



# **Memorial Hospital at Gulfport**

## **FINANCIAL STATEMENTS**

**Years Ended September 30, 2023 and 2022**

**Memorial Hospital at Gulfport  
Gulfport, Mississippi**

**Board of Trustees  
at September 30, 2023**

**David White, Chairman**

**Gary Fredericks, Vice Chairman**

**Dr. Thad Carter**

**Carlos Bell, Secretary**

**Bob Sawyer**

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**Cara Pucheu**

**President and Chief Executive Officer  
Kent Nicaud**



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## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Memorial Hospital at Gulfport  
Gulfport, Mississippi

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Memorial Hospital at Gulfport (the "Hospital"), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Hospital as of September 30, 2023 and 2022, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the Hospital adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to that matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2024, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

Laurel, Mississippi  
January 19, 2024

## Memorial Hospital at Gulfport Management's Discussion and Analysis

This discussion and analysis provides management's analysis of the financial performance of Memorial Hospital at Gulfport (the "Hospital") for the fiscal years ended September 30, 2023 and 2022. The intent of this discussion and analysis is to provide further information regarding the Hospital's financial performance as a whole. It should be read in conjunction with the Hospital's financial statements, which begin on page 12.

### Overview of the Financial Statements

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

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

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

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

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

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

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

## Memorial Hospital at Gulfport Management's Discussion and Analysis

### Industry Highlights

While the healthcare industry has seen some labor expense stabilization since the onset of the Covid pandemic, labor costs continue to exceed pre-pandemic levels, and there are many ongoing challenges hospitals continue to face, such as price inflation, workforce shortages, and an aging population, to name a few. However, while these challenges are real and result in significant pressure on already thin operating margins, there are many opportunities on which hospitals can take advantage. Alternative Payment Models, Alternate Care Delivery Models and Artificial Intelligence present hospitals and health systems opportunities to aid clinical decision making, improve patient quality and safety, and improve financial performance.

In addition to increased labor costs in the healthcare industry, supply chain price increases, disruptions, and shortages are an ongoing effect from the pandemic. It has become increasingly important for organizations to get ahead of supply chain issues by appropriate demand forecasting. This is just another challenge that the industry faces post pandemic outbreak. Technology is a key area of investment in order to remain viable in today's healthcare environment. Increased technology causes financial strains around continued need for additional IT integration with payors, virtual capability between patients and providers, and a growing need for increased cybersecurity.

While deployment of artificial intelligence (AI) is still in the early stages in healthcare, it presents opportunities for hospitals and health systems to improve clinical decision making, patient outcomes, and operational efficiencies, ultimately improving financial performance. According to Forbes, the global AI in the healthcare market could grow to nearly \$137 billion by 2029. AI offers unlimited potential to streamline operations, accelerate research discoveries, improve risk and disease identification, and facilitate more informed clinical decisions. Health experts predict a significant increase in the application of AI in testing and drug development and tools that enable personalized care in the years to come.

Although the shift from fee for service payments models to value-based models which are based on clinical outcomes continue to be the trend in the industry, these models are advancing at a slower than expected pace for many hospitals and health systems across the country. These outcome-based payment models place a greater accountability for clinical outcomes on the providers delivering the care. For example, hospitals are incentivized to decrease their readmission rates, which means they focus more on eliminating medical and surgical errors, but also look for compliance with patients for aftercare. This model also places an increased administrative burden on organizations which can caused increased costs in labor and technology for reporting and tracking.

As health systems and providers look to provide value and positive outcomes to patients, many have looked at new ways to have economic sustainability. This is being accomplished through new healthcare delivery models such as the Accountable Care Organizations (ACO), strategic consolidations, and other partnerships. Some of the consolidations and partnerships can provide additional access points for patients as well as structural changes which include consolidation in back-office functions in areas such as revenue cycle, supply chain and general operations that lower costs and support value-based payment initiatives.



## Memorial Hospital at Gulfport Management's Discussion and Analysis

### General Description of Services

The Hospital provides comprehensive services including 24-hour emergency services, general medicine, critical care, surgical, and obstetrics/gynecology services. These services are complemented by a complete range of diagnostic and therapeutic services. Memorial Hospital at Gulfport is licensed for 328 beds and currently staffs 285.

### Historical Utilization

<i>Year Ended September 30,</i>	<b>2023</b>	2022	2021
Admissions			
Acute	<b>12,933</b>	12,562	12,975
Intensive care unit	<b>1,229</b>	1,303	1,320
Neonatal intensive care unit	<b>218</b>	195	177
Total (excluding nursery)	<b>14,380</b>	14,060	14,472
Patient days - (excludes nursery)			
Acute	<b>59,869</b>	64,014	68,244
Intensive care unit	<b>6,498</b>	7,511	5,303
Neonatal intensive care unit	<b>4,785</b>	4,365	3,762
Total (excluding nursery)	<b>71,152</b>	75,890	77,309
Average daily census	<b>195</b>	208	213
Emergency department visits	<b>71,384</b>	66,340	65,318
Inpatient surgeries	<b>2,477</b>	2,834	2,997
Outpatient surgeries	<b>9,456</b>	9,602	8,702
Nursing home days	<b>82,324</b>	86,232	86,387
Deliveries	<b>1,767</b>	1,292	1,284

## Memorial Hospital at Gulfport Management's Discussion and Analysis

### Revenues by Payor

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

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

<i>Year Ended September 30,</i>	<b>2023</b>	2022	2021
Medicare and Medicare Advantage	<b>54.74 %</b>	53.89 %	54.12 %
Medicaid (includes Medicaid Managed Care)	<b>10.25</b>	10.51	9.33
Commercial	<b>30.31</b>	29.64	29.52
Self-pay	<b>4.70</b>	5.96	7.03
Total gross charges	<b>100.00 %</b>	100.00 %	100.00 %

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

<i>September 30,</i>	<b>2023</b>	Restated 2022	2021
<b>Assets</b>			
Unrestricted Cash	\$ <b>14.0</b>	\$ 13.1	\$ 34.8
Other current assets	<b>155.6</b>	146.2	139.3
Total current assets	<b>169.6</b>	159.3	174.1
Noncurrent assets	<b>143.1</b>	107.2	139.8
Capital assets	<b>191.2</b>	218.1	245.5
Total assets	<b>503.9</b>	484.6	559.4
<b>Deferred outflows</b>	<b>30.8</b>	28.0	11.1
<b>Liabilities</b>			
Current liabilities	<b>118.9</b>	105.8	157.1
Long-term liabilities	<b>141.8</b>	154.0	144.1
Total liabilities	<b>260.7</b>	259.8	301.2
<b>Deferred inflows</b>	<b>19.3</b>	17.9	20.5
<b>Net Position</b>			
Net investment in capital assets	<b>86.9</b>	97.7	107.4
Restricted	<b>8.6</b>	7.1	7.4
Unrestricted	<b>159.2</b>	130.1	134.0
Total net position	\$ <b>254.7</b>	\$ 234.9	\$ 248.8

## Memorial Hospital at Gulfport Management's Discussion and Analysis

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

<i>For the years ended September 30,</i>	<b>2023</b>	Restated 2022	2021
<b>Operating Revenues</b>			
Net patient service revenue	\$ 692.3	\$ 699.9	\$ 688.8
Other operating revenue	128.4	90.0	9.4
Total operating revenues	<b>820.7</b>	789.9	698.2
<b>Operating Expenses</b>			
Salaries and wages and employee benefits	355.5	393.4	376.9
Physician and professional fees			
purchased services, supplies, and other	407.3	368.3	344.1
Depreciation and amortization	42.4	45.6	44.2
Total operating expenses	<b>805.2</b>	807.3	765.2
Operating income (loss)	15.5	(17.4)	(67.0)
Nonoperating revenues	4.3	3.5	0.4
Capital contributions	-	-	3
Increase (decrease) in net position	19.8	(13.9)	(64.1)
Net position, beginning of year (restated)	234.9	248.8	312.9
Net position, end of year (restated)	\$ 254.7	\$ 234.9	\$ 248.8

### Management's Discussion and Analysis of Recent Financial Performance

#### Changes from 2022 to 2023

The Hospital reported an increase in net position of \$19.8 million in 2023. Total operating revenues, consisting of both net patient service revenues and other operating revenues, were \$820.7 million and \$789.9 million in fiscal years 2023 and 2022, respectively. The increase in 2023 over 2022 is attributable to vastly improved revenue cycle performance, increased volumes in admissions, Emergency Department (ED) visits, and deliveries. Total operating revenues in 2023 include \$21 million in lump sum remedy payments for 340B-acquired drugs for the periods 2018-2022. Inpatient volumes increased from 2023 to 2022. Inpatient admissions were up 2.2% over the prior year with an increase of 320 admissions, while total patient days were down 6.2%, with a 6.4% decrease in acute patient days (-4,145 days) and a decrease in NICU and ICU patient days (-593 days). Average Daily Census (ADC) was down 13 due to 0.45 days improvement in Average Length of Stay. ED visits increased by 7.6% to 71,384 during the same period. Deliveries increased significantly: 36.7% from 2022 to 2023 ending at 1,767. There were 218 NICU admissions in 2023, an increase of 23. NICU days totaled 4,785 in 2023, a 9.6% increase over the same period in 2022. The Memorial Employed Physician Network had 650,824 ambulatory visits in 2023, a decrease of 117,340 visits over 2022. The

## Memorial Hospital at Gulfport Management's Discussion and Analysis

decrease is related to divestiture of 60 providers. However, the remaining provider base increased the average charge per visit by 17.1% resulting in \$1.3 million additional revenue compared to 2022.

Total operating expenses were \$805.2 million and \$807.3 million in fiscal years 2023 and 2022, respectively. The decrease in total operating expenses from 2022 to 2023 was \$2.1 million, the components of which are described below.

Salaries, wages, and employee benefits have decreased \$37.8 million or 9.6% from fiscal year 2022 to 2023, largely driven by reductions in Full Time Equivalent (FTEs) due to clinical labor productivity management, non-clinical workforce reductions and improved LOS management. While efforts to manage labor expense have been very successful, recruiting for certain staff still presents challenges, and contract labor was deployed to maintain appropriate staffing levels, although at nearly half the cost than prior year. Contract labor expense in 2023 and 2022 was \$8.0 million and \$15.2 million, respectively. Total benefit expense remained flat year over year. Total benefit expense as a percentage of salaries was up slightly year over year, from 14.1% to 16.1%, largely driven by reduction in contract labor staffing who are not eligible to receive MHG benefits.

Professional fees increased by \$26.6 million, from \$10.3M in 2022 to \$36.9 million in 2023, largely driven by Huron Consulting fees. Expenses related to the Huron engagement and turnaround efforts have been fully satisfied in FY23, with no savings benefit expenses related to turnaround efforts remaining in FY24.

Purchased services, supplies, and other expenses excluding professional fees increased \$10.7 million from 2022 to 2023 or 3%, largely due to increase in drug costs. Drug costs increased \$16.7 million from 2022 to 2023, driven in large part due to the expansion of 340B contract pharmacy initiatives and outpatient employee pharmacy expansion, both significant revenue and margin generating initiatives. Medical and other supplies expense decreased \$8.9 million from 2022 to 2023, a reduction of 10.4%. Depreciation and amortization costs declined from 2022 to 2023, down \$3.2 million.

The operating income/(loss) was \$15.5 million and (\$17.3) million in fiscal years 2023 and 2022, respectively, an improvement of \$32.8M year over year. The operating income translates into operating margins of 1.9% and -2.2% for the same fiscal years, respectively.

Total nonoperating revenues were \$4.3 million in 2023 and \$3.5 million in 2022. Nonoperating revenue in 2023 includes \$5.7 in revenue from investments and interest income, \$.5 million CARES Act, \$.4 million joint ventures, \$.9 other grants and contributions. Offsets include interest expense and losses on the disposal of assets.

### **Changes from 2021 to 2022**

The Hospital reported a decrease in net position of \$13.9 million in 2022. Total operating revenues, consisting of both net patient service revenues and other operating revenues, were \$789.9 million and \$698.2 million in fiscal years 2022 and 2021, respectively. The increase in 2022 over 2021 is attributable to increased volumes in Emergency Department (ED) visits, outpatient surgeries,

## Memorial Hospital at Gulfport Management's Discussion and Analysis

deliveries, and ambulatory visits. Total operating revenues in 2022 include a one-time \$53.6 million redistribution of DSH funds as a result of audits conducted for 2018 and 2019 by Medicaid. Inpatient volumes decreased from 2022 to 2021. Inpatient admissions were down 2.85% over the prior year with a decrease of 413 admissions. Total patient days were correspondingly down 1.84% with a 6.2% decrease in acute patient days (-4,230 days) offset by an increase in NICU and ICU patient days (+2,811 days). ED visits increased by 1.56% to 66,340 during the same period. Deliveries increased slightly: .62% from 2021 to 2022 ending at 1,292. There were 195 NICU admissions in 2022, an increase of 18. NICU days totaled 4,365 in 2022, a 16% increase over the same period in 2021. The Memorial Employed Physician Network had 768,164 ambulatory visits in 2022, an increase of 102,084 visits over 2021.

Total operating expenses were \$807.3 million and \$765.2 million in fiscal years 2022 and 2021, respectively. The increase in total operating expenses from 2021 to 2022 was \$42.1 million, a 5.5% increase, the components of which are described below.

Salaries, wages, and employee benefits have increased \$16.5 million or 4.4% from fiscal year 2021 to 2022 of which \$6.75 million was due to merit and market adjustments and \$1.8 million was related to COVID activities. Staffing shortages in the market continue and the Hospital has had to pay incentives to recruit and retain staff in order to continue to provide quality care to our patients. These retention efforts were an additional \$10.1 million in salary expense in 2022. Even with these retention efforts we had increased contract labor expense in order to maintain staffing levels. Contract labor expense in 2022 and 2021 was \$15.3 million and 9.1 million, respectively. Total benefits increased 4.6% or \$2.2 million in 2022. Total benefit expense as a percentage of salaries remained flat at 14%.

Purchased services, supplies, and other expenses increased \$24.2 million from 2021 to 2022 or 7%. Purchased services increased by \$6.5 million from 2021 to 2022 most of which is due to provider expansion. Supplies and other expenses increased \$24.4 million from 2021 to 2022. Supply costs related to COVID were \$3.1 million. Drug costs increased \$11.6 million from 2021 to 2022. Depreciation and amortization costs remain relatively flat from 2021 to 2022.

The operating loss was \$17.4 million and \$67.0 million in fiscal years 2022 and 2021, respectively. The operating loss translates into operating margins of -2.2% and -9.6% for the same fiscal years, respectively.

Total nonoperating revenues were \$3.5 million in 2022 and .4 million in 2021. 2022 nonoperating revenue includes \$14.3M in revenue from the CARES Act and FEMA for COVID related expenses. This is offset by losses from joint ventures, interest, and changes in investment income.

## Memorial Hospital at Gulfport Management's Discussion and Analysis

### Capital Assets and Debt Administration

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

<i>September 30,</i>	<b>2023</b>	Restated 2022	2021
Lands and land improvements	\$ 9.7	\$ 11.0	\$ 11.0
Buildings and improvements	<b>243.7</b>	249.3	242.3
Fixed and major moveable equipment	<b>311.3</b>	379.6	375.9
Right-to-use leased buildings	<b>91.3</b>	91.6	87.4
Right-to-use leased equipment	<b>24.1</b>	24.6	23.4
Right-to-use SBITA	<b>4.8</b>	3.5	-
Construction in progress	<b>1.9</b>	4.0	8.3
Total capital assets	<b>686.8</b>	763.6	748.3
Less accumulated depreciation and amortization	<b>495.6</b>	545.5	502.8
Capital assets, net	<b>\$ 191.2</b>	\$ 218.1	\$ 245.5

Capital assets decreased during 2023 due to the disposal of equipment and other improvements which were no longer in service. See Note 5 for more detailed activity related to changes in capital assets.

Total debt for the 2016 Series Bonds as of September 30, 2023 is \$37 million, which includes \$3.1 million of unamortized bond premium. Total debt for the 2016 Series Bonds as of September 30, 2022 is \$41.1 million which includes \$3.8 million of unamortized bond premium. Principal repayment of the debt began in 2019 and continues through maturity in 2031.

See Note 8 for more detailed activity related to changes in long-term liabilities.

### The Hospital's Cash Flows

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

### Contacting the Hospital Chief Executive Officer

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

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

<i>September 30,</i>	<b>2023</b>	Restated 2022
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 13,955,047	\$ 13,063,734
Restricted cash and investments		
Held by trustee under indenture agreements	1,705	269
Held for self-insurance fund	4,326,739	3,371,884
Beneficial interest in assets held by Community Foundation	4,016,028	3,490,501
Patient accounts receivable, net of allowance for doubtful accounts of \$99,804,960 and \$136,199,985 in 2023 and 2022, respectively	88,741,959	81,785,867
Leases receivable	2,067,396	2,069,498
Other receivables	23,413,245	11,019,068
Inventory	13,789,877	13,454,543
Estimated third-party payor settlements	15,165,186	26,245,094
Prepaid expenses and other	4,092,905	4,762,722
<b>Total current assets</b>	<b>169,570,087</b>	159,263,180
Noncurrent assets		
Investments	128,765,326	89,798,192
Beneficial interest in assets held by Community Foundation	1,476,258	1,476,258
Restricted investment		
Held by trustee under indenture agreements	6,019	6,019
Leases receivable	3,499,721	5,346,425
Other assets	9,336,679	10,559,914
<b>Total noncurrent assets</b>	<b>143,084,003</b>	107,186,808
Capital assets		
Land	6,146,386	6,146,386
Construction in progress	1,979,968	3,954,097
Depreciable/Amortizable capital assets, net	183,100,924	208,052,008
<b>Total capital assets, net</b>	<b>191,227,278</b>	218,152,491
<b>Total assets</b>	<b>503,881,368</b>	484,602,479
<b>Deferred Outflows of Resources</b>		
Deferred outflows - pensions	30,681,323	27,848,533
Deferred outflows - refunding of debt	130,684	160,903
<b>Total deferred outflows of resources</b>	<b>30,812,007</b>	28,009,436

(Continued)

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

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

<i>September 30,</i>	<b>2023</b>	Restated 2022
<b>Liabilities and Net Position</b>		
Current liabilities		
Current maturities of bonds	\$ 3,550,000	\$ 3,380,000
Current maturities of finance lease obligation	-	659,310
Current maturities of leases payable	18,406,091	18,526,768
Current maturities of subscriptions payable	1,187,082	981,148
Accounts payable	52,164,737	39,681,612
Accrued compensation and payroll taxes	21,562,690	25,270,079
Unearned revenue	7,052,830	2,535,620
Other accrued expenses	14,521,331	14,203,351
Accrued interest payable	482,082	521,394
Total current liabilities	<b>118,926,843</b>	105,759,282
Long-term liabilities		
Net pension liability	60,623,179	57,151,201
Bonds payable, net of current maturities	33,477,236	37,749,197
Leases payable, net of current maturities	46,511,681	57,925,902
Subscriptions payable, net of current maturities	1,138,306	1,205,532
Total long-term liabilities	<b>141,750,402</b>	154,031,832
Total liabilities	<b>260,677,245</b>	259,791,114
<b>Deferred Inflows of Resources</b>		
Deferred inflows - leases	5,387,856	7,312,914
Deferred inflows - pensions	13,957,326	10,571,391
Total deferred inflows of resources	<b>19,345,182</b>	17,884,305
Net position		
Net investment in capital assets	86,956,882	97,724,634
Restricted		
Expendable for:		
Debt service	7,724	6,288
Self insurance programs	4,326,739	3,371,884
Hospital programs funded by MHG Foundation	2,746,631	2,266,889
Nonexpendable - Foundation endowments	1,476,258	1,476,258
Unrestricted	159,156,714	130,090,543
Total net position	<b>\$ 254,670,948</b>	\$ 234,936,496

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



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

<i>For the years ended September 30,</i>	<b>2023</b>	Restated 2022
<b>Operating Revenues</b>		
Patient service revenues, net of contractual allowances	\$ 782,098,257	\$ 769,405,210
Provision for bad debts	(89,820,326)	(69,425,203)
Net patient service revenue	692,277,931	699,980,007
Other operating revenue	128,351,505	89,964,380
Total operating revenue	820,629,436	789,944,387
<b>Operating Expenses</b>		
Salaries and wages	306,322,564	344,772,532
Employee benefits and payroll taxes	49,213,204	48,592,305
Supplies and other operating expense	291,494,711	246,954,166
Purchased services	108,081,759	112,073,376
Physician and professional fees	7,699,617	9,327,777
Depreciation and amortization	42,367,529	45,558,545
Total operating expenses	805,179,384	807,278,701
Operating income (loss)	15,450,052	(17,334,314)
<b>Nonoperating Revenues (Expenses)</b>		
COVID-19 grant funds	552,637	14,612,495
Other grants and contributions	866,717	803,369
Interest and investment income (loss)	5,701,471	(4,275,373)
Change in value of beneficial interests in assets	525,527	(770,092)
Interest expense	(3,405,024)	(4,146,156)
Gain (loss) on disposal of sale of assets	(377,021)	(635,496)
Income (loss) from joint ventures	420,093	(2,120,856)
Total nonoperating revenues (expenses)	4,284,400	3,467,891
Change in net position	19,734,452	(13,866,423)
<b>Net position - beginning of year, as restated (See Note 2)</b>	234,936,496	248,802,919
<b>Net position - end of year</b>	\$ 254,670,948	\$ 234,936,496

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

## Memorial Hospital at Gulfport

### Statements of Cash Flows

<i>For the years ended September 30,</i>	<b>2023</b>	Restated 2022
<b>Operating Activities</b>		
Receipts from and on behalf of patients	\$ 693,958,647	\$ 647,640,064
Payments to suppliers and others	(353,972,464)	(380,561,869)
Payments to and on behalf of employees	(396,890,065)	(377,303,709)
Other receipts (payments), net	107,979,673	91,859,844
Net cash provided by (used in) operating activities	51,075,791	(18,365,670)
<b>Noncapital Financing Activities</b>		
Receipt of noncapital grants, contributions, and other	8,185,536	8,632,976
Net cash provided by noncapital financing activities	8,185,536	8,632,976
<b>Capital and Related Financing Activities</b>		
Purchase of capital assets	(5,340,763)	(9,044,573)
Proceeds from the sale of capital assets	-	44,513
Proceeds from capital grants	7,000,000	-
Proceeds from leases	2,089,694	2,079,093
Interest paid on long-term debt, leases, and subscriptions	(4,136,078)	(5,007,189)
Principal paid on long-term debt, leases, and subscriptions	(25,352,987)	(25,735,726)
Net cash used in capital and related financing activities	(25,740,134)	(37,663,882)
<b>Investing Activities</b>		
Maturities and sales of investments	31,474,167	31,381,082
Purchase of investments	(67,528,055)	(7,850,049)
Receipt of interest and investment earnings	4,378,863	2,176,840
Net cash provided by (used in) investing activities	(31,675,025)	25,707,873
Net increase (decrease) in cash and cash equivalents	1,846,168	(21,688,703)
<b>Cash and Cash Equivalents - beginning of year</b>	<b>16,435,618</b>	<b>38,124,321</b>
<b>Cash and Cash Equivalents - end of year</b>	<b>\$ 18,281,786</b>	<b>\$ 16,435,618</b>

<i>For the years ended September 30,</i>	<b>2023</b>	2022
<b>Reconciliation of Cash to Balance Sheets</b>		
Cash and cash equivalents	\$ 13,955,047	\$ 13,063,734
Restricted cash held for self-insurance fund	4,326,739	3,371,884
<b>Cash and Cash Equivalents - end of year</b>	<b>\$ 18,281,786</b>	<b>\$ 16,435,618</b>

(Continued)

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

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

<i>For the years ended September 30,</i>	<b>2023</b>	Restated <b>2022</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>		
Operating income (loss)	\$ 15,450,052	\$ (17,334,314)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	42,367,529	45,558,545
Provision for bad debts	89,820,326	69,425,203
(Increase) decrease in assets and deferred outflows:		
Patient accounts receivable	(96,776,418)	(44,070,762)
Inventory	(335,334)	347,233
Estimated third-party payor settlements	11,079,908	(24,822,227)
Prepaid expenses and other	145,520	(976,573)
Other receivable	(19,185,585)	2,959,854
Deferred outflows - pension	(2,832,790)	(16,900,546)
Increase (decrease) in liabilities and deferred outflows:		
Accounts payable	12,483,125	9,358,562
Accrued compensation, payroll taxes, and other	(3,389,409)	(7,670,973)
Unearned revenue	(2,443,100)	(52,872,157)
Net pension liability	3,471,978	27,464,095
Deferred inflows - leases	(2,165,946)	(2,132,123)
Deferred inflows - pension	3,385,935	(6,699,487)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 51,075,791</b>	<b>\$ (18,365,670)</b>

**Schedule of Noncash Capital and Related Financing Activities:**

Right-to-use lease agreement additions	\$ 8,364,010	\$ 5,327,783
Right-to-use SBITA agreement additions	1,553,477	1,994,794

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

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

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Investments		
Cash	\$ -	\$ 2,661
Fixed income securities	<b>49,922,687</b>	44,403,140
Equity securities	<b>32,254,498</b>	35,949,940
Mutual funds	<b>42,642,619</b>	43,230,260
Total investments	<b>124,819,804</b>	123,586,001
Accrued interest and dividends	<b>405,582</b>	313,944
Total assets	<b>125,225,386</b>	123,899,945
<b>Liabilities</b>		
Prepaid contributions	-	404,638
<b>Net position</b>		
Restricted for pension benefits	<b>\$ 125,225,386</b>	<b>\$ 123,495,307</b>

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

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

<i>For the year ended September 30,</i>	<b>2023</b>	<b>2022</b>
<b>Additions</b>		
Contributions		
Employer	\$ 9,281,064	\$ 8,395,362
Total contributions	<b>9,281,064</b>	8,395,362
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments	<b>5,198,017</b>	(34,686,777)
Interest and dividend income	<b>3,940,799</b>	6,359,020
Total investment income (loss)	<b>9,138,816</b>	(28,327,757)
Total additions (reductions)	<b>18,419,880</b>	(19,932,395)
<b>Deductions</b>		
Benefits paid to participants	<b>16,689,801</b>	13,782,169
<b>Change in fiduciary net position</b>	<b>1,730,079</b>	(33,714,564)
Net position - beginning of year	<b>123,495,307</b>	157,209,871
Net position - end of year	<b>\$ 125,225,386</b>	\$ 123,495,307

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

## Memorial Hospital at Gulfport Notes to Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Reporting Entity***

Memorial Hospital at Gulfport (the "Hospital") is an acute-care hospital organized as an enterprise (proprietary) operation or business-type activity. The Hospital provides inpatient, outpatient, rehabilitation, physician, and emergency care services primarily for residents of the six coastal counties of Mississippi and surrounding area. Admitting physicians are primarily practitioners in the same Mississippi Gulf Coast area. The Hospital is currently licensed to operate 328 inpatient beds.

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

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

#### ***Blended Component Units***

Included with the reporting entity of the Hospital are five entities that have been presented as blended component units. The Hospital exerts control over these entities and there is a financial benefit/burden relationship with these entities. All significant intercompany transactions between the Hospital and these five entities have been eliminated. Publicly available financial statements are not issued for these entities. Summarized financial information is provided in Note 17 for these entities. The entities are as follows:

#### **Memorial Hospital Ambulatory Health Services, Inc.**

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

## Memorial Hospital at Gulfport Notes to Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Blended Component Units (Continued)*

##### Select Hospital Corporation

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

##### Medical Foundation of South Mississippi, Inc.

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

##### Memorial Properties, Inc.

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

##### Memorial Hospital at Gulfport Foundation, Inc.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Blended Component Units (Continued)***

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

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with applicable pronouncements of the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus. Revenue, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met.

***Use of Estimates***

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

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

***Cash and Cash Equivalents***

The Hospital's cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Investments and Investment Income***

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

***Restricted Cash and Investments***

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

***Patient Accounts Receivable, Net***

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

***Inventory***

Inventories, which consist primarily of medical supplies and drugs, are stated at average cost using the first-in/first-out (FIFO) method. The cost of such inventories are recorded as expenses when consumed rather than when purchased.

***Prepaid Expenses***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Capital Assets***

Capital assets, which includes property, plant, and equipment, are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Right-to-use and subscription assets (exceeding one year) are recorded at the present value of the lease or subscription payable, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Capital assets are defined as assets with an initial cost of more than \$3,000 and an estimated useful life in excess of one year.

Land and construction in progress are not depreciated. Property, plant, and equipment are depreciated using the straight line method over the estimated useful life of each asset. Right-to-use assets, subscription assets, and leasehold improvements are amortized over the shorter of the term of the lease or subscription agreement or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	1 - 25 years
Buildings and improvements	1 - 40 years
Fixed equipment	3 - 30 years
Major moveable equipment	1 - 25 years
Right-to-use leased buildings	1 - 20 years
Right-to-use leased equipment	1 - 5 years
Subscription-Based Information Technology Arrangements	2 - 10 years

***Impairment of Long-Lived Assets***

The Hospital evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management's evaluations, no long-lived assets impairments were recognized during the years ended September 30, 2023 and 2022.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Beneficial Interest in Assets Held by Community Foundation***

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

***Deferred Outflows/Inflows of Resources***

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

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

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

The Hospital is reporting deferred inflows related to pensions and deferred inflows related to leases, both reported in the statements of net position. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with the GASB which will be recognized as a reduction to pension expense in future reporting years. The deferred inflows of resources related to leases will be recognized in lease revenue in future reporting periods.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Compensated Absences***

The Hospital's policies permit employees to accumulate earned but unused benefits for paid time off (PTO) and sick leave, which are eligible for payment upon termination of employment. The accumulated pay is accrued and reported as earned in the statements of net position under accrued compensation and payroll taxes. The amounts reported in fiscal years ended September 30, 2023 and 2022 was \$11,069,606 and \$15,826,038, respectively.

***Long-Term Obligations***

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

***Pension***

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

***Net Position***

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

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

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Net Position (Continued)***

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

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

***Revenues and Expenses***

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

***Net Patient Service Revenue***

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

The laws and regulations under which Medicare and Medicaid programs operate are complex, and subject to interpretation and frequent changes. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potentially significant wrongdoing. However, compliance with such laws and regulations is subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid program. In recent years, there has been an increase in regulatory initiatives at the state and federal levels including the Recovery Audit Contractor ("RAC") and Medicaid Integrity Contractor ("MIC") programs, among others. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue 'improper' (in their judgment) payments with a three year look back from the date the claim was paid.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Charity Care***

The Hospital provides care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy was approximately \$48,325,455 and \$63,758,971 for the years ended September 30, 2023 and 2022, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately \$6,084,320, and \$7,513,357, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Hospital's cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

***Grants and Contributions***

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

***Leases – Lessor***

The Hospital is a lessor for non-cancellable leases of property and recognizes a lease receivable and deferred inflow of resources in the statements of net position. At the commencement of the lease, the Hospital initially measures the lease receivable at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is initially measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. Subsequently, the lease receivable is reduced by the principal portion of lease payments made, and interest revenue is recognized. Lease revenue is recognized from the inflow of resources in a systematic and rational matter over the term of the lease.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Leases – Lessee***

The Hospital is lessee for non-cancellable leases of buildings and equipment and recognizes leases payable and intangible right-to-use assets in the statements of net position. At the commencement of the lease, the Hospital initially measures the lease payable at the present value of the lease payments expected to be made during the lease term. Subsequently, the lease payable is reduced by the principal portion of lease payments made. The lease asset is initially measured at the initial amount of the lease payable, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with capital assets and leases payable are reported with long-term liabilities in the statements of net position.

***Subscription-Based Information Technology Arrangements***

Subscription-based information technology arrangements (SBITAs) that allow the Hospital to use another entity's information technology software alone or in combination with tangible capital assets for a period greater than 12 months are recorded as both a right-to-use asset and subscription liability. At the commencement of the subscription term, the Hospital initially measures the subscription liability at the present value of the subscription payments expected to be made during the subscription term. Subsequently, the subscription payable is reduced by the principal portion of subscription payments made. The SBITA asset is initially measured at the initial amount of the subscription payable, adjusted for subscription payments made at or before the commencement of the subscription term, plus capitalizable implementation costs. Subsequently, the SBITA asset is amortized on a straight-line basis over the subscription term. SBITA assets are reported with capital assets and subscriptions payable are reported with long-term liabilities in the statements of net position.

***Current Healthcare Environment***

The Hospital monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Hospital in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the ongoing impacts of the federal healthcare reform legislation. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant capital investment in healthcare information technology
- Continuing volatility in state and federal government reimbursement programs

## Memorial Hospital at Gulfport

### Notes to Financial Statements

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Current Healthcare Environment (Continued)*

- Effective management of multiple major regulatory mandates, including the previously mentioned audit activity
- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payor industry
- Workforce shortages primarily in nursing and other clinically skilled positions; as well as increased payroll costs to retain staff.

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

##### *Reclassifications of Prior Year Presentation*

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

##### *Income Taxes*

The Hospital is a governmental entity and, as such, is exempt from federal and state income taxes.

##### *Pronouncements Issued But Not Yet Effective*

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

<b>GASB Statement No.</b>	<b>GASB Accounting Standard</b>	<b>Effective Fiscal Year</b>
99	<i>Omnibus 2022</i>	2024 (1)
100	<i>Accounting Changes and Corrections</i>	2024
101	<i>Compensated Absences</i>	2025

(1) Certain provisions of this standard were effective immediately and in 2023.



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Pronouncements Issued and Recently Adopted***

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). The primary objectives of this statement are to provide 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 was effective for fiscal years beginning after December 15, 2021. The Hospital adopted the provisions of this statement for fiscal year ended September 30, 2023, and GASB 91 did not have any impact on the Hospital's financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement was effective for fiscal years beginning after June 15, 2022. The Hospital adopted the provisions of this statement for fiscal year ended September 30, 2023, and GASB 94 did not have any impact on the Hospital's financial statements.

In May 2020, the GASB issued statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). This statement provides guidance on the accounting and financial reporting for SBITAs. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use 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. This statement was effective for fiscal years beginning after June 15, 2022. The Hospital adopted the provisions of this statement for fiscal year ended September 30, 2023, retroactive to October 1, 2021. See Note 2 for the financial statement impact of adopting the provisions of this statement.

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 19, 2024, and has determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

## Memorial Hospital at Gulfport

### Notes to Financial Statements

#### NOTE 2: RESTATEMENT

During the year ended September 30, 2023, the Hospital implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) (GASB 96), effective October 1, 2021. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology software, alone or in combination with tangible capital assets, as specified in a contract for a period of time in an exchange or exchange-like transaction. Under this statement, a government recognizes a right-to-use asset and a corresponding subscription liability for these type of arrangements. The following changes have been made to the accompanying financial statements as of and for the year ended September 30, 2022:

	Restated after Adoption of GASB 96	As Originally Reported Prior to Adoption of GASB 96	Change
<b>Statement of Net Position</b>			
Capital assets, net	\$ 218,152,491	\$ 215,649,253	\$ 2,503,238
Subscriptions payable	2,186,680	-	2,186,680
Net position	234,936,496	234,619,938	316,558
	Restated after Adoption of GASB 96	As Originally Reported Prior to Adoption of GASB 96	Change
<b>Statement of Revenues, Expenses, and Changes in Net Position</b>			
Supplies and other operating expense	\$ 246,954,166	\$ 248,356,341	\$ (1,402,175)
Depreciation and amortization	45,558,545	44,515,890	1,042,655
Interest expense	4,146,156	4,103,194	42,962
Change in net position	(13,866,423)	(14,182,981)	316,558
Change in net position - beginning of year	248,802,919	248,802,919	-
Change in net position - end of year	234,936,496	234,619,938	316,558
	Restated after Adoption of GASB 96	As Originally Reported Prior to Adoption of GASB 96	Change
<b>Statement of Cash Flows</b>			
Payments to suppliers and contractors	\$ 380,561,869	\$ 381,964,044	\$ (1,402,175)
Principal paid on long-term debt, leases, and subscriptions	25,735,726	24,376,513	1,359,213
Interest paid on long-term debt, leases, and subscriptions	5,007,189	4,964,227	42,962

## Memorial Hospital at Gulfport Notes to Financial Statements

### NOTE 3: DEPOSITS AND INVESTMENTS

#### *Deposits*

As of September 30, 2023 and 2022, the deposits of the Hospital consisted of the following:

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
Petty cash and undeposited cash	\$ 84,246	\$ 37,459
Cash deposits with financial institutions	<b>18,197,539</b>	16,398,159
Total cash deposits	<b>\$ 18,281,785</b>	\$ 16,435,618

  

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 13,955,047	\$ 13,063,734
Restricted cash held by trustee for self-insurance fund	<b>4,326,739</b>	3,371,884
Total cash deposits	<b>\$ 18,281,786</b>	\$ 16,435,618

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

The collateral for public entity deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program the Hospital's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depositary Insurance Corporation ("FDIC"). All deposits with financial institutions must be collateralized in an amount equal to 105 percent of uninsured deposits and are therefore fully insured. The bank balance of the collateralized and insured balances was \$23,071,100 and \$22,504,384 at September 30, 2023 and 2022, respectively.

The Hospital also has cash deposits restricted for self-insurance related to professional liability and workers' compensation claims. The carrying value of these deposits was \$4,326,739 and \$3,371,884 at September 30, 2023 and 2022, respectively.

#### *General Investments*

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

## Memorial Hospital at Gulfport Notes to Financial Statements

### NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

#### *General Investments (Continued)*

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

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

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

At September 30, 2023 and 2022, the Hospital had investments with the following maturities:

<i>September 30, 2023</i>	Fair Value	No Maturity	< 1 year	1-5 years	6-10 years	> 10 years
Money market mutual funds	\$ 24,296,915	\$ 24,296,915	\$ -	\$ -	\$ -	\$ -
Certificates of deposit	4,591,514	-	4,591,514	-	-	-
U.S. Treasury securities	20,528,282	-	20,528,282	-	-	-
U.S. Government agency securities	39,323,792	-	3,465,076	19,952,717	14,908,479	997,520
Mortgage-backed securities	20,898,398	-	2,389,188	8,814,348	9,000,962	693,900
Municipal bonds	13,715,164	-	2,294,608	5,911,595	5,408,869	100,092
Corporate bonds	3,599,171	-	2,697,099	476,142	425,930	-
Common stock	319,814	319,814	-	-	-	-
Fixed indexed annuity	1,500,000	-	-	1,500,000	-	-
Total	\$ 128,773,050	\$ 24,616,729	\$ 35,965,767	\$ 36,654,802	\$ 29,744,240	\$ 1,791,512

  

<i>September 30, 2022</i>	Fair Value	No Maturity	< 1 year	1-5 years	6-10 years	> 10 years
Money market mutual funds	\$ 36,329,376	\$ 36,329,376	\$ -	\$ -	\$ -	\$ -
Certificates of deposit	4,237,931	-	3,194,405	1,043,526	-	-
U.S. Government agency securities	11,851,497	-	-	312,724	11,538,773	-
Mortgage-backed securities	25,268,118	-	2,135,173	8,611,271	13,825,756	695,918
Municipal bonds	10,246,626	-	917,820	3,996,898	3,712,329	1,619,579
Common stock	370,932	370,932	-	-	-	-
Fixed indexed annuity	1,500,000	-	-	1,500,000	-	-
Total	\$ 89,804,480	\$ 36,700,308	\$ 6,247,398	\$ 15,464,419	\$ 29,076,858	\$ 2,315,497

## Memorial Hospital at Gulfport Notes to Financial Statements

### NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

#### *General Investments (Continued)*

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

At September 30, 2023 and 2022, the credit risk for fixed income securities was as follows:

<b><i>September 30, 2023</i></b>	<b>Rating</b>	<b>Rated</b>	<b>Not Rated</b>	<b>Total</b>
Money market mutual funds	-	\$ -	\$ 24,296,915	\$ 24,296,915
Certificates of deposit	Aaa/AA+	244,405	4,347,109	4,591,514
U.S. Treasury securities	Aaa/AA+	20,528,282	-	20,528,282
U.S. Government agency securities	Aaa/AA+	39,323,792	-	39,323,792
Mortgage-backed securities	Aaa/AAA-AA+	20,898,398	-	20,898,398
Municipal bonds	Aaa to Aa3/AA+ to AA-	9,945,144	3,770,020	13,715,164
Corporate bonds	Aaa/AA+	3,599,171	-	3,599,171
<b><i>September 30, 2022</i></b>	<b>Rating</b>	<b>Rated</b>	<b>Not Rated</b>	<b>Total</b>
Money market mutual funds	-	\$ -	\$ 36,329,376	\$ 36,329,376
Certificates of deposit	-	-	4,237,931	4,237,931
U.S. Government agency securities	Aaa/AA+	11,851,497	-	11,851,497
Mortgage-backed securities	Aaa/AA+	25,268,118	-	25,268,118
Municipal bonds	Aaa to Aa3/AA+ to AA-	5,016,653	5,229,973	10,246,626

“Not rated” indicates those investments not rated by Moody’s or Standard and Poor’s rating agencies.

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

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

## Memorial Hospital at Gulfport Notes to Financial Statements

### NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

#### *Pension Plan Investments*

The Board of Trustees of the Hospital oversee the investment of pension plan assets for the defined benefit pension plan (the "Plan"). Investments of the plan are managed under the terms of an investment management agreement with Hancock Whitney Bank.

The Plan's investment policy, most recently amended in May 2022, authorizes the Plan to invest in cash, cash equivalents, money market mutual funds, mutual funds, commingled funds, separate accounts or collective trusts of high-grade index or active fixed income portfolios, options and futures, stocks, bonds, and exchange traded funds.

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

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

The composition of the Plan investments at September 30, 2023 and 2022 was as follows:

	2023	2022
Cash equivalents	\$ -	\$ 2,661
Money market mutual funds	6,300,854	7,252,033
U.S. government securities	19,735,679	22,993,220
Mortgage-backed securities	11,507,763	7,929,379
Collateralized mortgage obligations (CMOs)	658,728	751,368
Corporate bonds	17,512,901	12,729,173
Foreign bonds	507,616	-
Common stock	31,418,195	35,118,392
Foreign stock	829,950	824,536
Equity - ETF	4,513,925	3,009,589
Fixed income - ETF	3,592,022	5,881,327
Rights and warrants	6,353	7,012
Mutual funds - fixed income	7,674,534	9,584,499
Mutual funds - equity	20,561,284	17,502,812
Total investments	\$ 124,819,804	\$ 123,586,001

## Memorial Hospital at Gulfport Notes to Financial Statements

### NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

#### *Pension Plan Investments (Continued)*

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

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

At September 30, 2023 and 2022, the Plan had investments in fixed income securities with the following maturities:

	<b>2023</b>				
	<b>Fair Value</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>6-10 years</b>	<b>More than 10 years</b>
U.S. government securities	\$ 19,735,679	\$ 2,964,348	\$ 4,128,730	\$ 5,977,528	\$ 6,665,073
Mortgage-backed securities	11,507,763	-	-	305,097	11,202,666
CMOs	658,728	-	-	-	658,728
Corporate bonds	17,512,901	-	8,885,767	5,550,368	3,076,766
Foreign bonds	507,616	-	-	507,616	-
	<b>2022</b>				
	<b>Fair Value</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>6-10 years</b>	<b>More than 10 years</b>
U.S. government securities	\$ 22,993,220	\$ 1,755,021	\$ 7,058,525	\$ 7,936,750	\$ 6,242,924
Mortgage-backed securities	7,929,379	-	-	405,984	7,523,395
CMOs	751,368	-	-	-	751,368
Corporate bonds	12,729,173	-	3,963,952	5,163,437	3,601,784

## Memorial Hospital at Gulfport Notes to Financial Statements

### NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

#### *Pension Plan Investments (Continued)*

At September 30, 2023 and 2022, the credit risk for money market mutual funds, fixed income securities, and fixed income mutual funds was as follows:

<b>2023</b>						
	Aaa	Aa1-Aa3	A1-A3	Baa-Baa3	Not Rated	Total
Money market mutual funds	\$ 6,300,854	\$ -	\$ -	\$ -	\$ -	\$ 6,300,854
Mortgage-backed securities	11,507,763	-	-	-	-	11,507,763
CMOs	658,728	-	-	-	-	658,728
Corporate bonds	1,606,292	1,976,536	10,367,990	3,562,083	-	17,512,901
Foreign bonds	-	-	-	507,616	-	507,616
Mutual funds - fixed income	-	-	-	-	7,674,534	7,674,534
Fixed income - ETF	-	-	-	-	3,592,022	3,592,022

  

<b>2022</b>						
	Aaa	Aa1-Aa3	A1-A3	Baa-Baa3	Not Rated	Total
Money market mutual funds	\$ 7,252,033	\$ -	\$ -	\$ -	\$ -	\$ 7,252,033
Mortgage-backed securities	7,929,379	-	-	-	-	7,929,379
CMOs	751,368	-	-	-	-	751,368
Corporate bonds	1,573,930	2,634,009	6,818,823	1,702,411	-	12,729,173
Mutual funds - fixed income	-	-	-	-	9,584,499	9,584,499
Fixed income - ETF	2,706,189	-	-	-	3,175,138	5,881,327

Not rated indicates those investments not rated by Moody's or Standard and Poor's rating agencies.

Credit risk is defined as the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The Board of Trustees review investments for credit risk and makes recommendations accordingly.

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

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



**NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)**

***Pension Plan Investments (Continued)***

At September 30, 2023 and 2022, the Plan had the following investments in a single issuer in excess of 5% of total investments:

	<b>2023</b>	<b>2022</b>
Goldman Sachs Government Fund	\$ 6,300,854	\$ 7,252,033
Lazard International Equity Portfolio	6,871,734	-
Total investments	\$ 13,172,588	\$ 7,252,033

***Fair Value Measurements***

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

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

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

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

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

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

***Fair Value Measurements for General Investments***

Following is a description of the valuation methodologies used for assets measured at fair value for general investments. There have been no changes in methodologies used at September 30, 2023 and 2022.

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

## Memorial Hospital at Gulfport Notes to Financial Statements

### NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

#### *Fair Value Measurements for General Investments (Continued)*

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

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

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

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

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

The following tables set forth by level, within the fair value hierarchy, the Hospital's recurring fair value measurements as of September 30, 2023:

<b>September 30, 2023</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments				
Money market mutual funds	\$ 24,296,915	\$ 24,296,915	\$ -	\$ -
Certificates of deposit	4,591,514	4,591,514	-	-
U.S. Treasury securities	20,528,282	20,528,282	-	-
U.S. Government agency securities	39,323,792	-	39,323,792	-
Mortgage-backed securities	20,898,398	-	20,898,398	-
Municipal bonds	13,715,164	-	13,715,164	-
Corporate bonds	3,599,171	-	3,599,171	-
Common stock	319,814	319,814	-	-
Fixed indexed annuity	1,500,000	-	1,500,000	-
Total investments	128,773,050	49,736,525	79,036,525	-
Beneficial interest in assets held by Community Foundation	5,492,286	-	-	5,492,286
Total assets	\$ 134,265,336	\$ 49,736,525	\$ 79,036,525	\$ 5,492,286

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

**NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)**

***Fair Value Measurements for General Investments (Continued)***

The following tables set forth by level, within the fair value hierarchy, the Hospital's recurring fair value measurements as of September 30, 2022:

<b><i>September 30, 2022</i></b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments				
Money market mutual funds	\$ 36,329,376	\$ 36,329,376	\$ -	\$ -
Certificates of deposit	4,237,931	4,237,931	-	-
U.S. Government agency securities	11,851,497	-	11,851,497	-
Mortgage-backed securities	25,268,118	-	25,268,118	-
Municipal bonds	10,246,626	-	10,246,626	-
Common stock	370,932	370,932	-	-
Fixed indexed annuity	1,500,000	-	1,500,000	-
Total investments	89,804,480	40,938,239	48,866,241	-
Beneficial interest in assets held by Community Foundation	4,966,759	-	-	4,966,759
Total assets	\$ 94,771,239	\$ 40,938,239	\$ 48,866,241	\$ 4,966,759

Below is a reconciliation of the beginning and ending balances of the Beneficial Interest in Assets Held by Community Foundation for fiscal years ending September 30, 2023 and 2022.

Balance September 30, 2022	\$ 4,966,759
Net realized and unrealized gains (losses)	482,394
Interest and dividends	121,597
Investment management fees	(78,464)
Balance September 30, 2023	\$ 5,492,286
Balance September 30, 2021	\$ 3,734,918
Net realized and unrealized gains (losses)	(791,619)
Interest and dividends	77,085
Investment management fees	(55,558)
Additions	2,001,933
Balance September 30, 2022	\$ 4,966,759

**NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)**

***Fair Value Measurements for Pension Plan Investments***

Following is a description of the valuation methodologies used for assets measured at fair value for the pension plan investments. There have been no changes in methodologies used at September 30, 2023 and 2022.

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

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

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

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

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

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

**NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)**

***Fair Value Measurements for Pension Plan Investments (Continued)***

The following tables set forth by level, within the fair value hierarchy, the Plan's recurring fair value measurements as of September 30, 2023:

	<b>2023</b>			
	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money market mutual funds	\$ 6,300,854	\$ 6,300,854	\$ -	\$ -
U.S. government securities	19,735,679	19,735,679	-	-
Mortgage-backed securities	11,507,763	-	11,507,763	-
Collateralized mortgage obligations (CMOs)	658,728	-	658,728	-
Corporate bonds	17,512,901	-	17,512,901	-
Foreign bonds, notes & debt	507,616	-	507,616	-
Common stock	31,418,195	31,418,195	-	-
Foreign stock	829,950	829,950	-	-
Equity - ETF	4,513,925	4,513,925	-	-
Fixed income - ETF	3,592,022	3,592,022	-	-
Rights and warrants	6,353	6,353	-	-
Mutual funds - fixed income	7,674,534	7,674,534	-	-
Mutual funds - equity	20,561,284	20,561,284	-	-
<b>Total investments</b>	<b>\$ 124,819,804</b>	<b>\$ 94,632,796</b>	<b>\$ 30,187,008</b>	<b>\$ -</b>

The following tables set forth by level, within the fair value hierarchy, the Plan's recurring fair value measurements as of September 30, 2022:

	<b>2022</b>			
	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 2,661	\$ 2,661	\$ -	\$ -
Money market mutual funds	7,252,033	7,252,033	-	-
U.S. government securities	22,993,220	22,993,220	-	-
Mortgage-backed securities	7,929,379	-	7,929,379	-
Collateralized mortgage obligations (CMOs)	751,368	-	751,368	-
Corporate bonds	12,729,173	-	12,729,173	-
Common stock	35,118,392	35,118,392	-	-
Foreign stock	824,536	824,536	-	-
Equity - ETF	3,009,589	3,009,589	-	-
Fixed income - ETF	5,881,327	5,881,327	-	-
Rights and warrants	7,012	7,012	-	-
Mutual funds - fixed income	9,584,499	9,584,499	-	-
Mutual funds - equity	17,502,812	17,502,812	-	-
<b>Total investments</b>	<b>\$ 123,586,001</b>	<b>\$ 102,176,081</b>	<b>\$ 21,409,920</b>	<b>\$ -</b>

## Memorial Hospital at Gulfport

### Notes to Financial Statements

#### NOTE 4: ENDOWMENTS

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

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

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

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

Changes in endowment fund restrictions for the year ended September 30, 2023 is as follows:

	Unrestricted	Restricted / Expendable	Restricted / Nonexpendable	Total
Endowments, beginning of year	\$ 2,248,818	\$ 1,241,683	\$ 1,476,258	\$ 4,966,759
Investment income, net of expenses	237,945	287,582	-	525,527
Endowments, end of year	\$ 2,486,763	\$ 1,529,265	\$ 1,476,258	\$ 5,492,286

## Memorial Hospital at Gulfport

### Notes to Financial Statements

#### NOTE 4: ENDOWMENTS (CONTINUED)

Changes in endowment fund restrictions for the year ended September 30, 2022 is as follows:

	Unrestricted	Restricted / Expendable	Restricted / Nonexpendable	Total
Endowments, beginning of year	\$ 437,571	\$ 1,821,089	\$ 1,476,258	\$ 3,734,918
Contributions	2,001,933	-	-	2,001,933
Investment income, net of expenses	(190,686)	(579,406)	-	(770,092)
Endowments, end of year	\$ 2,248,818	\$ 1,241,683	\$ 1,476,258	\$ 4,966,759

#### NOTE 5: CAPITAL ASSETS

Capital asset activity and balances for the years ended September 30, 2023 were as follows:

	Restated Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023
Capital assets not depreciated/amortized				
Land	\$ 6,146,386	\$ -	\$ -	\$ 6,146,386
Construction in progress	3,954,097	2,727,864	(4,701,993)	1,979,968
Total capital assets not depreciated/amortized	10,100,483	2,727,864	(4,701,993)	8,126,354
Capital assets depreciated/amortized				
Land improvements	4,863,228	-	(1,345,613)	3,517,615
Buildings and improvements	249,347,252	3,060,775	(8,744,534)	243,663,493
Fixed equipment	108,691,009	994,065	(8,707,593)	100,977,481
Major moveable equipment	270,890,377	3,692,967	(64,267,785)	210,315,559
Right-to-use leased buildings	91,630,993	5,533,688	(5,831,982)	91,332,699
Right-to-use leased equipment	24,633,972	2,830,322	(3,393,395)	24,070,899
Right-to-use SBITA	3,545,893	1,553,477	(264,372)	4,834,998
Total capital assets depreciated/amortized	753,602,724	17,665,294	(92,555,274)	678,712,744
Less accumulated depreciation/amortization				
Land improvements	(4,743,809)	(20,870)	1,345,613	(3,419,066)
Buildings and improvements	(164,500,051)	(8,795,305)	8,723,746	(164,571,610)
Fixed equipment	(88,750,401)	(3,363,048)	8,504,047	(83,609,402)
Major moveable equipment	(244,002,877)	(7,736,162)	63,937,572	(187,801,467)
Right-to-use leased buildings	(31,243,952)	(15,339,259)	5,743,855	(40,839,356)
Right-to-use leased equipment	(11,266,971)	(5,090,996)	3,226,004	(13,131,963)
Right-to-use SBITA	(1,042,655)	(1,460,673)	264,372	(2,238,956)
Total accumulated depreciation/amortization	(545,550,716)	(41,806,313)	91,745,209	(495,611,820)
Total capital assets depreciated/amortized, net	208,052,008	(24,141,019)	(810,065)	183,100,924
Total capital assets, net	\$ 218,152,491	\$ (21,413,155)	\$ (5,512,058)	\$ 191,227,278

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

**NOTE 5: CAPITAL ASSETS (CONTINUED)**

Capital asset activity and balances for the years ended September 30, 2022 were as follows:

	Restated Balance 10/1/2021	Additions	Reductions	Restated Balance 9/30/2022
Capital assets not depreciated/amortized				
Land	\$ 6,146,386	\$ -	\$ -	\$ 6,146,386
Construction in progress	8,274,197	6,183,255	(10,503,355)	3,954,097
<b>Total capital assets not depreciated/amortized</b>	<b>14,420,583</b>	<b>6,183,255</b>	<b>(10,503,355)</b>	<b>10,100,483</b>
Capital assets depreciated/amortized				
Land improvements	4,863,228	-	-	4,863,228
Buildings and improvements	242,338,410	7,015,387	(6,545)	249,347,252
Fixed equipment	107,355,817	1,583,793	(248,601)	108,691,009
Major moveable equipment	268,532,554	3,950,777	(1,592,954)	270,890,377
Right-to-use leased buildings	87,428,859	4,202,134	-	91,630,993
Right-to-use leased equipment	23,372,547	1,261,425	-	24,633,972
Right-to-use SBITA	1,551,099	1,994,794	-	3,545,893
<b>Total capital assets depreciated/amortized</b>	<b>735,442,514</b>	<b>20,008,310</b>	<b>(1,848,100)</b>	<b>753,602,724</b>
Less accumulated depreciation/amortization				
Land improvements	(4,682,319)	(61,490)	-	(4,743,809)
Buildings and improvements	(155,486,385)	(9,020,211)	6,545	(164,500,051)
Fixed equipment	(85,627,492)	(3,360,243)	237,334	(88,750,401)
Major moveable equipment	(236,105,620)	(9,048,942)	1,151,685	(244,002,877)
Right-to-use leased buildings	(15,504,640)	(15,739,312)	-	(31,243,952)
Right-to-use leased equipment	(5,440,398)	(5,826,573)	-	(11,266,971)
Right-to-use SBITA	-	(1,042,655)	-	(1,042,655)
<b>Total accumulated depreciation/amortization</b>	<b>(502,846,854)</b>	<b>(44,099,426)</b>	<b>1,395,564</b>	<b>(545,550,716)</b>
<b>Total capital assets depreciated/amortized, net</b>	<b>232,595,660</b>	<b>(24,091,116)</b>	<b>(452,536)</b>	<b>208,052,008</b>
<b>Total capital assets, net</b>	<b>\$ 247,016,243</b>	<b>\$ (17,907,861)</b>	<b>\$ (10,955,891)</b>	<b>\$ 218,152,491</b>

Depreciation/amortization expense for the years ended September 30, 2023 and 2022 totaled \$41,806,313 and \$44,099,426, respectively.



## Memorial Hospital at Gulfport Notes to Financial Statements

### NOTE 6: INVESTMENTS IN JOINT VENTURES

#### *Encompass Health Rehabilitation Hospital of Gulfport, LLC*

Effective April 1, 2017, the Hospital, through Memorial Properties, Inc., entered into an agreement with HealthSouth Gulfport Holdings, LLC ("HSGH"), whereby HSGH purchased the assets of the Hospital's 33-bed inpatient rehabilitation unit and ancillary services provided to the unit's patients. In coordination with the purchase, Encompass Health Rehabilitation Hospital of Gulfport, LLC ("Encompass") was created with Encompass Health Corporation serving as the owner and operator of the rehabilitation unit. Per the purchase agreement, the Hospital transferred capital and intangible assets including a related certificate of need into Encompass and received a 20% interest in Encompass, which is accounted for under the equity method. During fiscal years 2023 and 2022, the Hospital recognized approximately \$1.1 million in rental income from Encompass.

Publicly available financial statements are not issued for this entity. The following is summarized unaudited financial information for Encompass as of and for the years ended September 30, 2023 and 2022:

	9/30/2023 (Unaudited)	9/30/2022 (Unaudited)
Total assets	\$ 31,068,625	\$ 30,479,211
Liabilities	\$ 7,723,507	\$ 11,147,487
Equity	23,345,118	19,331,724
Total liabilities and equity	\$ 31,068,625	\$ 30,479,211
Net income	\$ 7,539,679	\$ 8,428,090

The Hospital's equity investment in Encompass as of September 30, 2023 and 2022 was \$1,922,823 and \$1,120,145, respectively, and is reported as an other asset in the statements of net position.

#### *Biloxi Health System, LLC*

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

## Memorial Hospital at Gulfport

### Notes to Financial Statements

#### NOTE 6: INVESTMENTS IN JOINT VENTURES

##### *Biloxi Health System, LLC (Continued)*

Publicly available financial statements are not issued for this entity. The following is summarized audited financial information for BHS as of and for the year ended September 30, 2023:

	9/30/2023 (Audited)	9/30/2022 (Audited)
Total assets	\$ 35,230,000	\$ 41,295,000
Liabilities	\$ 20,436,000	\$ 23,571,000
Equity	14,794,000	17,724,000
Total liabilities and equity	\$ 35,230,000	\$ 41,295,000
Net loss	\$ (2,930,000)	\$ (8,196,000)

The Hospital's equity investment in BHS as of September 30, 2023 and 2022, was \$7,397,000 and \$8,861,826, respectively, and is reported as an other asset in the statement of net position.

##### *Gulf Coast Vascular Care LLC*

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

Publicly available financial statements are not issued for this entity. The following is summarized unaudited financial information for Gulf Coast Vascular as of and for the year ended September 30, 2023:

	9/30/2023 (Unaudited)	9/30/2022 (Unaudited)
Total assets	\$ 899,393	\$ 318,436
Liabilities	\$ 1,325,660	\$ 857,041
Equity	(426,267)	(538,605)
Total liabilities and equity	\$ 899,393	\$ 318,436
Net income (loss)	\$ 112,338	\$ (863,247)

The Hospital's equity investment in Gulf Coast Vascular as of September 30, 2023 and 2022 was written down to \$0 in fiscal year September 30, 2022.

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

**NOTE 7: OTHER ASSETS**

Other assets as of September 30, 2023 and 2022, consists of the following:

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
Investment in joint venture - Encompass	\$ 1,922,823	\$ 1,120,145
Investment in joint venture - Biloxi Health System	7,397,000	8,861,826
Physician office assets and other	16,856	577,943
<b>Total</b>	<b>\$ 9,336,679</b>	<b>\$ 10,559,914</b>

**NOTE 8: LONG-TERM LIABILITIES**

The Hospital's long-term liabilities consisted of the following as of September 30, 2023:

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
Hospital Revenue Refunding Bonds Series 2016A, original principal amount of \$49,270,000, bearing an interest rate of 5%. Interest payments are due semi-annually, maturing in 2031, collateralized by a pledge of the Hospital's revenues.	\$ 33,905,000	\$ 37,285,000
Finance lease payable, interest rate of 5.75%, maturing October 2022, collateralized by the Hospital's capital assets.	-	659,310
Leases payable for equipment, with interest rates ranging from 1.21% to 5.25%, with monthly payments ranging from \$133 to \$97,500, maturing at various dates through October 2027.	11,213,002	13,682,275
Leases payable for property, with interest rates ranging from 2.296% to 6.45%, with monthly payments ranging from \$280 to \$139,686, maturing at various dates through January 2037.	53,704,770	62,770,395
Subscription-based Technology Information Technology Arrangements (SBITA), with interest rate of 4.971%, with annual payments ranging from \$13,121 to \$150,000, maturing at various dates through February 2033.	2,325,388	2,186,680
Unamortized bond premium	3,122,236	3,844,197
<b>Total long-term debt, leases, and subscriptions</b>	<b>104,270,396</b>	<b>120,427,857</b>
<b>Current portion of long-term debt, leases, and subscriptions</b>	<b>(23,143,173)</b>	<b>(23,547,226)</b>
<b>Long-term debt, leases, and subscriptions, net of current portion</b>	<b>\$ 81,127,223</b>	<b>\$ 96,880,631</b>

## Memorial Hospital at Gulfport Notes to Financial Statements

### NOTE 8: LONG-TERM LIABILITIES (CONTINUED)

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

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

The bond indenture requires that the Hospital satisfy certain measures of financial performance as long as the bonds are outstanding. Under the bond indenture, the Hospital is required to maintain a debt coverage ratio greater than 115%. As of September 30, 2023 and 2022, the Hospital was in compliance with this covenant.

A summary of changes in the Hospital's long-term liabilities for the year ended September 30, 2023 follows:

	Restated Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Due Within One Year
Leases payable	\$ 76,452,670	\$ 8,364,010	\$ (19,898,908)	\$ 64,917,772	\$ 18,406,091
Subscriptions payable	2,186,680	1,553,477	(1,414,769)	2,325,388	1,187,082
Finance lease payable	659,310	-	(659,310)	-	-
Revenue bonds payable					
Series 2016A	37,285,000	-	(3,380,000)	33,905,000	3,550,000
Premium on Series 2016A	3,844,197	-	(721,961)	3,122,236	-
Revenue bonds payable	41,129,197	-	(4,101,961)	37,027,236	3,550,000
Total long-term debt	\$ 120,427,857	\$ 9,917,487	\$ (26,074,948)	\$ 104,270,396	\$ 23,143,173

## Memorial Hospital at Gulfport Notes to Financial Statements

### NOTE 8: LONG-TERM LIABILITIES (CONTINUED)

A summary of changes in the Hospital's long-term liabilities for the year ended September 30, 2022 follows:

	Restated Balance 10/1/2021	Additions	Reductions	Restated Balance 9/30/2022	Due Within One Year
Leases payable	\$ 91,337,261	\$ 5,327,783	\$ (20,212,374)	\$ 76,452,670	\$ 18,526,768
Subscriptions payable	1,551,099	1,994,794	(1,359,213)	2,186,680	981,148
Finance lease payable	1,603,449	-	(944,139)	659,310	659,310
Revenues bonds payable					
Series 2016A	40,505,000	-	(3,220,000)	37,285,000	3,380,000
Premium on Series 2016A	4,628,507	-	(784,310)	3,844,197	-
Revenue bonds payable	45,133,507	-	(4,004,310)	41,129,197	3,380,000
Total long-term debt	\$ 139,625,316	\$ 7,322,577	\$ (26,520,036)	\$ 120,427,857	\$ 23,547,226

Scheduled principal and interest payments for the long-term liabilities are as follows:

Year ending September 30,	Revenue Bonds Payable		Leases Payable		Subscriptions Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 3,550,000	\$ 1,695,250	\$ 18,406,091	\$ 1,689,080	\$ 1,187,082	\$ 105,399
2025	3,730,000	1,517,750	13,795,410	1,173,537	538,437	54,096
2026	3,910,000	1,331,250	9,948,853	808,900	216,087	27,509
2027	4,110,000	1,135,750	8,333,826	558,926	199,563	16,763
2028	4,315,000	-	5,818,459	-	33,358	9,158
2029-2033	14,290,000	-	7,337,946	-	150,861	19,203
2034-2037	-	-	1,277,187	-	-	-
Total	\$ 33,905,000	\$ 5,680,000	\$ 64,917,772	\$ 4,230,443	\$ 2,325,388	\$ 232,128

#### **Finance Lease Obligations**

In 2013, the Hospital entered into a ten-year equipment, software and services agreement with a major information technology vendor. The agreement committed the Hospital to the purchase of a variety of information technology products and services from this vendor for a defined payment stream over the term of the contract. The contract included a ten-year financing agreement for certain equipment, software licenses and support fees totaling \$17,401,754, maturing in 2023, and was included as a finance lease obligation in the accompanying financial statements for fiscal year ended September 30, 2022. This agreement was paid off in 2023.

## Memorial Hospital at Gulfport

### Notes to Financial Statements

#### NOTE 9: NET INVESTMENT IN CAPITAL ASSETS

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

<i>September 30,</i>	<b>2023</b>	2022
Capital assets, net	<b>\$ 191,227,278</b>	\$ 218,152,491
Less debt related to capital assets:		
Leases payable	<b>(64,917,772)</b>	(76,452,670)
Subscriptions payable	<b>(2,325,388)</b>	(2,186,680)
Finance lease payable	-	(659,310)
Bonds payable, including premium	<b>(37,027,236)</b>	(41,129,197)
Net investment in capital assets	<b>\$ 86,956,882</b>	\$ 97,724,634

#### NOTE 10: NET PATIENT SERVICE REVENUE

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

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

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

**NOTE 10: NET PATIENT SERVICE REVENUE (CONTINUED)**

The Hospital participates in the Mississippi Intergovernmental Transfer Program as a Medicaid Disproportionate Share Hospital ("DSH"). Under this program, the Hospital receives enhanced reimbursement through a matching mechanism. For the fiscal years ended September 30, 2023 and 2022, the Hospital reported \$30,043,169 and \$35,605,607, respectively, in enhanced reimbursements through the DSH program. In addition, the Hospital recognized \$2,137,975 and \$53,575,960 in fiscal years ended September 30, 2023 and 2022, respectively, for redistributed DSH funds as a result of audits conducted for 2018 and 2019. DSH amounts are shown as a reduction of contractual adjustment with related assessments of approximately \$9,845,725 and \$8,177,536 recorded in operating expenses for the year ended September 30, 2023 and 2022, respectively.

The Hospital participates in the Division of Medicaid ("DOM") Mississippi Hospital Access Payment ("MHAP") program (the "MHAP Program"). The MHAP program is administered by the DOM through the MississippiCAN (Mississippi Coordinated Access Network) coordinated care organizations ("CCO"). The CCO's will subcontract with the hospitals throughout the state for distribution of the MHAP for the purpose of protecting patient access to hospital care. The MHAP programs and associated tax were distributed and collected in quarterly payments through the year. For the fiscal years ended September 30, 2023 and 2022, the Hospital reported \$28,847,544 and \$18,972,219, respectively, in enhanced reimbursement from the MHAP program.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change. The 2023 net patient service revenue decreased \$166,438 and the 2022 net patient service revenue increased \$953,348 due to adjustments in excess of amounts previously estimated.

As of September 30, 2023, cost reports for fiscal years 2019 and prior have been settled.

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

## Memorial Hospital at Gulfport

### Notes to Financial Statements

#### NOTE 10: NET PATIENT SERVICE REVENUE (CONTINUED)

The composition of gross and net patient service revenue for the fiscal years ended September 30, 2023 and 2022 is as follows:

<i>For the years ended September 30,</i>	<b>2023</b>	<b>2022</b>
Gross patient service revenue	\$ 4,793,251,179	\$ 4,870,016,531
Less provision for contractual adjustments under third-party reimbursement programs and other adjustments	(4,011,152,922)	(4,100,611,321)
Provision for bad debts	(89,820,326)	(69,425,203)
Net patient service revenue	<b>\$ 692,277,931</b>	<b>\$ 699,980,007</b>

Gross patient service revenue by major payor class consisted of the following for the years ended September 30, 2023 and 2022:

<i>For the years ended September 30,</i>	<b>2023</b>	<b>2022</b>
Medicare and Medicare Advantage	<b>54.74%</b>	53.89%
Medicaid	<b>10.25%</b>	10.51%
Commercial	<b>30.31%</b>	29.64%
Self-pay	<b>4.70%</b>	5.96%
Total	<b>100.00%</b>	100.00%

#### NOTE 11: LESSOR AGREEMENTS

The Hospital, as a lessor, has entered into seven lease agreements for various operating locations. These leases with interest rates ranging from 2.58% to 4.57%, with monthly payments ranging from \$2,436 to \$99,512, mature at various dates through July 2027. The Hospital recognized lease revenue in the amount of \$2,165,946 and \$2,132,123, respectively, for fiscal years ending September 30, 2023 and 2022, and interest revenue in the amount of \$280,063 and \$200,863, respectively. The Hospital reported leases receivable in the amount of \$5,567,117 and \$7,415,923 for fiscal years ended September 30, 2023 and 2022, respectively. Future payments due to the Hospital are as follows:

<i>Year ending September 30,</i>	<b>Leases Receivable</b>	
	<b>Principal</b>	<b>Interest</b>
2024	\$ 2,067,396	\$ 195,087
2025	1,563,648	115,161
2026	1,277,348	58,793
2027	658,725	9,075
Total	<b>\$ 5,567,117</b>	<b>\$ 378,116</b>



**NOTE 12: NONOPERATING REVENUES**

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

Additional funding for the Public Health and Social Services Emergency Relief Fund (“Relief Fund”) was among the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which was signed into law on March 27, 2020, and other legislation. For the year ended September 30, 2022, the Hospital recognized nonoperating income of \$6 million, due to grants from the Relief Fund and subsequent legislation. As a condition to receiving distributions, providers agreed to certain terms and conditions, including, among other things, that the funds are being used for lost operating revenues and COVID-related costs. The Hospital recognizes grant payments as income when there is reasonable assurance of compliance with the conditions associated with the grant.

Below is a brief overview of certain provisions of the CARES Act and related legislation that have impacted and are expected to continue to impact the Hospital's business. Please note that this summary is not exhaustive, and additional legislative action and regulatory developments may evolve rapidly. There is no assurance that the Hospital will continue to receive or remain eligible for funding or assistance under the CARES Act or similar measures.

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

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

- The CARES Act suspended the sequestration payment adjustment percentage of 2% applied to all Medicare Fee-for-Service (FFS) claims from May 1 through December 1, 2020. The Consolidation Appropriations Act, 2021 extended the suspension period to March 31, 2021. An Act to Prevent Across-the-Board Direct Spending Cuts, and for Other Purposes, signed into law on April 14, 2021, extended the suspension period to December 31, 2021. The Protecting Medicare and American Farmers from Sequesters Cuts Act extended the suspension period through March 31, 2022, and adjusted the sequester to 1% between April 1, 2022 and June 30, 2022. Subsequent to July 1, 2022, the 2% cut was effective.
- The CARES Act instituted a 20% increase in the Medicare MS-DRG payment for COVID-19 hospital admissions for the duration of the public health emergency as declared by the Secretary of HHS.

**NOTE 12: NONOPERATING REVENUES (CONTINUED)**

- The scheduled reduction of \$4 billion in federal Medicaid DSH allotments in FFY 2020, as mandated by the Affordable Care Act, is suspended until October 1, 2024. Also, the federal DSH allotment reduction for FFY 2024 is set at \$8 billion for each year through termination in FFY 2027.
- The CARES Act expanded the Medicare accelerated payment program, which provides prepayment of claims to providers in certain circumstances, such as national emergencies or natural disasters. Under this measure, providers could request accelerated advance payments for Medicare Part A and B. Under the Continuing Appropriations Act, 2021 and Other Extensions Act, repayment began one year from the issuance date of each provider or supplier's accelerated advance payment. After the first 12 months, Medicare began to automatically recoup 25 percent of Medicare payments otherwise owed to the provider or supplier for eleven months. At the end of the eleven month period, recoupment increased to 50 percent for another six months. If the provider or supplier was unable to repay the total amount of the accelerated advance payment during this time period (a total of 29 months), CMS issued demand letters requiring payment of any outstanding balance, subject to an interest rate of four percent consistent with the Continuing Appropriations Act, 2021. At September 30, 2022, the Hospital owed \$2.4 million in Medicare advanced payments, and all amounts were subsequently paid in 2023.
- A 6.2% increase in the Federal Medical Assistance Percentage ("FMAP") matching funds was instituted to help states respond to the COVID-19 pandemic. The additional funds are available to states from January 1, 2020 through the quarter in which the public health emergency period ends, provided that states meet certain conditions. An increase in states' FMAP leverages Medicaid's existing financing structure, which allows federal funds to be provided to states more quickly and efficiently than establishing a new program or allocating money from a new funding stream. Increased federal matching funds support states in responding to the increased need for services, such as testing and treatment during the COVID-19 public health emergency, as well as increased enrollment as more people lose income and qualify for Medicaid during the economic downturn.

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

## Memorial Hospital at Gulfport

### Notes to Financial Statements

#### NOTE 13: INSURANCE PROGRAMS

##### *Risk Management*

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

##### *Self-funded Health Insurance*

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

The Hospital records a liability for claims incurred but not reported or paid. This liability at September 30, 2023 and 2022 is based on the requirements of GASB statement No. 10, which requires the liability for claims to be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes to the Hospital's health and dental insurance liability amount, reported as other accrued expenses in the statement of net position for the years ending September 30, 2023 and 2022, are as follows:

<i>For the year ended September 30,</i>	<b>2023</b>	<b>2022</b>
Claims liability, beginning of year	\$ 1,778,561	\$ 1,843,577
Current year claims and changes in estimates	15,474,584	14,337,812
Claims payments	(15,128,886)	(14,402,828)
Claims liability, end of year	<b>\$ 2,124,259</b>	<b>\$ 1,778,561</b>

## Memorial Hospital at Gulfport Notes to Financial Statements

### NOTE 13: INSURANCE PROGRAMS

#### *Self-Insured Workers' Compensation*

The Hospital has a self-insured workers' compensation program defined by the Workers' Compensation Law for employees injured in the course and scope of employment. The Hospital retains the first \$750,000 of incurred liability with the excess insurance being provided on unlimited basis over and above the self-insured retention. Changes to the Hospital's workers' compensation liability, which is reported as other accrued expenses in the statement of net position for the years ending September 30, 2023 and 2022, are as follows:

<i>For the year ended September 30,</i>	<b>2023</b>	<b>2022</b>
Claims liability, beginning of year	\$ 5,720,447	\$ 6,208,977
Current year claims and changes in estimates	705,098	2,644,385
Claims payments	<b>(2,028,688)</b>	(3,132,915)
Claims liability, end of year	<b>\$ 4,396,857</b>	\$ 5,720,447

#### *Medical Malpractice Insurance*

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

The Mississippi Tort Claims Act ("MTCA") provides a cap on amount of damages recoverable against government entities, including governmental hospitals. The amount recoverable for claims is the greater of \$500,000 or the amount of liability insurance coverage that has been retained. Changes to the Hospital's medical malpractice liability, which is reported as other accrued expenses in the statement of net position for the years ending September 30, 2023 and 2022 are as follows:

<i>For the year ended September 30,</i>	<b>2023</b>	<b>2022</b>
Claims liability, beginning of year	\$ 3,265,251	\$ 3,238,455
Current year claims and changes in estimates	319,420	526,659
Claims payments	<b>(1,028,480)</b>	(499,863)
Claims liability, end of year	<b>\$ 2,556,191</b>	\$ 3,265,251

**NOTE 14: RETIREMENT PLANS**

***Description of Plan***

The Hospital maintains a contributory single-employer defined benefit pension plan (the "Plan") that provide for retirement, disability and death benefits as described below. The Plan was established by the Hospital's Board of Trustees by resolution dated October 1, 1968. The Hospital's seven member board has sole responsibility and authority for amending and terminating the plan. The Hospital elected to freeze the Plan to new entrants as of January 1, 2012. Information about the Plan follows:

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

***Benefits Provided***

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

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

**NOTE 14: RETIREMENT PLANS (CONTINUED)**

***Employees Covered by Benefit Terms***

The following employees were covered by the benefit terms, as of the October 1, 2022 actuarial valuation date as follows:

	<b>October 1, 2022</b>
Active members	835
Active members with benefits suspended	75
Terminated vested members	270
Retired members	465
Beneficiaries of deceased members	0
<b>Total members</b>	<b>1,645</b>

***Contributions***

Members of the Plan are not required or permitted to contribute any portion of their salary to fund the Plan. The Hospital has committed to fund an actuarially determined contribution based on a closed amortization period, which means that payment of the actuarially determined contribution each year will bring the plan to a 100 percent funded position by the end of the amortization period. The Hospital's contributions to the Plan for the years ending September 30, 2023 and 2022 were \$9,281,064 and \$8,395,362, respectively.

***Net Pension Liability***

At September 30, 2023 and 2022, the Hospital reported a net pension liability of \$60,623,179 and \$57,151,201, respectively. The net pension liability was measured as of September 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2022. The Hospital's net pension liability was based on a projection of the Hospital's long-term share of contributions to the pension plan, actuarially determined.

For the years ended September 30, 2023 and 2022, the Hospital recognized pension expense of \$12,901,549 and \$12,259,424, respectively.

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

**NOTE 14: RETIREMENT PLANS (CONTINUED)**

***Net Pension Liability (Continued)***

The changes in the net pension liability for the year ended September 30, 2023 and 2022 was as follows:

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balance as of October 1, 2021	\$ 186,896,977	\$ 157,209,871	\$ 29,687,106
Changes for the year:			
Service cost	4,311,253	-	4,311,253
Interest on total pension liability	11,526,349	-	11,526,349
Economic/demographic loss	(537,581)	-	(537,581)
Assumption changes or inputs	(7,768,321)	-	(7,768,321)
Benefit payments	(13,782,169)	(13,782,169)	-
Employer contributions	-	8,395,362	(8,395,362)
Net Investment income	-	(28,327,757)	28,327,757
Balance as of September 30, 2022	180,646,508	123,495,307	57,151,201
Changes for the year:			
Service cost	3,785,548	-	3,785,548
Interest on total pension liability	11,989,618	-	11,989,618
Economic/demographic loss	14,611,834	-	14,611,834
Assumption changes or inputs	(8,495,142)	-	(8,495,142)
Benefit payments	(16,689,801)	(16,689,801)	-
Employer contributions	-	9,281,064	(9,281,064)
Net Investment income	-	9,138,816	(9,138,816)
<b>Balance as of September 30, 2023</b>	<b>\$ 185,848,565</b>	<b>\$ 125,225,386</b>	<b>\$ 60,623,179</b>

***Actuarial Methods and Assumptions***

Valuation date	October 1, 2022	October 1, 2020
Measurement date	September 30, 2023	September 30, 2022
Inflation	2.50%	2.23%
Salary increases	3% for all years	3% for all years
Actuarial cost method	Entry Age Normal	Entry Age Normal
Mortality	PRI-2012 Mortality Table with generational projections using MIM-2021 model	PRI-2012 Mortality Table with generational projections using MIM-2021-v2 model

## Memorial Hospital at Gulfport Notes to Financial Statements

### NOTE 14: RETIREMENT PLANS (CONTINUED)

#### *Actuarial Methods and Assumptions (Continued)*

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

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

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

- The discount rate was updated from 6.75% to 7.25%. This change decreased the net pension liability by \$8,495,142.

#### *Deferred Inflows/Outflows*

At September 30, 2023 and 2022, the Hospital reported deferred outflows and inflows of resources related to pensions from the following sources:

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
Deferred outflows of resources		
Change of assumptions	\$ 145,941	\$ 802,666
Net difference between projected and actual earnings on pension plan investments	15,590,491	21,072,735
Difference between expected and actual experience on economic/demographic assumptions	14,944,891	5,973,132
<b>Total deferred outflows of resources</b>	<b>\$ 30,681,323</b>	<b>\$ 27,848,533</b>
Deferred inflows of resources		
Change of assumptions	\$ (13,611,458)	\$ (10,082,972)
Difference between expected and actual experience on economic/demographic assumptions	(345,868)	(488,419)
<b>Total deferred inflows of resources</b>	<b>\$ (13,957,326)</b>	<b>\$ (10,571,391)</b>

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

<i>Year ending September 30,</i>	
2024	\$ 4,422,430
2025	5,101,726
2026	7,852,340
2027	(652,499)



## Memorial Hospital at Gulfport Notes to Financial Statements

### NOTE 14: RETIREMENT PLANS (CONTINUED)

#### *Sensitivity Analysis*

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

	1% Decrease	Current Discount Rate	1% Increase
<b>September 30, 2023</b>	<b>6.25%</b>	<b>7.25%</b>	<b>8.25%</b>
Total pension liability	\$ 203,646,874	\$ 185,848,565	\$ 170,494,094
Fiduciary net position	125,225,386	125,225,386	125,225,386
Net pension liability	78,421,488	60,623,179	45,268,708

	1% Decrease	Current Discount Rate	1% Increase
<b>September 30, 2022</b>	<b>5.75%</b>	<b>6.75%</b>	<b>7.75%</b>
Total pension liability	\$ 197,306,786	\$ 180,646,508	\$ 166,267,770
Fiduciary net position	123,495,307	123,495,307	123,495,307
Net pension liability	73,811,479	57,151,201	42,772,463

#### *Discount Rate*

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

	<b>2023</b>	<b>2022</b>
Discount rate	<b>7.25%</b>	6.75%
Long-term expected rate of return, net of investment expenses	<b>7.25%</b>	6.75%

#### *Rate of Return*

For the years ended September 30, 2023 and 2022, the net annual money-weighted rate of return was 7.99% and (18.57%), respectively. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and benefit payments and administrative expenses are assumed to occur at the beginning of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

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

**NOTE 14: RETIREMENT PLANS (CONTINUED)**

***Long-term Expected Rate of Return***

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Nominal Geometric Return</b>
U.S. Cash	2.00%	4.34%
Core Equity		
U.S. Large Cap Growth	12.80%	7.60%
U.S. Large Cap Value	12.80%	10.95%
U.S. Mid Cap Core	3.00%	12.79%
U.S. Small Cap	1.20%	12.65%
EAFE	6.20%	9.72%
Equity Satellites		
REITs	1.80%	8.25%
Emerging Market Equity	4.20%	9.28%
Global ex-US Developed Small Cap	2.40%	8.81%
Commodities	2.10%	6.71%
Global Infrastructure and MLPs	2.10%	10.45%
Core Fixed Income		
Intermediate Taxable Fixed Income	30.60%	4.65%
Inflation Protected Bonds	1.00%	5.70%
Fixed Income Satellites		
Emerging Debt	2.00%	7.41%
High Yield	5.90%	8.58%
Alternatives	10.00%	5.70%

## Memorial Hospital at Gulfport

### Notes to Financial Statements

#### NOTE 14: RETIREMENT PLANS (CONTINUED)

##### *Defined Contribution Plan*

The Hospital sponsors a defined contribution plan qualified under Section 403b of the internal Revenue Code (the "403b Plan"). Under provisions of the 403b plan, employees may contribute up to 100 percent of their annual compensation, as defined. Effective beginning January 1, 2010, the Hospital matches contributions up to 50 percent of the first 3 percent of an employee's contribution. The Hospital's matching contributions, net of forfeiture credits, totaled \$3,382,014 and \$2,776,392 for the years ended September 30, 2023 and 2022, respectively.

The Hospital's liability to the 403b Plan as of September 30, 2023 and 2022 was \$1,651,999 and \$1,475,380, respectively.

#### NOTE 15: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

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

##### *Accounts Receivable*

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

<i>September 30,</i>	<b>2023</b>	<b>2022</b>
Medicare and Medicare Advantage	<b>38.70%</b>	37.71%
Medicaid	<b>14.36%</b>	9.78%
Commercial Insurance	<b>30.14%</b>	33.40%
Self-pay	<b>12.42%</b>	13.59%
Other	<b>4.38%</b>	5.52%
Total	<b>100.00%</b>	100.00%

**NOTE 15: SIGNIFICANT ESTIMATES AND CONCENTRATIONS (CONTINUED)**

***Litigation***

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

**NOTE 16: COMMITMENTS AND CONTINGENCIES**

***COVID-19***

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

## Memorial Hospital at Gulfport

### Notes to Financial Statements

#### NOTE 17: BLENDED COMPONENT UNITS

Condensed financial information for the Hospital's blended component units for the year ended September 30, 2023 was as follows:

Condensed Statement of Net Position	Foundation	MHAHS	MPI	SHC	MHG Foundation
Assets					
Current assets	\$ 21,981	\$ 1,398,594	\$ 696,782	\$ 673,785	\$ 4,911,214
Capital assets, net	-	-	1,528,100	405,893	-
Noncurrent assets	-	57,829	12,066,023	3,341,493	2,103,564
Total assets	21,981	1,456,423	14,290,905	4,421,171	7,014,778
Liabilities					
Current liabilities	-	-	-	729,072	58,853
Due to the Hospital	36,750,238	941,500	14,389,632	-	4,536
Long-term liabilities	-	-	-	149,985	-
Total liabilities	36,750,238	941,500	14,389,632	879,057	63,389
Net position (deficit)					
Net investment in capital assets	-	-	1,528,100	173,456	-
Restricted - expendable	-	-	-	-	2,746,631
Restricted - nonexpendable	-	-	-	-	1,476,258
Unrestricted	(36,728,257)	514,923	(1,626,827)	3,368,658	2,728,500
Total net position (deficit)	\$ (36,728,257)	\$ 514,923	\$ (98,727)	\$ 3,542,114	\$ 6,951,389

  

Condensed Statement of Revenues, Expenses, and Changes in Net Position	Foundation	MHAHS	MPI	SHC	MHG Foundation
Operating revenues	\$ -	\$ -	\$ -	\$ 3,487,720	\$ -
Operating expenses	-	-	5,825	8,011,208	432,784
Operating income (loss)	-	-	(5,825)	(4,523,488)	(432,784)
Nonoperating revenues (expenses)	-	32,294	431,531	192,877	1,212,999
Change in net position	-	32,294	425,706	(4,330,611)	780,215
Net position (deficit), beginning of year	(36,728,257)	482,629	(524,433)	7,872,725	6,171,174
Net position (deficit), end of year	\$ (36,728,257)	\$ 514,923	\$ (98,727)	\$ 3,542,114	\$ 6,951,389

  

Condensed Statement of Cash Flows	Foundation	MHAHS	MPI	SHC	MHG Foundation
Net cash provided by (used in):					
Operating activities	\$ -	\$ -	\$ (5,825)	\$ 967,422	\$ (432,014)
Noncapital financing activities	-	-	(1,000,000)	(1,600,000)	702,952
Capital and related financing activities	-	-	-	(33,680)	-
Investing activities	-	32,294	1,603,512	(973,017)	8,102
Net increase (decrease) in cash and cash equivalents	-	32,294	597,687	(1,639,275)	279,040
Cash and cash equivalents, beginning of year	21,981	1,366,300	99,095	2,194,410	596,978
Cash and cash equivalents, end of year	\$ 21,981	\$ 1,398,594	\$ 696,782	\$ 555,135	\$ 876,018

## Memorial Hospital at Gulfport Notes to Financial Statements

### NOTE 17: BLENDED COMPONENT UNITS (CONTINUED)

Condensed financial information for the Hospital's blended component units for the year ended September 30, 2022 was as follows:

Condensed Statement of Net Position	Foundation	MHAHS	MPI	SHC	MHG Foundation
Assets					
Current assets	\$ 21,981	\$ 1,366,300	\$ 608,928	\$ 2,447,914	\$ 4,126,305
Capital assets, net	-	-	1,528,100	212,948	-
Noncurrent assets	-	57,829	12,728,171	5,567,430	2,153,713
Total assets	21,981	1,424,129	14,865,199	8,228,292	6,280,018
Liabilities					
Current liabilities	-	-	-	355,567	102,967
Due to the Hospital	36,750,238	941,500	15,389,632	-	5,877
Total liabilities	36,750,238	941,500	15,389,632	355,567	108,844
Net position (deficit)					
Net investment in capital assets	-	-	1,528,100	212,948	-
Restricted - expendable	-	-	-	-	2,266,889
Restricted - nonexpendable	-	-	-	-	1,476,258
Unrestricted	(36,728,257)	482,629	(2,052,533)	7,659,777	2,428,027
Total net position (deficit)	\$ (36,728,257)	\$ 482,629	\$ (524,433)	\$ 7,872,725	\$ 6,171,174
Condensed Statement of Revenues, Expenses, and Changes in Net Position	Foundation	MHAHS	MPI	SHC	MHG Foundation
Operating revenues	\$ -	\$ -	\$ -	\$ 3,175,825	\$ -
Operating expenses	-	-	867	2,828,537	326,576
Operating income (loss)	-	-	(867)	347,288	(326,576)
Nonoperating revenues (expenses)	-	1,905	(2,120,009)	(75,758)	(26,770)
Change in net position	-	1,905	(2,120,876)	271,530	(353,346)
Net position (deficit), beginning of year	(36,728,257)	480,724	1,596,443	7,601,195	6,524,520
Net position (deficit), end of year	\$ (36,728,257)	\$ 482,629	\$ (524,433)	\$ 7,872,725	\$ 6,171,174
Condensed Statement of Cash Flows	Foundation	MHAHS	MPI	SHC	MHG Foundation
Net cash provided by (used in):					
Operating activities	\$ -	\$ -	\$ (867)	\$ 173,240	\$ (335,777)
Noncapital financing activities	-	-	(3,612,990)	-	808,474
Capital and related financing activities	-	-	-	(21,564)	-
Investing activities	-	1,905	1,977,340	(1,740,180)	(1,993,966)
Net increase in cash and cash equivalents	-	1,905	(1,636,517)	(1,588,504)	(1,521,269)
Cash and cash equivalents, beginning of year	21,981	1,364,395	1,735,612	3,782,914	2,118,247
Cash and cash equivalents, end of year	\$ 21,981	\$ 1,366,300	\$ 99,095	\$ 2,194,410	\$ 596,978

## **Required Supplementary Information**

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

	2023	2022	2021	2020	2019
<b>Total Pension Liability</b>					
Service cost (BOY)	\$ 3,785,548	\$ 4,311,253	\$ 4,501,926	\$ 4,698,699	\$ 4,867,462
Interest on total pension liability	11,989,618	11,526,349	11,031,187	11,146,339	10,526,785
Effect of economic/demographic (gains) losses	14,611,834	(537,581)	6,735,877	-	4,807,132
Effect of assumption changes or inputs	(8,495,142)	(7,768,321)	(1,527,129)	(6,288,202)	-
Benefit payments	(16,689,801)	(13,782,169)	(11,509,483)	(10,904,658)	(9,358,278)
Net change in total pension liability	5,202,057	(6,250,469)	9,232,378	(1,347,822)	10,843,101
Total pension liability, beginning	180,646,508	186,896,977	177,664,599	179,012,421	168,169,320
Total pension liability, ending (a)	185,848,565	180,646,508	186,896,977	177,664,599	179,012,421
<b>Plan fiduciary net position</b>					
Employer contributions	9,281,064	8,395,362	8,895,995	11,051,524	10,983,458
Net investment income	9,138,816	(28,327,757)	21,433,160	11,741,369	6,383,647
Benefit payments	(16,689,801)	(13,782,169)	(11,509,483)	(10,904,658)	(9,358,278)
Net change in plan fiduciary net position	1,730,079	(33,714,564)	18,819,672	11,888,235	8,008,827
Plan fiduciary net position, beginning	123,495,307	157,209,871	138,390,199	126,501,964	118,493,137
Plan fiduciary net position, ending (b)	\$ 125,225,386	\$ 123,495,307	\$ 157,209,871	\$ 138,390,199	\$ 126,501,964
Plan net pension liability, ending (a)-(b)	\$ 60,623,179	\$ 57,151,201	\$ 29,687,106	\$ 39,274,400	\$ 52,510,457
<b>Fiduciary net position as a percentage of total pension liability</b>	<b>67.38%</b>	68.36%	84.12%	77.89%	70.67%
Covered payroll	\$ 58,218,841	\$ 66,860,925	\$ 68,564,665	\$65,270,608	\$68,786,411
Net pension liability as a percentage of covered payroll	104.13%	85.48%	43.30%	60.17%	76.34%

Continued



**Memorial Hospital at Gulfport**  
**Required Pension Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios (Continued)**  
**Last Nine Fiscal Years**

	2018	2017	2016	2015
<b>Total Pension Liability</b>				
Service cost (BOY)	\$ 5,234,042	\$ 5,693,697	\$ 6,037,324	\$ 6,434,641
Interest on total pension liability	10,392,920	10,130,465	9,561,477	9,029,915
Effect of economic/demographic (gains) losses	(260,157)	5,583,619	-	-
Effect of assumption changes or inputs	3,794,505	3,695,767	286,113	-
Benefit payments	(11,122,938)	(7,866,611)	(6,974,244)	(7,956,179)
Net change in total pension liability	8,038,372	17,236,937	8,910,670	7,508,377
Total pension liability, beginning	160,130,948	142,894,011	133,983,341	126,474,964
Total pension liability, ending (a)	168,169,320	160,130,948	142,894,011	133,983,341
<b>Plan fiduciary net position</b>				
Employer contributions	10,678,521	10,911,471	10,733,545	10,934,839
Net investment income	4,597,095	8,413,073	7,780,363	1,437,393
Benefit payments	(11,122,938)	(7,866,611)	(6,974,244)	(7,956,179)
Net change in plan fiduciary net position	4,152,678	11,457,933	11,539,664	4,416,053
Plan fiduciary net position, beginning	114,340,459	102,882,526	91,342,862	86,926,809
Plan fiduciary net position, ending (b)	\$ 118,493,137	\$ 114,340,459	\$ 102,882,526	\$ 91,342,862
Plan net pension liability, ending (a)-(b)	\$ 49,676,183	\$ 45,790,489	\$ 40,011,485	\$ 42,640,479
<b>Fiduciary net position as a percentage of total pension liability</b>				
	70.46%	71.40%	72.00%	68.17%
<b>Covered payroll</b>				
	\$68,536,551	\$75,668,481	\$82,724,150	\$86,887,090
<b>Net pension liability as a percentage of covered payroll</b>				
	72.48%	60.51%	48.37%	49.08%

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

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

Year Ended September 30,	Contributions in Relation to the		Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
	Actuarially Determined Contribution	Actuarially Determined Contribution			
2023	\$ 8,876,426	\$ 9,281,064	\$ (404,638)	\$ 58,218,841	15.94%
2022	8,395,362	8,395,362	-	66,860,925	12.56%
2021	8,895,995	8,895,995	-	68,564,665	12.97%
2020	11,051,524	11,051,524	-	65,270,608	16.93%
2019	10,983,458	10,983,458	-	68,786,411	15.97%
2018	10,678,521	10,678,521	-	68,536,551	15.58%
2017	10,911,471	10,911,471	-	75,668,781	14.42%
2016	10,733,545	10,733,545	-	82,724,150	12.98%
2015	10,934,839	10,934,839	-	86,887,090	12.59%

## Memorial Hospital at Gulfport

### Notes to Required Supplementary Information

#### NOTE 1: ACTUARIAL VALUATION INFORMATION

Methods and assumptions used to determine contribution rates was based on census information used in the October 1, 2022 actuarial report.

Valuation date	October 1, 2022
Actuarial cost method	Entry age normal, level of percentage payroll
Amortization method	Level dollar basis, closed
Remaining amortization period	20 years
Asset valuation method	5 - year smoothed market
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.75% compounded annually
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition.
Mortality	Pri-2012 mortality table with generational projections using the Society of Actuaries' MIM-2021 model with long-term improvement rates based on SSA data, adjusted for the lower quintiles of National Center for Health Statistics data, and a convergence period of 10 years for age and 20 years for cohort data.

#### NOTE 2: ACTUARIAL METHOD AND ASSUMPTION CHANGES

There have been no changes in methods or plan provisions since the October 1, 2022 valuation report.

Changes in assumptions for the September 30, 2023 measurement date include the following:

- The discount rate was updated from 6.75% to 7.25%. This change decreased the total pension liability by \$8,495,142.



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

Board of Trustees  
Memorial Hospital at Gulfport  
Gulfport, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of Memorial Hospital at Gulfport (the "Hospital"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated January 19, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

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

### **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Carr, Riggs & Ingram, L.L.C.*

Laurel, Mississippi  
January 19, 2024