



Memorial Hospital at Gulfport

FINANCIAL STATEMENTS

Years Ended September 30, 2021 and 2020

**Memorial Hospital at Gulfport
Gulfport, Mississippi**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Memorial Hospital at Gulfport
Gulfport, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of Memorial Hospital at Gulfport (the "Hospital"), as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate remaining fund information of the Hospital as of September 30, 2021 and 2020, and the changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the Hospital adopted the provisions of GASB Statement Number 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, and Notes to Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2022, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an

opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Car, Riggs & Ingram, L.L.C.

Laurel, Mississippi
January 7, 2022

Memorial Hospital at Gulfport Management's Discussion and Analysis

This discussion and analysis provides management's analysis of the financial performance of Memorial Hospital at Gulfport (the "Hospital") for the fiscal years ended September 30, 2021 and 2020. The intent of this discussion and analysis is to provide further information regarding the Hospital's financial performance as a whole. It should be read in conjunction with the Hospital's financial statements, which begin on page 13.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Hospital's basic financial statements. The Hospital's basic financial statements consist of three components: (1) the business-type activities, (2) the fiduciary fund financial statements, and (3) the notes to financial statements.

Business-type Activities – The Hospital's business-type activities consist of three financial statements—a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the business-type activities of the Hospital. The financial statements presented herein also include the activities of the Hospital's blended component units – Memorial Hospital Ambulatory Health Services, Inc., Select Hospital Corporation, Medical Foundation of South Mississippi, Inc., Memorial Properties, Inc., and Memorial Hospital at Gulfport Foundation, Inc.

The statement of net position includes all of the Hospital's assets and liabilities, using the accrual basis of accounting, as well as an indication about which assets can be utilized for general purposes and which assets are limited as to use as a result of bond covenants or other restrictions.

The statement of revenues, expenses, and changes in net position reports all of the revenues and expenses for the period. Revenues measure and represent the volume and types of services provided by the Hospital. This statement also reflects the costs of providing those services enumerated by the various categories and types of expenses incurred. This statement further reveals how the Hospital was able to manage its business to either provide the services at a profit or loss.

The final required statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

Fiduciary Fund – This fund is used to account for resources held for the benefit of parties outside of the government. This fund is not reported with the business-type activities of the Hospital because the resources of these funds are not available to support the Hospital's operations. The fiduciary fund also uses the accrual basis of accounting. The Hospital is reporting a pension trust fund in the fiduciary fund statements for the Hospital's defined benefit retirement plan.

Notes to Financial Statements – The notes provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements.

Memorial Hospital at Gulfport Management's Discussion and Analysis

Industry Highlights

The Hospital, along with all healthcare facilities in the United States, has been and continues to be significantly impacted by the spread of COVID. Elective cases were significantly diminished causing economic swings due to both government-mandated directives, as well as over utilization of inpatient beds during high COVID demand periods. This pandemic continues to create capacity, supply, and workforce challenges. These include supply chain and distribution, changes in the workplace environment to protect patients and our workforce, increased expenses, and capital outlays. The industry has had to deal with staffing fatigue and shortages, increased costs for staffing, vaccine storage and administration expenses, and continued COVID testing. The Hospital has continued to be forward looking to prepare for the aforementioned and has created incentives and programs to recruit and maintain staff all while providing vaccine sites, monoclonal antibody infusion sites, and COVID testing sites to the community. This has not, however, come without elevated expense to the hospital.

The COVID event has changed the healthcare landscape by accelerating the virtual medicine presence far beyond anything seen in the past. The Hospital's telehealth visits have increased by 93,000 since the onset of the pandemic. Other areas of transition include consumer choice, technology and innovation, value initiatives, and mergers and acquisitions which are all closely entwined. With new guidelines for price transparency for drugs and for hospital costs and innovative new care models which include virtual or additional telehealth models, consumers are helping to drive the future of the industry. Technology will drive some of the care delivery models and is enabling increased financial independence for patients in their healthcare decisions. The consumer's demand for convenience and quantifiable information about the value of the services they are receiving will influence the success or failure of health plans and providers.

In addition to the uncertainties in the industry regarding the pandemic, it is reasonable to expect continued healthcare reform that include regulatory changes which may result in payment reductions and increased administrative documentation burdens. Health plans, hospitals, and physician practices need to collaborate to create equitable payment models that reward all stakeholders only when high-quality, resource-efficient, cost-effective care is provided to the patient. The Hospital will continue to strategize to reduce costs while improving outcomes and access to the community. Improving patient access keeps our patients closer to home and creates a more seamless patient centered experience.

Memorial Hospital at Gulfport Management's Discussion and Analysis

General Description of Services

The Hospital provides comprehensive services including 24-hour emergency services, general medicine, critical care, surgical, and obstetrics/gynecology services. These services are complemented by a complete range of diagnostic and therapeutic services. Memorial Hospital at Gulfport is licensed for 303 beds and currently staffs 281.

Historical Utilization

<i>Year Ended September 30,</i>	2021	2020	2019
Admissions - (excludes nursery)			
Acute	12,975	12,984	13,382
ICU	1,320	1,327	1,577
NICU	177	181	199
Total	14,472	14,492	15,158
Patient Days - (excludes nursery)			
Acute	68,244	63,134	63,411
ICU	5,303	2,813	2,237
NICU	3,762	4,135	4,199
Total	77,309	70,082	69,847
Average daily census	213	191	191
Emergency Department visits	65,318	63,367	67,007
Outpatient surgeries	8,702	5,519	3,384
Nursing home days	86,387	99,073	13,924
Deliveries	1,284	1,233	1,314

Memorial Hospital at Gulfport Management's Discussion and Analysis

Revenues by Payor

The Hospital receives payment for services from commercial insurers and other private payors, the State of Mississippi under the Medicaid program, Health Maintenance Organizations ("HMO's"), other managed care entities, including Medicaid managed care, the federal government, under the Medicare program, and directly from patients.

The following table represents the relative percentage of gross charges billed for patient services by payor for the fiscal years ended September 30:

<i>Year Ended September 30,</i>	2021	2020	2019
Medicare	49.5 %	54.0 %	54.9 %
Medicaid (includes Medicaid Managed Care)	8.5	8.1	9.5
Commercial	35.6	31.0	27.9
Self-pay	6.4	6.9	7.7
Total gross charges	100.0 %	100.0 %	100.0 %

Summary of Assets, Liabilities, and Net Position (in millions of dollars)

<i>September 30,</i>	2021	2020	Restated 2019
Assets			
Unrestricted Cash	\$ 36.8	\$ 138.0	\$ 38.6
Other current assets	130.7	117.3	98.7
Total current assets	167.5	255.3	137.3
Noncurrent assets	143.2	126.5	141.6
Capital assets	155.6	162.2	164.3
Total assets	466.3	544.0	443.2
Deferred outflows	11.1	8.6	12.8
Liabilities			
Current liabilities	137.6	147.2	56.0
Net pension liability	29.7	39.3	52.5
Long-term liabilities	42.6	47.6	52.8
Total liabilities	209.9	234.1	161.3
Deferred inflows	17.3	7.3	0.2
Net Position			
Net investment in capital assets	108.9	110.3	106.8
Restricted	7.4	6.8	6.6
Unrestricted	133.9	194.1	181.1
Total net position	\$ 250.2	\$ 311.2	\$ 294.5

Memorial Hospital at Gulfport Management's Discussion and Analysis

Summary of Revenues, Expenses, and Changes in Net Position (in millions of dollars)

<i>For the years ended September 30,</i>	2021	2020	Restated 2019
Operating Revenues			
Net patient service revenue	\$ 688.8	\$ 610.3	\$ 550.1
Other operating revenue	9.5	6.7	5.8
Total operating revenues	698.3	617.0	555.9
Operating Expenses			
Salaries and wages and employee benefits	376.8	325.5	276.2
Physician and professional fees purchased services, supplies, and other	365.0	301.8	248.2
Depreciation and amortization	23.3	22.7	25.7
Total operating expenses	765.1	650.0	550.1
Operating income (loss)	(66.8)	(33.0)	5.8
Nonoperating revenues	3.3	49.7	6.4
Capital contributions	2.5		
Increase in net position	(61.0)	16.7	12.2
Net position, beginning of year (restated)	311.2	294.5	282.3
Net position, end of year (restated)	\$ 250.2	\$ 311.2	\$ 294.5

Management's Discussion and Analysis of Recent Financial Performance

Changes from 2020 to 2021

The Hospital reported a decrease in net position of \$61 million in 2021. The increase in net position of \$16.7 million in 2020 included \$41 million in nonoperating income as a result of the CARES Act Provider Relief Funds for COVID. Total operating revenues, consisting of both net patient service revenues and other operating revenues, were \$698.3 million and \$617.0 million in fiscal years 2021 and 2020, respectively. The increase in 2021 over 2020 is attributable to increased volumes in Emergency Department (ED) visits, outpatient surgeries, deliveries, and ambulatory visits. In 2021 and 2020, the Hospital recorded Medicaid Supplemental Payments of \$52.4 million and \$48.1 million, respectively. Overall, inpatient volumes (excluding nursery) increased from 2020 to 2021; while total inpatient admissions were basically flat compared to the prior year with a decrease of 20 admissions (-.14%). Total patient days were up 10.3%. This was driven by an 88% increase in ICU days which is largely attributable to COVID. ED visits increased by 3.08% to 65,318 during the same period. Deliveries increased 4.14% from 2020 to 2021 ending at 1,284. There were 177 NICU admissions in 2020, a decrease of 4. NICU days totaled 3,762 in 2021, a 9% decrease over the same period in 2020.

Memorial Hospital at Gulfport Management's Discussion and Analysis

The Memorial Employed Physician Network had 666,080 ambulatory visits in 2021, an increase of 104,887 visits over 2020. As a continued result of COVID, we also saw an increase in telehealth visits from 28,345 in 2020 to 65,404 in 2021.

Total operating expenses were \$765.1 million and \$650.0 million in fiscal years 2021 and 2020, respectively. The increase in total operating expenses from 2020 to 2021 was \$115 million, a 17.7% increase, the components of which are described below.

Salaries, wages, and employee benefits have increased \$51.4 million or 15.8% from fiscal year 2020 to 2021 of which \$9.7 million was due to merit and market adjustments, \$2.5 million was due to Gulf South Surgery Center, which started operations in September of 2020, and \$4 million was related to COVID activities. Staffing shortages in Mississippi created the need for the Hospital to create incentives to recruit and retain staff in order to continue to provide quality care to our patients. These retention efforts were an additional \$11 million in salary expense in 2021. Even with these retention efforts we had increased contract labor expense in order to maintain staffing levels. Contract labor expense in 2021 and 2020 was \$9.1 million and \$2.5 million, respectively. There was a \$4.6 million increase in the self-funded 2021 health insurance expense as compared to 2020. Total benefits increased 19% or \$7.4 million. Total benefit expense as a percentage of salaries increased slightly from 13.6% in 2020 to 14% in 2021. The hospital fully funded the defined benefit pension obligation of \$8.9 million and the net pension liability decreased 24.4% from \$39.2 million in 2020 to \$29.7 million in 2021.

Purchased services, supplies, and other expenses increased \$63.2 million from 2020 to 2021 or 21%. Purchased services increased by \$31.1 million from 2020 to 2021 most of which is due to provider expansion. Outside lab services related to COVID testing increased \$2.9 million. Contract Services related to COVID increased by \$3.5 million driven by the need to stand up the monoclonal antibody clinic in September 2021. Contract nursing at Driftwood and Woodland Village Nursing Homes increased \$3.3 million from 2020 to 2021. Supplies and other expenses increased \$32.3 million from 2020 to 2021. Supply costs related to COVID were \$5.1 million, an increase of \$2.1 million over 2020. Drug costs increased \$12.6 million from 2020 to 2021 which included an increase of \$8.1 million in drug expenses related to outpatient pharmacy operations. Professional Fees decreased by \$.278 million from 2020 to 2021 largely due to decreased legal and collection fees. Depreciation and amortization expense increased by \$.556 million mostly due to the addition of Gulf South Surgery Center and Gaddy Vision clinic.

The operating loss was \$66.8 million and \$33.0 million in fiscal years 2021 and 2020, respectively. The operating loss translates into operating margins of -9.6% and -5.3% for the same fiscal years, respectively.

Total nonoperating revenues were \$3.3 million in 2021 and \$49.7 million in 2020. Fiscal year 2020 included \$40.9 million in income from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Operating results from investments in joint ventures were a \$.4 million loss for 2021.

Memorial Hospital at Gulfport Management's Discussion and Analysis

The Hospital's unrestricted liquidity represented by cash, cash equivalents, and investments ended at \$154.6 million and \$254.1 million in fiscal years ended 2021 and 2020, respectively. This equates to 76.1 and 147.9 days cash on hand for 2021 and 2020, respectively.

Changes from 2019 to 2020

The Hospital recorded an increase in net position of \$16.7 million and \$12.2 million in 2020 and 2019, respectively. The increase in net position in 2020 included \$41 million in nonoperating revenue as a result of the CARES Act for COVID. Total operating revenues, consisting of both net patient service revenues and other operating revenues, were \$617 million and \$555.9 million in fiscal years 2020 and 2019, respectively. The increase in operating revenues in 2020 over 2019 is attributable to acquisitions made in late 2019 and early 2020 which included Stone County Hospital, three nursing home locations, two surgery centers, and numerous physician practices. In 2020 and 2019, the Hospital recorded Medicaid supplemental payments of \$48.1 million and \$49.7 million, respectively. Overall inpatient volumes (excluding nursery) increased from 2019 to 2020; while total inpatient admissions were down by 4.5% and inpatient days increased .34%. This was driven by an increase of 25.7% in ICU days which is largely attributable to COVID. Emergency Department (ED) visits decreased by 5.4% to 63,367. This decline was also driven by COVID with large month over month decreases of 40.3% and 21.6% in April and May, respectively. Deliveries decreased 6.16% from 2019 to 2020 ending at 1,233. NICU discharges were 288, a decrease of 27 from 2019 to 2020. NICU days totaled 4,135 in 2020, a decrease of 64 from 2019. The Hospital's employed physician network's 2020 ambulatory visits increased 15.1% to 561,193 ambulatory visits in 2020. As a result of COVID, we also saw an increase in telehealth visits from 49 in 2019 to 28,345 in 2020. Associated unadjusted ambulatory patient service revenues increased by \$10.5 million over 2019.

In 2019, Memorial began nursing home operations at three locations. These three locations are in the three counties of Harrison, Hancock and Stone. In June of 2019, the Hospital began nursing home operations as Memorial Driftwood Nursing Home in Harrison County. In September of 2019, Memorial began nursing home operations as Memorial Woodland Village Nursing Center in Hancock County and Memorial Stone County Nursing and Rehab Center in Stone County. Stone County Hospital and Cedar Lake Surgery Center operations also began in September of 2019. Gulf South Surgery Center was added in September 2020. These, as well as new clinic operations, are attributable to increased revenue and expenses in 2020.

The provision for bad debts, as a percentage of gross patient service revenues was 3.5% in fiscal years 2020 and 2019.

Total operating expenses were \$649.9 million and \$550.1 million in fiscal years 2020 and 2019 respectively. The increase in total operating expenses from 2019 to 2020 was \$99.8 million or 18.1%, the components of which are described below.

Salary and employee benefits increased \$49.3 million or 17.8% from 2019 to 2020 of which \$8.2 million was due to merit and market adjustments, \$6.6 million was due to new operations in Stone County, \$11.9 million was due to nursing home operations that started in late 2019, and \$11.9 million,

Memorial Hospital at Gulfport Management's Discussion and Analysis

was due to COVID related activities. There was a \$1.9 million increase in the self-funded health insurance expense in 2020 as compared to 2019. Total benefits increased 9.4 % or \$3.4 million. Total benefit expense (as a percent of salaries) decreased from 14.8% in 2019 to 13.6% in 2020. The Hospital fully funded the defined benefit pension obligation of \$11.1 million and the net pension liability decreased 25.2% in fiscal year 2020 from \$52.5 million in fiscal year 2019 to \$39.2 million in fiscal year 2020.

Purchased services, supplies and other expenses increased \$53.5 million from 2019 to 2020 or 21.6%. Purchased services increased by \$17.4 million from 2019 to 2020 most of which is due to provider expansion. In addition, the new surgery center operations increased \$76 thousand, the new Stone County Hospital operations increased \$1.28 million, and outside lab services related to COVID testing increased \$878 thousand. Supply and other expenses increased \$34.8 million from 2019 to 2020. Supply cost related to COVID accounted for \$2.9 million. Drug costs increased \$10.8 million from 2019 to 2020 which included an increase of \$7.7 million in drug expenses related to outpatient pharmacy operations. Nursing home supply expense increased \$1.6 million in 2020 over 2019. Professional fees increased by \$1.4 million from 2019 to 2020 largely due to legal and professional services related to various merger and acquisition activity. Depreciation expense decreased by \$3.M due to certain IT capital assets being fully depreciated. Interest expense increased by \$0.2 million.

Operating income (loss) was (\$33) million and \$5.8 million in fiscal years 2020 and 2019, respectively. The income translates into operating margins of -5.3% and 1.0% for fiscal years 2020 and 2019, respectively.

Total nonoperating income was \$49.7 million in 2020 and \$6.4 million in 2019. \$40.9 million is recorded income from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Recorded income from the 20% ownership in Encompass Health (Formerly Health South) was flat year over year at \$1.1 million 2020 and 2019.

The Hospital's unrestricted liquidity represented by cash, cash equivalents, and investments ended at \$254.1 million and \$172 million in fiscal years ended 2020 and 2019, respectively. This equates to 147.9 and 119.68 days cash on hand for 2020 and 2019, respectively.

Memorial Hospital at Gulfport Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital assets consist of the following at September 30 (in millions of dollars):

<i>September 30,</i>	2021	2020	2019
Lands and land improvements	\$ 11.0	\$ 11.0	\$ 11.2
Buildings and improvements	242.3	237.1	232.3
Fixed and major moveable equipment	375.9	368.8	354.3
Construction in progress	8.3	5.3	5.0
Total capital assets	637.5	622.2	602.8
Less accumulated depreciation and amortization	481.9	460.0	438.5
Capital assets, net	\$ 155.6	\$ 162.2	\$ 164.3

Total debt capitalization of the 2016 Series Bonds as of September 30, 2021 is \$45.1 million, which includes \$4.6 million of unamortized bond premium. Total debt capitalization of the 2016 Series Bonds as of September 30, 2020 is \$49 million which includes \$5.5 million of unamortized bond premium. Principal repayment of the debt began in 2019 and continues through maturity in 2031.

The Hospital's Cash Flows

Changes in the Hospital's cash flows are consistent with the change in net position, increase in investments, purchase of capital assets, and debt service payments discussed earlier.

Contacting the Hospital Chief Executive Officer

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances. If you have any questions about this report or need additional financial information, please contact the Chief Executive Officer, Memorial Hospital at Gulfport, P.O. Box 1810, Gulfport, Mississippi 39502-1810.

Memorial Hospital at Gulfport
Statements of Net Position

<i>September 30,</i>	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 36,784,273	\$ 138,070,570
Restricted cash and investment		
Held by trustee under indenture agreements	6	6
Held for self-insurance fund	3,352,906	3,330,663
Beneficial interest in assets held by Community Foundation	1,424,769	1,299,077
Patient accounts receivable, net of allowance for doubtful accounts of \$160,411,164 and \$142,741,600 in 2021 and 2020, respectively	107,140,308	92,090,412
Inventory	13,801,776	12,561,403
Estimated third-party payor settlements	1,422,867	3,734,062
Prepaid expenses and other	3,546,014	4,242,954
Total current assets	167,472,919	255,329,147
Noncurrent assets		
Investments	117,794,282	116,061,875
Beneficial interest in assets held by Community Foundation	2,310,149	1,880,115
Restricted investment		
Held by trustee under indenture agreements	6,019	6,019
Other assets	23,061,883	8,553,733
Total noncurrent assets	143,172,333	126,501,742
Capital assets		
Land	6,146,386	6,146,386
Construction in progress	8,274,197	5,333,340
Depreciable capital assets, net	141,188,193	150,728,238
Total capital assets, net	155,608,776	162,207,964
Total assets	466,254,028	544,038,853
Deferred Outflows of Resources		
Deferred outflows - pensions	10,947,987	8,390,989
Deferred outflows - refunding of debt	193,731	229,043
Total deferred outflows of resources	11,141,718	8,620,032

(Continued)

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

**Memorial Hospital at Gulfport
Statements of Net Position (Continued)**

<i>September 30,</i>	2021	2020
Liabilities and Net Position		
Current liabilities		
Current maturities of bonds and capital lease	\$ 4,164,139	\$ 4,295,685
Accounts payable	30,322,298	23,498,153
Accrued compensation and payroll taxes	33,041,163	35,124,855
Unearned revenue	55,369,327	72,391,221
Other accrued expenses	14,103,240	11,196,996
Accrued interest payable	630,945	742,232
Total current liabilities	137,631,112	147,249,142
Long-term liabilities		
Net pension liability	29,687,106	39,274,400
Bonds payable, net of current maturities	41,913,507	45,977,166
Capital lease obligation, net of current maturities	659,310	1,603,449
Total long-term liabilities	72,259,923	86,855,015
Total liabilities	209,891,035	234,104,157
Deferred Inflows of Resources		
Deferred inflows - pensions	17,270,878	7,306,274
Total deferred inflows of resources	17,270,878	7,306,274
Net position		
Net investment in capital assets	108,871,820	110,331,664
Restricted		
Expendable for:		
Debt service	6,025	6,025
Self insurance programs	3,352,906	3,330,663
Hospital programs funded by MHG Foundation	1,737,961	1,614,488
Nonexpendable - Foundation endowments	2,310,149	1,880,115
Unrestricted	133,954,972	194,085,499
Total net position	\$ 250,233,833	\$ 311,248,454

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

Memorial Hospital at Gulfport
Statements of Revenues, Expenses and Changes in Net Position

<i>For the years ended September 30,</i>	2021	2020
Operating Revenues		
Patient service revenues, net of contractual allowances	\$ 817,471,778	\$ 767,029,522
Provision for bad debts	(128,674,661)	(156,751,564)
Net patient service revenue	688,797,117	610,277,958
Other operating revenue	9,475,236	6,693,129
Total operating revenue	698,272,353	616,971,087
Operating Expenses		
Salaries and wages	330,421,044	286,519,332
Supplies and other operating expense	251,308,073	218,927,910
Depreciation and amortization	23,263,365	22,704,059
Purchased services	105,534,443	74,416,612
Physician and professional fees	8,118,225	8,396,661
Employee benefits and payroll taxes	46,435,062	38,987,167
Total operating expenses	765,080,212	649,951,741
Operating loss	(66,807,859)	(32,980,654)
Nonoperating Revenues (Expenses)		
CARES Act funds	1,830,085	40,953,831
Gain on extinguishment of Paycheck Protection Program loan	162,983	-
Grants, contributions and other	1,199,769	3,286,564
Interest and investment income	1,389,025	5,534,135
Change in value of beneficial interests in assets	555,726	151,043
Interest expense	(1,426,193)	(1,331,175)
Gain (loss) on disposal of sale of assets	(171,467)	(14,074)
Income (loss) from joint ventures	(246,690)	1,133,938
Total nonoperating revenues	3,293,238	49,714,262
Income (loss) before capital contributions	(63,514,621)	16,733,608
Capital contributions - CARES Act funds	2,500,000	-
Change in net position	(61,014,621)	16,733,608
Net position - beginning of year	311,248,454	294,514,846
Net position - end of year	\$ 250,233,833	\$ 311,248,454

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

Memorial Hospital at Gulfport
Statements of Cash Flows

<i>For the years ended September 30,</i>	2021	2020
Operating Activities		
Receipts from and on behalf of patients	\$ 664,081,267	\$ 599,093,237
Payments to suppliers and others	(383,407,617)	(318,547,161)
Payments to and on behalf of employees	(355,294,135)	(302,938,098)
Other receipts (payments), net	5,280,924	5,976,998
Net cash used in operating activities	(69,339,561)	(16,415,024)
Noncapital Financing Activities		
Receipt of noncapital grants, contributions, and other	1,288,544	1,997,595
Receipt of CARES Act funds	-	113,345,052
Net cash provided by noncapital financing activities	1,288,544	115,342,647
Capital and Related Financing Activities		
Purchase of capital assets	(15,540,381)	(20,097,043)
Proceeds from the sale of capital assets	39,243	41,675
Proceeds from capital grants	2,500,000	-
Interest paid on long-term debt	(2,345,827)	(2,348,387)
Principal paid on long-term debt	(4,295,685)	(4,760,438)
Net cash used in capital and related financing activities	(19,642,650)	(27,164,193)
Investing Activities		
Maturities and sales of investments	30,346,112	59,922,115
Purchase of investments	(46,875,896)	(38,515,822)
Receipt of interest and investment earnings	2,959,397	6,329,905
Net cash provided by (used in) investing activities	(13,570,387)	27,736,198
Net increase (decrease) in cash and cash equivalents	(101,264,054)	99,499,628
Cash and Cash Equivalents - beginning of year	141,401,233	41,901,605
Cash and Cash Equivalents - end of year	\$ 40,137,179	\$ 141,401,233

<i>For the years ended September 30,</i>	2021	2020
Reconciliation of Cash to Balance Sheets		
Cash and cash equivalents	\$ 36,784,273	\$ 138,070,570
Restricted cash held for self-insurance fund	3,352,906	3,330,663
Cash and Cash Equivalents - end of year	\$ 40,137,179	\$ 141,401,233

(Continued)

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

**Memorial Hospital at Gulfport
Statements of Cash Flows (Continued)**

<i>For the years ended September 30,</i>	2021	2020
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (66,807,859)	\$ (32,980,654)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	23,263,365	22,704,059
Provision for bad debts	128,674,661	156,751,564
(Increase) decrease in assets and deferred outflows:		
Patient accounts receivable	(143,724,557)	(168,348,034)
Inventory	(1,240,373)	(2,294,785)
Estimated third-party payor settlements	2,311,195	(2,795,553)
Prepaid expenses and other	705,467	(1,761,996)
Other assets	(2,905,573)	(6,521,718)
Deferred outflows - pension	(2,556,998)	4,190,161
Increase (decrease) in liabilities and deferred outflows:		
Accounts payable	6,824,145	7,328,272
Accrued compensation, payroll taxes, and other	985,535	13,420,216
Unearned revenue	(15,245,879)	-
Net pension liability	(9,587,294)	(13,236,057)
Deferred inflows - pension	9,964,604	7,129,501
Net cash used in operating activities	\$ (69,339,561)	\$ (16,415,024)

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

**Memorial Hospital at Gulfport
Statements of Fiduciary Net Position**

<i>September 30,</i>	2021	2020
Assets		
Investments		
Cash equivalents	\$ 1,514	\$ -
Fixed income securities	51,890,302	44,074,554
Equity securities	49,817,356	42,213,192
Mutual funds	55,214,194	51,843,054
Total investments	156,923,366	138,130,800
Accrued interest and dividends	286,505	259,399
Total assets	157,209,871	138,390,199
Liabilities		
	-	-
Net position		
Restricted for pension benefits	\$ 157,209,871	\$ 138,390,199

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

Memorial Hospital at Gulfport Statements of Changes in Fiduciary Net Position

<i>For the years ended September 30,</i>	2021	2020
Additions		
Contributions		
Employer	\$ 8,895,995	\$ 11,051,524
Total contributions	8,895,995	11,051,524
Investment income		
Net appreciation in fair value of investments	18,126,473	8,549,921
Interest and dividend income	3,306,687	3,191,448
Total investment income	21,433,160	11,741,369
Total additions	30,329,155	22,792,893
Deductions		
Benefits paid to participants	11,509,483	10,904,658
Change in fiduciary net position	18,819,672	11,888,235
Net position - beginning of year	138,390,199	126,501,964
Net position - end of year	\$ 157,209,871	\$ 138,390,199

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Memorial Hospital at Gulfport (the "Hospital") is an acute-care hospital organized as an enterprise (proprietary) operation or business-type activity. The Hospital provides inpatient, outpatient, rehabilitation, and emergency care services primarily for residents of the six coastal counties of Mississippi and surrounding area. Admitting physicians are primarily practitioners in the same Mississippi Gulf Coast area. The Hospital is currently licensed to operate 303 inpatient beds.

The Hospital is a joint venture of the City of Gulfport (the "City") and the Gulfport-West Harrison County Hospital District (the "District"). The Hospital operates in the form of a government authority, governed by a Board of Trustees pursuant to Sections 41-13-15 et seq. of Mississippi Code of 1972, as amended, consisting of members from the City and the District. The Hospital is an independent enterprise held and operated separate and apart from all other assets and activities of the City and the District. The Hospital is not a taxable entity and does not file an income tax return. Budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America with concurrence by the Hospital's Board of Trustees on an annual basis. The Hospital, however, is not required by statute to adopt a legally binding budget. Accordingly, budgetary information is not a required part of these financial statements.

Additionally, the Hospital reports a separate pension trust fiduciary fund for the activities of the Memorial Hospital at Gulfport Retirement Plan, which is a defined benefit pension plan accumulating resources held in trust for pension benefit payments to qualified beneficiaries.

Blended Component Units

Included with the reporting entity of the Hospital are five entities that have been presented as blended component units. The Hospital exerts control over these entities and there is a financial benefit/burden relationship with these entities. All significant intercompany transactions between the Hospital and these five entities have been eliminated. Publicly available financial statements are not issued for these entities. Summarized financial information is provided in Note 16 for these entities. The entities are as follows:

Memorial Hospital Ambulatory Health Services, Inc.

Memorial Hospital Ambulatory Health Services, Inc. ("MHAHS") is a wholly-owned, nonprofit component unit of the Hospital initially set up to hold an interest in an ambulatory surgery center, Gulfport Surgery Center ("GSC"), operating on the Hospital's main campus. Operations of GSC were absorbed into the Hospital.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Blended Component Units (Continued)

Select Hospital Corporation

Select Hospital Corporation ("SHC") is a wholly-owned subsidiary of the Hospital that was formed in 1997 for the purpose of holding the Hospital's ownership interest in Mississippi Select Health Care, LLC ("MSHC"), also formed in 1997. MSHC operates as an administrator (non-risk assuming) of the Hospital's employee medical and dental benefit plans.

Medical Foundation of South Mississippi, Inc.

The Medical Foundation of South Mississippi, Inc. (the "Foundation") is a 501(c)(3) tax-exempt entity formed for the purpose of providing medical care to the community of the Mississippi Gulf Coast through the ownership and operation of a number of health clinics. Effective October 1, 2008, all medical services and business operations of the Foundation were assumed by the Hospital. The transactions to sell the tangible assets owned by the Foundation to the Hospital were completed in part by September 30, 2008, with the remainder sold in fiscal year 2009. The Foundation was fiscally dependent upon the Hospital's continuing financial support and could not continue as a going concern without this support.

Memorial Properties, Inc.

Memorial Properties, Inc. ("MPI") is a wholly-owned, nonprofit component unit of the Hospital that assisted in the development of a new medical office building ("MOB") and atrium and parking deck expansion with bridge connections to the Hospital ("APD"). The Hospital appoints the Board of Directors. The Hospital, the City, and the District conveyed approximately two acres of land to MPI in order to allow for the development of the MOB and APD. The Hospital has since purchased both the APD and MOB at fair market values in 2002 and 2007, respectively. MOB activities include leasing, build-out, and rental of available space. In addition, MPI holds the Hospital's equity interest in the following joint ventures: Encompass Health Rehabilitation Hospital at Gulfport ("Encompass") (formerly HealthSouth Rehabilitation Hospital of Gulfport, LLC); Biloxi Health System, LLC; and Gulf Coast Vascular Care LLC (See Note 6).

Memorial Hospital at Gulfport Foundation, Inc.

Memorial Hospital at Gulfport Foundation, Inc. ("MHG Foundation") is a nonstock, nonprofit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The members of the MHG Foundation Board consist principally of persons selected from the trustees, executive staff and medical staff of the Hospital, as well as local civic leaders and professionals. The MHG Foundation is organized and operated exclusively for charitable scientific and educational

Memorial Hospital at Gulfport Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Blended Component Units (Continued)

purposes for the benefit of the Hospital. The primary sources of financial support for the MHG Foundation are gifts, grants and contributions from the general public, corporations, and charitable organizations.

Measurement Focus and Basis of Accounting

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants) are recognized when all applicable eligibility requirements are met.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Estimates that are particularly susceptible to significant change in the near term are related to the determination of the allowances for uncollectible accounts and contractual adjustments and estimated third-party payor settlements. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Cash and Cash Equivalents

The Hospital's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Memorial Hospital at Gulfport Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are generally stated at fair value based on quoted market prices for identical assets in active markets or similar assets in active markets, except for investments in money market investments and certificates of deposit with a remaining maturity of less than one year at the time of purchase. These investments are reported at amortized cost, which approximates fair value. Interest and dividends on investments, including realized and unrealized gains and losses, is reported as investment income.

Restricted Cash and Investments

Restricted cash and investments include assets held by trustees under indenture agreements and assets set aside under the Hospital's self-insured insurance programs.

Patient Accounts Receivable, Net

Patient accounts receivable are reported at net realizable value, after deduction of allowances for estimated uncollectible accounts and third-party contractual discounts. The allowance for uncollectible accounts is based on historical losses and an analysis of currently outstanding amounts. This account is generally increased by charges to a provision for uncollectible accounts, and decreased by write-offs of accounts determined by management to be uncollectible. The allowances for third-party discounts are based on the estimated differences between the Hospital's established rates and the actual amounts to be received under each contract. Changes in estimates by material amounts are reasonably possible in the near term.

Inventory

Inventories, which consist primarily of medical supplies and drugs, are stated at average cost, which approximates the lower of cost or market.

Prepaid Expenses

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

Capital Assets

Capital assets, which includes property, plant, and equipment, are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Capital assets are defined as assets with an initial cost of more than \$3,000 and an estimated useful life in excess of one year. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Memorial Hospital at Gulfport Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Land and construction in progress are not depreciated. Property, plant, and equipment are depreciated using the straight line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Hospital:

Land improvements	1 - 25 years
Buildings and improvements	1 - 40 years
Fixed equipment	3 - 30 years
Major moveable equipment	1 - 25 years

Impairment of Long-Lived Assets

The Hospital evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management's evaluations, no long-lived assets impairments were recognized during the years ended September 30, 2021 and 2020.

Beneficial Interest in Assets Held by Community Foundation

MHG Foundation has transferred assets to the Gulf Coast Community Foundation, Inc. (GCCF) which is holding them as an endowed agency fund for the benefit of MHG Foundation. The fund is subject to GCCF's investment and spending policies which currently results in a distribution to MHG Foundation of approximately three to five percent annually. MHG Foundation reports the fair value of the fund as a beneficial interest in assets held by community foundation in the statement of net position, which changes in fair value recognized in the statement of changes in revenues, expenses, and changes in net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until the future period.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

The Hospital has two (2) items that qualify for reporting as deferred outflows of resources, *the deferred amount on refunding and the deferred outflows related to pensions*, both reported in the statements of net position. The deferred amount on refunding results from debt refinancing, whereby the reacquisition price of the funding debt instruments exceed their net carrying amount. The deferred amount on refunding is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with the GASB. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Hospital is reporting *deferred inflows related to pensions* that are an aggregate of items related to pensions as calculated in accordance with the GASB. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years.

Compensated Absences

The Hospital's policies permit employees to accumulate earned but unused benefits for paid time off (PTO) and sick leave, which are eligible for payment upon termination of employment. The accumulated pay is accrued and reported in the statements of net position as earned.

Long-Term Obligations

Long-term obligations are reported as liabilities in the statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method and are recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position of the Hospital is classified in three components, as follows:

Net investment in capital assets – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

Restricted – Represents net position that is restricted by constraints placed on the use of resources either externally imposed by creditors, grantors, contributions, or law or regulations of other governments or imposed by law through enabling legislation. Restricted funds include:

- Expendable – Represents funds that may be spent subject to donor, grantor, or other outside party restrictions.
- Nonexpendable – Represents the nonexpendable (corpus) of endowment funds that are subject to donor, grantor, or other outside party restrictions for the benefit of various programs at MHG Foundation.

Unrestricted – Represents the remaining net position that does not meet the definitions of net investment in capital assets or restricted net position described above that are available for carrying out the Hospital's objectives.

As a general practice, when both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenues and Expenses

The Hospital's statements of revenue, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including investment income and grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or as years are no longer subject to such audits, reviews, and investigations.

The primary third-party programs include Medicare and Medicaid, which account for a significant amount of the Hospital's revenue. The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the Hospital's compliance with these laws and regulations. Such review may result in adjustments to program reimbursements previously received, and subject the Hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

Charity Care

The Hospital provides care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy was approximately \$68,473,733 and \$78,593,819 for the years ended September 30, 2021 and 2020, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately \$7,608,322 and \$8,524,993, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Hospital's cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

Grants and Contributions

From time to time, the Hospital receives grants from other governmental entities as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted either for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisition are reported after nonoperating revenues and expenses as capital contributions.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current Healthcare Environment

The Hospital monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Hospital in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care. Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the ongoing impacts of the federal healthcare reform legislation. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant capital investment in healthcare information technology
- Continuing volatility in state and federal government reimbursement programs
- Effective management of multiple major regulatory mandates, including the previously mentioned audit activity
- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payor industry

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may or may not arise in the future, could have a material adverse impact on the Hospital's financial position and operating results.

Recent Accounting Pronouncements

During the year ended September 30, 2021, the Hospital adopted GASB Statement No. 84, *Fiduciary Activities* and GASB Statement No. 90, *Majority Equity Interest an amendment of GASB Statements No. 14 and No. 61*. GASB Statement No. 90 had no effect on the Hospital's financial statements. See Note 2 regarding the implementation of GASB Statement No. 84.

Pronouncements Issued But Not Yet Effective

The GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Hospital upon implementation. Management has not yet evaluated the effect of implementation of these standards.

**Memorial Hospital at Gulfport
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pronouncements Issued But Not Yet Effective (Continued)

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
87	<i>Leases</i>	2022
89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	2022
91	<i>Conduit Debt Obligations</i>	2023
92	<i>Omnibus 2020</i>	2022
93	<i>Replacement of Interbank Offered Rates</i>	2022
94	<i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>	2023
96	<i>Subscription-Based Information Technology Arrangements</i>	2024
97	<i>Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans</i>	2022

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 7, 2022. See Note 17 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Reclassifications of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with current year presentation.

NOTE 2: RESTATEMENT

In fiscal year 2021, the Hospital implemented GASB Statement Number 84, *Fiduciary Activities*. This statement establishes criteria for identifying and reporting fiduciary activities for governmental entities. As such, the Hospital's defined benefit retirement plan is considered a fiduciary activity since contributions from the Hospital to the pension plan and earnings on those contributions are irrevocable; pension plan assets are dedicated to providing pensions to plan members in accordance with benefit terms; and pension plan assets are legally protected from the creditors of the Hospital. As a result, the Hospital now reports a statement of fiduciary net position and a statement of changes in fiduciary net position. A prior period adjustment as of October 1, 2019 was required to report beginning fiduciary net position of \$126,501,964.

**Memorial Hospital at Gulfport
Notes to Financial Statements**

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2021 and 2020, the deposits of the Hospital consisted of the following:

<i>September 30,</i>	2021	2020
Petty cash and undeposited cash	\$ 35,496	\$ 33,146
Cash deposits with financial institutions	40,101,683	141,368,087
Total cash deposits	\$ 40,137,179	\$ 141,401,233

<i>September 30,</i>	2021	2020
Cash and cash equivalents	\$ 36,784,273	\$ 138,070,570
Restricted cash held by trustee for self-insurance fund	3,352,906	3,330,663
Total cash deposits	\$ 40,137,179	\$ 141,401,233

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits might not be recovered. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law. Investment securities are exposed to custodial credit risk if the securities are uninsured and not registered in the name the Hospital.

The collateral for public entity deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program the Hospital's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation ("FDIC"). All deposits with financial institutions must be collateralized in an amount equal to 105 percent of uninsured deposits and are therefore fully insured. The bank balance of the collateralized and insured balances was \$43,164,604 and \$142,044,354 at September 30, 2021 and 2020, respectively.

The Hospital also has cash deposits held in trust. The use of these funds is restricted for self-insurance related to professional liability and workers' compensation claims. The carrying value of these deposits was \$3,352,906 and \$3,330,663 at September 30, 2021 and 2020, respectively.

General Investments

The statutes of the State of Mississippi restrict the authorized investments of the Hospital to obligations of the U.S. Treasury, agencies, and instrumentalities of the United States and certain other types of investments. The Hospital's investment policy does not further limit types of investments available to the Hospital.

**Memorial Hospital at Gulfport
Notes to Financial Statements**

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

General Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its value to changes in market interest rates. As a means of limiting exposure to interest rate risk, the Hospital diversifies its investments by security type and limits holdings in any one type of investment with any one issuer with various durations of maturities.

The Hospital's investment policy only provides investment maturity guidelines for special fund investments as follows:

Maturity	Maximum Investment
One to three years	50%
Three to ten years	25%
More than ten years	25%

At September 30, 2021 and 2020, the Hospital had investments with the following maturities:

September 30, 2021	Fair Value	No Maturity	< 1 year	1-5 years	6-10 years	> 10 years
Money market mutual funds	\$ 14,169,888	\$ 14,169,888	\$ -	\$ -	\$ -	\$ -
Certificates of deposit	696,210	-	390,650	305,560	-	-
U.S. Treasuries	37,001,835	-	16,174,760	20,827,075	-	-
U.S. Government agency securities	16,977,391	-	-	399,973	16,577,418	-
Mortgage-backed securities	26,887,350	-	-	7,240,627	18,118,260	1,528,463
Collateralized mortgage obligations	7,488,791	-	-	-	7,488,791	-
Municipal bonds	10,866,420	-	-	4,568,291	4,278,229	2,019,900
Corporate bonds	1,824,271	-	-	-	1,824,271	-
Common stock	388,651	388,651	-	-	-	-
Fixed indexed annuity	1,499,500	-	-	1,499,500	-	-
Total	\$ 117,800,307	\$ 14,558,539	\$ 16,565,410	\$ 34,841,026	\$ 48,286,969	\$ 3,548,363

September 30, 2020	Fair Value	No Maturity	< 1 year	1-5 years	6-10 years	> 10 years
Money market mutual funds	\$ 6,319,274	\$ 6,319,274	\$ -	\$ -	\$ -	\$ -
Certificates of deposit	889,899	499,899	390,000	-	-	-
U.S. Treasuries	43,830,990	-	12,694,700	31,136,290	-	-
U.S. Government agency securities	18,565,524	-	-	789,024	12,638,413	5,138,087
Mortgage-backed securities	29,481,175	-	-	7,523,325	15,471,174	6,486,676
Collateralized mortgage obligations	7,566,262	-	-	-	-	7,566,262
Municipal bonds	7,096,773	-	3,698,039	3,398,734	-	-
Corporate bonds	2,145,771	-	-	2,145,771	-	-
Common stock	172,232	172,232	-	-	-	-
Total	\$ 116,067,900	\$ 6,991,405	\$ 16,782,739	\$ 44,993,144	\$ 28,109,587	\$ 19,191,025

**Memorial Hospital at Gulfport
Notes to Financial Statements**

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

General Investments (Continued)

At September 30, 2021 and 2020, the credit risk for fixed income securities was as follows:

<i>September 30, 2021</i>	Rating	Rated	Not Rated	Total
Money market mutual funds	-	-	\$ 14,169,888	\$ 14,169,888
Certificates of deposit	-	-	696,210	696,210
U.S. Treasuries	Aaa	37,001,835	-	37,001,835
U.S. Government agency securities	-	-	16,977,391	16,977,391
Mortgage-backed securities	-	-	26,887,350	26,887,350
Collateralized mortgage obligations	-	-	7,488,791	7,488,791
Municipal bonds	Aa3/AA+ to AA	8,846,520	2,019,900	10,866,420
Corporate bonds	-	-	1,824,271	1,824,271
<hr/>				
<i>September 30, 2020</i>	Rating	Rated	Not Rated	Total
Money market mutual funds	-	-	\$ 6,319,274	\$ 6,319,274
Certificates of deposit	-	-	889,899	889,899
U.S. Treasuries	Aaa	43,830,990	-	43,830,990
U.S. Government agency securities	-	-	18,565,524	18,565,524
Mortgage-backed securities	-	-	29,481,175	29,481,175
Collateralized mortgage obligations	-	-	7,566,262	7,566,262
Municipal bonds	Aa2 to Aa3/AA+ to AA-	7,096,773	-	7,096,773
Corporate bonds	-	-	2,145,771	2,145,771

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Hospital has a policy that all municipal securities with maturities of five years or less at time of purchase must carry a rating of "A" or higher, and maturities longer than five years at time of purchase, must carry a rating of "AA" or higher.

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Hospital investing in a single issuer. The Hospital has no formal investment policy regarding concentrations of credit risk. At September 30, 2021 and 2020, the Hospital had \$7,488,791 and \$7,566,262, respectively, in collateralized mortgage obligations (FEDL HOME LN MTG CRP SER) that represented investments in a single issuer in excess of 5% of total investments.

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of the investments. The Hospital has no foreign currency risk exposure as all investments are in U.S. dollars.

Memorial Hospital at Gulfport Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Pension Plan Investments

The Board of the Hospital has granted oversight of the investment of pension plan assets for the defined benefit pension plan (the "Plan") to the Employee Relations Committee. Investments of the plan are managed under the terms of an investment management agreement with Hancock Whitney Bank.

The Plan's investment policy, most recently amended in August 2019, authorizes the Plan to invest in cash, cash equivalents, money market mutual funds, mutual funds, commingled funds, separate accounts or collective trusts of high-grade index or active fixed income portfolios, options and futures, stocks, bonds, and exchange traded funds.

The portfolio objectives of the Plan are to preserve capital, to maintain liquidity as to meet all Plan benefit and expense obligations when due, and to manage risk through diversification of Plan assets and align the investment of Plan assets with the financial and actuarial information of the Plan.

The Employee Relations Committee measures investment performance quarterly and meets with the investment managers at least annually to review asset allocations, investment selection, portfolio performance, and overall adherence to the investment policy guidelines. Any deviations beyond the current policy range must have prior approval by the Employee Relations Committee, unless caused by market actions.

The composition of the Plan investments at September 30, 2021 and 2020 was as follows:

	2021	2020
Cash equivalents	\$ 1,514	\$ -
Money market mutual funds	2,439,372	4,772,285
U.S. government securities	22,999,942	16,818,279
Mortgage-backed securities	9,919,783	8,751,602
Collateralized mortgage obligations (CMOs)	1,095,850	1,447,476
Corporate bonds	17,874,727	17,057,198
Common stock	47,894,785	40,665,954
Foreign stock	1,912,501	1,547,238
Fixed income - ETF	2,952,763	1,197,840
Rights and warrants	10,070	-
Mutual funds - fixed income	17,564,838	14,755,972
Mutual funds - equity	32,257,221	31,116,956
Total investments	\$ 156,923,366	\$ 138,130,800

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Pension Plan Investments (Continued)

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the Plan will not be able to recover the value of investments or collateral securities that are in the possession of the counterparty. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan, and are held either by the counterparty or the counterparty's trust department or agent but not in the Plan's name. The Plan holds all investments in a trust in the Plan's name, and is therefore not exposed to custodial credit risk.

Interest rate risk is the risk that changes in market values will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its value to changes in market interest rates. As a means of limiting exposure to interest rate risk, the Plan diversifies its investments by security type and limits holdings in any one type of investment with any one issuer with various durations of maturities.

At September 30, 2021 and 2020, the Plan had investments in fixed income securities with the following maturities:

	2021				
	Fair Value	Less than 1 year	1-5 years	6-10 years	More than 10 years
U.S. government securities	\$ 22,999,942	\$ 1,515,524	\$ 10,384,483	\$ 6,904,457	\$ 4,195,478
Mortgage-backed securities	9,919,783	-	-	618,089	9,301,694
CMOs	1,095,850	-	-	1,095,850	-
Corporate bonds	17,874,727	-	2,931,749	10,240,272	4,702,706
	2020				
	Fair Value	Less than 1 year	1-5 years	6-10 years	More than 10 years
U.S. government securities	\$ 16,818,279	\$ 3,508,433	\$ 2,964,882	\$ 5,986,939	\$ 4,358,025
Mortgage-backed securities	8,751,602	-	-	884,912	7,866,690
CMOs	1,447,476	-	-	1,133,516	313,960
Corporate bonds	17,057,198	1,516,180	3,863,073	7,170,785	4,507,160

**Memorial Hospital at Gulfport
Notes to Financial Statements**

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Pension Plan Investments (Continued)

At September 30, 2021 and 2020, the credit risk for money market mutual funds, fixed income securities, and fixed income mutual funds was as follows:

	2021					
	Money Market Mutual Funds	Mortgage-backed Securities	CMOs	Corporate Bonds	Mutual Funds Fixed Income	Fixed Income ETF
Aaa	\$ 2,439,372	\$ 9,919,783	\$ 1,095,850	\$ 892,569	\$ -	\$ 2,952,763
Aa1-Aa3	-	-	-	3,972,041	-	-
A1-A3	-	-	-	10,024,071	-	-
Baa-Baa3	-	-	-	2,986,046	-	-
Not Rated	-	-	-	-	17,564,838	-
Total	\$ 2,439,372	\$ 9,919,783	\$ 1,095,850	\$ 17,874,727	\$ 17,564,838	\$ 2,952,763

	2020					
	Money Market Mutual Funds	Mortgage-backed Securities	CMOs	Corporate Bonds	Mutual Funds Fixed Income	Fixed Income ETF
Aaa	\$ 4,772,285	\$ 8,751,602	\$ 1,447,476	\$ 947,749	\$ -	\$ 1,197,840
Aa1-Aa3	-	-	-	2,842,775	-	-
A1-A3	-	-	-	9,800,567	-	-
Baa-Baa3	-	-	-	3,466,107	-	-
Not Rated	-	-	-	-	14,755,972	-
Total	\$ 4,772,285	\$ 8,751,602	\$ 1,447,476	\$ 17,057,198	\$ 14,755,972	\$ 1,197,840

Credit risk is defined as the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The Employee Relations Committee reviews investments for credit risk and makes recommendations accordingly.

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of the investments. The Plan has no foreign currency risk as all investments are in U.S. dollars.

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Plan investing in a single issuer. The Plan has no formal investment policy regarding concentrations of credit risk.

**Memorial Hospital at Gulfport
Notes to Financial Statements**

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Pension Plan Investments (Continued)

At September 30, 2021 and 2020, the Plan had the following investments in a single issuer in excess of 5% of total investments:

	2021	2020
Blackrock High Yield Bond Portfolio	\$ 15,997,208	\$ 13,405,519
Causeway Emerging Markets Fund	9,083,651	8,880,945
T. Rowe Price International Discovery Fund	-	7,690,832
Wells Fargo Emerging Markets Equity Fund	8,667,693	9,242,455
Total investments	\$ 33,748,552	\$ 39,219,751

Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
 - observable; or
 - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements for General Investments

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

Money market mutual funds: Value is stated at cost, which approximates fair value.

Certificates of deposit: Value is stated at amortized cost, which approximates fair value.

U.S. Government agency securities, mortgage-backed securities, and collateralized mortgage obligations: Valued using pricing models maximizing the use of observable inputs for similar securities.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available

U.S. Treasuries and common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed indexed annuity: Valued based on the surrender value as calculated by the annuity provider.

**Memorial Hospital at Gulfport
Notes to Financial Statements**

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements for General Investments (Continued)

The following tables set forth by level, within the fair value hierarchy, the Hospital's recurring fair value measurements as of September 30, 2021 and 2020:

September 30, 2021	Fair Value	Level 1	Level 2	Level 3
Investments				
Money market mutual funds	\$ 14,169,888	\$ 14,169,888	\$ -	\$ -
Certificates of deposit	696,210	696,210	-	-
U.S. Treasuries	37,001,835	37,001,835	-	-
U.S. Government agency securities	16,977,391	-	16,977,391	-
Mortgage-backed securities	26,887,350	-	26,887,350	-
Collateralized mortgage obligations	7,488,791	-	7,488,791	-
Municipal bonds	10,866,420	-	10,866,420	-
Corporate bonds	1,824,271	-	1,824,271	-
Common stock	388,651	388,651	-	-
Fixed indexed annuity	1,499,500	-	1,499,500	-
Total investments	117,800,307	52,256,584	65,543,723	-
Beneficial interest in assets held by Community Foundation	3,734,918	-	-	3,734,918
Total assets	\$ 121,535,225	\$ 52,256,584	\$ 65,543,723	\$ 3,734,918

September 30, 2020	Fair Value	Level 1	Level 2	Level 3
Investments				
Money market mutual funds	\$ 6,319,274	\$ 6,319,274	\$ -	\$ -
Certificates of deposit	889,899	889,899	-	-
U.S. Treasuries	43,830,990	43,830,990	-	-
U.S. Government agency securities	18,565,524	-	18,565,524	-
Mortgage-backed securities	29,481,175	-	29,481,175	-
Collateralized mortgage obligations	7,566,262	-	7,566,262	-
Municipal bonds	7,096,773	-	7,096,773	-
Corporate bonds	2,145,771	-	2,145,771	-
Common stock	172,232	172,232	-	-
Total investments	116,067,900	51,212,395	64,855,505	-
Beneficial interest in assets held by Community Foundation	3,179,192	-	-	3,179,192
Total assets	\$ 119,247,092	\$ 51,212,395	\$ 64,855,505	\$ 3,179,192

Memorial Hospital at Gulfport Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements for General Investments (Continued)

Below is a reconciliation of the beginning and ending balances of the Beneficial Interest in Assets Held by Community Foundation for fiscal years ending September 30, 2021 and 2020.

Balance September 30, 2020	\$ 3,179,192
Net realized and unrealized gains (losses)	550,246
Interest and dividends	60,095
Investment management fees	(54,615)
Balance September 30, 2021	<u>\$ 3,734,918</u>

Balance September 30, 2019	\$ 3,028,149
Net realized and unrealized gains (losses)	133,247
Interest and dividends	64,533
Investment management fees	(46,737)
Balance September 30, 2020	<u>\$ 3,179,192</u>

Fair Value Measurements for Pension Plan Investments

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

Cash and cash equivalents and money market mutual funds: Value is stated at cost, which approximates fair value.

Mortgage-backed securities and CMOs: Valued using pricing models maximizing the use of observable inputs for similar securities.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available.

U.S. government securities and common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Memorial Hospital at Gulfport
Notes to Financial Statements

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements for Pension Plan Investments (Continued)

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

The following tables set forth by level, within the fair value hierarchy, the Plan's recurring fair value measurements as of September 30, 2021 and 2020:

	2021			
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 1,514	\$ 1,514	\$ -	\$ -
Money market mutual funds	2,439,372	2,439,372	-	-
U.S. government securities	22,999,942	22,999,942	-	-
Mortgage-backed securities	9,919,783	-	9,919,783	-
Collateralized mortgage obligations (CMOs)	1,095,850	-	1,095,850	-
Corporate bonds	17,874,727	-	17,874,727	-
Common stock	47,894,785	47,894,785	-	-
Foreign stock	1,912,501	1,912,501	-	-
Fixed income - ETF	2,952,763	2,952,763	-	-
Rights and warrants	10,070	10,070	-	-
Mutual funds - fixed income	17,564,838	17,564,838	-	-
Mutual funds - equity	32,257,221	32,257,221	-	-
Total investments	\$ 156,923,366	\$ 128,033,006	\$ 28,890,360	\$ -

	2020			
	Fair Value	Level 1	Level 2	Level 3
Money market mutual funds	\$ 4,772,285	\$ 4,772,285	\$ -	\$ -
U.S. government securities	16,818,279	16,818,279	-	-
Mortgage-backed securities	8,751,602	-	8,751,602	-
Collateralized mortgage obligations (CMOs)	1,447,476	-	1,447,476	-
Corporate bonds	17,057,198	-	17,057,198	-
Common stock	40,665,954	40,665,954	-	-
Foreign stock	1,547,238	1,547,238	-	-
Fixed income - ETF	1,197,840	1,197,840	-	-
Mutual funds - fixed income	14,755,972	14,755,972	-	-
Mutual funds - equity	31,116,956	31,116,956	-	-
Total investments	\$ 138,130,800	\$ 110,874,524	\$ 27,256,276	\$ -

Memorial Hospital at Gulfport Notes to Financial Statements

NOTE 4: ENDOWMENTS

The MHG Foundation adopted the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) when it was adopted by the Mississippi Legislature as of July 1, 2012. In the absence of donor restrictions, the net appreciation on donor-restricted endowment funds are spendable under UPMIFA.

The Board of Trustees of MHG Foundation has determined that the majority of the Foundation's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation. Under the terms of the Foundation's governing documents and UPMIFA, the Board of Trustees of MHG Foundation has the ability to distribute so much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board, in its sole discretion, shall determine to be prudent. As a result of the ability to distribute the original principal, all contributions not classified as restricted are classified as unrestricted for financial statement purposes.

The MHG Foundation, through the Gulf Coast Community Foundation, implements investing activities for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The primary goal is to preserve the real value of the endowment corpus by achieving a growth rate on the principal amount of the endowment cycle of not less than the rate of inflation as measured by the CPI. The secondary goal is to provide spendable income equivalent to the spending rate.

The spending policy of the Gulf Coast Community Foundation stipulates the annual amount of money allowed to be distributed from the Foundation's various endowed funds. The current spending policy is to distribute three to five percent of endowment earnings. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Restrictions on endowment funds as of September 30, 2021 are as follows:

	Unrestricted	Restricted / Expendable	Restricted / Nonexpendable	Total
Donor-restricted endowment funds	\$ 437,571	\$ 987,198	\$ 2,310,149	\$ 3,734,918

**Memorial Hospital at Gulfport
Notes to Financial Statements**

NOTE 4: ENDOWMENTS (CONTINUED)

Restrictions on endowment funds as of September 30, 2020 are as follows:

	Unrestricted	Restricted / Expendable	Restricted / Nonexpendable	Total
Donor-restricted endowment funds	\$ 372,463	\$ 926,614	\$ 1,880,115	\$ 3,179,192

Changes in endowment fund restrictions for the year ended September 30, 2021 is as follows:

	Unrestricted	Restricted / Expendable	Restricted / Nonexpendable	Total
Endowments, beginning of year	\$ 372,463	926,614	1,880,115	3,179,192
Investment income, net of expenses	65,108	60,584	430,034	555,726
Endowments, end of year	\$ 437,571	\$ 987,198	\$ 2,310,149	\$ 3,734,918

Changes in endowment fund restrictions for the year ended September 30, 2020 is as follows:

	Unrestricted	Restricted / Expendable	Restricted / Nonexpendable	Total
Endowments, beginning of year	\$ 354,768	\$ 826,844	\$ 1,846,537	\$ 3,028,149
Transfers	17,695	99,770	(117,465)	-
Investment income, net of expenses	-	-	151,043	151,043
Endowments, end of year	\$ 372,463	\$ 926,614	\$ 1,880,115	\$ 3,179,192

Memorial Hospital at Gulfport
Notes to Financial Statements

NOTE 5: CAPITAL ASSETS

Capital asset activity and balances for the years ended September 30, 2021 and 2020 were as follows:

	Balance 10/1/2020	Additions	Reductions	Balance 9/30/2021
Capital assets, not being depreciated				
Land	\$ 6,146,386	\$ -	\$ -	\$ 6,146,386
Construction in progress	5,333,340	8,086,816	(5,145,959)	8,274,197
Total capital assets not being depreciated	11,479,726	8,086,816	(5,145,959)	14,420,583
Capital assets, being depreciated				
Land improvements	4,863,228	-	-	4,863,228
Buildings and improvements	237,070,225	5,268,185	-	242,338,410
Fixed equipment	106,552,601	803,216	-	107,355,817
Major moveable equipment	263,262,621	6,736,673	(1,466,740)	268,532,554
Total capital assets, being depreciated	611,748,675	12,808,074	(1,466,740)	623,090,009
Less accumulated depreciation				
Land improvements	(4,580,211)	(102,108)	-	(4,682,319)
Buildings and improvements	(146,614,550)	(8,871,825)	-	(155,486,375)
Fixed equipment	(82,331,703)	(3,307,057)	-	(85,638,760)
Major moveable equipment	(227,493,973)	(9,856,421)	1,256,032	(236,094,362)
Total accumulated depreciation	(461,020,437)	(22,137,411)	1,256,032	(481,901,816)
Total capital assets being depreciated, net	150,728,238	(9,329,337)	(210,708)	141,188,193
Total capital assets, net	\$ 162,207,964	\$ (1,242,521)	\$ (5,356,667)	\$ 155,608,776

**Memorial Hospital at Gulfport
Notes to Financial Statements**

NOTE 5: CAPITAL ASSETS (CONTINUED)

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020
Capital assets, not being depreciated				
Land	\$ 6,271,386	\$ -	\$ (125,000)	\$ 6,146,386
Construction in progress	5,025,477	7,783,057	(7,475,194)	5,333,340
Total capital assets not being depreciated	11,296,863	7,783,057	(7,600,194)	11,479,726
Capital assets, being depreciated				
Land improvements	4,863,228	-	-	4,863,228
Buildings and improvements	232,286,627	4,783,598	-	237,070,225
Fixed equipment	104,910,791	1,728,555	(86,745)	106,552,601
Major moveable equipment	250,511,524	13,317,546	(566,449)	263,262,621
Total capital assets, being depreciated	592,572,170	19,829,699	(653,194)	611,748,675
Less accumulated depreciation				
Land improvements	(4,478,103)	(102,108)	-	(4,580,211)
Buildings and improvements	(138,202,370)	(8,412,180)	-	(146,614,550)
Fixed equipment	(79,036,584)	(3,381,864)	86,745	(82,331,703)
Major moveable equipment	(217,827,395)	(10,170,129)	503,551	(227,493,973)
Total accumulated depreciation	(439,544,452)	(22,066,281)	590,296	(461,020,437)
Total capital assets being depreciated, net	153,027,718	(2,236,582)	(62,898)	150,728,238
Total capital assets, net	\$ 164,324,581	\$ 5,546,475	\$ (7,663,092)	\$ 162,207,964

Depreciation expense for the years ended September 30, 2021 and 2020 totaled \$22,137,411 and \$22,066,281, respectively.

NOTE 6: INVESTMENTS IN JOINT VENTURES

Encompass Health Rehabilitation Hospital of Gulfport, LLC

Effective April 1, 2017, the Hospital, through Memorial Properties, Inc., entered into an agreement with HealthSouth Gulfport Holdings, LLC ("HSGH"), whereby HSGH purchased the assets of the Hospital's 33-bed inpatient rehabilitation unit and ancillary services provided to the unit's patients. In coordination with the purchase, Encompass Health Rehabilitation Hospital of Gulfport, LLC ("Encompass") was created with Encompass Health Corporation serving as the owner and operator of the rehabilitation unit. Per the purchase agreement, the Hospital transferred capital and intangible assets including a related certificate of need into Encompass and received a 20% interest in Encompass, which is accounted for under the equity method. During fiscal years 2021 and 2020, the Hospital recognized approximately \$1,028,094 and \$1,130,792, respectively, in facility rent incurred by Encompass, which was recorded in other operating revenue.

Memorial Hospital at Gulfport Notes to Financial Statements

NOTE 6: INVESTMENTS IN JOINT VENTURES (CONTINUED)

Publicly available financial statements are not issued for this entity. The following is summarized unaudited financial information for Encompass as of and for the years ended September 30, 2021 and 2020:

	9/30/2021 (Unaudited)	9/30/2020 (Unaudited)
Total assets	\$ 34,100,461	\$ 34,286,305
Liabilities	\$ 14,131,143	\$ 12,872,766
Equity	19,969,318	21,413,539
Total liabilities and equity	\$ 34,100,461	\$ 34,286,305
Net income	\$ 5,858,419	\$ 4,535,333

The Hospital's equity investment in Encompass as of September 30, 2021 and 2020 was \$1,247,664 and \$1,608,839, respectively, and is reported as an other asset in the statements of net position.

Biloxi Health System, LLC

Effective December 1, 2020, the Hospital, through Memorial Properties, Inc., entered into a joint venture agreement with Mississippi HMA Holdings I, LLC ("Holdings") to form Biloxi Health System, LLC ("BHS") to provide health care services by operating a hospital currently named Merit Health Biloxi Hospital. The Hospital made an initial capital contribution of \$14,575,000 for a 50% interest in the LLC. The Board of Directors consists of five (5) individual members. Three (3) of the directors are appointed by Holdings and two (2) of the directors are appointed by the Hospital.

Publicly available financial statements are not issued for this entity. The following is summarized audited financial information for BHS as of and for the year ended September 30, 2021:

	9/30/2021 (Audited)
Total assets	\$ 49,961,924
Liabilities	\$ 24,042,228
Equity	25,919,696
Total liabilities and equity	\$ 49,961,924
Net loss	\$ (3,230,304)

The Hospital's equity investment in BHS as of September 30, 2021 was \$12,959,848, and is reported as an other asset in the statement of net position.

**Memorial Hospital at Gulfport
Notes to Financial Statements**

NOTE 6: INVESTMENTS IN JOINT VENTURES (CONTINUED)

Gulf Coast Vascular Care LLC

In fiscal year 2021, the Hospital, through Memorial Properties, Inc., entered into a joint venture agreement with AVA Biloxi Holdings LLC to form Gulf Coast Vascular Care LLC (“Gulf Coast Vascular”) to provide health care services. The Hospital made an initial capital contribution of \$226,000 for a 40% interest in the LLC.

Publicly available financial statements are not issued for this entity. The following is summarized unaudited financial information for Gulf Coast Vascular as of and for the year ended September 30, 2021:

	9/30/2021 (Unaudited)
Total assets	\$ 833,251
Liabilities	\$ 508,609
Equity	324,642
Total liabilities and equity	\$ 833,251
Net loss	\$ (240,358)

The Hospital’s equity investment in Gulf Coast Vascular as of September 30, 2021 was \$129,857, and is reported as an other asset in the statement of net position.

NOTE 7: OTHER ASSETS

Other assets as of September 30, 2021 and 2020, consists of the following:

<i>September 30,</i>	2021	2020
Investment in joint venture - Encompass	\$ 1,247,664	\$ 1,608,839
Investment in joint venture - Biloxi Health System	12,959,848	-
Investment in joint venture - Gulf Coast Vascular	129,857	-
Other receivables	7,077,927	4,443,010
Physician office assets	1,588,758	2,444,055
Other assets	57,829	57,829
Total	\$ 23,061,883	\$ 8,553,733

**Memorial Hospital at Gulfport
Notes to Financial Statements**

NOTE 8: LONG-TERM DEBT

The Hospital's long-term debt, including capital lease obligations, consisted of the following obligations:

<i>September 30,</i>	2021	2020
Hospital Revenue Refunding Bonds Series 2016A, original principal amount of \$49,270,000, bearing an interest rate of 5%. Interest payments are due semi-annually, maturing in 2031, collateralized by a pledge of the Hospital's revenues.	\$ 40,505,000	\$ 43,570,000
Capital lease obligation, interest rate of 5.75%, maturing October 2022, collateralized by the Hospital's capital assets.	1,603,449	2,834,134
Unamortized bond premium	4,628,507	5,472,166
Total long-term debt	46,736,956	51,876,300
Current portion of long-term debt	(4,164,139)	(4,295,685)
Long-term debt, net of current portion	\$ 42,572,817	\$ 47,580,615

Any one or more of the following shall constitute an event of default (an "Indenture Default") pursuant to these bonds, and the trustee or holders of a majority in principal amount of the debt obligations outstanding may declare the principal and accrued interest to be due and payable immediately.

- Default in the payment of any amount due;
- Default in the performance, or breach, of any covenant or warranty, and continuance of such default or breach for a period of 30 days after notice of such default or breach;
- An act of bankruptcy;
- An event of default related to the Credit Facility agreement or specified in a Supplemental Indenture; or
- Debt service coverage ratio of less than 100% for any two consecutive years

The bond indenture requires that the Hospital satisfy certain measures of financial performance as long as the bonds are outstanding. Under the bond indenture, the Hospital is required to maintain a debt coverage ratio greater than 115%. As of September 30, 2021, the Hospital was not in compliance with this covenant. As of September 30, 2020, the Hospital was in compliance with this covenant.

Memorial Hospital at Gulfport
Notes to Financial Statements

NOTE 8: LONG-TERM DEBT (CONTINUED)

A summary of changes in the Hospital's long-term debt, including capital lease obligations, for the years ended September 30, 2021 and 2020 follows:

	Balance 10/1/2020	Additions	Reductions	Balance 9/30/2021	Due Within One Year
Capital lease obligation	\$ 2,834,134	\$ -	\$ (1,230,685)	\$ 1,603,449	\$ 944,139
Revenue bonds payable					
Series 2016A	43,570,000	-	(3,065,000)	40,505,000	3,220,000
Premium on Series 2016A	5,472,166	-	(843,659)	4,628,507	-
Revenue bonds payable	49,042,166	-	(3,908,659)	45,133,507	3,220,000
Total long-term debt	\$ 51,876,300	\$ -	\$ (5,139,344)	\$ 46,736,956	\$ 4,164,139

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020	Due Within One Year
Capital lease obligation	\$ 4,674,572	\$ -	\$ (1,840,438)	\$ 2,834,134	\$ 1,230,685
Revenues bonds payable					
Series 2016A	46,490,000	-	(2,920,000)	43,570,000	3,065,000
Premium on Series 2016A	6,372,366	-	(900,200)	5,472,166	-
Revenue bonds payable	52,862,366	-	(3,820,200)	49,042,166	3,065,000
Total long-term debt	\$ 57,536,938	\$ -	\$ (5,660,638)	\$ 51,876,300	\$ 4,295,685

Scheduled principal and interest payments for the revenue bonds payable and future minimum lease payments on capital lease obligations are as follows:

<i>Year ending September 30,</i>	Capital Lease Obligation		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2022	\$ 944,139	\$ 94,667	\$ 3,220,000	\$ 2,025,250
2023	659,310	38,926	3,380,000	1,864,250
2024	-	-	3,550,000	1,695,250
2025	-	-	3,730,000	1,517,750
2026	-	-	3,910,000	1,331,250
2027-2031	-	-	22,715,000	3,518,000
Total	\$ 1,603,449	\$ 133,593	\$ 40,505,000	\$ 11,951,750

The equipment related to the capital lease is fully depreciated as of September 30, 2021 and 2020.

Memorial Hospital at Gulfport Notes to Financial Statements

NOTE 8: LONG-TERM DEBT (CONTINUED)

Capital Lease Service Agreement

In 2013, the Hospital entered into a ten-year equipment, software and services agreement with a major information technology vendor. The agreement generally commits the Hospital to the purchase of a variety of information technology products and services from this vendor for a defined payment stream over the term of the contract. The contract included a ten-year financing agreement for certain equipment, software licenses and support fees totaling \$17,401,754, maturing in 2023, and is included as a capital lease in the accompanying financial statements. Software maintenance expense associated with this contract of \$4,244,619 and \$4,225,501 was recognized for the years ended September 30, 2021 and 2020, respectively.

The following table summarizes the future payment commitments by year under the contract pertaining to fees, subscriptions and other related services, as of September 30, 2021. The Hospital has the ability under the contract to terminate these services on six months' notice and a termination fee, as defined in the contract.

<i>Year ending September 30,</i>	Amount
2022	\$ 4,265,648
2023	4,266,552
Total	\$ 8,532,200

NOTE 9: NET INVESTMENT IN CAPITAL ASSETS

The Hospital's net investment in capital assets, as presented on the accompanying statements of net position is calculated as follows:

<i>September 30,</i>	2021	2020
Capital assets, net	\$ 155,608,776	\$ 162,207,964
Less debt related to capital assets:		
Capital leases	(1,603,449)	(2,834,134)
Bonds payable, including premium	(45,133,507)	(49,042,166)
Net investment in capital assets	\$ 108,871,820	\$ 110,331,664

NOTE 10: NET PATIENT SERVICE REVENUE

The Hospital has agreements with governmental and other third-party payors that provide for payments to the Hospital for services rendered at amounts different from its established rates. Patient revenue is reported net of contractual adjustments arising from these third-party arrangements, as well as a net provision for uncollectible accounts. A summary of the payment arrangements with major third-party payors follows:

Medicare – Inpatient acute, rehabilitation, and outpatient services rendered to Medicare beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, outcome and other factors. Medicare bad debts and disproportionate share payments are paid at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon the Ambulatory Payment Classification ("APC") system for outpatient payments and an APR-DRG system for inpatient payment. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid contractor. The inpatient rates are established by the Agency for Health Care Administration ("AHCA") for which the Hospital is a provider. Outpatient services are reimbursed based on a per diem amount established by utilization on a semi-annual basis.

The Hospital participates in the Mississippi Intergovernmental Transfer Program as a Medicaid Disproportionate Share Hospital ("DSH"). Under this program, the Hospital receives enhanced reimbursement through a matching mechanism. For the fiscal years ended September 30, 2021 and 2020, the Hospital reported \$31,002,864 and \$25,085,146, respectively, in enhanced reimbursement through the DSH program. DSH amounts are shown as a reduction of contractual adjustment with related assessments of approximately \$5,975,004 and \$8,413,039 recorded in operating expenses for the year ended September 30, 2021 and 2020, respectively.

The Hospital participates in the Division of Medicaid ("DOM") Mississippi Hospital Access Payment ("MHAP") program (the "MHAP Program"). The MHAP program is administered by the DOM through the Mississippi CAN coordinated care organizations ("CCO"). The CCO's will subcontract with the hospitals throughout the state for distribution of the MHAP for the purpose of protecting patient access to hospital care. The MHAP programs and associated tax were distributed and collected in quarterly payments through the year. For the fiscal years ended September 30, 2021 and 2020, the Hospital reported \$17,693,632 and \$19,061,523, respectively, in enhanced reimbursement from the MHAP program.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change. The 2021 net patient service revenue increased \$1,595,324 and the 2020 net patient service revenue decreased \$776,960, due to adjustments in excess of amounts previously estimated.

Memorial Hospital at Gulfport
Notes to Financial Statements

NOTE 10: NET PATIENT SERVICE REVENUE (CONTINUED)

As of September 30, 2021, cost reports for fiscal years 2017 and prior have been settled.

Other – The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The composition of gross and net patient service revenue for the fiscal years ended September 30, 2021 and 2020 is as follows:

<i>For the years ended September 30,</i>	2021	2020
Gross patient service revenue	4,885,420,681	4,469,477,221
Less provision for contractual adjustments under third-party reimbursement programs and other adjustments	(4,067,948,903)	(3,702,447,699)
Provision for bad debts	(128,674,661)	(156,751,564)
Net patient service revenue	\$ 688,797,117	\$ 610,277,958

Gross patient service revenue by major payor class consisted of the following for the years ended September 30, 2021 and 2020:

<i>For the years ended September 30,</i>	2021	2020
Medicare	49.46%	54.02%
Medicaid	8.53%	8.10%
Blue Cross	11.00%	11.85%
Self-pay	6.42%	6.85%
Other	24.59%	19.18%
Total	100.00%	100.00%

NOTE 11: NONOPERATING REVENUES

The Coronavirus Aid, Relief, and Economic Security Act of 2020 and Related Legislation

Additional funding for the Public Health and Social Services Emergency Relief Fund (“Relief Fund”) was among the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which was signed into law on March 27, 2020, and other legislation. In the years ended September 30, 2021 and 2020, the Hospital recognized nonoperating income of \$4.3 million and \$41 million, respectively, due to grants from the Relief Fund and state grant programs, which is reported as nonoperating income and capital contributions in the Hospital's accompanying statement of revenues, expenses, and changes in net position. Payments from the Relief Fund are not loans and, therefore, they are not subject to repayment. However, as a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost operating revenues and COVID-related costs, and that the providers will not seek collection of out-of-pocket payments from a COVID-19 patient that are greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider. The Hospital recognizes grant payments as income when there is reasonable assurance of compliance with the conditions associated with the grant. The Hospital's estimates could change materially in the future based on Hospital's operating performance or COVID-19 activities at individual locations, as well as the evolving grant compliance guidance provided by the government.

The CARES Act and the Paycheck Protection Program and Health Care Enhancement Act (“Paycheck Protection Program”), which was signed into law on April 24, 2020, authorized up to \$2 trillion in government spending to mitigate the economic effects of the COVID-19 pandemic. Below is a brief overview of certain provisions of the CARES Act and related legislation that have impacted and are expected to continue to impact the Hospital's business. Please note that this summary is not exhaustive, and additional legislative action and regulatory developments may evolve rapidly. There is no assurance that the Hospital will continue to receive or remain eligible for funding or assistance under the CARES Act or similar measures.

Public Health and Social Services Emergency Relief Fund - To address the fiscal burdens on healthcare providers created by the COVID-19 public health emergency, the CARES Act and the Paycheck Protection Program authorized \$175 billion for the Relief Fund. During the year ended September 30, 2020, HHS commenced distribution of Relief Fund monies, which were later increased by subsequent legislation.

Medicare and Medicaid Payment Policy Changes - The CARES Act and subsequent legislation also alleviated some of the financial strain on hospitals, physicians, and other healthcare providers and states through a series Medicare and Medicaid payment policies that temporarily increased Medicare and Medicaid reimbursements and allowed for added flexibility, as described below.

NOTE 11: NONOPERATING REVENUES (CONTINUED)

- The CARES Act suspended the sequestration payment adjustment percentage of 2% applied to all Medicare Fee-for-Service (FFS) claims from May 1 through December 1, 2020. The Consolidation Appropriations Act, 2021 extended the suspension period to March 31, 2021. An Act to Prevent Across-the-Board Direct Spending Cuts, and for Other Purposes, signed into law on April 14, 2021, extends the suspension period to December 31, 2021.
- The CARES Act instituted a 20% increase in the Medicare MS-DRG payment for COVID-19 hospital admissions for the duration of the public health emergency as declared by the Secretary of HHS.
- The scheduled reduction of \$4 billion in federal Medicaid DSH allotments in FFY 2020, as mandated by the Affordable Care Act, is suspended until October 1, 2024. Also, the federal DSH allotment reduction for FFY 2024 is set at \$8 billion for each year through termination in FFY 2027.
- The CARES Act expanded the Medicare accelerated payment program, which provides prepayment of claims to providers in certain circumstances, such as national emergencies or natural disasters. Under this measure, providers could request accelerated advance payments for Medicare Part A and B. Under the Continuing Appropriations Act, 2021 and Other Extensions Act, repayment began one year from the issuance date of each provider or supplier's accelerated advance payment. After the first 12 months, Medicare will automatically recoup 25 percent of Medicare payments otherwise owed to the provider or supplier for eleven months. At the end of the eleven month period, recoupment will increase to 50 percent for another six months. If the provider or supplier is unable to repay the total amount of the accelerated advance payment during this time period (a total of 29 months), CMS will issue demand letters requiring payment of any outstanding balance, subject to an interest rate of four percent consistent with the Continuing Appropriations Act, 2021. During the year ended September 30, 2020, the Hospital recorded approximately \$69.9 million of accelerated advance payments, which were recorded as unearned revenue on the statement of net position. As of September 30, 2021, the Hospital had repaid \$14.6 million in accelerated advance payments with a balance of \$55.3 million remaining in unearned revenue on the statement of net position.
- A 6.2% increase in the Federal Medical Assistance Percentage ("FMAP") matching funds was instituted to help states respond to the COVID-19 pandemic. The additional funds are available to states from January 1, 2020 through the quarter in which the public health emergency period ends, provided that states meet certain conditions. An increase in states' FMAP leverages Medicaid's existing financing structure, which allows federal funds to be provided to states more quickly and efficiently than establishing a new program or allocating money from a new funding stream. Increased federal matching funds support states in responding to the increased need for services, such as testing and treatment during the COVID-19 public health emergency, as well as increased enrollment as more people lose income and qualify for Medicaid during the economic downturn.

NOTE 11: NONOPERATING REVENUES (CONTINUED)

Because of the uncertainty associated with various factors that may influence the Hospital's future Medicare and Medicaid payments, including future legislative, legal or regulatory actions, or changes in volumes and case mix, there is a risk that the Hospital's estimates of the impact of the aforementioned payment and policy changes will be incorrect and that actual payments received under, or the ultimate impact of, these programs may differ materially from the Hospital's expectations.

NOTE 12: INSURANCE PROGRAMS

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. The Hospital is self-insured for employee health and dental benefits, workers' compensation, and medical malpractice. Commercial insurance coverage is purchased for claims arising from other matters. Settled claims have not exceeded commercial coverage in any of the three preceding years.

Self-funded Health Insurance

The Hospital is self-insured for employee medical and dental benefits. Employees have three options with varying benefits in relation to these plans for which the general terms are detailed in the plan documents. The Hospital purchases reinsurance coverage which limits the aggregate claim losses per employee. Employees participate in this plan, and the Hospital makes premium payments based on actuarial estimates of the amount needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

The Hospital records a liability for claims incurred but not reported or paid. This liability at September 30, 2021 and 2020 is based on the requirements of GASB statement No. 10, which requires the liability for claims to be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Memorial Hospital at Gulfport
Notes to Financial Statements

NOTE 12: INSURANCE PROGRAMS (CONTINUED)

Changes to the Hospital's health insurance liability amount, reported as other accrued expenses in the statement of net position for the years ending September 30, 2021 and 2020, are as follows:

<i>For the year ended September 30,</i>	2021	2020
Claims liability, beginning of year	\$ 1,472,829	\$ 779,020
Current year claims and changes in estimates	16,997,971	13,033,045
Claims payments	(16,627,223)	(12,339,236)
Claims liability, end of year	\$ 1,843,577	\$ 1,472,829

Self-Insured Workers' Compensation

The Hospital has a self-insured workers' compensation program defined by the Workers' Compensation Law for employees injured in the course and scope of employment. The Hospital retains the first \$650,000 of incurred liability with the excess insurance being provided on unlimited basis over and above the self-insured retention. Changes to the Hospital's workers' compensation liability, which is reported as other accrued expenses in the statement of net position for the years ending September 30, 2021 and 2020, are as follows:

<i>For the year ended September 30,</i>	2021	2020
Claims liability, beginning of year	\$ 4,282,966	\$ 2,822,984
Current year claims and changes in estimates	4,644,903	3,078,708
Claims payments	(2,718,892)	(1,618,726)
Claims liability, end of year	\$ 6,208,977	\$ 4,282,966

Medical Malpractice Insurance

The Hospital holds professional and general liability insurance under a self-funded plan. At year-end, the Hospital has accrued for an estimate of losses for malpractice and general liability claims outstanding, based on historical loss and loss adjustment expenses development patterns. The future assertion of claims for occurrences prior to year-end is reasonably possible and may occur, although not anticipated. In any event, management believes that any such claims would be substantially covered under its insurance program.

The Mississippi Tort Claims Act ("MTCA") provides a cap on amount of damages recoverable against government entities, including governmental hospitals. The amount recoverable for claims is the greater of \$500,000 or the amount of liability insurance coverage that has been retained. Changes to the Hospital's medical malpractice liability, which is reported as other accrued expenses in the statement of net position for the years ending September 30, 2021 and 2020 are as follows:

Memorial Hospital at Gulfport
Notes to Financial Statements

NOTE 12: INSURANCE PROGRAMS (CONTINUED)

<i>For the year ended September 30,</i>	2021	2020
Claims liability, beginning of year	\$ 2,994,157	\$ 1,133,350
Current year claims and changes in estimates	1,005,566	2,614,843
Claims payments	(761,268)	(754,036)
Claims liability, end of year	\$ 3,238,455	\$ 2,994,157

NOTE 13: RETIREMENT PLANS

Description of Plan

The Hospital maintains a contributory single-employer defined benefit pension plan (the "Plan") that provide for retirement, disability and death benefits as described below. The Hospital elected to freeze the Plan to new entrants as of January 1, 2012. Information about the Plan follows:

The Plan is administered by the Director of the Hospital's Department of Human Resources. The Plan provides retirement, disability and death benefits to Plan Members and beneficiaries. Benefit provisions are established by the Hospital's Board of Trustees. The Plan issues a financial report, available for all participants, that includes financial statements and required supplementary information. That information may be obtained by writing to Human Resources, Memorial Hospital, P.O. Box 1810, Gulfport, MS, 39501.

Benefits Provided

Plan participating members who are vested and retire at or after age 65 or those who retire at age 55 with at least 25 years of creditable services are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount of equal to 1.00 percent of their average monthly earnings up to \$3,333, plus 1.5 percent of average monthly earnings in excess of \$3,333, multiplied by years of continuous services to a maximum of 25 years. Average compensation is the average of the employee's earnings for the highest 60 consecutive calendar month's earnings out of 120 months preceding retirement or termination, limited as required by Internal Revenue Code section 401(a)(17). A special early retirement benefit is paid to participating members with an unreduced early retirement benefit provided at age 55 with 25 years of service which includes a Social Security supplement which is payable from the early retirement date to age 65. The monthly Social Security supplement is equal to the monthly Social Security benefit the participant would receive at age 65, assuming the participant continues to receive monthly earnings at the same rate as of the date of termination of employment until age 65.

A member may elect a reduced retirement benefit at age 55 with at least 10 years of consecutive service. Benefits vest upon completion of 5 years of continuous service. The Plan also provides certain death and disability benefits.

NOTE 13: RETIREMENT PLANS (CONTINUED)

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms, as of the October 1, 2020 actuarial valuation date as follows:

	October 1, 2020
Active members	1,048
Active members with benefits suspended	80
Terminated vested members	252
Retired members	389
Beneficiaries of deceased members	8
Total members	1,777

Contributions

Members of the Plan are not required or permitted to contribute any portion of their salary to fund the Plan. The Hospital has committed to fund an actuarially determined contribution based on a closed amortization period, which means that payment of the actuarially determined contribution each year will bring the plan to a 100 percent funded position by the end of the amortization period.

Net Pension Liability

At September 30, 2021 and 2020, the Hospital reported a net pension liability of \$29,687,106 and \$39,274,400, respectively. The net pension liability was measured as of September 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2020 and October 1, 2018, respectively. The Hospital's net pension liability was based on a projection of the Hospital's long-term share of contributions to the pension plan, actuarially determined.

For the years ended September 30, 2021 and 2020, the Hospital recognized pension expense of \$6,716,307 and \$9,135,129, respectively.

**Memorial Hospital at Gulfport
Notes to Financial Statements**

NOTE 13: RETIREMENT PLANS (CONTINUED)

The net pension liability activity for the year ended September 30, 2021 and 2020 was as follows:

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balance as of October 1, 2019	\$ 179,012,421	\$ 126,501,964	\$ 52,510,457
Changes for the year:			
Service cost	4,698,699	-	4,698,699
Interest on total pension liability	11,146,339	-	11,146,339
Assumption changes or inputs	(6,288,202)	-	(6,288,202)
Benefit payments	(10,904,658)	(10,904,658)	-
Employer contributions	-	11,051,524	(11,051,524)
Net Investment income	-	11,741,369	(11,741,369)
Balance as of September 30, 2020	177,664,599	138,390,199	39,274,400
Changes for the year:			
Service cost	4,501,926	-	4,501,926
Interest on total pension liability	11,031,187	-	11,031,187
Economic/demographic loss	6,735,877	-	6,735,877
Assumption changes or inputs	(1,527,129)	-	(1,527,129)
Benefit payments	(11,509,483)	(11,509,483)	-
Employer contributions	-	8,895,995	(8,895,995)
Net Investment income	-	21,433,160	(21,433,160)
Balance as of September 30, 2021	\$ 186,896,977	\$ 157,209,871	\$ 29,687,106

Actuarial Methods and Assumptions

The actuarial assumptions reflect the adoption of an Experience Study report dated July 26, 2017, which proposed modifications to the demographic and economic actuarial assumptions.

Valuation date	October 1, 2020	October 1, 2018
Measurement date	September 30, 2021	September 30, 2020
Inflation	2.23%	2.60%
Salary increases	3% for all years	3% for all years
Actuarial cost method	Entry Age Normal	Entry Age Normal
Mortality	PRI2012 Mortality Table with generational projections using MIM-2021 model	PRI2012 Mortality Table with generational projections using Scale MP-2019

**Memorial Hospital at Gulfport
Notes to Financial Statements**

NOTE 13: RETIREMENT PLANS (CONTINUED)

There have been no changes in methods or plan provisions since the prior valuation.

Changes in assumptions since the previous measurement date include the following:

- The mortality table was updated from MP-2019 to the Society of Actuaries' MIM-2021 model with long-term improvement rates based on SSA data, adjusted for the lower quintiles of National Center for Health Statistics data, and a convergence period of 10 years for age and 20 years for cohort data.

At September 30, 2021 and 2020, the Hospital reported deferred outflows and inflows of resources related to pensions from the following sources:

<i>September 30,</i>	2021	2020
Deferred outflows of resources		
Change of assumptions	\$ 2,053,755	\$ 3,311,534
Difference between expected and actual experience on economic/demographic assumptions	8,894,232	5,079,455
Total deferred outflows of resources	\$ 10,947,987	\$ 8,390,989
Deferred inflows of resources		
Change of assumptions	\$ (5,209,321)	\$ (5,119,391)
Net difference between projected and actual earnings on pension plan investments	(11,968,168)	(2,051,802)
Difference between expected and actual experience on economic/demographic assumptions	(93,389)	(135,081)
Total deferred inflows of resources	\$ (17,270,878)	\$ (7,306,274)

Deferred outflows and inflows of resources related to pensions will be recognized as increases or (decreases) to pension expense as follows:

<i>Year ending September 30,</i>	
2022	\$ (49,246)
2023	(1,988,033)
2024	(2,798,273)
2025	(2,118,977)
2026	631,638

**Memorial Hospital at Gulfport
Notes to Financial Statements**

NOTE 13: RETIREMENT PLANS (CONTINUED)

Sensitivity Analysis

The following presents the net pension liability of the Hospital, calculated using the discount rate of 6.25%, as well as the Hospital's net pension liability if it were calculated using a discount rate that is 1 percentage point lower (5.25%) or 1 percentage point higher (7.25%) than the current rate.

	2021		
	Current		
	1% Decrease 5.25%	Discount Rate 6.25%	1% Increase 7.25%
Total pension liability	\$ 204,847,666	\$ 186,896,977	\$ 171,463,616
Fiduciary net position	157,209,871	157,209,871	157,209,871
Net pension liability	47,637,795	29,687,106	14,253,745

	2020		
	Current		
	1% Decrease 5.25%	Discount Rate 6.25%	1% Increase 7.25%
Total pension liability	\$ 194,851,140	\$ 177,664,599	\$ 162,848,638
Fiduciary net position	138,390,199	138,390,199	138,390,199
Net pension liability	56,460,941	39,274,400	24,458,439

Discount Rate

	2021	2020
Discount rate	6.25%	6.25%
Long-term expected rate of return, net of investment expenses	6.25%	6.25%

The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Rate of Return

For the years ended September 30, 2021 and 2020, the net annual money-weighted rate of return was 15.77% and 9.48%, respectively. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and benefit payments and administrative expenses are assumed to occur at the beginning of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month.

NOTE 13: RETIREMENT PLANS (CONTINUED)

Long-term Expected Rate of Return

The average real return and standard deviation of each asset class was forecasted based on Treasury data, market history, macroeconomic variables, and estimates of various risk premiums. Nominal returns for fixed income classes reflect market yields and durations as of the measurement date and also consider a time frame to return to the mean historical yields. Equity class forecasts were performed on a real basis; a nominal return was constructed for each index by increasing the forecasted real returns by the expected future levels of inflation. The target allocation and best estimates of geometric real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation	Nominal Geometric Return
U.S. Cash	1%	1.72%
U. S. Short-Term Bonds	13%	2.05%
U.S. Intermediate Bonds	13%	2.66%
U.S. Long-Term Bonds	9%	2.82%
U.S. Inflation-Indexed Bonds	1%	6.05%
U.S. High-Yield Bonds	10%	6.28%
Emerging Markets Bonds	1%	6.28%
U.S. Small Caps	7%	7.83%
U.S. Mid Caps	5%	7.83%
U.S. Large Growth	13%	7.32%
U.S. Large Value	5%	7.32%
Foreign Developed Equity	5%	7.99%
Emerging Markets Equity	13%	9.11%
Non U.S. Small Cap	2%	8.29%
Global REITs	2%	7.83%

NOTE 13: RETIREMENT PLANS (CONTINUED)

Defined Contribution Plan

The Hospital sponsors a defined contribution plan qualified under Section 403b of the internal Revenue Code (the "403b Plan"). Under provisions of the 403b plan, employees may contribute up to 100 percent of their annual compensation, as defined. Effective beginning January 1, 2010, the Hospital matches contributions up to 50 percent of the first 3 percent of an employee's contribution. The Hospital's matching contributions, net of forfeiture credits, totaled \$1,955,104 and \$2,157,364 for the years ended September 30, 2021 and 2020, respectively.

The Hospital's liability to the 403b Plan as of September 30, 2021 and 2020 was \$1,242,560 and \$1,145,357, respectively.

NOTE 14: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Accounts Receivable

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The percentage mix of gross accounts receivable from patients and major third-party payors at September 30 was as follows:

<i>September 30,</i>	2021	2020
Medicare	38.50%	38.13%
Medicaid	9.90%	7.79%
Commercial Insurance	30.55%	30.95%
Self-pay	15.78%	16.67%
Other	5.27%	6.46%
Total	100.00%	100.00%

Memorial Hospital at Gulfport Notes to Financial Statements

NOTE 14: SIGNIFICANT ESTIMATES AND CONCENTRATIONS (CONTINUED)

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each allegation. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

NOTE 15: COMMITMENTS AND CONTINGENCIES

Operating Leases

The Hospital leases various buildings and equipment under operating leases expiring at various dates through 2030. Total rental expense for the years ended September 30, 2021 and 2020 for all operating leases was approximately \$23,576,570 and \$19,820,752, respectively.

The following is a schedule by year of the approximate future minimum lease payments under non-cancelable operating leases as of September 30, 2021 that have initial or remaining lease terms in excess of one year:

<i>Year ending September 30,</i>	Amount
2022	\$ 16,978,535
2023	13,554,370
2024	11,577,264
2025	8,610,939
2026	5,770,988
2027-2030	15,051,130
Total	\$ 71,543,226

COVID-19

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Hospital. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Memorial Hospital at Gulfport Notes to Financial Statements

NOTE 16: BLENDED COMPONENT UNITS

Condensed financial information for the Hospital's blended component units for the year ended September 30, 2021 was as follows:

Condensed Statement of Net Position	Foundation	MHAHS	MPI	SHC	MHG Foundation
Assets					
Current assets	\$ 21,981	\$ 1,364,395	\$ 1,987,396	\$ 6,072,632	\$ 3,587,346
Capital assets, net	-	-	1,528,100	263,641	-
Noncurrent assets	-	57,829	17,083,569	1,890,150	3,004,359
Total assets	21,981	1,422,224	20,599,065	8,226,423	6,591,705
Liabilities					
Current liabilities	-	-	-	625,228	60,556
Due to the Hospital	36,750,238	941,500	19,002,622	-	6,629
Total liabilities	36,750,238	941,500	19,002,622	625,228	67,185
Net position (deficit)					
Net investment in capital assets	-	-	1,528,100	263,641	-
Restricted - expendable	-	-	-	-	1,737,961
Restricted - nonexpendable	-	-	-	-	2,310,149
Unrestricted	(36,728,257)	480,724	68,343	7,337,554	2,476,410
Total net position (deficit)	\$ (36,728,257)	\$ 480,724	\$ 1,596,443	\$ 7,601,195	\$ 6,524,520
Condensed Statement of Revenues, Expenses, and Changes in Net Position					
	Foundation	MHAHS	MPI	SHC	MHG Foundation
Operating revenues	\$ -	\$ -	\$ -	\$ 3,268,730	\$ -
Operating expenses	-	-	195,116	2,890,002	270,782
Operating income (loss)	-	-	(195,116)	378,728	(270,782)
Nonoperating revenues (expenses)	-	1,973	(245,264)	181,154	1,067,496
Change in net position	-	1,973	(440,380)	559,882	796,714
Net position (deficit), beginning of year	(36,728,257)	478,751	2,036,823	7,041,313	5,727,806
Net position (deficit), end of year	\$ (36,728,257)	\$ 480,724	\$ 1,596,443	\$ 7,601,195	\$ 6,524,520
Condensed Statement of Cash Flows					
	Foundation	MHAHS	MPI	SHC	MHG Foundation
Net cash provided by (used in):					
Operating activities	\$ -	\$ -	\$ (195,116)	\$ 502,239	\$ (253,075)
Noncapital financing activities	-	-	14,532,872	-	371,452
Capital and related financing activities	-	-	-	(84,461)	-
Investing activities	-	1,973	(13,225,578)	(1,281,530)	8,210
Net increase (decrease) in cash and cash equivalents	-	1,973	1,112,178	(863,752)	126,587
Cash and cash equivalents, beginning of year	21,981	1,362,422	623,434	6,659,524	1,991,660
Cash and cash equivalents, end of year	\$ 21,981	\$ 1,364,395	\$ 1,735,612	\$ 5,795,772	\$ 2,118,247

Memorial Hospital at Gulfport Notes to Financial Statements

NOTE 16: BLENDED COMPONENT UNITS (CONTINUED)

Condensed financial information for the Hospital's blended component units for the year ended September 30, 2020 was as follows:

Condensed Statement of Net Position	Foundation	MHAHS	MPI	SHC	MHG Foundation
Assets					
Current assets	\$ 21,981	\$ 1,362,422	\$ 623,434	\$ 7,027,469	\$ 3,387,167
Capital assets, net	-	-	1,528,100	17,826	-
Noncurrent assets	-	57,829	4,355,039	590,449	2,351,797
Total assets	21,981	1,420,251	6,506,573	7,635,744	5,738,964
Liabilities					
Current liabilities	-	-	-	594,431	6,174
Due to the Hospital	36,750,238	941,500	4,469,750	-	4,984
Total liabilities	36,750,238	941,500	4,469,750	594,431	11,158
Net position (deficit)					
Net investment in capital assets	-	-	1,528,100	17,826	-
Restricted - expendable	-	-	-	-	1,614,488
Restricted - nonexpendable	-	-	-	-	1,880,115
Unrestricted	(36,728,257)	478,751	508,723	7,023,487	2,233,203
Total net position (deficit)	\$ (36,728,257)	\$ 478,751	\$ 2,036,823	\$ 7,041,313	\$ 5,727,806

Condensed Statement of Revenues, Expenses, and Changes in Net Position	Foundation	MHAHS	MPI	SHC	MHG Foundation
Operating revenues	\$ -	\$ -	\$ -	\$ 3,207,302	\$ -
Operating expenses	-	-	-	2,814,202	346,824
Operating income (loss)	-	-	-	393,100	(346,824)
Nonoperating revenues (expenses)	15	5,628	2,413,770	88,991	1,947,532
Change in net position	15	5,628	2,413,770	482,091	1,600,708
Net position (deficit), beginning of year	(36,728,272)	473,123	(376,947)	6,559,222	4,127,098
Net position (deficit), end of year	\$ (36,728,257)	\$ 478,751	\$ 2,036,823	\$ 7,041,313	\$ 5,727,806

Condensed Statement of Cash Flows	Foundation	MHAHS	MPI	SHC	MHG Foundation
Net cash provided by (used in):					
Operating activities	\$ -	\$ -	\$ -	\$ 563,235	\$ (368,471)
Noncapital financing activities	-	-	-	-	1,993,519
Capital and related financing activities	-	-	-	(8,859)	41,675
Investing activities	15	5,532	328,616	4,140,862	8,199
Net increase in cash and cash equivalents	15	5,532	328,616	4,695,238	1,674,922
Cash and cash equivalents, beginning of year	21,966	1,356,890	294,818	1,964,286	316,738
Cash and cash equivalents, end of year	\$ 21,981	\$ 1,362,422	\$ 623,434	\$ 6,659,524	\$ 1,991,660

Memorial Hospital at Gulfport Notes to Financial Statements

NOTE 17: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2021 through January 7, 2022, the date the Hospital's financial statements were available to be issued.

Grant Funds

Subsequent to year-end, the Hospital received \$1.4 million in American Rescue Plan Act (ARPA) funds and \$4.6 million of phase 4 general distribution Provider Relief Funds (PRF).

Required Supplementary Information

Memorial Hospital at Gulfport
Required Pension Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Seven Fiscal Years

<i>As of and for the year ended September 30,</i>	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 4,501,926	\$ 4,698,699	\$ 4,867,462	\$ 5,234,042	\$ 5,693,697	\$ 6,037,324	\$ 6,434,641
Interest on total pension liability	11,031,187	11,146,339	10,526,785	10,392,920	10,130,465	9,561,477	9,029,915
Difference between expected and actual experience	6,735,877	-	4,807,132	(260,157)	5,583,619	-	-
Changes of assumptions	(1,527,129)	(6,288,202)	-	3,794,505	3,695,767	286,113	-
Benefit payments	(11,509,483)	(10,904,658)	(9,358,278)	(11,122,938)	(7,866,611)	(6,974,244)	(7,956,179)
Net change in pension liability	9,232,378	(1,347,822)	10,843,101	8,038,372	17,236,937	8,910,670	7,508,377
Total pension liability, beginning	177,664,599	179,012,421	168,169,320	160,130,948	142,894,011	133,983,341	126,474,964
Total pension liability, ending (a)	\$ 186,896,977	\$ 177,664,599	\$ 179,012,421	\$ 168,169,320	\$ 160,130,948	\$ 142,894,011	\$ 133,983,341
Plan Fiduciary Net Position							
Employer contributions	8,895,995	11,051,524	10,983,458	10,678,521	10,911,471	10,733,545	10,934,839
Net investment income	21,433,160	11,741,369	6,383,647	4,597,095	8,413,073	7,780,363	1,437,393
Benefit payments	(11,509,483)	(10,904,658)	(9,358,278)	(11,122,938)	(7,866,611)	(6,974,244)	(7,956,179)
Net change in plan fiduciary net position	18,819,672	11,888,235	8,008,827	4,152,678	11,457,933	11,539,664	4,416,053
Plan fiduciary net position, beginning	138,390,199	126,501,964	118,493,137	114,340,459	102,882,526	91,342,862	86,926,809
Plan fiduciary net position, ending (b)	\$ 157,209,871	\$ 138,390,199	\$ 126,501,964	\$ 118,493,137	\$ 114,340,459	\$ 102,882,526	\$ 91,342,862
Plan net pension liability, ending (a)-(b)	\$ 29,687,106	\$ 39,274,400	\$ 52,510,457	\$ 49,676,183	\$ 45,790,489	\$ 40,011,485	\$ 42,640,479
Plan fiduciary net position as a percentage of total pension liability	84.12%	77.89%	70.67%	70.46%	71.40%	72.00%	68.17%
Covered payroll	\$ 68,564,665	\$ 65,270,608	\$ 68,786,411	\$ 68,536,551	\$ 75,668,481	\$ 82,724,150	\$ 86,887,090
Net pension liability as a percentage of covered payroll	43.30%	60.17%	76.34%	72.48%	60.51%	48.37%	49.08%

Note: This schedule is intended to report information for ten fiscal years. Additional years will be reported as they become available.

**Memorial Hospital at Gulfport
Required Pension Supplementary Information
Schedule of Employer Contributions
Last Seven Fiscal Years**

<i>Year Ended September 30,</i>	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 8,895,995	\$ 11,051,524	\$ 10,983,458	\$ 10,678,521	\$ 10,911,471	\$ 10,733,545	\$ 10,934,839
Contributions in relation to the actuarially determined contribution	(8,895,995)	(11,051,524)	(10,983,458)	(10,678,521)	(10,911,471)	(10,733,545)	(10,934,839)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 68,564,665	\$ 65,270,608	\$ 68,786,411	\$ 68,536,551	\$ 75,668,481	\$ 82,724,150	\$ 86,887,090
Contributions as a percentage of covered payroll	12.97%	16.93%	15.97%	15.58%	14.42%	12.98%	12.59%

Note: This schedule is intended to report information for ten fiscal years. Additional years will be reported as they become available.

Memorial Hospital at Gulfport Notes to Required Supplementary Information

NOTE 1: ACTUARIAL VALUATION INFORMATION

Methods and assumptions used to determine contribution rates was based on census information used in the October 1, 2020 actuarial report.

Actuarial valuation date	October 1, 2020
Actuarial cost method	Entry age normal
Amortization method	Level dollar basis, closed
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Inflation	2.23%
Salary increases	3.00%
Investment rate of return	6.25% compounded annually
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition
Mortality	Pri-2012 mortality table with generational projections using the Society of Actuaries' MIM-2021 model with long-term improvement rates based on SSA data, adjusted for the lower quintiles of National Center for Health Statistics

NOTE 2: ACTUARIAL METHOD AND ASSUMPTION CHANGES

Changes in assumptions for the September 30, 2021 measurement date include the following:

- The mortality table was updated from MP-2019 to the Society of Actuaries' MIM-2021 model with long-term improvement rates based on SSA data, adjusted for the lower quintiles of National Center for Health Statistics data, and a convergence period of 10 years for age and 20 years for cohort data.



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

Board of Trustees
Memorial Hospital at Gulfport
Gulfport, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate remaining fund information of Memorial Hospital at Gulfport (the "Hospital"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated January 7, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Car, Riggs & Ingram, L.L.C.

Laurel, Mississippi
January 7, 2022