



Beaufort Memorial Hospital

Independent Auditor's Report and Financial Statements

Years Ended September 30, 2023 and 2022



Table of Contents

Independent Auditor's Report.....	1 – 3
Management's Discussion and Analysis.....	4 – 9
Statements of Net Position	10
Balance Sheets – Component Unit	11
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Activities and Changes in Net Assets – Component Unit.....	13
Statements of Cash Flows.....	14 – 15
Notes to Financial Statements.....	16 – 44
Supplementary Information:	
Statement of Net Position Information	45
Statement of Revenues, Expenses, and Changes in Net Position Information	46
Required Supplementary Information:	
Schedules of Proportionate Share of the Net Pension Liability.....	47
Schedules of Contributions	48
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor's Report	49
Report on Compliance for The Major Federal Program and Report on Internal Control Over Compliance – Independent Auditor's Report	51
Schedule of Expenditures of Federal Awards	54
Notes to Schedule of Expenditures of Federal Awards	55
Schedule of Findings and Questioned Costs	57
Schedule of Prior Year Findings and Questioned Costs	58



Independent Auditor's Report

To the Board of Trustees
Beaufort Memorial Hospital
Beaufort, South Carolina

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of Beaufort Memorial Hospital, a public agency (the "Hospital") as of and for the years ended September 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit as of September 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter- New Accounting Pronouncement

As discussed in Note 1 to the financial statements, during the year ended September 30, 2023, the Hospital adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements*, which resulted in the restatement of amounts previously recorded. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Proportionate Share of the Net Pension Liability, and Schedules of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hospital's basic financial statements. The accompanying Statement of Net Position Information and Statement of Revenues, Expenses, and Changes in Net Position Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024, on our consideration of Beaufort Memorial 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 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 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 Beaufort Memorial Hospital's internal control over financial reporting and compliance.

FORVIS, LLP

Greenville, South Carolina
March 27, 2024

Beaufort Memorial Hospital and Other Combined Entity Management's Discussion and Analysis

Annual Financial Report

The annual financial report of Beaufort Memorial Hospital ("BMH") and Other Combined Entity (the "Hospital") provides an overview of the Hospital's financial activities for the fiscal years ended September 30, 2023 and 2022. The financial statements include: the independent auditors' report, required financial statements, accompanying explanatory notes, required supplementary information and other supplemental information. The required financial statements include: the statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. Management's discussion and analysis should be read in conjunction with the financial statements and notes.

Beaufort Memorial Hospital Endowment Foundation (the "Foundation") is a legally separate, tax-exempt discretely presented component unit of the Hospital. The Foundation is a South Carolina corporation whose purpose is to support and encourage, through financial and fundraising assistance, the healthcare services and interests of the Hospital. Complete financial statements for the Foundation can be obtained from the Beaufort Memorial Hospital Endowment Foundation.

Management's Discussion and Analysis

Mission and Organizational Structure

BMH is a not-for-profit, governmental hospital, with a sole community hospital (Medicare) designation, located in Beaufort, South Carolina. The Hospital has 201 licensed beds, of which 169 are medical/surgical acute, 14 are rehabilitation and 18 are mental health beds. The mission of the Hospital is to deliver superior healthcare services to our patients and to improve the health of our community. This mission embraces the charitable focus of the organization, which is to provide healthcare services regardless of the patient's ability to pay. The Hospital continues to be active in the community through its wellness and healthy community efforts. The Hospital's vision is to exceed expectations for quality and compassionate care.

In addition to the financial statements and operations of BMH, the "Other Combined Entity" includes the information and accounts of Broad River Healthcare, Inc. ("Broad River"), which is a blended component unit of BMH. Broad River is a private, not-for-profit South Carolina corporation organized to assist BMH to meet its mission and operational goals. BMH's related entity company, Broad River, had a non-controlling interest in an outpatient surgery center, managed a mobile PET, and had a 100% interest in Beaufort Medical Imaging, LLC, which was created in 2007. Beaufort Medical Imaging, LLC ceased to operate during fiscal year 2009 due to the State of South Carolina's Certificate of Need ruling allowing the business elements of this entity to be transferred to BMH. In addition, the mobile PET was upgraded to a mobile PET CT and this business entity was also transferred to the Hospital during fiscal year 2009. In 2015, BMH purchased 100% interest in the outpatient surgery center. This included Broad River's 40% non-controlling interest in this entity.

The financial statements include the operations of all physician clinics owned by the Hospital under the designation Beaufort Physician Partners ("BPP"). BPP operates twenty (20) clinic locations consisting of specialists and primary care. BMH employs approximately fifty-five (55) physicians and fifty-one (51) mid-level providers with locations including northern Beaufort County, Okatie and Bluffton, as well as Hampton County.

Beaufort Memorial Hospital and Other Combined Entity Management's Discussion and Analysis

Financial Highlights

Net position decreased to \$62.4 million in 2023 from \$63.0 million in 2022, a \$0.6 million or 1.0% decrease. The Hospital continued to feel the effects of Governmental Accounting Standards Board ("GASB") Statement No. 68 adjustments which decreased the Hospital's net position by \$1.0 million. This GASB basically requires each participant in the State Pension Plan to post its determined share of the underfunded amount of the pension program. The increase in the Hospital's net pension liability is not a cash liability, however, based on the new GASB rules we are required to post the negative impacts to our net position. In 2023, operating revenues increased by 7.1% and operating expenses increased by 6.4%.

Salaries and wages, employee benefits, and supplies were the driving factors in the increases of expenses, increasing by \$6.6 million, \$6.7 million, and \$7.5 million, respectively.

Required Financial Statements

The required financial statements are presented on an "enterprise" basis. Entities accounted for on an enterprise basis are primarily financed by charges for services to their users rather than tax receipts.

The statement of net position is a statement of the investments in resources (assets and deferred outflows of resources) and obligations to creditors (liabilities and deferred inflows of resources) on the last day of the fiscal year. The net position balance is the value of the Hospital's assets plus deferred outflows of resources less its liabilities and deferred inflows of resources (net position). The statement of net position classifies assets and liabilities as current and non-current and can be used to evaluate the Hospital's liquidity and ability to meet its future financial obligations.

The statement of revenues, expenses, and changes in net position reports the revenue the Hospital generated from providing services to patients and the expenses required providing these services. Enterprise basis financial statements are prepared on an "accrual" basis, in which revenue is recorded for charges not yet received in cash and for obligations to creditors not yet paid in cash. Enterprise accounting requires that a portion of the cost of capital assets be recorded as depreciation expense. The statement also reports the changes in net position attributable to non-operating activities and from other transactions.

The statement of cash flows reports cash inflows and outflows from operations, capital and related financing activities, investing activities, and noncapital financing activities, and their effect on the change in cash from the statement of net position.

**Beaufort Memorial Hospital and Other Combined Entity
Management's Discussion and Analysis**

Analysis of Overall Financial Position and Results of Operations

A summary of the Hospital's condensed combining statements of net position at September 30 is presented below:

<i>(In thousands of dollars)</i>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 98,807	\$ 91,900	\$ 88,924
Capital assets, net	117,501	111,150	118,328
Other non-current assets	54,531	64,306	70,837
Total Assets	<u>270,839</u>	<u>267,356</u>	<u>278,089</u>
Deferred outflows of resources	12,425	14,454	19,297
Total Assets and Deferred Outflows of Resources	<u>283,264</u>	<u>281,810</u>	<u>297,386</u>
Current liabilities	38,810	33,455	46,407
Long-term liabilities	173,823	175,089	161,600
Total Liabilities	<u>212,633</u>	<u>208,544</u>	<u>208,007</u>
Deferred inflows of resources	8,273	10,288	29,401
Net investment in capital assets	114,816	109,769	117,445
Unrestricted	(52,458)	(46,791)	(57,467)
Total Net Position	<u>62,358</u>	<u>62,978</u>	<u>59,978</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 283,264</u>	<u>\$ 281,810</u>	<u>\$ 297,386</u>

Current assets, which consist primarily of cash and cash equivalents, short-term investments and accounts receivable, totaled \$98.8 million in 2023 and \$91.9 million in 2022, representing a 7.5% increase. The Hospital's total current assets cover current liabilities 2.5 times at September 30, 2023. This indicates the Hospital's liquidity continues to remain sound. The Hospital maintains all investments in fully secured instruments such as Certificates of Deposit and United States Treasury Notes. Due to the nature of these investments, the stock market will have no impact on the Hospital's cash position other than reduction in interest earnings. The Hospital's days cash on hand decreased from 92.4 days in 2022 to 84.4 days in 2023.

Net position represents the residual interest in the Hospital's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Total net position in 2023 decreased \$0.6 million or 1.0% from 2022, and 2022 increased \$3.0 million or 5.0% over 2021. Net investment in capital assets increased from \$109.8 million in 2022 to \$114.8 million in 2023, an increase of 4.6%.

**Beaufort Memorial Hospital and Other Combined Entity
Management's Discussion and Analysis**

The Statement of Revenues, Expenses, and Changes in Net Position present the Hospital's resulting financial activity for the year. A summary of the Hospital's condensed combining statements of revenues, expenses, and changes in net position for the years ended September 30 is presented below:

<i>(In thousands of dollars)</i>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 300,188	\$ 280,197	\$ 270,750
Operating expenses	<u>302,868</u>	<u>284,591</u>	<u>257,568</u>
Operating income (loss)	(2,680)	(4,394)	13,181
Non-operating revenues, net	<u>2,060</u>	<u>7,394</u>	<u>5,992</u>
Excess (deficit) of revenues over expenses before capital grants and contributions	<u>(620)</u>	<u>3,000</u>	<u>19,173</u>
Increase (decrease) in net position	(620)	3,000	19,173
Net Position			
Beginning of year	<u>62,978</u>	<u>59,978</u>	<u>40,805</u>
End of year	<u>\$ 62,358</u>	<u>\$ 62,978</u>	<u>\$ 59,978</u>

Patient service revenues account for 95.0% of the Hospital's operating revenues in 2023. Operating revenues for 2023 increased 7.1% from 2022. The increase during 2023 was driven by increasing volumes throughout the organization. Mental Health discharges, Outpatient Surgeries and Express Care clinics saw over 10% increases to volumes over prior year. The Hospital's average daily census decreased in 2023 to 101.6 compared to 104.0 in 2022. Adult Patient Days dropped slightly to 37,073 for 2023 compared to 37,960 for 2022. Bad debts increased 2.6% in 2023 to \$27.7 million compared to 2022 at \$27.0 million and charity care increased 32.6% in 2023 to \$6.1 million from \$4.6 million in 2022. The percentage of gross bad debt and charity care to gross revenue was 3.2% in 2023 and 2022. Contractual adjustments decreased from 69.7% of gross patient revenue in 2022 to 69.6% in 2023. Overall, revenue deductions decreased from 72.4% in 2022 to 72.3% in 2023. The contractual model, which remained the same, is a 'fluid' model that uses a recent rolling six months of payment data to estimate future payments and revenue therefore changes are expected and those reflected are within acceptable limits.

In 2023, the Hospital's total operating expenses increased 6.4% from 2022. Labor costs (salaries, benefits and contract labor) accounted for 54.6% of operating expenses during 2023, compared to 54.5% in 2022. The driving costs of labor were a combination of inflationary pressures and contract labor.

Overall, supply costs as a percentage of net patient revenues totaled 20.8% in 2023, an increase from 19.5% in 2022.

Excess of revenues over expenses, before capital grants and contributions, decreased from \$3.0 million in 2022 to (\$0.6) million in 2023.

**Beaufort Memorial Hospital and Other Combined Entity
Management’s Discussion and Analysis**

The Statement of Cash Flows provides additional information about the Hospital's financial results by reporting the major sources and uses of cash. A summary of the Hospital's condensed combining statements of cash flows for the years ended September 30 is presented below:

<i>(In thousands of dollars)</i>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash Flows			
Operating activities	\$ 12,751	\$ (2,045)	\$ 14,567
Capital and related financing activities	(18,282)	(9,249)	(65,520)
Investing activities	(42)	(8,639)	19,364
Non-capital financing activities	1,459	8,733	860
Net increase (decrease) in cash	<u>(4,114)</u>	<u>(11,200)</u>	<u>(30,729)</u>
Cash and Cash Equivalents			
Beginning of year	<u>11,058</u>	<u>22,258</u>	<u>52,987</u>
End of year	<u>\$ 6,944</u>	<u>\$ 11,058</u>	<u>\$ 22,258</u>

In 2023, the Hospital had cash provided by operating activities of \$12.8 million, an increase of \$14.8 million from 2022 or 740.0%. From 2022 to 2023, receipts from patients and others increased \$17.3 million while wages and benefits (payments to employees) increased \$2.2 million and payments to suppliers decreased \$4.7 million.

Budgets

Unlike other government facilities, budgets for entities accounted for on the enterprise basis are not legally binding authorizing documents. The budget for an enterprise fund is a guide for management and the Board in evaluating the success of the institution in meeting its financial goals.

Future Opportunities and Challenges

The Hospital's physician organization, Beaufort Physician Partners (BPP), currently employs 55 physicians and 51 mid-level practitioners from many different specialties. It is anticipated that fiscal year 2024 will continue to bring additional recruits in both specialty and primary care areas.

The workforce training program called PATH (People Achieving Their Highest) continues to be successful in training for various entry level positions such as Patient Care Technician (PCT) and Certified Medical Assistants (CMA) as well as Medical Coders. We are also continuing to work with the University of South Carolina – Beaufort (USCB) to expand their capacity in their nursing program in an effort to help reduce contract labor by training more nurses in the local program. In support of that effort, we are currently building out a training center on our Campus that will be completed before the end of FY 24.

We continue to believe that care will continue to move to the outpatient environment therefore, we will continue to recruit providers and look for opportunities to open locations to expand access to services in Beaufort and surrounding counties.

Uncompensated Care (Bad Debt and Charity Care combined) did increase in 2023 in total dollars, however, as a percent of Gross Revenue it did hold constant at 3.2%. As Gross Revenue increases, we would expect total dollars of Uncompensated Care to also increase but stay relatively constant as a percent of Gross Revenue.

Novant acquired the Tenet facilities in the county in 2024. It remains to be seen as to how Novant’s strategy will be different from Tenet.

Beaufort Memorial Hospital and Other Combined Entity Management's Discussion and Analysis

Regarding the certificate of need (CON) for the Micro-Hospital in Bluffton, legislation has been passed eliminating a CON for all entities except acute care facilities. However the CON for acute care facilities will expire in 2027. We did have an Administrative Law hearing in FY 23 and are awaiting the outcome of that hearing. The only remaining party appealing the hearing is Tenet/Novant.

Regardless of what the future holds, our focus will remain on improving the quality and safety of the healthcare services we provide our community. Our five-year strategic plan remains in place and has been reviewed and revised for fiscal year 2024 with input from our physicians, board and senior leadership team. In addition to this plan, there remains a continued focus on revenue cycle improvements at both the hospital and the physician practices.

Contacting the Hospital's Financial Management

If you have questions about this report or need additional information, please contact the Hospital's Senior Vice President and Chief Financial Officer at Beaufort Memorial Hospital, 955 Ribaut Road, Beaufort, South Carolina 29902.

Beaufort Memorial Hospital
Statements of Net Position
September 30, 2023 and 2022

<u>Assets and Deferred Outflows of Resources</u>	<u>2023</u>	<u>As Adjusted 2022</u>
Current assets:		
Cash and cash equivalents	\$ 6,943,958	\$ 11,058,510
Short-term investments	49,417,820	42,227,764
Patient accounts receivable, net of allowance for uncollectible accounts of \$42,239,381 in 2023 and \$48,304,136 in 2022	30,174,137	27,913,081
Other assets	98,941	90,622
Drugs and supplies	8,480,437	7,705,391
Prepaid expenses	3,547,680	2,706,119
Short-term leases receivable	144,309	199,154
Total current assets	<u>98,807,282</u>	<u>91,900,641</u>
Long-term investments	10,350,415	15,293,064
Investment in joint ventures	4,045,102	4,682,768
Capital assets, net	117,500,748	111,149,822
Right-to-use assets- leases, net	31,675,939	34,558,819
Long-term leases receivable	6,568,066	6,931,812
Subscription-based IT assets, net	1,891,373	2,839,061
Total assets	<u>270,838,925</u>	<u>267,355,987</u>
Deferred outflows of resources:		
Excess consideration provided for acquisition	1,794,889	2,643,683
Pension deferrals	10,630,153	11,810,238
Total deferred outflows of resources	<u>12,425,042</u>	<u>14,453,921</u>
Total assets and deferred outflows of resources	<u>\$ 283,263,967</u>	<u>\$ 281,809,908</u>
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Current liabilities:		
Accounts payable	\$ 7,345,916	\$ 7,817,743
Accrued expenses	23,521,772	18,035,318
Provider relief fund reserve	1,000,000	1,000,000
Estimated third-party payor settlements	4,133,567	3,692,585
Short-term lease liability	1,903,617	1,804,161
Short-term subscription-based IT liability	905,562	880,895
Unearned revenue	-	224,855
Total current liabilities	<u>38,810,434</u>	<u>33,455,557</u>
Net pension liability	139,960,187	138,719,908
Other liabilities	419,610	274,804
Long-term lease liability	32,836,616	34,741,311
Long-term subscription-based IT liability	606,338	1,352,848
Total liabilities	<u>212,633,185</u>	<u>208,544,428</u>
Deferred inflows of resources:		
Leases	6,298,942	6,852,206
Pension related	1,973,671	3,435,955
Total deferred inflows of resources	<u>8,272,613</u>	<u>10,288,161</u>
Net position:		
Net investment in capital assets	114,815,927	109,768,487
Unrestricted	<u>(52,457,758)</u>	<u>(46,791,168)</u>
Total net position	<u>62,358,169</u>	<u>62,977,319</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 283,263,967</u>	<u>\$ 281,809,908</u>

See accompanying notes.

Component Unit - Beaufort Memorial Hospital Endowment Foundation
Balance Sheets
September 30, 2023 and 2022

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 298,264	\$ 358,689
Pledges receivable, net	123,538	155,249
Investments	20,665,531	18,462,345
Other assets	<u>43,620</u>	<u>26,200</u>
Total assets	<u>\$ 21,130,953</u>	<u>\$ 19,002,483</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Payable to Beaufort Memorial Hospital	\$ 534,809	\$ 279,266
Obligations under gift annuities	<u>4,396</u>	<u>4,918</u>
Total liabilities	<u>539,205</u>	<u>284,184</u>
Net assets:		
Without donor restrictions	17,856,472	15,799,776
With donor restrictions	<u>2,735,276</u>	<u>2,918,523</u>
Total net assets	<u>20,591,748</u>	<u>18,718,299</u>
Total liabilities and net assets	<u>\$ 21,130,953</u>	<u>\$ 19,002,483</u>

Beaufort Memorial Hospital
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>As Adjusted 2022</u>
Operating revenues:		
Net patient service revenue, net of provision for bad debts of \$27,699,631 in 2023 and \$26,963,657 in 2022	\$ 288,460,936	\$ 269,170,831
Other operating revenue	11,727,187	11,025,695
Total operating revenues	<u>300,188,123</u>	<u>280,196,526</u>
Operating expenses:		
Salaries and wages	116,738,235	110,134,020
Employee benefits	36,317,648	29,616,403
Contract labor	12,444,370	15,294,953
Supplies	59,982,572	52,510,154
Purchased services	28,837,987	28,998,555
Physician fees	9,628,404	10,256,626
Depreciation and amortization	14,565,534	13,671,476
Other	24,352,468	24,108,691
Total operating expenses	<u>302,867,218</u>	<u>284,590,878</u>
Operating loss	<u>(2,679,095)</u>	<u>(4,394,352)</u>
Nonoperating revenues (expenses):		
Investment income (loss)	2,194,056	(1,007,371)
Interest income - leases	287,870	280,023
Interest expense - leases	(1,423,336)	(1,443,101)
Interest expense - subscription-based IT arrangements	(77,944)	(116,540)
Share of losses of joint ventures, net	(390,166)	(1,130,041)
Provider relief funding	-	13,836,843
Gain (loss) on sale of capital assets	11,000	(3,999,883)
Noncapital gifts and bequests	1,458,465	973,485
Total nonoperating revenue	<u>2,059,945</u>	<u>7,393,415</u>
Increase (decrease) in net position	<u>(619,150)</u>	<u>2,999,063</u>
Net position, beginning of year	<u>62,977,319</u>	<u>59,978,256</u>
Net position, end of year	<u>\$ 62,358,169</u>	<u>\$ 62,977,319</u>

See accompanying notes.

Component Unit - Beaufort Memorial Hospital Endowment Foundation
 Statements of Activities and Changes in Net Assets
 For the Years Ended September 30, 2023 and 2022

	Year Ended September 30, 2023			Year Ended September 30, 2022		
	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions
Support and revenue:						
Interest and dividends	\$ 432,185	\$ 432,185	\$ -	\$ 321,356	\$ 321,356	\$ -
Net gains (losses) on investments	1,872,411	1,872,411	-	(4,020,181)	(4,020,181)	-
Donations, gifts and bequests	2,446,221	1,365,057	1,081,164	1,587,760	706,460	881,300
Fundraising income	45,300	45,300	-	33,590	33,590	-
Satisfaction of program restrictions	-	1,264,411	(1,264,411)	-	237,231	(237,231)
Total support and revenue	<u>4,796,117</u>	<u>4,979,364</u>	<u>(183,247)</u>	<u>(2,077,475)</u>	<u>(2,721,544)</u>	<u>644,069</u>
Expenses:						
Fundraising events	87,975	87,975	-	85,178	85,178	-
General and administrative	162,732	162,732	-	160,634	160,634	-
Grants to Beaufort Memorial Hospital	2,671,961	2,671,961	-	1,414,341	1,414,341	-
Total expenses	<u>2,922,668</u>	<u>2,922,668</u>	<u>-</u>	<u>1,660,153</u>	<u>1,660,153</u>	<u>-</u>
Increase (decrease) in net assets	1,873,449	2,056,696	(183,247)	(3,737,628)	(4,381,697)	644,069
Net assets, beginning of year	<u>18,718,299</u>	<u>15,799,776</u>	<u>2,918,523</u>	<u>22,455,927</u>	<u>20,181,473</u>	<u>2,274,454</u>
Net assets, end of year	<u>\$ 20,591,748</u>	<u>\$ 17,856,472</u>	<u>\$ 2,735,276</u>	<u>\$ 18,718,299</u>	<u>\$ 15,799,776</u>	<u>\$ 2,918,523</u>

Beaufort Memorial Hospital
Statements of Cash Flows
For the Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>As Adjusted 2022</u>
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 286,560,813	\$ 269,524,948
Other receipts and payments, net	(13,186,864)	(13,464,330)
Payments to employees	(146,611,349)	(148,810,748)
Payments to suppliers	(114,011,105)	(109,295,586)
	<u>12,751,495</u>	<u>(2,045,716)</u>
Net cash provided by (used in) operating activities		
Cash flows from noncapital financing activities:		
Noncapital gifts and bequests	1,458,465	973,485
Receipt of provider relief funding	-	8,979,640
Repayment of provider relief funding	-	(1,219,694)
	<u>1,458,465</u>	<u>8,733,431</u>
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities:		
Receipts on lease receivable	706,461	473,984
Payments on lease obligations	(1,805,239)	(1,863,137)
Payments on subscription-based IT obligations	(1,109,343)	(1,087,566)
Interest paid on lease obligations	(1,423,336)	(1,443,101)
Interest paid on subscription-based IT arrangements	(77,944)	(116,540)
Purchases of capital assets	(14,583,815)	(7,483,581)
Proceeds from sale of capital assets	11,000	2,271,085
	<u>(18,282,216)</u>	<u>(9,248,856)</u>
Net cash used in capital and related financing activities		
Cash flows from investing activities:		
Decrease (increase) in investments	336,815	(3,267,017)
Consideration paid for Beaufort Home Health Partners, LLC	-	(4,241,400)
Consideration paid for acquisition of Island Imaging, LLC	(236,445)	-
Share of loss of investee, net	(390,166)	(1,130,041)
Receipts of dividend from joint venture	247,500	-
	<u>(42,296)</u>	<u>(8,638,458)</u>
Net cash used in investing activities		
Net decrease in cash and cash equivalents	(4,114,552)	(11,199,599)
Cash and cash equivalents, beginning of year	<u>11,058,510</u>	<u>22,258,109</u>
Cash and cash equivalents, end of year	\$ <u><u>6,943,958</u></u>	\$ <u><u>11,058,510</u></u>

(continued)

Beaufort Memorial Hospital
Statements of Cash Flows
For the Years Ended September 30, 2023 and 2022

(Continued)

	<u>2023</u>	<u>As Adjusted</u> <u>2022</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (2,679,095)	\$ (4,394,352)
Depreciation and amortization	14,565,534	13,671,476
Provision for bad debts	27,699,631	26,963,657
Adjustments to pension	1,240,279	12,173,750
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Patient accounts receivable, net	(29,960,687)	(26,288,361)
Other assets	(8,319)	(7,092)
Prepaid expenses, drugs and supplies	(1,616,607)	(998,087)
Pension related deferred outflows and inflows	(282,199)	(15,007,598)
Lease related deferred inflows	(553,264)	(374,242)
Accounts payable	(1,501,165)	(1,237,211)
Accrued expenses and estimated third-party payor settlements	5,927,436	(6,748,866)
Unearned revenue	(224,855)	224,855
Other liabilities	144,806	(23,645)
Net cash provided by (used in) operating activities	<u>\$ 12,751,495</u>	<u>\$ (2,045,716)</u>
<u>Schedule of non-cash investing and financing activities</u>		
Capital assets included in accounts payable	<u>\$ 19,983</u>	<u>\$ -</u>
Cash consideration due for Island Imaging, LLC acquisition included in accounts payable	<u>\$ 1,009,355</u>	<u>\$ -</u>
Acquisition of property and equipment through lease	<u>\$ -</u>	<u>\$ 1,854,168</u>
Acquisition of subscription-based IT assets through lease	<u>\$ 387,500</u>	<u>\$ 233,099</u>

Notes to Financial Statements

1. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

The financial statements of Beaufort Memorial Hospital (“BMH”) includes the accounts of Broad River Healthcare, Inc. (“Broad River”), which is a blended component unit of BMH (jointly the “Hospital”). Effective September 2021, Broad River fully acquired South of Broad Healthcare (“South of Broad”). South of Broad’s activity is included in Broad River’s financial statements. The Hospital’s financial statements are prepared using the accrual basis of accounting. All significant intercompany accounts have been eliminated.

Beaufort Memorial Hospital Endowment Foundation (the “Foundation”) is a legally separate, tax-exempt component unit of the Hospital. The Foundation is a South Carolina corporation, the purpose of which is to support and encourage, through financial and fundraising assistance, the health care services and interests of the Hospital. The Foundation is governed by a self-perpetuating board of trustees. Although the Hospital does not control the timing or amount of receipts from the Foundation, a significant amount of the resources, or income thereon that the Foundation holds and invests are restricted to the activities of the Hospital by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital’s financial statements.

Beaufort Memorial Hospital and Beaufort Memorial Hospital Endowment Foundation are collectively referred to as the “Organizations” throughout the notes to the financial statements.

Organization

BMH is a not-for-profit healthcare facility which owns and operates a 169-bed acute care community hospital, a 14-bed rehabilitation facility and 18 mental health beds located in Beaufort, South Carolina. BMH is governed by a nine member Board of Trustees (the “Board”), whose members are appointed by the County Council of Beaufort County. The Board appoints the Board of Directors for Broad River, which is a supporting organization for BMH. Broad River holds a 100% interest in South of Broad. BMH is a public agency as defined in Title 44, Chapter 7, of the Code of Laws of South Carolina, 1976, as amended, and is not included in the financial statements of Beaufort County.

Basis of Presentation

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Pursuant to Governmental Accounting Standards Board (“GASB”) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Hospital will only recognize GASB statements as authoritative guidance. Financial Accounting Standards Board (“FASB”) statements, including those issued after November 30, 1989, will no longer be authoritative, but may be used as non-authoritative guidance.

The Foundation is a private nonprofit organization that reports under the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation standards.

Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022

New Accounting Pronouncement

During the year ended September 30, 2023, the Hospital implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (“SBITA”), which, among other things, requires the recognition of SBITA intangible assets and liabilities for SBITAs that previously were expensed as operating costs. The effect of the retroactive application of GASB No. 96 on previously reported financial statement amounts is summarized below:

	2022		2022
	As Previously	Adjustment - GASB 96	As Adjusted
	Reported		
Statement of Net Position:			
Prepaid expenses	\$ 3,183,752	\$ (477,633)	\$ 2,706,119
Total current assets	\$ 92,378,274	\$ (477,633)	\$ 91,900,641
Subscription-based IT assets, net	\$ -	\$ 2,839,061	\$ 2,839,061
Total assets	\$ 264,994,559	\$ 2,361,428	\$ 267,355,987
Total assets and deferred outflows of resources	\$ 279,448,480	\$ 2,361,428	\$ 281,809,908
Accrued expenses	\$ 17,907,633	\$ 127,685	\$ 18,035,318
Short-term subscription-based IT liability	\$ -	\$ 880,895	\$ 880,895
Total current liabilities	\$ 32,446,977	\$ 1,008,580	\$ 33,455,557
Long-term subscription-based IT liability	\$ -	\$ 1,352,848	\$ 1,352,848
Total liabilities	\$ 206,183,000	\$ 2,361,428	\$ 208,544,428
Net investment in capital assets	\$ 109,163,169	\$ 605,318	\$ 109,768,487
Unrestricted	\$ (46,185,850)	\$ (605,318)	\$ (46,791,168)
Total liabilities, deferred inflows of resources and net position	\$ 279,448,480	\$ 2,361,428	\$ 281,809,908

	2022		2022
	As Previously	Adjustment- GASB 96	As Adjusted
	Reported		
Statement of Revenues, Expenses and Changes in Net Position:			
Depreciation and amortization	\$ 12,471,051	\$ 1,200,425	\$ 13,671,476
Other	\$ 25,425,656	\$ (1,316,965)	\$ 24,108,691
Total operating expenses	\$ 284,707,418	\$ (116,540)	\$ 284,590,878
Operating loss	\$ (4,510,892)	\$ 116,540	\$ (4,394,352)
Interest expense - subscription-based IT arrangements	\$ -	\$ (116,540)	\$ (116,540)
Total nonoperating revenue (expense)	\$ 7,509,955	\$ (116,540)	\$ 7,393,415

	2022		2022
	As Previously	Adjustment- GASB 96	As Adjusted
	Reported		
Statement of Cash Flows:			
Other receipts and payments, net	\$ (14,781,295)	\$ 1,316,965	\$ (13,464,330)
Payments to employees	\$ (148,938,433)	\$ 127,685	\$ (148,810,748)
Payments to suppliers	\$ (109,055,042)	\$ (240,544)	\$ (109,295,586)
Net cash used in operating activities	\$ (3,249,822)	\$ 1,204,106	\$ (2,045,716)
Payments on subscription-based IT obligations	\$ -	\$ (1,087,566)	\$ (1,087,566)
Interest paid on subscription-based IT obligations	\$ -	\$ (116,540)	\$ (116,540)
Net cash used in capital and related financing activities	\$ (8,044,750)	\$ (1,204,106)	\$ (9,248,856)
Operating loss	\$ (4,510,892)	\$ 116,540	\$ (4,394,352)
Depreciation and amortization	\$ 12,471,051	\$ 1,200,425	\$ 13,671,476
Prepaid expenses and drugs and supplies	\$ (757,543)	\$ (240,544)	\$ (998,087)
Accrued expenses and estimated third-party payor settlements	\$ (6,876,551)	\$ 127,685	\$ (6,748,866)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less when purchased. The Organizations maintain bank accounts at various financial institutions covered by the Federal Deposit Insurance Corporation (the "FDIC"). At times throughout the year, the Organizations may maintain bank account balances in excess of the FDIC insured limit. The Organizations have cash deposits which exceed the federally insured deposited amount. It is management's opinion that these financial institutions are financially sound and that the Organizations are not exposed to any significant credit risk related to cash.

Patient Accounts Receivable

Allowances for uncollectible accounts are computed based on historical collection experience and a review of the current status of existing accounts receivable. The Hospital grants credit to patients without collateral, substantially all of whom are from the surrounding area.

Drugs and Supplies

Drugs and supplies are stated at the lower of cost (first-in, first-out) or net realizable value.

Investments

The Hospital's investments consist of certificates of deposit carried at cost plus interest with maturities less than 5 years. All other investments are carried at fair value except investments in debt securities with maturities less than one year at the time of purchase. These investments are carried at amortized cost, which approximates fair value. Investment income (loss) including realized and unrealized gains and losses are reported as nonoperating revenues (expenses).

The Foundation's investments in equity securities with readily determinable fair values and all other investments are measured at fair value on the balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in support and revenue on the statements of activities and changes in net assets. Securities or other investments donated are recorded at their market value at the date of the gift.

Investment in Joint Ventures

The Hospital records its interest in joint ventures where the Hospital maintains more than 20% ownership interest and exerts influence under the equity method of accounting. Under the equity method, original investments are recorded at cost and adjusted for the Hospital's share of undistributed earnings or losses, contributions, and distributions.

Effective August 2022, Broad River acquired 30% of Beaufort Home Health Partners, LLC, a joint venture with Amedisys. See Note 5 for details surrounding the acquisition.

Capital Assets

Capital assets are recorded at cost or, in the case of donated property, at fair market value at the time of donation. It is the Organizations' policy not to capitalize any asset addition that costs less than \$1,000 or has a useful life of less than 3 years. Assets are depreciated using the straight-line method based on the estimated useful lives of the assets, which range from three to forty years. Additions and improvements are capitalized and depreciated over the estimated remaining lives of the related assets.

Land improvements	15 to 20 years
Buildings	20 to 40 years
Equipment	3 to 7 years

Right-to-use Assets – Leases

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription-Based IT Assets

Subscription-based IT assets are initially recorded at the initial measurement of the subscription IT liability, which includes discounted future payments, plus subscription payments made at or before the commencement of the SBITA term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription IT assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Leases Receivable

Leases receivable are measured at the present value of the minimum lease payments to be received such that each receivable's initial balance equals the related payment received from lessees less the amount attributable to interest accrued. The lease receivables are being amortized over the respective lease terms, which range from 1 to 74 years.

Lease Liability

Lease liabilities are measured at the present value of the minimum lease payments to be made such that each liability's initial balance equals the related payment to be made to lessors less the amount attributable to interest accrued. The lease liabilities are being amortized over the respective lease terms, which range from 1 to 20 years.

Deferred Outflows and Inflows

Deferred outflows and inflows of resources represent a consumption or acquisition of net position that applies to a future period. The Hospital has excess consideration provided for acquisition, pension deferrals, and deferred inflows related to future lease payments receivable.

Net Position and Net Assets

Net position of the Hospital is comprised of two classes. Net investment in capital assets consists of capital assets net of accumulated depreciation and right-of-use assets, net of accumulated amortization, reduced by the balances of any lease obligations. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

**Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022**

Unrestricted net position of the Hospital at September 30 included the following:

	<u>2023</u>	<u>As Adjusted 2022</u>
Impacts of pension accruals	\$ (131,303,705)	\$ (130,345,625)
Other unrestricted net position	<u>78,845,947</u>	<u>83,554,457</u>
	<u>\$ (52,457,758)</u>	<u>\$ (46,791,168)</u>

Net assets of the Foundation are comprised of two classes. Net assets with donor restrictions are those whose use has been limited by donors to a specific time period or purpose and include donor restricted endowments. Net assets with donor restrictions are transferred to net assets without donor restrictions when donor restrictions as to time and purpose have been met and are shown as satisfaction of program restrictions on the accompanying statements of activities and changes in net assets. Net assets without donor restrictions are remaining net assets that do not meet the definition of net assets with donor restrictions.

Net Patient Service Revenue

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. Third-party contractual revenue adjustments are accrued on an estimated basis in the period the related services are rendered. Such amounts are subject to audit by governmental agencies. Adjustments, if any, are included in contractual revenue adjustments in the year of determination. Net patient service revenue has been reduced by the amount of bad debt expense incurred by the Hospital.

The Hospital's policy does not require collateral or other security for patient accounts receivable. The Hospital routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies such as those related to Medicare, Medicaid, Blue Cross, health maintenance organizations and commercial insurance carriers.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. Partial payments to which the Hospital is entitled from public assistance on behalf of patients that meet the Hospital's charity care criteria are reported as net patient service revenue.

Recognition of Revenue by Component Unit Foundation

Contributions are recognized as revenue when they are received or unconditionally pledged and are measured at their fair value and are reported as an increase in net assets.

Operating Revenues and Expenses

The statements of revenues, 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. Nonexchange revenues, including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Support and Revenue With and Without Donor Restrictions

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Contributions received are recorded as support or restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires or is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities and changes in net assets as satisfaction of program restrictions.

Grants and Contributions

From time to time, the Hospital receives grants and contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either 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 acquisitions are reported after nonoperating revenues and expenses.

Under the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification, the Foundation records contribution expense and a payable to the Hospital when the Foundation's board approves the future payment of funds to the Hospital for specified purposes. The Foundation considers these restricted contributions to the Hospital because the funds must be spent for the purposes specified by the Foundation. In accordance with GASB Statement No. 33, *Accounting and Reporting for Non-exchange Transactions*, the Hospital records contribution revenue when the funds are spent for the specified purpose, that is, when the reimbursable costs have been incurred. As a result of the different accounting treatment required under the FASB Accounting Standards Codification and GASB No. 33, the Foundation has recorded a payable of approximately \$535,000 and \$279,000 as of September 30, 2023 and 2022, respectively, for which a corresponding receivable has not been recorded by the Hospital.

CARES Act Provider Relief Funding

The Hospital has received provider relief funding under the federal Coronavirus Aid, Relief and Economic Security ("CARES") Act. These relief funds are considered non-exchange transactions subject to terms and conditions specified by the resource provider distributed by the Health Resources Service Administration ("HRSA") section of the U.S. Department of Health and Human Services ("HHS"). These conditions create a restriction that such funds must be used to prevent, prepare for or respond to the coronavirus ("COVID-19"), creating purpose restrictions in addition to conditions. This conditional grant revenue is recognized as nonoperating revenue to the extent conditions/restrictions for entitlement are met for coronavirus related expenses or lost revenues. The Hospital reports conditional contributions for which the conditions and related restrictions are met in the same reporting period in unrestricted net position. Such funds are subject to recoupment to the extent the conditions for entitlement are not met.

Compensated Absences

Certain Hospital employees earn paid days off ("PDO") at varying rates depending on years of service. Accumulated PDO may be carried over each year up to a maximum of 360 hours. The employee may elect to use PDOs or cash in PDO hours as earned.

If an employee has given proper notice, upon termination, the employee will receive pay at the regular hourly rate for all unused PDO, providing the employee has completed twelve months of service.

**Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022**

The estimated amount of the PDO payable of approximately \$4,355,000 and \$4,269,000 at September 30, 2023 and 2022, respectively, is reported in accrued expenses on the statements of net position.

Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Income Taxes

Beaufort Memorial Hospital, Broad River Healthcare, Inc., South of Broad Healthcare, and Beaufort Memorial Hospital Endowment Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal or state income taxes. The Organizations have determined that they do not have any material unrecognized tax benefits or obligations as of September 30, 2023.

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 claims and judgments; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. The Hospital is self-insured for amounts up to a specified level for health and medical coverage for its employees. The estimated liability is the total estimated amount to be paid for all known claims or incidents and a reserve for incurred but not reported claims. The Hospital purchases professional and general liability insurance to cover medical malpractice claims. Claims under such coverage are covered based on the date of occurrence.

2. Cash and Cash Equivalents and Investments

As required by state statutes, all of the Hospital's cash and cash equivalents and investments, which consist principally of certificates of deposit, overnight repurchase agreements and interest earning investment contracts, are covered by federal depository insurance, invested in U.S. Government obligations, or collateralized by U.S. governmental obligations held in the Hospital's name by a custodial bank.

Investments at September 30 consist of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,106,221	\$ 228,048
Certificates of deposit maturing within one year	-	5,813,886
US Treasury notes maturing within one year	47,311,599	36,185,830
US Treasury notes maturing within two years	10,350,415	14,428,047
US Treasury notes maturing within three years	-	865,017
	<u>\$ 59,768,235</u>	<u>\$ 57,520,828</u>

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the Hospital will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Investments held with third party banks are invested primarily in certificates of deposit and US Treasury notes. Investments with third party banks are fully collateralized and insured as of September 30, 2023 with securities maintained by an outside party.

Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022

Concentration of credit risk is the risk of loss attributed to the magnitude of the Hospital's investments in a single issuer. As of September 30, 2022, the Hospital's investments consisted of approximately 10% of investments that are funded through one local financial institution that purchases CD's on behalf of the Hospital to FDIC insurance levels, all at the same rate and term. This program (Certificate of Deposit Account Registry Service) distributes the funds to numerous financial institutions throughout the country in order to limit the risk by minimizing the investments at each institution to the FDIC coverage level. No such CD's were held as of September 30, 2023. Approximately 100% and 90%, respectively, of investments are held with one financial institution as of September 30, 2023 and 2022.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. At times, the Hospital minimizes its interest rate risk by investing in certificates of deposit with maturities of three years or less.

The carrying values of cash and cash equivalents and investments are included on the statements of net position as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 6,943,958	\$ 11,058,510
Short-term investments	49,417,820	42,227,764
Long-term investments	<u>10,350,415</u>	<u>15,293,064</u>
	<u>\$ 66,712,193</u>	<u>\$ 68,579,338</u>

The Fair Value Measurements and Application Standard addresses accounting and financial reporting issues related to fair value measurements. The standard describes fair value as an exit price. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The statement establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets or liabilities, inputs that are observable for the asset or liability, and market-corroborated inputs. Level 3 inputs are unobservable inputs and take into account all information about market participant assumptions that are reasonably available. The Hospital categorizes its fair value measurements within the fair value hierarchy established by this standard.

For assets carried at fair value, the following table provides fair value information as of September 30, 2023 and 2022:

	<u>Fair value measurements at September 30, 2023 using</u>			
	<u>Fair value at</u> <u>September 30,</u> <u>2023</u>	<u>Quoted prices in</u> <u>active markets</u> <u>for identical</u> <u>assets and liabilities</u> <u>(Level 1 inputs)</u>	<u>Quoted prices</u> <u>for similar assets</u> <u>and liabilities</u> <u>(Level 2 inputs)</u>	<u>Significant</u> <u>unobservable</u> <u>inputs</u> <u>(Level 3 inputs)</u>
<i>Assets measured at fair value</i>				
Cash and cash equivalents	\$ 2,106,221	\$ 2,106,221	\$ -	\$ -
US Treasury Notes	<u>57,662,014</u>	<u>57,662,014</u>	-	-
Total assets at fair value	<u>\$ 59,768,235</u>	<u>\$ 59,768,235</u>	<u>\$ -</u>	<u>\$ -</u>

Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022

	Fair value measurements at September 30, 2022 using			
	Fair value at September 30, <u>2022</u>	Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
<u>Assets measured at fair value</u>				
Cash and cash equivalents	\$ 228,048	\$ 228,048	\$ -	\$ -
Certificates of deposit	5,813,886	5,813,886	-	-
US Treasury Notes	<u>51,478,894</u>	<u>51,478,894</u>	-	-
Total assets at fair value	\$ <u>57,520,828</u>	\$ <u>57,520,828</u>	\$ <u>-</u>	\$ <u>-</u>

3. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital at September 30, 2023 and 2022 consisted of the following amounts:

	<u>2023</u>	<u>2022</u>
<u>Patient Accounts Receivable</u>		
Receivable from patients	\$ 36,029,357	\$ 44,927,600
Receivable from third-party payors and other	8,741,555	7,791,224
Receivable from Medicare	16,976,281	14,726,642
Receivable from Medicaid	10,666,325	8,771,751
Total patient accounts receivable	<u>72,413,518</u>	<u>76,217,217</u>
Less: Allowance for uncollectible accounts	<u>(42,239,381)</u>	<u>(48,304,136)</u>
Net patient accounts receivable	<u>\$ 30,174,137</u>	<u>\$ 27,913,081</u>

	<u>2023</u>	<u>2022</u>
<u>Accounts Payable and Accrued Expenses</u>		
Payable to suppliers	\$ 16,834,496	\$ 14,403,779
Payable to employees (including payroll taxes)	<u>14,033,192</u>	<u>11,449,282</u>
Total accounts payable and accrued expenses	<u>\$ 30,867,688</u>	<u>\$ 25,853,061</u>

4. Liquidity and Availability

The Foundation's liquidity management structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation's financial assets available within one year of September 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 298,264	\$ 358,689
Investments without donor restrictions	<u>17,930,255</u>	<u>15,543,822</u>
	<u>\$ 18,228,519</u>	<u>\$ 15,902,511</u>

5. Investments in Joint Ventures

The Hospital's ownership percentage and investments at September 30, 2023 and 2022 for entities recorded under the equity method are as follows:

	<u>Percentage of Ownership</u>		<u>Investment (Deficit)</u>		<u>Share of Gains (Losses)</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Broad River Oncology, LLC	49%	49%	\$ (684,591)	\$ 441,368	\$(1,125,959)	\$(1,130,041)
Beaufort Home Health Partners, LLC	30%	30%	<u>4,729,693</u>	<u>4,241,400</u>	<u>735,793</u>	<u>-</u>
			<u>\$ 4,045,102</u>	<u>\$ 4,682,768</u>	<u>\$ (390,166)</u>	<u>\$(1,130,041)</u>

The Hospital and Broad River Oncology, LLC entered into an agreement under which the Hospital provides billing services for the joint venture. Each month the Hospital bills and collects patient payments on behalf of Broad River Oncology, LLC, of which 95% is remitted to the joint venture. The remaining 5% is retained by the Hospital as an administrative billing fee and is recorded in other operating revenue on the statements of revenues, expenses, and changes in net position. As of September 30, 2023 and 2022, approximately \$243,000 and \$377,000 is payable to Broad River Oncology, LLC, respectively.

Effective August 2022, Broad River entered into an agreement with Amedisys to form a joint venture, Beaufort Home Health Partners, LLC. The purpose of the joint venture is to provide skilled nursing services and other therapeutic services to the community. Broad River owns 30% of the joint venture with Amedisys owning the remaining 70%.

6. Foundation Investments

The *Fair Value Measurements* standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard does not require any new fair value measurements, but clarifies and standardizes some divergent practices that have emerged since prior guidance was issued. The standard creates a three-level hierarchy under which individual fair value estimates are to be ranked based on the relative reliability of the inputs used in the valuation.

The standard defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, the Foundation considers the principal or most advantageous market in which those assets or liabilities are sold and considers assumptions that market participants would use when pricing those assets or liabilities. Fair values determined using level 1 inputs rely on active and observable markets to price identical assets or liabilities. In situations where identical assets and liabilities are not traded in active markets, fair values may be determined based on level 2 inputs, which exist when observable data exists for similar assets and liabilities. Fair values for assets and liabilities that are not actively traded in observable markets are based on level 3 inputs, which are considered to be unobservable.

Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022

Among the Foundation's assets, various investments were reported at their fair values on a recurring basis. For assets carried at fair value, the following table provides fair value information as of September 30, 2023 and 2022:

Fair value measurements at September 30, 2023 using				
		Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
<i>Assets measured at fair value</i>	Fair value at September 30, 2023			
Cash and cash equivalents	\$ 2,003,528	\$ 2,003,528	\$ -	\$ -
Equities	13,179,015	13,179,015	-	-
US Treasury Notes	3,195,148	3,195,148	-	-
Corporate bonds	2,075,390	2,075,390	-	-
Other	212,450	212,450	-	-
Total assets at fair value	<u>\$ 20,665,531</u>	<u>\$ 20,665,531</u>	<u>\$ -</u>	<u>\$ -</u>

Fair value measurements at September 30, 2022 using				
		Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
<i>Assets measured at fair value</i>	Fair value at September 30, 2022			
Cash and cash equivalents	\$ 1,559,880	\$ 1,559,880	\$ -	\$ -
Equities	12,026,491	12,026,491	-	-
US Treasury Notes	2,400,010	2,400,010	-	-
Corporate bonds	2,274,046	2,274,046	-	-
Other	201,041	201,041	-	-
Total assets at fair value	<u>\$ 18,461,468</u>	<u>\$ 18,461,468</u>	<u>\$ -</u>	<u>\$ -</u>

Not included in the table above is a deposit in transit of \$877 related to a transfer outstanding at September 30, 2022 to one of the Foundation's investment accounts. This amount was not received by the Foundation's investment account until after September 30, 2022.

Prices for assets are readily available in the active markets in which those securities are traded, and the resulting fair values are shown in the "Level 1 input" column.

Investment income (loss) is comprised of the following at September 30:

	2023	2022
Interest and dividends	\$ 432,185	\$ 321,356
Net unrealized gains (losses)	2,281,105	(6,834,749)
Net realized gains (losses)	(408,694)	2,814,568
Total investment income (loss)	<u>\$ 2,304,596</u>	<u>\$ (3,698,825)</u>

Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022

7. Capital Assets

Capital asset additions, retirements, transfers, and balances for the years ended September 30 are as follows:

	<u>September 30,</u> <u>2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>September 30,</u> <u>2023</u>
Land	\$ 21,866,776	\$ 750,000	\$ -	\$ -	\$ 22,616,776
Land improvements	2,434,225	-	(158,033)	-	2,276,192
Buildings	146,588,628	559,827	(25,821,475)	87,001	121,413,981
Equipment	110,157,925	5,438,745	(68,719,440)	1,054,929	47,932,159
Construction in progress	2,063,704	8,836,706	-	(1,141,930)	9,758,480
Total at historical cost	<u>283,111,258</u>	<u>15,585,278</u>	<u>(94,698,948)</u>	<u>-</u>	<u>203,997,588</u>
Less accumulated depreciation:					
Land improvements	2,172,585	50,312	(158,033)	-	2,064,864
Buildings	81,142,905	5,018,477	(25,821,476)	-	60,339,906
Equipment	88,645,946	4,165,563	(68,719,439)	-	24,092,070
Total accumulated depreciation	<u>171,961,436</u>	<u>9,234,352</u>	<u>(94,698,948)</u>	<u>-</u>	<u>86,496,840</u>
Capital assets, net	<u>\$ 111,149,822</u>	<u>\$ 6,350,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,500,748</u>

	<u>September 30,</u> <u>2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>September 30,</u> <u>2022</u>
Land	\$ 28,143,244	\$ -	\$ (6,276,468)	\$ -	\$ 21,866,776
Land improvements	2,434,225	-	-	-	2,434,225
Buildings	146,317,256	-	-	271,372	146,588,628
Equipment	104,815,183	2,075,016	(61,032)	3,328,758	110,157,925
Construction in progress	255,269	5,408,565	-	(3,600,130)	2,063,704
Total at historical cost	<u>281,965,177</u>	<u>7,483,581</u>	<u>(6,337,500)</u>	<u>-</u>	<u>283,111,258</u>
Less accumulated depreciation:					
Land improvements	2,091,564	81,021	-	-	2,172,585
Buildings	76,103,712	5,039,193	-	-	81,142,905
Equipment	85,442,100	3,270,378	(66,532)	-	88,645,946
Total accumulated depreciation	<u>163,637,376</u>	<u>8,390,592</u>	<u>(66,532)</u>	<u>-</u>	<u>171,961,436</u>
Capital assets, net	<u>\$ 118,327,801</u>	<u>\$ (907,011)</u>	<u>\$ (6,270,968)</u>	<u>\$ -</u>	<u>\$ 111,149,822</u>

8. Lease Receivables

The Hospital leases a portion of its office space and land to various third parties, the terms of which expire June 2025 through October 2094.

The Hospital subleases a portion of its leased space (see Note 11) with terms expiring over the next twenty-seven years. The space being subleased represents approximately \$4,050,000 and \$4,254,000 of the lease receivable balance and approximately \$3,736,000 and \$4,031,000 of deferred lease inflows as of September 30, 2023 and 2022, respectively.

Revenue recognized under lease contracts during the years ended September 30, 2023 and 2022, was approximately \$629,000 and \$667,000, respectively, which includes both lease revenue and interest.

9. Excess Consideration Provided for Acquisition

Effective December 1, 2014, Broad River acquired the remaining 60% of the Surgery Center of Beaufort, LLC for approximately \$9,912,000 in cash. Broad River then transferred its ownership of the Surgery Center of Beaufort, LLC to BMH. This transaction resulted in a gain on the Hospital's investment in the Surgery Center of Beaufort, LLC of approximately \$5,455,000 as of the transaction date. Consideration in excess of the assets acquired resulted in a deferred outflow of resources of approximately \$10,722,000 which is included in deferred outflows of resources on the statements of net position. This amount is being amortized into future periods over a period of 10 years.

Effective July 1, 2020, the Hospital acquired Palmetto Medical Group, LLC for approximately \$503,000 in cash to grow its physician practices. Consideration in excess of the assets acquired resulted in a deferred outflow of resources of approximately \$409,000, which is included in deferred outflows of resources on the statements of net position. This amount is being amortized into future periods over a period of 10 years. The remaining \$94,000 was recorded to capital assets, net.

Effective July 10, 2023, the Hospital acquired Island Imaging, LLC for approximately \$1,246,000 in cash to grow its physician practices. The total net position acquired consists of approximately \$972,000 of equipment, \$10,000 of medical supplies, and \$264,000 of intangibles. Consideration in excess of the assets acquired resulted in a deferred outflow of resources of approximately \$264,000, which is included in deferred outflows of resources on the statements of net position. The amount is being amortized into future periods over a period of 10 years.

10. Long-term Debt

Effective October 14, 2021, the Hospital entered into a \$20,000,000 non-revolving credit agreement for a term of one year. Effective October 12, 2023, the Hospital entered into a one-year extension on the agreement. The maturity date is October 11, 2024. Interest on the borrowings is based on Term SOFR rate plus 1.37%. No draws have been made on the line of credit, and there was no balance owed at September 30, 2023.

11. Right-to-Use Assets and Lease Obligations

The Hospital has entered into agreements to lease certain equipment and real property. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, the assets and related liabilities have been recorded. The lease liabilities have been measured at the present value of minimum lease payments such that each asset's initial balance equals the related liability plus any additional payments for initial direct costs made to the lessor on or before the start of the lease term. The right-to-use assets are being amortized on a straight-line basis over their respective lease terms, which range from 1 to 20 years.

Right-to-use asset additions, retirements, and balances for the years ended September 30, 2023 and 2022 are as follows:

	<u>September 30,</u> <u>2022</u>	<u>Additions</u>	<u>Adjustments</u>	<u>September 30,</u> <u>2023</u>
Buildings	\$ 37,604,370	\$ -	\$ (821,385)	\$ 36,782,985
Equipment	2,438,165	-	(76,325)	2,361,840
	<u>40,042,535</u>	<u>-</u>	<u>(897,710)</u>	<u>39,144,825</u>
Less accumulated amortization	(5,483,716)	(2,882,880)	897,710	(7,468,886)
Right to use assets	<u>\$ 34,558,819</u>	<u>\$ (2,882,880)</u>	<u>\$ -</u>	<u>\$ 31,675,939</u>

**Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022**

	September 30, <u>2021</u>	<u>Additions</u>	<u>Adjustments</u>	September 30, <u>2022</u>
Buildings	\$ 37,412,443	\$ 191,927	\$ -	\$ 37,604,370
Equipment	775,924	1,662,241	-	2,438,165
	<u>38,188,367</u>	<u>1,854,168</u>	<u>-</u>	<u>40,042,535</u>
Less accumulated amortization	<u>(2,516,372)</u>	<u>(2,967,344)</u>	<u>-</u>	<u>(5,483,716)</u>
Right to use assets	<u>\$ 35,671,995</u>	<u>\$ (1,113,176)</u>	<u>\$ -</u>	<u>\$ 34,558,819</u>

Lease liability additions, retirements, and balances for the years ended September 30, 2023 and 2022 are as follows:

	September 30, <u>2022</u>	<u>Additions</u>	<u>Retirements</u>	September 30, <u>2023</u>
Lease liability	\$ 36,545,472	\$ -	\$ (1,805,239)	\$ <u>34,740,233</u>

	September 30, <u>2021</u>	<u>Additions</u>	<u>Retirements</u>	September 30, <u>2022</u>
Lease liability	\$ 36,554,441	\$ 1,854,168	\$ (1,863,137)	\$ <u>36,545,472</u>

The future minimum lease obligations for the lease obligations for the year ended September 30, 2023 are as follows:

Year ending September 30	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payment</u>
2024	\$ 1,903,617	\$ 1,345,485	\$ 3,249,102
2025	2,002,926	1,266,325	3,269,251
2026	2,107,758	1,186,342	3,294,100
2027	2,107,704	1,101,963	3,209,667
2028	1,950,534	1,026,042	2,976,576
2029-2033	10,558,017	3,870,101	14,428,118
2034-2038	9,199,371	1,920,696	11,120,067
2039-2040	<u>4,910,306</u>	<u>209,973</u>	<u>5,120,279</u>
	<u>\$ 34,740,233</u>	<u>\$ 11,926,927</u>	<u>\$ 46,667,160</u>

12. Subscription-Based IT Assets and Liabilities

The Hospital has various SBITAs, the terms of which expire in various years through 2026. The arrangements qualify as other than short-term arrangements under GASB 96 and, therefore, the assets and related liabilities have been recognized on the statements of net position. The liabilities have been measured at the present value of minimum future payments such that each asset's initial balance equals the related liability plus any additional payments for initial direct costs on or before the start of the lease term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

**Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022**

Subscription-based IT asset activity for the years ended September 30, 2023 and 2022 (as adjusted) was as follows:

Subscription-based IT assets:

	<u>September 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2023</u>
Subscription-based IT asset	\$ 4,039,486	\$ 387,500	\$ -	\$ 4,426,986
Less accumulated amortization	(1,200,425)	(1,335,188)	-	(2,535,613)
Subscription-based arrangements, net	<u>\$ 2,839,061</u>	<u>\$ (947,688)</u>	<u>\$ -</u>	<u>\$ 1,891,373</u>

Subscription-based IT assets:

	<u>September 30, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2022</u>
Subscription-based IT asset	\$ 3,806,387	\$ 233,099	\$ -	\$ 4,039,486
Less accumulated amortization	-	(1,200,425)	-	(1,200,425)
Subscription-based arrangements, net	<u>\$ 3,806,387</u>	<u>\$ (967,326)</u>	<u>\$ -</u>	<u>\$ 2,839,061</u>

A schedule of changes in the Hospital's subscription-based IT liability for the years ended September 30, 2023 and 2022 (as adjusted) is as follows:

	<u>September 30, 2022</u>	<u>Additions</u>	<u>Repayments</u>	<u>September 30, 2023</u>
Subscription-based IT liability	\$ 2,233,743	\$ 387,500	\$ (1,109,343)	\$ 1,511,900

	<u>September 30, 2021</u>	<u>Additions</u>	<u>Repayments</u>	<u>September 30, 2022</u>
Subscription-based IT liability	\$ 3,098,574	\$ 222,735	\$ (1,087,566)	\$ 2,233,743

The future minimum obligations for the SBITA obligations for the year ended September 30, 2023 are as follows:

Year ending September 30	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payment</u>
2024	\$ 905,562	\$ 45,358	\$ 950,920
2025	520,751	14,393	535,144
2026	85,587	877	86,464
	<u>\$ 1,511,900</u>	<u>\$ 60,628</u>	<u>\$ 1,572,528</u>

13. Endowment Funds

Board designated for endowment net assets are a subset of net assets without donor restrictions whose use has been limited by the Foundation's Board of Trustees. The Foundation's board designated net assets consist of two board designated endowment funds. The endowments are to be used at the discretion of the Foundation's Board of Trustees for the benefit of the Hospital.

The Foundation's donor restricted endowment consists of one individual fund established to support blood related disease programs and education, including sickle cell. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Foundation has interpreted the South Carolina Uniform Prudent Management of Institutional Funds Act ("SCUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with restrictions held in perpetuity (a) the original value of gifts donated to the endowment held in perpetuity, (b) the original value of subsequent gifts to the endowment held in perpetuity, and (c) accumulations to the endowment held in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is classified as with donor restricted net assets with a time or donor restriction until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SCUPMIFA.

In accordance with SCUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment policies of the Foundation.

**Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022**

Endowment Net Asset Composition

Endowment net asset composition and changes in endowment net assets for the years ended September 30, 2023 and 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, September 30, 2021	\$ 19,324,075	\$ -	\$ 19,324,075
Investment losses, net	(3,675,131)	-	(3,675,131)
Contributions	95,084	-	95,084
Amount appropriated for expenditures	<u>(1,027,032)</u>	<u>-</u>	<u>(1,027,032)</u>
Changes in endowment net assets	<u>(4,607,079)</u>	<u>-</u>	<u>(4,607,079)</u>
Endowment net assets, September 30, 2022	14,716,996	-	14,716,996
Investment return, net	2,293,608	-	2,293,608
Contributions	83,913	690,000	773,913
Amount appropriated for expenditures	<u>(1,096,332)</u>	<u>-</u>	<u>(1,096,332)</u>
Changes in endowment net assets	<u>1,281,189</u>	<u>690,000</u>	<u>1,971,189</u>
Endowment net assets, September 30, 2023	<u>\$ 15,998,185</u>	<u>\$ 690,000</u>	<u>\$ 16,688,185</u>

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SCUPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation has interpreted SCUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At September 30, 2023, there were no funds with deficiencies reported in net assets with donor restrictions.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies 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 the endowment assets.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Foundation has a policy of requesting annual withdrawals of 5% of the three year running average of the fiscal year end total value of the endowment unless otherwise approved by the Foundation Board of Trustees.

Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022

14. Net Assets With Donor Restrictions

The Foundation's net assets with donor restrictions consist of amounts subject to expenditure for a specified purpose (non-endowed) and amounts subject to the Foundation's spending policy and appropriation (endowed). Net assets with donor restrictions as of September 30, 2023 and 2022 follow:

<u>As of September 30, 2023:</u>	<u>Non-Endowed</u>	<u>Endowed</u>	<u>Total</u>
ER Critical Care Fund	\$ 4,950	\$ -	\$ 4,950
Cardiovascular Fund	11,324	-	11,324
HOPE Fund	4,186	-	4,186
Healthlink Fund	1,828	-	1,828
Healthy Community Fund	9,419	-	9,419
Pharmacy Assistance Fund	4,693	-	4,693
Cancer Services Fund	151,192	-	151,192
Research Fund Keyserling	40,215	-	40,215
Breast Cancer	302,024	-	302,024
Surgical Pavilion Renovations	1,134,358	-	1,134,358
Children's Fund	4,600	-	4,600
Donor Designated Fund	107,857	-	107,857
Vaux Fund	103,077	-	103,077
Pat Fougler Quality Scholar Fund	44,215	-	44,215
Asthma Camp Fund	166	-	166
Diabetes	6,939	-	6,939
Healing Arts General Fund	8,090	-	8,090
Healing Arts	1,020	-	1,020
P Williams Breast Cancer Support Group	4,520	-	4,520
Women's Fund	300	-	300
Women's Imaging	303	-	303
Addiction Medicine	100,000	-	100,000
Coastal Blood Endowed Fund	-	690,000	690,000
Total	<u>\$ 2,045,276</u>	<u>\$ 690,000</u>	<u>\$ 2,735,276</u>

<u>As of September 30, 2022:</u>	<u>Non-Endowed</u>	<u>Endowed</u>	<u>Total</u>
ER Critical Care Fund	\$ 4,950	\$ -	\$ 4,950
Cardiovascular Fund	8,674	-	8,674
HOPE Fund	7,000	-	7,000
Healthlink Fund	(377)	-	(377)
Healthy Community Fund	10,107	-	10,107
Pharmacy Assistance Fund	4,693	-	4,693
Cancer Services Fund	196,893	-	196,893
Research Fund Keyserling	40,215	-	40,215
Breast Cancer	373,924	-	373,924
Surgical Pavilion Renovations	2,094,635	-	2,094,635
Children's Fund	4,600	-	4,600
Donor Designated Fund	152,340	-	152,340
Diabetes	6,939	-	6,939
Healing Arts General Fund	8,090	-	8,090
Healing Arts	1,020	-	1,020
P Williams Breast Cancer Support Group	4,520	-	4,520
Women's Fund	300	-	300
Total	<u>\$ 2,918,523</u>	<u>\$ -</u>	<u>\$ 2,918,523</u>

15. 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. A summary of the reimbursement arrangements with major third-party payors follows:

Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed under a prospective payment system called the Ambulatory Payment Classification System ("APCs"). Inpatient non-acute services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2019.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are reimbursed at prospectively determined rates per procedures. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2013.

Revenue from Medicare and Medicaid programs accounted for approximately 55% and 9%, respectively, of the Hospital's net patient service revenue for the year ended September 30, 2023, and 46% and 7%, respectively, of the Hospital's net patient service revenue, for the year ended September 30, 2022. 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 by a material amount in the near term as a result of third party reviews. The 2023 and 2022 net patient service revenue did not change significantly due to changes in the allowances previously estimated for tentative cost report settlements.

Other

The Hospital has also entered into payment agreements with certain commercial insurance carriers and provider organizations. The bases for payment to the Hospital under these agreements include established Hospital charges, prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Net patient service revenue is comprised of the following at September 30:

	<u>2023</u>	<u>2022</u>
Gross patient charges at established rates	\$ 1,046,791,443	\$ 980,182,022
Medicaid disproportionate share	3,931,685	3,248,424
Contractual adjustments	(728,444,151)	(682,695,826)
Provision for bad debts	(27,699,631)	(26,963,657)
Charity care	<u>(6,118,410)</u>	<u>(4,600,132)</u>
Net patient service revenue	<u>\$ 288,460,936</u>	<u>\$ 269,170,831</u>

During 2023, the Hospital paid and received monies under the Disproportionate Share Hospital ("DSH") Program (the "Program"). The Hospital recognized an increase in net patient service revenue related to net DSH funding totaling approximately \$3,932,000 in 2023. Of this amount, approximately \$4,550,000 was received and was offset by approximately \$618,000 in DSH reserve estimates. During 2022, the Hospital recognized an increase in net patient service revenue related to net DSH funding totaling approximately \$3,248,000. The Hospital paid approximately \$3,846,000 and \$3,908,000 in South Carolina hospital license fees in 2023 and 2022, respectively, included in other expenses. The payments made and revenue received under the Program are determined by state Medicaid guidelines, which are subject to change, thereby causing volatility in the payments made or revenue received under the Program. Payments of disproportionate share funds in the future may be impacted by Medicaid reform initiatives.

South Carolina Medicaid interim DSH payments are subject to audit and a final settlement process. The South Carolina Department of Health and Human Services ("SCDHHS") has selected the option to redistribute all Medicaid DSH funds to/from all hospitals based on final audit findings. The Hospital has recorded a reserve for DSH years 2019 through 2023 of approximately \$3,277,000 and DSH years 2019 through 2022 of approximately \$2,659,000 which are included in estimated third-party payor settlements on the statement of net position as of September 30, 2023 and 2022, respectively. There is a reasonable possibility that these DSH estimates could materially change for fiscal years after 2018 due to the uncertainty of audit results for all hospitals in the state pertaining to each particular year and the related redistribution by facility. The Hospital anticipates recognition of any Medicaid DSH audit results in the period of notification of such findings and anticipated settlements from SCDHHS, which may result in significant impacts to net patient service revenue in the year of recognition.

Effective July 1, 2023, SCDHHS implemented the Health Access, Workforce and Quality ("HAWQ") program to provide uniform rate increases on inpatient and outpatient acute care hospitals providing in-network services to Medicaid beneficiaries, which will be paid to hospitals quarterly. These quarterly payments are estimates based on historical data and will later be reconciled to actual encounter data. While the state disproportionate share program is still in place, DSH limits will be impacted by the HAWQ payments, likely to result in little to no DSH payments in future years. The fourth quarter DSH funding received is expected to be remitted back to SCDHHS as the HAWQ program was in place during that time.

16. Professional Liability and Workers Compensation Insurance

The Hospital purchases professional medical liability insurance with coverage up to \$300,000 per individual and an aggregate of \$600,000 on an occurrence basis. The coverage for physicians employed by the Hospital is \$1,200,000 per occurrence. Management believes that any pending claims or unasserted claims would be settled within the limits of coverage and is not aware of any potential claims not filed with the carrier as of September 30, 2023.

The laws of the state limit the amount that can be recovered from certain governmental medical facilities, including the Hospital, for damages for medical services rendered by the Hospital or the Hospital's employees to \$300,000 per individual and an aggregate of \$600,000 per occurrence and \$1,200,000 for physicians employed by the facility.

There is no litigation pending, or to the knowledge of management of the Hospital threatened, which if decided adversely to the Hospital would have a material adverse effect on the business operations, financial position or operations of the Hospital. Furthermore, there is no litigation pending, or to management's knowledge threatened, involving professional liability claims in which the amount sought by the plaintiff exceeds applicable professional liability or excess insurance policy coverage limits.

Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022

The Hospital obtained commercial worker's compensation insurance subject to a deductible provision of \$250,000 per claim and has a limit on liability of \$750,000 per occurrence. The Hospital is responsible for all costs associated with each incident until the deductible limit is reached.

17. Expenses by Nature

The Foundation's Statements of Activities and Changes in Net Assets report certain categories of expenses that are attributable to grant programs, supporting functions, or fundraising events. Costs not directly attributable to such programs, supporting functions or fundraising events, including professional services and other expenses are considered general and administrative.

The natural expense breakout for the year ended September 30, 2023 is as follows:

	<u>Program</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Grants to and fundraising for the Hospital	\$ 2,671,961	\$ 87,975	\$ -	\$ 2,759,936
Investment management fees	-	-	137,656	137,656
Other	-	-	21,600	21,600
Bank service charges	-	-	3,476	3,476
	<u>\$ 2,671,961</u>	<u>\$ 87,975</u>	<u>\$ 162,732</u>	<u>\$ 2,922,668</u>

The natural expense breakout for the year ended September 30, 2022 is as follows:

	<u>Program</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Grants to and fundraising for the Hospital	\$ 1,414,341	\$ 85,178	\$ -	\$ 1,499,519
Investment management fees	-	-	152,884	152,884
Other	-	-	339	339
Bank service charges	-	-	7,411	7,411
	<u>\$ 1,414,341</u>	<u>\$ 85,178</u>	<u>\$ 160,634</u>	<u>\$ 1,660,153</u>

18. Deferred Compensation Plan

Effective October 1, 2019, the Hospital established the 2024 Deferred Compensation Plan ("2024 Plan") and the 2029 Deferred Compensation Plan ("2029 Plan") which are unfunded plans for the benefit of a select group of management. Under the 2024 Plan, the Hospital will contribute an amount equal to seven and one-half percent (7.5%) of the participant's annual base salary to the deferred compensation account. Under the 2029 Plan, the Hospital will contribute an amount equal to seven and one-half percent (7.5%) of the participant's annual base salary for plan years one through five and fifteen percent (15%) of the participant's annual base salary for plan years six through ten. Earnings on the deferred compensation accounts shall be determined based on the annual rate of return of the Hospital's endowment fund.

For the years ended September 30, 2023 and 2022, the Hospital contributed approximately \$145,000 and \$94,000, respectively, to the contribution accounts. The liability totaling approximately \$420,000 and \$275,000 is recorded in other liabilities on the statements of net position as of September 30, 2023 and 2022, respectively.

19. Pension Plan

Plan Description and Benefits Provided

The Hospital contributes to the South Carolina Retirement System (“SCRS”). SCRS is a cost-sharing multiple-employer defined-benefit pension plan administered by South Carolina Retirement Systems, a Division of the State Budget and Control Board. Under SCRS, employees who retire at or after age sixty-five (65) or have twenty eight (28) years of service are entitled to an annual retirement benefit, payable monthly for life equal to 1.82% of their Average Final Compensation times years of credited service. Benefits are fully vested on reaching five (5) years of earned service. Vested employees may retire at or after age sixty (60) and receive reduced retirement benefits. SCRS also provides death and disability benefits. Benefits are established by state statute. A Comprehensive Annual Financial Report containing financial statements and required supplementary information of SCRS is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960 or at www.peba.sc.gov.

Contributions

The employee and employer contribution rates are actuarially determined for SCRS. Covered employees are required by state statute to contribute 9.00% of their total earnings for the plan years ended June 30, 2023 and 2022. The Hospital is required to contribute 17.41% and 16.41% of earnable compensation for the plan years ended June 30, 2023 and 2022, respectively. In addition, the Hospital is required by the same statute to contribute an additional 0.15% for group life insurance coverage for the plan years ended June 30, 2023 and 2022. Contributions to the pension plan from the Hospital were approximately \$13,181,000 and \$12,131,000 for the plan years ended June 30, 2023 and 2022, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2023, the Hospital reported a liability of approximately \$139,960,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 utilizing updated procedures incorporating the actuarial assumptions. The Hospital’s proportion of the net pension liability was calculated on the basis of historical employer contributions. At June 30, 2023 and June 30, 2022, the Hospital’s proportion was 0.51%.

For the years ended September 30, 2023 and 2022, the Hospital recognized pension expense of approximately \$14,138,000 and \$9,294,000, respectively.

The Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at September 30, 2023:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 3,680,302	\$ -
Liability experience	2,431,762	(388,713)
Assumption changes	2,144,785	-
Change in proportion and differences between employer contributions and proportionate share of plan	2,373,304	(1,393,363)
Investment experience	-	(191,595)
Total	\$ 10,630,153	\$ (1,973,671)

Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022

The Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at September 30, 2022:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 3,353,772	\$ -
Liability experience	1,205,922	(605,881)
Assumption changes	4,449,908	-
Change in proportion and differences between employer contributions and proportionate share of plan	2,586,574	(2,830,074)
Investment experience	214,062	-
	<u>\$ 11,810,238</u>	<u>\$ (3,435,955)</u>
Total		

\$3,680,302 reported as deferred outflows of resources related to pensions resulting from the Hospital's contributions subsequent to the measurement date that will be recognized as a decrease of the net pension liability in the year ended September 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:

2024	\$ 3,448,291
2025	\$ (2,788,120)
2026	\$ 4,398,127
2027	\$ (82,118)

Actuarial Assumptions

The total pension liability in the July 1, 2023 and 2022 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2023</u>	<u>2022</u>
Inflation	2.25 percent	2.25 percent
Salary increases	Levels off at 3.0% - 11.0%	Levels off at 3.0% - 11.0%
Investment rate of return	7.00 percent	7.00 percent

The mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using 80% of the published Scale UMP projected from the year 2020.

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 20-year capital market outlook. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission ("RSIC") using a building block approach, reflecting observable inflations and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgement. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2023 are summarized in the following table:

**Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	46%	3.04%
Bonds	26%	.08%
Private Equity	9%	.98%
Private Debt	7%	.43%
Real Assets	12%	.20% - .58%
Totals	100%	

For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized above. For actuarial purposes, the 7.00 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State code of Laws. Based on those assumptions, each plan member’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Hospital’s Proportionate Share of the Net Pension Asset to Changes in Discount Rate

The following presents the Hospital’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Hospital’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Hospital’s proportionate share of the net pension liability	\$ 180,849,136	\$ 139,960,187	\$ 105,975,007

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (“ACFR”) for the State of South Carolina.

20. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than their established rates. The Hospital does not pursue collection of amounts determined to qualify as charity care so they are not reported as net patient service revenue. The amounts of direct and indirect costs incurred for services and supplies furnished under the Hospital’s charity care policy totaled approximately \$1,313,000 and \$940,000 the years ended September 30, 2023 and 2022, respectively. The Hospital uses a cost to charge ratio to estimate the cost of charity care.

Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022

21. Condensed Combining Information

The following tables include condensed combining statement of net position information for the Hospital and its blended component units as of September 30, 2023 and 2022:

	As of September 30, 2023				
	BMH	Broad River	South of Broad	Eliminating Entries	Total
Assets					
Current assets	\$ 98,190,836	\$ 435,725	\$ 180,721	\$ -	\$ 98,807,282
Capital assets, net	113,988,912	537,620	2,974,216	-	117,500,748
Other assets	54,506,298	7,171,966	-	(7,147,369)	54,530,895
Total assets	<u>266,686,046</u>	<u>8,145,311</u>	<u>3,154,937</u>	<u>(7,147,369)</u>	<u>270,838,925</u>
Deferred outflows of resources	<u>12,425,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,425,042</u>
Total assets and deferred outflows of resources	<u>\$ 279,111,088</u>	<u>\$ 8,145,311</u>	<u>\$ 3,154,937</u>	<u>\$ (7,147,369)</u>	<u>\$ 283,263,967</u>
Liabilities					
Current liabilities	\$ 38,782,361	\$ 4,020,505	\$ 28,073	\$ (4,020,505)	\$ 38,810,434
Noncurrent liabilities	173,822,751	-	-	-	173,822,751
Total liabilities	<u>212,605,112</u>	<u>4,020,505</u>	<u>28,073</u>	<u>(4,020,505)</u>	<u>212,633,185</u>
Deferred inflows of resources	<u>8,272,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,272,613</u>
Net position					
Net investment in capital assets	111,304,091	537,620	2,974,216	-	114,815,927
Unrestricted	(53,070,728)	3,587,186	152,648	(3,126,864)	(52,457,758)
Total net position	<u>58,233,363</u>	<u>4,124,806</u>	<u>3,126,864</u>	<u>(3,126,864)</u>	<u>62,358,169</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 279,111,088</u>	<u>\$ 8,145,311</u>	<u>\$ 3,154,937</u>	<u>\$ (7,147,369)</u>	<u>\$ 283,263,967</u>

Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022

	As of September 30, 2022 (As Adjusted)				
	BMH	Broad River	South of Broad	Eliminating Entries	Total
Assets					
Current assets	\$ 91,254,823	\$ 434,625	\$ 211,193	\$ -	\$ 91,900,641
Capital assets, net	107,637,986	537,620	2,974,216	-	111,149,822
Other assets	63,876,001	7,843,174	-	(7,413,651)	64,305,524
Total assets	<u>262,768,810</u>	<u>8,815,419</u>	<u>3,185,409</u>	<u>(7,413,651)</u>	<u>267,355,987</u>
Deferred outflows of resources	14,453,921	-	-	-	14,453,921
Total assets and deferred outflows of resources	<u>\$ 277,222,731</u>	<u>\$ 8,815,419</u>	<u>\$ 3,185,409</u>	<u>\$ (7,413,651)</u>	<u>\$ 281,809,908</u>
Liabilities					
Current liabilities	\$ 33,430,554	\$ 4,253,245	\$ 25,003	\$ (4,253,245)	\$ 33,455,557
Noncurrent liabilities	175,088,871	-	-	-	175,088,871
Total liabilities	<u>208,519,425</u>	<u>4,253,245</u>	<u>25,003</u>	<u>(4,253,245)</u>	<u>208,544,428</u>
Deferred inflows of resources	10,288,161	-	-	-	10,288,161
Net position					
Net investment in capital assets	106,256,651	537,620	2,974,216	-	109,768,487
Unrestricted	(47,841,506)	4,024,554	186,190	(3,160,406)	(46,791,168)
Total net position	<u>58,415,145</u>	<u>4,562,174</u>	<u>3,160,406</u>	<u>(3,160,406)</u>	<u>62,977,319</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 277,222,731</u>	<u>\$ 8,815,419</u>	<u>\$ 3,185,409</u>	<u>\$ (7,413,651)</u>	<u>\$ 281,809,908</u>

Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the Hospital and its blended component units for the years ended September 30, 2023 and 2022:

	For the year ended September 30, 2023				
	BMH	Broad River	South of Broad	Eliminating Entries	Total
Operating revenues:					
Net patient service revenue, net of provision for bad debts	\$ 288,460,936	\$ -	\$ -	\$ -	\$ 288,460,936
Other operating revenue	11,720,844	6,343	-	-	11,727,187
Total operating revenues	300,181,780	6,343	-	-	300,188,123
Operating expenses:					
Salaries and wages	116,738,235	-	-	-	116,738,235
Employee benefits	36,317,648	-	-	-	36,317,648
Contract labor	12,444,370	-	-	-	12,444,370
Supplies	59,981,403	1,169	-	-	59,982,572
Purchased services	28,833,776	1,140	3,071	-	28,837,987
Physician fees	9,628,404	-	-	-	9,628,404
Depreciation and amortization	14,565,534	-	-	-	14,565,534
Other	24,304,303	17,694	30,471	-	24,352,468
Total operating expenses	302,813,673	20,003	33,542	-	302,867,218
Operating loss	(2,631,893)	(13,660)	(33,542)	-	(2,679,095)
Nonoperating revenues (expenses):					
Investment income	2,194,056	-	-	-	2,194,056
Interest income - leases	287,870	-	-	-	287,870
Interest expense - leases	(1,423,336)	-	-	-	(1,423,336)
Interest expense - subscription-based IT arrangements	(77,944)	-	-	-	(77,944)
Share of losses of investee, net	-	(423,708)	-	33,542	(390,166)
Gain on sale of assets	11,000	-	-	-	11,000
Noncapital gifts and bequests	1,458,465	-	-	-	1,458,465
Total nonoperating revenues (expenses)	2,450,111	(423,708)	-	33,542	2,059,945
Increase (decrease) in net position	(181,782)	(437,368)	(33,542)	33,542	(619,150)
Net position, beginning of the year	58,415,145	4,562,174	3,160,406	(3,160,406)	62,977,319
Net position, end of the year	\$ 58,233,363	\$ 4,124,806	\$ 3,126,864	\$ (3,126,864)	\$ 62,358,169

Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2023 and 2022

	<u>For the year ended September 30, 2022 (As Adjusted)</u>				
	<u>BMH</u>	<u>Broad River</u>	<u>South of Broad</u>	<u>Eliminating Entries</u>	<u>Total</u>
Operating revenues:					
Net patient service revenue, net of provision for bad debts	\$ 269,170,831	\$ -	\$ -	\$ -	\$ 269,170,831
Other operating revenue	11,025,695	-	-	-	11,025,695
Total operating revenues	<u>280,196,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,196,526</u>
Operating expenses:					
Salaries and wages	110,134,020	-	-	-	110,134,020
Employee benefits	29,616,403	-	-	-	29,616,403
Contract labor	15,294,953	-	-	-	15,294,953
Supplies	52,510,154	-	-	-	52,510,154
Purchased services	28,995,930	1,100	1,525	-	28,998,555
Physician fees	10,256,626	-	-	-	10,256,626
Depreciation and amortization	13,671,476	-	-	-	13,671,476
Other	24,052,211	10,584	45,896	-	24,108,691
Total operating expenses	<u>284,531,773</u>	<u>11,684</u>	<u>47,421</u>	<u>-</u>	<u>284,590,878</u>
Operating loss	<u>(4,335,247)</u>	<u>(11,684)</u>	<u>(47,421)</u>	<u>-</u>	<u>(4,394,352)</u>
Nonoperating revenues (expenses):					
Investment loss	(1,007,371)	-	-	-	(1,007,371)
Interest income - leases	280,023	-	-	-	280,023
Interest expense - leases	(1,443,101)	-	-	-	(1,443,101)
Interest expense - subscription-based IT arrangements	(116,540)	-	-	-	(116,540)
Share of losses of investee, net	-	(1,177,462)	-	47,421	(1,130,041)
Provider relief funding	13,836,843	-	-	-	13,836,843
Loss on sale of capital assets	(3,999,883)	-	-	-	(3,999,883)
Noncapital gifts and bequests	973,485	-	-	-	973,485
Total nonoperating revenues (expenses)	<u>8,523,456</u>	<u>(1,177,462)</u>	<u>-</u>	<u>47,421</u>	<u>7,393,415</u>
Increase (decrease) in net position	4,188,209	(1,189,146)	(47,421)	47,421	2,999,063
Net position, beginning of the year	<u>54,226,936</u>	<u>5,751,320</u>	<u>3,207,827</u>	<u>(3,207,827)</u>	<u>59,978,256</u>
Net position, end of the year	<u>\$ 58,415,145</u>	<u>\$ 4,562,174</u>	<u>\$ 3,160,406</u>	<u>\$ (3,160,406)</u>	<u>\$ 62,977,319</u>

22. COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared COVID-19 to be a pandemic, and on March 13, 2020, a national emergency was declared in the United States. Many state and local governments, including South Carolina, and other areas in which the Hospital operates, have imposed strict measures to curtail certain aspects of public life in an effort to contain COVID-19 as U.S. cases have risen sharply at various points, and such curtailments have resulted in significant disruption of the U.S. economy and financial markets.

On March 27, 2020, the CARES Act was signed into law, which is intended to provide economic relief and emergency assistance for individuals, families and businesses affected by COVID-19. Various state governments are also taking action to provide economic relief and emergency assistance. The Hospital has received CARES Act Provider Relief Funds general and targeted distributions of approximately \$28,786,000. Approximately \$8,969,000 was received during the year ended September 30, 2022 and approximately \$19,817,000 was received during the year ended September 30, 2020. Of these amounts, the Hospital has recognized nonoperating revenue of approximately \$- and \$13,837,000 related to this funding for the years ended September 30, 2023 and 2022, respectively, to the extent the conditions for entitlement to such funding for healthcare related expenses or lost revenues to prevent, prepare for or respond to COVID-19, have been met for resulting in the simultaneous release of restrictions. As of September 30, 2023, and 2022, the Hospital has approximately \$1,000,000 in provider relief funds advance on the statements of net position. The funds are subject to future audits and potential adjustment and certain amounts may need to be repaid to the government.

23. Subsequent Events

Subsequent events have been evaluated through March 27, 2024, which is the date the financial statements were available to be issued.

Supplementary Information

Beaufort Memorial Hospital
Statement of Net Position Information
September 30, 2023

Assets and Deferred Outflows of Resources	BMH	Broad River	South of Broad	Eliminations	Combined
Current assets:					
Cash and cash equivalents	\$ 6,328,612	\$ 434,625	\$ 180,721	\$ -	\$ 6,943,958
Short-term investments	49,417,820	-	-	-	49,417,820
Patient accounts receivable, net of allowance for uncollectible accounts of \$42,239,381	30,173,037	1,100	-	-	30,174,137
Other assets	98,941	-	-	-	98,941
Drugs and supplies	8,480,437	-	-	-	8,480,437
Prepaid expenses	3,547,680	-	-	-	3,547,680
Short-term lease receivable	144,309	-	-	-	144,309
Total current assets	<u>98,190,836</u>	<u>435,725</u>	<u>180,721</u>	<u>-</u>	<u>98,807,282</u>
Long-term investments	10,350,415	-	-	-	10,350,415
Investments in joint ventures	-	7,171,966	-	(3,126,864)	4,045,102
Capital assets, net	113,988,912	537,620	2,974,216	-	117,500,748
Right to use assets - leases, net	31,675,939	-	-	-	31,675,939
Long-term lease receivable	6,568,066	-	-	-	6,568,066
Subscription-based IT assets, net	1,891,373	-	-	-	1,891,373
Intercompany receivables	4,020,505	-	-	(4,020,505)	-
Total assets	<u>266,686,046</u>	<u>8,145,311</u>	<u>3,154,937</u>	<u>(7,147,369)</u>	<u>270,838,925</u>
Deferred outflows of resources:					
Excess consideration provided for acquisition	1,794,889	-	-	-	1,794,889
Pension deferrals	10,630,153	-	-	-	10,630,153
Total deferred outflows of resources	<u>12,425,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,425,042</u>
Total assets and deferred outflows of resources	<u>\$ 279,111,088</u>	<u>\$ 8,145,311</u>	<u>\$ 3,154,937</u>	<u>\$ (7,147,369)</u>	<u>\$ 283,263,967</u>
Liabilities, Deferred Inflows of Resources and Net Position					
Current liabilities:					
Accounts payable	\$ 7,342,845	\$ -	\$ 3,071	\$ -	\$ 7,345,916
Accrued expenses	23,496,770	-	25,002	-	23,521,772
Provider relief fund reserve	1,000,000	-	-	-	1,000,000
Estimated third-party payor settlements	4,133,567	-	-	-	4,133,567
Short-term lease liability	1,903,617	-	-	-	1,903,617
Short-term subscription-based IT liability	905,562	-	-	-	905,562
Intercompany payables	-	4,020,505	-	(4,020,505)	-
Total current liabilities	<u>38,782,361</u>	<u>4,020,505</u>	<u>28,073</u>	<u>(4,020,505)</u>	<u>38,810,434</u>
Net pension liability	139,960,187	-	-	-	139,960,187
Other liabilities	419,610	-	-	-	419,610
Long-term lease liability	32,836,616	-	-	-	32,836,616
Long-term subscription-based IT liability	606,338	-	-	-	606,338
Total liabilities	<u>212,605,112</u>	<u>4,020,505</u>	<u>28,073</u>	<u>(4,020,505)</u>	<u>212,633,185</u>
Deferred inflows of resources:					
Deferred lease inflows	6,298,942	-	-	-	6,298,942
Deferred pension inflows	1,973,671	-	-	-	1,973,671
Total deferred inflows of resources	<u>8,272,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,272,613</u>
Net position:					
Net investment in capital assets	111,304,091	537,620	2,974,216	-	114,815,927
Unrestricted	(53,070,728)	3,587,186	152,648	(3,126,864)	(52,457,758)
Total net position	<u>58,233,363</u>	<u>4,124,806</u>	<u>3,126,864</u>	<u>(3,126,864)</u>	<u>62,358,169</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 279,111,088</u>	<u>\$ 8,145,311</u>	<u>\$ 3,154,937</u>	<u>\$ (7,147,369)</u>	<u>\$ 283,263,967</u>

Beaufort Memorial Hospital
Statement of Revenues, Expenses, and Changes in Net Position Information
For the Year Ended September 30, 2023

	<u>BMH</u>	<u>Broad River</u>	<u>South of Broad</u>	<u>Eliminations</u>	<u>Combined</u>
Operating revenues:					
Net patient service revenue, net of provision for bad debts of \$27,699,631	\$ 288,460,936	\$ -	\$ -	\$ -	\$ 288,460,936
Other operating revenue	11,720,844	6,343	-	-	11,727,187
Total operating revenues	<u>300,181,780</u>	<u>6,343</u>	<u>-</u>	<u>-</u>	<u>300,188,123</u>
Operating expenses:					
Salaries and wages	116,738,235	-	-	-	116,738,235
Employee benefits	36,317,648	-	-	-	36,317,648
Contract labor	12,444,370	-	-	-	12,444,370
Supplies	59,981,403	1,169	-	-	59,982,572
Purchased services	28,833,776	1,140	3,071	-	28,837,987
Physician fees	9,628,404	-	-	-	9,628,404
Depreciation and amortization	14,565,534	-	-	-	14,565,534
Other	24,304,303	17,694	30,471	-	24,352,468
Total operating expenses	<u>302,813,673</u>	<u>20,003</u>	<u>33,542</u>	<u>-</u>	<u>302,867,218</u>
Operating loss	<u>(2,631,893)</u>	<u>(13,660)</u>	<u>(33,542)</u>	<u>-</u>	<u>(2,679,095)</u>
Nonoperating revenues (expenses):					
Investment income	2,194,056	-	-	-	2,194,056
Interest income - leases	287,870	-	-	-	287,870
Interest expense - leases	(1,423,336)	-	-	-	(1,423,336)
Interest expense - subscription-based IT arrangements	(77,944)	-	-	-	(77,944)
Share of loss of joint ventures, net	-	(423,708)	-	33,542	(390,166)
Gain on sale of capital assets	11,000	-	-	-	11,000
Noncapital gifts and bequests	1,458,465	-	-	-	1,458,465
Total nonoperating revenues (expenses)	<u>2,450,111</u>	<u>(423,708)</u>	<u>-</u>	<u>33,542</u>	<u>2,059,945</u>
Increase (decrease) in net position	<u>(181,782)</u>	<u>(437,368)</u>	<u>(33,542)</u>	<u>33,542</u>	<u>(619,150)</u>
Net position, beginning of year	<u>58,415,145</u>	<u>4,562,174</u>	<u>3,160,406</u>	<u>(3,160,406)</u>	<u>62,977,319</u>
Net position, end of year	<u>\$ 58,233,363</u>	<u>\$ 4,124,806</u>	<u>\$ 3,126,864</u>	<u>\$ (3,126,864)</u>	<u>\$ 62,358,169</u>

Beaufort Memorial Hospital
Schedules of Proportionate Share of the Net Pension Liability
For the Years Ended September 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.510%	0.510%	0.520%	0.500%	0.510%	0.540%	0.640%	0.590%	0.570%	0.550%
Proportionate share of the net pension liability	\$ 139,960,187	\$ 138,719,908	\$ 126,546,158	\$ 143,646,806	\$ 130,961,085	\$ 136,331,879	\$ 161,610,434	\$ 141,068,727	\$ 121,009,390	\$ 94,585,195
Covered-employee payroll	\$ 73,198,243	\$ 68,156,354	\$ 65,898,611	\$ 62,686,304	\$ 60,570,604	\$ 71,656,661	\$ 71,656,661	\$ 63,952,905	\$ 59,863,440	\$ 49,893,675
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	191.2%	203.5%	192.0%	229.2%	216.2%	190.3%	225.5%	220.6%	202.1%	189.6%
Plan fiduciary net position as a percentage of total pension liability	58.6%	57.1%	60.7%	50.7%	54.4%	54.1%	53.3%	52.9%	57.0%	59.9%

* The amounts presented for each fiscal year were determined as of the plan's fiscal year ended June 30.

Beaufort Memorial Hospital
Schedules of Contributions
For the Years Ended September 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 12,853,751	\$ 11,285,530	\$ 10,290,063	\$ 9,762,212	\$ 8,821,480	\$ 7,900,913	\$ 8,377,787	\$ 7,333,988	\$ 6,523,006	\$ 5,289,101
Contributions in relation to the contractually required contribution	12,853,751	11,285,530	10,290,063	9,762,212	8,821,480	7,900,913	8,377,787	7,333,988	6,523,006	5,289,101
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered-employee payroll	\$ 73,928,987	\$ 72,091,020	\$ 66,693,677	\$ 63,468,335	\$ 60,685,025	\$ 62,137,975	\$ 68,032,670	\$ 65,497,061	\$ 60,960,016	\$ 52,522,671
Contribution as a percentage of the covered-employee payroll	17.39%	15.65%	15.43%	15.38%	14.54%	12.72%	12.31%	11.20%	10.70%	10.07%

Compliance



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

The Board of Trustees
Beaufort Memorial Hospital
Beaufort, South Carolina

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 (*Government Auditing Standards*), the financial statements of Beaufort Memorial Hospital, a public agency, which comprise the statements of net position as of September 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Beaufort Memorial 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Beaufort Memorial Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of Beaufort Memorial 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 Beaufort Memorial Hospital's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beaufort Memorial 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*.

FORVIS

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 Beaufort Memorial Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beaufort Memorial Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS,LLP

Greenville, South Carolina
March 27, 2024



Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

The Board of Trustees
Beaufort Memorial Hospital
Beaufort, South Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Beaufort Memorial Hospital's (the Hospital) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended September 30, 2023. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Hospital's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

FORVIS

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FORVIS, LLP

Greenville, South Carolina
March 27, 2024

Beaufort Memorial Hospital
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Federal Expenditures
<i>U. S. Department of Health and Human Services</i>		
<u>Direct Program:</u>		
COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution	93.498	\$ 8,979,640
Congressional Directives	93.493	1,377,618
COVID-19 Testing for the Uninsured	93.461	<u>40,592</u>
Total U. S. Department of Health and Human Services		<u>\$ 10,397,850</u>
<i>U. S. Department of the Treasury</i>		
<u>Passed through the Beaufort County Government:</u>		
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>\$ 282,049</u>
Total U.S. Department of the Treasury		<u>\$ 282,049</u>
Total expenditures of Federal awards		<u>\$ 10,679,899</u>

Beaufort Memorial Hospital
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “SEFA”) includes the federal grant activity of Beaufort Memorial Hospital (the “Hospital”) under programs of the federal government for the year ended September 30, 2023. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). All federal awards received directly and indirectly from federal agencies are included in the SEFA. Because the SEFA presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net position or cash flows of the Hospital.

2. Basis of Accounting

Expenditures and lost revenues reported in the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

As outlined in the May 2023 OMB Compliance Supplement, the amounts reported in the accompanying SEFA related to the Provider Relief Fund (“PRF”) and American Rescue Plan (“ARP”) Rural Distribution, Assistance Listing No. 93.498, are reported based upon the PRF reporting portal submission guidelines established by the Health Resource and Service Administration (“HRSA”). Nine separate reporting periods were established by HRSA based on the dates of receipt of PRF payments. Each reporting period has a specific period of availability which begins on January 1, 2020 and extends through specified deadlines, as indicated below:

Period	Payment Received Period	Period of Availability for Eligible Expenses	Period of Availability for Lost Revenues	Reporting Time Period
1	April 10, 2020, to June 30, 2020	January 1, 2020, to June 30, 2021	January 1, 2020, to June 30, 2021	July 1, 2021, to September 30, 2021
2	July 1, 2020, to December 31, 2020	January 1, 2020, to December 31, 2021	January 1, 2020, to December 31, 2021	January 1, 2022, to March 31, 2022
3	January 1, 2021, to June 30, 2021	January 1, 2020, to June 30, 2022	January 1, 2020, to June 30, 2022	July 1, 2022, to September 30, 2022
4	July 1, 2021, to December 31, 2021	January 1, 2020, to December 31, 2022	January 1, 2020, to December 31, 2022	January 1, 2023, to March 31, 2023
5	January 1, 2022, to June 30, 2022	January 1, 2020, to June 30, 2023	January 1, 2020, to June 30, 2023	July 1, 2023, to September 30, 2023
6	July 1, 2022, to December 31, 2022	January 1, 2020, to December 31, 2023	January 1, 2020, to June 30, 2023	January 1, 2024, to March 31, 2024
7	January 1, 2023, to June 30, 2023	January 1, 2020, to June 30, 2024	January 1, 2020, to June 30, 2023	July 1, 2024, to September 30, 2024
8	July 1, 2023, to December 31, 2023	January 1, 2020, to December 31, 2024	January 1, 2020, to June 30, 2023	January 1, 2025, to March 31, 2025
9	January 1, 2024, to June 30, 2024	January 1, 2020, to June 30, 2025	January 1, 2020, to June 30, 2023	July 1, 2025, to September 30, 2025

**Beaufort Memorial Hospital
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023**

The accompanying SEFA includes those qualifying expenditures and lost revenues that were reported in the HRSA PRF portal for Period 4. The total amount of \$23,214,250 in PRF payments was recognized by the Hospital as nonoperating income totaling \$13,836,843, \$8,089,228 and \$1,288,179 during the fiscal years ended September 30, 2022, 2021, and 2020, respectively.

The Hospital has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Contingencies

The Hospital's federal programs are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect its continued participation in specific programs. The amount, if any, of expenditures, which may be disallowed by the grantor agencies, cannot be determined at this time. However, the Hospital expects such amounts, if any, to be immaterial.

4. Categorization of Expenditures

The categorization of expenditures by program included in the SEFA is based upon the grant documents. Changes in the categorization of expenditures occur based upon revisions to the Assistance Listing, which is typically issued in June and December of each year. The SEFA for the year ended September 30, 2023 reflects Assistance Listing changes issued through May 2023.

**Beaufort Memorial Hospital
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2023**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Any significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Any significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditor’s report issued on compliance for each major program: Unmodified

Any audit findings disclosed that

are required to be reported in accordance with 200.516 of the Uniform Guidance?

_____ yes X no

Identification of major federal program:

Assistance Listing Number Name of Federal Program or Cluster

93.498 COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution
 93.493 Congressional Directives

Dollar threshold used to distinguish

between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes X no

SECTION II –FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**Beaufort Memorial Hospital
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended September 30, 2023**

No findings noted.