

# **Beaufort Memorial Hospital**

## **Independent Auditor's Report, and Financial Statements**

**September 30, 2022 and 2021**



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## Independent Auditor's Report

To the Board of Trustees  
Beaufort Memorial Hospital

### Report on the Audit of the Financial Statements

#### **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, 2022 and 2021 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, 2022 and 2021, 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 Pronouncements**

As discussed in Note 1 to the financial statements, during the year ended September 30, 2022, the Hospital adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 87, Leases, 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, the 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 May 17, 2023, 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  
May 17, 2023**

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

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### ***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, 2022 and 2021. 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**

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### ***Financial Highlights***

Net position increased to \$63.0 million in 2022 from \$60.0 million in 2021, a \$3.0 million or 5.0% increase. The Hospital continued to feel the effects of Governmental Accounting Standards Board ("GASB") Statement No. 68 adjustments which increased the Hospital's net position by \$2.8 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 2022, operating revenues increased by 3.5% and operating expenses increased by 10.5%.

In addition to the GASB 68 effects, BMH recognized \$13.8 million due to The Coronavirus Aid, Relief and Economic Security Act (CARES Act). This was recognized in Non-Operating revenue.

Salaries and wages and contract labor were the driving factors in the increases of expenses, increasing by \$4.5 million and \$9.6 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>2022</u>	<u>2021</u>	<u>2020</u>
Current assets	\$ 92,378	\$ 88,924	\$ 145,037
Capital assets, net	111,150	118,328	115,007
Other non-current assets	61,467	70,837	17,674
<b>Total Assets</b>	<u>264,995</u>	<u>278,089</u>	<u>277,718</u>
Deferred outflows of resources	14,454	19,297	19,730
<b>Total Assets and Deferred Outflows of Resources</b>	<u>279,449</u>	<u>297,386</u>	<u>297,448</u>
Current liabilities	32,447	46,407	49,148
Long-term liabilities	173,736	161,600	195,369
<b>Total Liabilities</b>	<u>206,183</u>	<u>208,007</u>	<u>244,517</u>
Deferred inflows of resources	10,289	29,401	12,126
Net investment in capital assets	109,163	117,445	61,737
Unrestricted	(46,186)	(57,467)	(20,932)
<b>Total Net Position</b>	<u>62,977</u>	<u>59,978</u>	<u>40,805</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 279,449</u>	<u>\$ 297,386</u>	<u>\$ 297,448</u>

Current assets, which consist primarily of cash and cash equivalents, short-term investments and accounts receivable, totaled \$92.4 million in 2022 and \$88.9 million in 2021, representing a 3.9% increase. The Hospital's total current assets cover current liabilities 2.9 times at September 30, 2022. 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 113.4 days in 2021 to 92.0 days in 2022.

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 2022 increased \$3.0 million or 5.0% over 2021, and 2021 increased \$19.2 million or 47.1% over 2020. Net investment in capital assets decreased from \$117.4 million in 2021 to \$109.2 million in 2022, a decrease of 7.0%.



**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>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 280,197	\$ 270,750	\$ 240,887
Operating expenses	<u>284,707</u>	<u>257,568</u>	<u>239,226</u>
Operating income (loss)	(4,510)	13,181	1,661
Non-operating revenues, net	<u>7,509</u>	<u>5,992</u>	<u>3,127</u>
Excess of revenues over expenses before capital grants and contributions	<u>2,999</u>	<u>19,173</u>	<u>4,788</u>
Increase in net position	2,999	19,173	4,788
<b>Net Position</b>			
Beginning of year	<u>59,978</u>	<u>40,805</u>	<u>36,017</u>
End of year	<u>\$ 62,977</u>	<u>\$ 59,978</u>	<u>\$ 40,805</u>

Patient service revenues account for 96.1% of the Hospital's operating revenues in 2022. Operating revenues for 2022 increased 3.5% from 2021. The increase during 2022 was driven by increasing volumes in Outpatient Services, Physician Practices and Surgery due to the easing of the Covid pandemic. The Hospital's average daily census remained relatively flat in 2022 at 104.0 compared to 104.8 in 2021. Adult Patient Days stayed relatively level as well at 37,960 for 2022 compared to 38,245 for 2021. Bad debts decreased 23.5% in 2022 to \$27.0 million compared to 2021 at \$35.3 million and charity care decreased 49.5% in 2022 to \$4.6 million from \$9.1 million in 2021. The percentage of gross bad debt and charity care to gross revenue was 3.2% in 2022 and 4.7% in 2021. Contractual adjustments increased from 68.2% of gross patient revenue in 2021 to 69.7% in 2022. Overall, revenue deductions increased from 72.2% in 2021 to 72.4% in 2022. 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 2022, the Hospital's total operating expenses increased 10.5% from 2021. Labor costs (salaries, benefits and contract labor) accounted for 54.5% of operating expenses during 2022, compared to 52.6% in 2021. The driving costs of labor continued to be challenges in contract labor due to the national nursing shortages.

Overall, supply costs as a percentage of net patient revenues totaled 19.5% in 2022, a decrease from 19.8% in 2021

Excess of revenues over expenses, before capital grants and contributions, decreased from \$19.2 million in 2021 to \$3.0 million in 2022.

**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>2022</u>	<u>2021</u>	<u>2020</u>
<b>Cash Flows</b>			
Operating activities	\$ (3,250)	\$ 14,567	\$ 7,429
Capital and related financing activities	(8,045)	(65,520)	(15,697)
Investing activities	(8,638)	19,364	118
Non-capital financing activities	8,733	860	20,857
Net increase (decrease) in cash	<u>(11,200)</u>	<u>(30,729)</u>	<u>12,707</u>
<b>Cash and Cash Equivalents</b>			
Beginning of year	<u>22,258</u>	<u>52,987</u>	<u>40,280</u>
End of year	<u>\$ 11,058</u>	<u>\$ 22,258</u>	<u>\$ 52,987</u>

In 2022, the Hospital had cash used by operating activities of \$3.3 million, a decrease of \$17.9 million from 2021 or 122.6%. From 2021 to 2022, receipts from patients and others increased \$12.0 million while wages and benefits (payments to employees) decreased \$15.8 million and payments to suppliers decreased \$13.7 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 2023 will continue to bring additional recruits in both specialty and primary care areas.

We do expect to see growth in both spinal surgery and cardiology. In spinal surgery the growth is primarily due to recent recruitment efforts and in cardiology due to recruitment and replacement of our cath lab.

The COVID-19 Public Health Emergency (PHE) will end May 11, 2023. Even with the end of PHE this event will continue to have an effect in the area of salaries and work place dynamics.

In an effort to alleviate some of the pressures on the workforce we initiated a workforce training program called PATH (People Achieving Their Highest) that has been successful in training for various entry level positions such as Patient Care Technician (PCT) and Certified Medical Assistants (CMA). We are also working 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.

Regarding CARES funding, all reporting was completed March 31, 2023. For the March 2022, we returned \$1.2M. For the March 2023, we did not have to return any proceeds.

We continue to believe that care will continue to move to the outpatient environment therefore, we will continue to expand our capabilities in Outpatient Services and Outpatient Case Management.

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

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Although Uncompensated Care in 2022 did decrease we would not expect that trend to continue in Fiscal Year 2023. Factors that could effect this is the continuation of inflationary pressures on the economy could lead to a recession as well as the end of PHE and the Medicaid Redetermination process starting again.

A certificate of need (CON) has been approved and is the first CON for a Micro-Hospital in the state of South Carolina. Appeals were filed by both St. Joseph Candler and Tenet and we continue to wait for the date for this to be heard by the ALJ.

We are also continuing to follow developments in the State Legislature where another bill has been filed to change the CON process in the State. We will continue to monitor this situation and expect to see either repeal or reform of the CON during this session.

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 2023 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, 2022 and 2021**

<b><u>Assets and Deferred Outflows of Resources</u></b>	<b><u>2022</u></b>	<b><u>As Adjusted 2021</u></b>
Current assets:		
Cash and cash equivalents	\$ 11,058,510	\$ 22,258,109
Short-term investments	42,227,764	27,664,817
Patient accounts receivable, net of allowance for uncollectible accounts of \$48,304,136 in 2022 and \$42,981,140 in 2021	27,913,081	28,588,377
Other assets	90,622	83,530
Drugs and supplies	7,705,391	6,441,042
Prepaid expenses	3,183,752	3,690,558
Short-term leases receivable	199,154	197,911
Total current assets	<u>92,378,274</u>	<u>88,924,344</u>
Long-term investments	15,293,064	26,466,324
Investment in joint ventures	4,682,768	1,571,409
Capital assets, net	111,149,822	118,327,801
Right-to-use assets- leases, net	34,558,819	35,671,995
Long-term leases receivable	6,931,812	7,127,016
Total assets	<u>264,994,559</u>	<u>278,088,889</u>
Deferred outflows of resources:		
Excess consideration provided for acquisition	2,643,683	3,756,798
Pension deferrals	11,810,238	15,540,457
Total deferred outflows of resources	<u>14,453,921</u>	<u>19,297,255</u>
Total assets and deferred outflows of resources	<u>\$ 279,448,480</u>	<u>\$ 297,386,144</u>
<b><u>Liabilities, Deferred Inflows of Resources and Net Position</u></b>		
Current liabilities:		
Accounts payable	\$ 7,817,743	\$ 9,054,954
Accrued expenses	17,907,633	24,261,795
Provider relief fund advance	1,000,000	7,076,897
Estimated third-party payor settlements	3,692,585	4,214,974
Short-term lease liability	1,804,161	1,798,603
Unearned revenue	224,855	-
Total current liabilities	<u>32,446,977</u>	<u>46,407,223</u>
Net pension liability	138,719,908	126,546,158
Other liabilities	274,804	298,449
Long-term lease liability	34,741,311	34,755,838
Total liabilities	<u>206,183,000</u>	<u>208,007,668</u>
Deferred inflows of resources:		
Leases	6,852,206	7,226,448
Pension related	3,435,955	22,173,772
Total deferred inflows of resources	<u>10,288,161</u>	<u>29,400,220</u>
Net position:		
Net investment in capital assets	109,163,169	117,445,355
Unrestricted	(46,185,850)	(57,467,099)
Total net position	<u>62,977,319</u>	<u>59,978,256</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 279,448,480</u>	<u>\$ 297,386,144</u>

**Component Unit - Beaufort Memorial Hospital Endowment Foundation**  
**Balance Sheets**  
**September 30, 2022 and 2021**

<b><u>Assets</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Cash and cash equivalents	\$ 358,689	\$ 206,894
Pledges receivable, net	155,249	327,731
Investments	18,462,345	22,360,957
Other assets	<u>26,200</u>	<u>18,163</u>
Total assets	<u>\$ 19,002,483</u>	<u>\$ 22,913,745</u>
<b><u>Liabilities and Net Assets</u></b>		
Liabilities:		
Payable to Beaufort Memorial Hospital	\$ 279,266	\$ 447,358
Obligations under gift annuities	<u>4,918</u>	<u>10,460</u>
Total liabilities	<u>284,184</u>	<u>457,818</u>
Net assets:		
Without donor restrictions	15,799,776	20,181,473
With donor restrictions	<u>2,918,523</u>	<u>2,274,454</u>
Total net assets	<u>18,718,299</u>	<u>22,455,927</u>
Total liabilities and net assets	<u>\$ 19,002,483</u>	<u>\$ 22,913,745</u>

**Beaufort Memorial Hospital**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended September 30, 2022 and 2021**

	<u>2022</u>	<u>As Adjusted 2021</u>
Operating revenues:		
Net patient service revenue, net of provision for bad debts of \$26,963,657 in 2022 and \$35,252,451 in 2021	\$ <b>269,170,831</b>	\$ 261,416,405
Other operating revenue	<u><b>11,025,695</b></u>	<u>9,333,329</u>
Total operating revenues	<u><b>280,196,526</b></u>	<u>270,749,734</u>
Operating expenses:		
Salaries and wages	<b>110,134,020</b>	105,641,485
Employee benefits	<b>29,616,403</b>	24,053,716
Contract labor	<b>15,294,953</b>	5,682,668
Supplies	<b>52,510,154</b>	51,691,293
Purchased services	<b>28,998,555</b>	26,073,771
Physician fees	<b>10,256,626</b>	8,791,884
Depreciation and amortization	<b>12,471,051</b>	11,791,012
Other	<u><b>25,425,656</b></u>	<u>23,842,203</u>
Total operating expenses	<u><b>284,707,418</b></u>	<u>257,568,032</u>
Operating income (loss)	<u><b>(4,510,892)</b></u>	<u>13,181,702</u>
Nonoperating revenues (expenses):		
Investment income (loss)	<b>(1,007,371)</b>	32,859
Interest income - leases	<b>280,023</b>	271,796
Interest expense - leases	<b>(1,443,101)</b>	(1,367,842)
Interest expense - debt	-	(475,161)
Prepayment premium on bond extinguishment	-	(1,077,055)
Share of losses of joint ventures, net	<b>(1,130,041)</b>	(341,331)
Provider relief funding	<b>13,836,843</b>	8,089,228
Loss on sale of capital assets	<b>(3,999,883)</b>	-
Noncapital gifts and bequests	<u><b>973,485</b></u>	<u>859,527</u>
Total nonoperating revenue	<u><b>7,509,955</b></u>	<u>5,992,021</u>
Increase in net position	<u><b>2,999,063</b></u>	<u>19,173,723</u>
Net position, beginning of year	<u><b>59,978,256</b></u>	<u>40,804,533</u>
Net position, end of year	<u><u><b>\$ 62,977,319</b></u></u>	<u><u>\$ 59,978,256</u></u>

Component Unit - Beaufort Memorial Hospital Endowment Foundation  
 Statements of Activities and Changes in Net Assets  
 For the Years Ended September 30, 2022 and 2021

	Year Ended September 30, 2022			Year Ended September 30, 2021		
	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions
Support and revenue:						
Interest and dividends	\$ 321,356	\$ 321,356	\$ -	\$ 272,260	\$ 272,260	\$ -
Net gains (losses) on investments	(4,020,181)	(4,020,181)	-	2,763,407	2,763,407	-
Donations, gifts and bequests	1,587,760	706,460	881,300	1,626,236	28,722	1,597,514
Fundraising income	33,590	33,590	-	25,100	25,100	-
Satisfaction of program restrictions	-	237,231	(237,231)	-	706,166	(706,166)
Total support and revenue	<u>(2,077,475)</u>	<u>(2,721,544)</u>	<u>644,069</u>	<u>4,687,003</u>	<u>3,795,655</u>	<u>891,348</u>
Expenses:						
Fundraising events	85,178	85,178	-	11,831	11,831	-
General and administrative	160,634	160,634	-	143,893	143,893	-
Grants to Beaufort Memorial Hospital	1,414,341	1,414,341	-	1,674,533	1,674,533	-
Total expenses	<u>1,660,153</u>	<u>1,660,153</u>	<u>-</u>	<u>1,830,257</u>	<u>1,830,257</u>	<u>-</u>
Increase (decrease) in net assets	(3,737,628)	(4,381,697)	644,069	2,856,746	1,965,398	891,348
Net assets, beginning of year	<u>22,455,927</u>	<u>20,181,473</u>	<u>2,274,454</u>	<u>19,599,181</u>	<u>18,216,075</u>	<u>1,383,106</u>
Net assets, end 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>

**Beaufort Memorial Hospital**  
**Statements of Cash Flows**  
**For the Years Ended September 30, 2022 and 2021**

	<u>2022</u>	<u>As Adjusted</u> <u>2021</u>
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 269,524,948	\$ 257,561,807
Other receipts and payments, net	(14,781,295)	(14,545,211)
Payments to employees	(148,938,433)	(133,135,338)
Payments to suppliers	<u>(109,055,042)</u>	<u>(95,314,527)</u>
Net cash provided by (used in) operating activities	<u>(3,249,822)</u>	<u>14,566,731</u>
Cash flows from capital and related financing activities:		
Receipts on lease receivable	473,984	271,796
Payments on lease obligations	(1,863,137)	(1,631,866)
Principal paid on long-term debt	-	(53,270,000)
Interest paid on long-term debt	-	(475,161)
Interest paid on lease obligations	(1,443,101)	(1,367,842)
Premium paid on bond extinguishment	-	(1,077,055)
Purchases of capital assets	(7,483,581)	(7,970,201)
Proceeds from sale of capital assets	<u>2,271,085</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(8,044,750)</u>	<u>(65,520,329)</u>
Cash flows from investing activities:		
Decrease (increase) in investments	(3,267,017)	19,705,748
Consideration paid for acquisition of Beaufort Home Health Partners, LLC	(4,241,400)	-
Share of loss of investee, net	<u>(1,130,041)</u>	<u>(341,331)</u>
Net cash provided by (used in) investing activities	<u>(8,638,458)</u>	<u>19,364,417</u>
Cash flows from noncapital financing activities:		
Noncapital gifts and bequests	973,485	859,527
Receipt of provider relief funding	8,979,640	-
Repayment of provider relief funding	<u>(1,219,694)</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>8,733,431</u>	<u>859,527</u>
Net decrease in cash and cash equivalents	(11,199,599)	(30,729,654)
Cash and cash equivalents, beginning of year	<u>22,258,109</u>	<u>52,987,763</u>
Cash and cash equivalents, end of year	\$ <u><u>11,058,510</u></u>	\$ <u><u>22,258,109</u></u>

(continued)



**Beaufort Memorial Hospital**  
**Statements of Cash Flows**  
**For the Years Ended September 30, 2022 and 2021**

(Continued)

	<u>2022</u>	<u>As Adjusted 2021</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (4,510,892)	\$ 13,181,702
Depreciation and amortization	12,471,051	11,791,012
Provision for bad debts	26,963,657	35,252,451
Adjustments to pension	12,173,750	(17,100,648)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Patient accounts receivable, net	(26,288,361)	(39,379,442)
Other assets	(7,092)	(146,517)
Prepaid expenses and drugs and supplies	(757,543)	(2,121,186)
Pension related deferred outflows and inflows	(15,007,598)	9,366,429
Lease related deferred inflows and outflows	(374,242)	-
Accounts payable	(1,237,211)	(959,210)
Accrued expenses and estimated third-party payor settlements	(6,876,551)	4,422,823
Unearned revenue	224,855	-
Other liabilities	(23,645)	259,317
Net cash provided by (used in) operating activities	\$ <u>(3,249,822)</u>	\$ <u>14,566,731</u>
<b><u>Schedule of non-cash investing and financing activities</u></b>		
Cash consideration due to MUSC for South of Broad Healthcare acquisition included in accounts payable at year end	\$ <u>-</u>	\$ <u>1,646,137</u>
Cash due to the U.S. Department of Treasury for repayment of Provider Relief Funding included in accounts payable at year end	\$ <u>-</u>	\$ <u>3,448,029</u>
Acquisition of property and equipment through lease	\$ <u>1,854,168</u>	\$ <u>26,910,783</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 effective September 2021. 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**

***New Accounting Pronouncements***

During the year ended September 30, 2022, the Hospital implemented Governmental Accounting Standards Board ("GASB") Statement No. 87, Leases, which, among other things, requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The effect of the retroactive application of GASB 87 on previously reported financial statement amounts is summarized below:

	<b>2021</b> <b>As Previously</b> <b>Reported</b>	<b>Adjustment - GASB 87</b>	<b>2021</b> <b>As Adjusted</b>
<b>Statement of Net Position:</b>			
Other assets	\$ -	\$ 83,530	\$ 83,530
Short-term leases receivable	-	197,911	197,911
Total current assets	<u>\$ -</u>	<u>\$ 281,441</u>	<u>\$ 281,441</u>
Right to use assets - leases, net	\$ -	\$ 35,671,995	\$ 35,671,995
Long-term leases receivable	-	7,127,016	7,127,016
Total assets	<u>\$ -</u>	<u>\$ 43,080,452</u>	<u>\$ 43,080,452</u>
Short-term lease liability	\$ -	\$ 1,798,603	\$ 1,798,603
Total current liabilities	<u>\$ -</u>	<u>\$ 1,798,603</u>	<u>\$ 1,798,603</u>
Other liabilities	\$ 180,724	\$ 117,725	\$ 298,449
Long-term lease liability	-	34,755,838	34,755,838
Total liabilities	<u>\$ 180,724</u>	<u>\$ 36,672,166</u>	<u>\$ 36,852,890</u>
Deferred inflows of resources:			
Deferred inflows of lease income	\$ -	\$ 7,226,448	\$ 7,226,448
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 7,226,448</u>	<u>\$ 7,226,448</u>
Net position:			
Net investment in capital assets	\$ 118,327,801	\$ (882,446)	\$ 117,445,355
Unrestricted	(57,531,383)	64,284	(57,467,099)
Total net position	<u>\$ 60,796,418</u>	<u>\$ (818,162)</u>	<u>\$ 59,978,256</u>
	<b>2021</b> <b>As Previously</b> <b>Reported</b>	<b>Adjustment- GASB 87</b>	<b>2021</b> <b>As Adjusted</b>
<b>Statement of Revenues, Expenses and Changes in Net Position:</b>			
Operating revenues:			
Other operating revenue	\$ 9,417,630	\$ (84,301)	\$ 9,333,329
Operating expenses:			
Depreciation and amortization	\$ 9,274,640	\$ 2,516,372	\$ 11,791,012
Other	\$ 26,720,760	\$ (2,878,557)	\$ 23,842,203
Nonoperating expenses:			
Interest expense - leases	\$ -	\$ 1,367,842	\$ 1,367,842

**Beaufort Memorial Hospital  
Notes to Financial Statements**

Statement of Cash Flows:	2021		2021
	As Previously Reported	Adjustment - GASB 87	As Adjusted
Other receipts and payments, net	\$ (17,273,123)	\$ 2,727,912	\$ (14,545,211)
Net cash provided by operating activities	\$ 11,838,819	\$ 2,727,912	\$ 14,566,731
Receipts on lease receivables	\$ -	\$ 271,796	\$ 271,796
Payments on lease obligations	\$ -	\$ (1,631,866)	\$ (1,631,866)
Interest paid on lease obligations	\$ -	\$ (1,367,842)	\$ (1,367,842)
Net cash provided (used) by capital and related financing activities	\$ (62,792,417)	\$ (2,727,912)	\$ (65,520,329)
Operating income	\$ 12,903,818	\$ 277,884	\$ 13,181,702
Depreciation and amortization	\$ 9,274,640	\$ 2,516,372	\$ 11,791,012
Other assets	\$ 30,007	\$ (176,524)	\$ (146,517)
Other liabilities	\$ 143,652	\$ 115,665	\$ 259,317

***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. 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).

**Beaufort Memorial Hospital  
Notes to Financial Statements**

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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 September 2021, Broad River fully acquired South of Broad, in which it previously held a 50% interest. See Note 5 for details surrounding the acquisition.

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.

***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.

**Beaufort Memorial Hospital  
Notes to Financial Statements**

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***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 or outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

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

	<u>2022</u>	<u>2021</u>
Impacts of pension accruals	\$ (130,345,625)	\$ (133,179,473)
Other unrestricted net position	<u>84,159,775</u>	<u>75,712,374</u>
	<u>\$ (46,185,850)</u>	<u>\$ (57,467,099)</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. 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 \$279,000 and \$447,000 as of September 30, 2022 and 2021, 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.

The estimated amount of the PDO payable of approximately \$4,269,000 and \$4,188,000 at September 30, 2022 and 2021, 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, 2022.

***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.



**Beaufort Memorial Hospital**  
**Notes to Financial Statements**

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Investments at September 30 consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 228,048	\$ 228,043
Certificates of deposit maturing within one year	5,813,886	10,678,049
US Treasury notes maturing within one year	36,185,830	16,758,725
US Treasury notes maturing within two years	14,428,047	17,400,857
US Treasury notes maturing within three years	865,017	9,065,467
	<u>\$ 57,520,828</u>	<u>\$ 54,131,141</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, 2022 with securities maintained by an outside party.

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 and 2021, the Hospital's investments consist of approximately 10% and 20%, respectively, 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. Approximately 90% and 80%, respectively, of investments are held with one financial institution as of September 30, 2022 and 2021.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 11,058,510	\$ 22,258,109
Short-term investments	42,227,764	27,664,817
Long-term investments	15,293,064	26,466,324
	<u>\$ 68,579,338</u>	<u>\$ 76,389,250</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.

**Beaufort Memorial Hospital**  
**Notes to Financial Statements**

For assets carried at fair value, the following table provides fair value information as of September 30, 2022 and 2021:

	<u>Fair value measurements at September 30, 2022 using</u>			
	Fair value at September 30, 2022	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>				
Cash and cash equivalents	\$ 228,048	\$ 228,048	\$ -	\$ -
Certificates of deposit	5,813,886	5,813,886	-	-
US Treasury Notes	51,478,894	51,478,894	-	-
Total assets at fair value	\$ 57,520,828	\$ 57,520,828	\$ -	\$ -

	<u>Fair value measurements at September 30, 2021 using</u>			
	Fair value at September 30, 2021	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>				
Cash and cash equivalents	\$ 228,043	\$ 228,043	\$ -	\$ -
Certificates of deposit	10,678,049	10,678,049	-	-
US Treasury Notes	43,225,049	43,225,049	-	-
Total assets at fair value	\$ 54,131,141	\$ 54,131,141	\$ -	\$ -

**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, 2022 and 2021 consisted of the following amounts:

	<u>2022</u>	<u>2021</u>
<b><u>Patient Accounts Receivable</u></b>		
Receivable from patients	\$ 44,927,600	\$ 42,796,152
Receivable from third-party payors and other	7,791,224	6,727,024
Receivable from Medicare	14,726,642	14,944,955
Receivable from Medicaid	8,771,751	7,101,386
Total patient accounts receivable	76,217,217	71,569,517
Less: Allowance for uncollectible accounts	(48,304,136)	(42,981,140)
Net patient accounts receivable	\$ 27,913,081	\$ 28,588,377

**Beaufort Memorial Hospital  
Notes to Financial Statements**

	<u>2022</u>	<u>2021</u>
<b><u>Accounts Payable and Accrued Expenses</u></b>		
Payable to suppliers	\$ 14,399,360	\$ 17,264,582
Payable to U.S. Department of Health and Human Services	-	3,448,029
Payable to employees (including payroll taxes)	<u>11,326,016</u>	<u>12,604,138</u>
Total accounts payable and accrued expenses	<u>\$ 25,725,376</u>	<u>\$ 33,316,749</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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 358,689	\$ 206,894
Investments without donor restrictions	<u>15,543,822</u>	<u>20,086,503</u>
	<u>\$ 15,902,511</u>	<u>\$ 20,293,397</u>

**5. Investments in Joint Ventures**

The Hospital's ownership percentage and investments at September 30, 2022 and 2021 for entities recorded under the equity method are as follows:

	<u>Percentage of Ownership</u>		<u>Investment</u>		<u>Share of Losses</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
South of Broad Healthcare	**	**	\$ **	\$ **	\$ -	\$ (17,058)
Broad River Oncology, LLC	49%	49%	441,368	1,571,409	(1,130,041)	(324,273)
Beaufort Home Health Partners, LLC	30%	-%	<u>4,241,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
			<u>\$ 4,682,768</u>	<u>\$ 1,571,409</u>	<u>\$(1,130,041)</u>	<u>\$(341,331)</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.

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%.

**Beaufort Memorial Hospital**  
**Notes to Financial Statements**

\*\* Effective September 2021, the Hospital acquired the remaining 50% of South of Broad for \$1,900,000 in cash, which was paid in October 2021. The Hospital then transferred its ownership to Broad River. The following approximate amounts were recorded in the financial statements as a result of the acquisition:

Cash and cash equivalents	\$ 254,000
Prepaid expenses	9,000
Accrued expenses	(25,000)
Land	<u>3,512,000</u>
Total	3,750,000
Less value of 50% owned	<u>(1,850,000)</u>
Cash consideration paid	<u>\$ 1,900,000</u>

**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.

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, 2022 and 2021:

	<u>Fair value measurements at September 30, 2022 using</u>			
	Fair value at September 30, 2022	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	\$ 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	<u>201,041</u>	<u>201,041</u>	-	-
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.

**Beaufort Memorial Hospital**  
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Fair value measurements at September 30, 2021 using

	Fair value at September 30, 2021	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>				
Cash and cash equivalents	\$ 1,723,543	\$ 1,723,543	\$ -	\$ -
Equities	14,969,762	14,969,762	-	-
US Treasury Notes	3,166,465	3,166,465	-	-
Corporate bonds	2,184,838	2,184,838	-	-
Other	315,473	315,473	-	-
Total assets at fair value	<u>\$ 22,360,081</u>	<u>\$ 22,360,081</u>	<u>\$ -</u>	<u>\$ -</u>

Not included in the table above is a deposit in transit of \$876 related to a transfer outstanding at September 30, 2021 to one of the Foundation's investment accounts. This amount was not received by the Foundation's investment account until after September 30, 2021.

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 is comprised of the following at September 30:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 321,356	\$ 272,260
Net unrealized losses	(6,834,749)	(1,288,435)
Net realized gains	<u>2,814,568</u>	<u>4,051,842</u>
Total investment income (loss)	<u>\$ (3,698,825)</u>	<u>\$ 3,035,667</u>

**7. Capital Assets**

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

	<u>September 30, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>September 30, 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>

**Beaufort Memorial Hospital**  
**Notes to Financial Statements**

	<b>September 30, 2020</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>September 30, 2021</b>
Land	\$ 24,631,408	\$ 3,511,836	\$ -	\$ -	\$ 28,143,244
Land improvements	2,434,225	-	-	-	2,434,225
Buildings	142,131,501	-	-	4,185,755	146,317,256
Equipment	96,786,014	2,416,090	(1,580,406)	7,193,485	104,815,183
Construction in progress	6,080,398	5,554,111	-	(11,379,240)	255,269
Total at historical cost	<u>272,063,546</u>	<u>11,482,037</u>	<u>(1,580,406)</u>	<u>-</u>	<u>281,965,177</u>
Less accumulated depreciation:					
Land improvements	2,000,857	90,707	-	-	2,091,564
Buildings	71,438,950	4,664,762	-	-	76,103,712
Equipment	83,616,449	3,406,057	(1,580,406)	-	85,442,100
Total accumulated depreciation	<u>157,056,256</u>	<u>8,161,526</u>	<u>(1,580,406)</u>	<u>-</u>	<u>163,637,376</u>
Capital assets, net	<u>\$ 115,007,290</u>	<u>\$ 3,320,511</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,327,801</u>

**8. Lease Receivables**

The Hospital has recorded lease receivables as a result of the GASB 87 implementation. The Hospital leases a portion of its office space to various third parties, the terms of which expire December 2022 through October 2094. A portion of the leased space is subleased under leases expiring over the next twenty-eight years. The space being subleased represents approximately \$4,054,000 and \$4,073,000 of the lease receivable balance and approximately \$3,838,000 and \$3,975,000 of deferred lease inflows as of September 30, 2022 and 2021, respectively.

Revenue recognized under lease contracts during the years ended September 30, 2022 and 2021, was approximately \$667,000 and \$627,000, 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.

**Beaufort Memorial Hospital  
Notes to Financial Statements**

**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 13, 2022, the Hospital entered into a one-year extension on the agreement. The maturity date is October 12, 2023. 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, 2022.

**11. Right-to-use assets and lease obligations**

The Hospital has recorded right-to-use assets as a result of the GASB 87 implementation. 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, 2022 and 2021 are as follows:

**Right-to-use assets:**

	<u>September 30, 2021</u>	<u>Additions</u>	<u>Adjustments</u>	<u>September 30, 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 Amount:	<u>(2,516,372)</u>	<u>(2,967,344)</u>	<u>-</u>	<u>(5,483,716)</u>
Right to use Asset	<u>\$ 35,671,995</u>	<u>\$ (1,113,176)</u>	<u>\$ -</u>	<u>\$ 34,558,819</u>

**Right-to-use assets:**

	<u>September 30, 2020</u>	<u>Additions</u>	<u>Adjustments</u>	<u>September 30, 2021</u>
Buildings	\$ 10,984,809	\$ 26,427,634	\$ -	\$ 37,412,443
Equipment	288,973	486,951	-	775,924
	<u>11,273,782</u>	<u>26,914,585</u>	<u>-</u>	<u>38,188,367</u>
Less accumulated Amount:	<u>-</u>	<u>(2,516,372)</u>	<u>-</u>	<u>(2,516,372)</u>
Right to use Asset	<u>\$ 11,273,782</u>	<u>\$ 24,398,213</u>	<u>\$ -</u>	<u>\$ 35,671,995</u>

**Beaufort Memorial Hospital  
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Lease liability additions, retirements, and balances for the years ended September 30, 2022 and 2021 are as follows:

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

	<u>September 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30, 2021</u>
Lease liability	\$ 11,159,160	\$ 27,027,147	\$ (1,631,866)	\$ 36,554,441

The future minimum lease obligations for the lease obligations for the year ended September 30, 2022 are as follows:

	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2023	\$ 1,804,161	\$ 1,414,859	\$ 3,219,020
2024	1,903,617	1,345,485	3,249,102
2025	2,002,926	1,266,324	3,269,250
2026-2030	10,411,771	5,112,601	15,524,372
2031-2035	9,748,929	3,054,066	12,802,995
2036-2040	10,674,068	1,147,108	11,821,176
	<u>\$ 36,545,472</u>	<u>\$ 13,340,443</u>	<u>\$ 49,885,915</u>

## 12. 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 three 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.

### ***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**

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Changes in Board designated endowment net assets, included in net assets without donor restrictions, for the years ended September 30, 2022 and 2021 are as follows:

	<u>Without Donor Restrictions</u>
Board designated endowment net assets, September 30, 2020	\$ 17,344,490
Investment income	3,015,163
Contributions	16,744
Amounts appropriated for expenditure	<u>(1,052,322)</u>
Board designated endowment net assets, September 30, 2021	\$ 19,324,075
Investment loss	(3,675,131)
Contributions	95,084
Amounts appropriated for expenditure	<u>(1,027,032)</u>
Board designated endowment net assets, September 30, 2022	<u>\$ 14,716,996</u>

**13. 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, 2016.

***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 46% and 7%, respectively, of the Hospital's net patient service revenue for the year ended September 30, 2022, and 48% and 7%, respectively, of the Hospital's net patient service revenue, for the year ended September 30, 2021. 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 2022 and 2021 net patient service revenue did not change significantly due to changes in the allowances previously estimated for tentative cost report settlements.

**Beaufort Memorial Hospital  
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**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>2022</u>	<u>2021</u>
Gross patient charges at established rates	\$ 980,182,022	\$ 941,668,797
Medicaid disproportionate share	3,248,424	3,197,644
Contractual adjustments	(682,695,826)	(639,141,473)
Provision for bad debts	(26,963,657)	(35,252,451)
Charity care	(4,600,132)	(9,056,112)
	<u>\$ 269,170,831</u>	<u>\$ 261,416,405</u>
Net patient service revenue		

During 2022, the Hospital paid and received monies under the Disproportionate Share Hospital (“DSH”) Program (the “Program”). Under the Program, the Hospital recognized an increase in net patient service revenues related to net DSH funding totaling approximately \$3,248,000 in 2022. Of this amount, approximately \$3,867,000 was received and was offset by approximately \$619,000 in DSH reserve estimates. During 2021, the Hospital recognized an increase in net patient service revenues related to net DSH funding totaling approximately \$3,198,000. The Hospital paid approximately \$3,908,000 and \$3,932,000 in South Carolina hospital license fees in 2022 and 2021, 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 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, 2022. 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.

**14. 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, 2022.

**Beaufort Memorial Hospital**  
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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.

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.

**15. 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 years ended September 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Investment management fees	\$ 152,884	\$ 137,559
Grants to and fundraising for the Hospital	1,499,519	1,686,364
Other	339	308
Bank service charges	7,411	6,026
	<u>\$ 1,660,153</u>	<u>\$ 1,830,257</u>

**16. 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, 2022 and 2021, the Hospital contributed approximately \$94,000 and \$144,000, respectively, to the contribution accounts. The liability totaling approximately \$275,000 and \$181,000 is recorded in other liabilities on the statements of net position as of September 30, 2022 and 2021, respectively.

## **17. 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](http://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, 2022 and 2021, respectively. The Hospital is required to contribute 16.41% of earnable compensation for the plan years ended June 30, 2022 and 2021. 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, 2022 and 2021. Contributions to the pension plan from the Hospital were approximately \$12,131,000 and \$10,500,000 for the plan years ended June 30, 2022 and 2021, respectively.

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

At September 30, 2022, the Hospital reported a liability of approximately \$138,720,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 and June 30, 2021, the Hospital’s proportion was 0.51% and 0.52%, respectively.

For the years ended September 30, 2022 and 2021, the Hospital recognized pension expense of approximately \$9,294,000 and \$2,831,000, respectively.

**Beaufort Memorial Hospital**  
**Notes to Financial Statements**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
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	-
<b>Total</b>	<b>\$ 11,810,238</b>	<b>\$ (3,435,955)</b>

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contributions subsequent to the measurement date	\$ 2,511,166	\$ -
Liability experience	2,158,858	(171,133)
Assumption changes	6,929,935	-
Change in proportion and differences between employer contributions and proportionate share of plan	3,940,498	(3,604,852)
Investment experience	-	(18,397,787)
<b>Total</b>	<b>\$ 15,540,457</b>	<b>\$ (22,173,772)</b>

\$3,353,772 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, 2022. 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:**

2023	\$ 2,980,483
2024	\$ 2,299,176
2025	\$ (3,877,987)
2026	\$ 3,618,839

**Beaufort Memorial Hospital  
Notes to Financial Statements**

**Actuarial Assumptions**

The total pension liability in the July 1, 2021 and 2020 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2022</u>	<u>2021</u>
Inflation	<b>2.25 percent</b>	2.25 percent
Salary increases	<b>Levels off at 3.0% - 11.0%</b>	Levels off at 3.0% - 12.5%
Investment rate of return	<b>7.00 percent</b>	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 published Scale AA projected from the year 2016.

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 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 a 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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	46%	3.12%
Bonds	26%	(.09)%
Private Equity	9%	.79%
Private Debt	7%	.42%
Real Assets	12%	.18% - .37%
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:

	<b>1% Decrease</b> <b>6.00%</b>	<b>Current Rate</b> <b>7.00%</b>	<b>1% Increase</b> <b>8.00%</b>
Hospital's proportionate share of the net pension liability	\$ 177,865,833	\$ 138,719,908	\$ 106,175,594

***Pension Plan Fiduciary Net Position***

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

**18. 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 \$940,000 and \$2,079,000 the years ended September 30, 2022 and 2021, respectively. The Hospital uses a cost to charge ratio to estimate the cost of charity care.

**Beaufort Memorial Hospital**  
**Notes to Financial Statements**

**19. 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, 2022 and 2021:

	As of September 30, 2022				
	BMH	Broad River	South of Broad	Eliminating Entries	Total
<b>Assets</b>					
Current assets	\$ 91,732,456	\$ 434,625	\$ 211,193	\$ -	\$ 92,378,274
Capital assets, net	107,637,986	537,620	2,974,216	-	111,149,822
Other assets	61,036,940	7,843,174	-	(7,413,651)	61,466,463
Total assets	260,407,382	8,815,419	3,185,409	(7,413,651)	264,994,559
<b>Deferred outflows of resources</b>	14,453,921	-	-	-	14,453,921
<b>Total assets and deferred outflows of resources</b>	<u>\$ 274,861,303</u>	<u>\$ 8,815,419</u>	<u>\$ 3,185,409</u>	<u>\$ (7,413,651)</u>	<u>\$ 279,448,480</u>
<b>Liabilities</b>					
Current liabilities	\$ 32,421,974	\$ 4,253,245	\$ 25,003	\$ (4,253,245)	\$ 32,446,977
Noncurrent liabilities	173,736,023	-	-	-	173,736,023
Total liabilities	206,157,997	4,253,245	25,003	(4,253,245)	206,183,000
<b>Deferred inflows of resources</b>	10,288,161	-	-	-	10,288,161
<b>Net position</b>					
Net investment in capital assets	105,651,333	537,620	2,974,216	-	109,163,169
Unrestricted	(47,236,188)	4,024,554	186,190	(3,160,406)	(46,185,850)
Total net position	58,415,145	4,562,174	3,160,406	(3,160,406)	62,977,319
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 274,861,303</u>	<u>\$ 8,815,419</u>	<u>\$ 3,185,409</u>	<u>\$ (7,413,651)</u>	<u>\$ 279,448,480</u>



**Beaufort Memorial Hospital**  
**Notes to Financial Statements**

As of September 30, 2021

	<b>BMH</b>	<b>Broad River</b>	<b>South of Broad</b>	<b>Eliminating Entries</b>	<b>Total</b>
<b>Assets</b>					
Current assets	\$ 88,230,244	\$ 435,489	\$ 258,611	\$ -	\$ 88,924,344
Capital assets, net	114,815,965	537,620	2,974,216	-	118,327,801
Other assets	69,266,360	4,779,236	-	(3,208,852)	70,836,744
Total assets	272,312,569	5,752,345	3,232,827	(3,208,852)	278,088,889
<b>Deferred outflows of resources</b>	19,297,255	-	-	-	19,297,255
<b>Total assets and deferred outflows of resources</b>	<b>\$ 291,609,824</b>	<b>\$ 5,752,345</b>	<b>\$ 3,232,827</b>	<b>\$ (3,208,852)</b>	<b>\$ 297,386,144</b>
<b>Liabilities</b>					
Current liabilities	\$ 46,382,223	\$ 1,025	\$ 25,000	\$ (1,025)	\$ 46,407,223
Noncurrent liabilities	161,600,445	-	-	-	161,600,445
Total liabilities	207,982,668	1,025	25,000	(1,025)	208,007,668
<b>Deferred inflows of resources</b>	29,400,220	-	-	-	29,400,220
<b>Net position</b>					
Net investment in capital assets	113,933,519	537,620	2,974,216	-	117,445,355
Unrestricted	(59,706,583)	5,213,700	233,611	(3,207,827)	(57,467,099)
Total net position	54,226,936	5,751,320	3,207,827	(3,207,827)	59,978,256
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 291,609,824</b>	<b>\$ 5,752,345</b>	<b>\$ 3,232,827</b>	<b>\$ (3,208,852)</b>	<b>\$ 297,386,144</b>

**Beaufort Memorial Hospital**  
**Notes to Financial Statements**

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, 2022 and 2021:

	<b>For the year ended September 30, 2022</b>				
	<b>BMH</b>	<b>Broad River</b>	<b>South of Broad</b>	<b>Eliminating Entries</b>	<b>Total</b>
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	12,471,051	-	-	-	12,471,051
Other	25,369,176	10,584	45,896	-	25,425,656
Total operating expenses	<u>284,648,313</u>	<u>11,684</u>	<u>47,421</u>	<u>-</u>	<u>284,707,418</u>
Operating loss	<u>(4,451,787)</u>	<u>(11,684)</u>	<u>(47,421)</u>	<u>-</u>	<u>(4,510,892)</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)
Share of loss of investee, net	-	(1,177,462)	-	47,421	(1,130,041)
Provider relief funding	13,836,843	-	-	-	13,836,843
Loss on sale of assets	(3,999,883)	-	-	-	(3,999,883)
Noncapital gifts and bequests	973,485	-	-	-	973,485
Total nonoperating revenues (expenses)	<u>8,639,996</u>	<u>(1,177,462)</u>	<u>-</u>	<u>47,421</u>	<u>7,509,955</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>

**Beaufort Memorial Hospital**  
**Notes to Financial Statements**

For the year ended September 30, 2021

	<b>BMH</b>	<b>Broad River</b>	<b>South of Broad</b>	<b>Eliminating Entries</b>	<b>Total</b>
<b>Operating revenues:</b>					
Net patient service revenue, net of provision for bad debts	\$ 261,416,405	\$ -	\$ -	\$ -	\$ 261,416,405
Other operating revenue	9,333,329	-	-	-	9,333,329
<b>Total operating revenues</b>	<b>270,749,734</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>270,749,734</b>
<b>Operating expenses:</b>					
Salaries and wages	105,641,485	-	-	-	105,641,485
Employee benefits	24,053,716	-	-	-	24,053,716
Contract labor	5,682,668	-	-	-	5,682,668
Supplies	51,691,293	-	-	-	51,691,293
Purchased services	26,072,746	1,025	5,484	(5,484)	26,073,771
Physician fees	8,791,884	-	-	-	8,791,884
Depreciation and amortization	11,791,012	-	-	-	11,791,012
Other	23,828,154	9,907	32,775	(28,633)	23,842,203
<b>Total operating expenses</b>	<b>257,552,958</b>	<b>10,932</b>	<b>38,259</b>	<b>(34,117)</b>	<b>257,568,032</b>
<b>Operating income (loss)</b>	<b>13,196,776</b>	<b>(10,932)</b>	<b>(38,259)</b>	<b>34,117</b>	<b>13,181,702</b>
<b>Nonoperating revenues (expenses):</b>					
Investment income	32,849	-	10	-	32,859
Interest income - leases	271,796	-	-	-	271,796
Interest expense - debt	(475,161)	-	-	-	(475,161)
Interest expense - leases	(1,367,842)	-	-	-	(1,367,842)
Prepayment premium on bond extinguishment	(1,077,055)	-	-	-	(1,077,055)
Share of loss of investee, net	-	(345,463)	-	4,132	(341,331)
Provider relief funding	8,089,228	-	-	-	8,089,228
Noncapital gifts and bequests	859,527	-	-	-	859,527
<b>Total nonoperating revenues (expenses)</b>	<b>6,333,342</b>	<b>(345,463)</b>	<b>10</b>	<b>4,132</b>	<b>5,992,021</b>
<b>Excess (deficit) of revenues over expenses</b>	<b>19,530,118</b>	<b>(356,395)</b>	<b>(38,249)</b>	<b>38,249</b>	<b>19,173,723</b>
Equity transfer	(1,900,000)	1,900,000	-	-	-
Acquisition of remaining 50% of South of Broad Healthcare	-	-	3,246,076	(3,246,076)	-
<b>Increase (decrease) in net position</b>	<b>17,630,118</b>	<b>1,543,605</b>	<b>3,207,827</b>	<b>(3,207,827)</b>	<b>19,173,723</b>
Net position, beginning of the year	36,596,818	4,207,715	-	-	40,804,533
Net position, end of the year	\$ 54,226,936	\$ 5,751,320	\$ 3,207,827	\$ (3,207,827)	\$ 59,978,256

**20. COVID-19 Pandemic**

On March 11, 2020, the World Health Organization declared the highly contagious respiratory disease named “coronavirus disease 2019” (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.

**Beaufort Memorial Hospital**  
**Notes to Financial Statements**

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An outbreak of an infectious disease, including the growth in the magnitude or severity of COVID-19 cases in the Hospital's service area, could result in an abnormally high demand for health care services, potentially inundating hospitals with patients in need of intensive care services. The treatment of this highly contagious disease could also result in a temporary shutdown of areas of the facility or diversion of patients or staffing shortages. Additionally, elective services were being deferred in the spring of 2020, which resulted in reduced patient volumes and operating revenues. Further, the changing global economic conditions or potential global health concerns surrounding the COVID-19 pandemic may continue to affect the Hospital's partners, suppliers, distributors and payors, potentially disrupting or delaying the Hospital's supply chain and delaying reimbursement by governmental, commercial or private payors, as well as impacting their creditworthiness and ability to pay. At this time, it is not possible to accurately predict the duration of the COVID-19 pandemic, the impact on operating income, the costs associated with responding to this pandemic, or what federal funds may continue be made available to help recover from this crisis.

In addition to the direct impact to the health care industry, global investment and financial markets have experienced substantial volatility, with significant declines at times attributed to COVID-19 concerns and associated economic impacts of the curtailment of public life described above. As with nearly all industries and companies operating through the COVID-19 pandemic, the Hospital expects to encounter further volatility and disruption in its operations and in the local, national and global economies.

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 31, 2020. Of these amounts, the Hospital has recognized nonoperating revenue of approximately \$13,837,000 and \$8,089,000 related to this funding for the years ended September 31, 2022 and 2021, 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. The Hospital has recorded a liability of approximately \$- and \$3,448,000 at September 31, 2022 and 2021, respectively, related to funding that will be remitted back to HHS which is included in accounts payable on the statements of net position. As of September 30, 2022, and 2021, the Hospital has approximately \$1,000,000 and \$7,077,000, respectively, in provider relief funds advance on the statements of net position. As of September 30, 2022, this balance represents funds that the Hospital has until December 31, 2022 to utilize toward expenses attributable to the coronavirus but not reimbursed by other sources or to lost revenues per the terms and conditions. The funds are subject to future audits and potential adjustment and certain amounts may need to be repaid to the government.

In response to the ongoing pandemic, certain state governments and governmental payors are also taking or evaluating actions to provide economic relief and emergency assistance. The impact on the Hospital and its operations from these potential new measures is currently uncertain.

It is not currently possible to predict the overall impact on the Hospital associated with COVID-19 and, therefore, the accompanying financial statements do not reflect any adjustment as a result of this uncertainty. The Hospital's financial condition, liquidity and results of operations could be adversely affected from the on-going impact of COVID-19, and such impact could be material.

## **21. Subsequent Events**

Subsequent events have been evaluated through May 17, 2023, which is the date the financial statements were available to be issued.

## **Supplementary Information**

Beaufort Memorial Hospital  
Statement of Net Position Information  
September 30, 2022

<u>Assets and Deferred Outflows of Resources</u>	<u>BMH</u>	<u>Broad River</u>	<u>South of Broad</u>	<u>Eliminations</u>	<u>Combined</u>
Current assets:					
Cash and cash equivalents	\$ 10,412,692	\$ 434,625	\$ 211,193	\$ -	\$ 11,058,510
Short-term investments	42,227,764	-	-	-	42,227,764
uncollectible accounts of \$48,304,136	27,913,081	-	-	-	27,913,081
Other assets	90,622	-	-	-	90,622
Drugs and supplies	7,705,391	-	-	-	7,705,391
Prepaid expenses	3,183,752	-	-	-	3,183,752
Short-term lease receivable	199,154	-	-	-	199,154
Total current assets	<u>91,732,456</u>	<u>434,625</u>	<u>211,193</u>	<u>-</u>	<u>92,378,274</u>
Long-term investments	\$15,293,064	-	-	-	15,293,064
Investments in joint ventures	-	7,843,174	-	(3,160,406)	4,682,768
Capital assets, net	107,637,986	537,620	2,974,216	-	111,149,822
Right to use assets - leases, net	34,558,819	-	-	-	34,558,819
Long-term lease receivable	6,931,812	-	-	-	6,931,812
Intercompany receivables	4,253,245	-	-	(4,253,245)	-
Total assets	<u>260,407,382</u>	<u>8,815,419</u>	<u>3,185,409</u>	<u>(7,413,651)</u>	<u>264,994,559</u>
Deferred outflows of resources:					
Excess consideration provided for acquisition	2,643,683	-	-	-	2,643,683
Pension deferrals	11,810,238	-	-	-	11,810,238
Total deferred outflows of resources	<u>14,453,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,453,921</u>
Total assets and deferred outflows of resources	<u>\$ 274,861,303</u>	<u>\$ 8,815,419</u>	<u>\$ 3,185,409</u>	<u>\$ (7,413,651)</u>	<u>\$ 279,448,480</u>
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>					
Current liabilities:					
Accounts payable	\$ 7,817,743	\$ -	\$ -	\$ -	\$ 7,817,743
Accrued expenses	17,882,630	-	25,003	-	17,907,633
Provider relief fund advance	1,000,000	-	-	-	1,000,000
Estimated third-party payor settlements	3,692,585	-	-	-	3,692,585
Short-term lease liability	1,804,161	-	-	-	1,804,161
Unearned revenue	224,855	-	-	-	224,855
Intercompany payables	-	4,253,245	-	(4,253,245)	-
Total current liabilities	<u>32,421,974</u>	<u>4,253,245</u>	<u>25,003</u>	<u>(4,253,245)</u>	<u>32,446,977</u>
Net pension liability	138,719,908	-	-	-	138,719,908
Long-term lease liability	34,741,311	-	-	-	34,741,311
Other liabilities	274,804	-	-	-	274,804
Total liabilities	<u>206,157,997</u>	<u>4,253,245</u>	<u>25,003</u>	<u>(4,253,245)</u>	<u>206,183,000</u>
Deferred inflows of resources:					
Deferred lease inflows	6,852,206	-	-	-	6,852,206
Deferred pension inflows	3,435,955	-	-	-	3,435,955
Total deferred inflows of resources	<u>10,288,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,288,161</u>
Net position:					
Net investment in capital assets	105,651,333	537,620	2,974,216	-	109,163,169
Unrestricted	(47,236,188)	4,024,554	186,190	(3,160,406)	(46,185,850)
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>\$ 274,861,303</u>	<u>\$ 8,815,419</u>	<u>\$ 3,185,409</u>	<u>\$ (7,413,651)</u>	<u>\$ 279,448,480</u>

**Beaufort Memorial Hospital**  
**Statement of Revenues, Expenses, and Changes in Net Position Information**  
**For the Year Ended September 30, 2022**

	<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 \$26,963,657	\$ 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	12,471,051	-	-	-	12,471,051
Other	25,369,176	10,584	45,896	-	25,425,656
Total operating expenses	<u>284,648,313</u>	<u>11,684</u>	<u>47,421</u>	<u>-</u>	<u>284,707,418</u>
Operating loss	<u>(4,451,787)</u>	<u>(11,684)</u>	<u>(47,421)</u>	<u>-</u>	<u>(4,510,892)</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)
Share of loss of joint ventures, 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>8,639,996</u>	<u>(1,177,462)</u>	<u>-</u>	<u>47,421</u>	<u>7,509,955</u>
Increase (decrease) in net position	4,188,209	(1,189,146)	(47,421)	47,421	2,999,063
Net position, beginning of year	54,226,936	5,751,320	3,207,827	(3,207,827)	59,978,256
Net position, end 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>

## **Compliance**



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

	<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	<b>0.510%</b>	0.520%	0.500%	0.510%	0.540%	0.640%	0.590%	0.570%	0.550%
Proportionate share of the net pension liability	<b>\$ 138,719,908</b>	\$ 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	<b>\$ 68,156,354</b>	\$ 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	<b>203.5%</b>	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	<b>57.1%</b>	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>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	<b>\$ 11,285,530</b>	\$ 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	<b>11,285,530</b>	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)	<b>\$ -</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered-employee payroll	<b>\$ 72,091,020</b>	\$ 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	<b>15.65%</b>	15.43%	15.38%	14.54%	12.72%	12.31%	11.20%	10.70%	10.07%

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

The Board of Trustees  
Beaufort Memorial Hospital  
Beaufort, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Beaufort Memorial Hospital, a public agency, which comprise the statements of net position as of September 30, 2022 and 2021, 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. We have issued our report thereon dated May 17, 2023.

### ***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 combination of deficiencies, in internal control such that there is 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 the 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 would consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

# FORVIS

## ***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*.

## ***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  
May 17, 2023**

## Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Trustees  
Beaufort Memorial Hospital  
Beaufort, South Carolina

### ***Opinion on the Major Federal Programs***

We have audited Beaufort Memorial Hospital's (the "Hospital") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Hospital's major federal programs for the year ended September 30, 2022. 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 types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the years ended September 30, 2022.

### ***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; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 the major federal programs. 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 generally accepted auditing standards, *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 generally accepted auditing standards, *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.

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.

# FORVIS

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.

## ***Purpose of this Report***

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  
May 17, 2023**

**Beaufort Memorial Hospital  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2022**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Federal Expenditures</b>
<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	\$ 5,911,457
COVID-19 Testing for the Uninsured	93.461	<u>1,170,975</u>
 Total U. S. Department of Health and Human Services		 \$ <u>7,082,432</u>
 Total expenditures of Federal awards		 <u>\$ 7,082,432</u>



**Beaufort Memorial Hospital**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2022**

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**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, 2022. 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 cash 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 April 2022 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”). Four 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:

<b>Period</b>	<b>Payment Received Period</b>	<b>Period of Availability for Eligible Expenses</b>	<b>Period of Availability for Lost Revenues</b>	<b>Reporting Time Period</b>
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, 2022**

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The accompanying SEFA includes those qualifying expenditures and lost revenues that were reported in the HRSA PRF portal for Period 2. The total amount of \$23,214,250 in PRF payments was recognized by the Hospital as non-operating 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 issued in June and December of each year. The SEFA for the year ended September 30, 2022 reflects Assistance Listing changes issued through April 2022.

**Beaufort Memorial Hospital  
 Schedule of Findings and Questioned Costs  
 For the Year Ended September 30, 2022**

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements*

Type of auditors’ 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 auditors’ 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:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
93.498	COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution
93.461	COVID-19 Testing for the Uninsured

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

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## **SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

### Eligibility (Noncompliance)

#### ***Finding 2021-001***

##### Material Weakness and Material Noncompliance

Assistance Listing Number: 93.461 COVID-19 Testing for the Uninsured

Criteria: The Health Resources and Services Administration (“HRSA”) provided terms and conditions associated with the COVID-19 Uninsured Program. Those terms and conditions noted that uninsured individuals means individuals who, as of the date of service for which the recipient seeks payment, are not enrolled in 1) a Federal health care program (as defined under section 1128B(f) of the Social Security Act (42 U.S.C. 1320a-7b(f)), including an individual who is eligible for medical assistance only because of subsection (a)(10)(A)(ii)(XXIII) of Section 1902 of the Social Security Act; or 2) a group health plan or health insurance coverage offered by a health insurance issuer in the group or individual market (as such terms are defined in section 2791 of the Public Health Service Act (42 U.S.C. 300gg-91)), or a health plan offered under chapter 89 of title 5, United States Code. Management should have effectively designed controls in place to prevent, or detect and correct, material noncompliance with the direct and material compliance requirements of the program.

Condition: The Hospital received payments under the COVID-19 Uninsured Program for patients who were insured at the time of service and lacked related controls over compliance to prevent, or detect and correct, such material noncompliance.

Effect: Management failed to prevent, or detect and correct, material noncompliance such that the Hospital received payments from HRSA for the COVID-19 Uninsured Program which were ineligible under the terms and conditions of the program.

Cause: Lack of effectively designed and implemented controls, such as detail review of patient insurance criteria, to ensure that patients were uninsured at the time of service.

Questioned Costs: Three HRSA payments were identified for patients who were insured at the time of service. These payments totaled \$406.15.

Current Status: Corrected.