NCH Healthcare System, Inc. and Subsidiaries

Consolidated Financial Report
September 30, 2023

Contents

Independent Auditor's Report

Board of Trustees
NCH Healthcare System, Inc.

Opinion
We have audited the consolidated financial statements of NCH Healthcare System, Inc. and Subsidiaries (the System), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the System as of September 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Coral Gables, Florida
January 24, 2024

NCH Healthcare System, Inc. and Subsidiaries

Consolidated Balance Sheets
September 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 11,722,058	$ 6,639,516
Investments	-	1,071,701
Due from patients and others, net	104,838,911	92,678,670
Assets limited as to use	28,236,465	10,931,141
Inventories	19,367,055	18,774,888
Estimated third-party payor receivable	53,923,582	48,533,525
Other current assets	19,333,741	14,470,325
Total current assets	237,421,812	193,099,766
Assets limited as to use:		
Self-insurance fund	22,423,625	16,651,205
Board-designated assets	231,123,909	253,486,373
Donor receivables	76,846,070	38,854,964
Assets designated or restricted for donor intentions	41,354,825	26,144,753
	371,748,429	335,137,295
Less assets limited as to use that are available to pay current liabilities	(28,236,465)	(10,931,141)
	343,511,964	324,206,154
Investment in partnerships	25,789,132	5,351,097
Property and equipment, net of accumulated depreciation	439,596,932	444,863,730
Lease right-of-use assets for operating, net of accumulated amortization	18,731,763	21,478,872
Lease right-of-use assets for finance, net of accumulated amortization	722,088	885,788
Other assets	4,349,090	3,910,061
Total assets	$ 1,070,122,781	$ 993,795,468

See notes to the consolidated financial statements.

NCH Healthcare System, Inc. and Subsidiaries

Consolidated Balance Sheets
September 30, 2023 and 2022

	2023	2022
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	**$ 6,490,000**	$ 6,368,000
Current portion of estimated self-insurance liabilities	**14,734,228**	4,894,665
Accounts payable	**70,306,032**	55,431,257
Accrued expenses	**49,189,447**	41,545,684
Accrued interest	**1,112,538**	1,170,487
Current operating lease liability	**5,460,407**	6,072,030
Current finance lease liability	**337,250**	395,966
Total current liabilities	**147,629,902**	115,878,089
Long-term debt, excluding current portion	**121,410,244**	127,861,137
Estimated self-insurance liabilities, excluding current portion	**17,230,386**	12,186,607
Long-term operating lease liability, excluding current portion	**14,023,955**	16,005,423
Long-term finance lease liability, excluding current portion	**389,753**	487,631
Other liabilities	**21,777,196**	23,173,504
Total liabilities	**322,461,436**	295,592,391
Net assets:		
Net assets without donor restrictions	**598,670,937**	617,795,488
Net assets with donor restrictions	**148,990,408**	80,407,589
Total net assets	**747,661,345**	698,203,077
Total liabilities and net assets	**$ 1,070,122,781**	$ 993,795,468

See notes to the consolidated financial statements.

NCH Healthcare System, Inc. and Subsidiaries

Consolidated Statements of Operations
Years Ended September 30, 2023 and 2022

	2023	2022
Revenues without donor restrictions:		
Net patient service revenue	**$ 783,128,907**	$ 779,743,036
Other revenue	**21,398,988**	28,826,261
Charitable contributions without donor restrictions	**6,579,325**	5,278,231
Net assets released from restrictions for operations	**7,395,890**	3,131,672
Total revenues	**818,503,110**	816,979,200
Expenses:		
Salaries and wages	**379,159,274**	395,934,635
Employee benefits	**54,585,712**	53,519,598
Supplies and other expenses	**280,121,119**	255,962,174
Purchased services	**119,615,040**	123,623,388
Depreciation and amortization	**57,703,943**	53,264,319
Interest expense	**2,248,866**	2,039,339
Total expenses	**893,433,954**	884,343,453
Operating loss	**(74,930,844)**	(67,364,253)
Other (loss) income:		
Investment income (loss)	**23,995,496**	(62,672,395)
Gain on deconsolidation of subsidiary	**16,375,000**	-
Loss on disposal of property and equipment	**(1,620,200)**	(92,897)
Excess of revenues under expenses	**(36,180,548)**	(130,129,545)
Net assets released from restrictions for capital	**17,055,997**	5,065,191
Decrease in net assets without donor restrictions	**$ (19,124,551)**	$ (125,064,354)

See notes to consolidated financial statements.

NCH Healthcare System, Inc. and Subsidiaries

Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2023 and 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Net assets at September 30, 2021	$ 742,859,842	$ 62,571,308	$ 805,431,150
Excess of revenues under expenses	(130,129,545)	-	(130,129,545)
Change in net unrealized losses on securities	-	(8,079,599)	(8,079,599)
Restricted gifts and bequests	-	33,162,661	33,162,661
Income from restricted investments	-	950,082	950,082
Net assets released from restrictions for operations	-	(3,131,672)	(3,131,672)
Net assets released from restrictions for capital	5,065,191	(5,065,191)	-
Change in net assets	(125,064,354)	17,836,281	(107,228,073)
Net assets at September 30, 2022	617,795,488	80,407,589	698,203,077
Excess of revenues under expenses	(36,180,548)	-	(36,180,548)
Change in net unrealized gains on securities	-	2,376,739	2,376,739
Restricted gifts and bequests	-	89,859,837	89,859,837
Income from restricted investments	-	798,130	798,130
Net assets released from restrictions for operations	-	(7,395,890)	(7,395,890)
Net assets released from restrictions for capital	17,055,997	(17,055,997)	-
Change in net assets	(19,124,551)	68,582,819	49,458,268
Net assets at September 30, 2023	**$ 598,670,937**	**$ 148,990,408**	**$ 747,661,345**

See notes to consolidated financial statements.

NCH Healthcare System, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 49,458,268	$ (107,228,073)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Restricted gifts and bequests for capital and endowment	(5,110,972)	(7,435,202)
Net loss from partnerships	4,208	3,558,574
Net realized and unrealized (gains) losses on investments	(21,999,538)	76,208,034
Income from restricted gifts and bequests	(798,130)	(950,082)
Depreciation and amortization	57,743,050	53,971,936
Provision for bad debts	405,674	909,239
Loss on disposal of property and equipment	1,620,200	92,897
Changes in assets and liabilities:		
(Increase) decrease in due from patients and others	(12,565,915)	16,060,058
Increase in estimated third-party payor receivable	(5,390,057)	(49,634,657)
Increase in inventories	(592,167)	(3,598,029)
Increase in donor receivables	(37,991,106)	(13,862,387)
Increase in other current assets	(4,863,416)	(1,522,832)
Increase in accounts payable	12,432,104	13,973,639
Increase (decrease) in accrued expenses and accrued interest	7,585,814	(17,102,939)
Decrease in Medicare accelerated payments	-	(58,751,742)
Increase in estimated self-insurance liabilities	14,883,342	2,296,242
(Decrease) increase in other liabilities	(1,396,308)	13,047,527
Net cash provided by (used in) operating activities	53,425,051	(79,967,797)
Cash flows from investing activities:		
Purchases of property and equipment	(54,432,832)	(76,031,051)
Proceeds from the sales of property and equipment	3,455,331	908,715
Purchases of investments	(50,609,722)	(196,016,409)
Sales of investments	75,060,933	298,881,409
(Increase) decrease in other assets	(439,029)	134,295
Increase in partnerships	(20,442,243)	(537,777)
Net cash (used in) provided by investing activities	(47,407,562)	27,339,182
Cash flows from financing activities:		
Restricted gifts and bequests for capital and endowment	5,110,972	7,435,202
Income from restricted gifts and bequests	798,130	950,082
Repayment of long-term debt	(6,368,000)	(6,246,000)
Payment of finance lease	(476,049)	(603,458)
Proceeds from issuance of bond payable	-	7,300,000
Net cash (used in) provided by financing activities	(934,947)	8,835,826
Increase (decrease) in cash and cash equivalents	5,082,542	(43,792,789)
Cash and cash equivalents:		
Beginning	6,639,516	50,432,305
Ending	$ 11,722,058	$ 6,639,516
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 2,339,059	$ 2,352,632
Change in donor receivables for capital and endowment	35,029,836	5,419,801
Noncash additions to property and equipment	2,442,671	6,950,873
Noncash contributions of property and equipment to partnerships	16,375,000	-
Noncash additions to right of use asset and lease liability	1,493,602	1,098,182

See notes to consolidated financial statements.

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of organization: The NCH Healthcare System, Inc. (the Parent) was incorporated as a 501(c)(3) not-for-profit parent holding corporation in 1983 under a plan of reorganization to better serve the community's health care needs and to provide management with greater flexibility in providing services.

The NCH Healthcare System, Inc. and Subsidiaries (the System) consolidated financial statements consist of the following entities:

Naples Community Hospital, Inc. (the Hospital), a not-for-profit corporation located in Collier County, Florida, consists of two hospitals with 713 beds. The Downtown Naples Hospital Campus is a 391-bed acute care facility and North Naples Hospital Campus is a 322-bed acute care facility. The Hospital also has a blood center and various other outpatient centers located throughout the community. The Hospital is a wholly owned subsidiary of the System. The System's Board of Trustees also serve on the Board of Trustees of the Hospital.

NCHMD, Inc. (d/b/a NCH Healthcare Group), a not-for-profit corporation, owns and operates physician medical practices in Collier and Lee County, Florida.

The Obligated Group consists of Naples Community Hospital, Inc., NCHMD, Inc. and the Parent.

Marco Island Hospital, Inc. d/b/a Marco Healthcare Center (MIH), a not-for-profit corporation, operates an urgent care center and medical office building on Marco Island, Florida.

NCH ACO, LLC, a not-for-profit corporation was formed in May 2017, to participate in the Medicare Shared Savings Program.

Collier Health Care, Inc. (CHCI), a not-for-profit corporation, owns and leases healthcare facilities in Naples and Immokalee, Florida.

Health Resources Corporation (HRC), a for-profit holding company, owns 100% of the proprietary subsidiary, Community Home Care, Inc. which owns a 49% interest in Kokua Healing Arts, Inc.; an established private duty home health agency headquartered in Naples, Florida which is accounted for using the equity method of accounting. Community Home Care, Inc. ended the partnership with Kokua Healing Arts, Inc. on September 30, 2023.

Greater Collier Insurance, Ltd. (the Captive) was formed in March 2022 in the Cayman Islands to access various insurance markets. The Captive is a subsidiary of NCH Healthcare System, Inc.

On November 22, 2021, the Hospital entered into a joint venture with VH Naples Holdings, LLC (ValueHealth) creating NCH – VH Joint Venture, LLC (NCH – VH). NCH – VH's purpose is to develop and operate ambulatory surgery centers in the local market. While the Hospital owns a 51% interest in NCH – VH, ValueHealth has substantive participating rights as it has equal representation on the Board. The Board has the full, complete and exclusive authority to manage, direct and control the business, affairs and properties of the NCH – VH, and to perform any and all other acts or activities customary or incident to the management of the NCH – VH's activities. The System accounts for the investment in NCH – VH under the equity method of accounting.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

On July 1, 2021, the System entered into a joint venture with ProScan Imaging, LLC (PSI) creating ProScan NCH Imaging, LLC (PNI). PNI was created to improve and expand upon the existing radiology services provided by the System. While the System owns a 51% interest in PNI, PSI has substantive participating rights that include among other matters equal rights in appointing and removing directors and officers, approval of the operating and capital budgets, amending the bylaws, incurring debt, and any other Major Decisions as defined in the LLC agreement. The System accounts for the investment in PNI under the equity method of accounting.

On December 1, 2022, the System entered a joint venture with Encompass Health Corporation creating Encompass Health Rehabilitation Hospital of Naples, LLC. The System owns a 50% interest in Encompass Health Rehabilitation Hospital of Naples, LLC. The joint venture will operate an inpatient rehabilitation hospital in Collier County. The System accounts for the investment in Encompass Health Rehabilitation Hospital of Naples, LLC under the equity method of accounting.

The Parent also owns a 50% interest in Naples Physician Hospital Organization d/b/a Community Health Partners (CHP), a not-for-profit taxable entity under the laws of the state of Florida. CHP contracts with various employers and other third-party payors for the provision of healthcare services by CHP members. The investment in CHP is accounted for using the equity method.

The System maintains the legal right to appoint trustees and directors of its wholly owned subsidiaries. In addition, the System maintains the right to approve: (1) the operating and capital budgets, (2) all amendments to the bylaws and articles of incorporation, and (3) all long-term debt obligations for all of the wholly owned subsidiaries.

Basis of presentation: These consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to report on the System as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into two classes of net assets – net assets without donor restrictions or net assets with donor restrictions as follows:

Net assets without donor restrictions: Net assets without donor restrictions represent resources generated from operations, unrestricted donations and the satisfaction or lapse of donor restrictions that are no longer subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets with donor restrictions are subject to donor-imposed stipulations and/or time restrictions that will eventually be met by actions of the System and/or the passage of time or have been restricted by donors to be maintained in perpetuity by the System. Generally, the donor of the net assets restricted in perpetuity permits the System to use the income earned from these assets for general or specific purposes.

A summary of the Organization's significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts of the System. All significant intercompany amounts and transactions have been eliminated in consolidation. The entities that are part of the System are all legally separate entities.

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 consolidated financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less at date of purchase but exclude amounts whose use is limited for specific purposes and self-insurance programs or by board designation and arrangements under trust agreements.

Investments and investment income: Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investments are recorded as current assets when they are available for current operations. Investments that are not available for current operations as a result of contractual obligations, restrictions, designations or for other reasons are not included in current assets. Investment income or loss includes realized gains and losses on investments, interest and dividends unless the income or loss is restricted by donor or law. Interest and dividends are recorded when earned. Realized gains and losses are recorded when the investments are sold. Unrealized gains and losses represent the change in fair value between reporting periods.

The System invests in a professionally managed portfolio that contains common shares and bonds of publicly traded companies, U.S. government and agency obligations, mutual funds and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

Due from patients and others: Accounts receivable for medical services are recorded net of implicit and explicit price concessions. Implicit price concessions represent differences between amounts billed and the estimated consideration the System expects to receive from patients, which are determined based on historical collection experience, current market conditions and other factors. Accounts are written off when collection efforts have been exhausted.

Inventories: Inventories consist primarily of operating supplies and are stated at the lower of cost or net realizable value, on a first-in, first-out basis.

Assets limited as to use: Assets limited as to use primarily include assets required to fund claims in the System's self-insurance programs, assets set aside by the Board of Trustees primarily for capital replacement, assets held by trustee under bond indenture agreements, donor receivables and assets designated or restricted for donor intentions. Amounts required to meet current liabilities of the System have been classified as current assets.

The System has received gifts of beneficial interests in trusts held by bank trustees. Under some trusts, the System is named as the beneficiary in remainder trusts held by third parties. The beneficial interest in these trusts are carried at fair value. The System has other trusts whereby it has the irrevocable right to receive the income earned on its share of the trust assets in perpetuity, but never receives the trust assets. The System reports their interest in these trusts based on their pro rata share of the fair value of the assets in the trust. The beneficial interest in the trusts are reported as assets limited as to use and as net assets with donor restrictions.

Donor receivables: Pledges to make future donations are reported at net present value generally at the time the unconditional pledge is made, net of an allowance for estimated uncollectible pledges.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Donor contributions: Unconditional donor promises to give and contributions are reported at fair value at the time of the gift. Conditional promises to give are recognized at fair value when the conditions on which they depend are substantially met or the probability that the condition will not be met is remote. Gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and consolidated statements of changes in net assets as net assets released from restrictions for operations or capital.

Property and equipment: Property and equipment are recorded at cost or if donated, at fair market value at date of donation. Property and equipment donated for operations are recorded as additions to net assets without donor restrictions. Major asset classifications and useful lives are generally based on the estimated utility of the assets and considering the American Hospital Association guidelines. Depreciation is provided over the estimated useful life of each class of depreciable assets, which range from 3 to 40 years, and is computed on the straight-line method. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed and any resulting gain or loss is included in other income within the consolidated statements of operations.

Leases: The System determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and the System has the right to control the asset. Lease right-of-use (ROU) assets represent the System’s right to use an underlying asset for the lease term and a lease liability represents the System’s obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at the later of the commencement date (October 1, 2020) or the lease inception date based on the present value of lease payments over the lease terms. The System has elected to use the rate implicit in the lease agreement in determining the present value of lease payments unless that rate cannot be readily determined. If the rate is not implicit in the lease, the System elected the practical expedient to use the risk-free rate, using a period comparable with that of the lease term, based on the U.S. Treasury yield curve rate. Lease terms include options to extend the lease when it is reasonably certain those options will be exercised. The System has elected to not recognize assets and liabilities for leases with a lease term of 12 months or less (short-term leases). Lease payments for short-term leases are recognized as expense on a straight-line basis and any variable lease payments are recognized as expense in the period for which the obligation is incurred. The System has lease agreements with lease and non-lease components, which the System has elected to account for as a single lease component for all asset classes. In the consolidated statements of operations and changes in net assets, lease expense for lease payments is recognized on a straight-line basis over the lease term.

Goodwill and other identifiable intangible assets: Goodwill and other identifiable intangible assets at September 30, 2023 and 2022 was $2,381,665 and $2,381,665, respectively, and is included in other assets on the consolidated balance sheets. The System reviews goodwill for impairment annually or sooner if indications of possible impairment are identified. The indefinite-lived intangible assets are initially measured at fair value. The indefinite-lived intangible assets are evaluated for impairment at each annual reporting period and if events or circumstances indicate that the assets may be impaired. No goodwill or intangible asset impairment was recognized during the years ended September 30, 2023 and 2022.

Debt issue costs: Debt issue costs are amortized over the life of the related bonds using the effective interest method and are reported net of long-term debt in the consolidated balance sheets.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Estimated self-insurance liabilities: The liability for estimated self-insured medical malpractice claims, workers' compensation claims, certain property claims and health and dental claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. Health and dental claim liabilities are included with accrued expenses. The liability for medical malpractice claims, workers' compensation claims and certain property claims have been actuarially determined.

Excess of revenues under over expenses: The consolidated statements of operations include excess of revenues under expenses. Changes in net assets without donor restrictions, include assets released from donor restrictions for capital in accordance with stipulations of a gift.

Net patient service revenue: The System reports patient service revenue at the amount that reflects the consideration to which the System expects to be entitled to 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 adjustments due to settlement of audits and reviews. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. The System measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the System does not believe it is required to provide additional goods or services to the patient.

As the System's performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The System determines the transaction price based on standard charges for goods and services provided to patients, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the System's policy, and/or implicit price concessions. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts expected to be collected based on the System's collection history with similar classes of patients. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. 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 September 30, 2023 and 2022 was $405,674 and $909,239, respectively, and is included in supplies and other expenses in the consolidated statements of operations.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

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

Charity care: The System provides care without charge or at amounts less than its established rates to patients who meet specific criteria under the State's charity care guidelines. Because the System does not pursue collection of accounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income taxes: The System and all of its not-for-profit subsidiaries are exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code (the Code). The System and all of its not-for-profit subsidiaries do not have significant unrelated business income; however, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities. The System's for-profit subsidiaries are subject to income tax. The Captive is not subject to income taxes as no income taxes are levied in the Cayman Islands. The income tax expense for fiscal year 2022 was approximately $1,080 and the estimate for income tax expense for fiscal year 2023 is approximately $5,000. The System's practice is to recognize interest and/or penalties related to income tax matters as income tax expense in the consolidated statements of operations under supplies and other expenses. The System is generally no longer subject to tax examinations in the major U.S. taxing jurisdictions in which they operate for tax years prior to 2019.

Fair value measurements: The System follows the authoritative guidance for fair value measurements and the fair value option for financial assets and financial liabilities. The guidance for the fair value option for financial assets and financial liabilities provides companies the irrevocable option to measure many financial assets and liabilities at fair value on their acquisition or commitment date, with changes in fair value recognized in earnings. The System has not elected to measure any financial assets or liabilities at fair value that were not previously required to be measured at fair value.

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the System. Unobservable inputs are inputs that reflect the System's assumptions about the factors market participants would use in valuing the asset or liability.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The guidance establishes three levels of inputs that may be used to measure fair value:

Level 1: Includes financial instruments for which quoted market prices for identical instruments that are available in active markets. Level 1 assets consist of money market funds, equity mutual and exchange-traded funds, equity securities and U.S. Treasury securities as they are traded in an active market with sufficient volume and frequency of transactions.

Level 2: Includes financial instruments for which there are inputs other than quoted prices included within Level 1 that are observable for the instrument such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets with sufficient volume or infrequent transactions (less active markets) or model-driven valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data, including market interest rate curves, referenced credit spreads and pre-payment rates. Level 2 assets and liabilities consist of certain marketable debt instruments. Marketable debt instruments in this category include U.S. government and agency securities, corporate bonds, fixed income funds and foreign and domestic equity securities.

Level 3: Includes financial instruments for which fair value is derived from valuation techniques including pricing models and discounted cash flow models in which one or more significant inputs are unobservable, including the System's own assumptions. The pricing models incorporate transaction details such as contractual terms, maturity and, in certain instances, timing and amount of future cash flows, as well as assumptions related to liquidity and credit valuation adjustments of marketplace participants. Level 3 equity funds, charitable remainder trust receivables, and perpetual trusts are recorded at fair value based on the underlying value of the assets in the trust or discounted cash flow of the expected payment streams.

COVID-19 pandemic: In January 2020, the Secretary of the U.S. Department of Health and Human Services (HHS) declared a national public health emergency due to a novel strain of coronavirus (COVID-19). In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. As a result of the COVID-19 pandemic, federal and state governments have passed legislation, promulgated regulations and taken other administrative actions intended to assist health care providers in providing care to COVID-19 and other patients during the public health emergency which included the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) that was enacted on March 27, 2020. In addition, the CARES Act provides for an expansion of the Medicare Accelerated and Advance Payment Program whereby inpatient acute care hospitals and other eligible providers may request accelerated payment of up to 100% of their Medicare payment amount for a six-month period to be repaid through withholding of future Medicare fee-for-service payments beginning 12 months after receipt. During the periods ended September 30, 2023 and 2022, the System was the beneficiary of these stimulus measures, including the Medicare Accelerated and Advance Payment Program. The System's accounting policies for the recognition of these stimulus monies are described below.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

CARES Act and Paycheck Protection Program and Health Care Enhancement Act (PPPHCE Act) Funds: During the year ended September 30, 2022, the System received approximately $5,734,000 in payments through the Public Health and Social Services Emergency Fund (PHSSEF) in general distributions. For the years ended September 30, 2023 and 2022 approximately $0 and $5,734,000, respectively, of the PHSSEF payments qualified as reimbursement for lost operating margin and incremental expenses, and was recognized as other revenue in the consolidated statements of operations. The recognition of amounts received is conditioned upon the provision of care for individuals with possible or actual cases of COVID-19 after January 31, 2020, certification that payment will be used to prevent, prepare for and respond to COVID-19 and shall reimburse the recipient only for health care-related expenses or lost operating margin that are attributable to COVID-19, and receipt of the funds. The System recognizes grant payments as income when there is reasonable assurance the System has complied with the conditions associated with the grant.

Medicare accelerated payments of approximately $85,230,000 were received by the System during the year ended September 30, 2020. The Medicare accelerated payments were interest free and the program required that Centers for Medicare and Medicaid Services (CMS) recoup the accelerated payments beginning 12 months after receipt by the provider, by withholding future Medicare fee-for-service payments for claims until such time as the accelerated payments have been fully recouped. The program required that any outstanding balance remaining after 29 months must be repaid by the provider or be subjected to a 4% annual interest rate. As of September 30, 2022, the System paid back the full amount of Medicare accelerated payments.

Note 2. Third-Party Payors

The System has agreements with third-party payors that provide for payment to the System at amounts different from its established rates. A summary of the basis of payments from the System's primary third-party payors follows:

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

Certain Medicare services are paid under a cost reimbursement methodology. The System's Medicare cost reports have been filed for all years through September 30, 2022, and have been audited by the Medicare intermediary for all years through September 30, 2017. Retroactive adjustments for cost report settlements are accrued on an estimated basis in the period when the related services are rendered and adjusted in future periods when final settlements are determined.

Medicaid: Florida Inpatient Medicaid services are paid at prospectively determined rates based on All Patient Refined Diagnostic Related Groups methodology (APR DRG). Payments under APR DRG assignment are made on a per case basis and are not subject to retrospective rate adjustments. Florida Medicaid Outpatient services are paid at prospectively determined rates based on Enhanced Ambulatory Payment Group (EAPG) methodology.

Note 2. Third-Party Payors (Continued)

The Florida Medicaid Program provides additional funding through the Low-Income Pool program which is intended to cover costs related to providing services to low income or uninsured patients. The System's Medicaid cost report review for low income pool has been completed through September 30, 2020.

Laws and regulations governing the Medicare and Medicaid Programs are complex and subject to interpretation. The System believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to audits, claims, inquiries and investigations from government authorities and agencies that occur in the ordinary course of business. Current audits, claims, inquiries and investigations and their ultimate resolutions, individually or in the aggregate, are not expected to have a material adverse effect on the System's business, financial condition, results of operations or cash flows. The System's classification of patients and the appropriateness of their care are subject to review by the fiscal intermediaries administering the Medicare and Medicaid programs.

Other: The System has also entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the System under these arrangements includes prospectively determined rates per discharge, per diem, discounts from established charges, and prospectively determined rates per procedure for outpatient services. Some of these arrangements provide for review of paid claims for compliance with the terms of the contract and can result in retroactive settlement with third parties. Any retroactive adjustments for other third-party claims are recorded in the period when final settlement is determined.

Changes in estimates of third-party payor settlements increased net patient service revenue by approximately $645,000 and $1,591,000 for the years ended September 30, 2023 and 2022, respectively.

In 2019, a class action lawsuit that the Hospital is party to was made against HHS. The lawsuit was brought as a result of CMS underpayments to Hospitals under the Disproportionate Share Program (DSH). The underpayments were a result of CMS exclusion of patient days eligible under Section 1115 Medicaid Demonstration Waivers. In 2022, the U.S. District Court ruled in the class' favor, and the decision was upheld by the U.S. District Court. As a result, CMS is required to recalculate the Hospital's DSH adjustments for the cost report periods impacted. The Hospital has estimated the underpayment at approximately $40,969,000 for closed cost report periods from 2007 to 2017, which was recorded in net patient service revenue in the consolidated statements of operations during the year ended September 30, 2022. The Hospital along with the other parties in the class action had engaged a legal firm in the suit, appeals, and collections. They will be collecting a contingent fee on the Hospitals reimbursement only upon a favorable settlement. The estimated payment owed is approximately $7,169,000, which was recorded in purchased services in the consolidated statements of operations during the year ended September 30, 2022. The net reimbursement estimated is approximately $33,800,000, which is recorded within estimated third-party payor receivable in the consolidated balance sheets for the years ended September 30, 2023 and 2022.

In 2023, CMS instructed Medicare Administrative Contractors (MACs) to begin to resolve Section 1115 appeals. The Hospital has submitted inpatient listings which will be processed by the MAC based on CMS guidelines.

Note 3. Net Patient Service Revenue and Due From Patients and Others

The composition of net patient service revenue based on payor source for the years ended September 30, are as follows:

	2023	2022
Medicare and Medicaid including HMO	$ 476,798,919	$ 481,675,379
Commercial, Self Pay and other	306,329,988	298,067,657
Net patient service revenue	$ 783,128,907	$ 779,743,036

Hospital revenue includes a variety of services mainly covering inpatient procedures requiring overnight stays or outpatient operations that require anesthesia or use of complex diagnostic and surgical equipment as well as emergency care. Physician revenue includes services primarily focused on the care of outpatients covering primary and specialty healthcare needs. The composition of net patient service revenue based on services for the years ended September 30, are as follows:

	2023	2022
Inpatient	$ 414,529,181	$ 428,542,368
Outpatient	277,204,312	247,782,080
Physician	91,395,414	103,418,588
Net patient service revenue	$ 783,128,907	$ 779,743,036

Note 4. Uncompensated Care

Uncompensated care represents either charges foregone or charges in excess of payment received for services provided to patients who are not covered under contracts with third-party payors. The major components of uncompensated care are categorized as charity, welfare and bad debts.

Charity care represents services and supplies furnished at no charge to patients who have qualified under the income criteria promulgated by the state of Florida. Patients who would otherwise be deemed as charity care can sometimes qualify under the Collier County Welfare Program. Payments under the County Welfare Program are limited by the amount appropriated by the County.

Uncompensated care for the years ended September 30, was as follows:

	2023	2022
Charity care – charges foregone, based on established rates	$ 133,278,804	$ 123,004,287
Welfare – difference between established rates and reimbursement received	2,098,205	4,395,091
Total charity care and welfare	135,377,009	127,399,378
Implicit price concession	56,017,193	48,927,630
Bad debts – charges deemed uncollectible	405,674	909,239
Total uncompensated care	$ 191,799,876	$ 177,236,247
Estimated cost of providing uncompensated care	$ 47,949,539	$ 46,356,756

The System applied adjusted expenses as a percent of revenues to the charity, welfare and bad debt charges written off to determine an estimated cost of uncompensated care.

Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at September 30:

	2023	2022
Health care services:		
Building construction and purchase of equipment	$ 87,803,466	$ 22,941,355
Clinical	36,452,734	38,868,930
Education	1,694,704	1,365,914
Indigent	1,213,112	1,265,426
Investments to be held in perpetuity, the income from which is expendable to support health care services	21,826,392	15,965,964
	$ 148,990,408	$ 80,407,589

At September 30, outstanding pledges from various corporations, foundations and individuals, included in donor receivables in assets limited as to use, were as follows:

	2023	2022
Amounts due:		
Within one year	$ 18,661,368	$ 6,159,712
In one to five years	35,518,531	19,707,442
In six to eight years	9,560,461	7,052,760
Over eight years	25,719,219	12,872,654
	89,459,579	45,792,568
Less:		
Discounts for the time value of money	(12,613,509)	(6,937,604)
	$ 76,846,070	$ 38,854,964

Estimated cash flows from pledge receivables due after one year are discounted using a risk-adjusted rate and established in the year the pledge is received.

The System has not recognized as assets $4,730,000 of conditional pledges to give related to the expansion of existing programs and facilities as of September 30, 2023 and 2022.

The System operates under the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA). The FUPMIFA defines an endowment fund as an institutional fund, or any part thereof, not wholly expendable by the institution on a current basis under the terms of the applicable gift instrument. The System's interpretation of its fiduciary responsibilities for donor restricted endowments under FUPMIFA is that it is required to use reasonable care and caution as would be exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with FUPMIFA, the System may expend so much of an endowment fund as the System determines to be prudent for the uses and purposes of which the endowment fund is established, consistent with the goal of conserving the long-term purchasing power of the endowment fund.

Note 5. Net Assets with Donor Restrictions (Continued)

The System considers the following in expenditure decisions for its endowment funds:

- The program needs of the System
- The intent of the donors of the endowment fund
- The terms of the applicable instrument
- General economic conditions
- The possible effects of inflation or deflation
- The expected total return from income and the appreciation of investments
- Perpetuation of the endowment
- The other resources of the System

The System classifies the following as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, when applicable. The donor-restricted endowment fund is classified in net assets with donor restrictions until those amounts are appropriated for expenditure by the System in a manner consistent with the standard of prudence prescribed by FUPMIFA. The investment income from the System's endowment funds are designated for general and specific purposes.

The System's endowment investment policies are directed by the Finance Committee of the Board of Trustees. The System's policies establish a moderate risk posture with respect to both time and risk preference. These risk postures are developed to provide consistent return patterns over a moderate time horizon and are consistent with conserving the purchasing power of its endowment funds. Strategies employed for achieving the System's investment objectives include passively and actively managed funds invested in domestic and global equities, domestic and global fixed income, absolute return and real assets.

Changes in endowment net assets for the years ended September 30, 2023 and 2022, consisted of the following:

Endowment net assets at September 30, 2021	$ 30,984,653
Investment return:	
Change in unrealized losses	(6,277,661)
Total investment return	(6,277,661)
Appropriation of endowment assets for expenditure	(603,111)
Endowment net assets at September 30, 2022	24,103,881
Investment return:	
Change in unrealized gains	2,816,677
Total investment return	2,816,677
Gifts	5,831,089
Appropriation of endowment assets for expenditure	(443,997)
Endowment net assets at September 30, 2023	$ 32,307,650

Note 5. Net Assets with Donor Restrictions (Continued)

For the years ended September 30, 2023 and 2022, net assets were released from donor restrictions by satisfying the time restriction or incurring operating expenses satisfying the restricted purposes in the amounts of approximately $7,396,000 and $3,132,000, respectively. For the years ended September 30, 2023 and 2022, net assets were released from donor restrictions used for purchase of property and equipment in the amounts of approximately $17,056,000 and $5,065,000, respectively.

Donor restricted net assets held by the System are reported at fair value and are restricted to investment and reinvestment in perpetuity, the income from which is expendable to support various programs sponsored by the System. A summary of the revenues for the years ended September 30, 2023 and 2022, consisted of the following:

	2023	2022
Revenues, gains (losses) and other support with donor restrictions:		
Public support:		
Restricted donations	$ 89,859,837	$ 33,162,661
Total public support	89,859,837	33,162,661
Investment income (loss) and change in net unrealized gains (losses) on securities	3,174,869	(7,129,517)
Released from restrictions	(24,451,887)	(8,196,863)
Total revenues, gains and other support, net	$ 68,582,819	$ 17,836,281

Note 6. Liquidity and Availability

The System regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

The following table summarizes the System's financial assets available for general expenditure and endowment grant obligations within one year after September 30:

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 11,722,058	$ 6,639,516
Investments	231,123,909	254,558,074
Due from patients and others, net	104,838,911	92,678,670
Self-insurance fund	22,423,625	16,651,205
Donor receivables	76,846,070	38,854,964
Assets designated or restricted for donor intentions	41,354,825	26,144,753
Investment in partnerships	25,789,132	5,351,097
Other current receivables	6,422,897	3,557,196
Bequest receivable	515,908	1,305,619
Other long-term assets	3,047,434	2,951,665
Total financial assets	524,084,769	448,692,759
Less amounts not available to be used within one year:		
Board designated investments	(231,123,909)	(253,486,373)
Investments in partnerships	(25,789,132)	(5,351,097)
Self-insurance fund	(22,423,625)	(16,651,205)
Assets designated or restricted for donor intentions	(41,354,825)	(26,144,753)
Donor receivables due over one year	(58,184,702)	(32,695,252)
Bequests receivable due over one year	(515,908)	(525,595)
Other long-term assets	(3,047,434)	(2,951,665)
Total financial assets not available to be used within one year	(382,439,535)	(337,805,940)
Financial assets available to meet general expenditures within one year	$ 141,645,234	$ 110,886,819

Board designated investments could be sold to meet the System's operating needs and other contractual commitments.

Note 7. Assets Limited as to Use and Investments

The composition of assets limited as to use stated at fair value at September 30, are set forth in the following table:

	2023	2022
Self-insurance funds:		
Cash and cash equivalents	$ 19,312,646	$ 13,281,998
U.S. government and agency securities	-	422,986
Mortgage-backed securities	-	1,302,059
Corporate bonds	-	418,836
Self-insurance receivables	3,110,979	1,225,326
	22,423,625	16,651,205
Board-designated assets:		
Cash and cash equivalents	3,569,629	17,602,421
U.S. government and agency securities	13,639,153	32,008,626
Mortgage-backed securities	17,514,187	9,232,405
Corporate bonds	8,619,168	12,055,071
Fixed income funds	22,836,575	21,865,165
Equities and equity funds – domestic	114,669,061	72,807,261
Equities and equity funds – foreign	50,276,136	87,915,424
	231,123,909	253,486,373
Assets designated or restricted for donor intentions:		
Cash and cash equivalents	11,556,585	4,349,075
U.S. government and agency securities	907,348	664,368
Mortgage-backed securities	454,511	360,700
Corporate bonds	970,398	627,630
Fixed income funds	141,366	140,432
Equities and equity funds – domestic	16,867,859	13,732,552
Equities and equity funds – foreign	10,456,758	6,269,996
Donor receivables	76,846,070	38,854,964
	118,200,895	64,999,717
Total assets limited as to use	$ 371,748,429	$ 335,137,295

The composition of current unrestricted and undesignated investments stated at fair value at September 30, are set forth in the following table:

	2023	2022
Current investments:		
U.S. government and agency securities	$ -	$ 211,446
Mortgage-backed securities	-	650,884
Corporate bonds	-	209,371
Total current investments	$ -	$ 1,071,701

Note 7. Assets Limited as to Use and Investments (Continued)

Investment income and gains (losses) from unrestricted cash, assets limited as to use, and investments, excluding earnings reported in net assets with donor restrictions, are comprised of the following for the years ended September 30:

	2023	2022
Investment income	$ 4,372,697	$ 5,456,040
Net change in unrealized gains and losses	18,516,795	(106,871,726)
Net realized gains	1,106,004	38,743,291
Total investment earnings	$ 23,995,496	$ (62,672,395)

Investment expenses are recorded as reductions to investment income and realized gains.

The fair value of debt securities classified by contractual maturity, as of September 30, 2023, are as follows:

	Amortized Cost	Fair Value
Due within one year	$ 2,839,869	$ 2,719,206
Due after one year through three years	6,870,746	6,423,499
Due after three years	15,916,390	14,993,362
Mortgage-backed securities	18,962,801	17,968,698
	$ 44,589,806	$ 42,104,765

Expected maturities will differ from contractual maturities because the issuers of certain debt securities do have the right to call or prepay their obligations without any penalties.

Note 7. Assets Limited as to Use and Investments (Continued)

The System follows the authoritative guidance for fair value measurements as defined in Note 1 and the following tables present the System's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis at September 30, 2023 and 2022:

	2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 30,983,791	$ 3,905,057	$ -	$ 34,888,848
U.S. government and agency securities	-	14,546,501	-	14,546,501
Mortgage-backed securities	-	17,968,698	-	17,968,698
Corporate bonds	-	9,589,566	-	9,589,566
Fixed income funds	-	22,977,941	-	22,977,941
Equities and equity funds – domestic	117,866,221	12,209,172	1,461,527	131,536,920
Equities and equity funds – foreign	48,365,851	12,367,043	-	60,732,894
	197,215,863	93,563,978	1,461,527	292,241,368
Trusts held by others	-	-	4,816,339	4,816,339
Total assets at fair value	$ 197,215,863	$ 93,563,978	$ 6,277,866	$ 297,057,707

	2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 18,017,195	$ 17,649,712	$ -	$ 35,666,907
U.S. government and agency securities	-	33,307,426	-	33,307,426
Mortgage-backed securities	-	11,546,048	-	11,546,048
Corporate bonds	-	13,310,908	-	13,310,908
Fixed income funds	-	22,005,597	-	22,005,597
Equities and equity funds – domestic	72,934,374	12,182,498	1,422,941	86,539,813
Equities and equity funds – foreign	81,621,565	12,563,855	-	94,185,420
	172,573,134	122,566,044	1,422,941	296,562,119
Trusts held by others	-	-	5,107,537	5,107,537
Total assets at fair value	$ 172,573,134	$ 122,566,044	$ 6,530,478	$ 301,669,656

The following tables are a rollforward of the consolidated balance sheets amounts for financial instruments classified by the System within Level 3 of the valuation hierarchy as defined in Note 1:

	Trusts Held by Others	Equity Funds	Total
Fair value September 30, 2021	$ 5,661,553	$ 1,771,014	$ 7,432,567
Realized and unrealized losses	(554,016)	(348,073)	(902,089)
Fair value September 30, 2022	5,107,537	1,422,941	6,530,478
Realized and unrealized (losses) gains	(291,198)	38,586	(252,612)
Fair value September 30, 2023	$ 4,816,339	$ 1,461,527	$ 6,277,866

Note 8. Property and Equipment

Property and equipment and accumulated depreciation and amortization consists of the following at September 30:

	2023	2022
Land	$ 37,299,095	$ 38,091,025
Land improvements	8,681,783	8,817,714
Buildings	546,521,999	532,772,658
Fixed equipment	61,000,696	59,804,896
Movable equipment	410,528,799	436,288,970
Leasehold improvements	19,132,270	18,487,945
Facilities expansion in progress	20,830,569	12,394,242
	1,103,995,211	1,106,657,450
Less accumulated depreciation and amortization	(664,398,279)	(661,793,720)
	$ 439,596,932	$ 444,863,730

The facilities expansion in progress at September 30, 2023, included the construction costs of various projects, which management estimates will cost an additional approximate amount of $89,472,000 to complete during 2024. The System funds these construction projects through operations and contributions.

Impairment: Long-lived assets are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or market values. To date, management has determined that no impairment of long-lived assets is required.

Note 9. Long-Term Debt

The System was obligated under long-term debt as follows at September 30:

	2023	2022
Collier County Industrial Development Authority Healthcare Facilities Revenue Bonds, Series 2020 (payable by the Hospital under an agreement with Collier County) with interest paid semi-annually at 1.64%. The bond issue consists of the following: $95,000 series bond due October 2023. $1,410,000 series bond due October 2024. $1,460,000 series bond due October 2025. $1,510,000 series bond due October 2026. $5,465,000 series bond due October 2027 and $40,060,000 series bonds due from October 2028 through October 2035.	$ 50,000,000	$ 50,000,000
Collier County Industrial Development Authority Healthcare Facilities Revenue Bonds, Series 2021 (payable by the Hospital under an agreement with Collier County) with interest paid semi-annually at 1.80%. The bond issue consists of the following: $6,395,000 series bond due October 2023. $5,203,000 series bond due October 2024. $5,278,000 series bond due October 2025. $5,354,000 series bond due October 2026. $1,526,000 series bond due October 2027. $54,397,000 series bonds due from October 2028 through October 2039.	78,153,000	84,521,000
Total long-term debt	128,153,000	134,521,000
Less:		
Unamortized debt issuance costs	(252,756)	(291,863)
Current maturities	(6,490,000)	(6,368,000)
	$ 121,410,244	$ 127,861,137

On March 23, 2020, the Collier County Industrial Development Authority (the Authority) authorized the issuance of up to $50,000,000 of its Healthcare Facilities Revenue Bond, Series 2020 (the 2020 Bonds) by the Authority on behalf of the Hospital. The purchaser of the 2020 Bonds is DNT Asset Trust, a Delaware statutory trust and wholly owned subsidiary of JP Morgan Chase Bank, N.A., its successors, assigns and transferees (the Purchaser). Pursuant to a financing agreement between the Hospital and the Purchaser, the Hospital is authorized to request, and the Purchaser is required to make, advances on this loan of up to a total of $50,000,000. Such advances were completed by February 15, 2022. The Hospital pays interest only on the amount of the advances that have been made. The proceeds of the 2020 Bonds are to be used to finance the construction and equipping of various capital improvements to the Hospital’s facilities and finance costs associated with the issuance of the 2020 Bond.

On March 30, 2021, the Authority issued Healthcare Facilities Revenue Bond, Series 2021 Bonds (2021 Bond) in the amount of $90,767,000. The proceeds of the loan were used by the Hospital to pay the redemption price in order to redeem in full as of April 1, 2021 all of the remaining outstanding Series 2011 Bonds previously issued by the Issuer on behalf of the Hospital.

The 2020 and 2021 bonds are subject to the Hospital Master Trust Indenture (MTI). The MTI contains covenants that provide for, among other things, the maintenance of certain financial ratios, conditions for issuance of additional indebtedness and the transferability of funds. The System was in compliance with financial related covenants for the years ended September 30, 2023 and 2022. The MTI is collateralized by all revenue, accounts receivable, contract rights, and general intangibles of the Obligated Group and by the money and securities held in the funds and accounts established under the applicable indentures.

Note 9. Long-Term Debt (Continued)

The aggregate principal maturities on long-term debt based on the debt outstanding as of September 30, 2023, in each of the next five years and thereafter are as follows:

Years ending September 30:	
2024	$ 6,490,000
2025	6,613,000
2026	6,738,000
2027	6,864,000
2028	6,991,000
Thereafter	94,457,000
	$ 128,153,000

Note 10. Self-Insured Claims

The System is self-insured for its professional liability, workers' compensation, certain property and employee health programs.

For 2023 and 2022 professional liability, respectively, the System had a $5,000,000 and $4,000,000 per claim self-insured retention. To pay claims in excess of the self-insured retention, the System purchased an excess professional liability policy (claims-made basis).

Losses from asserted claims and from unasserted claims identified under the System's incident reporting system are accrued based on estimates that incorporate the System's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors and incidents that may have occurred but that have not been identified under the incident reporting system. Total expenses under this program were $14,457,954 and $5,155,527 during the years ended September 30, 2023 and 2022, respectively, and are included in supplies and other expenses in the consolidated statements of operations. As of September 30, 2023 and 2022, the System had accrued $28,460,233 and $15,875,411, respectively, which, in the opinion of management, based on historical experience and current actuarial analyses, is sufficient to cover reported claims and claims incurred but not reported. The accrued professional liability has been discounted at a rate of 3.5% in 2023 and 3% 2022. The discount on the accrual for professional liability was approximately $1,684,000 and $1,144,000 at September 30, 2023 and 2022, respectively. The System has recorded approximately $2,968,000 and $1,084,000 at September 30, 2023 and 2022, respectively, of estimated professional liability insurance recoveries which is included in the self-insurance fund in assets limited as to use on the accompanying consolidated balance sheets.

For 2023 and 2022 workers' compensation, the System had a $500,000 per claim self-insured retention. To pay claims in excess of its self-insured retention, the System purchased an excess liability policy (occurrence-basis). As of September 30, 2023 and 2022, the System had accrued $1,248,656 and $775,794, respectively, which, in the opinion of management, based on historical experience and current actuarial analyses, is sufficient to cover reported claims and claims incurred but not reported. Total expenses under this program were $2,440,912 and $867,487 during the years ended September 30, 2023 and 2022, respectively, and are included in supplies and other expenses in the consolidated statements of operations. The accrued workers' compensation liability has been discounted at a rate of 3.5% in 2023 and 3.0% 2022. The discount on the accrued workers' compensation liability was approximately $134,000 and $145,000 at September 30, 2023 and 2022, respectively. The System has recorded approximately $143,000 and $153,000 for September 30, 2023 and 2022, respectively, of estimated workers' compensation insurance recoveries which is included in the self-insurance fund in assets limited as to use on the accompanying consolidated balance sheets.

Note 10. Self-Insured Claims (Continued)

For 2023 and 2022, employee health coverage, the System had a $600,000 per claim self-insured retention. The plan calls for an unlimited lifetime maximum benefit per covered life. As of September 30, 2023 and 2022, the System had accrued approximately $10,038,000 and $9,183,000, respectively, based on historical experience, which, in the opinion of management is sufficient, to cover reported claims and claims incurred but not reported. Due to the short-term nature of these claims, the liability is included in accrued expenses and has not been discounted. The System recognizes patient service revenue for employee's receiving medical care within the System. Employee health services provided by external services outside the System are included in employee benefits as an expense.

The Captive began writing property coverage under two policies on April 1, 2022. The property – all other peril has a per claim self-insured retention of $100,000. The property – storm surge has a per claim self-insured retention of 5% of the insured value with a minimum of $500,000. The property liability has been discounted at a rate of 3.5%, approximately $13,000. As of September 30, 2023 and 2022, the System has recorded a liability of approximately $435,000 and $288,000, respectively, with a $0 estimate of insurance recoveries for both years, which, in the opinion of management, based on historical experience and current actuarial analyses, is sufficient to cover reported claims and claims incurred but not reported.

The System is involved in litigation arising from the ordinary course of business. In the opinion of management and counsel, these matters will be resolved without a material adverse effect to the System's financial position, results of operations or cash flows.

Note 11. Defined Contribution Plan

The System has a defined contribution plan covering all eligible employees. The System, at its discretion will match a percentage of each participant's salary reduction contributions after the participant has completed 12 months of employment. In the event the System chooses to make a matching contribution, the matching amount shall equal 100% of the first 2% of compensation contributed by the participant as salary reduction contributions plus 50% of the next 4% of compensation contributed by the participant as salary reduction contributions, up to a maximum of 4% of compensation.

The System's contributions, net of forfeitures, for the years ended September 30, 2023 and 2022, were approximately $8,192,000 and $8,996,000, respectively.

Note 12. Related-Party Transactions

One member of the Board of Trustees is an employee of the System. One member of the Board of Trustees is the President and Chairman of a company which NCH pays for rental space.

At September 30, 2023, the System recorded receivables of approximately $408,000 from PNI for rent and expenses incurred by the System on behalf of PNI that is recorded in other current assets in the consolidated balance sheets. The System recorded rental income of approximately $1,214,000 which is recorded in other revenue and $1,033,000 as a reduction of various expenses in the consolidated statements of operations. The System recorded payables of approximately $5,200,000 to PSI for radiology reads for the Hospital that is recorded in accounts payable in the consolidated balance sheets, and expenses of approximately $1,022,000 that is recorded in purchased services in the consolidated statements of operations.

At September 30, 2023, the System recorded rental revenue of approximately $159,000 from VH-Naples Holdings which is recorded in other revenue.

Note 13. Leases

The System has operating and finance leases that consist of medical equipment and medical office space agreements. The System's leases have remaining lease terms of one to ten years. For purposes of calculating operating lease liabilities, lease terms include options to extend the lease when it is reasonably certain those options will be exercised. For purposes of finance lease liabilities, the lease term represents the time at which ownership of the medical equipment will transfer to the System. Some leasing arrangements require variable payments that are dependent on usage or other measures. The variable lease payments are not presented as part of the initial ROU asset or lease liability. The System's lease agreements do not contain any material restrictive covenants.

The components of lease expense for operating and finance leases for the years ended September 30, are as follows:

	2023	2022
Operating lease expense	$ 6,578,338	$ 6,747,824
Finance lease expense:		
Amortization of right to use asset	475,189	474,548
Interest on lease liability	9,845	7,264
Short-term lease and variable lease expense	711,197	839,081
Total lease expense	$ 7,774,569	$ 8,068,717

Lease expense for operating leases is reported in supplies and other expenses in the accompanying consolidated statements of operations. Lease expense for finance leases is reported in depreciation and amortization and interest expense in the accompanying consolidated statements of operations. The System has elected to use the rate implicit in the lease agreement in determining the present value of lease payments unless that rate cannot be readily determined. If the rate is not implicit in the lease, the System elected the practical expedient to use the risk-free rate, using a period comparable with that of the lease term, based on the U.S. Treasury yield curve rate for all of leases.

	2023	2022
Weighted average remaining lease term (years)		
Finance leases	1.17	2.92
Operating leases	4.24	4.69
Weighted average discount rate		
Finance leases	1.04%	0.43%
Operating leases	1.30%	0.61%
Cash payments		
Finance leases	$ 476,049	$ 603,458
Operating leases	6,649,704	6,616,322
	$ 7,125,753	$ 7,219,780

Note 13. Leases (Continued)

The following table provides the maturities of lease liabilities at September 30, 2023:

	Finance	Operating	Total
Maturity analysis (years ending September 30):			
2024	$ 337,250	$ 5,460,407	$ 5,797,657
2025	235,894	5,243,080	5,478,974
2026	167,203	3,757,390	3,924,593
2027	-	2,771,826	2,771,826
2028	-	1,839,083	1,839,083
Thereafter	-	1,027,840	1,027,840
Total	740,347	20,099,626	20,839,973
Less present value discount:	(13,344)	(615,264)	(628,608)
Lease liabilities	727,003	19,484,362	20,211,365
Less current portion	(337,250)	(5,460,407)	(5,797,657)
Long-term portion	$ 389,753	$ 14,023,955	$ 14,413,708

Note 14. Concentrations of Credit Risk

Financial instruments which potentially subject the System to concentrations of credit risk consist principally of cash and cash equivalents, investments and assets limited as to use.

The System places its cash and cash equivalents with what management believes to be high credit quality financial institutions. Included in cash and cash equivalents are bank deposits, certificates of deposit and other short-term investments in the amount of approximately $11,722,000 and $6,640,000 as of September 30, 2023 and 2022, respectively. The System's assets limited as to use and investments include cash and cash equivalents, U.S. government and agency securities, corporate bonds, preferred stock and common stock which are subject to market risk, as listed in Note 7. The System limits the amount of credit exposure to any one company or financial institution by diversifying its investments.

Notes 2 and 3 detail the concentration of revenue and accounts receivable.

Note 15. Functional Expenses

The expenses reported in the consolidated statements of operations were incurred for the following for the years ended September 30:

	2023			
	Fundraising	Healthcare Services	General and Administrative	Total
Salaries and benefits	$ 1,652,126	$ 395,120,644	$ 36,972,216	$ 433,744,986
Supplies, purchased services and other	1,044,014	266,442,223	83,122,722	350,608,959
Repairs, equipment rental and facility costs	25,592	44,237,666	4,863,942	49,127,200
Depreciation and amortization	129,063	50,258,046	7,316,834	57,703,943
Interest	-	1,911,536	337,330	2,248,866
Total functional expenses	$ 2,850,795	$ 757,970,115	$ 132,613,044	$ 893,433,954

	2022			
	Fundraising	Healthcare Services	General and Administrative	Total
Salaries and benefits	$ 1,620,765	$ 416,461,743	$ 31,371,725	$ 449,454,233
Supplies, purchased services and other	1,329,345	253,904,553	76,250,925	331,484,823
Repairs, equipment rental and facility costs	45,610	43,032,176	5,022,953	48,100,739
Depreciation and amortization	124,676	46,700,160	6,439,483	53,264,319
Interest	-	1,733,439	305,900	2,039,339
Total functional expenses	$ 3,120,396	$ 761,832,071	$ 119,390,986	$ 884,343,453

Note 16. Subsequent Events

The System has performed a review of subsequent events through January 24, 2024, the date the consolidated financial statements were available to be issued.

RSM

RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Trustees
NCH Healthcare System, Inc.

We have audited the consolidated financial statements of NCH Healthcare System, Inc. and Subsidiaries (the System) as of and for the years ended September 30, 2023 and 2022, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See page 1 and page 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidating financial statements as a whole.

Emphasis of Matter
The consolidating balance sheet as of September 30, 2023 and the consolidating statement of operations for the year ended September 30, 2023 have been amended to reclassify an elimination entry in the consolidating schedules as provided in the notes.

RSM US LLP

Coral Gables, Florida
January 24, 2024, except for items identified by a * in the accompanying consolidated schedules and related notes, to which the date is March 15, 2024.

NCH Healthcare System, Inc. and Subsidiaries

Consolidating Balance Sheet
September 30, 2023

	Naples Community Hospital, Inc.	Other Obligated Group Entities	Obligated Group	All Other Entities	Eliminations	System Consolidated Total	
Assets							
Current assets:							
Cash and cash equivalents	$ 8,522,248	$ (3,349,948)	$ 5,172,300	$ 6,549,758	$ -	$ 11,722,058	
Due from patients and others, net	97,780,133	6,494,879	104,275,012	563,899	-	104,838,911	
Assets limited as to use	11,121,648	17,076,216	28,197,864	38,601	-	28,236,465	
Inventories	18,213,795	1,153,260	19,367,055	-	-	19,367,055	
Estimated third-party payor receivable	53,923,582	-	53,923,582	-	-	53,923,582	
Other current assets	12,752,782	6,384,392	19,137,174	196,567	-	19,333,741	
Total current assets	202,314,188	27,758,799	230,072,987	7,348,825	-	237,421,812	
Assets limited as to use:							
Self-insurance fund	13,810,190	6,566,938	20,377,128	2,046,497	-	22,423,625	
Board-designated assets	231,123,909	-	231,123,909	-	-	231,123,909	
Donor receivables	22,722,452	54,123,618	76,846,070	-	-	76,846,070	
Assets designated or restricted for donor intentions	41,354,825	-	41,354,825	-	-	41,354,825	
	309,011,376	60,690,556	369,701,932	2,046,497	-	371,748,429	
Less assets limited as to use that are available to pay current liabilities	(11,121,648)	(17,076,216)	(28,197,864)	(38,601)	-	(28,236,465)	
	297,889,728	43,614,340	341,504,068	2,007,896	-	343,511,964	
Investment in partnerships	-	32,218,113	32,218,113	-	(6,428,981)	25,789,132	*
Property and equipment, net of accumulated depreciation	417,822,771	16,799,969	434,622,740	4,974,192	-	439,596,932	
Lease right-of-use assets for operating, net of accumulated amortization	18,731,763	-	18,731,763	-	-	18,731,763	
Lease right-of-use assets for finance, net of accumulated amortization	722,088	-	722,088	-	-	722,088	
Other assets	1,133,213	2,446,537	3,579,750	769,340	-	4,349,090	
Total assets	$ 938,613,751	$ 122,837,758	$ 1,061,451,509	$ 15,100,253	$ (6,428,981)	$ 1,070,122,781	
Liabilities and net assets							
Current liabilities:							
Current portion of long-term debt	$ 6,490,000	$ -	$ 6,490,000	$ -	$ -	$ 6,490,000	
Current portion of estimated self-insurance liabilities	6,463,169	3,073,327	9,536,496	5,197,732	-	14,734,228	
Accounts payable	66,209,653	3,862,641	70,072,294	233,738	-	70,306,032	
Accrued expenses	37,229,338	11,303,105	48,532,443	657,004	-	49,189,447	
Accrued interest	1,112,538	-	1,112,538	-	-	1,112,538	
Current operating lease liability	5,460,407	-	5,460,407	-	-	5,460,407	
Current finance lease liability	337,250	-	337,250	-	-	337,250	
Total current liabilities	123,302,355	18,239,073	141,541,428	6,088,474	-	147,629,902	
Long-term debt, excluding current portion	121,410,244	-	121,410,244	-	-	121,410,244	
Estimated self-insurance liabilities, excluding current portion	7,347,021	3,493,611	10,840,632	6,389,754	-	17,230,386	
Due to related organizations	13,101,647	-	13,101,647	(13,101,647)	-	-	
Long-term operating lease liability, excluding current portion	14,023,955	-	14,023,955	-	-	14,023,955	
Long-term finance lease liability, excluding current portion	389,753	-	389,753	-	-	389,753	
Other liabilities	16,933,745	4,400,347	21,334,092	443,104	-	21,777,196	
Total liabilities	296,508,720	26,133,031	322,641,751	(180,315)	-	322,461,436	
Net assets:							
Net assets without donor restrictions	545,696,690	44,122,660	589,819,350	15,280,568	(6,428,981)	598,670,937	*
Net assets with donor restrictions	96,408,341	52,582,067	148,990,408	-	-	148,990,408	
Total net assets	642,105,031	96,704,727	738,809,758	15,280,568	(6,428,981)	747,661,345	
Total liabilities and net assets	$ 938,613,751	$ 122,837,758	$ 1,061,451,509	$ 15,100,253	$ (6,428,981)	$ 1,070,122,781	

* Financial statement line item balances have been adjusted as a result of a reclassification of an elimination entry from the Obligated Group to an entity outside of the Obligated Group

NCH Healthcare System, Inc. and Subsidiaries

Consolidating Balance Sheet
September 30, 2022

	Naples Community Hospital, Inc.	Other Obligated Group Entities	Obligated Group	All Other Entities	Eliminations	System Consolidated Total
Assets						
Current assets:						
Cash and cash equivalents	$ 14,895,954	$ (9,645,979)	$ 5,249,975	$ 1,389,541	$ -	$ 6,639,516
Investments	1,071,701	-	1,071,701	-	-	1,071,701
Due from patients and others, net	80,890,447	11,158,832	92,049,279	629,391	-	92,678,670
Assets limited as to use	9,282,308	1,636,250	10,918,558	12,583	-	10,931,141
Inventories	17,406,398	1,368,490	18,774,888	-	-	18,774,888
Estimated third-party payor receivable	48,533,525	-	48,533,525	-	-	48,533,525
Other current assets	10,215,054	4,263,423	14,478,477	(8,152)	-	14,470,325
Total current assets	182,295,387	8,781,016	191,076,403	2,023,363	-	193,099,766
Assets limited as to use:						
Self-insurance fund	10,897,150	5,710,143	16,607,293	43,912	-	16,651,205
Board-designated assets	253,486,373	-	253,486,373	-	-	253,486,373
Donor receivables	20,759,327	18,095,637	38,854,964	-	-	38,854,964
Assets designated or restricted for donor intentions	26,144,753	-	26,144,753	-	-	26,144,753
	311,287,603	23,805,780	335,093,383	43,912	-	335,137,295
Less assets limited as to use that are available to pay current liabilities	(9,282,308)	(1,636,250)	(10,918,558)	(12,583)	-	(10,931,141)
	302,005,295	22,169,530	324,174,825	31,329	-	324,206,154
Investment in partnerships	-	11,129,414	11,129,414	3,256	(5,781,573)	5,351,097
Property and equipment, net of accumulated depreciation	419,990,765	18,209,510	438,200,275	6,663,455	-	444,863,730
Lease right-of-use assets for operating, net of accumulated amortization	21,478,872	-	21,478,872	-	-	21,478,872
Lease right-of-use assets for finance, net of accumulated amortization	885,788	-	885,788	-	-	885,788
Other assets	1,247,865	2,016,205	3,264,070	645,991	-	3,910,061
Total assets	$ 927,903,972	$ 62,305,675	$ 990,209,647	$ 9,367,394	$ (5,781,573)	$ 993,795,468
Liabilities and net assets						
Current liabilities:						
Current portion of long-term debt	$ 6,368,000	$ -	$ 6,368,000	$ -	$ -	$ 6,368,000
Current portion of estimated self-insurance liabilities	3,122,596	1,636,250	4,758,846	135,819	-	4,894,665
Accounts payable	53,944,585	1,415,373	55,359,958	71,299	-	55,431,257
Accrued expenses	29,723,004	11,205,927	40,928,931	616,753	-	41,545,684
Accrued interest	1,170,487	-	1,170,487	-	-	1,170,487
Current operating lease liability	6,072,030	-	6,072,030	-	-	6,072,030
Current finance lease liability	395,966	-	395,966	-	-	395,966
Total current liabilities	100,796,668	14,257,550	115,054,218	823,871	-	115,878,089
Long-term debt, excluding current portion	127,861,137	-	127,861,137	-	-	127,861,137
Estimated self-insurance liabilities, excluding current portion	7,774,553	4,073,893	11,848,446	338,161	-	12,186,607
Due to related organizations	13,400,458	(623,599)	12,776,859	(12,776,859)	-	-
Long-term operating lease liability, excluding current portion	16,005,423	-	16,005,423	-	-	16,005,423
Long-term finance lease liability, excluding current portion	487,631	-	487,631	-	-	487,631
Other liabilities	19,911,336	2,798,683	22,710,019	463,485	-	23,173,504
Total liabilities	286,237,206	20,506,527	306,743,733	(11,151,342)	-	295,592,391
Net assets:						
Net assets without donor restrictions	579,354,814	23,703,511	603,058,325	20,518,736	(5,781,573)	617,795,488
Net assets with donor restrictions	62,311,952	18,095,637	80,407,589	-	-	80,407,589
Total net assets	641,666,766	41,799,148	683,465,914	20,518,736	(5,781,573)	698,203,077
Total liabilities and net assets	$ 927,903,972	$ 62,305,675	$ 990,209,647	$ 9,367,394	$ (5,781,573)	$ 993,795,468

NCH Healthcare System, Inc. and Subsidiaries

Consolidating Statement of Operations
Year Ended September 30, 2023

	Naples Community Hospital, Inc.	Other Obligated Group Entities	Eliminations	Total Obligated Group	All Other Entities	Eliminations	System Consolidated Total	
Revenues without donor restrictions:								
Net patient service revenue	$ 687,903,295	$ 91,395,414	$ -	$ 779,298,709	$ 3,830,198	$ -	$ 783,128,907	
Other revenue	14,340,524	4,979,794	-	19,320,318	8,274,990	(6,196,320)	21,398,988	
Charitable contributions without donor restrictions	6,579,325	-	-	6,579,325	-	-	6,579,325	
Net assets released from restrictions for operations	7,270,390	125,500	-	7,395,890	-	-	7,395,890	
Total revenues	716,093,534	96,500,708	-	812,594,242	12,105,188	(6,196,320)	818,503,110	
Expenses:								
Salaries and wages	261,215,113	115,505,763	-	376,720,876	2,438,398	-	379,159,274	
Employee benefits	44,222,170	9,934,400	-	54,156,570	429,142	-	54,585,712	
Supplies and other expenses	253,829,530	19,675,119	-	273,504,649	12,812,790	(6,196,320)	280,121,119	*
Purchased services	111,143,055	7,850,338	-	118,993,393	621,647	-	119,615,040	
Depreciation and amortization	55,004,263	2,332,794	-	57,337,057	366,886	-	57,703,943	
Interest expense	2,248,866	-	-	2,248,866	-	-	2,248,866	
Total expenses	727,662,997	155,298,414	-	882,961,411	16,668,863	(6,196,320)	893,433,954	
Operating (loss) income	(11,569,463)	(58,797,706)	-	(70,367,169)	(4,563,675)	-	(74,930,844)	
Other income:								
Investment income (loss)	25,906,558	(1,951,893)	-	23,954,665	40,831	-	23,995,496	
Gain on deconsolidation of subsidiary	16,375,000	-	-	16,375,000	-	-	16,375,000	
(Loss) gain on disposal of property and equipment	191,284	1,162	-	192,446	(1,812,646)	-	(1,620,200)	
Excess of revenues under expenses	30,903,379	(60,748,437)	-	(29,845,058)	(6,335,490)	-	(36,180,548)	
Net assets released from restrictions for capital	17,055,997	-	-	17,055,997	-	-	17,055,997	
Transfers to related organizations	(81,617,500)	81,167,586	-	(449,914)	1,097,322	(647,408)	-	*
(Decrease) increase in net assets without donor restrictions	$ (33,658,124)	$ 20,419,149	$ -	$ (13,238,975)	$ (5,238,168)	$ (647,408)	$ (19,124,551)	

* Financial statement line item balances have been adjusted as a result of a reclassification of an elimination entry from the Obligated Group to an entity outside of the Obligated Group

NCH Healthcare System, Inc. and Subsidiaries

Consolidating Statement of Operations
Year Ended September 30, 2022

	Naples Community Hospital, Inc.	Other Obligated Group Entities	Eliminations	Total Obligated Group	All Other Entities	Eliminations	System Consolidated Total
Revenues without donor restrictions:							
Net patient service revenue	$ 673,888,747	$ 103,418,588	$ (1,423,780)	$ 775,883,555	$ 3,859,481	$ -	$ 779,743,036
Other revenue	24,630,692	3,638,693	-	28,269,385	556,876	-	28,826,261
Charitable contributions without donor restrictions	5,278,231	-	-	5,278,231	-	-	5,278,231
Net assets released from restrictions for operations	3,090,630	41,042	-	3,131,672	-	-	3,131,672
Total revenues	706,888,300	107,098,323	(1,423,780)	812,562,843	4,416,357	-	816,979,200
Expenses:							
Salaries and wages	276,211,230	117,944,194	(1,187,669)	392,967,755	2,966,880	-	395,934,635
Employee benefits	42,097,333	11,023,033	-	53,120,366	399,232	-	53,519,598
Supplies and other expenses	232,542,891	22,584,974	(236,111)	254,891,754	1,070,420	-	255,962,174
Purchased services	117,784,713	5,258,204	-	123,042,917	580,471	-	123,623,388
Depreciation and amortization	50,369,483	2,535,503	-	52,904,986	359,333	-	53,264,319
Interest expense	2,039,339	-	-	2,039,339	-	-	2,039,339
Total expenses	721,044,989	159,345,908	(1,423,780)	878,967,117	5,376,336	-	884,343,453
Operating loss	(14,156,689)	(52,247,585)	-	(66,404,274)	(959,979)	-	(67,364,253)
Other income:							
Investment (loss) income	(59,375,414)	(3,341,841)	-	(62,717,255)	44,860	-	(62,672,395)
(Loss) gain on disposal of property and equipment	(93,745)	848	-	(92,897)	-	-	(92,897)
Excess of revenues under expenses	(73,625,848)	(55,588,578)	-	(129,214,426)	(915,119)	-	(130,129,545)
Net assets released from restrictions for capital	5,065,191	-	-	5,065,191	-	-	5,065,191
Transfers to related organizations	(58,796,732)	57,432,455	-	(1,364,277)	1,364,277	-	-
(Decrease) increase in net assets without donor restrictions	$ (127,357,389)	$ 1,843,877	$ -	$ (125,513,512)	$ 449,158	$ -	$ (125,064,354)