Surgery

Polk Medical Center

- Critical Access Hospital
- Laboratory
- Heart Failure
- Acute Stroke Ready

Floyd Cherokee Medical Center

- Hospital
- Laboratory

CareChex - Medical Excellence

In 2021, CareChex, an information service of Quantros, Inc., honored Floyd Medical Center for being a top hospital in the nation in the following Medical Excellence categories:

- Overall Medical Care
- Sepsis Care
- Spinal Surgery
- Women's Health

CareChex - Patient Safety

In 2021, CareChex also recognized Floyd Medical Center for being a top hospital in the nation in the following Patient Safety categories:

- Overall Medical Care
- Chronic Obstructive Pulmonary Disease
- Gastrointestinal Care
- Heart Attack Treatment
- Major Bowel Procedures
- Major Orthopedic Surgery
- Neurological Care
- Pneumonia Care
- Pulmonary Care
- Spinal Fusion
- Spinal Surgery

Get With The Guidelines American Heart Association/American Stroke Association

- Floyd Medical Center – Heart Failure Gold Plus Quality Achievement
- Polk Medical Center – Heart Failure Gold Plus Quality Achievement
- Floyd Medical Center – Stroke Gold Plus Quality Achievement Award

Leapfrog Group Top Rural Hospital

Polk Medical Center was named a Top Rural Hospital by The Leapfrog Group in 2020 for the third consecutive year. Polk was one of only 19 hospitals in the United States awarded this honor, which recognizes excellence in patient safety and quality care.

In 2021, Floyd also held the following quality designations from other organizations:

- Comprehensive Bariatric Center accreditation from the Metabolic and Bariatric Surgery Accreditation and Quality Improvement Program
- National Quality Measures for Breast Centers Certified Quality Breast Center of Excellence
- American Heart Association / American Stroke Association Get with the Guidelines Gold Plus Award for Stroke Care
- American Heart Association Get with the Guidelines Gold Award for Heart Failure Care (Floyd Medical Center and Polk Medical Center).
- Level II Trauma Center for Floyd Medical Center from the Georgia Department of Public Health
- Level IV Trauma Center for Polk Medical Center from the Georgia Department of Public Health
- Level III Neonatal Intensive Care Unit
- Antibiotic Stewardship Gold Honor Roll for Polk Medical Center.
- Chest Pain Center, American College of Cardiology
- Comprehensive Community Cancer Program by the American College of Surgeons

Floyd's commitment to its role as an excellent community hospital may be best illustrated by the extraordinary acts of kindness and compassion that permeate our culture. We believe that it is important to always keep our values and our mission in front of us. On a daily basis, the employees of Floyd realize that each encounter is an opportunity to put our mission into action. Our commitment to our values and to high levels of employee and patient satisfaction enables a culture of high performance.

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*

Board of Directors
Floyd Healthcare Management, Inc.
Rome, 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 accompanying consolidated financial statements of Floyd Healthcare Management, Inc., as of and for the year ended June 30, 2021, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Floyd Healthcare Management, Inc.'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Floyd Healthcare Management, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Floyd Healthcare Management, Inc.'s internal control.

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 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 Floyd Healthcare Management, Inc.'s consolidated 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 may exist that have not been identified.

Continued

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Floyd Healthcare Management, Inc.'s consolidated financial statements are free of 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 consolidated 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 as 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 Floyd Healthcare Management, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Floyd Healthcare Management Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Draffin & Tucker, LLP

Albany, Georgia
October 25, 2021