

BAPTIST HEALTH SOUTH FLORIDA, INC.
AND AFFILIATES

**Condensed Consolidated Financial Statements (Unaudited) as of December 31, 2021,
and September 30, 2021, and the Interim Three-Month Period Ended
December 31, 2021 and 2020, Report of Management and Independent Auditors'
Review Report**

BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATES

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF MANAGEMENT	1
INDEPENDENT AUDITORS' REVIEW REPORT	2
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED):	
Balance Sheets	4
Statements of Operations	5
Statements of Changes in Net Assets	6
Statements of Cash Flows	7
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)	8
SUPPLEMENTAL CONSOLIDATING INFORMATION (UNAUDITED) FOR BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATES:	
Balance Sheet Information	30
Statement of Operations Information	31
SUPPLEMENTAL COMBINING INFORMATION (UNAUDITED) FOR BAPTIST HEALTH SOUTH FLORIDA, INC. OBLIGATED GROUP:	
Balance Sheet Information	32
Statement of Operations Information	33
SUPPLEMENTAL COMBINING INFORMATION (UNAUDITED) FOR BAPTIST HEALTH SOUTH FLORIDA, INC. HOSPITALS:	
Balance Sheet Information	34
Statement of Operations Information	35

REPORT OF MANAGEMENT

The management of Baptist Health South Florida, Inc. is responsible for the integrity and objectivity of the financial statements of Baptist Health and affiliates (“Baptist Health”). The condensed consolidated interim financial statements omit footnote disclosures and other information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, and include amounts that are based on our best judgments with due consideration given to materiality.

Management is responsible for establishing and maintaining a system of internal controls over financial reporting and safeguarding assets against unauthorized acquisition, use or disposition. This system is designed to provide reasonable assurance as to the integrity and reliability of financial reporting and safeguarding of assets. The concept of reasonable assurance is based on the recognition that there are inherent limitations in all systems of internal controls, and that the cost of such systems should not exceed the benefits to be derived from them.

Management believes that the foundation of an appropriate system of internal controls is a strong ethical company culture and climate. It has always been the policy and practice of Baptist Health to conduct its affairs in a highly ethical and socially responsible manner. This responsibility is characterized and reflected in Baptist Health’s Code of Ethics (the “Code”) that is distributed throughout Baptist Health. Management maintains a systematic program to ensure compliance with this Code.

The Audit and Compliance Committee of the Board of Trustees, which is composed of independent persons who are not employees, meets periodically with management, the internal auditors, and the independent auditors to review the manner in which these groups are performing their responsibilities and to carry out the Audit and Compliance Committee’s oversight role with respect to auditing, internal controls and financial reporting matters. Both the internal auditors and the independent auditors periodically meet privately with the Audit and Compliance Committee and have access to its individual members.



Bo Boulenger
President and Chief Operating Officer



Matthew Arsenault
Executive Vice President and
Chief Financial Officer

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Trustees of Baptist Health South Florida, Inc. and Affiliates:

We have reviewed the accompanying condensed consolidated balance sheet of Baptist Health South Florida, Inc. and affiliates ("BHSF") as of December 31, 2021, and the related condensed consolidated statements of operations for the three-month periods ended December 31, 2021 and 2020, and the changes in net assets, and cash flows for the three-month periods ended December 31, 2021 and 2020 (the "interim financial information").

Management's Responsibility for the Interim Financial Information

BHSF's management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the interim financial information referred to above for it to be in accordance with accounting principles generally accepted in the United States of America.

Report on Condensed Consolidated Balance Sheet as of September 30, 2021

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of BHSF as of September 30, 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion in our report dated December 22, 2021. In our opinion, the accompanying condensed consolidated balance sheet of BHSF as of September 30, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the interim financial information. This supplemental information is the responsibility of BHSF's management. We have reviewed the supplemental information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the supplemental information and, accordingly, do not express an opinion on such information.

Deloitte & Touche LLP

February 14, 2022

BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED) (in thousands)

	December 31, 2021	September 30, 2021
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$199,831	\$153,628
Assets whose use is limited	335	335
Accounts receivable - net	631,989	622,337
Other current assets	321,527	297,632
Total current assets	1,153,682	1,073,932
ASSETS WHOSE USE IS LIMITED	4,411,322	4,404,491
OTHER INVESTMENTS	321,916	290,641
PROPERTY AND EQUIPMENT - NET	2,792,298	2,767,468
RIGHT OF USE ASSETS - OPERATING LEASES	87,811	92,702
RIGHT OF USE ASSETS - FINANCE LEASES	15,208	16,184
BENEFICIAL INTEREST IN BOCA RATON REGIONAL HOSPITAL FOUNDATION, INC.	411,050	385,508
GOODWILL	85,217	85,217
OTHER ASSETS	198,380	161,554
TOTAL ASSETS	<u>\$9,476,884</u>	<u>\$9,277,697</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$47,498	\$48,951
Estimated third-party payor settlements	1,715	1,714
Contract liabilities - current portion	179,891	218,516
Commercial paper notes	100,000	
Current maturities of long-term debt	22,426	22,425
Operating lease obligations - current portion	22,234	22,663
Finance lease obligations - current portion	6,587	6,548
Accrued wages, salaries and benefits	407,133	395,707
Accrued expenses and other current liabilities	483,282	479,404
Total current liabilities	1,270,766	1,195,928
LONG-TERM DEBT	1,715,826	1,717,527
OPERATING LEASE OBLIGATIONS	74,430	79,098
FINANCE LEASE OBLIGATIONS	20,978	22,528
OTHER LIABILITIES	337,951	312,448
Total liabilities	<u>3,419,951</u>	<u>3,327,529</u>
COMMITMENTS AND CONTINGENCIES (see Note 16)		
NET ASSETS:		
Net assets without donor restrictions	5,357,694	5,296,962
Noncontrolling interests	42,602	42,422
Total net assets without donor restrictions	5,400,296	5,339,384
Net assets with donor restrictions	656,637	610,784
Total net assets	<u>6,056,933</u>	<u>5,950,168</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$9,476,884</u>	<u>\$9,277,697</u>

See accompanying notes to the condensed consolidated financial statements.

BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATESCONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) (in thousands)
THREE-MONTH PERIODS ENDED DECEMBER 31, 2021 AND 2020

	Three Months Ended December 31,	
	2021	2020
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT:		
Net patient service revenue	\$1,192,743	\$1,030,591
Other operating revenue	41,573	165,924
Total unrestricted revenues, gains and other support	1,234,316	1,196,515
EXPENSES:		
Wages, salaries and benefits	719,246	556,633
Supplies	210,852	194,756
Administrative and general	289,028	246,296
Depreciation and amortization	61,679	58,315
Interest	14,907	16,934
Total expenses	1,295,712	1,072,934
(LOSS) INCOME FROM OPERATIONS	(61,396)	123,581
OTHER INCOME (EXPENSE):		
Investment income	122,997	367,729
Other income (loss) - net	1,141	(761)
Total other income	124,138	366,968
EXCESS OF REVENUES OVER EXPENSES BEFORE TAX BENEFIT AND NONCONTROLLING INTERESTS	62,742	490,549
INCOME TAX BENEFIT	(4,129)	(2,004)
EXCESS OF REVENUES OVER EXPENSES FROM CONSOLIDATED OPERATIONS	66,871	492,553
INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(7,583)	(7,359)
EXCESS OF REVENUES OVER EXPENSES ATTRIBUTABLE TO BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATES	\$59,288	\$485,194
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Excess of revenues over expenses from consolidated operations	\$66,871	\$492,553
Contributions used for property and equipment acquisitions	1,444	3,362
Sale of limited partnership interests		495
Purchase of limited partnership interests		(147)
Partnership distributions	(7,403)	(4,344)
Other - net		41
Increase in net assets without donor restrictions	\$60,912	\$491,960

See accompanying notes to the condensed consolidated financial statements.

BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATESCONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (UNAUDITED) (in thousands)
THREE-MONTH PERIODS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Excess of revenues over expenses from consolidated operations	\$66,871	\$492,553
Contributions used for property and equipment acquisitions	1,444	3,362
Sale of limited partnership interests		495
Purchase of limited partnership interests		(147)
Partnership distributions	(7,403)	(4,344)
Other - net		41
	<u>60,912</u>	<u>491,960</u>
Increase in net assets without donor restrictions		
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	20,017	8,810
Restricted gain on donor restricted contributions	1,888	2,584
Net assets released from restrictions	(1,542)	(2,045)
Other - net		12
Change in beneficial interest in BRRH Foundation - net	25,542	38,002
Provision for uncollectable pledges	(52)	(2)
	<u>45,853</u>	<u>47,361</u>
Increase in net assets with donor restrictions		
INCREASE IN NET ASSETS	106,765	539,321
NET ASSETS - BEGINNING OF YEAR	<u>5,950,168</u>	<u>4,860,007</u>
NET ASSETS - END OF PERIOD	<u><u>\$6,056,933</u></u>	<u><u>\$5,399,328</u></u>

See accompanying notes to the condensed consolidated financial statements.

BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (in thousands)
THREE-MONTH PERIODS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$106,765	\$539,322
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	61,679	58,315
Noncash lease expense	6,040	6,274
Accretion of bond premium and issue costs - net	(1,701)	(1,786)
Deferred income tax	(3,970)	(1,819)
Realized gains on sales of securities - net	(39,875)	(60,627)
Change in net unrealized gains and losses	(62,797)	(290,761)
Sales of limited partnership interests		(495)
Purchases of limited partnership interests		147
Partnership distributions	7,403	4,344
Change in beneficial interest in BRRH Foundation	(25,542)	(38,002)
Loss on disposal of assets - net	293	2,577
Changes in assets and liabilities:		
Net increase in accounts receivable	(15,954)	(69,617)
Net (increase) decrease in other assets	(58,121)	16,963
Net decrease in accounts payable	(194)	(2,487)
Net increase in accrued expenses and other liabilities	37,749	25,167
Net decrease in operating lease liabilities	(6,328)	(6,380)
Net decrease in contract liabilities	(38,626)	
Net increase (decrease) in accrued wages, salaries and benefits	11,425	(37,235)
Net cash (used in) provided by operating activities	<u>(21,754)</u>	<u>143,900</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment - net	(95,408)	(94,002)
Sales of limited partnership interests		495
Purchases of limited partnership interests		(147)
Purchases of investments	(861,893)	(1,564,290)
Proceeds from sales and maturities of investments	<u>927,753</u>	<u>1,571,132</u>
Net cash used in investing activities	<u>(29,548)</u>	<u>(86,812)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contribution restricted for property and equipment purchases	6,302	1,236
Proceeds from issuance of commercial paper notes - net	100,000	100,000
Repayment of finance lease obligations	(1,394)	(750)
Partnership distributions	<u>(7,403)</u>	<u>(4,344)</u>
Net cash provided by financing activities	<u>97,505</u>	<u>96,142</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>46,203</u>	<u>153,230</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>153,628</u>	<u>240,561</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>\$199,831</u></u>	<u><u>\$393,791</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest - net of amounts capitalized	\$4,467	\$4,239
Cash paid for income taxes		\$11
Cash paid on interest for finance leases	\$1,096	\$487
SUPPLEMENTAL DISCLOSURES OF NON-CASH OPERATING AND FINANCING ACTIVITIES:		
Acquisition of property and equipment under finance lease obligations		(\$6,001)
Right of use assets obtained in exchange for new operating lease liabilities		(\$5,841)

See accompanying notes to the condensed consolidated financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Baptist Health South Florida, Inc. (“BHSF”), a not-for-profit Florida corporation located in Miami-Dade County, Florida, is the parent company of a system of not-for-profit hospitals; Baptist Hospital of Miami, Inc. (“Baptist Hospital”), Bethesda Hospital, Inc. (“Bethesda Hospital”), Boca Raton Regional Hospital, Inc. (“BRRH Hospital”), Doctors Hospital, Inc. (“Doctors Hospital”), Fishermen’s Health, Inc. (“Fishermen’s Community Hospital”), Homestead Hospital, Inc. (“Homestead Hospital”), Mariners Hospital, Inc. (“Mariners Hospital”), South Miami Hospital, Inc. (“South Miami Hospital”), and West Kendall Baptist Hospital, Inc. (“West Kendall Baptist Hospital”), (collectively, the “BHSF Hospitals”) and other not-for-profit and for-profit corporations.

Pursuant to a Master Trust Indenture, an obligated group (the “BHSF Obligated Group”) was created which, at December 31, 2021, consisted of BHSF, the BHSF Hospitals, Baptist Outpatient Services, Inc. (“BOS”), Bethesda Health, Inc., Bethesda Health Comprehensive Imaging Services, Inc. (“BHCI”), Bethesda Health Outpatient Services, Inc. (“BHOS”), and BRRH Corporation (“BRRH”). Each member of the BHSF Obligated Group is jointly and severally liable for all debt issued under the Master Trust Indenture (see Note 7). Under the BHSF Master Trust Indenture, the BHSF Obligated Group must comply with restrictions on incurrence of additional debt and certain other covenants.

Baptist Health Enterprises, Inc. (“BHE”) is a for-profit Florida corporation wholly owned by BHSF.

BHE, through its subsidiaries, owns interests, between approximately 26% and 91%, in limited liability companies (“LLC”) and limited partnerships (“LP”) which own and operate ambulatory surgery centers (“surgery centers”) and sleep centers. BHE has variable interests in the LLCs and LPs through its equity ownership interests. Each LLC and LP is considered a Variable Interest Entity (“VIE”) due to its structure as a limited partnership or functional equivalent. For those LLCs and LPs which BHE consolidates, BHE is considered the primary beneficiary due to the partnership agreements allowing BHE to govern the day-to-day activities and thereby control the most significant economic activities. The total assets (excluding goodwill and intangible assets, net) of the consolidated VIEs within the ambulatory services segment, which are included in the accompanying condensed consolidated balance sheets, as of December 31, 2021 and September 30, 2021, were approximately \$89,299,000 and \$83,387,000, respectively, and the total liabilities of the consolidated VIEs were approximately \$28,629,000 and \$28,781,000, respectively.

In November 2021, BHSF opened Baptist Health Hospital (“BHHD”), located in Doral, Florida. BHHD is a 15-bed hospital operated by South Miami Hospital that provides emergency care and other specialized healthcare services to the community.

Accounting principles generally accepted in the United States of America (“GAAP”) requires VIEs to be consolidated if an entity’s interest in the VIE is a controlling financial interest. Under the variable interest model, a controlling financial interest is determined based on which entity, if any, has (i) the power to direct the activities of the VIE that most significantly impacts the VIE’s economic performance and (ii) the obligations to absorb the losses that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. BHE performs assessments of (i) whether entities acquired in the current period should be accounted for under the VIE framework, and (ii) whether entities previously evaluated under the majority voting-interest framework have become VIEs, based on certain triggering events, and therefore would be subject to the VIE consolidation framework. The consolidation status of the VIEs with which BHE is involved may change as a result of such reassessments. Changes in consolidation status are applied prospectively with assets and liabilities of a newly consolidated VIE initially recorded at fair value.

For the three-month periods ended December 31, 2021 and 2020, BHSF has recorded approximately \$2,147,000 and \$4,373,000, respectively, from its participation in the earnings of Health Systems Solutions, LLC (“HSS”), as other operating revenue in the accompanying condensed consolidated financial statements. In addition, for the three-month periods ended December 31, 2021 and 2020, BHSF recorded revenue cycle management fee expense of \$24,994,000 and \$24,498,000, respectively, in administrative and general expenses in the accompanying condensed consolidated statement of operations. In April 2021, BHSF provided notice to HSS of its intent to return revenue cycle operations into BHSF,

effective January 2022. In December 2021, BHSF hired HSS revenue cycle employees in anticipation of revenue cycle operations returning in house to BHSF, effective January 2022.

In management's opinion, the accompanying Unaudited Condensed Consolidated Financial Statements of BHSF contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly, in all material respects, the condensed consolidated financial position of BHSF, the results of its operations, changes in its net assets and its cash flows for the periods presented. The accompanying Unaudited Condensed Consolidated Financial Statements omit footnote disclosures and other information normally included in financial statements prepared in accordance with GAAP. The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Audited Consolidated Financial Statements and Notes to Consolidated Financial Statements as of September 30, 2021, and for the year then ended. The accounting policies followed for interim financial reporting are the same as those disclosed in Note 1 - "Organization and Summary of Significant Accounting Policies" of the September 30, 2021, Notes to Consolidated Financial Statements unless otherwise noted herein.

Novel Coronavirus ("COVID-19") Pandemic – In March 2020, the outbreak of the COVID-19 pandemic began to impact BHSF's patients, communities, and business operations. The spread of COVID-19 and the ensuing response of federal, state and local authorities, beginning in March 2020, resulted in a significant reduction in the number of surgeries, physician office visits and emergency room volumes at BHSF facilities. This was due to measures meant to slow the spread of the virus, including quarantines and stay-at-home and shelter-in-place orders, as well as the community's general concerns related to the risk of contracting COVID-19. In the first quarter of fiscal year 2022, and the first and fourth quarters of fiscal year 2021, BHSF experienced surges in patients who tested positive for COVID-19. Elective and non-emergent procedures that required overnight stays were evaluated daily based on the capacity of each BHSF facility and some circumstances resulted in postponements. Should the pandemic intensify in South Florida and the country, BHSF may experience supply chain disruptions, including delays and price increases in equipment, pharmaceuticals and medical supplies due to the pandemic. Staffing, equipment, and pharmaceutical and medical supplies shortages may impact our ability to admit and treat patients. BHSF has incurred, and may continue to incur, increased expenses arising from the COVID-19 pandemic, including additional supply chain and other expenditures.

The federal government has taken several actions to provide financial assistance to healthcare providers during this pandemic. BHSF has received payments and advances under the Coronavirus Aid, Relief, and Economic Security Act, as amended by the Paycheck Protection Program and Health Care Enhancement Act (collectively, the "CARES Act") or any other governmental assistance program which will be beneficial in addressing the impact of the novel coronavirus pandemic on BHSF's results of operations and financial position. The CARES Act, which was signed into law on March 27, 2020, revised the Medicare accelerated payment program ("Medicare APP"), among other things. For the year ended September 30, 2020, BHSF received approximately \$297,105,000 of Medicare APP funding under this program which are recorded as contract liabilities in the accompanying consolidated balance sheet (see Note 4). For the three-month period ended December 31, 2021, Medicare APP funding under this program is recorded as a contract liability-current portion in the accompanying consolidated balance sheet. BHSF has not received additional Medicare APP funding for the three-month period ended December 31, 2021. On October 1, 2020, the Continuing Appropriations Act, 2021 and Other Extensions Act (the "Act") was passed, which revised the Medicare APP repayment terms and interest rate for amounts received between the passage of the CARES Act and the end of the COVID-19 public health emergency. The Act delays the beginning of the recoupment of the advance payments to twelve months after the receipt of Medicare APP funds and extends the full repayment term to twenty-nine months. In addition, the Act caps recoupments at 25% for the first eleven months of repayment and 50% for the following six months. The interest rate is capped at 4% for amounts that remain outstanding at the end of the revised recoupment period. Recoupment of Medicare APP funds were approximately \$38,625,000 for the three months ended December 31, 2021. For the three months ended December 31, 2020, there was no recoupment of Medicare APP funds.

BHSF received approximately \$27,828,000 and \$134,803,000 from the Public Health and Social Services Emergency Fund ("Provider Relief Fund" or "CARES Act Grant") during the three-month periods ended December 31, 2021 and 2020, respectively. Providers who have been allocated a Provider Relief Fund payment must sign an attestation confirming receipt of the funds and agreeing to certain terms and conditions of payment. During the first quarter of fiscal year 2021, BHSF recognized approximately \$124,357,000 of CARES Act Grant funding as other operating revenue. BHSF did not recognize any CARES Act Grant funding in the first quarter of fiscal year 2022. Amounts recognized as other operating revenue may be subject to uncertainty as new or revised guidance is released regarding the treatment of the funds. For the amounts not

recognized, BHSF has not investigated if all funds will be able to be retained and these amounts are recorded as accrued expenses and other current liabilities in the accompanying condensed consolidated balance sheet.

BHSF has taken, and will continue to take, various actions to increase liquidity and mitigate the impact of reductions in patient volumes and operating revenues from the COVID-19 outbreak, including the availability to issue commercial paper notes and credit agreement finalized in fiscal year 2020 (see Note 7).

Adopted Accounting Pronouncements – In August 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2017-12, *Targeted Improvements to Accounting for Hedging Activities* (“ASU 2017-12”), which is intended to better align risk management activities and financial reporting for hedging relationships. The new standard eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. It also eases certain documentation and assessment requirements. ASU 2017-12 is effective for fiscal years beginning after December 15, 2020. The adoption of this standard had no impact on BHSF’s consolidated financial statements.

In November 2019, the FASB issued ASU 2019-10, *Financial Instruments: Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, which addresses feedback regarding implementation challenges when adopting a major update. The FASB developed a philosophy to extend and simplify how effective dates are staggered between larger public companies and all other entities. ASU 2019-10 is effective for fiscal years beginning after December 15, 2020. The adoption of this standard had no impact on BHSF’s consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”), which increases transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosures. The amendments in ASU 2020-07 are effective for fiscal years beginning after June 15, 2021, and should be applied on a retrospective basis. The adoption of this standard had no impact on BHSF’s consolidated financial statements.

Cash and Cash Equivalents – BHSF has a system-wide treasury policy, which recognizes its responsibility to oversee, manage and coordinate all affiliate treasury operations. BHSF serves as the centralized cash receipt and disbursing agent for all BHSF entities. The treasury policy provides that each BHSF affiliate’s unrestricted cash and investments be transferred to BHSF, and that BHSF provide or arrange for advances and loans to its affiliates and provide financial support for the BHSF Hospitals and the other corporations comprising the system. These transfers have been eliminated in consolidation. Debt and related issuance costs are allocated to affiliates based on the use of debt proceeds.

Assets Whose Use is Limited and Other Investments – All BHSF alternative investments are accounted for at fair value based on net asset value. All gains and losses from these alternative investments are reflected in investment income. The carrying value of BHSF’s interests in alternative investments, as of December 31, 2021 and September 30, 2021, was approximately \$621,236,000 and \$617,663,000, respectively (see Note 14).

Immaterial Restatement – Subsequent to the issuance of the September 30, 2021, consolidated financial statements, BHSF determined that the fair value disclosure omitted the unfunded commitments for the alternative investments held by BHSF. These amounts have been corrected in Note 14 of the condensed consolidated financial statements. The total unfunded commitments for private oil and gas fund and the other alternative funds was approximately \$6,146,000 and \$77,251,000, respectively.

Subsequent to the issuance of the December 31, 2020, condensed consolidated financial statements, BHSF determined that Managed Care, Commercial and Uninsured, Charity payor classes were misstated in the net patient service revenue disclosure. These amounts have been corrected in Note 4 of the condensed consolidated financial information. Within the disclosure, Managed Care, Commercial increased by \$65,519,000 and the Uninsured, Charity payor class decreased by \$65,519,000.

Reclassification – For the three-month periods ended December 31, 2021, BHSF reclassified the presentation of contract labor expenses from administrative and general expense to wages, salaries, and benefits expenses in the accompanying condensed consolidated statement of operations. The corresponding December 31, 2020, contract labor expense, which was previously presented as part of administrative and general expense, has been presented combined with wages, salaries, and benefits expenses to conform to the December 31, 2021, presentation.

For the three-month periods ended December 31, 2021, BHSF reclassified the presentation of accrued expenses related to contract labor from accrued expenses and other current liabilities to accrued wages, salaries and benefits, in the accompanying condensed consolidated balance sheet. The corresponding September 30, 2021, accrued expenses related to contract labor, which was previously presented as part of accrued expenses and other current liabilities, has been presented combined with accrued wages, salaries and benefits to conform to the December 31, 2021, presentation.

For the three-month periods ended December 31, 2021, BHSF reclassified the presentation of cash flows from operating activities of accrued expenses related to contract labor from net increase in accrued expenses and other liabilities to net increase (decrease) in accrued wages, salaries and benefits, in the accompanying condensed consolidated statement of cash flows. The corresponding December 30, 2020, cash flows from operating activities, which was previously presented as net increase in accrued expenses and other liabilities, has been presented combined with net increase (decrease) in accrued wage, salaries and benefits to conform to the December 31, 2021, presentation.

2. BENEFICIAL INTEREST IN THE NET ASSETS OF BRRH FOUNDATION

BRRH System accounts for its interest in the BRRH Foundation in accordance with ASC 958, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others* (“ASC 958”). Pursuant to ASC 958, BRRH System and BRRH Foundation are financially interrelated organizations. Accordingly, BRRH System is required to recognize its interest in the net assets of the BRRH Foundation and adjust that interest for its share of the change in net assets of the BRRH Foundation. As of December 31, 2021, all of the net assets held by the BRRH Foundation were recorded as a noncurrent asset in the accompanying condensed consolidated balance sheets of BHSF as a beneficial interest in the net assets of the BRRH Foundation.

The BRRH Foundation is a not-for-profit corporation that was formed to raise funds to support BRRH Hospital. BRRH Hospital periodically requests funds from the BRRH Foundation and, if approved, funds are transferred to BRRH Hospital. Such transfers of funds are reported in the accompanying condensed consolidated financial statements as contributions. BRRH Hospital’s beneficial interest in the net assets with donor restrictions of the BRRH Foundation and its share of the change in those net assets are reported in the accompanying condensed consolidated balance sheet in net assets with donor restrictions.

The BRRH Foundation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements, including the following: recognition of contributions; valuation of pledges receivables; and valuation of investments. Management relies on historical experience and other assumptions believed to be reasonable under the circumstances in making its judgments and estimates. Actual results can differ from those estimates.

A summary of the BRRH Foundation's assets, liabilities, and net assets as of December 31, 2021, and September 30, 2021, is as follows, in thousands:

	December 31, 2021	September 30, 2021
Total assets:		
Cash	\$8,102	\$8,037
Pledges receivable	66,180	70,184
Assets whose use is limited and other investments	108,848	103,539
Donor designated assets	227,212	203,880
Other assets	1,906	706
Total assets	<u>\$412,248</u>	<u>\$386,346</u>
Total liabilities:		
Accounts payable and accrued expenses	\$875	\$513
Other liabilities	323	325
Total liabilities	<u>\$1,198</u>	<u>\$838</u>
Total net assets:		
Net assets without donor restrictions	\$115,560	\$109,936
Net assets with donor restrictions	295,490	275,572
Total net assets	<u>\$411,050</u>	<u>\$385,508</u>

A summary of the BRRH Foundation's results from operations and changes in net assets for the three-month periods ended December 31, 2021 and 2020, is as follows, in thousands:

	December 31, 2021	December 31, 2020
Total revenues, gains, contributions and other support:		
Contributions	\$18,350	\$22,975
Investment income - net	1,668	1,848
Net realized gains on sales of investments	9,208	53
Changes in net unrealized gains and losses on investments	(454)	18,700
Other		27
Total revenues, gains, contributions and other support	<u>\$28,772</u>	<u>\$43,603</u>
Total expenses, losses, and distributions:		
Wages, salaries and benefits	\$747	\$721
Purchased services	527	60
Supplies and other expenses	699	755
Distributions to BRRH Hospital	1,257	4,065
Total expenses, losses, and distributions	<u>3,230</u>	<u>5,601</u>
Total increase in net assets	25,542	38,002
Net assets - beginning of year	\$385,508	315,004
Net assets - end of period	<u>\$411,050</u>	<u>\$353,006</u>

The BRRH Foundation's investments include marketable securities, limited partnerships, private equity partnerships, and investment funds. The partnerships and investment funds are not readily marketable as defined by ASC 958, as there are conditions and restrictions on the redemption of these investments. Investment securities purchased and sold are reported based on the trade date. Due to the period lag between the trade and settlement dates, the BRRH Foundation reports receivables for securities sold but not settled, and liabilities for securities purchased but not settled. The net settlement receivable or payable is recorded as assets whose use is limited and other investments and donor designated assets in the balance sheet. As a practical expedient, the BRRH Foundation reports the partnerships and investment funds based upon the net asset value ("NAV"), or its equivalent, such as ownership interest in these investments as of the reporting date. The

BRRH Foundation has elected to use the NAV to report the fair value which is based on the fair values as reported by the respective investment managers.

As of December 31, 2021, the BRRH Foundation's assets whose use is limited and other investments and donor designated assets that are measured at fair value on a recurring basis are as follows, in thousands:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Investments Measured at Fair Value	Alternative Investments Measured at Net Asset Value	Total
Assets whose use is limited and other investments:					
Corporate equity instruments	\$101,393		\$101,393		\$101,393
Corporate bonds		\$10	10		10
Partnerships				\$346	346
Hedge funds				7,099	7,099
Donor designated assets:					
Cash and cash equivalents	58,068		58,068		58,068
Corporate equity instruments	153,486		153,486		153,486
Corporate bonds		250	250		250
Partnerships				735	735
Hedge funds				14,673	14,673
Total	<u>\$312,947</u>	<u>\$260</u>	<u>\$313,207</u>	<u>\$22,853</u>	<u>\$336,060</u>

As of September 30, 2021, the BRRH Foundation's assets whose use is limited and other investments and donor designated assets that are measured at fair value on a recurring basis are as follows, in thousands:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Investments Measured at Fair Value	Alternative Investments Measured at Net Asset Value	Total
Assets whose use is limited and other investments:					
Corporate equity instruments	\$70,786		\$70,786		\$70,786
Corporate bonds		\$10	10		10
Partnerships				\$583	583
Hedge funds				32,160	32,160
Donor designated assets:					
Cash and cash equivalents	38,273		38,273		38,273
Corporate equity instruments	139,470		139,470		139,470
Corporate bonds		275	275		275
Partnerships				484	484
Hedge funds				25,378	25,378
Total	<u>\$248,529</u>	<u>\$285</u>	<u>\$248,814</u>	<u>\$58,605</u>	<u>\$307,419</u>

3. CASH AND CASH EQUIVALENTS, ASSETS WHOSE USE IS LIMITED AND OTHER INVESTMENTS

Cash and cash equivalents, assets whose use is limited and other investments at December 31, 2021, and September 30, 2021, are summarized as follows, in thousands:

	December 31, 2021	September 30, 2021
Cash and cash equivalents:		
Operating cash	\$199,831	\$153,628
Assets whose use is limited:		
Board designated for:		
Funded depreciation	4,181,185	\$4,168,270
Education	335	335
Capital improvements	181,891	188,476
Insurance and self-insurance reserves	48,246	47,745
Total	4,411,657	4,404,826
Less current portion	(335)	(335)
Assets whose use is limited	\$4,411,322	\$4,404,491
Other investments:		
Without donor restrictions	\$181,233	\$164,018
With donor restrictions	140,683	126,623
Other investments	\$321,916	\$290,641

Investment income for the three-month periods ended December 31, 2021 and 2020, consisted of the following, in thousands:

	Three Months Ended December 31,	
	2021	2020
Investment income:		
Interest and dividends income	\$20,325	\$16,340
Realized gains on sales of securities	122,213	125,085
Realized losses on sales of securities	(82,338)	(64,457)
Change in net unrealized gains and losses	62,797	290,761
Investment income	\$122,997	\$367,729
Other changes in net assets with donor restrictions:		
Investment income	\$1,888	\$2,584

4. NET PATIENT SERVICE REVENUE

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

Performance obligations are determined based on the nature of the services provided by BHSF. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected, or actual charges. BHSF believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in hospitals receiving inpatient acute care services or patients receiving services in outpatient centers. BHSF measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally on the date of service for inpatients

or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our patients and customers in a retail setting, such as pharmaceuticals for example, and BHSF does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, BHSF has elected to apply the optional exemption provided in FASB ASC 606-10-50-14a 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 previously are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

BHSF determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with BHSF's policy, and implicit price concessions provided to uninsured patients. BHSF determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. BHSF determines its estimate of implicit price concessions based on its historical collection experience using a portfolio approach as a practical expedient by accounting for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

Agreements with third-party payors typically provide for payments at amounts less than established charges. Payments under traditional Medicare and Medicaid programs are based primarily on prospectively determined rates depending on clinical, diagnostic, and other factors and cost-reimbursement methodologies subject to certain limits. Payments for other payor sources, including managed care health plans, are based primarily on terms involving predetermined rates per diagnosis, per-diem rates, and discounts from established charges and/or other similar contractual arrangements.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. BHSF also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. BHSF estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

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

BHSF provides charity care to patients who are financially unable to pay for the healthcare services they receive. Uninsured patients treated at BHSF facilities with household income at or below 200% to 300% of the federal poverty level are eligible for free or discounted care. In addition, uninsured patients may be eligible for charity care if incurred charges are considered beyond the patient's ability to pay. The federal poverty level is established by the federal government and is based on income and family size. BHSF provided charity care at a cost of approximately \$24,821,000 and \$22,721,000 for the three-month periods ended December 31, 2021 and 2020, respectively. Excluding BRRH System, the estimated cost of providing charity services is based on recent historical cost-to-charge ratios for charity patients from BHSF's cost accounting system applied to the current period gross uncompensated charges associated with providing care to charity patients. For BRRH System, the estimated cost of providing charity services is based on recent historical cost-to-charge ratios for charity patients from the most recently filed cost report, applied to the current period gross uncompensated charges associated with providing care to charity patients.

BHSF has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by payors, and service types.

The following summarizes the composition of net patient service revenue by primary payor class for the three-month periods ended December 31, 2021 and 2020, in thousands:

	Three Months Ended December 31,	
	2021	2020
Net patient service revenue		
Medicare	\$176,493	\$175,223
Medicare managed care	195,115	183,934
Medicaid, Medicaid managed care	59,456	24,285
Managed care, commercial	750,970	641,423
Uninsured, charity	10,709	5,726
Total net patient service revenue	<u>\$1,192,743</u>	<u>\$1,030,591</u>

Revenue from patient deductibles and coinsurance are included in the preceding categories based on the primary payor.

BHSF revenues by primary service type were as follows for the three-month periods ended December 31, 2021 and 2020, in thousands:

	Three Months Ended December 31,	
	2021	2020
Inpatient services	\$488,946	\$428,434
Outpatient services	703,797	602,157
Total net patient service revenue	<u>1,192,743</u>	<u>1,030,591</u>
Non-patient (ancillary goods, services and rental income)	41,573	41,567
CARES Act grant revenue		124,357
Total other operating revenue	<u>41,573</u>	<u>165,924</u>
Total unrestricted revenues, gains, and other support	<u>\$1,234,316</u>	<u>\$1,196,515</u>

BHSF 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 BHSF'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, BHSF in certain instances enters into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is deemed not significant to the contract.

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

Amounts related to services provided to patients which do not meet the conditions of unconditional rights to payment at the end of the reporting period are contract assets. At December 31, 2021 and 2020, BHSF had the unconditional right to payment for all patient accounts receivables. As of December 31, 2021 and 2020, BHSF did not have any contract assets.

The opening and closing balances of contract liabilities at December 31, 2021, and September 30, 2021, are as follows, in thousands:

	December 31, 2021	September 30, 2021
Contract liabilities, beginning of year	\$218,516	\$297,105
Contract liabilities, end of period	179,891	218,516
Decrease in contract liabilities	(\$38,625)	(\$78,589)

During the three months ended December 31, 2021 and 2020, BHSF received approximately \$425,000 and \$1,978,000 related to favorable settlements of outstanding disputes with third-party payors, respectively. Third-party payor settlements are recorded as an adjustment to net patient service revenue when the disputes are settled and the cash settlements are received. During the three-month period ended December 31, 2021, BHSF recognized \$30,488,000 related to the Medicaid Directed Payment Program (“DPP”) for Baptist Hospital, West Kendall Baptist Hospital, South Miami Hospital, Doctors Hospital, and Homestead Hospital. This amount is included in net patient service revenue in the accompanying consolidated statement of operations. BHSF did not recognize DPP funds for the three-month periods ended December 31, 2020.

5. PROPERTY AND EQUIPMENT - NET

Property and equipment - net at December 31, 2021, and September 30, 2021, are summarized as follows, in thousands:

	December 31, 2021	September 30, 2021
Land and land improvements	\$496,198	\$491,324
Buildings and improvements	2,567,750	2,515,801
Equipment	1,309,283	1,277,841
Software and licenses	290,792	290,315
Total	4,664,023	4,575,281
Less accumulated depreciation	(2,100,217)	(2,046,817)
Total	2,563,806	2,528,464
Construction in process	228,492	239,004
Property and equipment - net	\$2,792,298	\$2,767,468

Interest costs incurred during the three-month periods ended December 31, 2021 and 2020, were approximately \$15,868,000 and \$18,123,000, respectively. Interest capitalized was approximately \$961,000 and \$1,189,000, for the three-month periods ended December 31, 2021 and 2020. Depreciation expense on property and equipment during the three-month periods ended December 31, 2021 and 2020, amounted to approximately \$60,437,000 and \$57,082,000.

During the three-month period ended December 31, 2021, BHSF and certain BHSF Hospitals made several building and land purchases with a total cost of approximately \$9,876,000. These acquisitions are for use in BHSF’s clinical and administrative operations. BHSF did not make building or land purchases for the three-month period ending December 31, 2020.

As of December 31, 2021 and September 30, 2021, BHSF has accrued approximately \$15,943,000 and \$25,790,000, respectively, for the acquisition and construction of property and equipment. These amounts are included in accounts payable and accrued expenses and other current liabilities in the accompanying condensed consolidated balance sheets.

6. GOODWILL

Goodwill is subject to at least an annual assessment for impairment by applying a fair-value based test. BHSF performs an annual impairment test during the fourth quarter of each fiscal year or more frequently, when events or other changes in circumstances indicate that the carrying value of goodwill may not be recoverable. During the three-month period ended December 31, 2021, there were no indications of impairment which would require an interim additional goodwill impairment test.

A summary of the changes in goodwill at December 31, 2021, and September 30, 2021, is listed below, in thousands:

	December, 2021	September 30, 2021
Goodwill, beginning of year	\$85,217	\$84,045
Urgent care, ambulatory surgery center, and retail pharmacy acquisitions		1,172
Goodwill, end of period	<u>\$85,217</u>	<u>\$85,217</u>

7. DEBT

On May 25, 2011, the BHSF Obligated Group issued \$250,000,000 of its Baptist Health South Florida Obligated Group Taxable Notes, Series 2011 (the “2011 Taxable Notes”). The 2011 Taxable Notes were issued under the Master Trust Indenture, as amended and supplemented by a First Supplemental Master Trust Indenture. The 2011 Taxable Notes bear interest at 4.59% per annum and matured on August 15, 2021, and repaid. Proceeds of the 2011 Taxable Notes were used to construct and equip the Miami Cancer Institute facilities on the campus of Baptist Hospital.

On December 21, 2011, the BHSF Obligated Group implemented a commercial paper program that allows BHSF to issue up to \$150,000,000 of taxable commercial paper notes for general corporate purposes at an interest rate to be determined at the time of the commercial paper notes issuance. The commercial paper program was issued under the Master Trust Indenture, as amended and supplemented by a Second Supplemental Master Trust Indenture. As of December 31, 2021, notes totaling \$100,000,000 have been issued and are outstanding; the notes bear interest rate of 0.1% and 0.2% per annum, with maturity dates of January 4, 2022, and February 4, 2022, respectively; these commercial paper notes were subsequently reissued in the second quarter of fiscal year 2022 (see Note 16). BHSF did not have commercial paper notes outstanding at September 30, 2021.

On January 9, 2017, the BHSF Obligated Group issued \$250,000,000 of its Baptist Health South Florida Obligated Group Taxable Notes, Series 2017 (the “2017 Taxable Notes”). The 2017 Taxable Notes were issued under the Master Trust Indenture, as amended and supplemented by a Third Supplemental Master Trust Indenture. The 2017 Taxable Notes bear interest at 4.34% per annum, payable annually on November 15, and will mature on November 15, 2041. Proceeds of the 2017 Taxable Notes may be used for any corporate purposes.

On December 28, 2017, the BHSF Obligated Group issued through the City of South Miami Health Facilities Authority \$809,565,000 of its Hospital Refunding Revenue Bonds, Series 2017 (“2017 Bonds”) in accordance with the provisions of the amended and restated Master Trust Indenture dated as of December 1, 2017. The 2017 Bonds bear interest at rates ranging from 3.00% to 5.00%, payable semiannually each February 15 and August 15, and mature annually on August 15 through 2047. Proceeds of the 2017 Bonds, together with other available funds, were used to refund outstanding bonds and pay issue costs incurred in connection with the issuance of the 2017 Bonds.

On October 15, 2019, the BHSF Obligated Group issued through the Palm Beach County Health Facilities Authority \$365,775,000 of its Hospital Revenue Bonds, Series 2019 (“2019 Bonds”) in accordance with the provisions of the Second Supplemental Master Trust Indenture dated as of October 1, 2019. The 2019 Bonds bear interest at rates ranging from 3.00% to 5.00%, payable semiannually each February 15 and August 15, and mature annually on August 15 through 2049. Proceeds from the 2019 Bonds are to fund construction and renovation projects for healthcare facilities of the BHSF Obligated Group.

On June 19, 2020, BHSF implemented a \$250,000,000 revolving credit facility with a syndicate of lenders available for general corporate purposes. The maturity date of this credit facility is June 19, 2023. Pricing is on a grid based on the long-term unenhanced credit ratings on indebtedness of BHSF or any other member of the BHSF Obligated Group evidenced and/or secured by a Master Trust Indenture obligation. The opening pricing level is a variable interest rate equal to the LIBOR daily floating rate, subject to a floor of 0.75%, plus 1.50% per annum. On November 23, 2021, the pricing grid was amended to include a base rate option, plus 0.00% at the opening pricing level, subject to the same grid based on the long-term unenhanced credit ratings on indebtedness of BHSF. There were no drawn amounts outstanding on this credit facility as of December 31, 2021, and September 30, 2021.

On August 3, 2021, the BHSF Obligated Group issued \$300,000,000 of its Baptist Health South Florida Obligated Group Taxable Notes, Series 2021 (the “2021 Taxable Notes”). The 2021 Taxable Notes were issued under the Master Trust Indenture, as amended and supplemented by a Fourth Supplemental Master Trust Indenture. The 2021 Taxable Notes bear interest at 3.11% per annum, payable semiannually on May 15 and November 15, and will mature on November 15, 2071. Proceeds of the 2021 Taxable Notes may be used for any corporate purposes. A portion of these proceeds were used to repay the principal of the 2011 Taxable Notes.

Payment of principal and interest on the long-term debt is wholly dependent on the credit of the BHSF Obligated Group. Under the Master Trust Indentures, the BHSF Obligated Group has certain restrictions on incurrence of additional debt and certain other covenants.

A summary of debt at December 31, 2021, and September 30, 2021, is as follows, in thousands:

	December 31, 2021	September 30, 2021
2021 Taxable Notes (net of deferred issue costs: December 31, 2021 - \$2,278; September 30, 2021 - \$2,290)	\$297,722	\$297,710
2019 Tax-Exempt Bonds (net of unaccreted bond premium: December 31, 2021 - \$30,943; September 30, 2021 - \$31,515 and deferred issue costs: December 31, 2021 - \$2,605; September 30, 2021 - \$2,635)	379,239	379,780
2017 Tax-Exempt Bonds (net of unaccreted bond premium: December 31, 2021 - \$63,527; September 30, 2021 - \$64,794 and deferred issue costs: December 31, 2021 - \$4,682; September 30, 2021 - \$4,756)	813,000	814,193
2017 Taxable Notes (net of deferred issue costs: December 31, 2021 - \$1,709; September 30, 2021 - \$1,731)	248,291	248,269
Commercial paper notes	100,000	
Total debt	1,838,252	1,739,952
Amount representing current maturities	(122,426)	(22,425)
Long-term debt	<u>\$1,715,826</u>	<u>\$1,717,527</u>

8. LEASES

BHSF leases certain equipment and facilities under both operating and finance leases expiring on various dates through 2047. The nature of these leases generally fall into one of the following categories: real estate, medical equipment (which includes equipment supporting patient services), vehicles, and office and facility equipment. BHSF classifies leases with a term over one year as either a finance or operating leases. BHSF elected the allowed exception for reporting short-term leases and will not recognize an ROU asset or lease liability for leases with an initial term of twelve months or less.

Lease Assets and Liabilities – For finance leases, a ROU asset and lease liability are recognized at the lease commencement date, with the exception of leases with initial terms of twelve months or less. The ROU asset balance is initially measured as the present value of future minimum lease payments adjusted for any initial direct costs incurred and lease incentives received.

For operating leases, the liability is initially measured as the present value of the unpaid lease payments. For finance leases, the lease liability is initially measured as the present value of unpaid lease payments, and is subsequently measured at amortized cost using the effective interest method. Certain estimates and judgements are required in the determination of the lease liabilities. A lessee is required to discount unpaid fixed lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, BHSF has elected to use the risk-free interest rate for the applicable period. Lease terms include the non-cancellable period of the lease including any additional periods covered by an extension of the lease or an early termination that are reasonably certain to be exercised. Lease payments included in the measurement of the lease liability include fixed payments owed over the lease term, termination penalties if termination options are expected to be exercised, the price to purchase the underlying asset if BHSF is reasonably certain to exercise the purchase option and residual value guarantees, if applicable.

The maturity schedule for lease liabilities as of December 31, 2021, is as follows, in thousands:

Period ending <u>December 31,</u>	Finance Leases	Operating Leases
2022	\$7,819	\$24,335
2023	8,051	22,427
2024	7,314	18,630
2025	5,156	11,850
2026	2,281	8,038
Thereafter		16,214
Total undiscounted cash flows	30,621	101,494
Less: present value discount	(3,056)	(4,830)
Total lease liabilities	<u>\$27,565</u>	<u>\$96,664</u>

Lease Expense and Activity – Payments due under lease contracts include fixed payments and any variable payments. Lease agreements with fixed payments are recognized on a straight-line basis over the term of the lease, including any periods of rent holidays. Variable payments associated with leases, including usage based rent and increases based on index, are recognized as they are incurred. Expenses for operating leases are recognized within administrative and general expenses on the condensed consolidated statement of operations and amortization of assets held under finance leases are included in depreciation and amortization expense on the condensed consolidated statement of operations.

BHSF lease expense activity for the three-month period ended December 31, 2021 and 2020, is as follows, in thousands:

	<u>Three Months Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Lease expense:		
Finance lease expense:		
Amortization of ROU assets	\$1,196	\$1,202
Interest on lease liabilities	337	371
Operating lease expense	6,040	6,274
Short-term lease expense	84	199
Variable lease expense	1,923	1,300
Total	<u>\$9,580</u>	<u>\$9,346</u>

BHSF other lease activity for the three-month period ended December 31, 2021 and 2020, is as follows, in thousands:

Lease activity:	Three Months Ended December 31,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$521	\$407
Financing cash flows from finance leases	\$1,394	\$750
Operating cash flows from operating leases	\$6,328	\$6,380
ROU assets obtained in exchange for new finance lease liabilities		\$6,001
ROU assets obtained in exchange for new operating lease liabilities		\$5,841
Weighted-average remaining lease term in years for finance leases	4.1 years	4.9 years
Weighted-average remaining lease term in years for operating leases	4.6 years	4.9 years
Weighted-average discount rate for finance leases	5.5%	5.7%
Weighted-average discount rate for operating leases	1.6%	1.6%

9. RETIREMENT PLANS

Defined Benefits Plans – Bethesda Health participates in a noncontributory defined benefit plan (“Bethesda DBP”), covering substantially all of their qualified employees hired before October 1, 2015. The Bethesda DBP was closed to new entrants as of October 1, 2015. The benefits are based on years of service and employees’ compensation levels and are calculated using the projected unit credit actuarial cost method. On September 21, 2014, Bethesda Health approved a freeze of the Bethesda DBP and ceased all future benefit accruals effective September 30, 2018. Participants of the Bethesda DBP are eligible for the defined contribution plan noted below. Bethesda Health’s current funding policy is to contribute annual amounts that meet the requirements of Internal Revenue Code (“IRC”) Section 412 for minimum funding and the requirements for IRC Section 404 with regard to maximum contribution limitations. Annual contributions to the Bethesda DBP equal the amount accrued for pension expense. No contributions were paid to the Bethesda DBP for the three-month periods ended December 31, 2021 and 2020.

Bethesda Health follows the provision of ASC Topic 715, *Compensation-Retirement Benefits*. ASC Topic 715 requires the recognition of the funded status (the difference between the fair value of plan assets and the projected benefit obligations) of the Bethesda DBP in the accompanying condensed consolidated balance sheet, with a corresponding adjustment to net assets without donor restrictions. Bethesda Health mortality rates are projected generally from 2012 using Aon Proxy Scale MP-2019. At December 31, 2021, and September 30, 2021, the Bethesda DBP was underfunded by \$16,904,000 and \$14,493,000, respectively, which is included in other liabilities in the accompanying condensed consolidated balance sheets. Actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of net assets without donor restrictions. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in net assets without donor restrictions.

BRRH System has a noncontributory, defined benefit plan (“BRRH DBP”) that covered substantially all of its qualified employees until October 1, 2007, when new employees or re-hires were excluded from participation. The benefits are based on the number of years of service and the employee’s compensation level calculated using the pure unit credit actuarial cost method. BRRH System’s funding policy is to contribute annual amounts that meet the requirements of Section 430 of the IRC for minimum funding, as amended by the Pension Protection Act of 2006 and the Moving Ahead for Progress in the 21st Century Act. Effective December 31, 2013, BRRH DBP was amended to freeze future benefit accruals. In 2020, BRRH System used the PRI-2012 Blue Collar Mortality Table with Scale MP-2019. No contributions were made to the BRRH DBP for the three-month periods ended December 31, 2021 and 2020. As of December 31, 2021, and September 30, 2021, the BRRH DBP was underfunded by \$27,418,000 and \$27,572,000, respectively, which is included in other liabilities in the accompanying condensed consolidated balance sheets.

IRC Sections 412 and 430 are related sections that define funding requirements for qualified pension plans. There are no differences between the funding standards the Bethesda DBP and BRRH DBP are subject to.

Defined Contribution Plans – BHSF sponsors system-wide defined contribution retirement plans in which participation is available to substantially all full-time employees.

Bethesda Health had established a defined contribution plan, which is available for eligible employees hired on or after October 1, 2005. The defined contribution plan was established to provide benefits for employees of the sponsor and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. On January 1, 2019, Bethesda Health became eligible to participate in the BHSF Plans.

BRRH System also provides a defined contribution plan (403(b) Program) for all employees who voluntarily participate; a supplemental executive retirement plan for select employees; and a defined contribution plan (401(k) Program) for its BocaCare employees who voluntarily participate.

10. NET ASSETS

Changes in consolidated net assets without donor restrictions attributable to BHSF and non-controlling interests for the three-month period ended December 31, 2021, are as follows, in thousands:

	Total	BHSF	Noncontrolling Interests
Net assets without donor restrictions, beginning of year	\$5,339,384	\$5,296,962	\$42,422
Excess of revenues over expenses	66,871	59,288	7,583
Contributions used for property and equipment acquisitions	1,444	1,444	
Partnership distributions	(7,403)		(7,403)
Increase in net assets without donor restrictions	60,912	60,732	180
Net assets without donor restrictions, end of period	<u>\$5,400,296</u>	<u>\$5,357,694</u>	<u>\$42,602</u>

Changes in consolidated net assets without donor restrictions attributable to BHSF and non-controlling interests for the three-month period ended December 31, 2020, are as follows, in thousands:

	Total	BHSF	Noncontrolling Interests
Net assets without donor restrictions, beginning of year	\$4,366,492	\$4,326,051	\$40,441
Excess of revenues over expenses	492,553	485,194	7,359
Contributions used for property and equipment acquisitions	3,362	3,362	
Sale of limited partnership interests	495		495
Purchase of limited partnership interests	(147)		(147)
Partnership distributions	(4,344)		(4,344)
Other - net	41	41	
Increase in net assets without donor restrictions	491,960	488,597	3,363
Net assets without donor restrictions, end of period	<u>\$4,858,452</u>	<u>\$4,814,648</u>	<u>\$43,804</u>

Net assets with donor restrictions are designated for the following purposes at December 31, 2021, and September 30, 2021, in thousands:

	December 31, 2021	September 30, 2021
Equipment and building fund	\$99,585	\$63,943
Indigent care	9,693	8,011
Health education and research	136,309	153,322
Beneficial interest in BRRH Foundation	411,050	385,268
Total	<u>\$656,637</u>	<u>\$610,544</u>

BHSF's endowment consists of funds that have been limited by donors to a specific time period or purpose. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment funds received are included in assets whose use is limited and invested in accordance with BHSF's investment policy. Accumulated gains from these investments are included in the net assets with donor restrictions balance until designated for use.

Gifts donated to restricted endowments are classified as net assets with donor restrictions at their original fair value, until those amounts are appropriated for expenditure by the BHSF Hospitals or BOS in accordance with donors' wishes. Income derived from net assets with donor restrictions is available to support the BHSF Hospitals, BOS, BHMG, and MCIBH, absent explicit donor stipulations to the contrary.

Changes in endowment net assets for the three-month period ended December 31, 2021, are as follows, in thousands:

	Without Donor Restrictions	With Donor Restrictions
Change in endowment net assets:		
Endowment net assets, beginning of year	\$23,704	\$25,394
Contributions		3,627
Investment income	1,316	380
Amounts used for expenditures		(220)
Present value allowance adjustments		(311)
Endowment net assets, end of period	<u>\$25,020</u>	<u>\$28,870</u>

Changes in endowment net assets for the three-month period ended December 31, 2020, are as follows, in thousands:

	Without Donor Restrictions	With Donor Restrictions
Change in endowment net assets:		
Endowment net assets, beginning of year	\$19,663	\$24,175
Contributions		247
Investment income	2,206	811
Amounts used for expenditures		(32)
Present value allowance adjustments		16
Endowment net assets, end of period	<u>\$21,869</u>	<u>\$25,217</u>

11. MEDICAL MALPRACTICE AND GENERAL LIABILITY INSURANCE

BHSF is self-insured for professional and general liability coverage. Coverage in excess of the self-insurance limits, less coinsurance, is provided on a claims-made basis by Pineapple Insurance Company, a single-parent, Cayman Islands captive insurance company, which reinsures 100% of the professional and general liability risk with unrelated commercial insurance carriers. The adequacy of the coverage provided and the provisions for losses are reviewed at least semiannually by independent actuaries. Should the claims-made policies be terminated, or not renewed or replaced with equivalent insurance, claims based on incidents during their term, but reported subsequently, will be uninsured. At December 31, 2021, and September 30, 2021, BHSF has accrued undiscounted estimates of approximately \$263,347,000 and \$262,848,000, respectively, which represents the cost to settle malpractice and general liability claims reported and claims incurred but not reported. Approximately \$71,533,000 and \$70,834,000 is included in accrued expenses and other current liabilities and approximately \$191,814,000 and \$192,014,000 is included in other liabilities in the accompanying condensed consolidated balance sheets at December 31, 2021, and September 30, 2021, respectively.

12. FUNCTIONAL EXPENSES

BHSF provides healthcare services, fundraising, and other non-healthcare services. Expenses related to providing these services for the three-month period ended December 31, 2021, are as follows, in thousands:

	Three months ended December 31, 2021		
	Fundraising	Healthcare services	Other non-healthcare services
Wages, salaries and benefits	\$2,019	\$579,941	\$137,286
Supplies		205,963	4,889
Administrative and general	228	253,035	35,765
Depreciation and amortization		45,199	16,480
Interest		10,956	3,951
Total expenses	\$2,247	\$1,095,094	\$198,371

BHSF provides healthcare services, fundraising, and other non-healthcare services. Expenses related to providing these services for the three-month period ended December 31, 2020, are as follows, in thousands:

	Three months ended December 31, 2020		
	Fundraising	Healthcare services	Other non-healthcare services
Wages, salaries and benefits	\$1,930	\$448,516	\$106,187
Supplies	87	188,643	6,026
Administrative and general	181	200,059	46,056
Depreciation and amortization		42,649	15,666
Interest		11,687	5,247
Total expenses	\$2,198	\$891,554	\$179,182

The tables above exclude expenses related to items recorded as other income within the consolidated statement of operations. Healthcare services include operating expenses for BHSF affiliates whose main purpose is to provide these services to the community such as the BHSF Hospitals and various outpatient affiliates. Expenses related to corporate services are included as other non-healthcare services along with operating expenses related to BHSF affiliates that do not provide direct healthcare services.

13. LIQUIDITY

BHSF regularly monitors liquidity requirements to meet operational needs and other contractual commitments, while also striving to maximize the investment of available funds. In addition, BHSF has various sources at its disposal, including a commercial paper program and revolving credit facility.

The following table summarizes BHSF's financial assets available for general expenditures within one year after December 31, 2021, and September 30, 2021, in thousands:

	December 31, 2021	September 30, 2021
Financial assets:		
Cash and cash equivalents	\$199,831	\$153,628
Assets whose use is limited	4,411,657	4,404,826
Other investments	321,916	290,641
Pledges receivable	73,418	68,791
Other receivables	603,365	596,320
Other assets	252,912	218,451
Total financial assets	5,863,099	5,732,657
Less amounts not available to be used within one year:		
Cash restricted by donors for specific use	107,606	97,514
Endowment funds restricted by donors	28,870	25,394
Investments not eligible for redemption	379,108	389,942
Investments with maturities over one year	3,219	7,291
Proceeds for capital improvements	181,891	188,476
Insurance reserves	48,246	47,744
Pledges receivable due in more than one year	44,793	42,773
Other long term assets	71,836	66,816
Total financial assets not available to be used within one year	865,569	865,950
Financial assets available to meet general expenditures within one year	\$4,997,530	\$4,866,707

As of December 31, 2021, approximately 88.5% of BHSF's total financial assets consists of highly liquid assets; 5.0% may be redeemable at a future specified redemption date, and 6.5% of the total financial assets are currently not eligible for redemption (See Note 14). As of September 30, 2021, approximately 88.0% of BHSF's total financial assets consists of highly liquid assets; 5.2% may be redeemable at a future specified redemption date, and 6.8% of the total financial assets are currently not eligible for redemption.

14. FAIR VALUE

Assets Whose Use is Limited and Other Investments - BHSF has elected the fair value option for all investments in debt and equity securities. BHSF classifies investments according to a hierarchy of techniques used to determine fair value based on the types of inputs.

Level 1 inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that are available as of the measuring date. Securities in this category are primarily cash and short-term investments, U.S. Treasury obligations, corporate equity instruments and foreign exchange contracts.

Level 2 inputs are quoted prices in markets that are not active or inputs that are observable either directly or indirectly. Level 2 inputs include quoted prices for similar assets other than quoted prices in Level 1 or other inputs that are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities. Investments classified as Level 2 primarily include debt securities such as U.S. Agency obligations, municipal bonds, domestic and foreign corporate bonds and foreign government bonds. BHSF's bank custodians use independent pricing services to provide fair values for these securities. These pricing services use the market and income approaches and utilize pricing models that vary by asset class and incorporate available trade, bid and other market information. For securities that do not trade on a daily basis, these pricing services utilize available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. As of December 31, 2021 and September 30, 2021, BHSF has recorded the valuations, without adjustment, which were provided by the pricing service.

Level 3 inputs are unobservable inputs that are supported by little or no market activity and are significant to the fair value of the asset or liability. Unobservable inputs reflect BHSF's own judgment about the assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments for which fair values are determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Transfers between levels occur when there are changes in the determination of whether inputs are observable or not, and changes in market activity. There were no changes to level classifications for securities held at December 31, 2021.

Alternative investments measured at fair value using net asset value ("NAV") per share, or its equivalent, as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented for such investments are intended to permit reconciliation of the fair value hierarchy to the investments presented in the consolidated balance sheet.

The disclosure of fair value measurements as of December 31, 2021, is as follows, in thousands:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Investments Measured at Fair Value	Alternative Investments Measured at Net Asset Value	Total
Financial assets:					
Cash and short-term investments	\$347,379		\$347,379		\$347,379
U.S. Treasury obligations	234,093		234,093		234,093
U.S. Agency obligations		\$54,690	54,690		54,690
Municipal bonds		11,679	11,679		11,679
Corporate equity instruments	2,560,482		2,560,482		2,560,482
Corporate bonds		632,494	632,494		632,494
Foreign government bonds		188,816	188,816		188,816
Foreign corporate bonds		79,777	79,777		79,777
Foreign exchange contracts	2,927		2,927		2,927
Infrastructure fund				\$37,772	37,772
Private debt fund				19,280	19,280
Private real estate funds				229,927	229,927
Private oil and gas fund				37,571	37,571
Other alternative investments				296,686	296,686
Total	<u>\$3,144,881</u>	<u>\$967,456</u>	<u>\$4,112,337</u>	<u>\$621,236</u>	<u>\$4,733,573</u>
Financial liabilities:					
Derivative liabilities	<u>\$2,927</u>		<u>\$2,927</u>		<u>\$2,927</u>

The disclosure of fair value measurements as of September 30, 2021, is as follows, in thousands:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Investments Measured at Fair Value	Alternative Investments Measured at Net Asset Value	Total
Financial assets:					
Cash and short-term investments	\$355,096		\$355,096		\$355,096
U.S. Treasury obligations	216,188		216,188		216,188
U.S. Agency obligations		\$59,161	59,161		59,161
Municipal bonds		12,448	12,448		12,448
Corporate equity instruments	2,432,934		2,432,934		2,432,934
Corporate bonds		656,407	656,407		656,407
Foreign government bonds		188,343	188,343		188,343
Foreign corporate bonds		139,602	139,602		139,602
Foreign exchange contracts	1,633		1,633		1,633
Infrastructure fund				\$39,358	39,358
Private debt fund				27,265	27,265
Private real estate funds				230,599	230,599
Private oil and gas fund				38,001	38,001
Other alternative investments				298,432	298,432
Total	<u>\$3,005,851</u>	<u>\$1,055,961</u>	<u>\$4,061,812</u>	<u>\$633,655</u>	<u>\$4,695,467</u>
Financial liabilities:					
Derivative liabilities	<u>\$1,633</u>		<u>\$1,633</u>		<u>\$1,633</u>

BHSF's investment policy provides for a diversified investment portfolio which considers return, risk, social values and BHSF's short-term and long-term liquidity needs, and supports its self-liquidity program. This policy allows participation in alternative investment funds. BHSF's investments in the private debt, infrastructure, private real estate funds, global securities funds, private oil and gas funds, and other alternative funds are considered alternative investments and do not have readily determinable fair values. All of BHSF's alternative investments contain restrictions on an investor's ability to liquidate the investment. All funds may restrict redemptions if, in their respective determinations, it would be in the best interest of the fund to do so. Absent the fund manager's election to restrict, redemptions differ for each fund.

BHSF currently invests in alternative investments, which include private debt, private real estate, private oil and gas, and other alternative funds. Redemptions from these investments are not currently eligible. These funds have estimated terms of six to ten years from the inception date with the option to extend the term for a period of one to three years. Terms and restrictions vary between each investment. Typically, the fund manager will make distributions from the fund as the underlying fund investments are liquidated.

The following is a schedule of additional information regarding the alternative investments held by BHSF that are valued using NAV as the practical expedient to fair value as of December 31, 2021, in thousands:

	December 31, 2021			
	NAV	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Infrastructure fund	\$37,772		Bi-Annually	90 days
Private debt fund	\$19,280		Not currently eligible	
Private real estate funds	\$229,927		Various	Various, up to 135 days if eligible
Private oil and gas fund	\$37,571	\$6,146	Not currently eligible	
Other alternative funds	\$296,686	\$85,174	Not currently eligible	

The following is a schedule of additional information regarding the alternative investments held by BHSF that are valued using NAV as the practical expedient to fair value as of September 30, 2021, in thousands:

	September 30, 2021		
	NAV	Unfunded Commitments	Redemption Frequency (if Currently Eligible) Redemption Notice Period
Infrastructure fund	\$39,358		Bi-Annually 90 days
Private debt fund	\$27,265		Not currently eligible
Private real estate funds	\$230,599		Various Various, up to 135 days if eligible
Private oil and gas fund	\$38,001	\$6,146	Not currently eligible
Other alternative funds	\$298,433	\$77,251	Not currently eligible

As of December 31, 2021, and September 30, 2021, BHSF had unfunded commitments of \$103,000,000 and \$26,717,000, respectively, related to alternative investments without NAV.

In February 2021, three senior individuals with GPB Capital Holdings, LLC (“GPB”), an alternative investment fund which BHSF is invested in, have been indicted on fraud and conspiracy charges by the USDOJ. The United States Securities and Exchange Commission has brought civil claims against these individuals, GPB and related entities, alleging violations of federal and state security laws, including securities fraud. The carrying value of BHSF’s investment in GPB as of December 31, 2021, is approximately \$16,114,000. At this time, BHSF cannot predict any estimated loss or range of loss in connection with the aforementioned legal action, or what action, if any, it may have on BHSF’s consolidated financial position, results of operations or cash flows

Other Assets and Liabilities - As of December 31, 2021, BHSF held certain items that are required to be measured at fair value on a recurring basis. Cash and cash equivalents, accounts receivables, other assets, estimated third-party payor settlement, accrued expenses, and other liabilities are reflected in the condensed consolidated balance at their carrying value, which approximate their fair value due to their short maturity.

15. COMMITMENTS AND CONTINGENCIES

Industry Risks - The healthcare industry is subject to numerous laws and regulations of federal, state and local governments, which are complex and subject to interpretation. Compliance with these laws and regulations, including those relating to the Medicare and Medicaid programs, can be subject to governmental review and interpretation. Federal government activity has increased with respect to investigations and allegations concerning possible violations of laws and regulations by healthcare providers. Unfavorable outcomes related to these regulatory investigations could result in the imposition of significant monetary fines, and civil and criminal penalties, as well as significant repayments of previously billed and collected revenue from patient services, and exclusion from participation in the Medicare and Medicaid programs. Currently, as a result of a government review, South Miami Hospital is operating under a Corporate Integrity Agreement entered into with the Department of Health and Human Services Office of the Inspector General with compliance obligations through December 5, 2021, and reporting obligations continuing for an additional 120 days.

Other Matters - In May 2019, BRRH, acting on behalf of BocaCare, submitted a voluntary disclosure under the Centers of Medicare and Medicaid Services (“CMS”) Self-Referral Disclosure Protocol (“SRDP”), relating to a technical structure issue involving the compensation of two employed physicians. In September 2019, BRRH, acting on behalf of BRRH Hospital, filed a second SRDP disclosure that relates to similar technical issues with some of the compensation provisions of an agreement between BRRH Hospital and an independent medical practice, pursuant to which the practice furnishes various professional and management services to BRRH Hospital and certain of its patients. At this time, BHSF cannot reasonably estimate when and in what amount either disclosure will be resolved.

In August 2021, BHSF was served with a class action lawsuit in the District Court for the Southern District of Florida alleging breaches of fiduciary duties under the Employment Retirement Income Security Act in connection with BHSF’s management of its 403(b) defined contribution pension plan for employees by allowing the Plan to (a) offer investment options that were more expensive or performed worse than certain alternatives available in the market; (b) offer share-classes for certain investment options that were not the cheapest ones available; and (c) pay excessive recordkeeping fees to administer the Plan. On January 20, 2022, the District Court entered an order compelling the parties to submit the dispute to

private arbitration. That order is subject to appeal. At this stage of the proceedings, BHSF cannot predict when the matter will be resolved, nor any estimated loss or range of loss to BHSF in connection with the matter.

Construction - BHSF has made certain commitments associated with its continuous construction programs. BHSF's future construction expenditures related to these commitments in periods subsequent to December 31, 2021 are estimated at \$310,101,000. Actual construction expenditures may vary from these estimates.

Information Technology and Other Purchase Commitments - BHSF has made certain commitments for various information technology products and services, as well as other equipment and services. These expenditures are payable up to ten years subsequent to December 31, 2021 and are estimated at \$285,293,000. Actual expenditures may vary from these estimates.

Litigation - BHSF is subject to claims and suits, including malpractice allegations, arising in the ordinary course of business. It is management's opinion, based on consultation with legal counsel and prior experience with similar cases, that the ultimate resolution of such suits now pending will not have a material adverse effect on BHSF's future financial position, results from operations or its cash flows.

Income Tax - BHSF is periodically audited by federal and state taxing authorities. The outcome of these audits may result in BHSF being assessed taxes in addition to amounts previously paid. Federal returns for fiscal years 2018 through 2020 remain open and subject to examination by the IRS.

Physician Income Guarantees - BHSF Hospitals provide income and revenue guarantee agreements to certain non-employed physicians and physician groups who agree to fill a community need in the hospitals' service areas and commit to remain in practice there for a specified period of time. Under such agreements, the hospitals are required to make payments to the physicians and physician groups in excess of the amounts earned or revenue collected in their practices up to the amount of the guarantees. The income and revenue collection guarantee agreements in effect at December 31, 2021, expire at various times through September 2026.

At December 31, 2021, the maximum potential amount of future payments under the income and revenue collection guarantees was approximately \$141,252,000. At December 31, 2021, a liability for future payments under the income and revenue collection guarantees in the amount of approximately \$130,186,000 is included in accrued expenses and current liabilities and other liabilities in the accompanying condensed consolidated balance sheet.

16. SUBSEQUENT EVENTS

In January 2022, revenue cycle operations previously at HSS have returned in-house to BHSF.

In January 2022, BHSF and the Sunrise City Commission came to an agreement to sell city-owned land in Sunrise, Florida, to BHSF with the intent of building a hospital.

In the second quarter of fiscal year 2022, BHSF reissued commercial paper notes totaling \$100,000,000. The notes bear interest rates of 0.2% and 0.3% per annum, with a maturity dates of March 7, 2022, and April 7, 2022, respectively.

In the second quarter of fiscal year 2022, BHSF received approximately \$17,207,000 from the Provider Relief Fund. BHSF has not yet determined if the funds will be retained.

In the second quarter of fiscal year 2022, BHSF entered into additional alternative investments with total unfunded commitments of approximately \$35,000,000.

In the second quarter of fiscal year 2022, BHSF received approximately \$41,405,000 in DPP funding, of which approximately \$33,688,000, was recorded in other current assets in the accompanying condensed consolidated balance sheet as of December 31, 2021.

BHSF evaluated events and transactions for potential recognition or disclosure through February 14, 2021, the date the condensed consolidated financial statements were issued.

BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATES

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET INFORMATION (UNAUDITED) (in thousands)

DECEMBER 31, 2021

	BHSF Obligated Group	Non-Obligated Group Affiliates	Consolidating Entries	Consolidated
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$147,339	\$52,492		\$199,831
Assets whose use is limited	335			335
Accounts receivable - net	578,396	53,593		631,989
Note receivable - affiliate	2,457		(\$2,457)	0
Due from affiliates	182,038	11,093	(193,131) (2)	0
Other current assets	301,283	22,298	(2,054) (2)	321,527
Total current assets	1,211,848	139,476	(197,642)	1,153,682
ASSETS WHOSE USE IS LIMITED	4,363,071	48,251		4,411,322
OTHER INVESTMENTS		321,916		321,916
PROPERTY AND EQUIPMENT - NET	2,633,512	158,786		2,792,298
RIGHT OF USE ASSETS - OPERATING LEASES	110,067	108,853	(131,109)	87,811
RIGHT OF USE ASSETS - FINANCE LEASES	15,208			15,208
BENEFICIAL INTEREST IN NET ASSETS OF BAPTIST HEALTH SOUTH FLORIDA FOUNDATION, INC.	263,584		(263,584) (3)	0
BENEFICIAL INTEREST IN NET ASSETS OF BOCA RATON REGIONAL HOSPITAL FOUNDATION	411,050			411,050
GOODWILL	27,753	57,464		85,217
OTHER ASSETS	98,260	100,120		198,380
DUE FROM AFFILIATES	201,335	2	(201,337) (2)	0
NOTE RECEIVABLE - AFFILIATE	58,555		(58,555) (2)	0
INVESTMENT IN AFFILIATES	1,728,437	1,534	(1,729,971) (5)	0
TOTAL ASSETS	\$11,122,680	\$936,402	(\$2,582,198)	\$9,476,884
LIABILITIES AND NET ASSETS (DEFICIT)				
CURRENT LIABILITIES:				
Accounts payable	\$47,104	\$394		\$47,498
Estimated third-party payor settlements	1,715			1,715
Contract liabilities - current portion	177,358	2,533		179,891
Commercial paper notes	100,000			100,000
Current maturities of long-term debt	22,426			22,426
Operating lease obligations - current portion	25,583	20,275	(\$23,624)	22,234
Finance lease obligations - current portion	6,587			6,587
Accrued wages, salaries and benefits	336,730	70,403		407,133
Accrued expenses and other liabilities	394,187	90,306	(1,211) (2)	483,282
Note payable affiliate - current portion		2,457	(2,457) (2)	0
Due to affiliates	90,018	103,112	(193,130) (2)	0
Total current liabilities	1,201,708	289,480	(220,422)	1,270,766
LONG-TERM DEBT	1,715,826 (1)			1,715,826
OPERATING LEASE OBLIGATIONS	91,548	90,825	(107,943)	74,430
FINANCE LEASE OBLIGATIONS	20,978			20,978
OTHER LIABILITIES	311,986	25,965		337,951
NOTE PAYABLE - AFFILIATE		58,555	(58,555) (2)	0
DUE TO AFFILIATES	820,738	265,326	(1,086,064) (2)	0
Total liabilities	4,162,784	730,151	(1,472,984)	3,419,951
NET ASSETS (DEFICIT):				
Net assets without donor restrictions:				
Baptist Health South Florida, Inc. and Affiliates	6,206,142	(167,371)	(681,077) (5)	5,357,694
Noncontrolling interests			42,602 (4)	42,602
Total net assets without donor restrictions	6,206,142	(167,371)	(638,475)	5,400,296
Net assets with donor restrictions	753,754	206,784	(303,901) (3,5)	656,637
Total net assets (deficit)	6,959,896	39,413	(942,376)	6,056,933
STOCKHOLDER'S EQUITY:				
Capital stock		54	(54) (5)	0
Additional paid-in-capital		26,123	(26,123) (5)	0
Retained earnings		98,059	(98,059) (5)	0
Total stockholder's equity		124,236	(124,236)	0
Noncontrolling interests		42,602	(42,602) (4)	0
Total equity		166,838	(166,838)	0
Total net assets (deficit) and stockholder's equity	6,959,896	206,251	(1,109,214)	6,056,933
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$11,122,680	\$936,402	(\$2,582,198)	\$9,476,884

Notes:

- (1) The members of the BHSF Obligated Group are jointly and severally liable for the entire amount of the long-term debt issued under the Master Trust Indenture. Long-term debt has been allocated to members of the BHSF Obligated Group based on the use of the proceeds.
- (2) To eliminate intercompany receivables and payables.
- (3) To eliminate beneficial interest in net assets of Baptist Health South Florida Foundation, Inc.
- (4) To reclassify noncontrolling interests.

BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATES

SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION (UNAUDITED) (in thousands)
THREE MONTHS ENDED DECEMBER 31, 2021

	BHSF Obligated Group	Non-Obligated Group Affiliates	Consolidating Entries	Consolidated
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT:				
Net patient service revenue	\$1,107,245	\$85,572	(\$74)	\$1,192,743
Other operating revenue	58,824	55,656	(72,907) (7)	41,573
Total unrestricted revenues, gains and other support	1,166,069	141,228	(72,981)	1,234,316
EXPENSES:				
Wages, salaries and benefits	585,688	133,584	(26) (8)	719,246
Supplies	199,303	11,444	105 (7,8)	210,852
Administrative and general	296,614	66,758	(74,344) (7,8)	289,028
Depreciation and amortization	55,313	4,519	1,847 (8)	61,679
Interest	15,921	1,119	(2,133) (7)	14,907
Total expenses	1,152,839	217,424	(74,551)	1,295,712
EQUITY IN AFFILIATES	(66,770)		66,770 (6)	0
(LOSS) INCOME FROM OPERATIONS	(53,540)	(76,196)	68,340	(61,396)
OTHER INCOME (EXPENSE):				
Investment income (loss):				
Interest on affiliate advances	2,131	3	(2,134) (7)	0
Other investment income - net	110,017	12,980		122,997
Other income (loss)	681	(104)	564 (7,8)	1,141
Total other income (expense)	112,829	12,879	(1,570)	124,138
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES) BEFORE INCOME TAX BENEFIT AND NONCONTROLLING INTERESTS	59,289	(63,317)	66,770	62,742
INCOME TAX BENEFIT		(4,129)		(4,129)
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES) FROM CONSOLIDATED OPERATIONS	59,289	(59,188)	66,770	66,871
INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS		(7,583)		(7,583)
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES) ATTRIBUTABLE TO BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATES	\$59,289	(\$66,771)	\$66,770	\$59,288

Notes:

(6) To eliminate equity in income, the investment balance in affiliates and the related retained earnings.

(7) To eliminate intercompany revenue and expense transactions.

(8) To reclassify rental income and expense of BHSF Hospitals from other income to income from operations.

BAPTIST HEALTH SOUTH FLORIDA, INC., OBLIGATED GROUP AFFILIATES

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET INFORMATION (UNAUDITED) (in thousands)
DECEMBER 31, 2021

	BHSF Obligated Group					
	Baptist Health South Florida, Inc.	Combined BHSF Hospitals	Baptist Outpatient Services, Inc.	Bethesda Health and Related Companies	Combining Entries	Combined BHSF Obligated Group
<u>ASSETS</u>						
CURRENT ASSETS:						
Cash and cash equivalents	\$144,228	\$3,106	\$2	\$3		\$147,339
Assets whose use is limited		335				335
Accounts receivable - net	(123)	568,154	10,368	(3)		578,396
Note receivable - affiliate	2,457					2,457
Due from affiliates	93,158	125,975		8,138	(\$45,233) (2)	182,038
Other current assets	81,880	213,746	5,657			301,283
Total current assets	321,600	911,316	16,027	8,138	(45,233)	1,211,848
ASSETS WHOSE USE IS LIMITED	4,324,425	38,646				4,363,071
PROPERTY AND EQUIPMENT - NET	480,060	2,113,703	39,749			2,633,512
RIGHT OF USE ASSETS - OPERATING LEASES	33,482	50,975	25,610			110,067
RIGHT OF USE ASSETS - FINANCE LEASES	(14)	15,222				15,208
BENEFICIAL INTEREST IN NET ASSETS OF BAPTIST HEALTH SOUTH FLORIDA FOUNDATION, INC.	97,439	165,898	247			263,584
BENEFICIAL INTEREST IN NET ASSETS OF BOCA RATON REGIONAL HOSPITAL FOUNDATION, INC.		411,050				411,050
GOODWILL		26,482	1,271			27,753
OTHER ASSETS	10,557	87,703				98,260
DUE FROM AFFILIATES	936,421	55,279			(790,365) (2)	201,335
NOTE RECEIVABLE - AFFILIATE	58,555					58,555
INVESTMENT IN AFFILIATES	1,726,262			2,175		1,728,437
TOTAL ASSETS	<u>\$7,988,787</u>	<u>\$3,876,274</u>	<u>\$82,904</u>	<u>\$10,313</u>	<u>(\$835,598)</u>	<u>\$11,122,680</u>
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>						
CURRENT LIABILITIES:						
Accounts payable	\$47,446	(\$337)		(\$5)		\$47,104
Estimated third-party payor settlements		1,715				1,715
Contract liabilities - current portion		176,791	\$169	398		177,358
Commercial paper notes	100,000					100,000
Current maturities of long-term debt	3,276 (1)	19,048 (1)	102 (1)	(1)	(1)	22,426
Operating lease obligations - current portion	6,494	11,603	7,486			25,583
Finance lease obligations - current portion	(11)	6,598				6,587
Accrued wages, salaries and benefits	122,887	205,670	8,173			336,730
Accrued expenses and other liabilities	116,923	265,984	10,734	546		394,187
Due to affiliates	44,094	0	1,139	90,018	(\$45,233) (2)	90,018
Total current liabilities	441,109	687,072	27,803	90,957	(45,233)	1,201,708
LONG-TERM DEBT	465,430 (1)	1,245,037 (1)	5,359 (1)	(1)	(1)	1,715,826
OPERATING LEASE OBLIGATIONS	32,037	40,683	18,828			91,548
FINANCE LEASE OBLIGATIONS		20,978				20,978
OTHER LIABILITIES	5,044	303,597	3,345			311,986
DUE TO AFFILIATES	939,622	536,858		134,623	(790,365) (2)	820,738
Total liabilities	1,883,242	2,834,225	55,335	225,580	(835,598)	4,162,784
NET ASSETS (DEFICIT):						
Net assets without donor restrictions	5,967,788	426,299	27,322	(215,267)		6,206,142
Net assets with donor restrictions	137,757	615,750	247			753,754
Total net assets (deficit)	6,105,545	1,042,049	27,569	(215,267)		6,959,896
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$7,988,787</u>	<u>\$3,876,274</u>	<u>\$82,904</u>	<u>\$10,313</u>	<u>(\$835,598)</u>	<u>\$11,122,680</u>

Notes:

(1) The members of the BHSF Obligated Group are jointly and severally liable for the entire amount of the long-term debt issued under the Master Trust Indenture. Long-term debt has been allocated to members of the BHSF Obligated Group based on the use of the proceeds.

(2) To eliminate intercompany receivables and payables.

BAPTIST HEALTH SOUTH FLORIDA, INC., OBLIGATED GROUP AFFILIATES

SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS INFORMATION (UNAUDITED) (in thousands)
THREE MONTHS ENDED DECEMBER 31, 2021

	BHSF Obligated Group					
	Baptist Health South Florida, Inc.	Combined BHSF Hospitals	Baptist Outpatient Services, Inc.	Bethesda Health and Related Companies	Combining Entries	Combined BHSF Obligated Group
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT:						
Net patient service revenue		\$1,072,293	\$34,852	\$100		\$1,107,245
Other operating revenue	\$244,306	21,866	3,703		(\$211,051) (4)	58,824
Total unrestricted revenues, gains and other support	244,306	1,094,159	38,555	100	(211,051)	1,166,069
EXPENSES:						
Wages, salaries and benefits	116,498	455,427	13,763		(5)	585,688
Supplies	(1,047)	196,368	1,373		2,609 (4,5)	199,303
Administrative and general	130,075	360,888	19,285	26	(213,660) (4,5)	296,614
Depreciation and amortization	12,110	41,928	1,275		(5)	55,313
Interest	4,969	10,900	52		(4)	15,921
Total expenses	262,605	1,065,511	35,748	26	(211,051)	1,152,839
EQUITY IN AFFILIATES	(34,542)				(32,228) (3)	(66,770)
(LOSS) INCOME FROM OPERATIONS	(52,841)	28,648	2,807	74	(32,228)	(53,540)
OTHER INCOME (EXPENSE):						
Investment income:						
Interest on affiliate advances	2,131				(4)	2,131
Other investment income	109,999	18				110,017
Other (loss) income		(383)	1,064		(4,5)	681
Total other income (expense)	112,130	(365)	1,064			112,829
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES) ATTRIBUTABLE TO BAPTIST HEALTH SOUTH FLORIDA, INC. AND AFFILIATES	\$59,289	\$28,283	\$3,871	\$74	(\$32,228)	\$59,289

Notes:

(3) To eliminate equity in income, the investment balance in affiliates and the related retained earnings.

(4) To eliminate intercompany revenue and expense transactions.

(5) To reclassify rental income and expense of BHSF Hospitals from other income to income from operations.

BAPTIST HEALTH SOUTH FLORIDA, INC. HOSPITALS

SUPPLEMENTAL COMBINING BALANCE SHEET INFORMATION (UNAUDITED) (in thousands)
DECEMBER 31, 2021

	Baptist Hospital of Miami, Inc.	Bethesda Hospital, Inc.	Boca Raton Regional Hospital, Inc.	Doctors Hospital, Inc.	Homestead Hospital, Inc.	Mariners Hospital, Inc.	Fishermen's Community Hospital, Inc.	South Miami Hospital, Inc.	West Kendall Baptist Hospital, Inc.	Combined BHSF Hospitals
ASSETS										
CURRENT ASSETS:										
Cash and cash equivalents	\$49	\$268	\$2,754	\$8	\$5	\$2	\$2	\$12	\$6	\$3,106
Assets whose use is limited								335		335
Accounts receivable - net	205,949	74,915	83,010	29,458	32,037	8,680	3,188	84,239	46,678	568,154
Due from affiliates	18,574	81,880		8,085		4,668		1,004	11,764	125,975
Other current assets	68,748	22,908	42,600	9,570	18,007	3,296	2,865	30,332	15,420	213,746
Total current assets	293,320	179,971	128,364	47,121	50,049	16,646	6,055	115,922	73,868	911,316
ASSETS WHOSE USE IS LIMITED			38,646							38,646
PROPERTY AND EQUIPMENT - NET	923,783	202,935	270,502	132,770	37,699	20,743	41,012	272,362	211,897	2,113,703
RIGHT OF USE ASSETS - OPERATING LEASES	11,008	5,687	3,722	10,709	556	103	204	12,013	6,973	50,975
RIGHT OF USE ASSETS - FINANCE LEASES	3,893	95	6,007					4,352	875	15,222
BENEFICIAL INTEREST IN NET ASSETS OF BAPTIST HEALTH SOUTH FLORIDA FOUNDATION, INC.	63,588	34,452	712	14,331	6,279	14,150	3,755	25,773	2,858	165,898
BENEFICIAL INTEREST IN NET ASSETS OF BOCA RATON REGIONAL HOSPITAL FOUNDATION, INC.			411,050							411,050
GOODWILL				22,548			3,934			26,482
OTHER ASSETS	3,419	3,640	61,790	1,261	7,743	850	1,470	7,530		87,703
DUE FROM AFFILIATES			55,279							55,279
TOTAL ASSETS	\$1,299,011	\$426,780	\$976,072	\$228,740	\$102,326	\$52,492	\$56,430	\$437,952	\$296,471	\$3,876,274
LIABILITIES AND NET ASSETS (DEFICIT)										
CURRENT LIABILITIES:										
Accounts payable		(\$304)	(\$33)							(\$337)
Estimated third-party payor settlements	\$177			593		798		147		1,715
Contract liabilities - current portion	40,086	38,662	57,315	7,523	7,115	2,014		16,329	7,747	176,791
Current maturities of long-term debt	5,351 (1)	3,382	1,353	2,046 (1)	1,985 (1)	186 (1)	210	2,428 (1)	2,107 (1)	19,048
Operating lease obligations - current portion	3,357	1,786	1,238	1,452	216	37	78	2,507	932	11,603
Finance lease obligations - current portion	1,413	1,678	1,732					1,416	359	6,598
Accrued wages, salaries and benefits	63,428	23,376	33,144	13,021	17,239	4,172	1,526	33,500	16,264	205,670
Accrued expenses and other liabilities	71,804	23,812	54,956	15,796	25,527	5,056	3,388	48,835	16,810	265,984
Total current liabilities	185,616	92,392	149,705	40,431	52,082	12,263	5,202	105,162	44,219	687,072
LONG-TERM DEBT	526,944 (1)	177,965	69,201	107,524 (1)	104,483 (1)	9,811 (1)	10,783	127,808 (1)	110,518 (1)	1,245,037
OPERATING LEASE OBLIGATIONS	7,765	3,970	3,295	9,304	339	66	127	9,651	6,166	40,683
FINANCE LEASE OBLIGATIONS	3,074	8,978	4,464					3,637	825	20,978
OTHER LIABILITIES	61,643	55,975	126,165	9,585	19,589	2,086	2,217	17,772	8,565	303,597
DUE TO AFFILIATES			36,888		451,245		48,725			536,858
Total liabilities	785,042	339,280	389,718	166,844	627,738	24,226	67,054	264,030	170,293	2,834,225
NET ASSETS (DEFICIT):										
Net assets without donor restrictions	450,381	53,232	135,941	47,565	(531,691)	14,116	(14,379)	147,814	123,320	426,299
Net assets with donor restrictions	63,588	34,268	450,413	14,331	6,279	14,150	3,755	26,108	2,858	615,750
Total net assets (deficit)	513,969	87,500	586,354	61,896	(525,412)	28,266	(10,624)	173,922	126,178	1,042,049
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$1,299,011	\$426,780	\$976,072	\$228,740	\$102,326	\$52,492	\$56,430	\$437,952	\$296,471	\$3,876,274

Note:

(1) The members of the BHSF Obligated Group are jointly and severally liable for the entire amount of the long-term debt issued under the Master Trust Indenture. Long-term debt has been allocated to members of the BHSF Obligated Group based on the use of the proceeds.

BAPTIST HEALTH SOUTH FLORIDA, INC. HOSPITALS

SUPPLEMENTAL COMBINING STATEMENT OF OPERATIONS INFORMATION (UNAUDITED) (in thousands)
THREE MONTHS ENDED DECEMBER 31, 2021

	Baptist Hospital of Miami, Inc.	Bethesda Hospital, Inc.	Boca Raton Regional Hospital, Inc. ⁽³⁾	Doctors Hospital, Inc.	Homestead Hospital, Inc.	Mariners Hospital, Inc.	Fishermen's Community Hospital, Inc.	South Miami Hospital, Inc.	West Kendall Baptist Hospital, Inc.	Combining Hospital Entries	Combined
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT:											
Net patient service revenue	\$422,721	\$84,172	\$151,870	\$64,075	\$58,586	\$17,258	\$7,666	\$173,035	\$92,910		\$1,072,293
Other operating revenue	13,859	3,546	2,001	312	479	132	620	893	625	(\$601) (2)	21,866
Total unrestricted revenues, gains and other support	436,580	87,718	153,871	64,387	59,065	17,390	8,286	173,928	93,535	(601)	1,094,159
EXPENSES:											
Wages, salaries and benefits	143,228	60,771	69,032	25,173	41,363	6,929	3,879	68,882	36,170		455,427
Supplies	76,116	18,776	52,436	11,087	5,992	1,752	1,009	20,654	8,546		196,368
Administrative and general	149,127	27,543	36,582	22,323	30,143	5,292	2,042	59,899	28,538	(601) (2)	360,888
Depreciation and amortization	17,737	4,304	4,736	3,047	1,107	532	631	6,757	3,077		41,928
Interest	4,117	1,852	724	1,029	1,011	95	79	1,229	764		10,900
Total expenses	390,325	113,246	163,510	62,659	79,616	14,600	7,640	157,421	77,095	(601)	1,065,511
INCOME (LOSS) FROM OPERATIONS	46,255	(25,528)	(9,639)	1,728	(20,551)	2,790	646	16,507	16,440	0	28,648
OTHER INCOME (EXPENSE):											
Investment income (loss)		24	(6)								18
Other income (expense)	69	17	195	(754)	5	102	25	107	(149)		(383)
OTHER INCOME (EXPENSE)	69	41	189	(754)	5	102	25	107	(149)		(365)
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	\$46,324	(\$25,487)	(\$9,450)	\$974	(\$20,546)	\$2,892	\$671	\$16,614	\$16,291	\$0	\$28,283

Notes:

(2) To eliminate intercompany revenue and expense transactions.

(3) Includes certain BRRH administrative functions which are not included in the results of other BHSF hospitals.