West Tennessee Healthcare and Related Affiliates

Financial Statements and Supplementary Information

June 30, 2022 and 2021

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FORV/S

Independent Auditor's Report

Board of Trustees
West Tennessee Healthcare and Related Affiliates
Jackson, Tennessee

Report on the Audits of the Financial Statements

Opinions
We have audited the accompanying financial statements of the business-type activities and fiduciary activities of West Tennessee Healthcare and Related Affiliates (the "Company"), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the Company as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Company, 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.

Change in Accounting Principle
As discussed in Note 2 to the financial statements, during the year ended June 30, 2022, the Company adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*. 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 Plan's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audits 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 audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 management's discussion and analysis on pages 5 through 12, the Schedule of Changes in Net Pension and OPEB Liability (asset) and Related Ratios on page 56, and the Schedule of Contributions on page 59 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 ("GASB"), which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on financial statements that collectively comprise the Company's basic financial statements. The Roster of Governance and Management Officials on page 4, the Deductions from Gross Patient Service Revenues information on page 62, the Schedule of Changes in Long-term Debt by Individual Issue on page 63, and the Schedule of Changes in Lease Obligations on page 64 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Deductions from Gross Patient Service Revenues, the Schedule of Changes in Long-term Debt by Individual Issue, and the Schedule of Changes in Lease Obligations information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the 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.

Management is responsible for the other information included in the basic financial statements. The other information comprises the Roster of Governance and Management Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 16, 2022, on our consideration of the Company'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 the Company's internal control over financial reporting and compliance.

FORVIS, LLP

Memphis, Tennessee
November 16, 2022

Governance Officials —– Board of Trustees

Management Officials

James Ross	President & Chief Executive Officer
Tina Prescott	Executive Vice-President/Chief Operating Officer
Jeff Blankenship	Executive Vice-President/Chief Financial Officer
Dr. Jackie Taylor	Executive Vice-President/Chief Physician Executive
Charleyn Reviere	Vice-President/Chief General Counsel
Deann Thelen	Vice-President/Chief Executive Officer, JMCGH
Amy Garner	Vice-President/Chief Compliance Officer/Communications Officer
Clayton Phillips	Vice-President/Chief Information Officer
Tim Adams	Vice-President of Support Services
Darrell King	Vice-President, Physician & Ambulatory Services
Teresa Freeman	Vice-President/Chief Nursing Officer, JMCGH
Vanessa Patrick	Vice-President of Business Development

This section of the financial statements of West Tennessee Healthcare and Related Affiliates (the "Company") presents management's analysis of the Company's financial performance during the fiscal years ended June 30, 2022 and 2021.

Financial highlights

2022

Fiscal year 2022, with the spread of the Omicron variant in late 2021 and early 2022, was a continuation of fiscal year 2021 in regard to the pandemic effecting nearly every aspect of operations. In addition to the impact of caring for patients with the disease, the pandemic contributed to staffing shortages and inflation of labor, supply, and services costs. Although total operating revenues increased from fiscal 2021, the increase was insufficient to cover the cost of operations and the system posted an operating loss for the year of $61.4 million, net of interest expense—an operating margin of -6.1%. This operating loss excludes revenue associated with CARES Act relief funding, which provided necessary stability during a period of great uncertainty.

In fiscal year 2022, the Company received $37.5 million in CARES Act relief funding. It is uncertain how future guidance will impact the final determination of relief funds earned by the Company and could result in significant changes to those estimates.

In fiscal year 2020, the Company received $109.6 million in advance payments from CMS which was included with "Cash and cash equivalents" in the assets section of the Statements of Net Position and in the "CMS advance payments due within one year" category of the liabilities section of the Statements of Net Position. CMS began to recoup the advance payments during fiscal year 2021 and continued the recoupment during fiscal year 2022. The balance of the advance payments due within one year as of June 30, 2022, was $26 million.

In November 2021, the Company entered into the Series 2021 Bond Anticipation Note ("Notes") in the amount of $10 million. The proceeds of the Series 2021 Bonds were used by the Company to defease $5.2 million and $2.8 million, respectively, of the Series 2015 and Series 2018A bonds. Interest is paid monthly on the Notes until maturity on November 1, 2023.

During fiscal year 2022, the Company 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 accounting standard was adopted using the modified retrospective approach, which resulted in no changes to net position as of July 1, 2021. As of June 30, 2022, for lease agreements in which the Company is the lessee, the Company has lease assets of approximately $49.3 million, which represents the right to use assets under lease agreements, and lease obligations of approximately $50.4 million. For agreements in which the Company acts as a lessor, the Company as a lease receivable of approximately $10.1 million and deferred inflows of resources of $9.9 million.

Total operating revenues were up 4% as compared to the prior year, an increase of $39.9 million, with a rise in patient volume during the fiscal year.

Operating expenses increased by $76.5 million or 8%, with the increase in volume as well as escalated staffing costs and inflationary pressure on all supplies and expenses.

The Company's net non-operating revenue was ($19.4) million in 2022 as compared to $85.7 million in 2021, with the decrease being driven by $37.7 million in losses on investment values as compared to a $78.7 million gain in values in 2021, offset by an increase of $12.3 million in CARES Act relief funding.

2021

The 2021 fiscal year was another year of transition for the organization. Patient census for COVID-19 reached its peak during the fiscal year and circumstances surrounding the pandemic had an effect on nearly every aspect of operation. In addition to the impact of caring for patients with the disease, the pandemic resulted in staffing shortages, inflation of pricing for supplies and services. Consequently, although revenue was up significantly from the prior year with volume recovery, it was insufficient to cover the escalated cost of operation and the system posted significant operating losses, before consideration for relief funding. The Company experienced an operating loss for the year, net of interest expense, of $24.3 million representing an operating margin of -2.5%, as a result of the impact of the COVID-19 pandemic. This operating loss excludes revenue associated with CARES Act relief funding, which provided necessary stability during a period of great uncertainty. The Company reported $25.2 million of non-operating revenue related to the CARES Act for the year.

In total, the Company has received $78.4 million in CARES Act relief funding. Based on management's best estimates using interpretations of relevant guidance, the Company reported $53.2 million of this funding as non-operating revenue for fiscal year 2020 and the remainder, $25.2 million, for fiscal year 2021. It is uncertain how future guidance will impact the final determination of relief funds earned by the Company and could result in significant changes to those estimates.

In fiscal year 2020, the Company also received $109.6 million in advance payments from CMS which was included with "Cash and cash equivalents" in the assets section of the Statements of Net Position and in the "CMS advance payments due within one year" category of the liabilities section of the Statements of Net Position. CMS began to recoup the advance payments during fiscal year 2021 and as of June 30, 2021, $97.4 million of the advance payments remain in the "Cash and cash equivalents" section of the Statements of Net Position and in the "CMS advance payments due within one year" category of the liabilities section of the Statements of Net Position.

Total operating revenues were up 16% as compared to the prior year, an increase of $134.3 million, with a rise in patient volume and a decline in COVID-19 cases during the fiscal year.

Operating expenses increased by $96 million or 11%, with the rise in volume and revenue.

The Company's net non-operating revenue increased by $47.9 million in 2021 as compared to $39.3 million in 2020, with the increase being driven by $78.7 million of investment income offset by a decrease of $28 million in CARES Act relief funding.

As of December 31, 2017, the Company discontinued the practice of offering post-employment medical benefits beyond what is required by regulation. With the change, the Company's OPEB plan was overfunded by $3.6 million. In February 2018, the Company distributed $2.5 million of the excess to Plan participants. The Plan remained $2.7 million overfunded at the beginning of the current fiscal year. In February 2021, the company distributed another $2.3 million of the excess to Plan participants. The remainder of the balance will continue to be drawn down as expenses are incurred by the Plan's existing beneficiaries.

Overview of the financial statements

The financial statements consist of two parts: management's discussion and analysis and the basic financial statements. The basic financial statements also include notes and required supplementary information that explain in more detail some of the information in the financial statements.

Required basic financial statements

The Company reports financial information about the Company using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The statements of net position include all the Company's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Company creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. These statements also provide the basis for computing rate of return, evaluating the capital structure of the Company and assessing the liquidity and financial flexibility of the Company.

All of the Company's revenues and expenses are accounted for in the statements of revenues and expenses and changes in net position. These statements measure the performance of the Company's operations over the past year and can be used to determine whether the Company has successfully recovered all its costs through the services provided, as well as its profitability and creditworthiness.

The third required statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Company's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, non-capital financing and financing activities, and provides information as to where cash came from, what cash was used for, and what the change in the cash balance was during the reporting period.

The Company includes Fiduciary Funds to account for other postemployment benefit and pension trust funds. The pension plan issues a publicly available financial report that can be obtained from the Company's Internal Audit Department, 620 Skyline Drive, Jackson, Tennessee 38301.

Financial analysis

Our analysis of the financial statements of the Company begins below. One of the most important questions asked about the Company's finances is, "Is the Company as a whole better off or worse off as a result of the year's activities?" The statements of net position and the statements of revenues and expenses and changes in net position report information about the Company's activities in a way that will help answer this question. These statements report the net position of the Company and changes in them. You can think of the Company's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure financial health or financial position. Over time, increases or decreases in the Company's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in interest rates, economic conditions, regulations and new or changed government legislation.

Table A-1

Condensed Statements of Net Position (in millions of dollars)

	June 30			Dollar Increase (Decrease)	Percentage Increase (Decrease)	Dollar Increase (Decrease)	Percentage Increase (Decrease)
	2022	**2021**	**2020**	**2021-2022**	**2021-2022**	**2020-2021**	**2020-2021**
Current assets	**$ 209.1**	$ 328.1	$ 356.0	**$ (119.0)**	**-36%**	$ (27.9)	-8%
Capital assets, net	**468.3**	412.4	408.0	**55.9**	**14%**	4.4	1%
Other non-current assets	**442.9**	472.8	394.7	**(29.9)**	**-6%**	78.1	20%
Total assets	1,120.3	1,213.3	1,158.7	(93.0)	-8%	54.6	5%
Deferred outflows of resources	**40.9**	57.2	55.2	**(16.3)**	**-28%**	2.0	4%
Total assets and deferred outflows	**$ 1,161.2**	$ 1,270.5	$ 1,213.9	**$ (109.3)**	**-9%**	$ 56.6	5%
Current liabilities	**$ 148.1**	$ 214.2	$ 233.8	**$ (66.1)**	**-31%**	$ (19.6)	-8%
Non-current liabilities	**434.2**	457.7	465.5	**(23.5)**	**-5%**	(7.8)	-2%
Total liabilities	**582.3**	671.9	699.3	**(89.6)**	**-13%**	(27.4)	-4%
Deferred inflows of resources	49.1	5.6	-	43.5	0%	5.6	-
Net position:							
Unrestricted	**372.5**	451.1	389.3	**(78.6)**	**-17%**	61.8	16%
Invested in capital assets	**151.3**	135.6	119.0	**15.7**	**12%**	16.6	14%
Restricted	**6.0**	6.3	6.3	**(0.3)**	**-5%**	-	-
Total net position	**529.8**	593.0	514.6	**(63.2)**	**-11%**	78.4	15%
Total liabilities, deferred inflows of resources, and net position	**$ 1,161.2**	$ 1,270.5	$ 1,213.9	**$ (109.3)**	**-9%**	$ 56.6	5%

As indicated in Table A-1, net position decreased from fiscal 2021 by $63.2 million or 11% with the Company's financial performance in fiscal year 2022.

1. Total assets decreased by $93 million or 8% when compared to 2021. This decrease was driven primarily by the decrease in cash as CMS recouped a significant portion of advance payments made in 2020, as well as a decrease in the value of the Company's investments as market conditions were unfavorable as compared to 2021. The decrease was offset by an increase of approximately $59 million related to new GASB 87 lease assets and lease receivables.

2. Deferred outflows of resources decreased by $16.3 million or 28% as compared to the prior year due to a decrease in the difference between actual and projected earnings on pension plan investments.

3. Total liabilities decreased by $89.6 million or 13% as compared to the prior year due primarily to the $71.3 million reduction in the liability for CMS advance payments associated with amounts recouped during the fiscal year. Liabilities were also impacted by the adoption of GASB 87 as $50.4 million in lease liabilities were added, which was offset by the $55.3 million reduction in net pension liability due to the impact of favorable market conditions on pension investments as of their measurement date, June 30, 2021.

As indicated in Table A-1, net position increased from fiscal 2020 by $78.4 million or 15% with the Company's financial performance in fiscal year 2021.

1. Total assets increased by $54.6 million or 5% when compared to 2020. This increase was driven primarily by the increase in the value of the Company's investments, offset by a decrease in cash as CMS began recouping advance payments made in 2020.

2. Deferred outflows of resources increased by $2 million or 4% as compared to the prior year due to an increase in the difference between actual and projected earnings on pension plan investments offset by decreases in deferred charges on refundings and pension contributions subsequent to the measurement date.

3. Total liabilities decreased by $27.4 million as compared to the prior year due primarily to the recognition of $20.7 million in CARES relief funding deferred from the prior fiscal year and a $12.2 million reduction in the liability for CMS advance payments associated with amounts recouped during the fiscal year.

Table A-2

Condensed Statements of Revenues and Expenses and Changes in Net Position (in millions of dollars)

	Year Ended June 30			Dollar Increase (Decrease)	Percentage Increase (Decrease)	Dollar Increase (Decrease)	Percentage Increase (Decrease)
	2022	**2021**	**2020**	**2021-2020**	**2021-2020**	**2020-2021**	**2020-2021**
Net patient service revenues	**$ 958.5**	$ 911.5	**$** 790.2	**$ 47.0**	**5%**	$ 121.3	15%
Other operating revenues	**54.6**	61.7	48.7	**(7.1)**	**-12%**	13.0	27%
Total operating revenues	**1,013.1**	973.2	838.9	**39.9**	**4%**	134.3	16%
Salaries and benefits	**597.5**	544.1	478.7	**53.4**	**10%**	65.4	14%
Supplies and other expenses	**406.0**	384.8	353.0	**21.2**	**6%**	31.8	9%
Depreciation and amortization	**53.4**	51.5	52.6	**1.9**	4%	(1.1)	-2%
Total operating expenses	**1,056.9**	980.4	884.3	**76.5**	**8%**	96.1	11%
Income from operations	**(43.8)**	(7.2)	(45.4)	**(36.6)**	**508%**	38.2	-84%
Net non-operating revenues (expenses)	**(19.4)**	85.6	37.7	**(105.0)**	**-123%**	47.9	127%
Change in net position	**(63.2)**	78.4	(7.7)	**(141.6)**	**-181%**	86.1	-1118%
Beginning net position	**593.0**	514.6	522.3	**78.4**	**15%**	(7.7)	-1%
Ending net position	**$ 529.8**	$ 593.0	$ 514.6	**(63.2)**	**-11%**	78.4	15%

While the statements of net position show the change in financial position or net position, the statements of revenues and expenses and changes in net position, as indicated above, provide answers as to the nature and source of these changes (i.e., the financial result of current year operations).

Operating revenues increased by $39.9 million or 4% from 2021 to 2022.

1. The 5% increase in net patient service revenue was related primarily to an increase in outpatient volume during the fiscal year. Volumes and revenue were up most significantly for outpatient surgery cases, emergency room visits, and cancer center visits.

2. Other operating revenue decreased by $7.1 million or 12% in 2022 as compared to 2021. $3.8 million of the decrease was associated directly with COVID-19 related grants and non-CARES relief funds that tapered off during 2022. $2 million of the decrease was attributable to a gain on the sale of fixed assets in 2021 that did not recur in 2022, while $1.3 million was due to joint venture revenue that underperformed as compared to the prior year.

Operating revenues increased by $134.3 million or 16% from 2020 to 2021.

1. The increase in net patient service revenue was related to significant increases and volume and revenue during the fiscal year, with heavy COVID-19 related volume earlier in the year and increased non-COVID volume later in the year, as COVID-19 cases decreased toward the end of the fiscal year and other services experienced a recovery in volume and revenue compared to the prior year where services were disrupted or closed for a period of time with social distancing and mandated closures.

2. Other operating revenue increased by $13 million or 27% in 2021 as compared to 2020. $8.7 million of the increase is associated directly with COVID-19 related grants and non-CARES relief funding. $2.4 million of the increase is attributed to improved joint venture performance.

Operating expense increased by $76.5 million or 8% when comparing 2022 to 2021.

1. Total salaries and benefits expense increased by $53.4 million or 10% during the fiscal year due to significant staffing agency costs as well as employee rate adjustments caused by increased difficulty in recruiting and retention of employees. During the fiscal year, the Company increased its minimum wage from $13 to $15 an hour, increased wages for nursing, respiratory and other selected positions and awarded stipends to individuals working on COVID-19 dedicated units and other units with staffing vacancies.

2. Supplies and other costs increased by $21.2 million or 6% during the fiscal year, driven by cost increases directly attributable to COVID-19 (personal protective equipment, pharmaceuticals, air handling equipment, etc.), as well as inflationary pressure on all expenses felt by all consumers in 2022. Specifically, the Company experienced a significant increase in drug costs during the year as the Company's DSH ("disproportionate share hospital") status in the program was impacted with the filing of the prior year's cost report directly attributable to the volume of COVID-19.

Net non-operating revenue decreased by $105 million in 2022 as compared to 2021, with the decrease being driven by a $37.7 million loss in investment income as compared to $78.7 million gain in investment income in 2021, offset by $37.5 million in relief funding in 2022 as compared to $25.2 million in 2021.

Operating expense increased by $96.1 million or 11% when comparing 2021 to 2020.

1. The increase in operating expenses was primarily due to volumes and elective procedures returning to a normal range during the fiscal year as COVID-19 cases decreased.

2. Total salaries and benefits expense increased by $65.4 million or 14% during the fiscal year with the increase in staffing correlating with increased volume and revenue, as well as employee rate adjustments. During the fiscal year, the Company made routine rate adjustments, increased its minimum wage to $13

an hour, increased wages for nursing and respiratory staff, and awarded stipends to individuals working on COVID-19 dedicated units.

3. Supplies and other costs increased by $31.8 million or 9% during the fiscal year, driven by cost increases directly attributable to COVID-19 (personal protective equipment, pharmaceuticals, air handling equipment, etc.), as well as volume increases toward the end of the fiscal year and program expansions for hospital based physician services (hospitalist, intensivist, and acute surgicalists) at the flagship hospital.

Net non-operating revenue increased to $85.6 million in revenue in 2021 as compared to $37.7 million in revenue in 2020, with the increase being driven by $78.7 million of investment income in 2021 compared to $3.5 million in investment income in 2020, offset by $25.2 million in CARES Act relief funding in 2021 compared to $53.2 million in 2020.

Capital and lease assets

As of June 30, 2022, the Company had $419 million invested in a variety of capital assets, as reflected in Table A-3, which represents a net increase (additions, disposals and depreciation) of $6.6 million or 2% from the end of fiscal 2021. The Company has right of use lease assets of $49.3 million, net of accumulated amortization of $8.4 million.

Table A-3

Capital Assets (in millions of dollars)

	June 30	
	2022	**2021**
Land and land improvements	**$ 54.8**	$ 54.3
Buildings	**390.7**	373.7
Equipment	**651.9**	620.7
Construction in progress	**50.8**	49.5
Total capital assets	**1,148.2**	1,098.2
Accumulated depreciation	**(729.2)**	(685.8)
Capital assets, net	**$ 419.0**	$ 412.4

Long-term debt

In November 2021, the Company entered into the Series 2021 Bond Anticipation Notes ("Notes") in the amount of $10 million. The proceeds of the Series 2021 Bonds were used by the Company to defease $5.2 million and $2.8 million, respectively, of the Series 2015 and Series 2018A bonds. Interest based on the SOFR index rate is paid monthly on the Notes until maturity on November 1, 2023.

In November 2018, the Company issued the Series 2018A Hospital Revenue Refunding Bonds in the amount of $62.87 million and Series 2018B Taxable Hospital Revenue Bonds in the amount of $91.025 million. The proceeds of the Series 2018A Bonds, together with other funds, were used by the Company to refund all outstanding Bonds from the Series 2008 Bond issue. The proceeds of the Series 2018B Bonds were used to reimburse the Company for the $90 million financed as part of the Tennova West acquisition.

In April 2015, the Company issued the Series 2015 Hospital Revenue Refunding Bonds in the amount of $205,965 million. The proceeds of the Series 2015 Bonds, together with other funds, were used by the Company to advance refund $210,895 million of the outstanding Series 2008 Bond issue.

As of June 30, 2021, the Company had $326.4 million in outstanding long-term debt and as of June 30, 2020, the Company had $339.3 million in outstanding long-term debt. This represents a net decrease of $13.1 million over the prior fiscal year.

For more detailed information regarding the Company's capital assets and long-term debt, please refer to the notes to the financial statements.

Future outlook

In the wake of the significant disruption brought on by the COVID-19 pandemic, the Company is working to stabilize and adjust operations to an environment of higher labor and operating cost. The Company strives to optimize revenue, reduce its dependence on external staffing resources, and is working to reduce other operating expenses through specific initiatives targeted at improved throughput, efficiency and value added partnerships. The Company is re-evaluating performance on a rolling quarterly basis and re-visiting longer range plans for returning the organization to positive financial performance in line with previously adopted goals.

Requests for information

This financial report is designed to provide a general overview of the Company's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Company.

West Tennessee Healthcare and Related Affiliates
Statements of Net Position
June 30, 2022 and 2021
(in thousands)

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 43,973	$ 164,916
Accounts receivable:		
Patient accounts receivable, less allowances for doubtful accounts of approximately $58,606 in 2022 and $44,086 in 2021	118,227	121,006
Other	10,718	11,850
Total accounts receivable	128,945	132,856
Inventories	11,950	9,890
Prepaid expenses	17,248	14,181
Lease receivable	1,021	-
Assets limited as to use - debt service reserve fund	5,953	6,269
Total current assets	209,090	328,112
Assets limited as to use:		
Board designated contingency fund	9,270	9,270
Other internally designated	394,583	432,693
Total assets limited as to use	403,853	441,963
Other assets:		
Intangibles	1,324	1,451
Investment in joint venture	25,054	26,246
Lease receivable, less current portion	9,064	-
Other	3,501	3,144
Total other assets	38,943	30,841
Capital assets:		
Land and land improvements	54,778	54,314
Buildings	390,673	373,655
Fixed equipment	232,791	227,753
Moveable equipment	419,127	392,990
Construction in progress	50,811	49,515
	1,148,180	1,098,227
Accumulated depreciation	(729,150)	(685,838)
Total capital assets	419,030	412,389
Right to use lease assets, net	49,309	-
Total assets	1,120,225	1,213,305
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refundings	20,198	21,842
Pension contributions subsequent to measurement date	13,625	12,851
Difference between actual and projected earnings on pension plan investments	-	15,112
Excess consideration provided for acquisitions	7,122	7,401
Total deferred outflows of resources	40,945	57,206
Total assets and deferred outflows of resources	$ 1,161,170	$ 1,270,511

(in thousands)

	2022	2021
LIABILITIES		
Current liabilities:		
Accounts payable	$ 37,989	$ 35,876
Accrued compensation and related expenses	42,414	46,015
Accrued interest expense	3,620	3,885
Other accrued expenses	11,187	10,217
Estimated third-party settlements	10,381	11,246
CMS advance payments due within one year	26,075	97,413
Long-term debt due within one year	9,029	9,548
Lease liability due within one year	7,405	-
Total current liabilities	148,100	214,200
Long-term liabilities:		
Lease liability, less amounts due within one year	43,017	-
Long-term debt, less amounts due within one year	321,411	332,658
Net pension liability	69,727	125,049
Total long-term liabilities	434,155	457,707
Total liabilities	582,255	671,907
DEFERRED INFLOWS OF RESOURCES		
Difference between expected and actual pension experience	6,558	5,606
Difference between actual and projected earnings on pension plan investments	32,607	-
Deferred inflows - lease receivable	9,939	-
Total deferred inflows of resources	49,104	5,606
NET POSITION		
Unrestricted	372,574	451,094
Net investment in capital assets	151,284	135,635
Restricted for debt service	5,953	6,269
Total net position	529,811	592,998
Total liabilities, deferred inflows of resources and net position	$ 1,161,170	$ 1,270,511

West Tennessee Healthcare and Related Affiliates
Statements of Revenues and Expenses and Changes in Net Position
Years Ended June 30, 2022 and 2021
(in thousands)

	2022	2021
Operating revenues:		
Net patient service revenues, net of provision for bad debts of $81,447 in 2022, and $66,008 in 2021	**$ 958,546**	$ 911,437
Other revenues	**54,602**	61,725
Total operating revenues	**1,013,148**	973,162
Operating expenses:		
Salaries and benefits	**597,523**	544,060
Supplies and other	**405,995**	384,835
Depreciation and amortization	**53,386**	51,516
Total operating expenses	**1,056,904**	980,411
Operating loss	**(43,756)**	(7,249)
Nonoperating (expenses) revenues:		
Investment (loss) income	**(37,714)**	78,708
Interest expense	**(17,577)**	(17,008)
Non-recurring relief funding	**37,490**	25,223
Contributions to affiliated entities	**(1,009)**	(1,241)
Other nonoperating expense (bond issuance costs)	**(621)**	-
Nonoperating (expenses) revenues, net	**(19,431)**	85,682
Change in net position	**(63,187)**	78,433
Net position, beginning of year	**592,998**	514,565
Net position, end of year	**$ 529,811**	$ 592,998

West Tennessee Healthcare and Related Affiliates
Statements of Cash Flows
Years Ended June 30, 2022 and 2021
(in thousands)

	2022	2021
Operating activities:		
Receipts from third-party payors and patients	$ 891,119	$ 871,954
Receipts from other operations	54,456	61,725
Payments to suppliers	(406,489)	(388,080)
Payments to employees	(608,549)	(521,222)
Net cash (used in) provided by operating activities	(69,463)	24,377
Noncapital financing activities:		
Non-recurring relief funding	37,490	4,703
Capital contributions to City of Jackson and Madison County	(1,009)	(1,241)
Net cash provided by noncapital financing activities	36,481	3,462
Investing activities:		
Interest and dividends income	2,078	2,631
Purchases of investments	(88,599)	(220,314)
Proceeds from sales of investments	87,233	217,901
Net cash provided by investing activities	712	218
Capital and related financing activities:		
Purchases of capital assets	(55,804)	(63,288)
Proceeds from sale of capital assets	232	3,938
Proceeds from bond anticipitation notes, net of issuance costs	8,070	-
Escrow funding for defeasance of long-term debt	(8,070)	-
Repayment of long-term debt	(8,704)	(10,562)
Repayment of lease liabilities	(7,544)	-
Other	46	-
Interest paid on long-term debt	(16,899)	(16,391)
Net cash used in capital and related financing activities	(88,673)	(86,303)
Increase (decrease) in cash and cash equivalents	(120,943)	(58,246)
Cash and cash equivalents, beginning of year	164,916	223,162
Cash and cash equivalents, end of year	$ 43,973	$ 164,916

See accompanying notes.

West Tennessee Healthcare and Related Affiliates
Statements of Cash Flows
Years Ended June 30, 2022 and 2021
(in thousands)

(Continued)

	2022	2021
Reconciliation of operating loss to net cash (used in) provided by operating activities:		
Loss from operations	**$ (43,756)**	$ (7,249)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:		
Pension expense	**6,200**	19,496
Depreciation	**44,628**	51,110
Provision for bad debts	**81,447**	66,008
Loss on disposals of capital assets	**1,580**	1,260
Amortization	**8,758**	406
Changes in operating assets and liabilities:		
Accounts receivable	**(77,536)**	(93,253)
Inventory and prepaid expenses	**(5,127)**	(3,104)
Other assets	**835**	489
Lease receivable	**857**	-
Accounts payable and accrued expenses	**(518)**	14,710
CMS advance payments due within one year	**(71,338)**	(12,238)
Estimated third-party settlements	**(865)**	(407)
Deferred inflows - lease receivable	**(1,003)**	-
Deferred outflows - contributions to pension plan	**(13,549)**	(12,775)
Deferred outflows - contributions to 415(m) plan	**(76)**	(76)
Net cash (used in) provided by operating activities	**$ (69,463)**	$ 24,377
Supplementary schedule of noncash investing activities:		
Change in fair value of investments	**$ (39,792)**	$ 76,077
Supplementary schedule of noncash capital and related financing activities		
Proceeds receivable from sale of assets under capital lease, net of capital lease termination payable (see note 8).	**$ -**	$ 195
Capital asset acquired with financed purchase	**$ 20**	$ 3,068

See accompanying notes.

West Tennessee Healthcare and Related Affiliates
Statements of Fiduciary Net Position
June 30, 2022 and 2021

	2022 Other Post-Employment and Pension Trust Funds	2021 Other Post-Employment and Pension Trust Funds
ASSETS		
Cash	**$ 57**	$ -
Investments:		
Money market mutual funds	**448**	1,282
Private equity hedge funds	**45,303**	29,506
Equity mutual funds	**52,872**	46,507
Fixed income mutual funds	**4,999**	6,064
Common collective trust funds	**197,456**	182,565
Real estate mortgage fund	**16,527**	20,105
Total investments	**317,605**	286,029
Investment income receivable	**120**	79
Total assets	**317,782**	286,108
LIABILITIES		
Administrative expenses payable	**23**	25
NET POSITION	**$ 317,759**	$ 286,083

See accompanying notes.

West Tennessee Healthcare and Related Affiliates
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2022 and 2021

	2022 Other Post-Employment and Pension Trust Funds	2021 Other Post-Employment and Pension Trust Funds
Additions (reductions):		
Employer contributions	**$ 13,162**	$ 14,227
Investment income:		
Net appreciation in fair value of investments	**40,153**	26,765
Interest and dividends	**2,060**	1,358
Less investment expense	**(648)**	(498)
Net investment income	**41,565**	27,625
Total additions	**54,727**	41,852
Deductions:		
Benefits paid to participants	**23,051**	21,649
Total deductions	**23,051**	21,649
Change in net position	**31,676**	20,203
Net position:		
Beginning of year	**286,083**	265,880
End of year	**$ 317,759**	$ 286,083

See accompanying notes.

1. Significant Accounting Policies

Organization and basis of presentation

The accompanying financial statements include West Tennessee Healthcare and its related affiliates (hereinafter collectively referred to as the "Company"), all of which are under common control of the Jackson-Madison County General Hospital District (the "District") and have been presented as blended component units ("BCUs") of the Company. We consider Jackson-Madison County General Hospital, Bolivar General Hospital, Camden General Hospital, Milan General Hospital, Volunteer Martin Hospital, Dyersburg Hospital, Pathways Behavioral Health, Outpatient Therapy, Health Partners, Therapy & Learning Center and the West Tennessee Medical Group BCUs of West Tennessee Healthcare, as the governing body is substantively the same as the governing body of West Tennessee Healthcare and has operational responsibility of those component units. The Company presents its financial statements in accordance with accounting principles generally accepted in the United States of America. All significant intercompany balances and transactions have been eliminated.

Proprietary fund accounting

The Company utilizes the economic resources measurement focus and the proprietary fund method of accounting whereby revenues and expenses are recognized on an accrual basis. Substantially all revenues and expenses are subject to accrual.

Fiduciary activities

As defined by the GASB, the Company reports the operations of the pension and other post-employment benefits (“OPEB”), as fiduciary component units in the Fiduciary Fund Financial Statements. The defined benefit pension and OPEB trust funds provide retirement and health benefits for qualified employees and retired employees. The pension and OPEB trust funds are legally separate entities and the resources of the trust funds cannot be used to finance the Company’s operations. The assets of the trust funds are held and administered in trust arrangements which are governed by a Board of Trustees (see Note 10). The Company is committed to making contributions to the trusts, and therefore assumes a financial burden for the trust funds and thus has financial accountability. As a result, the activity of the fiduciary funds is presented as a fiduciary component unit. The assets in each trust are held only for the Company employees’ and retirees’ benefit. The pension and OPEB trust funds have fiscal year-ends of December 31. Thus, the amounts included in the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position are as of and for the years ended December 31, 2021 and 2020.

Cash and cash equivalents

The Company considers temporary cash investments with a maturity of three months or less when purchased to be cash and cash equivalents. In accordance with Tennessee Code Annotated Section 9-1-118, the full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation (“FDIC”). For deposits above and beyond the amount covered by the FDIC, the Company follows the requirements as set forth in Tennessee Code Annotated Title 9 Chapter 4, Part 5, “Collateral Pool for Public Deposits Act of 1990,” whereby “Local governments with bank deposits that are in excess of the amount covered by FDIC insurance must either maintain the deposit with a bank that is a member of the bank collateral pool or collateralize the deposit in accordance with State statues.”

Investments

The Company's investments are reported at fair value in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, which establishes a fair value hierarchy. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair values of investments in certain private equity, hedge and real estate funds are based on the investments' net asset value ("NAV") per share (or its equivalent) provided by the fund manager. The Company invests in government bonds, short-term money market investments, equity securities and alternative investments that are in accordance with the Company's investment policy. Alternative investments include the Company's ownership interest in limited partnerships and hedge, private equity and real estate investment funds.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Assets limited as to use

Assets limited as to use represent investments and temporary cash deposits set aside for multiple purposes:

- Funds by trustee under trust indentures
- To self-insure against malpractice and other general liability claims
- For future renovation, replacement, and expansion of the facilities
- To replenish operating funds as needed

The types of securities that are permitted investments for Company funds are established by the Company's Investment Policy in accordance with Tennessee Statutes. All funds of the Company may be invested in obligations of or guaranteed by the United States Government. In addition, certain funds of the Company may be invested in obligations of agencies of the U.S. government; obligations of or guaranteed by the State of Tennessee; collateralized certificates of deposit and repurchase agreements; commercial paper; and other asset classes including fixed income, domestic equities, international equities, and alternative investments.

Intangible assets

Intangible assets are amortized over their estimated useful lives of 5 to 40 years.

Capital assets

Property, plant, and equipment are recorded on the basis of cost. Depreciation is computed by applying the straight-line method over the estimated remaining useful lives of buildings and improvements (10 to 40 years) and equipment (4 to 20 years). Assets under capital leases are amortized using the straight-line method over the shorter of the estimated useful life of the assets or life of the lease term, excluding any lease renewal, unless the lease renewals are reasonably assured. Amortization expense related to assets under capital leases is included in depreciation expense. The Company's capitalization threshold is $3 and a minimum useful life of 2 years.

Lease assets

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.

Deferred outflows/inflows of resources

In addition to assets, the statements of net position report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as outflow of resources (expense) until then. In addition to liabilities, the statements of net position report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Company’s deferred inflows and outflows are related to pensions, excess consideration provided for acquisitions, lease arrangements in which the Company acts as lessor, and deferred charges on bond refundings.

Compensated absences

The Company allows employees to accumulate paid time off to be used for vacation, holiday and sick time. The Company allows employees to be paid for their vacation and holiday time not taken and accrues its liability for such time. Such liability is classified as accrued compensation and related expenses in the accompanying statements of net position.

Defined benefit pension plans

For purposes of measuring the 2022 and 2021 net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Company's defined benefit pension plans and additions to/deductions from the Company's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Bond original issue discounts or premiums

Bond original issue discounts or premiums are included with the long-term debt accounts and are amortized over the life of the related bonds by the interest method. Such amortization is included in interest expense in the accompanying statements of revenues and expenses and changes in net position.

Patient accounts receivable

Patient accounts receivable are reported net of both an estimated allowance for contractual adjustments and an estimated allowance for uncollectible accounts. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, TennCare and other third-party payor programs. The bad debt allowance is estimated based upon the age of the account, prior experience and any unusual circumstances which affect the collectability. The Company does not require collateral or other security for patient accounts receivable and routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

Charity care and community benefit

As a community provider, the Company's policy is to accept all patients regardless of their ability to pay. Management believes that substantially all the uncollected amounts are due to patients' inability to pay. Therefore, all amounts which are not collected, other than third-party payor contractual adjustments, are recorded as charity care and excluded from net patient service revenues. In April 2015, the Company implemented a presumptive charity program, which is designed to provide financial assistance for non-elective services to individuals who meet approved eligibility criteria that have not applied through the traditional Patient Financial Assistance Program. Evaluation for presumptive charity begins at 90 days from initial patient billing, and determinations are made based upon obtainable credit history and estimated household income. As a result of this program, deductions to revenue that were considered bad debts in prior years are now considered to be charity care. The community benefit provided through charity care, including provisions for bad debts, was $148,497 and $137,664, based on gross charges, for the years ended June 30, 2022 and 2021, respectively. The estimated costs of providing charity services are based on a calculation, which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Company's total expenses divided by gross patient service revenue. The estimated cost of providing such services amounted to approximately $49,220 and $45,261 for 2022 and 2021, respectively.

EHR incentive payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act ("HITECH"). The provisions were designed to increase the use of electronic health record ("EHR") technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional Medicaid incentive payments.

Net patient service revenues

Net patient service revenues are reported at the net amounts billed to patients, third-party payors and others for services rendered, including an estimated provision for bad debts and estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as changes in estimated provisions and final settlements are determined. Changes in estimated provisions and final settlements are included in net patient service revenues. Changes in estimated settlements resulted in an increase (decrease) in net patient service revenues of $1,925 and $830 for the years ended June 30, 2022 and 2021, respectively.

The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

<u>Medicare</u>

Inpatient acute care services and skilled nursing 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. The Company receives additional payments from Medicare based on the provision of services to a disproportionate share of Medicaid-eligible and other low income patients. The Center for Medicare and Medicaid Services ("CMS") established an outpatient prospective payment system. CMS established groups called ambulatory payment classifications for outpatient procedures. Payments are made based on the group assignment for the service rendered. Additionally, CMS established a prospective payment system for home health services.

<u>TennCare</u>

The Company contracts with managed care organizations to receive reimbursement for providing hospital services to patients covered under the TennCare program. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges or prospectively determined daily rates.

Other

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

Charges at the Company's established billing rates (gross patient service charges) related to patients covered by Medicare, Medicaid, and TennCare programs were 67% of gross patient service revenues for the fiscal years ended June 30, 2022 and 2021.

Charges exceeding amounts reimbursed and not included in net patient service revenues were as follows:

	2022	2021
Medicare	**$ 1,058,230**	$ 1,055,306
TennCare	**396,563**	377,215
Other	**744,450**	623,751
Bad debts	**81,447**	66,008
	$ 2,280,690	$ 2,122,280

Laws and regulations governing the Medicare and TennCare/Medicaid programs are 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. The estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined (in relation to certain government programs, primarily Medicare, this is generally referred to as the "cost report" filing and settlement process). Final determination of amounts earned under prospective payment and cost reimbursement activities is subject to review by appropriate governmental authorities or their agents. Management believes that adequate provisions have been made for adjustments that may result from final determination of amounts earned under Medicare and Medicaid programs.

Virtual disproportionate share, statutory disproportionate share, critical access, and charity care pool, payments of approximately $13,502 and $14,328 received from TennCare/Medicaid were included in net patient service revenues during the years ended June 30, 2022 and 2021, respectively.

The Company believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and TennCare/Medicaid programs.

Operating revenues and expenses

The Company's primary mission is to provide health care services to the citizens of West Tennessee through its acute care and specialty care facilities. Therefore, operating revenues and expenses include those generated from direct patient care and sundry revenues and expenses related to the operation of the Company's facilities.

Federal income taxes

The Internal Revenue Service has determined that all material affiliates comprising the Company are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The District is also exempt from federal income taxes under Section 115 of the IRC. As qualified tax-exempt organizations, each of the tax-exempt affiliates comprising the Company must operate in conformity with the IRC to maintain its tax-exempt status.

Recent accounting pronouncements

Governmental Accounting Standards Board ("GASB") Statement No. 91, *Conduit Debt Obligations,* has the primary objective of providing a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021 (the Company's fiscal year 2023).

GASB Statement No. 94, *Public-Private and Public-Private Partnerships and Availability Payment Arrangements* has the primary objective to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 (the Company's fiscal year 2023).

GASB Statement No. 96, *Subscription Based Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 (the Company's fiscal year 2023).

GASB Statement No. 99, *Omnibus 2022*, has the objectives to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics. Certain requirements of this Statement are effective upon issuance, for reporting periods beginning after June 15, 2022 (the Company's fiscal year 2022), and for reporting periods beginning after June 15, 2023 (the Company's fiscal year 2023).

Management is evaluating the impact that the adoption of these standards will have on the financial statements.

2. Adoption of New Accounting Standard

During the year ended June 30, 2022, the Company implemented 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. Certain information and resources were not available to allow the Company to restate prior periods presented, therefore the accounting standard was adopted effective July 1, 2021, and resulted in no changes to net position as of July 1, 2021.

3. COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of coronavirus, a pandemic, and on March 13, 2020, a national emergency was declared in the United States. In response, state and local governments in the Company's service areas have imposed various measures to curtail certain aspects of public life in an effort to control further spreading of COVID-19. These measures include the closures of schools and businesses deemed "nonessential" and the temporary deferral of many of the Company's elective procedures and other non-urgent patient services. These measures have created significant volatility in the Company's operations since March 2020. The ongoing disruption of the pandemic has resulted in deep and broad economic contraction, sharp increases in unemployment, supply chain shortages, and volatility in the financial markets. The pandemic could also result in an abnormally high demand for health care services, inundating the Company with patients in need of intensive care services. The treatment of a highly contagious disease could also result in a temporary shutdown of areas of the facility or diversion of patients or staffing shortages. These conditions may reduce the availability and increase the cost of certain medical supplies and equipment, negatively impact the creditworthiness of the Company's patients and payors and their ability to pay, result in shortages of clinical staff, and hurt the performance of the Company's investment portfolios.

The Company has activated plans to address the risks associated with the pandemic and is operating pursuant to infectious disease protocols and its emergency preparedness plan. The Company has also implemented various cost saving measures to attempt to mitigate any adverse financial impact and has received federal funding intended to provide emergency assistance to healthcare providers impacted by the pandemic.

The Provider Relief Fund was established under the Coronavirus Aid, Relief and Economic Security ("CARES") Act, administered by the U.S. Department of Health and Human Services ("HHS"), which was signed into law on March 27, 2020. The Company received approximately $73,720 from the Provider Relief Fund in fiscal 2020. These funds are intended to reimburse qualifying expenses and lost revenues attributable to COVID-19 and are subject to the terms, conditions, and regulatory requirements set forth by HHS. The Provider Relief Funds are accounted for as voluntary nonexchange transactions and related revenues are recognized as eligibility criteria are met. During the year ended June 30, 2020 the Company recognized $53,200 of the Provider Relief Funds. The remaining $20,520 received in fiscal 2020 in addition to $4,700 in additional Provider Relief Fund payments received in fiscal 2021 were recognized by the Company in fiscal 2021. The Company received and recognized additional Provider Relief Funds of approximately $37,490 in fiscal 2022. The 2022 and 2021 relief funding is presented within nonoperating revenues (expenses) in the accompanying statements of revenues and expenses and changes in net position.

In addition to the terms, conditions, and published regulatory guidance available as of June 30, 2022 and 2021, HHS has published additional guidance related to the nature and allowability of certain qualifying expenses and methods for determining lost revenues attributable to COVID-19 through the publication of Frequently Asked Questions (FAQs) and the Post-Payment Notice of Reporting Requirements (see Note 11). The Company relied on the guidance available during the year ended June 30, 2022 and 2021, in determining the amounts of qualifying expenses and lost revenues attributable to COVID-19 and the related recognition of revenue during each of fiscal 2022 and 2021. Such determinations required management to make subjective interpretations of the available guidance, and to make assumptions and exercise considerable judgment.

The CARES Act allows employers to defer the payment of the employer's share of Federal Insurance Contributions Act ("FICA") taxes from the period of March 27, 2020 through December 31, 2020. 50% of the deferred employer FICA taxes is to be paid by December 31, 2021, with the remaining 50% to be paid by December 31, 2022. The Company began deferring employer FICA taxes in August 2020. The Company had $4,973 and $9,961 in deferred payroll taxes as of June 30, 2022 and 2021, respectively, which is included in the "Accrued compensation and related expense" section of liabilities in the Statements of Net Position.

In addition, in April 2020 the Company received $109,651 in advance Medicare payments under the Centers for Medicare and Medicaid Services ("CMS") accelerated / advance payment program. These payments represent an advance on future services to be provided to Medicare patients, and are anticipated to be repaid in full during fiscal year 2022. The advance Medicare payments are reported as a current liability in the accompanying Statements of Net Position and have a balance of $26,075 and $97,413 as of June 30, 2022, and 2021, respectively.

The extent of the impact of the pandemic on the Company's operational and financial performance will depend on certain developments, including the severity and duration of the pandemic, the responses of federal, state, and local governments and private industry, and the broader impact on the national and local economies. A sustained economic downturn could ultimately reduce the demand for the healthcare services and thus negatively impact future patient volumes, revenues, and cash flows. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

4. Assets Limited as to Use

The Company, as authorized by the Board of Trustees, maintains checking accounts necessary for daily operations and deposits and investments for debt service reserve funds, the contingency fund, and other internally designated funds.

Debt service reserve funds

The bond funds are maintained in accordance with the bond indentures related to the Series 2008 $318,980 Hospital Revenue Refunding and Improvement Bonds and the Series 2015 $205,965 Hospital Revenue Refunding Bonds (see Note 8). The interest fund and bond sinking fund are maintained for the payment of bond principal and interest. A debt service reserve fund was created under the existing indenture in connection with the issuance of the Series 2008 Bonds and this fund was eliminated in 2018 subsequent to the Series 2018A bond issue that refunded all outstanding Series 2008 bonds. The debt service reserve fund was maintained to make up any deficiencies in the interest fund and bond sinking fund. No debt service reserve fund was required in connection with the Series 2015, Series 2018A, Series 2018B bonds, or Series 2021 notes. Certain amounts comprising the interest fund, bond sinking fund and debt service reserve fund are included in the current portion of assets limited as to use in the accompanying statements of net position based on debt service requirements during the following fiscal year. The Company first applies restricted resources when expenses are incurred for purposes for which both restricted and unrestricted assets are available.

Board designated contingency fund and other internally designated

The Company established a board designated contingency fund for losses on self-insured professional liability claims. The Company also reserves funds for future purchases of capital assets and other internal purposes, and these funds are included in other internally designated assets limited as to use.

5. Cash and Investments

At June 30, 2022 and 2021, the Company had cash and deposits as follows:

	2022	2021
Cash on hand	**$ 19**	$ 18
Cash insured (FDIC) or collateralized with securities held by the Company	**1,485**	1,156
Cash collateralized by securities held by the pledging financial financial institution's trust department in the Company's name or in the State of Tennessee Collateral Pool	**42,469**	163,742
Total	**$ 43,973**	$ 164,916

Assets limited as to use consist of the following investments which are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB statements require or permit on the statements of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Prices for investment securities such as common stocks and mutual funds are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

Prices for preferred stock, corporate bonds, U.S. government and agency fixed income securities, collateralized debt obligations and mortgage-backed securities are determined on a recurring basis based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2.

There is limited or no observable data for the price of the private limited partnership fund, and the resulting fair value is categorized as Level 3. The fair value of this investment was estimated based primarily on the value of the underlying investments held by the fund and other information provided by the fund manager.

Investments' fair value measurements are as follows at June 30, 2022 and 2021:

	2022	Fair Value Measurements Using		
	Fair Value	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Mutual funds:				
Money market	**$ 6,243**	**$ 6,243**	**$ -**	**$ -**
Balanced	**43,537**	**43,537**	**-**	**-**
Fixed income	**39,780**	**39,780**	**-**	**-**
	89,560	**89,560**	**-**	**-**
Common stock	**551**	**551**	**-**	**-**
Limited partnership fund of funds	**1,117**	**-**	**-**	**1,117**
Total investments in the fair value hierarchy	**91,228**	**$ 90,111**	**$ -**	**$ 1,117**
Investments measured at NAV	**318,578**			
Total investments	**$ 409,806**			

	2021 Fair Value	Fair Value Measurements Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual funds:				
Money market	$ 6,973	$ 6,973	$ -	$ -
Balanced	48,715	48,715	-	-
Fixed income	38,110	38,110	-	-
	93,798	93,798	-	-
Common stock	590	590	-	-
Limited partnership fund of funds	1,197	-	-	1,197
Total investments in the fair value hierarchy	95,585	$ 94,388	$ -	$ 1,197
Investments measured at NAV	352,647			
Total investments	$ 448,232			

The fair values of investments in certain private equity and hedge funds are based on the investments' NAV per share (or its equivalent) provided by the fund manager. Investments valued at NAV are as follows at June 30, 2022 and 2021:

	2022 Fair Value	2021 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships and hedge funds					
Equity fund [a]	**$ 93,150 ***	117,972 *	None	Daily	None
Core fixed income [b]	**70,347 ***	70,689 *	None	Daily	None
Public inflation hedge [c]	**37,245 ***	36,576 *	None	Daily	None
Real estate limited partnership [d]	**34,014 ***	36,077 *	None	Quarterly	60 days
Direct hedged equity fund [e]	**27,857 ***	37,472 *	None	Monthly	100 days
Private equity fund – global [f]	**28**	543	None	Quarterly	30 days
Private equity fund – global II [g]	**16,834 ***	16,275	None	(g)	1 year
Private equity funds [h]	**16,684 ***	9,573	None	(h)	N/A
Public foreign equity [i]	**9,075**	11,810	None	Monthly	30 days
Hedge fund [j]	**13,344**	15,660	None	Semi-annual	100 days
	$ 318,578	$ 352,647			

* Denotes an investment that is more than 5% of total investments.

(a) This fund is primarily invested in common stocks and exchange traded mutual funds in the United States and globally. The fair value of this investment has been estimated using the net asset value as provided by the fund manager.

(b) This fund is primarily invested in a broad range of fixed income securities, including commercial mortgage - backed securities, U.S. and global corporate bonds, and U.S. government securities.

(c) This fund's objective is to provide a partial hedge against inflation through a basket of inflation-sensitive assets. The fund holds investments in common stocks, exchange traded mutual funds and a broad range of fixed income securities in the U.S. and globally. Additionally, the fund is invested in derivatives and interest rate swaps.

(d) This fund actively manages a core portfolio consisting primarily of participating mortgage loans and equity real estate investments located in the United States.

(e) This fund invests in a number of alternative strategies through the use of separate accounts and limited partnerships. The objective is to provide a long-term total return with reduced volatility and reduced correlation to conventional stock and bond markets by utilizing a broad array of trading and investment strategies.

(f) This semi-liquid investment fund provides diversified private markets exposure in a registered investment company vehicle. 70% of the portfolio will be allocated to private equity, 20% to private debt, and the remaining 10% in liquid investments for cash management purposes.

(g) This is a semi-liquid investment fund following an initial lock of 3 years. The fund provides diversified private markets with exposure to private equity, real estate, secondary markets, infrastructure, and private credit.

(h) This investment is an illiquid investment that provides dedicated exposure to private equity investments. Investments in this fund cannot be redeemed. Rather, investments will be made for the first 5 years of the fund, and redemptions will be made as the underlying assets of the fund are liquidated. Final redemption could exceed 10 years. Because it is not probable that any of the investment will be sold prior to redemption, the fair value of the investment has been determined using the NAV per share of the Company's ownership interest.

(i) This fund is primarily invested in closed-end funds with a focus on developed international and emerging market equities.

(j) This fund invests in a number of long/short hedge fund strategies. The objective is to provide equity-like returns over the long term with less volatility than traditional equity markets.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the Company has assessed the custodial credit risk, the concentration of credit risk, credit risk, and interest rate risk of its cash and investments.

Custodial credit risk

The Company's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or are collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Company will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Company's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Company, and are held by either the counterparty or the counterparty's trust department or agent but not in the Company's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Company will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

At June 30, 2022 and 2021, the Company's bank balances were not exposed to custodial credit risk since the full amount was covered by FDIC insurance or collateralized by securities held by the pledging financial institution's trust department in the Company's name or by the State of Tennessee Collateral Pool.

As of June 30, 2022 and 2021, the Company's investments in assets limited as to use were registered in the Company's name; therefore, they are not exposed to custodial credit risk. In addition, the Company's investment policy requires that specific qualifications be met in order to represent the Company as a custodian.

Concentration of credit risk

This is the risk associated with the amount of investments the Company has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Company's investment policy states that no equity may represent more than 8% of any individual portfolio manager and that no single purchase shall represent more than 5% of the Company's total equity position.

Credit risk

GASB Statement No. 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Company's investment policy provides guidelines for its fund managers and lists specific allowable investments. The policy provides for the utilization of varying styles of managers so that portfolio diversification is maximized and total portfolio efficiency is enhanced.

The credit risk profile of the Company's investments as of June 30, 2022, is as follows:

	Balance June 30, 2022	Rating AAA	AA+/AA/AA-	A+ / A / A-	NA
Money market mutual funds	$ 6,243	$ 6,243	$ -	$ -	$ -
Real estate limited partnership at NAV	34,014	-	-	-	34,014
Fixed income mutual fund	39,780	16,361	2,131	3,407	17,881
Balanced mutual fund	43,537	-	-	-	43,537
Common stock	551	-	-	-	551
Limited partnerships	1,117	-	-	-	1,117
Common and collective trust funds	237,673	60,510	3,945	7,762	165,456
Private equity funds	46,891	-	-	-	46,891
Total investments	409,806	83,114	6,076	11,169	309,447
Amounts required to meet current obligations	(5,953)	(5,953)	-	-	-
	$ 403,853	$ 77,161	$ 6,076	$ 11,169	$ 309,447

Interest rate risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Company's investment policy authorizes a strategic asset allocation that is designed to provide an optimal return over the Company's investment horizon and within the Company's risk tolerance and cash requirements.

The distribution of the Company's investments by maturity as of June 30, 2022, is as follows:

	Balance June 30, 2022	Maturity				
		12 Months or Less	12 to 24 Months	24 to 60 Months	More than 60 Months	NA
Money market mutual funds	$ 6,243	$ 6,243	$ -	$ -	$ -	$ -
Real estate limited partnership at NAV	34,014	-	-	-	-	34,014
Fixed income mutual fund	39,780	23,201	18,168	-	2,914	(4,503)
Balanced mutual fund	43,537	-	-	-	-	43,537
Common stock	551	-	-	-	-	551
Limited partnerships	1,117	-	-	-	-	1,117
Common and collective trust funds	237,673	3,063	15,476	-	49,624	169,510
Private equity hedge fund	46,891	-	-	-	-	46,891
Total investments	409,806	32,507	33,644	-	52,538	291,117
Amounts required to meet current obligations	(5,953)	(5,953)	-	-	-	-
	$ 403,853	$ 26,554	$ 33,644	$ -	$ 52,538	$ 291,117

For the years ended June 30, 2022 and 2021, investment (loss) income is comprised of the following:

	2022	2021
Interest and dividends	$ 2,078	$ 2,631
Net (decrease) increase in fair value of investments	(39,792)	76,077
	$ (37,714)	$ 78,708

6. Disaggregation of Payable Balances

Accounts payable at June 30, 2022 and 2021, consisted of the following:

	2022	2021
Due to vendors	$ 32,786	$ 31,106
Due to patients and third-party payors	5,026	4,659
Other	177	111
Total accounts payable	$ 37,989	$ 35,876

Other accrued expenses at June 30, 2022 and 2021, consisted of the following:

	2022	2021
Self-insured professional liability	$ 4,300	$ 4,300
Self-insured employee health claims liability	4,968	4,968
Other	1,919	949
Total other accrued expenses	$ 11,187	$ 10,217

7. Capital Assets

The adoption of GASB 87 resulted in the reclassification of certain equipment with gross value of $3,068 and accumulated depreciation of $325 at June 30, 2021 previously accounted for as capital lease assets under prior accounting guidance to lease assets. Capital assets activity for the years ended June 30, 2022 and 2021, consisted of the following:

	Balance 30-Jun-21	Adoption of GASB 87	Additions	Transfers	Reductions	Balance 30-Jun-22
Land	$ 40,218	$ -	$ 295	$ -	$ (219)	$ 40,294
Land improvements	14,096	-	245	187	(44)	14,484
Building	373,655	-	5,578	11,596	(156)	390,673
Equipment	620,743	(3,068)	22,247	14,307	(2,311)	651,918
	1,048,712	(3,068)	28,365	26,090	(2,730)	1,097,369
CIP	49,515	-	27,459	(26,090)	(73)	50,811
Total capital assets	1,098,227	(3,068)	55,824	-	(2,803)	1,148,180
Accumulated depreciation	(685,838)	325	(44,628)	-	991	(729,150)
Net capital assets	$ 412,389	$ (2,743)	$ 11,196	$ -	$ (1,812)	$ 419,030

	Balance June 30, 2020	Additions	Transfers	Reductions	Balance June 30, 2021
Land	$ 40,612	$ -	$ -	$ (394)	$ 40,218
Land improvements	14,424	-	10	(338)	14,096
Building	374,418	481	1,760	(3,004)	373,655
Equipment	607,717	28,931	833	(16,738)	620,743
	1,037,171	29,412	2,603	(20,474)	1,048,712
CIP	15,173	36,945	(2,603)	-	49,515
Total capital assets	1,052,344	66,357	-	(20,474)	1,098,227
Accumulated Depreciation	(644,334)	(51,110)	-	9,606	(685,838)
Net capital assets	$ 408,010	$ 15,247	$ -	$ (10,868)	$ 412,389

Depreciation expense totaled $44,628 and $51,110, during the years ended June 30, 2022 and 2021, respectively. In addition, the Company recognized an impairment loss on certain equipment in fiscal 2022 of approximately $1,400.

Construction in progress at June 30, 2022, consists of various projects for additions and renovations to the Company's facilities. The Company has outstanding contracts and other commitments related to the completion of these projects. The Company estimated approximately $25,377 and $40,681 in costs to complete these projects as of June 30, 2022, and 2021, respectively.

8. Long-Term Debt and Financed Purchase (Capital Lease) Obligations

The adoption of GASB 87 resulted in the reclassification of a lease with obligations outstanding of $3,048 at June 30, 2021, previously accounted for as a capital lease under prior accounting guidance, to lease liabilities.

Long-term debt consists of the following at June 30, 2022 and 2021:

	2022	2021
Hospital Revenue Bonds, Series 2015	**$ 167,110**	$ 177,590
Plus unamortized bond premium	**10,233**	11,657
Hospital Revenue Bonds, Series 2018A	**53,240**	57,730
Plus unamortized bond premium	**3,642**	4,183
Hospital Revenue Bonds, Series 2018B	**85,745**	87,385
Bond Anticipation Notes, Series 2021	**10,000**	-
Financed purchases (capital leases) payable	**470**	3,661
	330,440	342,206
Amount due within one year, Series 2015	**(5,515)**	(5,405)
Amount due within one year, Series 2018A	**(1,745)**	(1,745)
Amount due within one year, Series 2018B	**(1,705)**	(1,640)
Amount due within one year, financed purchases (capital leases)	**(64)**	(758)
Total amounts due within one year	**(9,029)**	(9,548)
Total long-term debt less amounts due within one year	**$ 321,411**	$ 332,658

In November 2021, the Company issued $10,000 of Series 2021 Bond Anticipation Notes ("Notes") to advance refund and legally defease $5,235 and $2,835 of the Series 2015 and Series 2018A bonds, respectively. The Notes bear interest at the SOFR index rate plus an applicable spread as defined in the agreement (1.82% at June 30, 2022) and is paid monthly until the maturity date of November 1, 2023, at which time all principal and interest are due. The Series 2015 and Series 2018A bonds being advanced refunded had an average interest rate of 4.79%.

The net proceeds of $8,070 (after issuance costs of $667, 2015 and 2018A unamortized bond premiums of $548, and loss on defeasance of $715) were deposited in an irrevocable trust with an escrow agent and used to purchase U.S. government securities, and will be used to provide for all future debt service payments on the Series 2015 and Series 2018A bonds. As a result, the Series 2015 and Series 2018A bonds are considered to be defeased and the liability for those bonds has been removed from the Company's financial statements. Total amount of Series 2015 and Series 2018A bonds outstanding that have been defeased at June 30, 2022 was $7,550. The advance refunding resulted in a loss of $718, which was recorded as deferred outflows of resources in the accompanying statements of net position and is being amortized over the remaining life of the Notes (through 2023).

In November 2018, the Company issued $62,870 of Series 2018A Hospital Revenue Refunding Bonds and $91,025 of Series 2018B Taxable Hospital Revenue Bonds. The proceeds of the Series 2018A Bonds, together with other funds, were used by the Company to refund all outstanding Bonds from the Series 2008 Bond issue. The proceeds of the Series 2018B Bonds were used to reimburse the Company for the $90,000 bridge loan financing that was obtained for the Tennova West acquisition. The difference between the reacquisition price ($159,060) and the net carrying value of the old debt ($159,907) resulted in a loss of $847, which was recorded as deferred outflows of resources in the accompanying statements of net position and is being amortized over the remaining life of the Series 2008 Bonds (through 2041).

In April 2015, the District issued $205,965 of Series 2015 Hospital Revenue Refunding Bonds. The proceeds of the Series 2015 Bonds, together with other funds, were used by the District to advance refund $210,895 of the outstanding Series 2008 Hospital Revenue Refunding and Improvement Bonds. The difference between the reacquisition price ($241,465) and the net carrying value of the old debt ($207,897) resulted in a loss of $33,568, which was recorded as deferred outflows of resources in the accompanying statements of net position and is being amortized over the remaining life of the Series 2008 Bonds (through 2041).

The District's revenues are pledged as collateral to the Series 2018 and Series 2015 Bonds. Interest rates range from 3.25% to 5.31% on the Series 2018 Bonds and 2.0% to 5.25% on the Series 2015 Bonds. The District's Series 2018 and Series 2015 Bonds contain covenant and default provisions as defined in the agreements, including the requirement to maintain rates such that net revenue available for debt service in a given fiscal year be greater than 110% of the principal and interest payment requirements for all debt for such fiscal year. In the event that the District violates this covenant by not maintaining such ratio, the District has the ability to cure the violation as defined in the agreement. The inability to cure the violation would result in a default. In each and every case of default, unless cured by the District within 30 days after written notice, the outstanding amounts can become due immediately upon approval of the bondholders.

Finance purchase (capital lease) obligations

The Company entered into lease agreements that are accounted for as financed purchases under GASB 87 in fiscal 2022, as title passes to the lessee at lease termination, and capital leases under relevant accounting guidance in fiscal 2021, whereby it is leasing certain equipment through 2029. At June 30, 2022, the carrying value of equipment held under these leases totaled $505.

During 2021, the Company entered into a lease termination agreement, consisting of selling certain equipment with a net carrying value of approximately $7,075 held under capital lease back to the vendor for approximately $6,000, and repaying the remaining portion of the lease liability ($5,474) in addition to an early termination penalty ($331). The agreement was effective June 30, 2021, and net loss of approximately $1,406 was recognized on the lease termination transaction.

Minimum future lease payments under the financed purchase obligations at June 30, 2022, are as follows:

2023	$ 81
2024	81
2025	81
2026	80
2027	75
Thereafter	138
	536
Less: Amount representing interest	(66)
Present value of net minimum payments	470
Less: Current maturities	(64)
Long-term maturities of financed purchase obligations	$ 336

Long-term debt (excluding unamortized bond premium or discount) for the years ended June 30, 2022 and 2021, consisted of the following:

	June 30, 2020	Additions	Reductions	June 30, 2021	Additions	Reductions	June 30, 2022
Bonds payable	$ 331,090	$ -	$ 8,385	$ 322,705	10,000	16,610	$ 316,095
Capital leases	8,244	3,068	7,651	3,661	20	3,211	470
Total	$ 339,334	$ 3,068	$ 16,036	$ 326,366	$ 10,020	$ 19,821	$ 316,565

Scheduled principal and interest payments, including bonds payable and financed purchases, are as follows:

	Principal	Interest	Total Debt Service
Fiscal years ending June 30:			
2023	$ 9,028	$ 14,903	$ 23,931
2024	19,461	14,444	33,905
2025	9,909	13,969	23,878
2026	10,395	13,486	23,881
2027	10,893	12,975	23,868
2028-2032	62,870	56,252	119,131
2033-2037	80,240	38,685	118,925
2038-2042	83,075	18,223	101,298
2043-2047	24,885	5,638	30,523
2048	5,800	309	6,109
	316,565	188,884	505,449
Unamortized bond premium, net	13,875	-	13,875
Total	$ 330,440	$ 188,884	$ 519,324

9. Leases

Lessee

The Company has recorded right-to-use lease assets and lease liabilities as a result of the GASB 87 implementation effective July 1, 2021. The Company 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 asset and related liability have been recorded effective upon the GASB 87 implementation date of July 1, 2021. 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 lease assets are being amortized on a straight-line basis over their respective lease terms, which range from 1 to 20 years.

Right-to-use lease asset additions, adjustments, and balances for the year ended June 30, 2022 are as follows:

	GASB 87 Adoption July 1, 2021	Additions	Retirements	Balance June 30, 2022
Right to use lease assets:				
Equipment	$ 21,079	$ 1,520	$ -	$ 22,599
Real estate	27,548	7,514	-	35,062
	48,627	9,034	-	57,661
Less accumulated amortization:	-	(8,352)	-	(8,352)
Right to use lease asset, net	$ 48,627	$ 682	$ -	$ 49,309

A schedule of changes in the Company's lease liability for the year ended June 30, 2022 are as follows:

	GASB 87 Adoption July 1, 2021	Additions	Payments	Balance June 30, 2022
Lease liability	$ 48,932	$ 9,034	$ (7,544)	$ 50,422

The future minimum lease obligations as of June 30, 2022 are as follows:

Year ending June 30:	Principal Payments	Interest Payments	Total Payments
2023	$ 7,406	$ 1,261	$ 8,667
2024	7,114	1,086	8,200
2025	6,943	916	7,859
2026	6,932	748	7,680
2027	4,452	599	5,051
2028 - 2032	11,875	1,974	13,849
2033 - 2037	2,892	591	3,483
Thereafter	2,808	151	2,959
	$ 50,422	$ 7,326	$ 57,748

Lessor

The Company has entered into agreements as a lessor to lease certain real property. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, lease receivables and deferred inflows of resources have been recorded on the effective date of July 1, 2021. The lease receivables and deferred inflows of resources have been measured at the present value of minimum lease payments such that each lease receivable's initial balance equals the deferred inflows of resources. The deferred inflows of resources are being amortized into other income on a straight-line basis over their respective lease terms, which range from 1 to 50 years. The lease receivables are being accounted for using the effective interest method, with each payment including a portion of principal and interest income.

A schedule of changes in the Company's lease receivables for the year ended June 30, 2022 are as follows:

	GASB 87 Adoption July 1, 2021	Additions	Principal Payments	Balance June 30, 2022
Lease receivable	$ 4,022	$ 6,920	$ (857)	$ 10,085

10. Retirement Plans

The Company maintains and administers a noncontributory defined benefit pension plan, a defined contribution plan, a supplemental 415(m) plan, and other post-employment benefits plan. The operation of the plans is consistent with the laws of Tennessee and the United States federal government.

The Company's net pension liability as of June 30, 2022 and 2021, consists of the following:

	2022	2021
Defined benefit pension plan	**$ 69,587**	$ 126,557
Postretirement medical plan (OPEB)	**(1,039)**	(2,726)
Supplemental 415(m) plan	**1,179**	1,218
	$ 69,727	$ 125,049

Defined benefit pension plan

The West Tennessee Healthcare Pension Plan (the "Plan") is a single-employer defined benefit pension plan administered by the District. All employees hired after October 1, 2005, and prior to June 30, 2010, are covered on the fifth anniversary of their date of hire after they have completed at least 1,800 hours of employment per year. The Plan was discontinued for employees hired after June 30, 2010. The Plan provides retirement, termination, disability, and death benefits to plan members and beneficiaries. The Plan issues a publicly available financial report that can be obtained from the Company's Internal Audit Department, 620 Skyline Drive, Jackson, Tennessee 38301.

Normal retirement benefits for employees hired prior to October 1, 2005, are calculated as one-twelfth of 1.2% of the employee's highest consecutive 5-year average salary, plus .65% of average compensation in excess of covered compensation, as defined, for each year of credited service up to a maximum of 30 years. Normal retirement benefits for employees hired after October 1, 2005, are calculated as one-twelfth of the sum of (1), (2), and (3) as defined below:

(1) 0.5% of the employee's average compensation multiplied by years of credited service, as defined, up to ten years.

(2) 1% of the employee's average compensation, multiplied by years of credited service, as defined, in excess of ten years, but not over twenty years.

(3) 1.5% of the employee's average compensation multiplied by years of credited service, as defined, in excess of twenty years, but not exceeding thirty years.

Employees initially hired or acquired prior to October 1, 2005, are eligible to retire at the first of the month coincident with or next following the date on which the person attains age 65. Employees initially hired or acquired on or after October 1, 2005, are eligible to retire at the first of the month coincident with or next following the date the person attains age 65 and has been credited with at least five years of service. Employees initially hired or acquired prior to October 1, 2005, are eligible to retire before normal retirement on or after attaining age 55. Employees initially hired or acquired on or after October 1, 2005, are eligible to retire before normal retirement on or after attaining age 55 with five years of service.

All employees are eligible for disability benefits after 10 years of service. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefit is determined as if the employee had retired immediately before death and had elected to receive a joint and 100% survivor annuity naming the beneficiary as the joint annuitant.

At January 1, 2021 and January 1, 2020, the census dates used to measure the 2022 and 2021 total pension liability, respectively, the following employees (stated in actual numbers, not thousands) were covered by the benefit terms of the Plan:

	2022	2021
Inactive employees or beneficiaries currently receiving benefits	**1,193**	1,147
Inactive employees or beneficiaries entitled to but not yet receiving benefits	**698**	670
Active employees	**1,906**	2,081
Total	**3,797**	3,898

Contributions

The Company has no legal or Plan requirements to fund the Plan. The Company’s funding policy is to make contributions based on an amount recommended by an independent actuary calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. The actuarially determined contribution is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The additional amount to finance the unfunded liability has been estimated with the goal of fully funding the plan over a closed 30-year period beginning in 2017. In addition, annual gains and losses have been spread over a 10-year period in order to reduce the effects of market volatility and provide stability to the suggested contributions. For the years ended June 30, 2022 and 2021, the Company's average contribution rate was 11% and 10%, respectively, of annual payroll.

Net pension liability - 2022

The Company's net pension liability at June 30, 2022, was measured as of June 30, 2021, and the total pension liability used to calculate the 2021 net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.5%
Investment rate of return	6.5%

Mortality rates were based on the RP-2014 Mortality Table for males and females with adjustments for generational projections based on Scale BB, using the Entry Age Normal Cost method. The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2020, to June 30, 2021.

The long-term expected rate of return on Plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic & international equity securities	55%	7.3 - 7.9%
Private equity	10%	8.3 - 8.7%
Hedged equity	10%	4.6 - 5.0%
Real estate and other	15%	5.4 - 5.5%
Fixed income	10%	1.8 – 2.8%
	100%	

Net pension liability - 2021

The Company's net pension liability at June 30, 2021, was measured as of June 30, 2020, and the total pension liability used to calculate the 2021 net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.5%
Investment rate of return	6.5%

Mortality rates were based on the RP-2014 Mortality Table for males and females with adjustments for generational projections based on Scale BB, using the Entry Age Normal Cost method. The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2019, to June 30, 2020.

The long-term expected rate of return on Plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic & international equity securities	55%	7.3 - 7.9%
Private equity	10%	8.3 - 8.7%
Hedged equity	10%	4.5 - 5.0%
Real estate and other	15%	5.2 - 5.3%
Fixed income	10%	1.0 – 2.3%
	100%	

The discount rate used to measure the 2022 and 2021 total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that the Company contributions will be made at actuarially determined amounts. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability

The net pension liability and annual pension expense for fiscal year 2022 are based on a measurement date of June 30, 2021, and a measurement period of July 1, 2020 to June 30, 2021.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance, June 30, 2021	$ 371,125	$ 244,568	$ 126,557
Service cost	5,559	-	5,559
Interest	23,774	-	23,774
Difference between expected and actual experience	(2,347)	-	(2,347)
Contributions – employer	-	12,775	(12,775)
Net investment income	-	71,181	(71,181)
Benefit payments	(22,219)	(22,219)	-
Administrative expense	-	-	-
Net changes	4,767	61,737	(56,970)
Balance, June 30, 2022	**$ 375,892**	**$ 306,305**	**$ 69,587**

The net pension liability and annual pension expense for fiscal year 2021 are based on a measurement date of June 30, 2020, and a measurement period of July 1, 2019 to June 30, 2020.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance, June 30, 2020	$ 370,270	$ 249,189	$ 121,081
Service cost	6,254	-	6254
Interest	23,832	-	23,832
Difference between expected and actual experience	(9,154)	-	(9,154)
Contributions – employer	-	16,278	(16,278)
Net investment income	-	(822)	822
Benefit payments	(20,077)	(20,077)	-
Administrative expense	-	-	-
Net changes	855	(4,621)	5,476
Balance, June 30, 2021	$ 371,125	$ 244,568	$ 126,557

The following presents the net pension liability of the Company, calculated using the discount rate of 6.5%, as well as what the Company's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Net pension liability	$ 116,229	$ 69,587	$ 30,457

For the years ended June 30, 2022 and 2021, the Company recognized pension expense of $4,069 and $19,531, respectively.

At June 30, 2022, and 2021, the Company reported pension deferred outflows (inflows) of resources as noted below:

	2022	2021
Difference between expected and actual experience	**$ (6,558)**	$ (5,606)
Net difference between projected and actual earnings on Plan investments	**(32,386)**	14,925
Pension contributions subsequent to the measurement date	**13,625**	12,851
	$ (25,319)	$ 22,170

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30		
2023	$	(8,465)
2024		(9,061)
2025		(10,038)
2026		(11,380)
2027		-

Supplemental 415(m) retirement plan

In 2005, the Company established a supplemental 415(m) retirement plan (the "415 Plan"). The 415 Plan provides monthly benefits, to a single retiree, equal to the benefit that cannot be paid from the Plan due to the application of the IRC Section 415 limits. The 415 Plan is unfunded. Benefit payments are deemed contributions when paid.

The 415 Plan net pension liability of $1,179 and annual pension expense of $36 for fiscal year 2022 are based on a measurement date of June 30, 2021, and a measurement period of July 1, 2020 to June 30, 2021, as determined by an actuarial valuation as of that date. The total pension liability in the June 30, 2022, actuarial valuation was determined using a discount rate of 2.25%. The projection of cash flows used to determine the discount rate assumed that the Company contributions will be made at actuarially determined amounts.

The 415 Plan net pension liability of $1,218 and annual pension expense of $230 for fiscal year 2021 are based on a measurement date of June 30, 2020, and a measurement period of July 1, 2019 to June 30, 2020, as determined by an actuarial valuation as of that date. The total pension liability in the June 30, 2021, actuarial valuation was determined using a discount rate of 2.25%, adjusted down from the 4% discount rate that was used at June 30, 2020. The projection of cash flows used to determine the discount rate assumed that the Company contributions will be made at actuarially determined amounts.

Other post-employment benefits ("OPEB")

The West Tennessee Healthcare Postretirement Medical Plan (the "OPEB") is a single-employer plan administered by the Company and provides postretirement health insurance benefits to certain retired employees and their beneficiaries. Effective July 1, 2017, the Company accounts for its OPEB plan in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. During 2016, the OPEB plan was amended to not allow participation for employees retiring after December 31, 2017. With the change, the Company's OPEB plan was overfunded by approximately $3,600. In February 2018, the Company distributed approximately $2,500 of the excess to Plan participants.

Based on the June 30, 2022 and 2021 actuarial valuations, the Company's OPEB plan was overfunded by $1,039 and $2,726 (the "net OPEB asset"), respectively. In February 2021, the company distributed $2,300 of the excess to Plan participants. The remainder of the balance will continue to be drawn down as expenses are incurred by the Plan's existing beneficiaries. With the February 2021 payout being included in the measurement period for fiscal year 2022, the Company recorded an OPEB (expense) income of ($2,095) and $265 in fiscal years 2022 and 2021, respectively. The plan does not issue a publicly available financial report.

<u>Description of OPEB plan</u>

90% of future eligible retirees are assumed to elect medical coverage in the OPEB plan. 100% of current retirees are assumed to continue medical coverage until Medicare eligibility, or until death if grandfathered. Employees that are eligible to participate in the OPEB plan are employees that were either full-time or part-time, enrolled in healthcare benefits, and retired prior to January 1, 2018, after meeting the following criteria:

- Age 60 and 30 years of service
- Age 62 and 15 years of service

Retiree coverage ends at age 65 (Medicare eligibility). Spouse coverage ends at the earlier of the spouse's age 65 or 18 months after the retiree reaches age 65. There is a closed group of grandfathered retirees that are eligible to continue coverage through their lifetime beyond age 65.

Retirees have the choice between two plan options for medical coverage: a medical deductible plan or a medical copayment plan. The retiree monthly contributions (in dollars) as of January 1, 2021, the actuarial valuation date and date of collection of census data, are summarized in the following table:

	Medical Deductible Plan	Medical Copayment Plan
Individual	$ 693	$ 730
Individual + 1	$ 1,371	$ 1,444

Certain grandfathered retirees have no contribution requirement, and certain grandfathered retirees will not be subject to contribution increases.

At January 1, 2022 and 2020, the following employees were covered by the benefit terms of the OPEB plan:

	2022	**2021**
Active employees	**-**	-
Retired employees receiving benefits	**7**	15
Spouses of retired employees receiving benefits	**-**	1
Total	**7**	16

Contributions

The Company has no legal or plan requirements to fund the OPEB plan. The Company's funding policy is to make contributions based on an amount recommended by an independent actuary calculated as of June 30 one year prior to the end of the fiscal year in which contributions are reported. The actuarially determined contribution is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the years ended June 30, 2022 and 2021, the Company was not required to make a contribution to the OPEB plan.

Net OPEB asset

The Company's net OPEB asset at June 30, 2022, was measured as of June 30, 2021, and the total liability used to calculate the 2022 net OPEB asset was determined by an actuarial valuation as of that date. The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions:

Investment rate of return	6.5%

Mortality rates were based on the RP-2014 Mortality Table for males and females with adjustments for generational projections based on Scale BB, using the Entry Age Normal Cost method.

The long-term expected rate of return on Plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Expected Real Allocation	Long-Term-Expected Real Rate of Return
Domestic & international equity securities	100%	7.3 - 7.5%

The discount rate used to measure the total OPEB liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that the Company contributions will be made at actuarially determined amounts. Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net OPEB asset

The net OPEB asset and annual OPEB income for fiscal year 2022 are based on a measurement date of June 30, 2021, and a measurement period of July 1, 2020 to June 30, 2021.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) – (b)
Balance, June 30, 2021	$ 183	$ 2,909	$ (2,726)
Service cost	-	-	-
Interest	11	-	11
Difference between expected and actual experience	23	-	23
Net investment income	-	603	(603)
Benefit payments	(43)	(2,297)	2,254
Assumption change (from 4% discount rate to 2.25%)	2	-	2
Net changes	(7)	(1,694)	(1,687)
Balance, June 30, 2022	**$ 176**	**$ 1,215**	**$ (1,039)**

The net OPEB asset and annual OPEB income for fiscal year 2021 are based on a measurement date of June 30, 2020, and a measurement period of July 1, 2019 to June 30, 2020.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) – (b)
Balance, June 30, 2020	$ 272	$ 2,976	$ (2,704)
Service cost	-	-	-
Interest	15	-	15
Difference between expected and actual experience	(5)	-	(5)
Net investment income	-	(67)	67
Benefit payments	(99)	-	(99)
Net changes	(89)	(67)	(22)
Balance, June 30, 2021	**$ 183**	**$ 2,909**	**$ (2,726)**

The following presents the total OPEB liability of the Company, calculated using the discount rate of 6.5% and healthcare cost trend rates of 7.5% decreasing to 5.5%, as well as what the Company's total OPEB liability would be if it were calculated using a discount rate and healthcare cost trend rate that is 1% lower or 1% higher than the current rate.

	1% Decrease	Current Rates	1% Increase
Net OPEB asset with changes in discount rate	$ (1,033)	$ (1,039)	$ (1,045)
Net OPEB asset with changes in healthcare cost trend rates	$ (1,048)	$ (1,039)	$ (1,029)

At June 30, 2022, the actuarially determined OPEB deferred (inflows) outflows of resources are as follows:

Difference between expected and actual experience	$ -
Net difference between projected and actual earnings on OPEB plan investments	**(221)**
	$ (221)

Amounts reported as deferred inflows of resources related to the OPEB plan are scheduled to be recognized in OPEB income as follows:

Fiscal Year Ending June 30	
2022	$ (40)
2023	(37)
2024	(46)
2025	(98)

Defined contribution plan

The Company also maintains a defined contribution plan under Section 403(b) of the IRC which provides for voluntary contributions by employees upon employment and matching contributions by the Company after 90 days of service. Substantially all employees of the Company are eligible and may contribute up to 100% of their compensation, subject to certain IRC limitations. During the fiscal year ended June 30, 2012, upon January 1 or July 1 after the completion of 90 days of credited service, for every 1% the employee invested up to 6%, the Company matched 25% of the employee's contribution. Beginning on January 1, 2013, upon January 1 or July 1 after the completion of 90 days of credited service, for every 1% the employee invested up to 6%, the Company matched 50% of the employee's contribution. The Company recognized expense related to the 403(b) Plan of $5,270 and $5,150 in 2022 and 2021, respectively. There is no separate audited financial report available for the defined contribution plan, the 415 Plan or the OPEB plan.

11. Commitments and Contingencies

The Company 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; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Professional liability

The Company established the contingency fund as a professional liability self-insurance fund in accordance with the Tennessee Governmental Tort Liability Act ("the Tort Act"), which restricts the District’s exposure to professional liability risks to a pre-determined amount per occurrence.

The District is a "governmental entity" within the meaning of the Tort Act. As such, its maximum liability for state law tort causes of action is $300 for bodily injury or death of any one person in accident, occurrence, or act, and $700 for bodily injury or death of all persons in any one accident, occurrence, or act. These limits are subject to change by the Tennessee Legislature.

The Company's accrual for self-insured professional liability risks was $4,300 at June 30, 2022 and 2021, and was based on asserted claims for occurrences prior to that date.

Workers' compensation

Under the Tennessee Workers' Compensation Law, governmental entities such as the District need not accept the workers' compensation system, thereby remaining subject to common law liability for work-related injuries and retaining all common law defenses to such claims. The limits of liability under the Tort Act are applicable to such claims. The District has not accepted the workers' compensation system. The Tennessee Supreme Court has ruled this exemption applicable to the District's affiliate nonprofit corporations as well.

Self-insured health insurance

The Company is self-insured with respect to employee health insurance. Estimates of health insurance claims incurred but unpaid as of June 30, 2022 and 2021, are accrued based on estimates that incorporate the Company's past experience, as well as other considerations including the nature of claims and relevant trends. The Company accrued a liability for incurred but unpaid claims of approximately $4,968 as of June 30, 2022 and 2021, which is included in other accrued expenses in the accompanying statements of net position. The expenses related to claims paid during the years ended June 30, 2022 and 2021, are $62,406 and $58,777, respectively, and are included in salaries and benefits expense.

The following represents changes in those aggregate liabilities for estimates of health insurance for the years ended June 30:

	2022	2021
Claims payable, beginning of year	**$ 4,968**	$ 4,503
Incurred claims expense	**62,406**	59,242
Claims payments	**(62,406)**	(58,777)
Claims payable, end of year	**$ 4,968**	$ 4,968

Litigation

The Company is subject to claims and suits which arise in the ordinary course of business. In the opinion of management, reserves for estimated losses on pending legal proceedings are adequate, and the ultimate resolution of any pending legal proceedings will not have a material effect on the Company's financial position. However, the ultimate outcome of such matters is unknown.

CARES Act funding

Payments from the CARES Act are not loans and, therefore, they are not subject to repayment. However, as a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost operating revenues and COVID-related costs, and that the providers will not seek collection of out-of-pocket payments from a COVID-19 patient that are greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider.

Furthermore, HHS has indicated that it will be closely monitoring and, along with the Office of Inspector General, auditing providers to ensure that recipients comply with the terms and conditions of relief programs and to prevent fraud and abuse. All providers will be subject to civil and criminal penalties for any deliberate omissions, misrepresentations or falsifications of any information given to HHS. The Company has formally accepted the terms and conditions associated with the receipt of relief payments received.

With respect to the CARES Act funding described in Note 3, there can be no assurance as to the total amount of financial and other types of assistance the Company will receive under the CARES Act or other funding sources, and it is difficult to predict the impact of such measures on operating results. Further, there can be no assurance that the terms of provider relief funding or other programs will not change or be interpreted in ways that affect the Company’s funding or eligibility to participate or the Company’s ability to comply with applicable requirements and retain amounts received. The Company continues to assess the potential impact of the CARES Act and the potential impact of future stimulus measures, if any, and the impact of other laws, regulations, and guidance related to COVID-19 on the Company’s business, results from operations, financial condition and cash flows. The use of CARES Act funding is subject to validation and audit and, therefore, the possibility exists that monies recognized as nonoperating activity could be subject to recoupment in the future.

12. Concentrations

The Company purchased approximately 52% and 49% of medical supplies and drugs from two vendors for the years ended June 30, 2022 and 2021, respectively.

13. Investment in Joint Venture

Through June 30, 2017, the Company owned and operated a 48-bed inpatient rehabilitation unit located at Jackson-Madison County General Hospital, and HealthSouth Corporation owned and operated a 40-bed inpatient rehabilitation hospital known as HealthSouth Cane Creek Rehab Hospital, located in Martin, Tennessee. The Company and HealthSouth entered into a joint venture agreement for the (a) construction, development and operation of a new 48-bed inpatient rehabilitation hospital in Jackson, Tennessee, and (b) the continued operation of the Cane Creek Rehab Hospital in its current location. The parties formed a limited liability company with both parties receiving a 50% ownership. During the year ended June 30, 2017, the Company contributed cash to the joint venture for construction and other costs totaling $13,781. Effective June 30, 2017, the Company discontinued its existing inpatient rehabilitation operations and made a contribution to the joint venture for the estimated value of those operations, resulting in a gain of $12,988.

The Company's investment in the joint venture is accounted for using the equity method and was carried at $25,054 and $26,246 as of June 30, 2022, and 2021, respectively. The Company recognized earnings from the joint venture of $2,832 and $3,754 during the years ended June 30, 2022 and 2021, respectively. The Company received $4,024 and $3,864 of distributions from the joint venture during the years ended June 30, 2022 and 2021. Separately issued financial statements for the joint venture are not available. The carrying value of the Company's investment at June 30, 2022, approximates its share of underlying equity in the net assets of the joint venture, adjusted for the effects of contributed capital and other items in accordance with the terms of the joint venture agreement.

The joint venture's assets and liabilities totaled $53,627 and $29,675, respectively, as of June 30, 2022. The joint venture's revenues and net income for the year ended June 30, 2022, were $53,622 and $5,658, respectively. The joint venture's assets and liabilities totaled $56,176 and $31,093, respectively, as of June 30, 2021. The joint venture's revenues and net income for the year ended June 30, 2021, were $53,364 and $7,510, respectively.

14. Obligated Group

As disclosed in Note 8, the Company has revenue bonds outstanding that are payable from the operating revenues of certain affiliates of the District (the "Obligated Group"). Summary financial information for the Obligated Group is as follows:

	June 30	
	2022	**2021**
Assets:		
Current assets	**$ 479,242**	$ 482,669
Capital and lease assets	**298,879**	337,938
Other assets	**441,472**	471,353
	1,219,593	1,291,960
Deferred outflows of resources	**33,823**	49,805
Total assets and deferred outflows of resources	**$ 1,253,416**	$ 1,341,765
Liabilities:		
Current liabilities	**$ 132,635**	$ 200,212
Long-term debt	**362,005**	332,658
Net pension liability	**69,727**	125,049
	564,367	657,919
Deferred inflows of resources	**49,104**	5,606
Unrestricted net position	**645,025**	610,787
Invested in capital assets, net of related financing	**(11,033)**	61,184
Restricted net position	**5,953**	6,269
	639,945	678,240
Total liabilities, deferred inflows of resources and net position	**$ 1,253,416**	**$ 1,341,765**

	Year Ended June 30	
	2022	**2021**
Net patient service revenues	**$ 834,129**	$ 795,372
Other revenues	**31,744**	38,144
Total operating revenues	**865,873**	833,516
Operating expenses	**842,197**	767,200
Depreciation	**33,330**	39,187
Total operating expenses	**875,527**	806,387
Operating (loss) income	**(9,654)**	27,129
Net nonoperating (loss) income	**(12,193)**	93,912
Interest expense	**(16,448)**	(13,828)
(Decrease) increase in net position	**(38,295)**	107,213
Net position, beginning of year	**678,240**	571,027
Net position, end of year	**$ 639,945**	$ 678,240

Net cash provided by (used in):				
Operating activities	**$**	**(88,523)**	$	11,202
Noncapital financing activities		**26,254**		3,259
Capital and related financing activities		**(59,532)**		(72,512)
Investing activities		**600**		211
		(121,201)		(57,840)
Cash and cash equivalents, beginning of year		**164,191**		222,031
Cash and cash equivalents, end of year	**$**	**42,990**	$	164,191

15. Subsequent Events

In August 2022, the Company completed a sale and leaseback transaction with a Tennessee general partnership company, for the sale of 10 properties for an agreed upon sales price of approximately $35,032.

16. Blended Component Units

Jackson-Madison County General Hospital, Bolivar General Hospital, Camden General Hospital, Milan General Hospital, Volunteer Martin Hospital, Dyersburg Hospital, Pathways Behavioral Health, Outpatient Therapy, Health Partners, Therapy & Learning Center and the West Tennessee Medical Group are considered blended component units ("BCUs") of West Tennessee Healthcare, as the governing body is substantively the same as the governing body of West Tennessee Healthcare and has operational responsibility of these component units. Separately issued financial statements are not available for any blended component unit. In the statements that follow, we present condensed combining information for the BCUs. In 2019, the Company transferred certain assets and liabilities, other operating revenues, operating expenses, and interest expense used to support all component unit operations to “System Support”, as reflected in the following statements. The revenues and expenses are allocated to component units based on a cost allocation methodology. Prior to 2019, these assets, liabilities, revenues, and expenses were reflected under Jackson-Madison County General Hospital. In 2022, the Company transferred all interest expense back to Jackson-Madison County General Hospital.

As of June 30, 2022 and 2021, there were five blended component units that had an ending deficit net position, including West Tennessee Medical Group, Therapy & Learning Center, Health Partners, Volunteer Hospital, and Dyersburg Hospital. The contributing factors to each unit’s deficit net position vary by service. The units are integral to the overall mission of the health care system and the organization works to balance deficits in operational performance for these business units with surplus performance in other component units. In all cases, the organization strives to improve performance and the overall position of the component units as well as the organization as a whole.

(in thousands)

Statement of Net Position
June 30, 2022

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Eliminations	Total BCUs
ASSETS														
Current assets:														
Cash and cash equivalents	$ 42,160	$ 99	$ 70	$ 472	$ 161	$ 358	$ 76	$ 56	$ 486	$ 3	$ 32	$ -	$ -	$ 43,973
Accounts receivable, net	96,212	1,198	1,009	2,606	903	5,123	1,022	1,580	8,222	-	352	-	-	118,227
Other receivables	395,478	95	320	669	299	578	1,454	-	86	15	638	-	(388,914)	10,718
Inventories	10,265	226	99	243	85	606	279	-	147	-	-	-	-	11,950
Prepaid expenses	15,919	194	144	219	253	291	-	-	228	-	-	-	-	17,248
Lease receivable	1,021	-	-	-	-	-	-	-	-	-	-	-	-	1,021
Assets limited to use - current portion	5,953	-	-	-	-	-	-	-	-	-	-	-	-	5,953
Total current assets	567,008	1,812	1,642	4,209	1,701	6,956	2,831	1,636	9,169	18	1,022	-	(388,914)	209,090
Assets limited as to use	403,853	-	-	-	-	-	-	-	-	-	-	-	-	403,853
Other assets	28,009	-	-	168	-	378	-	-	-	-	-	1,324	-	29,879
Lease receivable, less current portion	9,064	-	-	-	-	-	-	-	-	-	-	-	-	9,064
Capital assets, net	225,695	7,288	1,850	6,884	1,187	24,042	727	244	3,842	-	442	146,829	-	419,030
Right to use lease assets, net	42,253	-	-	5	-	-	-	-	1,374	-	-	5,677	-	49,309
Total assets	1,275,882	9,100	3,492	11,266	2,888	31,376	3,558	1,880	14,385	18	1,464	153,830	(388,914)	1,120,225
DEFERRED OUTFLOWS OF RESOURCES	33,823	-	-	-	-	-	-	-	-	-	-	7,122	-	40,945
Total assets and deferred outflows of resources	$ 1,309,705	$ 9,100	$ 3,492	$ 11,266	$ 2,888	$ 31,376	$ 3,558	$ 1,880	$ 14,385	$ 18	$ 1,464	$ 160,952	$ (388,914)	$ 1,161,170
LIABILITIES														
Current liabilities:														
Accounts payable	$ 34,302	$ 180	$ 118	$ 525	$ 60	$ 1,654	$ 172	$ -	$ 880	$ -	$ 14	$ 84	$ -	$ 37,989
Accrued compensation and related expenses	42,667	-	-	-	-	-	-	-	(253)	-	-	-	-	42,414
Accrued interest expense	3,620	-	-	-	-	-	-	-	-	-	-	-	-	3,620
Other accrued expenses	40,815	(18,671)	(22,352)	29,072	(8,939)	41,095	(10,140)	(689)	173,311	2,018	19,473	155,108	(388,914)	11,187
Estimated third-party settlements	(311)	25	1,568	672	3,279	245	4,922	-	(19)	-	-	-	-	10,381
CMS Advance payments due within one year	21,103	326	246	142	9	4,251	-	(2)	-	-	-	-	-	26,075
Long-term debt due within one year	9,029	-	-	-	-	-	-	-	-	-	-	-	-	9,029
Lease liability due within one year	5,584	-	-	6	-	-	-	-	460	-	-	1,355	-	7,405
Total current liabilities	156,809	(18,140)	(20,420)	30,417	(5,591)	47,245	(5,046)	(691)	174,379	2,018	19,487	156,547	(388,914)	148,100
Long-term liabilities:														
Lease liability less amounts due within one year	37,689	-	-	-	-	-	-	-	923	-	-	4,405	-	43,017
Long-term debt, less amounts due within one year	321,411	-	-	-	-	-	-	-	-	-	-	-	-	321,411
Net pension liability	69,727	-	-	-	-	-	-	-	-	-	-	-	-	69,727
Total long-term liabilities	428,827	-	-	-	-	-	-	-	923	-	-	4,405	-	434,155
Total liabilities	585,636	(18,140)	(20,420)	30,417	(5,591)	47,245	(5,046)	(691)	175,302	2,018	19,487	160,952	(388,914)	582,255
DEFERRED INFLOWS OF RESOURCES	49,104	-	-	-	-	-	-	-	-	-	-	-	-	49,104
Total liabilities and deferred inflows of resources	$ 634,740	$ (18,140)	$ (20,420)	$ 30,417	$ (5,591)	$ 47,245	$ (5,046)	$ (691)	$ 175,302	$ 2,018	$ 19,487	$ 160,952	$ (388,914)	$ 631,359
NET POSITION														
Unrestricted	710,970	19,952	22,062	(26,034)	7,292	(39,911)	7,877	2,327	(164,750)	(2,000)	(18,465)	(146,746)	-	372,574
Net investment in capital assets	(41,958)	7,288	1,850	6,883	1,187	24,042	727	244	3,833	-	442	146,746	-	151,284
Restricted for debt service	5,953	-	-	-	-	-	-	-	-	-	-	-	-	5,953
Total net position	674,965	27,240	23,912	(19,151)	8,479	(15,869)	8,604	2,571	(160,917)	(2,000)	(18,023)	-	-	529,811
Total liabilities and net position	$ 1,309,705	$ 9,100	$ 3,492	$ 11,266	$ 2,888	$ 31,376	$ 3,558	$ 1,880	$ 14,385	$ 18	$ 1,464	$ 160,952	$ (388,914)	$ 1,161,170

(in thousands)

Statement of Net Position
June 30, 2021

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Eliminations	Total BCUs
ASSETS														
Current assets:														
Cash and cash equivalents	$ 163,418	$ 110	$ 58	$ 212	$ 69	$ 561	$ 49	$ 32	$ 361	$ 7	$ 39	$ -	$ -	$ 164,916
Accounts receivable, net	98,923	1,327	1,075	3,137	777	5,947	1,144	1,590	6,637	-	449	-	-	121,006
Other receivables	234,444	216	210	169	732	5	1,205	120	126	2	595	-	(225,974)	11,850
Inventories	8,278	215	102	252	104	558	241	-	140	-	-	-	-	9,890
Prepaid expenses	12,866	141	147	230	253	282	-	-	262	-	-	-	-	14,181
Assets limited to use - current portion	6,269	-	-	-	-	-	-	-	-	-	-	-	-	6,269
Total current assets	524,198	2,009	1,592	4,000	1,935	7,353	2,639	1,742	7,526	9	1,083	-	(225,974)	328,112
Assets limited as to use	441,963	-	-	-	-	-	-	-	-	-	-	-	-	441,963
Other assets	28,747	-	-	171	-	472	-	-	-	-	-	1,451	-	30,841
Capital assets, net	302,184	7,365	2,063	10,199	1,278	25,555	1,297	983	4,982	-	935	55,548	-	412,389
Total assets	1,297,092	9,374	3,655	14,370	3,213	33,380	3,936	2,725	12,508	9	2,018	56,999	(225,974)	1,213,305
DEFERRED OUTFLOWS OF RESOURCES	49,805	-	-	-	-	-	-	-	-	-	-	7,401	-	57,206
Total assets and deferred outflows of resources	$ 1,346,897	$ 9,374	$ 3,655	$ 14,370	$ 3,213	$ 33,380	$ 3,936	$ 2,725	$ 12,508	$ 9	$ 2,018	$ 64,400	$ (225,974)	$ 1,270,511
LIABILITIES														
Current liabilities:														
Accounts payable	$ 32,859	$ 110	$ 57	$ 328	$ 54	$ 1,528	$ 95	$ 4	$ 740	$ -	$ 7	$ 94	$ -	$ 35,876
Accrued compensation and related expenses	46,381	-	-	-	-	-	-	-	(366)	-	-	-	-	46,015
Accrued interest expense	3,885	-	-	-	-	-	-	-	-	-	-	-	-	3,885
Other accrued expenses	(840)	(19,321)	(21,099)	28,241	(8,052)	35,472	(10,275)	(90)	147,207	1,757	18,885	64,306	(225,974)	10,217
Estimated third-party settlements	1,120	19	1,597	22	2,678	18	5,792	-	-	-	-	-	-	11,246
CMS Advance payments due within one year	83,788	1,550	717	1,952	614	8,792	-	-	-	-	-	-	-	97,413
Deferred CARES Act provider relief funds (see Note 2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term debt due within one year	9,548	-	-	-	-	-	-	-	-	-	-	-	-	9,548
Total current liabilities	176,741	(17,642)	(18,728)	30,543	(4,706)	45,810	(4,388)	(86)	147,581	1,757	18,892	64,400	(225,974)	214,200
Long-term liabilities:														
Long-term debt, less amounts due within one year	332,658	-	-	-	-	-	-	-	-	-	-	-	-	332,658
Net pension liability	125,049	-	-	-	-	-	-	-	-	-	-	-	-	125,049
Total long-term liabilities	457,707	-	-	-	-	-	-	-	-	-	-	-	-	457,707
Total liabilities	634,448	(17,642)	(18,728)	30,543	(4,706)	45,810	(4,388)	(86)	147,581	1,757	18,892	64,400	(225,974)	671,907
DEFERRED INFLOWS OF RESOURCES	5,606	-	-	-	-	-	-	-	-	-	-	-	-	5,606
NET POSITION														
Unrestricted	675,144	19,651	20,320	(26,372)	6,641	(37,985)	7,027	1,828	(140,055)	(1,748)	(17,809)	(55,548)	-	451,094
Net investment in capital assets	25,430	7,365	2,063	10,199	1,278	25,555	1,297	983	4,982	-	935	55,548	-	135,635
Restricted for debt service	6,269	-	-	-	-	-	-	-	-	-	-	-	-	6,269
Total net position	706,843	27,016	22,383	(16,173)	7,919	(12,430)	8,324	2,811	(135,073)	(1,748)	(16,874)	-	-	592,998
Total liabilities, deferred inflows of resources and net position	$ 1,346,897	$ 9,374	$ 3,655	$ 14,370	$ 3,213	$ 33,380	$ 3,936	$ 2,725	$ 12,508	$ 9	$ 2,018	$ 64,400	$ (225,974)	$ 1,270,511

West Tennessee Healthcare and Related Affiliates
Notes to Financial Statements
(in thousands)

Statement of Revenues and Expenses and Changes in Net Position
Year Ended June 30, 2022

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Total BCUs
Revenue:													
Patient service revenues	$ 2,592,217	$ 52,878	$ 26,662	$ 84,604	$ 24,645	$ 198,686	$ 19,491	$ 36,955	$ 187,589	$ -	$ 15,509	$ -	$ 3,239,236
Deductions from revenue	1,836,916	39,029	16,779	59,052	15,569	145,408	8,972	25,447	121,867	-	11,651	-	2,280,690
Net patient service revenues	755,301	13,849	9,883	25,552	9,076	53,278	10,519	11,508	65,722	-	3,858	-	958,546
Other operating revenues	30,479	222	198	423	149	841	11,700	101	4,831	100	3,717	1,841	54,602
Total revenues	785,780	14,071	10,081	25,975	9,225	54,119	22,219	11,609	70,553	100	7,575	1,841	1,013,148
Operating expenses:													
Salaries, benefits, supplies and other	683,607	12,607	7,980	27,373	8,180	54,792	20,748	10,989	94,891	322	7,915	74,114	1,003,518
Depreciation and amortization	30,642	888	366	700	319	1,988	125	93	994	-	108	17,163	53,386
Indirect expense	68,517	1,280	775	2,608	791	5,301	1,938	1,070	7,323	30	761	(90,394)	-
Total operating expenses	782,766	14,775	9,121	30,681	9,290	62,081	22,811	12,152	103,208	352	8,784	883	1,056,904
Operating income (loss)	3,014	(704)	960	(4,706)	(65)	(7,962)	(592)	(543)	(32,655)	(252)	(1,209)	958	(43,756)
Nonoperating revenues (expenses):													
Investment income	(37,832)	1	(5)	3	1	3	-	1	(15)	-	-	129	(37,714)
Interest expense	(16,439)	(1)	(1)	(3)	(1)	(6)	(2)	(1)	(35)	-	(1)	(1,087)	(17,577)
Non-recurring relief funding	21,009	928	575	1,728	625	4,526	874	303	6,861	-	61		37,490
Contributions to affiliated entities	(1,009)	-	-	-	-	-	-	-	-	-	-	-	(1,009)
Other	(621)	-	-	-	-	-	-	-	-	-	-	-	(621)
Nonoperating revenues (expenses), net	(34,892)	928	569	1,728	625	4,523	872	303	6,811	-	60	(958)	(19,431)
Change in net position	(31,878)	224	1,529	(2,978)	560	(3,439)	280	(240)	(25,844)	(252)	(1,149)	-	(63,187)
Net position at beginning of year	706,843	27,016	22,383	(16,173)	7,919	(12,430)	8,324	2,811	(135,073)	(1,748)	(16,874)	-	592,998
Ending net position	$ 674,965	$ 27,240	$ 23,912	$ (19,151)	$ 8,479	$ (15,869)	$ 8,604	$ 2,571	$ (160,917)	$ (2,000)	$ (18,023)	$ -	$ 529,811

West Tennessee Healthcare and Related Affiliates
Notes to Financial Statements
(in thousands)

Statement of Revenues and Expenses and Changes in Net Position
Year Ended June 30, 2021

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Total BCUs
Revenue:													
Patient service revenues	$ 2,403,686	$ 51,330	$ 23,983	$ 77,057	$ 22,422	$ 208,326	$ 22,209	$ 32,106	$ 179,212	$ -	$ 13,386	$ -	$ 3,033,717
Deductions from revenue	1,685,967	38,924	15,518	53,115	14,838	154,615	12,587	21,411	115,364	-	9,941	-	2,122,280
Net patient service revenues	717,719	12,406	8,465	23,942	7,584	53,711	9,622	10,695	63,848	-	3,445	-	911,437
Other operating revenues	36,813	232	46	570	75	761	11,156	88	5,527	15	3,497	2,945	61,725
Total revenues	754,532	12,638	8,511	24,512	7,659	54,472	20,778	10,783	69,375	15	6,942	2,945	973,162
Operating expenses:													
Salaries, benefits, supplies and other	625,487	10,800	6,591	26,439	7,845	52,336	20,296	10,636	92,325	298	7,483	68,359	928,895
Depreciation and amortization	36,438	560	416	784	319	1,964	239	254	663	-	124	9,755	51,516
Indirect expense	56,023	992	600	2,281	687	4,635	1,710	938	6,630	25	648	(75,169)	-
Total operating expenses	717,948	12,352	7,607	29,504	8,851	58,935	22,245	11,828	99,618	323	8,255	2,945	980,411
Operating income (loss)	36,584	286	904	(4,992)	(1,192)	(4,463)	(1,467)	(1,045)	(30,243)	(308)	(1,313)	-	(7,249)
Nonoperating revenues (expenses):													
Investment income	78,698	-	4	1	1	2	-	1	1	-	-	-	78,708
Interest expense	(12,110)	(221)	(137)	(561)	(153)	(1,156)	(408)	(255)	(1,837)	-	(170)	-	(17,008)
Non-recurring relief funding	12,665	3,008	2,659	2,236	2,855	1,551	-	-	120	-	129		25,223
Contributions to affiliated entities	(1,241)	-	-	-	-	-	-	-	-	-	-	-	(1,241)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Nonoperating revenues (expenses), net	78,012	2,787	2,526	1,676	2,703	397	(408)	(254)	(1,716)	-	(41)	-	85,682
Change in net position	114,596	3,073	3,430	(3,316)	1,511	(4,066)	(1,875)	(1,299)	(31,959)	(308)	(1,354)	-	78,433
Net position at beginning of year	592,247	23,943	18,953	(12,857)	6,408	(8,364)	10,199	4,110	(103,114)	(1,440)	(15,520)	-	514,565
Ending net position	$ 706,843	$ 27,016	$ 22,383	$ (16,173)	$ 7,919	$ (12,430)	$ 8,324	$ 2,811	$ (135,073)	$ (1,748)	$ (16,874)	$ -	$ 592,998

(in thousands)

Condensed Statement of Cash Flows
Year Ended June 30, 2022

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Total BCUs
Net cash provided by (used in) operating activities	$ (85,041)	$ (128)	$ (365)	$ (1,193)	$ (330)	$ (2,289)	$ (737)	$ (301)	$ (4,701)	$ (4)	$ 205	$ 25,421	$ (69,463)
Net cash provided by noncapital financing activities	20,000	928	575	1,728	625	4,526	874	303	6,861	-	61	-	36,481
Net cash provided by investing activities	594	1	(5)	3	1	3	-	1	(15)	-	-	129	712
Net cash provided by (used in) capital and related financing activities	(56,811)	(812)	(193)	(278)	(204)	(2,443)	(110)	21	(2,020)	-	(273)	(25,550)	(88,673)
Net change in cash and cash equivalents	(121,258)	(11)	12	260	92	(203)	27	24	125	(4)	(7)	-	(120,943)
Cash and cash equivalents, beginning of period	163,418	110	58	212	69	561	49	32	361	7	39	-	164,916
Cash and cash equivalents, end of period	$ 42,160	$ 99	$ 70	$ 472	$ 161	$ 358	$ 76	$ 56	$ 486	$ 3	$ 32	$ -	$ 43,973

Condensed Statement of Cash Flows
Year Ended June 30, 2021

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	System Support	Total BCUs
Net cash provided by (used in) operating activities	$ 8,028	$ 4,193	$ 392	$ 1,107	$ 227	$ 2,067	$ 688	$ 215	$ (33)	$ 3	$ 39	$ 7,451	$ 24,377
Net cash used in noncapital financing activities	3,259	-	-	-	-	-	-	-	74	-	129	-	3,462
Net cash provided by investing activities	208	-	4	1	1	2	-	1	1	-	-	-	218
Net cash provided by (used in) capital and related financing activities	(69,963)	(4,200)	(409)	(809)	(240)	(1,740)	(708)	(319)	(294)	-	(170)	(7,451)	(86,303)
Net change in cash and cash equivalents	(58,468)	(7)	(13)	299	(12)	329	(20)	(103)	(252)	3	(2)	-	(58,246)
Cash and cash equivalents, beginning of period	221,886	117	71	(87)	81	232	69	135	613	4	41	-	223,162
Cash and cash equivalents, end of period	$ 163,418	$ 110	$ 58	$ 212	$ 69	$ 561	$ 49	$ 32	$ 361	$ 7	$ 39	$ -	$ 164,916

Required Supplementary Information

West Tennessee Healthcare and Related Affiliates
Schedule of Changes in Net Pension and OPEB Liability (Asset) and Related Ratios
(in thousands)

	Pension Plan, Year Ended June 30,							
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Total pension liability:								
Service cost	**$ 5,559**	$ 6,254	$ 6,577	$ 6,749	$ 6,815	$ 6,276	$ 7,070	$ 7,026
Interest	**23,774**	23,832	23,224	22,220	21,309	19,884	19,615	18,956
Differences between expected and actual experience	**(2,347)**	(9,154)	(1,702)	2,376	535	8,735	(5,213)	1,467
Benefit payments	**(22,219)**	(20,077)	(16,831)	(14,657)	(14,501)	(12,540)	(20,419)	(14,387)
Net change in total pension liability	**4,767**	855	11,268	16,688	14,158	22,355	1,053	13,062
Total pension liability - beginning	**371,125**	370,270	359,002	342,314	328,156	305,801	304,748	291,686
Total pension liability-ending (a)	**375,892**	371,125	370,270	359,002	342,314	328,156	305,801	304,748
Plan fiduciary net position:								
Contributions - employer	**12,775**	16,278	13,400	12,300	18,000	18,000	17,040	12,992
Net investment income	**71,181**	(822)	9,989	16,378	20,210	(4,453)	1,341	24,480
Benefit payments	**(22,219)**	(20,077)	(16,831)	(14,657)	(14,501)	(12,540)	(20,419)	(14,387)
Administrative expense	**-**	-	-	-	-	(249)	(440)	(465)
Net change in plan fiduciary net position	**61,737**	(4,621)	6,558	14,021	23,709	758	(2,478)	22,620
Plan fiduciary net position - beginning	**244,568**	249,189	242,631	228,610	204,901	204,143	206,621	184,000
Plan fiduciary net position-ending (b)	**306,305**	244,568	249,189	242,631	228,610	204,901	204,143	206,620
Net pension Net pension liability (asset) (a)-(b)	**$ 69,587**	$ 126,557	$ 121,081	$ 116,371	$ 113,704	$ 123,255	$ 101,658	$ 98,128
Plan fiduciary net position as a percentage of the total pension liability	**81%**	66%	67%	68%	67%	62%	67%	68%
Covered-employee payroll	**$ 118,607**	$ 127,378	$ 139,557	$ 144,257	$ 148,645	$ 150,997	$ 141,412	$ 153,252
Company's net pension liability (asset) as a percentage of covered-employee payroll	**59%**	99%	87%	81%	76%	82%	72%	64%

Note: Information prior to 2015 for this plan is not available.

(in thousands)

	415(m) Pension Plan, Year Ended June 30,							
	2022	**2021**	2020	2019	2018	2017	2016	2015
Total pension liability:								
Service cost	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest	**27**	41	42	40	41	42	43	43
Differences between expected and actual experience	**9**	7	6	90	5	4	4	4
Benefit payments	**(76)**	(76)	(76)	(70)	(70)	(70)	(70)	(70)
Net change in total pension liability	**(40)**	(28)	(28)	60	(24)	(24)	(23)	(23)
Assumption change - discount rate adjustment	**-**	182	-	-	-	-	-	-
Total pension liability - beginning	**1,218**	1,064	1,092	1,032	1,056	1,080	1,103	1,126
Total pension liability-ending (a)	**1,178**	1,218	1,064	1,092	1,032	1,056	1,080	1,103
Plan fiduciary net position:								
Contributions - employer	**76**	76	76	70	70	70	70	70
Net investment income	**-**	-	-	-	-	-	-	-
Benefit payments	**(76)**	(76)	(76)	(70)	(70)	(70)	(70)	(70)
Administrative expense	**-**	-	-	-	-	-	-	-
Net change in plan fiduciary net position	**-**	-	-	-	-	-	-	-
Plan fiduciary net position - beginning	**-**	-	-	-	-	-	-	-
Plan fiduciary net position-ending (b)	**-**	-	-	-	-	-	-	-
Net pension liability (asset) (a)-(b)	**$ 1,178**	$ 1,218	$ 1,064	$ 1,092	$ 1,032	$ 1,056	$ 1,080	$ 1,103
Plan fiduciary net position as a percentage of the total pension liability	**0%**	0%	0%	0%	0%	0%	0%	0%
Covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Company's net pension liability (asset) as a percentage of covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: Information prior to 2015 for this plan is not available.

West Tennessee Healthcare and Related Affiliates
Schedule of Changes in Net Pension and OPEB Liability (Asset) and Related Ratios (Continued)
(in thousands)

	OPEB Plan, Year Ended June 30,				
	2022	**2021**	**2020**	**2019**	**2018**
Total OPEB liability:					
Service cost	**$ -**	$ -	$ -	$ 16	$ 35
Interest	**11**	14	28	100	121
Differences between expected and actual experience	**23**	(5)	(160)	(1,149)	(374)
Benefit payments	**(43)**	(98)	(62)	(41)	(142)
Net change in OPEB liability	**(9)**	(89)	(194)	(1,074)	(360)
Assumption change - discount rate adjustment	**2**	-	-	-	-
Total OPEB liability - beginning	**183**	272	466	1,540	1,900
Total OPEB liability-ending (a)	**176**	183	272	466	1,540
Plan fiduciary net position:					
Contributions - employer	**-**	-	-	-	-
Net investment income	**603**	(67)	142	266	519
Benefit payments	**(2,297)**	-	-	(2,548)	(532)
Administrative expense	**-**	-	-	-	-
Net change in plan fiduciary net position	**(1,694)**	(67)	142	(2,282)	(13)
Plan fiduciary net position - beginning	**2,909**	2,976	2,834	5,116	5,129
Plan fiduciary net position-ending (b)	**1,215**	2,909	2,976	2,834	5,116
Net OPEB liability (asset) (a)-(b)	**$ (1,039)**	$ (2,726)	$ (2,704)	$ (2,368)	$ (3,576)
Plan fiduciary net position as a percentage of the total OPEB liability	**690%**	1590%	1094%	608%	332%
Covered-employee payroll	**N/A**	N/A	N/A	N/A	$ 265,123
Company's net pension liability (asset) as a percentage of covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A

Note: Information prior to 2018 for the OPEB plan is not available.

West Tennessee Healthcare and Related Affiliates
Schedule of Contributions
(in thousands)

	Pension Plan, Year Ended June 30,							
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Actuarially determined contribution	**$ 7,755**	$ 13,549	$ 12,775	$ 12,378	$ 12,300	$ 15,427	$ 15,552	$ 13,141
Contributions in relation to the actuarially determined contribution	**(13,549)**	(12,775)	(16,278)	(13,400)	(12,300)	(18,000)	(18,000)	(17,040)
Contribution deficiency (excess)	**$ (5,794)**	$ 774	$ (3,503)	$ (1,022)	$ -	$ (2,573)	$ (2,448)	$ (3,899)
Covered-employee payroll	**$ 118,607**	$ 127,378	$ 139,557	$ 144,257	$ 148,645	$ 150,997	$ 141,412	$ 153,252
Contributions as a percentage of covered-employee payroll	**11%**	10%	12%	9%	8%	12%	13%	11%

Notes to the schedule valuation date:

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

	Pension
Valuation date	June 30, one year prior to the end of the fiscal year
Actuarial cost method	Entry Age Normal Cost
Amortization method	Closed amortization
Amortization period of initial unfunded AAL	30 years
Remaining amortization period	26 years
Asset valuation method	Market value
CPI	2.5%
Salary increases	3.5% average, including inflation
Investment rate of return	6.5%, net of pension plan investment expense, including inflation
Mortality	RP-2014 Mortality Table for males and females with generational projections using Scale BB
Retirement age	Per the following table:

Age	Male	Female
55 - 59	5.0%	5.0%
60 - 61	7.5%	7.5%
62	25.0%	25.0%
63 - 64	20.0%	20.0%
65	40.0%	40.0%
66	30.0%	30.0%
67 - 68	15.0%	15.0%
69	25.0%	25.0%
70+	100.0%	100.0%

West Tennessee Healthcare and Related Affiliates
Schedule of Contributions **(Continued)**
(in thousands)

	415(m) Pension Plan, Year Ended June 30,							
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Actuarially determined contribution	**$ 76**	$ 76	$ 76	$ 70	$ 70	$ 70	$ 70	$ 70
Contributions in relation to the actuarially determined contribution	**(76)**	(76)	(76)	(70)	(70)	(70)	(70)	(70)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to the schedule valuation date:
Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

	415(m) Plan
Valuation date	June 30, one year prior to the end of the fiscal year
Actuarial cost method	Entry Age Normal Cost
Amortization method	N/A
Amortization period of initial unfunded AAL	N/A
Remaining amortization period	N/A
Asset valuation method	N/A
CPI	N/A
Salary increases	N/A
Investment rate of return	2.25%
Mortality	RP-2014 Mortality Table for males and females with generational projections using Scale BB

West Tennessee Healthcare and Related Affiliates
Schedule of Contributions **(Continued)**
(in thousands)

	OPEB Plan, Year Ended June 30,				
	2022	**2021**	**2020**	**2019**	**2018**
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	**N/A**	N/A	N/A	N/A	N/A

Notes to the schedule valuation date:

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

	OPEB
Valuation date	June 30, one year prior to the end of the fiscal year
Actuarial cost method	Entry Age Normal Cost
Amortization method	Closed amortization
Amortization period of initial unfunded AAL	N/A
Remaining amortization period	N/A
Asset valuation method	Market value
CPI	N/A
Salary increases	N/A
Investment rate of return	6.5%, net of pension plan investment expense, including inflation
Mortality	RP-2014 Mortality Table for males and females with generational projections using Scale BB
Retirement age	N/A

Age	Male	Female
55 - 59	5.0%	5.0%
60 - 61	7.5%	7.5%
62	25.0%	25.0%
63 - 64	20.0%	20.0%
65	40.0%	40.0%
66	30.0%	30.0%
67 - 68	15.0%	15.0%
69	25.0%	25.0%
70+	100.0%	100.0%

Other Information

West Tennessee Healthcare and Related Affiliates
Deductions From Gross Patient Service Revenues
(in thousands)

Year Ended June 30, 2022

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	Total BCUs
Medicare	**$ 899,587**	**$ 13,181**	**$ 4,691**	**$ 20,690**	**$ 5,973**	**$ 56,510**	**$ 1,064**	**$ 10,714**	**$ 45,801**	**$ -**	**$ 19**	**$ 1,058,230**
TennCare	**293,850**	**6,718**	**4,086**	**14,119**	**2,642**	**32,976**	**4,039**	**5,136**	**24,513**	**-**	**8,484**	**396,563**
Other revenue deductions	**583,949**	**16,954**	**6,502**	**21,517**	**5,753**	**49,889**	**3,547**	**9,190**	**44,030**	**-**	**3,119**	**744,450**
Bad debt	**59,530**	**2,176**	**1,500**	**2,726**	**1,201**	**6,033**	**322**	**407**	**7,523**	**-**	**29**	**81,447**
	$ 1,836,916	**$ 39,029**	**$ 16,779**	**$ 59,052**	**$ 15,569**	**$ 145,408**	**$ 8,972**	**$ 25,447**	**$ 121,867**	**$ -**	**$ 11,651**	**$ 2,280,690**

Year Ended June 30, 2021

	Jackson-Madison County General Hospital	Milan General Hospital	Bolivar General Hospital	Volunteer Martin Hospital	Camden General Hospital	Dyersburg Hospital	Pathways Behavioral Health	Outpatient Therapy	West Tennessee Medical Group	Health Partners	Therapy & Learning Center	Total BCUs
Medicare	$ 880,833	$ 15,629	$ 5,953	$ 21,127	$ 7,005	$ 74,426	$ 1,021	$ 8,270	$ 41,018	$ -	$ 24	$ 1,055,306
TennCare	274,661	6,396	3,965	12,724	3,040	33,506	6,771	4,839	24,466	-	6,847	377,215
Other revenue deductions	484,421	15,158	4,681	16,360	3,998	39,229	4,558	7,740	44,593	-	3,013	623,751
Bad debt	46,052	1,741	919	2,904	795	7,454	237	562	5,287	-	57	66,008
	$ 1,685,967	$ 38,924	$ 15,518	$ 53,115	$ 14,838	$ 154,615	$ 12,587	$ 21,411	$ 115,364	$ -	$ 9,941	$ 2,122,280

West Tennessee Healthcare and Related Affiliates
Schedule of Changes in Long-term Debt by Individual Issue
(in thousands)

Description of Indebtness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2021	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding June 30, 2022
Bonds and notes payable									
Hospital Revenue Bonds, Series 2015	205,965	2.0% - 5.25%	April 5, 2015	April 1, 2041	$ 177,590	$ -	$ 5,245	$ 5,235	**$ 167,110**
Hospital Revenue Bonds, Series 2018A	62,870	5%	November 1, 2018	April 1, 2041	57,730	-	1,655	2,835	**53,240**
Hospital Revenue Bonds, Series 2018B	91,025	3.25% - 5.31%	November 1, 2018	April 1, 2048	87,385	-	1,640	-	**85,745**
Bond Anticipation Notes Series 2021	10,000	SOFR Index Rate	November 19, 2021	November 1, 2023	-	10,000	-	-	**10,000**
					322,705	10,000	8,540	8,070	**316,095**
Financed equipment purchases									
Equipment lease - May 2019	627	4%	May 1, 2019	May 1, 2029	506	-	56	-	**450**
Equipment lease - September 2019	466		September 1, 2019	December 31, 2021	107	-	107	-	**-**
Equipment lease - April 2022	20		April 30, 2022	April 30, 2026	-	20	-	-	**20**
					613	20	163	-	**470**
Totals					$ 323,318	$ 10,020	$ 8,703	$ 8,070	**$ 316,565**

West Tennessee Healthcare and Related Affiliates
Schedule of Changes in Lease Obligations
(in thousands)

Description of Indebtness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding July 1, 2021	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding June 30, 2022
Equipment leases:									
Equipment leases - fiscal 2018	$ 352	2.11%	Various	Various	$ 352	$ -	$ 298	$ -	**$ 54**
Equipment leases - fiscal 2020	10,353	2.11%	Various	Various	10,353	-	1,779	-	**8,574**
Equipment leases - fiscal 2021	10,679	2% - 2.11%	Various	Various	10,679	-	2,132	-	**8,547**
Equipment leases - fiscal 2022	1,520	2.11%	Various	Various	-	1,520	202	-	**1,318**
					21,384	1,520	4,411	-	**18,493**
Real estate leases:									
(original issue year):									
Real estate leases - fiscal 1993	56	2.11%	May 1, 1993	April 30, 2033	17	39	27	-	**29**
Real estate leases - fiscal 2004	9	2.11%	November 1, 2003	October 23, 2023	2	7	7	-	**2**
Real estate leases - fiscal 2005	51	2.11%	July 1, 2004	July 31, 2023	11	40	22	-	**29**
Real estate leases - fiscal 2008	63	2.11%	August 1, 2007	July 31, 2027	63	-	58	-	**5**
Real estate leases - fiscal 2009	345	2.11%	January 1, 2009	Various	345	-	189	-	**156**
Real estate leases - fiscal 2010	12,036	2.11% - 2.77%	Various	Various	6,846	5,190	1,132	-	**10,904**
Real estate leases - fiscal 2012	16	2.11%	October 18, 2021	December 31, 2023	16	-	8	-	**8**
Real estate leases - fiscal 2013	3,701	2.77%	August 31, 2012	June 30, 2031	3,701	-	307	-	**3,394**
Real estate leases - fiscal 2015	609	2.11%	Various	Various	609	-	176	-	**433**
Real estate leases - fiscal 2016	391	2.11%	Various	Various	380	11	79	-	**312**
Real estate leases - fiscal 2017	1,207	2.11% - 2.77%	Various	Various	883	324	163	-	**1,044**
Real estate leases - fiscal 2018	2,570	2.11% - 2.77%	Various	Various	2,570	-	354	-	**2,216**
Real estate leases - fiscal 2019	491	2.11% - 2.77%	Various	Various	316	175	73	-	**418**
Real estate leases - fiscal 2020	427	2.77%	October 1, 2019	January 31, 2029	427	-	51	-	**376**
Real estate leases - fiscal 2021	11,362	2.11% - 3.60%	Various	Various	11,362	-	377	-	**10,985**
Real estate leases - fiscal 2022	1,728	2.11% - 2.77%	Various	Various	-	1,728	110	-	**1,618**
					27,548	7,514	3,133	-	**31,929**
Totals					$ 48,932	$ 9,034	$ 7,544	$ -	**$ 50,422**

Compliance Information

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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*

Board of Trustees
West Tennessee Healthcare and Related Affiliates
Jackson, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of West Tennessee Healthcare and Related Affiliates (the "Company"), which comprise the statement of net position as of June 30, 2022, and the related statements of revenues and expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the basis financial statements, and have issued our report thereon dated November 16, 2022.

Report Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing the 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 the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

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

FORVIS, LLP

Memphis, Tennessee
November 16, 2022