

Form **990**

Return of Organization Exempt From Income Tax

OMB No. 1545-0047

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

2021

Department of the Treasury
Internal Revenue Service

▶ Do not enter social security numbers on this form as it may be made public.
▶ Go to www.irs.gov/Form990 for instructions and the latest information.

Open to Public Inspection

A For the **2021** calendar year, or tax year beginning **OCT 1, 2021** and ending **DEC 31, 2021**

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return/terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization Pender Memorial Hospital, Incorporated		D Employer identification number 56-0653348
	Doing business as Novant Health Pender Medical Cen		E Telephone number 336-718-2803
	Number and street (or P.O. box if mail is not delivered to street address)	Room/suite	G Gross receipts \$ 13,183,408.
	507 Fremont Street		H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	City or town, state or province, country, and ZIP or foreign postal code Burgaw, NC 28425		H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No
F Name and address of principal officer: Carl Armato same as C above			If "No," attach a list. See instructions
I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			H(c) Group exemption number ▶
J Website: ▶ https://www.novanthealth.org/			
K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		L Year of formation: 1964	M State of legal domicile: NC

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities: Pender Memorial Hospital is an integral part of the Novant Health System (Collectively known as		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	11
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	11
	5 Total number of individuals employed in calendar year 2021 (Part V, line 2a)	5	245
	6 Total number of volunteers (estimate if necessary)	6	11
	7 a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0.
b Net unrelated business taxable income from Form 990-T, Part I, line 11	7b	0.	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year 26,148.	Current Year 4,391,846.
	9 Program service revenue (Part VIII, line 2g)	37,486,496.	8,764,277.
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	3,208.	2,724.
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	76,449.	24,561.
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	37,592,301.	13,183,408.
	Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0.
14 Benefits paid to or for members (Part IX, column (A), line 4)		0.	0.
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)		14,755,905.	3,907,216.
16a Professional fundraising fees (Part IX, column (A), line 11e)		0.	0.
b Total fundraising expenses (Part IX, column (D), line 25) ▶ 0.			
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)		19,373,966.	8,778,690.
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	34,129,871.	12,685,906.	
19 Revenue less expenses. Subtract line 18 from line 12	3,462,430.	497,502.	
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	Beginning of Current Year 37,631,899.	End of Year 39,814,102.
	21 Total liabilities (Part X, line 26)	12,961,132.	14,764,432.
	22 Net assets or fund balances. Subtract line 21 from line 20	24,670,767.	25,049,670.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer	Date			
	Fred Hargett, EVP & CFO Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name Rebekuh Eley	Preparer's signature Rebekuh Eley	Date 11/09/22	Check if self-employed <input type="checkbox"/>	PTIN P01247672
	Firm's name ▶ RSM US LLP	Firm's EIN ▶ 42-0714325	Phone no. 312-634-3400		
Firm's address ▶ 30 S. Wacker Drive, Ste 3300		Chicago, IL 60606			

May the IRS discuss this return with the preparer shown above? See instructions Yes No

Application for Automatic Extension of Time To File an Exempt Organization Return

Department of the Treasury
Internal Revenue Service

▶ **File a separate application for each return.**
▶ **Go to www.irs.gov/Form8868 for the latest information.**

Electronic filing (e-file). You can electronically file Form 8868 to request a 6-month automatic extension of time to file any of the forms listed below with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, for which an extension request must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit www.irs.gov/e-file-providers/e-file-for-charities-and-non-profits.

Automatic 6-Month Extension of Time. Only submit original (no copies needed).

All corporations required to file an income tax return other than Form 990-T (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

Type or print	Name of exempt organization or other filer, see instructions. Pender Memorial Hospital, Incorporated	Taxpayer identification number (TIN) 56-0653348
File by the due date for filing your return. See instructions.	Number, street, and room or suite no. If a P.O. box, see instructions. 507 Fremont Street	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. Burgaw, NC 28425	

Enter the Return Code for the return that this application is for (file a separate application for each return) 0 1

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01	Form 1041-A	08
Form 4720 (individual)	03	Form 4720 (other than individual)	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12
Form 990-T (corporation)	07		

Karen Daugherty, VP - Tax

• The books are in the care of ▶ **2085 Frontis Plaza Blvd. - Winston Salem, NC 27103**

Telephone No. ▶ **336-718-2803** Fax No. ▶ _____

- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box . If it is for part of the group, check this box and attach a list with the names and TINs of all members the extension is for.

1 I request an automatic 6-month extension of time until **November 15, 2022**, to file the exempt organization return for the organization named above. The extension is for the organization's return for:

- ▶ calendar year _____ or
▶ tax year beginning **OCT 1, 2021**, and ending **DEC 31, 2021**.

2 If the tax year entered in line 1 is for less than 12 months, check reason: Initial return Final return
 Change in accounting period

3a If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	\$	0.
b If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	\$	0.
c Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	\$	0.

Caution: If you are going to make an electronic funds withdrawal (direct debit) with this Form 8868, see Form 8453-TE and Form 8879-TE for payment instructions.

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III [X]

1 Briefly describe the organization's mission: Pender Memorial Hospital exists to improve the health of the community they serve, with a vision of providing a remarkable patient experience in every dimension, every time. They accomplish that mission by providing healthcare services to all who entrust their care to them

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? [] Yes [X] No If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? [] Yes [X] No If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses \$ 11,922,722. including grants of \$) (Revenue \$ 8,786,705.) Healthcare services to the residents of Pender County and the surrounding areas.

4b (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4c (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4d Other program services (Describe on Schedule O.) (Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses 11,922,722.

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i>	X	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> ? See instructions	X	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		X
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>		X
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Rev. Proc. 98-19? <i>If "Yes," complete Schedule C, Part III</i>		X
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</i>		X
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>		X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>		X
9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV</i>		X
10 Did the organization, directly or through a related organization, hold assets in donor-restricted endowments or in quasi endowments? <i>If "Yes," complete Schedule D, Part V</i>		X
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X, as applicable.		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	X	
b Did the organization report an amount for investments - other securities in Part X, line 12, that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i>		X
c Did the organization report an amount for investments - program related in Part X, line 13, that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i>		X
d Did the organization report an amount for other assets in Part X, line 15, that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i>	X	
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	X	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i>	X	
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>		X
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>	X	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		X
14a Did the organization maintain an office, employees, or agents outside of the United States?		X
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV</i>		X
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV</i>		X
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV</i>		X
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I.</i> See instructions		X
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>		X
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		X
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	X	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	X	
21 Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>		X

Part IV Checklist of Required Schedules (continued)

	Yes	No
22 Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>		X
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	X	
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
25a Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>		X
b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>		X
26 Did the organization report any amount on Part X, line 5 or 22, for receivables from or payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part II</i>		X
27 Did the organization provide a grant or other assistance to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity (including an employee thereof) or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>		X
28 Was the organization a party to a business transaction with one of the following parties (see the Schedule L, Part IV, instructions for applicable filing thresholds, conditions, and exceptions):		
a A current or former officer, director, trustee, key employee, creator or founder, or substantial contributor? <i>If "Yes," complete Schedule L, Part IV</i>		X
b A family member of any individual described in line 28a? <i>If "Yes," complete Schedule L, Part IV</i>		X
c A 35% controlled entity of one or more individuals and/or organizations described in line 28a or 28b? <i>If "Yes," complete Schedule L, Part IV</i>		X
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>		X
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>		X
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>		X
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>		X
34 Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	X	
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?	X	
b If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	X	
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>		X
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>		X
38 Did the organization complete Schedule O and provide explanations on Schedule O for Part VI, lines 11b and 19?	X	

Note: All Form 990 filers are required to complete Schedule O

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V

	Yes	No
1a Enter the number reported in box 3 of Form 1096. Enter -0- if not applicable		
b Enter the number of Forms W-2G included on line 1a. Enter -0- if not applicable		
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	X	

Part V Statements Regarding Other IRS Filings and Tax Compliance (continued)

Table with columns for question number, question text, and Yes/No response boxes. Includes questions 2a through 17 regarding employee counts, tax returns, unrelated business income, foreign accounts, prohibited transactions, and charitable contributions.

Part VI Governance, Management, and Disclosure. For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes on Schedule O. See instructions.

Check if Schedule O contains a response or note to any line in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain on Schedule O.		
	1a 11		
b	Enter the number of voting members included on line 1a, above, who are independent		
	1b 11		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		X
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, trustees, or key employees to a management company or other person?	X	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		X
6	Did the organization have members or stockholders?	X	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	X	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	X	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a	The governing body?	X	
b	Each committee with authority to act on behalf of the governing body?	X	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses on Schedule O		X

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?		X
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?		
10b			
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	X	
b	Describe on Schedule O the process, if any, used by the organization to review this Form 990.		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	X	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	X	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe on Schedule O how this was done	X	
12c		X	
13	Did the organization have a written whistleblower policy?	X	
14	Did the organization have a written document retention and destruction policy?	X	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a	The organization's CEO, Executive Director, or top management official	X	
b	Other officers or key employees of the organization	X	
	If "Yes" to line 15a or 15b, describe the process on Schedule O. See instructions.		
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		X
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?		
16b			

Section C. Disclosure

- 17** List the states with which a copy of this Form 990 is required to be filed **None**
- 18** Section 6104 requires an organization to make its Forms 1023 (1024 or 1024-A, if applicable), 990, and 990-T (section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
 Own website Another's website Upon request Other (explain on Schedule O)
- 19** Describe on Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
- 20** State the name, address, and telephone number of the person who possesses the organization's books and records **Karen Daugherty, VP - Tax - 336-718-2803**
2085 Frontis Plaza Blvd., Winston Salem, NC 27103

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response or note to any line in this Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
 - List all of the organization's **current** key employees, if any. See the instructions for definition of "key employee."
 - List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (box 5 of Form W-2, Form 1099-MISC, and/or box 1 of Form 1099-NEC) of more than \$100,000 from the organization and any related organizations.
 - List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
 - List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.
- See the instructions for the order in which to list the persons above.

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC/1099-NEC)	(E) Reportable compensation from related organizations (W-2/1099-MISC/1099-NEC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Ruth Glaser President	40.00			X			258,462.	0.	32,388.	
(2) Harry Cowart Pharmacist	40.00				X		165,115.	0.	19,173.	
(3) Kristen Sanabria Outpatient Therapy Coordinator	40.00				X		118,736.	0.	29,399.	
(4) Carolyne Davis Respiratory Care, EM Coordinator	40.00				X		113,151.	0.	27,641.	
(5) Mostafa Rezk, DO Chief of Medical Staff	0.30	X					12,000.	0.	0.	
(6) Barbara Biehner Vice Chair	0.30	X		X			1,600.	0.	0.	
(7) Tamara Savage Board Chair	0.30	X		X			0.	0.	0.	
(8) Lynwood Meadows Treasurer	0.30	X		X			0.	0.	0.	
(9) Denise Houghton Secretary	0.30	X		X			0.	0.	0.	
(10) David Williams Commissioner Representative	0.30	X					0.	0.	0.	
(11) Hiram Williams Sr. Manager	0.30	X					0.	0.	0.	
(12) Amy Logsdon Manager	0.30	X					0.	0.	0.	
(13) Willie Armstrong Manager	0.30	X					0.	0.	0.	
(14) Timothy Baker Manager	0.30	X					0.	0.	0.	
(15) Louis Sonny Davis Manager	0.30	X					0.	0.	0.	

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

Table with 6 main columns: (A) Name and title, (B) Average hours per week, (C) Position, (D) Reportable compensation from the organization, (E) Reportable compensation from related organizations, (F) Estimated amount of other compensation. Includes subtotal rows 1b, 1c, and 1d.

Summary rows for compensation totals: 1b Subtotal, 1c Total from continuation sheets, 1d Total (add lines 1b and 1c).

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization 3

Table with 3 columns: Question, Yes, No. Rows 3, 4, 5 regarding compensation reporting and thresholds.

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

Table for independent contractors with columns: (A) Name and business address, (B) Description of services, (C) Compensation. Lists contractors like Vantage Outsourcing and Carolina Therapy Services.

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization 4

Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512 - 514	
Contributions, Gifts, Grants and Other Similar Amounts	1 a Federated campaigns	1a					
	b Membership dues	1b					
	c Fundraising events	1c					
	d Related organizations	1d					
	e Government grants (contributions)	1e	4,391,846.				
	f All other contributions, gifts, grants, and similar amounts not included above ...	1f					
	g Noncash contributions included in lines 1a-1f	1g	\$				
	h Total. Add lines 1a-1f			4,391,846.			
Program Service Revenue	2 a Emergency Services	Business Code					
		621300	4,345,499.	4,345,499.			
	b Outpatient Services	621400	3,445,847.	3,445,847.			
	c Inpatient Services	621300	972,931.	972,931.			
	d						
	e						
	f All other program service revenue						
g Total. Add lines 2a-2f			8,764,277.				
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)		2,724.			2,724.	
	4 Income from investment of tax-exempt bond proceeds						
	5 Royalties						
	6 a Gross rents	6a	(i) Real				
			(ii) Personal				
	b Less: rental expenses ...	6b					
	c Rental income or (loss)	6c					
	d Net rental income or (loss)						
	7 a Gross amount from sales of assets other than inventory	7a	(i) Securities				
			(ii) Other				
	b Less: cost or other basis and sales expenses	7b					
	c Gain or (loss)	7c					
d Net gain or (loss)							
8 a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18	8a						
b Less: direct expenses	8b						
c Net income or (loss) from fundraising events							
9 a Gross income from gaming activities. See Part IV, line 19	9a						
b Less: direct expenses	9b						
c Net income or (loss) from gaming activities							
10 a Gross sales of inventory, less returns and allowances	10a						
b Less: cost of goods sold	10b						
c Net income or (loss) from sales of inventory							
Miscellaneous Revenue	11 a Cafeteria & Vending	Business Code					
		722514	22,428.	22,428.			
	b Medical Record Transcripts	621300	823.			823.	
	c						
	d All other revenue	900099	1,310.			1,310.	
e Total. Add lines 11a-11d			24,561.				
12 Total revenue. See instructions			13,183,408.	8,786,705.	0.	4,857.	

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX X

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21 ...				
2 Grants and other assistance to domestic individuals. See Part IV, line 22				
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees				
6 Compensation not included above to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	3,577,130.	3,327,270.	249,860.	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)				
9 Other employee benefits	157,607.	157,544.	63.	
10 Payroll taxes	172,479.	172,479.		
11 Fees for services (nonemployees):				
a Management				
b Legal				
c Accounting	9,135.		9,135.	
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A), amount, list line 11g expenses on Sch O.)	5,752,293.	5,289,966.	462,327.	
12 Advertising and promotion	1,575.		1,575.	
13 Office expenses	11,220.	10,286.	934.	
14 Information technology	72,804.	70,362.	2,442.	
15 Royalties				
16 Occupancy	47,510.	47,510.		
17 Travel				
18 Payments of travel or entertainment expenses for any federal, state, or local public officials ...				
19 Conferences, conventions, and meetings				
20 Interest				
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	155,532.	128,553.	26,979.	
23 Insurance	40,146.	40,146.		
24 Other expenses. Itemize expenses not covered above. (List miscellaneous expenses on line 24e. If line 24e amount exceeds 10% of line 25, column (A), amount, list line 24e expenses on Schedule O.)				
a Medical Supplies	1,232,218.	1,232,218.		
b Bad Debt Expense	520,331.	520,331.		
c Drugs	393,209.	393,209.		
d Repairs & Maintenance	167,371.	167,321.	50.	
e All other expenses	375,346.	365,527.	9,819.	
25 Total functional expenses. Add lines 1 through 24e	12,685,906.	11,922,722.	763,184.	0.
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation.				

Check here if following SOP 98-2 (ASC 958-720)

Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

		(A) Beginning of year		(B) End of year
Assets	1 Cash - non-interest-bearing	21,471,579.	1	22,934,769.
	2 Savings and temporary cash investments		2	
	3 Pledges and grants receivable, net	0.	3	39,523.
	4 Accounts receivable, net	5,619,962.	4	5,524,403.
	5 Loans and other receivables from any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons		5	
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), and persons described in section 4958(c)(3)(B)		6	
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use	655,924.	8	740,538.
	9 Prepaid expenses and deferred charges	251,627.	9	214,596.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 28,749,133.		
	b Less: accumulated depreciation	10b 21,144,449.	10c	7,604,684.
	11 Investments - publicly traded securities		11	
	12 Investments - other securities. See Part IV, line 11		12	
	13 Investments - program-related. See Part IV, line 11		13	
	14 Intangible assets		14	
	15 Other assets. See Part IV, line 11	2,207,454.	15	2,755,589.
16 Total assets. Add lines 1 through 15 (must equal line 33)	37,631,899.	16	39,814,102.	
Liabilities	17 Accounts payable and accrued expenses	1,969,649.	17	1,998,283.
	18 Grants payable		18	
	19 Deferred revenue	4,428,189.	19	477,707.
	20 Tax-exempt bond liabilities		20	
	21 Escrow or custodial account liability. Complete Part IV of Schedule D		21	
	22 Loans and other payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons		22	
	23 Secured mortgages and notes payable to unrelated third parties		23	
	24 Unsecured notes and loans payable to unrelated third parties		24	
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	6,563,294.	25	12,288,442.
	26 Total liabilities. Add lines 17 through 25	12,961,132.	26	14,764,432.
Net Assets or Fund Balances	Organizations that follow FASB ASC 958, check here <input checked="" type="checkbox"/> and complete lines 27, 28, 32, and 33.			
	27 Net assets without donor restrictions	24,670,767.	27	25,049,670.
	28 Net assets with donor restrictions		28	
	Organizations that do not follow FASB ASC 958, check here <input type="checkbox"/> and complete lines 29 through 33.			
	29 Capital stock or trust principal, or current funds		29	
	30 Paid-in or capital surplus, or land, building, or equipment fund		30	
	31 Retained earnings, endowment, accumulated income, or other funds		31	
	32 Total net assets or fund balances	24,670,767.	32	25,049,670.
33 Total liabilities and net assets/fund balances	37,631,899.	33	39,814,102.	

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	13,183,408.
2	Total expenses (must equal Part IX, column (A), line 25)	2	12,685,906.
3	Revenue less expenses. Subtract line 2 from line 1	3	497,502.
4	Net assets or fund balances at beginning of year (must equal Part X, line 32, column (A))	4	24,670,767.
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	25,157.
9	Other changes in net assets or fund balances (explain on Schedule O)	9	-143,756.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 32, column (B))	10	25,049,670.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII

- 1** Accounting method used to prepare the Form 990: Cash Accrual Other _____
If the organization changed its method of accounting from a prior year or checked "Other," explain on Schedule O.
- 2a** Were the organization's financial statements compiled or reviewed by an independent accountant? _____
If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both:
 Separate basis Consolidated basis Both consolidated and separate basis
- b** Were the organization's financial statements audited by an independent accountant? _____
If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both:
 Separate basis Consolidated basis Both consolidated and separate basis
- c** If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? _____
If the organization changed either its oversight process or selection process during the tax year, explain on Schedule O.
- 3a** As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133? _____
- b** If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why on Schedule O and describe any steps taken to undergo such audits _____

	Yes	No
2a		X
2b	X	
2c	X	
3a	X	
3b	X	

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2017	(b) 2018	(c) 2019	(d) 2020	(e) 2021	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge ...						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4.						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2017	(b) 2018	(c) 2019	(d) 2020	(e) 2021	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources ...						
9 Net income from unrelated business activities, whether or not the business is regularly carried on ...						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
11 Total support. Add lines 7 through 10						
12 Gross receipts from related activities, etc. (see instructions)					12	
13 First 5 years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here						<input type="checkbox"/>

Section C. Computation of Public Support Percentage

14 Public support percentage for 2021 (line 6, column (f), divided by line 11, column (f))	14	%
15 Public support percentage from 2020 Schedule A, Part II, line 14	15	%
16a 33 1/3% support test - 2021. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
b 33 1/3% support test - 2020. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
17a 10% -facts-and-circumstances test - 2021. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the facts-and-circumstances test, check this box and stop here. Explain in Part VI how the organization meets the facts-and-circumstances test. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
b 10% -facts-and-circumstances test - 2020. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the facts-and-circumstances test, check this box and stop here. Explain in Part VI how the organization meets the facts-and-circumstances test. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions		<input type="checkbox"/>

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 10 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Table with 7 columns: (a) 2017, (b) 2018, (c) 2019, (d) 2020, (e) 2021, (f) Total. Rows include: 1 Gifts, grants, contributions, and membership fees received; 2 Gross receipts from admissions; 3 Gross receipts from activities that are not an unrelated trade or business; 4 Tax revenues levied for the organization's benefit; 5 The value of services or facilities furnished by a governmental unit; 6 Total; 7a Amounts included on lines 1, 2, and 3 received from disqualified persons; 7b Amounts included on lines 2 and 3 received from other than disqualified persons; 8 Public support.

Section B. Total Support

Table with 7 columns: (a) 2017, (b) 2018, (c) 2019, (d) 2020, (e) 2021, (f) Total. Rows include: 9 Amounts from line 6; 10a Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources; 10b Unrelated business taxable income; 11 Net income from unrelated business activities not included on line 10b; 12 Other income; 13 Total support.

14 First 5 years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here

Section C. Computation of Public Support Percentage

Table with 2 columns: Line number, Percentage. Row 15: Public support percentage for 2021 (line 8, column (f), divided by line 13, column (f)) 15 %; Row 16: Public support percentage from 2020 Schedule A, Part III, line 15 16 %

Section D. Computation of Investment Income Percentage

Table with 2 columns: Line number, Percentage. Row 17: Investment income percentage for 2021 (line 10c, column (f), divided by line 13, column (f)) 17 %; Row 18: Investment income percentage from 2020 Schedule A, Part III, line 17 18 %

19a 33 1/3% support tests - 2021. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization

b 33 1/3% support tests - 2020. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization

20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions

Part IV Supporting Organizations

(Complete only if you checked a box in line 12 on Part I. If you checked box 12a, Part I, complete Sections A and B. If you checked box 12b, Part I, complete Sections A and C. If you checked box 12c, Part I, complete Sections A, D, and E. If you checked box 12d, Part I, complete Sections A and D, and complete Part V.)

Section A. All Supporting Organizations

	Yes	No
1 Are all of the organization's supported organizations listed by name in the organization's governing documents? <i>If "No," describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.</i>		
2 Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? <i>If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).</i>		
3a Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? <i>If "Yes," answer lines 3b and 3c below.</i>		
b Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? <i>If "Yes," describe in Part VI when and how the organization made the determination.</i>		
c Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? <i>If "Yes," explain in Part VI what controls the organization put in place to ensure such use.</i>		
4a Was any supported organization not organized in the United States ("foreign supported organization")? <i>If "Yes," and if you checked box 12a or 12b in Part I, answer lines 4b and 4c below.</i>		
b Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? <i>If "Yes," describe in Part VI how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.</i>		
c Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? <i>If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.</i>		
5a Did the organization add, substitute, or remove any supported organizations during the tax year? <i>If "Yes," answer lines 5b and 5c below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed; (ii) the reasons for each such action; (iii) the authority under the organization's organizing document authorizing such action; and (iv) how the action was accomplished (such as by amendment to the organizing document).</i>		
b Type I or Type II only. Was any added or substituted supported organization part of a class already designated in the organization's organizing document?		
c Substitutions only. Was the substitution the result of an event beyond the organization's control?		
6 Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? <i>If "Yes," provide detail in Part VI.</i>		
7 Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (as defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? <i>If "Yes," complete Part I of Schedule L (Form 990).</i>		
8 Did the organization make a loan to a disqualified person (as defined in section 4958) not described on line 7? <i>If "Yes," complete Part I of Schedule L (Form 990).</i>		
9a Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons, as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? <i>If "Yes," provide detail in Part VI.</i>		
b Did one or more disqualified persons (as defined on line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? <i>If "Yes," provide detail in Part VI.</i>		
c Did a disqualified person (as defined on line 9a) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? <i>If "Yes," provide detail in Part VI.</i>		
10a Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? <i>If "Yes," answer line 10b below.</i>		
b Did the organization have any excess business holdings in the tax year? <i>(Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)</i>		

Part IV Supporting Organizations (continued)

	Yes	No
11 Has the organization accepted a gift or contribution from any of the following persons?		
a A person who directly or indirectly controls, either alone or together with persons described on lines 11b and 11c below, the governing body of a supported organization?		
b A family member of a person described on line 11a above?		
c A 35% controlled entity of a person described on line 11a or 11b above? <i>If "Yes" to line 11a, 11b, or 11c, provide detail in Part VI.</i>		
11a		
11b		
11c		

Section B. Type I Supporting Organizations

	Yes	No
1 Did the governing body, members of the governing body, officers acting in their official capacity, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's officers, directors, or trustees at all times during the tax year? <i>If "No," describe in Part VI how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove officers, directors, or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.</i>		
2 Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? <i>If "Yes," explain in Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.</i>		
1		
2		

Section C. Type II Supporting Organizations

	Yes	No
1 Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? <i>If "No," describe in Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).</i>		
1		

Section D. All Type III Supporting Organizations

	Yes	No
1 Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?		
2 Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? <i>If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).</i>		
3 By reason of the relationship described on line 2, above, did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? <i>If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.</i>		
1		
2		
3		

Section E. Type III Functionally Integrated Supporting Organizations

1 Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions).			
a <input type="checkbox"/> The organization satisfied the Activities Test. Complete line 2 below.			
b <input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete line 3 below.			
c <input type="checkbox"/> The organization supported a governmental entity. Describe in Part VI how you supported a governmental entity (see instructions).			
2 Activities Test. Answer lines 2a and 2b below.			
a Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? <i>If "Yes," then in Part VI identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.</i>			
b Did the activities described on line 2a, above, constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? <i>If "Yes," explain in Part VI the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.</i>			
3 Parent of Supported Organizations. Answer lines 3a and 3b below.			
a Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? <i>If "Yes" or "No" provide details in Part VI.</i>			
b Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? <i>If "Yes," describe in Part VI the role played by the organization in this regard.</i>			
2a			
2b			
3a			
3b			

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations

1 Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970 (*explain in Part VI*). See instructions.
 All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

Section A - Adjusted Net Income		(A) Prior Year	(B) Current Year (optional)
1	Net short-term capital gain	1	
2	Recoveries of prior-year distributions	2	
3	Other gross income (see instructions)	3	
4	Add lines 1 through 3.	4	
5	Depreciation and depletion	5	
6	Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	6	
7	Other expenses (see instructions)	7	
8	Adjusted Net Income (subtract lines 5, 6, and 7 from line 4)	8	

Section B - Minimum Asset Amount		(A) Prior Year	(B) Current Year (optional)
1	Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year):		
a	Average monthly value of securities	1a	
b	Average monthly cash balances	1b	
c	Fair market value of other non-exempt-use assets	1c	
d	Total (add lines 1a, 1b, and 1c)	1d	
e	Discount claimed for blockage or other factors (<i>explain in detail in Part VI</i>):		
2	Acquisition indebtedness applicable to non-exempt-use assets	2	
3	Subtract line 2 from line 1d.	3	
4	Cash deemed held for exempt use. Enter 0.015 of line 3 (for greater amount, see instructions).	4	
5	Net value of non-exempt-use assets (subtract line 4 from line 3)	5	
6	Multiply line 5 by 0.035.	6	
7	Recoveries of prior-year distributions	7	
8	Minimum Asset Amount (add line 7 to line 6)	8	

Section C - Distributable Amount			Current Year
1	Adjusted net income for prior year (from Section A, line 8, column A)	1	
2	Enter 0.85 of line 1.	2	
3	Minimum asset amount for prior year (from Section B, line 8, column A)	3	
4	Enter greater of line 2 or line 3.	4	
5	Income tax imposed in prior year	5	
6	Distributable Amount. Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions).	6	
7	<input type="checkbox"/> Check here if the current year is the organization's first as a non-functionally integrated Type III supporting organization (see instructions).		

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations (continued)

Section D - Distributions		Current Year
1	Amounts paid to supported organizations to accomplish exempt purposes	1
2	Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity	2
3	Administrative expenses paid to accomplish exempt purposes of supported organizations	3
4	Amounts paid to acquire exempt-use assets	4
5	Qualified set-aside amounts (prior IRS approval required - <i>provide details in Part VI</i>)	5
6	Other distributions (<i>describe in Part VI</i>). See instructions.	6
7	Total annual distributions. Add lines 1 through 6.	7
8	Distributions to attentive supported organizations to which the organization is responsive (<i>provide details in Part VI</i>). See instructions.	8
9	Distributable amount for 2021 from Section C, line 6	9
10	Line 8 amount divided by line 9 amount	10

Section E - Distribution Allocations (see instructions)	(i) Excess Distributions	(ii) Underdistributions Pre-2021	(iii) Distributable Amount for 2021
1 Distributable amount for 2021 from Section C, line 6			
2 Underdistributions, if any, for years prior to 2021 (reasonable cause required - <i>explain in Part VI</i>). See instructions.			
3 Excess distributions carryover, if any, to 2021			
a From 2016			
b From 2017			
c From 2018			
d From 2019			
e From 2020			
f Total of lines 3a through 3e			
g Applied to underdistributions of prior years			
h Applied to 2021 distributable amount			
i Carryover from 2016 not applied (see instructions)			
j Remainder. Subtract lines 3g, 3h, and 3i from line 3f.			
4 Distributions for 2021 from Section D, line 7: \$			
a Applied to underdistributions of prior years			
b Applied to 2021 distributable amount			
c Remainder. Subtract lines 4a and 4b from line 4.			
5 Remaining underdistributions for years prior to 2021, if any. Subtract lines 3g and 4a from line 2. For result greater than zero, <i>explain in Part VI</i> . See instructions.			
6 Remaining underdistributions for 2021. Subtract lines 3h and 4b from line 1. For result greater than zero, <i>explain in Part VI</i> . See instructions.			
7 Excess distributions carryover to 2022. Add lines 3j and 4c.			
8 Breakdown of line 7:			
a Excess from 2017			
b Excess from 2018			
c Excess from 2019			
d Excess from 2020			
e Excess from 2021			

Schedule B
(Form 990)

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

▶ Attach to Form 990 or Form 990-PF.
▶ Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047

2021

Name of the organization

Pender Memorial Hospital, Incorporated

Employer identification number

56-0653348

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

501(c)(3) (enter number) organization

4947(a)(1) nonexempt charitable trust **not** treated as a private foundation

527 political organization

Form 990-PF

501(c)(3) exempt private foundation

4947(a)(1) nonexempt charitable trust treated as a private foundation

501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**.

Note: Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

General Rule

For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, contributions totaling \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II. See instructions for determining a contributor's total contributions.

Special Rules

For an organization described in section 501(c)(3) filing Form 990 or 990-EZ that met the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), that checked Schedule A (Form 990), Part II, line 13, 16a, or 16b, and that received from any one contributor, during the year, total contributions of the greater of **(1)** \$5,000; or **(2)** 2% of the amount on (i) Form 990, Part VIII, line 1h; or (ii) Form 990-EZ, line 1. Complete Parts I and II.

For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Complete Parts I (entering "N/A" in column (b) instead of the contributor name and address), II, and III.

For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions *exclusively* for religious, charitable, etc., purposes, but no such contributions totaled more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Don't complete any of the parts unless the **General Rule** applies to this organization because it received *nonexclusively* religious, charitable, etc., contributions totaling \$5,000 or more during the year ▶ \$ _____

Caution: An organization that isn't covered by the General Rule and/or the Special Rules doesn't file Schedule B (Form 990), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on its Form 990-PF, Part I, line 2, to certify that it doesn't meet the filing requirements of Schedule B (Form 990).

Name of organization Pender Memorial Hospital, Incorporated	Employer identification number 56-0653348
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Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1	<hr/> <hr/> <hr/>	\$ <u>4,390,589.</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization Pender Memorial Hospital, Incorporated	Employer identification number 56-0653348
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Part II Noncash Property (see instructions). Use duplicate copies of Part II if additional space is needed.

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions.)	(d) Date received
	<div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div>	\$ _____	_____
	<div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div>	\$ _____	_____
	<div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div>	\$ _____	_____
	<div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div>	\$ _____	_____
	<div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div>	\$ _____	_____
	<div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div>	\$ _____	_____
	<div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div>	\$ _____	_____

Name of organization Pender Memorial Hospital, Incorporated	Employer identification number 56-0653348
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Part III Exclusively religious, charitable, etc., contributions to organizations described in section 501(c)(7), (8), or (10) that total more than \$1,000 for the year from any one contributor. Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of exclusively religious, charitable, etc., contributions of \$1,000 or less for the year. (Enter this info. once.) ▶ \$ _____
Use duplicate copies of Part III if additional space is needed.

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	

SCHEDULE D (Form 990)

Department of the Treasury Internal Revenue Service

Supplemental Financial Statements

Complete if the organization answered "Yes" on Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b. Attach to Form 990.

Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2021

Open to Public Inspection

Name of the organization Pender Memorial Hospital, Incorporated Employer identification number 56-0653348

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" on Form 990, Part IV, line 6.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows include: 1 Total number at end of year, 2 Aggregate value of contributions to (during year), 3 Aggregate value of grants from (during year), 4 Aggregate value at end of year, 5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? (Yes/No), 6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? (Yes/No)

Part II Conservation Easements. Complete if the organization answered "Yes" on Form 990, Part IV, line 7.

Table with 2 columns: Held at the End of the Tax Year. Rows include: 1 Purpose(s) of conservation easements held by the organization (check all that apply), 2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year (2a Total number of conservation easements, 2b Total acreage restricted by conservation easements, 2c Number of conservation easements on a certified historic structure included in (a), 2d Number of conservation easements included in (c) acquired after 7/25/06, and not on a historic structure listed in the National Register), 3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year, 4 Number of states where property subject to conservation easement is located, 5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? (Yes/No), 6 Staff and volunteer hours devoted to monitoring, inspecting, handling of violations, and enforcing conservation easements during the year, 7 Amount of expenses incurred in monitoring, inspecting, handling of violations, and enforcing conservation easements during the year, 8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? (Yes/No), 9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" on Form 990, Part IV, line 8.

Table with 2 columns: \$. Rows include: 1a If the organization elected, as permitted under FASB ASC 958, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide in Part XIII the text of the footnote to its financial statements that describes these items. b If the organization elected, as permitted under FASB ASC 958, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items: (i) Revenue included on Form 990, Part VIII, line 1, (ii) Assets included in Form 990, Part X, 2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under FASB ASC 958 relating to these items: a Revenue included on Form 990, Part VIII, line 1, b Assets included in Form 990, Part X

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

- 3 Using the organization's acquisition, accession, and other records, check any of the following that make significant use of its collection items (check all that apply):
- a Public exhibition
 - b Scholarly research
 - c Preservation for future generations
 - d Loan or exchange program
 - e Other _____
- 4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.
- 5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? Yes No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" on Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

- 1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? Yes No
- b If "Yes," explain the arrangement in Part XIII and complete the following table:
- | | Amount |
|---------------------------------|--------|
| c Beginning balance | 1c |
| d Additions during the year | 1d |
| e Distributions during the year | 1e |
| f Ending balance | 1f |
- 2a Did the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability? Yes No
- b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided on Part XIII

Part V Endowment Funds. Complete if the organization answered "Yes" on Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

- 2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:
- a Board designated or quasi-endowment _____ %
 - b Permanent endowment _____ %
 - c Term endowment _____ %
- The percentages on lines 2a, 2b, and 2c should equal 100%.
- 3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:
- | | Yes | No |
|--|--------|----|
| (i) Unrelated organizations | 3a(i) | |
| (ii) Related organizations | 3a(ii) | |
| b If "Yes" on line 3a(ii), are the related organizations listed as required on Schedule R? | 3b | |
- 4 Describe in Part XIII the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		42,149.		42,149.
b Buildings		6,272,146.	5,375,901.	896,245.
c Leasehold improvements		10,006,526.	6,192,493.	3,814,033.
d Equipment		8,983,906.	7,384,587.	1,599,319.
e Other		3,444,406.	2,191,468.	1,252,938.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				7,604,684.

Part VII Investments - Other Securities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 12.)		

Part VIII Investments - Program Related.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 13.)		

Part IX Other Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) Due from NHHNRC, LLC	1,670,854.
(2) Due from NHRMC Home Care	874,002.
(3) Other Assets	210,733.
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.)	2,755,589.

Part X Other Liabilities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	0.
(2) Due to NHHNRC, LLC	5,357,591.
(3) Operating Lease Liability	782,246.
(4) Third Party Settlements	3,352,069.
(5) Pension Liabilities	2,796,421.
(6) Escrow Liability	115.
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.)	12,288,442.

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FASB ASC 740. Check here if the text of the footnote has been provided in Part XIII ...

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements		1
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
a	Net unrealized gains (losses) on investments	2a	
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII.)	2d	
e	Add lines 2a through 2d		2e
3	Subtract line 2e from line 1		3
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII.)	4b	
c	Add lines 4a and 4b		4c
5	Total revenue. Add lines 3 and 4c . (This must equal Form 990, Part I, line 12.)		5

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements		1
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII.)	2d	
e	Add lines 2a through 2d		2e
3	Subtract line 2e from line 1		3
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII.)	4b	
c	Add lines 4a and 4b		4c
5	Total expenses. Add lines 3 and 4c . (This must equal Form 990, Part I, line 18.)		5

Part XIII Supplemental Information.

Provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Part X, Line 2:

The audit for Novant Health and its affiliates is prepared on a consolidated basis.

The Company is required to evaluate uncertain tax positions. This evaluation includes a quantification of tax risk in areas such as unrelated business taxable income and the taxation of our for-profit subsidiaries. This evaluation did not have a material effect on the Company's consolidated statements of operations and changes in net assets for the years ended December 31, 2021 and 2020.

**SCHEDULE H
(Form 990)**

Department of the Treasury
Internal Revenue Service

Hospitals

- ▶ Complete if the organization answered "Yes" on Form 990, Part IV, question 20.
- ▶ Attach to Form 990.
- ▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2021

Open to Public Inspection

Name of the organization **Pender Memorial Hospital, Incorporated** Employer identification number **56-0653348**

Part I Financial Assistance and Certain Other Community Benefits at Cost

	Yes	No
1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	X	
b If "Yes," was it a written policy?	X	
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. <input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.		
a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other <u>300</u> %	X	
b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %		X
c If the organization used factors other than FPG in determining eligibility, describe in Part VI the criteria used for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care.		
4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?		X
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	X	
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	X	
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		X
6a Did the organization prepare a community benefit report during the tax year?	X	
b If "Yes," did the organization make it available to the public?	X	

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.

7 Financial Assistance and Certain Other Community Benefits at Cost

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
Financial Assistance and Means-Tested Government Programs						
a Financial Assistance at cost (from Worksheet 1)			95,864.		95,864.	.79%
b Medicaid (from Worksheet 3, column a)			14,946.		14,946.	.12%
c Costs of other means-tested government programs (from Worksheet 3, column b)			930.		930.	.01%
d Total. Financial Assistance and Means-Tested Government Programs			111,740.		111,740.	.92%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,281.		1,281.	.01%
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j Total. Other Benefits			1,281.		1,281.	.01%
k Total. Add lines 7d and 7j			113,021.		113,021.	.93%

Part II Community Building Activities Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

Table with 7 columns: (a) Number of activities or programs (optional), (b) Persons served (optional), (c) Total community building expense, (d) Direct offsetting revenue, (e) Net community building expense, (f) Percent of total expense. Rows include Physical improvements and housing, Economic development, Community support, Environmental improvements, Leadership development and training for community members, Coalition building, Community health improvement advocacy, Workforce development, Other, and Total.

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

- 1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?
2 Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Table with 3 columns: Yes, No. Row 1: Yes (X). Row 2: Yes (X), No (). Row 3: Yes (), No ().

Section B. Medicare

- 5 Enter total revenue received from Medicare (including DSH and IME)
6 Enter Medicare allowable costs of care relating to payments on line 5
7 Subtract line 6 from line 5. This is the surplus (or shortfall)

8 Describe in Part VI the extent to which any shortfall reported on line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6.

Check the box that describes the method used:
[] Cost accounting system [X] Cost to charge ratio [] Other

Section C. Collection Practices

- 9a Did the organization have a written debt collection policy during the tax year?
9b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI

Table with 3 columns: Yes, No. Row 9a: Yes (X). Row 9b: Yes (), No (X).

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians - see instructions)

Table with 5 columns: (a) Name of entity, (b) Description of primary activity of entity, (c) Organization's profit % or stock ownership %, (d) Officers, directors, or trustees, or key employees' profit % or stock ownership %, (e) Physicians' profit % or stock ownership %.

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

Name, address, primary website address, and state license number (and if a group return, the name and EIN of the subordinate hospital organization that operates the hospital facility)

1 Pender Memorial Hospital, Inc.
507 East Freemont Street
Burgaw, NC 28425
https://www.novanthealth.org/
H0115

Table with columns: Licensed hospital, Gen. medical & surgical, Children's hospital, Teaching hospital, Critical access hospital, Research facility, ER-24 hours, ER-other, Other (describe), Facility reporting group. Row 1: X, X, X, Skilled Nursing & Rehabilitation.

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

Name of hospital facility or letter of facility reporting group Pender Memorial Hospital

Line number of hospital facility, or line numbers of hospital facilities in a facility reporting group (from Part V, Section A): 1

	Yes	No
Community Health Needs Assessment		
1 Was the hospital facility first licensed, registered, or similarly recognized by a state as a hospital facility in the current tax year or the immediately preceding tax year?		X
2 Was the hospital facility acquired or placed into service as a tax-exempt hospital in the current tax year or the immediately preceding tax year? If "Yes," provide details of the acquisition in Section C		X
3 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 12	X	
If "Yes," indicate what the CHNA report describes (check all that apply):		
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The significant health needs of the community		
f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" type="checkbox"/> The impact of any actions taken to address the significant health needs identified in the hospital facility's prior CHNA(s)		
j <input type="checkbox"/> Other (describe in Section C)		
4 Indicate the tax year the hospital facility last conducted a CHNA: 20 <u>19</u>		
5 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Section C how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	X	
6a Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Section C		X
b Was the hospital facility's CHNA conducted with one or more organizations other than hospital facilities? If "Yes," list the other organizations in Section C		X
7 Did the hospital facility make its CHNA report widely available to the public?	X	
If "Yes," indicate how the CHNA report was made widely available (check all that apply):		
a <input type="checkbox"/> Hospital facility's website (list url):		
b <input checked="" type="checkbox"/> Other website (list url): <u>nhrmc.org/-/media/pender-community-survey.pdf</u>		
c <input checked="" type="checkbox"/> Made a paper copy available for public inspection without charge at the hospital facility		
d <input type="checkbox"/> Other (describe in Section C)		
8 Did the hospital facility adopt an implementation strategy to meet the significant community health needs identified through its most recently conducted CHNA? If "No," skip to line 11	X	
9 Indicate the tax year the hospital facility last adopted an implementation strategy: 20 <u>19</u>		
10 Is the hospital facility's most recently adopted implementation strategy posted on a website?	X	
a If "Yes," (list url): <u>nhrmc.org/-/media/pender-community-survey.pdf</u>		
b If "No," is the hospital facility's most recently adopted implementation strategy attached to this return?		
11 Describe in Section C how the hospital facility is addressing the significant needs identified in its most recently conducted CHNA and any such needs that are not being addressed together with the reasons why such needs are not being addressed.		
12a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?		X
b If "Yes" to line 12a, did the organization file Form 4720 to report the section 4959 excise tax?		
c If "Yes" to line 12b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$		

Part V Facility Information (continued)

Financial Assistance Policy (FAP)

Name of hospital facility or letter of facility reporting group Pender Memorial Hospital

		Yes	No
Did the hospital facility have in place during the tax year a written financial assistance policy that:			
13	Explained eligibility criteria for financial assistance, and whether such assistance included free or discounted care?	X	
If "Yes," indicate the eligibility criteria explained in the FAP:			
a	<input checked="" type="checkbox"/> Federal poverty guidelines (FPG), with FPG family income limit for eligibility for free care of <u>300</u> % and FPG family income limit for eligibility for discounted care of _____ %		
b	<input type="checkbox"/> Income level other than FPG (describe in Section C)		
c	<input checked="" type="checkbox"/> Asset level		
d	<input type="checkbox"/> Medical indigency		
e	<input checked="" type="checkbox"/> Insurance status		
f	<input type="checkbox"/> Underinsurance status		
g	<input checked="" type="checkbox"/> Residency		
h	<input checked="" type="checkbox"/> Other (describe in Section C)		
14	Explained the basis for calculating amounts charged to patients?	X	
15	Explained the method for applying for financial assistance?	X	
If "Yes," indicate how the hospital facility's FAP or FAP application form (including accompanying instructions) explained the method for applying for financial assistance (check all that apply):			
a	<input checked="" type="checkbox"/> Described the information the hospital facility may require an individual to provide as part of his or her application		
b	<input checked="" type="checkbox"/> Described the supporting documentation the hospital facility may require an individual to submit as part of his or her application		
c	<input checked="" type="checkbox"/> Provided the contact information of hospital facility staff who can provide an individual with information about the FAP and FAP application process		
d	<input type="checkbox"/> Provided the contact information of nonprofit organizations or government agencies that may be sources of assistance with FAP applications		
e	<input type="checkbox"/> Other (describe in Section C)		
16	Was widely publicized within the community served by the hospital facility?	X	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply):			
a	<input checked="" type="checkbox"/> The FAP was widely available on a website (list url): <u>See Part V, Page 8</u>		
b	<input checked="" type="checkbox"/> The FAP application form was widely available on a website (list url): <u>See Part V, Page 8</u>		
c	<input checked="" type="checkbox"/> A plain language summary of the FAP was widely available on a website (list url): <u>See Part V, Page 8</u>		
d	<input checked="" type="checkbox"/> The FAP was available upon request and without charge (in public locations in the hospital facility and by mail)		
e	<input checked="" type="checkbox"/> The FAP application form was available upon request and without charge (in public locations in the hospital facility and by mail)		
f	<input checked="" type="checkbox"/> A plain language summary of the FAP was available upon request and without charge (in public locations in the hospital facility and by mail)		
g	<input checked="" type="checkbox"/> Individuals were notified about the FAP by being offered a paper copy of the plain language summary of the FAP, by receiving a conspicuous written notice about the FAP on their billing statements, and via conspicuous public displays or other measures reasonably calculated to attract patients' attention		
h	<input checked="" type="checkbox"/> Notified members of the community who are most likely to require financial assistance about availability of the FAP		
i	<input checked="" type="checkbox"/> The FAP, FAP application form, and plain language summary of the FAP were translated into the primary language(s) spoken by Limited English Proficiency (LEP) populations		
j	<input type="checkbox"/> Other (describe in Section C)		

Part V Facility Information (continued)

Billing and Collections

Name of hospital facility or letter of facility reporting group Pender Memorial Hospital

	Yes	No
<p>17 Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained all of the actions the hospital facility or other authorized party may take upon nonpayment?</p>	X	
<p>18 Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP:</p> <p>a <input type="checkbox"/> Reporting to credit agency(ies)</p> <p>b <input type="checkbox"/> Selling an individual's debt to another party</p> <p>c <input type="checkbox"/> Deferring, denying, or requiring a payment before providing medically necessary care due to nonpayment of a previous bill for care covered under the hospital facility's FAP</p> <p>d <input type="checkbox"/> Actions that require a legal or judicial process</p> <p>e <input type="checkbox"/> Other similar actions (describe in Section C)</p> <p>f <input checked="" type="checkbox"/> None of these actions or other similar actions were permitted</p>		
<p>19 Did the hospital facility or other authorized party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?</p> <p>If "Yes," check all actions in which the hospital facility or a third party engaged:</p> <p>a <input type="checkbox"/> Reporting to credit agency(ies)</p> <p>b <input type="checkbox"/> Selling an individual's debt to another party</p> <p>c <input type="checkbox"/> Deferring, denying, or requiring a payment before providing medically necessary care due to nonpayment of a previous bill for care covered under the hospital facility's FAP</p> <p>d <input type="checkbox"/> Actions that require a legal or judicial process</p> <p>e <input type="checkbox"/> Other similar actions (describe in Section C)</p>		X
<p>20 Indicate which efforts the hospital facility or other authorized party made before initiating any of the actions listed (whether or not checked) in line 19 (check all that apply):</p> <p>a <input checked="" type="checkbox"/> Provided a written notice about upcoming ECAs (Extraordinary Collection Action) and a plain language summary of the FAP at least 30 days before initiating those ECAs (if not, describe in Section C)</p> <p>b <input checked="" type="checkbox"/> Made a reasonable effort to orally notify individuals about the FAP and FAP application process (if not, describe in Section C)</p> <p>c <input checked="" type="checkbox"/> Processed incomplete and complete FAP applications (if not, describe in Section C)</p> <p>d <input checked="" type="checkbox"/> Made presumptive eligibility determinations (if not, describe in Section C)</p> <p>e <input type="checkbox"/> Other (describe in Section C)</p> <p>f <input type="checkbox"/> None of these efforts were made</p>		

Policy Relating to Emergency Medical Care

<p>21 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that required the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?</p> <p>If "No," indicate why:</p> <p>a <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions</p> <p>b <input type="checkbox"/> The hospital facility's policy was not in writing</p> <p>c <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Section C)</p> <p>d <input type="checkbox"/> Other (describe in Section C)</p>	X	
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Part V Facility Information *(continued)*

Charges to Individuals Eligible for Assistance Under the FAP (FAP-Eligible Individuals)

Name of hospital facility or letter of facility reporting group Pender Memorial Hospital

	Yes	No
22 Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care.		
a <input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service during a prior 12-month period		
b <input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period		
c <input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicaid, either alone or in combination with Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period		
d <input checked="" type="checkbox"/> The hospital facility used a prospective Medicare or Medicaid method		
23 During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Section C.	23	X
24 During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Section C.	24	X

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

Pender Memorial Hospital:

Part V, Section B, Line 5: Yes. While conducting the CHNA, the hospital facility(ies) solicited input from, and consulted with, a variety of community representatives including, but not limited to, representatives of city and county government including health departments, community-based organizations, foundations, churches, colleges/universities, community coalitions and other social service agencies. Input was gathered through community meetings, stakeholder's interviews, and solicited through written comments throughout the survey period until the final community priority setting meeting(s) and/or survey. The scope of expertise was broad and included such areas as public health, minority populations, health disparities, and social services. Data derived from these exercises is both quantitative and qualitative in scope.

Pender Memorial Hospital:

Part V, Section B, Line 11: The hospital facility(ies) is/are a part of Novant Health, an integrated not-for-profit health system. As such, Novant Health includes multiple hospital facilities and has engaged in CHNAs for all of the communities being served. The facility's CHNA identified multiple needs for the community served. The needs identified were reviewed and prioritized by the CHNA resource group and subsequently by each facility's board. They evaluated each documented need and its intersection with the organization's vision, commitments, and key strengths before further prioritizing the health needs and agreeing upon

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

the top health priorities to be addressed. Where possible, we have leveraged the system's strengths and resources to best address those needs that are highest in priority and consistent across communities. Novant Health and each of its hospital facilities have adopted and executed an implementation strategy that addresses the prioritized community health needs from the CHNAs. The implementation strategies outline the plan that the hospital facility(ies) will undertake to meet those health needs in each of its communities. Certain needs that were identified by the CHNA have not been addressed. Certain of the needs not addressed fall outside of the scope of traditional healthcare (ie. dental work) and others are candidates for collaborative work and have other resources in the community that can more appropriately address these needs based on scope of services and skill set.

For more detailed information, refer to the publicly available implementation plan available on the website; refer to the URL given previously for the posting of the plan.

Pender Memorial Hospital:

Part V, Section B, Line 13h: Other eligibility criteria explained in the FAP include the following: Free care is only applicable to medically necessary services; Provider based physician clinics require that patients must have been treated by an affiliated Medical Group primary care physician within the previous three years; patients must be unable to access Entitlement Programs; patients with special circumstances such as bankruptcy may also be eligible for Charity Care.

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

Pender Memorial Hospital

Part V, line 16a, FAP website:

www.nhrmc.org/patients/insurance-billing/assistance

Pender Memorial Hospital

Part V, line 16b, FAP Application website:

www.nhrmc.org/patients/insurance-billing/assistance

Pender Memorial Hospital

Part V, line 16c, FAP Plain Language Summary website:

www.novanthealth.org/home/patients--visitors/your-healthcare-costs.aspx

Pender Memorial Hospital:

Part V, Section B, Line 24: It is possible for a Financial Assistance Policy (FAP) eligible patient to be charged an amount equal to the gross charge for a non-emergency or non-medically necessary service. However, if the service is deemed an emergency or a medical necessity, then the FAP eligible patient would not be charged for care and would not receive a bill once FAP eligibility had been established.

Part V, Section B, Line 3e, Significant Health Needs of the Community

Several social, behavioral, and clinical health needs were identified in the needs assessment. Once the health needs were identified, surveys

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

and community meetings were conducted in which the various community stakeholders ranked the health issues according to the years of potential life lost and magnitude of impact. The information gathered was then matrixed and scored in order to rank the focus areas and prioritize the identified health needs. The prioritized identified health needs and supporting data are then reviewed and deliberated upon further by the Board. An implementation plan is created for certain of the prioritized, identified health needs and assessed regularly throughout the community health needs assessment life cycle. Community partners who are currently doing the work are identified as potential partners for collaboration on those identified needs that are not part of the implementation plan.

Part V Facility Information *(continued)*

Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year? 0

Name and address	Type of Facility (describe)

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

Part I, Line 3c:

Other criteria besides income and FPG used in determining eligibility for free care include: (1) Residency - Patients must reside within the service area of the Hospital; (2) The kind of service provided - Only medically necessary services are covered; (3) Patient status - In provider based physician clinics, patients must have been treated by an affiliated medical group primary care physician within the previous three years; and (4) Access to health care coverage - Patients must be unable to access employer sponsored health plans or entitlement programs. Lastly, the patient must be without substantial liquid assets (i.e. cash-on-hand). Assets such as houses, cars, penalized retirement savings funds, etc. are not considered liquid assets. Substantial assets are defined as enough cash-on-hand to cover the medical expenses without placing a hardship on the patient. Patients with special circumstances such as bankruptcy may also be eligible for charity care; Determination is made on a case by case basis under these circumstances.

Part I, Ln 7 Col(f):

Part VI Supplemental Information (Continuation)

Implicit price concessions (formerly labeled bad debt expense) are calculated using the same methodology as charity care and other community benefits using an entity specific cost to charge ratio (CCR). Footnote 2 (Accounts Receivable) in the Audited Financial Statements describes price concessions.

Part III, Line 2:

Implicit price concessions (formerly labeled bad debt expense) are determined based on management's assessment of contractual agreements, discount policies, and historical experience.

Part III, Line 8:

The methodology used to determine the Medicare allowable costs reported in the Organization's Medicare cost report as reflected in the amount reported in Part III, Line 6 is determined by following the Medicare principles of allowable costs. Cost for the overhead departments are stepped down to the remaining cost centers based on statistics for each overhead cost center. Once the step-down process is complete, a cost to charge ratio (CCR) is developed for each cost center. The CCR is then applied to the Medicare revenue by cost center and totaled. It should be noted that the Medicare cost reports do not address any managed care Medicare revenues, costs, or related shortfall. The total revenues reported as received from Medicare in Line 5 of Section B are only representative of Medicare fee for service payments received. The allowable costs on Line 6 are significantly lower than the actual expenditures. As such, the shortfall is underestimated. Every hospital treats Medicare patients. Some hospitals are located in high Medicare population areas; Others provide services disproportionately used by

Part VI Supplemental Information (Continuation)

Medicare patients. Medicare rates are not negotiated. As reimbursement rates decline relative to costs of care, hospitals continue to serve the Medicare population. Without this service these patients would become an obligation on the government. Any reimbursed costs of this care are a community benefit provided by the Hospital to the community and government.

Part III, Line 9b:

The Organization's billing and collections policy does explain actions against patients who have outstanding delinquent amounts, but the policy does not contain provisions for collection practices against patients who are eligible under the financial assistance policy (FAP) because FAP eligible patients receive 100% free care and therefore do not receive bills once FAP eligibility has been established.

Part VI, Line 2:

The organization is part of Novant Health, an integrated not-for-profit health system, which has a community engagement department comprised of community benefit professionals. The community engagement department is responsible for coordinating the preparation of the community health needs assessments (CHNA) for each hospital within the system, including the CHNAs reported in Part V, Section B. Each hospital and the community engagement department work together to identify organizations and resources within its community that contribute to the process. These organizations and resources include public health departments, local community coalitions representing the medically underserved, United Way, local universities, etc. Community health assessments prepared by other organizations in the community are used in combination with internal

Part VI Supplemental Information (Continuation)

hospital data and information collected from local agencies to prepare the hospital's CHNA. Through partnerships with other community organizations, we are able to draw inference of the needs not met within the immediate communities we serve and meet or exceed those community member's needs. In addition to addressing needs identified through the CHNA, each hospital may respond to requests for specific community benefit activities or programs from public agencies or community groups. Organizational partnerships established by the community benefit department are often leveraged to address needs that were identified in the CHNA but were unaddressed by the facility implementation plan.

Part VI, Line 3:

Patient Education of Eligibility for Assistance

The organization is committed to providing outstanding healthcare to all members of our communities, regardless of their ability to pay. Our financial counseling teams are constantly working with the patients within our communities to understand their needs and ensure that our policies and processes address these needs. We also maintain contracts with Medicaid eligibility vendors and these teams offer additional support in processing and assessing how we serve the financial needs of our patients. Based on the assessments of our communities, the organization has developed financial assistance policies and programs that address the financial needs of our patients. We pride ourselves on the transparency of our programs and the education we offer our patients around our financial assistance policies. Our programs are documented on our website, along with contact information for our financial counselors. Additionally, our programs are documented on patient flyers throughout the organization's facilities and physician offices. Our patient access specialists,

Part VI Supplemental Information (Continuation)

financial counselors and business office teams work with all eligible patients to educate them on the various options available via our financial assistance programs or government sponsored care. They also reference our financial assistance policy in all conversations related to patients' bills. Finally, we work with local area free health clinics and other charitable organizations to provide continuation of care for their patients. In addition to our financial counseling processes used to identify charity care patients, our collections processes within our business offices also help identify patients who are already eligible for charity or who may be eligible based on their status within the federal poverty guidelines ("FPG"). We utilize previously submitted patient documentation and credit agency reported FPG for determination. Supporting documents are valid 6 months from the date of submission. Our policies are considered fluid and are updated frequently based on local and national market standards and national economic conditions. Any updates to our policies require multi-level leadership approval and are ultimately approved by the organization's board.

Part VI, Line 4:

The service area for PMH is defined as the geographical boundary of Pender County, North Carolina. Pender County is located along the coastal area of the state and has an area of 933 square miles, of which 870 square miles is land and 63 square miles is water. On average, 76% of patients admitted to PMH are from Pender County. The remaining 24% of patients reside in Brunswick, New Hanover, and other surrounding counties. Overall, Pender County residents are older than residents of North Carolina and the Health ENC region. The 45-54 age group contains the highest percent of the population at 14.5%, while the 35-44 age group contains the next highest

Part VI Supplemental Information (Continuation)

percent of the population at 12.9%. People 65 years and older comprise 17.7% of the Pender County population, compared to 15.5% in North Carolina and 15.2% in the Health ENC counties. Males comprise 49.9% of the population, whereas females comprise 50.1% of the population. The median age for males is 41.8 years, whereas the median age for females is 43.6 years. Both are higher than the North Carolina median age (37.2 years for males and 40.1 years for females). Birth rates are important measures of population health. The birth rate is usually the dominant factor in determining the rate of population growth; However, population growth is also driven by the age structure of the population (e.g., deaths), immigration and emigration. The birth rate in Pender County (11.3 live births per 1,000 population in 2016) is lower than the birth rate in North Carolina (12.0) and Health ENC counties (13.1). The race and ethnicity composition of a population is important in planning for future community needs, particularly for schools, businesses, community centers, health care and child care. Race and ethnicity data are also useful for identifying and understanding disparities in housing, employment, income and poverty. The White population accounts for 80.5% of the total population in Pender County, with the Black or African American population accounting for 15.9% of the total population. The proportion of residents that identify as White is larger in Pender County (80.5%) as compared to North Carolina (71.0%) and Health ENC counties (63.8%). Pender County has a smaller share of residents that identify as Black or African American (15.9%) when compared to North Carolina (22.2%) and Health ENC counties (30.7%). The Hispanic or Latino population comprises 6.9% of Pender County. Median household income reflects the relative affluence and prosperity of an area. Areas with higher median household incomes are likely to have a greater share of educated residents and lower

Part VI Supplemental Information (Continuation)

unemployment rates. Figure 14 shows the median household income in Pender County (\$46,580), which is lower than the median household income in North Carolina (\$48,256).

Part VI, Line 5:

The organization furthers its exempt purposes by doing the following:

1. Adopting a financial assistance policy;
2. Remaining certified by the U.S. Department of Health and Human Services to provide services to all beneficiaries of Medicare, Medicaid, and other government payment programs, and providing services in a nondiscriminatory manner to such beneficiaries;
3. Operating a full-time emergency room which is open to and accepts all persons, regardless of their ability to pay;
4. Maintaining an open medical staff, subject to exclusive contracts for hospital-based services such as anesthesiology, radiology, pathology, hospitalist, and emergency department services, to the extent an exclusive contract for those services is required to obtain proper staffing coverage or to permit a more efficient delivery of those services within the Pender Memorial Hospital, Inc. hospital facility;
5. Maintaining a governing board consisting primarily of a broad cross-section of leaders in the community;
6. Adopting and applying a conflict of interest policy, which applies to the governing board and organization officers;
7. Providing health education lectures and workshops;
8. Providing health fairs, education on specific diseases or conditions, and health promotion and wellness programs to the communities it serves;
9. Providing support groups and self-help programs to the communities it serves;

Part VI Supplemental Information (Continuation)

10. Providing community-based clinical services, including without limitation, health screenings and clinics for uninsured or underinsured persons to the communities it serves;
11. Providing healthcare support services, including without limitation, information and referral to community services, case management of underinsured and uninsured persons, telephone information services and assistance to enroll in public programs, such as State Children's Health Insurance Program (SCHIP) and Medicaid to the communities it serves;
12. Providing subsidized health services and clinical programs to the communities it serves;
13. Providing cash and in-kind contributions to nonprofit community healthcare organizations in the communities it serves; and
14. Generally promoting the health, wellness, and welfare of the communities it serves by providing quality healthcare services at reasonable cost. Please see the Novant Health community benefit report, located at <https://www.novanthealth.org/home/about-us/community-engagement/our-impact.aspx>

Please note that the numeric information in this report is not based upon the Form 990, Schedule H criteria, but rather it has been prepared in accordance with the North Carolina Hospital Association reporting guidelines.

Part VI, Line 6:

The organization is an integral part of Novant Health, a not-for-profit integrated group of hospitals, physician clinics, outpatient centers and other healthcare service providers. Novant Health is ranked as one of our nation's top 20 integrated healthcare systems - caring for patients and

Part VI Supplemental Information (Continuation)

communities in North Carolina, South Carolina, and Virginia. Each hospital provides substantial community benefit to the community it serves, as reported individually on each hospital's Form 990, Schedule H. The community benefit of the system as a whole is documented in a system-wide community benefit report, located at Pender Memorial Hospital, Inc. <https://www.novanthealth.org/home/about-us/community-engagement/our-impact.aspx>

Please note that the numeric information in this report is not based upon the Form 990, Schedule H criteria, but rather it has been prepared in accordance with the North Carolina Hospital Association reporting guidelines. It should not be relied upon as the organization's Form 990, Schedule H community benefit report, its community health needs assessment or community benefit implementation strategy. There are significant community benefit activities within Novant Health which may not be reportable on a Schedule H because they are not conducted by an entity which owns or operates a hospital. In addition to hospitals, Novant Health includes a physician organization with practices in North Carolina, South Carolina, and Virginia and five hospital foundations which support and enhance the activities in those hospitals' communities. Further, Novant Health includes ambulatory surgery centers, imaging centers, rehabilitation centers, and other outpatient facilities; all dedicated to promoting the health of their respective communities.

Part VI, Line 7, List of States Receiving Community Benefit Report:

NC

Part VI, Line 7, State Filing of Community Benefit Report

Novant Health, Inc. files a system-wide community benefit report

Part VI Supplemental Information (Continuation)

prepared in accordance with the North Carolina Hospital Association reporting guidelines with the North Carolina Medical Care Commission as part of the documentation required for the issuance of tax exempt bond financing.

**SCHEDULE J
(Form 990)**

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees
 ▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 23.
 ▶ Attach to Form 990.
 ▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2021

Open to Public Inspection

Name of the organization: **Pender Memorial Hospital, Incorporated**
 Employer identification number: **56-0653348**

Part I Questions Regarding Compensation

	Yes	No
1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed on Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. <input type="checkbox"/> First-class or charter travel <input type="checkbox"/> Travel for companions <input type="checkbox"/> Tax indemnification and gross-up payments <input type="checkbox"/> Discretionary spending account <input type="checkbox"/> Housing allowance or residence for personal use <input type="checkbox"/> Payments for business use of personal residence <input type="checkbox"/> Health or social club dues or initiation fees <input type="checkbox"/> Personal services (such as maid, chauffeur, chef)		
b If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b	
2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, and officers, including the CEO/Executive Director, regarding the items checked on line 1a?	2	
3 Indicate which, if any, of the following the organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III. <input type="checkbox"/> Compensation committee <input type="checkbox"/> Independent compensation consultant <input type="checkbox"/> Form 990 of other organizations <input type="checkbox"/> Written employment contract <input type="checkbox"/> Compensation survey or study <input type="checkbox"/> Approval by the board or compensation committee		
4 During the year, did any person listed on Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:		
a Receive a severance payment or change-of-control payment?	4a	X
b Participate in or receive payment from a supplemental nonqualified retirement plan?	4b	X
c Participate in or receive payment from an equity-based compensation arrangement?	4c	X
If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.		
Only section 501(c)(3), 501(c)(4), and 501(c)(29) organizations must complete lines 5-9.		
5 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:		
a The organization?	5a	X
b Any related organization?	5b	X
If "Yes" on line 5a or 5b, describe in Part III.		
6 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:		
a The organization?	6a	X
b Any related organization?	6b	X
If "Yes" on line 6a or 6b, describe in Part III.		
7 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization provide any nonfixed payments not described on lines 5 and 6? If "Yes," describe in Part III	7	X
8 Were any amounts reported on Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8	X
9 If "Yes" on line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9	

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule J (Form 990) 2021

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported on Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that aren't listed on Form 990, Part VII.

Note: The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC and/or 1099-NEC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation in column (B) reported as deferred on prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) Ruth Glaser President	(i)	232,079.	5,000.	21,383.	13,651.	18,737.	290,850.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(2) Harry Cowart Pharmacist	(i)	156,503.	8,185.	427.	0.	19,173.	184,288.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
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	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

Part III Supplemental Information

Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

Part I, Line 3:

Pender Memorial Hospital follows NHHHRMC Policy on Compensation. The Board is responsible for approving the total annual compensation budget for the medical center. The President/CEO, in accordance with the Executive Compensation Philosophy, will recommend for approval by the Executive Committee the level of compensation paid to upper level managers of the medical center. Recommendations will be developed utilizing competitive market data supplied by an independent compensation consulting firm as outlined in the Executive Compensation Philosophy and approved by the Executive Committee. Compensation for upper level managers will be reviewed at least annually.

**SCHEDULE O
(Form 990)**

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.

▶ Attach to Form 990 or Form 990-EZ.

▶ Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047

2021

Open to Public
Inspection

Name of the organization

Pender Memorial Hospital, Incorporated

Employer identification number

56-0653348

Form 990, Item C, Doing Business As:

Novant Health Pender Medical Center

Form 990, Part I, Line 1, Description of Organization Mission:

"Novant Health"), a not-for-profit integrated group of hospitals,
physician clinics, outpatient centers and other healthcare service
providers.

Form 990, Part III, Line 1, Description of Organization Mission:

and by supporting the greater Pender County community through
partnerships and outreach. The hospital supports organizations that
provide health care services, education, and assistance to the
uninsured and the overall community.

Form 990, Part VI, Section A, line 3:

Pender Memorial Hospital, Inc. is under a management agreement with and by
Novant Health New Hanover Regional Medical Center, LLC.

Form 990, Part VI, Section A, line 6:

The sole Member of Pender Memorial Hospital, Inc. is Novant Health New
Hanover Regional Medical Center, LLC, the ultimate sole member of which is
Novant Health Inc.

Form 990, Part VI, Section A, line 7a:

The sole Member of Pender Memorial Hospital, Inc. is Novant Health New
Hanover Regional Medical Center, LLC ("NHNHRMC, LLC"), the ultimate sole

Name of the organization	Pender Memorial Hospital, Incorporated	Employer identification number	56-0653348
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member of which is Novant Health, Inc. Pender County Board of Commissioners appoints 6 board members. NHHHRMC, LLC appoints 4 members.

Form 990, Part VI, Section A, line 7b:

Pender Memorial Hospital, Inc. is under a management agreement with and by its sole Member, Novant Health New Hanover Regional Medical Center, LLC ("NHHHRMC LLC"). The affairs and operations of the Corporation and the exercise of all Corporate powers, except for those powers specifically reserved by the Corporation in the Articles of Incorporation, are delegated to the Member. These Bylaws, shall, to the extent, not reserved to the Board of Trustees in the Articles of Incorporation, be delegated to the Member, who, consistent with such delegation of Authority to the Board of Trustees, may exercise all such powers of the Corporation and do all such lawful acts and things as are permitted by law, by the Articles of Incorporation or by these Bylaws. Member must approve amendments to the Articles of Incorporation, Bylaws, Dissolutions, etc.

Form 990, Part VI, Section B, line 11b:

The Board has delegated review of the Form 990 to Novant Health's Board of Trustees' Audit and Compliance Committee ("the Committee"), which oversees tax matters for entities in the Novant Health system. The Committee is the review body for all of the Form 990s filed for organizations within the Novant Health system. The Committee meets before the Form 990s are filed with the IRS and after all Board members have been provided a paper or electronic copy of the Form 990 and a summary of its contents. The Vice President of Tax and legal counsel for Novant Health attend the meeting to answer any questions and address any significant disclosures within the Form 990.

Name of the organization	Pender Memorial Hospital, Incorporated	Employer identification number	56-0653348
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Form 990, Part VI, Section B, Line 12c:

The organization's Trustee Conflict of Interest Policy applies to all trustees, principal officers or members of a Committee with Board delegated powers including any applicable disregarded entities. All trustees are sent an annual disclosure questionnaire. The trustee annual disclosure questionnaires are reviewed by the compliance department. With respect to particular transactions that come before the Board, the Conflict of Interest Policy would be followed. The potential conflict of interest would be disclosed by the Board member before a vote on the transaction and the rest of the Board would determine whether a conflict of interest exists. If the rest of the Board determined that a conflict of interest existed then the Board member with the conflict of interest would not participate in the deliberations and vote.

Form 990, Part VI, Section B, Line 15:

Pender Memorial Hospital follows NHHNRC Policy on Compensation. The Board is responsible for approving the total annual compensation budget for the medical center. The President/CEO, in accordance with the Executive Compensation Philosophy, will recommend for approval by the Executive Committee the level of compensation paid to upper level managers of the medical center. Recommendations will be developed utilizing competitive market data supplied by an independent compensation consulting firm as outlined in the Executive Compensation Philosophy and approved by the Executive Committee. Compensation for upper level managers will be reviewed at least annually.

Form 990, Part VI, Section C, Line 19:

Name of the organization Pender Memorial Hospital, Incorporated	Employer identification number 56-0653348
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The audited consolidated financial statements containing all organizations in the Novant Health system are posted to the Novant Health website. The governing documents and conflict of interest policy are not available to the public.

Form 990, Part IX, Line 11g, Other Fees:

Trash Disposal:

Program service expenses	10,870.
Management and general expenses	0.
Fundraising expenses	0.
Total expenses	10,870.

Outside Laboratory Services:

Program service expenses	36,482.
Management and general expenses	0.
Fundraising expenses	0.
Total expenses	36,482.

Outside Laundry Service:

Program service expenses	26,005.
Management and general expenses	0.
Fundraising expenses	0.
Total expenses	26,005.

Outside Collection Fees:

Program service expenses	33,198.
Management and general expenses	0.
Fundraising expenses	0.

Name of the organization Pender Memorial Hospital, Incorporated	Employer identification number 56-0653348
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Total expenses	33,198.
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Other Contract/Purchased Services:

Program service expenses	4,904,238.
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Management and general expenses	14,817.
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Fundraising expenses	0.
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Total expenses	4,919,055.
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Web/Internet Services:

Program service expenses	14,211.
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Management and general expenses	0.
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Fundraising expenses	0.
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Total expenses	14,211.
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Intercompany Admin Fees:

Program service expenses	0.
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Management and general expenses	412,893.
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Fundraising expenses	0.
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Total expenses	412,893.
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Credit Card Clearing:

Program service expenses	2,337.
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Management and general expenses	4,279.
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Fundraising expenses	0.
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Total expenses	6,616.
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Bank Service Charges:

Program service expenses	19,539.
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Name of the organization	Pender Memorial Hospital, Incorporated	Employer identification number	56-0653348
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Management and general expenses	547.
Fundraising expenses	0.
Total expenses	20,086.

Employee Health Screening:

Program service expenses	2,357.
Management and general expenses	0.
Fundraising expenses	0.
Total expenses	2,357.

Professional Fees:

Program service expenses	240,729.
Management and general expenses	29,791.
Fundraising expenses	0.
Total expenses	270,520.
Total Other Fees on Form 990, Part IX, line 11g, Col A	5,752,293.

Form 990, Part XI, line 9, Changes in Net Assets:

Uncollectible Accounts	-999,771.
Transfer to NHRMC Home Care	-609,973.
Transfer from New Hanover Regional Medical Center	633,734.
Capital Contributions	368,254.
Adjustment to Pension Expense Liability	464,000.
Total to Form 990, Part XI, Line 9	-143,756.

**SCHEDULE R
(Form 990)**

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.
▶ Attach to Form 990.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2021

**Open to Public
Inspection**

Name of the organization **Pender Memorial Hospital, Incorporated** Employer identification number **56-0653348**

Part I Identification of Disregarded Entities. Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related tax-exempt organizations during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
Auxiliary of Forsyth Memorial Hospital - 56-0862112, 2085 Frontis Plaza Blvd., Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 10	Forsyth Memorial Hospital, Inc.		X
Brunswick Novant Medical Center Foundation - 27-4616751, 2085 Frontis Plaza Blvd., Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 7	Brunswick Community Hospital, LLC	X	
Carolina Healthcare Associates, Inc. - 56-2049697, 2131 South 17th Street, Wilmington, NC 28401	Healthcare Provider	North Carolina	501(c)(3)	Line 3	Novant Health Coastal Region, LLC	X	
Carolina Medicorp Enterprises, Inc. - 58-1466368, 2085 Frontis Plaza Blvd., Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 10	Novant Medical Group		X

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule R (Form 990) 2021

Part II Continuation of Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization?	
						Yes	No
Community General Hospital Foundation, Inc. - 56-1828629, 2085 Frontis Plaza Blvd., Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 7	Novant Health Thomasville Medical Center		X
Culpeper Memorial Hospital, Inc. - 54-0622371, 2085 Frontis Plaza Blvd., Winston, NC 27103	Healthcare	Virginia	501(c)(3)	Line 3	Novant Health UVA Health System		X
Forsyth Medical Center Foundation - 56-2120959, 2085 Frontis Plaza Blvd., Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 7	Forsyth Memorial Hospital, Inc.		X
Forsyth Memorial Hospital, Inc. - 56-0928089 2085 Frontis Plaza Blvd. Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 3	Novant Health Triad Region, LLC		X
Foundation Health Systems Corp. - 56-1373175 2085 Frontis Plaza Blvd. Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 10	Novant Health, Inc.		X
Medical Park Hospital, Inc. - 56-1340424 2085 Frontis Plaza Blvd. Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 3	Novant Health Triad Region, LLC		X
New Hanover Regional Medical Center Foundation, Inc. - 56-1752396, 2001 South 17th Street, Wilmington, NC 28401	Supporting Foundation	North Carolina	501(c)(3)	Line 12a, I	Novant Health Coastal Region, LLC	X	
NHRMC Home Care - 35-2379154 2085 Frontis Plaza Blvd. Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 10	Pender Memorial Hospital, Inc.	X	
Novant Health UVA Health System - 81-0868533 2085 Frontis Plaza Blvd. Winston, NC 27103	Healthcare	Virginia	501(c)(3)	Line 12a, I	Novant Health, Inc.		X
Novant Health, Inc. - 56-1376950 2131 South 17th Street Wilmington, NC 28401	Hospital	North Carolina	501(c)(3)	Line 12c, III-FI	N/A		X
Novant Medical Group - 58-1728803 2085 Frontis Plaza Blvd. Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 3	NMG Services, LLC		X
Personal Care Services - 54-1291284 2085 Frontis Plaza Blvd. Winston, NC 27103	Healthcare	Virginia	501(c)(3)	Line 10	Prince William Health System		X

Part II Continuation of Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization?	
						Yes	No
Presbyterian Hospital Foundation - 58-1413074, 2085 Frontis Plaza Blvd., Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 7	Novant Health Southern Piedmont Region, LLC		X
Presbyterian Medical Care Corporation - 56-1376368, 2085 Frontis Plaza Blvd., Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 3	Novant Health Southern Piedmont Region, LLC		X
Prince William Health System - 54-1278944 2085 Frontis Plaza Blvd. Winston, NC 27103	Healthcare	Virginia	501(c)(3)	Line 12c, III-FI	Novant Health UVA Health System		X
Prince William Hospital - 54-0696355 2085 Frontis Plaza Blvd. Winston, NC 27103	Healthcare	Virginia	501(c)(3)	Line 3	Prince William Health System		X
PWH Foundation - 54-1307595 2085 Frontis Plaza Blvd. Winston, NC 27103	Healthcare	Virginia	501(c)(3)	Line 7	Prince William Health System		X
Rowan Health Services Corporation - 56-1424814, 2085 Frontis Plaza Blvd., Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 12c, III-FI	Novant Health, Inc.		X
Rowan Regional Medical Center Auxiliary - 23-7022472, 2085 Frontis Plaza Blvd., Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 10	Rowan Regional Medical Center, Inc.		X
Rowan Regional Medical Center Foundation - 56-1424818, 2085 Frontis Plaza Blvd., Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 7	Rowan Regional Medical Center, Inc.		X
Rowan Regional Medical Center, Inc. - 56-0547479, 2085 Frontis Plaza Blvd., Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 3	Rowan Health Services Corporation		X
Self Insurance Fund - Novant Health, Inc. - 58-1867242, 2085 Frontis Plaza Blvd., Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 12c, III-FI	Novant Health, Inc.		X
The Presbyterian Hospital - 56-0554230 2085 Frontis Plaza Blvd. Winston, NC 27103	Healthcare	North Carolina	501(c)(3)	Line 3	Novant Health Southern Piedmont Region, LLC		X

Part III Identification of Related Organizations Taxable as a Partnership. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related organizations treated as a partnership during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

Part IV Identification of Related Organizations Taxable as a Corporation or Trust. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
Adept Health, Inc. - 56-2226937 2085 Frontis Plaza Blvd. Winston Salem, NC 27103	Admin Services	NC	N/A	C CORP	N/A	N/A	N/A		X
ChoiceHealth, Inc. - 56-1896065 2085 Frontis Plaza Blvd. Winston Salem, NC 27103	Managed Care	NC	N/A	C CORP	N/A	N/A	N/A		X
Communicare, Inc. - 56-1952950 2085 Frontis Plaza Blvd. Winston Salem, NC 27103	Rental Real Estate	NC	N/A	C CORP	N/A	N/A	N/A		X
Kernersville Medical Center Park Owners' Association - 47-1511401, 2085 Frontis Plaza Blvd., Winston Salem, NC 27103	Rental Real Estate	NC	N/A	C CORP	N/A	N/A	N/A		X
Medquest, Inc. & Subsidiaries - 22-3860764 3480 Preston Ridge Rd., Ste 600 Alpharetta, GA 30005	Diagnostic Imaging	DE	N/A	C CORP	N/A	N/A	N/A		X

Part IV Continuation of Identification of Related Organizations Taxable as a Corporation or Trust

Table with 10 columns: (a) Name, address, and EIN of related organization; (b) Primary activity; (c) Legal domicile (state or foreign country); (d) Direct controlling entity; (e) Type of entity (C corp, S corp, or trust); (f) Share of total income; (g) Share of end-of-year assets; (h) Percentage ownership; (i) Section 512(b)(13) controlled entity? (Yes/No). Rows include Novant Health Trinova Insurance Protected Cell, Inc., Salem Diagnostics, Inc., Salem Health Services, Inc., and The Park at Monroe Property Owners Association, Inc.

Part V Transactions With Related Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

Note: Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

	Yes	No
a Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity		X
b Gift, grant, or capital contribution to related organization(s)		X
c Gift, grant, or capital contribution from related organization(s)		X
d Loans or loan guarantees to or for related organization(s)		X
e Loans or loan guarantees by related organization(s)		X
f Dividends from related organization(s)		X
g Sale of assets to related organization(s)		X
h Purchase of assets from related organization(s)		X
i Exchange of assets with related organization(s)		X
j Lease of facilities, equipment, or other assets to related organization(s)		X
k Lease of facilities, equipment, or other assets from related organization(s)		X
l Performance of services or membership or fundraising solicitations for related organization(s)		X
m Performance of services or membership or fundraising solicitations by related organization(s)	X	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)		X
o Sharing of paid employees with related organization(s)	X	
p Reimbursement paid to related organization(s) for expenses	X	
q Reimbursement paid by related organization(s) for expenses	X	
r Other transfer of cash or property to related organization(s)	X	
s Other transfer of cash or property from related organization(s)	X	

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) NHRMC Home Care	R	609,973.	Accrual Basis
(2) NHRMC Home Care	Q	385,918.	Accrual Basis
(3)			
(4)			
(5)			
(6)			

**Novant Health, Inc.
and Affiliates**

**Consolidated Financial Statements and
Supplemental Information
December 31, 2021 and 2020**

Novant Health, Inc. and Affiliates
Index
December 31, 2021 and 2020

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Report of Independent Auditors

To the Board of Trustees of Novant Health, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Novant Health, Inc. and Affiliates (the “Company”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 Company’s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors’ Responsibilities for the Audit of the Consolidated 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 opinion. 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 US GAAS 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 US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Pricewaterhouse Coopers LLP

March 28, 2022

Novant Health, Inc. and Affiliates
Consolidated Balance Sheets
December 31, 2021 and 2020

<i>(in thousands of dollars)</i>	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 795,602	\$ 711,822
Accounts receivable, net	896,263	670,736
Short-term investments	411,440	330,742
Current portion of assets limited as to use	40,627	42,674
Receivable for settlement with third-party payors	16,315	25,109
Other current assets	343,152	259,254
Total current assets	2,503,399	2,040,337
Assets limited as to use	299,263	234,676
Long-term investments	3,514,345	2,984,671
Property and equipment, net	2,883,230	2,400,069
Right-of-use assets, net	520,111	493,354
Intangible assets and goodwill, net	854,249	310,047
Investments in affiliates	53,954	54,954
Deferred tax asset	3,980	5,317
Other assets	135,879	128,253
Total assets	\$ 10,768,410	\$ 8,651,678
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	\$ 54,637	\$ 54,848
Short-term borrowings	124,518	149,592
Accounts payable	312,751	277,310
Accrued liabilities	810,460	682,673
Current portion of operating lease liabilities	106,774	88,796
Estimated third-party payor settlements	80,207	87,982
Total current liabilities	1,489,347	1,341,201
Long-term debt, net of current portion	2,610,282	1,275,987
Deferred tax liability	5,201	5,194
Operating lease liabilities, net of current portion	429,628	418,011
Derivative financial instruments	39,260	51,803
Employee benefits and other liabilities	466,152	589,583
Total liabilities	5,039,870	3,681,779
Commitments and contingencies		
Net assets		
Without donor restrictions - attributable to Novant Health	5,630,943	4,805,811
Without donor restrictions - noncontrolling interests	6,675	79,252
Total net assets without donor restrictions	5,637,618	4,885,063
With donor restrictions	90,922	84,836
Total net assets	5,728,540	4,969,899
Total liabilities and net assets	\$ 10,768,410	\$ 8,651,678

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

Novant Health, Inc. and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
Years Ended December 31, 2021 and 2020

<i>(in thousands of dollars)</i>	2021	2020
Operating revenues and other support		
Net patient service revenues	\$ 6,811,318	\$ 5,052,794
Other revenue	584,828	629,981
Total operating revenues and other support	<u>7,396,146</u>	<u>5,682,775</u>
Operating expenses		
Salaries and employee benefits	3,924,166	3,083,108
Supplies and other	2,685,642	2,073,090
Depreciation and amortization expense	339,633	260,051
Interest expense	77,696	78,022
Total operating expenses	<u>7,027,137</u>	<u>5,494,271</u>
Operating income	369,009	188,504
Non-operating income (expense)		
Investment income	452,815	201,823
Loss on extinguishment of debt	(4,456)	(6,208)
Income tax expense	(4,793)	(505)
Other net periodic pension costs	(576)	(1,459)
Excess of revenues over expenses	<u>\$ 811,999</u>	<u>\$ 382,155</u>
Other changes in net assets without donor restrictions		
Deconsolidation of Novant Health UVA Health System	(60,185)	-
Change in funded status of defined benefit plans	1,206	(878)
Amortization of deferred loss on derivative financial instruments	2,984	3,180
Other changes in net assets without donor restrictions	(3,449)	(1,184)
Increase in net assets without donor restrictions	<u>752,555</u>	<u>383,273</u>
Net assets with donor restrictions		
Assumption of net assets with donor restrictions from acquisition	20,364	-
Deconsolidation of Novant Health UVA Health System	(3,749)	-
Contributions and investment income	31,722	11,740
Net assets released from restrictions for operations	(42,251)	(11,636)
Increase in net assets with donor restrictions	<u>6,086</u>	<u>104</u>
Increase in total net assets	758,641	383,377
Net assets, beginning of period	<u>4,969,899</u>	<u>4,586,522</u>
Net assets, end of period	<u>\$ 5,728,540</u>	<u>\$ 4,969,899</u>

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

Novant Health, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

(in thousands of dollars)

	2021	2020
Cash flows from operating activities		
Increase in net assets	\$ 758,641	\$ 383,377
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation, amortization and accretion	340,303	259,735
Loss (gain) on sale of consolidated entities	29,682	(6,500)
Change in net assets due to sale of consolidated affiliate	63,934	-
Loss on extinguishment of debt	4,456	6,208
Actuarial loss on pension and postretirement benefits	1,162	1,253
Change in funded status of defined benefit plans	(1,206)	878
Share of earnings in affiliates, net of distributions	12,153	17,196
Net realized and unrealized gains on assets limited as to use and investments	(401,591)	(164,305)
Change in fair value of interest rate swaps	(12,543)	7,906
Contributions restricted for capital	(11,743)	(1,468)
Changes in operating assets and liabilities, net of assets acquired and liabilities assumed		
Accounts receivable	(147,043)	(92,662)
Accounts payable and accrued liabilities	(10,076)	178,105
Medicare advanced (repayments) payments	(70,228)	373,718
Long-term liabilities	89,462	54,624
Other current assets	(15,578)	(28,406)
Third-party payor settlements	(1,712)	42,742
Deferred taxes, net	1,344	1,300
Other assets and liabilities, net	(18,105)	(10,514)
Net cash provided by operating activities	<u>611,312</u>	<u>1,023,187</u>
Cash flows from investing activities		
Capital expenditures	(288,021)	(372,021)
Proceeds from sales of long-term investments	1,603,097	1,910,189
Purchase of long-term investments	(1,571,345)	(2,278,671)
Proceeds from sales of short-term investments	543,419	341,485
Purchase of short-term investments	(627,104)	(477,778)
Proceeds from sale of property and equipment	17,800	2,821
Proceeds from sale of consolidated entities, net of cash disposed	115,905	8,500
Acquisition of business, net of cash acquired	(1,509,769)	-
Investments in unconsolidated affiliates	(11,631)	(2,759)
Other investing activities	(1,663)	(1,145)
Net cash used in investing activities	<u>(1,729,312)</u>	<u>(869,379)</u>

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

Novant Health, Inc. and Affiliates
Consolidated Statements of Cash Flows, continued
Years Ended December 31, 2021 and 2020

(in thousands of dollars)

	2021	2020
Cash flows from financing activities		
Principal payments on long-term debt	(16,151)	(288,136)
Proceeds from long-term debt	1,491,682	264,165
(Payments on) proceeds from repurchase agreements, net	(25,000)	61,124
Proceeds from sale of accounts receivable	28,408	32,109
Contributions from consolidated affiliate	54,544	-
Extinguishment of bonds	(145,228)	-
Proceeds from revolving credit facility	1,600,000	675,000
Payments on revolving credit facility	(1,600,000)	(675,000)
Other financing activities	8,533	4,559
	<u>1,396,788</u>	<u>73,821</u>
Net cash provided by financing activities	1,396,788	73,821
Net increase in cash, cash equivalents and restricted cash	278,788	227,629
Cash, cash equivalents and restricted cash		
Beginning of year	861,678	634,049
End of year	<u>\$ 1,140,466</u>	<u>\$ 861,678</u>

	2021	2020
Supplemental disclosure of cash flow information		
Interest paid	\$ 82,960	\$ 74,806
Income taxes paid	5,203	2,945
Supplemental disclosure of noncash financing and investing activities		
Property and equipment financed through current liabilities	49,719	37,090

The following table reconciles cash and cash equivalents on the consolidated balance sheets to cash, cash equivalents and restricted cash on the consolidated statements of cash flows:

	2021	2020
Cash and cash equivalents	\$ 795,602	\$ 711,822
Restricted cash included in assets limited as to use:		
Bond proceeds	9,989	18,180
Nonqualified plans	8,967	10,791
Transition stabilization escrow (footnote 4)	62,757	-
Other	13,045	12,152
Cash and cash equivalents included in long-term investments	<u>250,106</u>	<u>108,733</u>
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u>\$ 1,140,466</u>	<u>\$ 861,678</u>

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

Novant Health, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of dollars)

1. Reporting Entity

Novant Health, Inc. (“Novant Health” or the “Company”) is a nonprofit, integrated health care network of physician clinics, outpatient facilities and hospitals that serves patients and communities in North Carolina, South Carolina and Georgia. The Novant Health network consists of over 2,300 physicians and over 35,000 team members at more than 800 locations, including 14 medical centers and hundreds of outpatient facilities and physician clinics. Headquartered in Winston-Salem, North Carolina, Novant Health is committed to making healthcare remarkable for patients and communities, serving more than 6 million patients annually. Novant Health and its affiliates serve their communities with programs including health education, home health care, prenatal clinics, community clinics and immunization services.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Principles of Consolidation

The consolidated financial statements include the accounts of all affiliates controlled by Novant Health. All intercompany transactions and balances have been eliminated.

Use of Estimates

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

Significant estimates include, but are not limited to, accounts receivable price concessions, third-party payor settlements, goodwill and intangible asset valuation and subsequent recoverability, useful lives of intangible assets and property and equipment and medical and professional liability and other self-insurance accruals related assumptions.

Fair Value of Financial Instruments

The fair value of financial instruments approximates the carrying amount reported in the consolidated balance sheets for cash and cash equivalents, investments other than alternatives, assets limited as to use and interest rate swaps. More information can be found in Note 9, *Fair Value Measurements*.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding amounts limited as to use by board designation, donors or trustees and certain amounts that are reported as long-term investments.

Novant Health, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of dollars)

Restricted Cash

Novant Health holds cash that is restricted by the Company to purchase investments, pay participants in the Company's nonqualified plan, make payments related to the transition stabilization fund and fund expenditures with proceeds of the Series 2019 A bonds. Restricted cash balances were \$344,864 and \$149,856 as of December 31, 2021 and 2020, respectively, and are classified as current or long-term, consistent with the nature of their intended use based on the restrictions.

Accounts Receivable

Accounts receivable consist primarily of amounts owed by various governmental agencies, insurance companies and patients. Novant Health manages these receivables by regularly reviewing the accounts and contracts and by recording appropriate price concessions. Amounts the Company receives for treatment of patients covered by governmental programs and third-party payors as well as directly from patients are subject to both explicit and implicit price concessions. The Company estimates these price concessions using contractual agreements, discount policies and historical experience. Novant Health records price concessions in the period of service based on the analysis and consideration of these factors.

Leases

Novant Health leases property and equipment under finance and operating leases and determines if an arrangement is a lease at the inception of the contract. Right-of-use assets represent the Company's right to use the underlying assets for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the leases. For leases with terms greater than 12 months, the related right-of-use assets and liabilities are recorded at the present value of lease payments over the term. Many of the Company's leases include rental escalation clauses and renewal options that are factored into our determination of lease payments when appropriate. The Company uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of the lease payment.

Other Current Assets

Other current assets include inventories (which primarily consist of hospital and medical supplies and pharmaceuticals), prepaid expenses and other receivables. Inventory costs are determined primarily using the average cost method and are stated at the lower of cost or net realizable value.

Investments

Debt investments are classified as trading securities. All debt investments are designated as trading at the time of acquisition. Unrealized gains and losses on debt and equity investments are included in excess of revenues over expenses, unless the income or loss is restricted by donor or law. Long-term investments are classified as noncurrent assets as the Company does not expect to use these funds to meet its current liabilities.

Novant Health, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of dollars)

Investments in equity and debt securities with readily determinable fair values are measured at fair value based on prices obtained on active markets or exchanges. The Company also invests in alternative and private equity investments through funds structured as limited partnerships, limited liability companies (“LLC’s”) and corporations. These investments are recorded using the equity method, with the values provided by the respective partnership, LLC or corporation based on market value or other estimates that require varying degrees of judgment. The Company also has certain investments that are reported at Net Asset Value (“NAV”) as permitted under GAAP. Novant Health believes the NAV reported at the end of the period is representative of the price we would receive if we sold the investment. For all of the Company’s long-term investments, the related earnings are reported as investment income in the consolidated statements of operations and changes in net assets. At December 31, 2021 and 2020, the Company held \$30,233 and \$12,362, respectively, of long-term investments that were accounted for at cost less impairment with adjustments made for any observable price changes resulting from an orderly transaction for the identical or a similar investment of the same issuer.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the investment balances included in the consolidated financial statements.

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees, the transition stabilization fund and assets designated for specific purposes by the Board of Trustees.

Derivatives

The Company selectively enters into interest rate protection agreements to mitigate changes in interest rates on variable rate borrowings. The notional amounts of such agreements are used to measure the interest to be paid or received and do not represent the amount of exposure to loss. None of these agreements are used for speculative or trading purposes.

Derivatives are recognized on the consolidated balance sheets at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. The Company formally documents the hedging relationships at inception of the contract for derivative transactions, including identifying the hedge instruments and hedged items, as well as the risk management objectives and strategies for entering into the hedge transaction. At inception and on a quarterly basis thereafter, the Company assesses the effectiveness of derivatives used to hedge transactions. If a cash flow hedge is deemed highly effective, the change in fair value is recorded as a change in net assets without donor restrictions. The change in fair value of derivatives that do not qualify for hedge accounting is recognized in excess of revenues over expenses.

Novant Health, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of dollars)

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Leasehold improvements are amortized over the life of the lease or the useful life of the asset, whichever is shorter.

Following is a summary of the estimated useful lives used in computing depreciation:

Buildings	30–40 years
Machinery and equipment	3–15 years
Software	3–10 years
Furniture and fixtures	7–14 years

Maintenance and repairs of property and equipment are expensed in the period incurred. Replacements or improvements that increase the estimated useful life of an asset are capitalized. The Company also capitalizes the cost of software developed for internal use. Assets that are sold, retired or otherwise disposed of are removed from the respective asset cost and accumulated depreciation accounts and any gain or loss is included in the results of operations.

Under the terms of the 1984 deed in which the Forsyth County Board of County Commissioners conveyed the assets of Forsyth Memorial Hospital (the “Hospital”) to Novant Health, Novant Health is required to operate the Hospital as a community general hospital open to the general public, and if Novant Health is dissolved, a successor nonprofit corporation approved by the Forsyth County Board of County Commissioners must carry out the terms and conditions of this conveyance. If these terms are not met, all ownership rights to the Hospital shall revert to the County, including the buildings and land together with the personal property and equipment associated with the Hospital with a net book value of approximately \$286,220 at December 31, 2021.

Gifts of long-lived assets such as land, buildings or equipment are excluded from excess of revenues over expenses and are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies. Intangible assets generally represent the acquisition date fair value of certain rights or relationships obtained in such business acquisitions.

The Company considers certificates of need, which are required by certain states prior to the acquisition of high cost capital items, to be indefinite-lived intangible assets. The Company also has intangible assets with identifiable useful lives related to business acquisitions. These assets include business relationships and corporate trade names. In accordance with GAAP, the Company amortizes the cost of these intangible assets over their estimated useful lives.

Novant Health, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of dollars)

Following is a summary of the estimated useful lives used in computing amortization:

Business relationships	26 years
Corporate trade name	29 years

On an annual basis, Novant Health tests goodwill and indefinite-lived assets for impairment. Novant has elected to evaluate goodwill triggering events at the end of each reporting period. If it is more likely than not that the indefinite-lived asset is impaired, additional testing for impairment is required. GAAP prescribes that impairment for indefinite-lived intangibles is evaluated by comparing the fair value of the asset with its carrying amount. If the carrying amount exceeds the fair value, an impairment loss is recognized as the amount of that excess.

Impairment tests are performed at the reporting unit level for units that have goodwill. If it is more likely than not that the fair value of the reporting unit exceeds the carrying value of the reporting unit, additional impairment testing is not required. If it is more likely than not that the carrying value of the reporting unit exceeds the fair value of the reporting unit, additional testing for impairment is required. GAAP prescribes a two-step process for testing for goodwill impairments after applying the qualitative assessment. The first step is to determine if the carrying value of the reporting unit with goodwill is less than the related fair value of the reporting unit. The fair value of the reporting unit is determined through use of discounted cash flow methods and/or market based multiples of earnings and sales methods. If the carrying value of the reporting unit is less than the fair value of the reporting unit, the goodwill is not considered impaired. If the carrying value is greater than the fair value, the potential for impairment of goodwill exists. The goodwill impairment is determined by allocating the current fair value of the reporting unit among the assets and liabilities based on a purchase price allocation methodology as if the reporting unit was being acquired in a business combination. The fair value of the goodwill is implied from this allocation and compared to the carrying value with an impairment loss recognized if the carrying value is greater than the implied fair value.

Investments in Affiliates

Investments in entities which Novant Health does not control, but in which it has a substantial ownership interest and can exercise significant influence, are accounted for using the equity method. Investments for which the Company does not have the ability to exercise significant influence are accounted for at fair value or, if fair value is not readily determinable, at cost less impairment with adjustments made for any observable price changes resulting from an orderly transaction for the identical or a similar investment of the same issuer.

Other Assets

Other assets consist of notes and pledges receivable, reinsurance receivables, deferred rent income and the cash surrender value of insurance policies.

Compensated Absences

The Company's employees earn vacation days at varying rates depending on years of service. Vacation time accumulates up to certain limits, at which time no additional vacation hours can be earned. Provided this hourly limit is not met, employees can continue to accumulate vacation hours and time can be carried over to future years. Accrued vacation time is included in accrued liabilities on the Company's consolidated balance sheets.

Novant Health, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of dollars)

Pension and Postretirement Benefit Plans

Novant Health's defined benefit plans are measured using actuarial techniques that reflect management's assumptions for discount rate, investment returns on plan assets, salary increases, expected retirement, mortality, employee turnover and future increases in healthcare costs. The discount rate (which is required to be the rate at which the projected benefit obligation could be effectively settled as of the measurement date) is determined with the assistance of actuaries, who calculate the yield on a theoretical portfolio of high-grade corporate bonds (rated Aa or better) with cash flows that are designed to match expected benefit payments in future years. The expected rate of return is a judgmental matter which is reviewed on an annual basis and revised as appropriate.

The accounting guidance related to employers' accounting for defined benefit pension and other postretirement plans requires recognition in the consolidated balance sheets of the funded status of these plans. The Company uses mark-to-market accounting and immediately recognizes changes in the fair value of plan assets and actuarial gains or losses in operating results annually in the fourth quarter. The remaining components of pension and postretirement healthcare expense, primarily service and interest costs and the expected return on plan assets, are recorded on a quarterly basis.

Self-Insurance Reserves

The Company is self-insured for certain employee health benefit options, workers' compensation and malpractice. These costs are accounted for on an accrual basis to include estimates of future payments for claims incurred.

Net Assets

Net assets without donor restrictions include undesignated amounts as well as amounts designated by the board for a specific purpose. Net assets with donor restrictions are held by related foundations and consist primarily of amounts contributed to foundations by donors with purpose restrictions. The Company also has net assets with donor restrictions that are perpetual in nature. Earnings on these assets are available for use as specified by the donors.

Contributions Received

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or the condition is met. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions, which is included in other operating revenue. Donor-restricted contributions whose restrictions are met within the same year as received are reported as net assets without donor restrictions in the accompanying consolidated financial statements.

Novant Health, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of dollars)

Statement of Operations

All activities of Novant Health deemed by management to be ongoing, major and central to the provision of healthcare services are reported as operating revenues and expenses. Other activities are deemed to be non-operating and include investment income, loss on extinguishment of debt, income tax expense and other net periodic pension costs.

Novant Health receives supplemental Medicaid payments from the state of North Carolina through a federally approved disproportionate share program ("Medicaid DSH"). During 2012, the federal government approved an amendment to the Medicaid DSH plan. This amendment, referred to as the Medicaid Gap Assessment Program ("GAP"), provides a new funding model whereby hospitals are assessed an amount based on a percentage of their costs and are then paid supplemental amounts in an effort to reduce Medicaid losses. Novant Health records GAP payments received as net patient service revenue and GAP assessments paid as supplies and other on the consolidated statements of operations and changes in net assets. These supplemental payments are recognized in income when earned, if reasonably estimable and deemed collectible. During 2021, Novant Health received \$154,925 and paid \$70,659 for GAP. During 2020, Novant Health received \$186,180 and paid \$81,360 for GAP. On July 1, 2021, the state of North Carolina implemented a Medicaid Managed Care program. As part of this initiative, Medicaid recipients began receiving Medicaid services through newly established Medicaid Managed Care health plans. This program also included changes to the way providers are reimbursed for inpatient Medicaid services provided to patients. Hospitals began receiving hospital-specific base rates for inpatient services and GAP payments were eliminated. Hospitals throughout the state of North Carolina, including Novant Health hospitals, continue to pay an assessment in order to help fund this program. Novant Health paid \$40,566 in Medicaid Managed Care assessments in 2021.

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses include the deconsolidation of Novant Health UVA Health System, change in funded status of defined benefit plans and amortization of deferred loss on derivative financial instruments that apply hedge accounting.

Other Revenue

Other revenue consists primarily of revenue from provider relief funds, earnings from investments in affiliates accounted for using the equity method of accounting, retail pharmacy revenue, revenue from management services agreements, revenue from pay-for-performance contracts, gains (losses) on sales of consolidated entities and rental income.

Income Taxes

Novant Health is classified as a nonprofit organization pursuant to Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on revenue earned from its tax-exempt purposes. Novant Health also operates various for-profit subsidiaries which operate in service lines that are complementary to the Company's tax-exempt purpose. Income from activities that are determined by IRS regulations to be unrelated to the tax-exempt purposes as well as income from activities of for-profit subsidiaries of the Company are subject to federal and state taxation.

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The Company provides for income taxes using the asset and liability method. This approach recognizes the amount of federal, state and local taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the future tax consequences of events recognized in the consolidated financial statements and income tax returns. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates in the period in which such laws or rates are enacted. A valuation allowance is required when it is more likely than not that some portion of the deferred tax assets will not be realized. Realization is dependent on generating sufficient future taxable income.

Reclassifications

Certain balances in the prior fiscal year have been reclassified to conform to the presentation adopted in the current fiscal year.

3. COVID-19 Pandemic

In December 2019, a novel strain of coronavirus, known as COVID-19, was first detected. The virus spread worldwide and on March 11, 2020, the World Health Organization designated the COVID-19 outbreak as a global pandemic. The spread of COVID-19 and the ensuing response of federal, state and local authorities resulted in a reduction in our patient volumes and also adversely impacted net patient service revenues as well as total operating expenses. Novant Health began experiencing improvement in patient volumes in June 2020 as restrictions were eased and elective surgeries and procedures were able to resume. During the year ended December 31, 2021, the COVID pandemic, and specifically the spread of the Delta and Omicron variants, continued to negatively impact patient volumes and operating expenses. Federal, state and local authorities have taken several actions designed to assist healthcare providers in providing care to COVID-19 and other patients to mitigate the adverse economic impact of the COVID-19 pandemic.

In response to the effect of COVID-19 on Novant Health's operating results and in accordance with the provisions of FASB ASC 350 Intangibles— Goodwill and Other and FASB ASC 360 Property, Plant and Equipment, the Company considered its long-lived and intangible assets for indicators of impairment. While COVID-19 has adversely impacted Novant Health's operating results, this impact was mitigated by the actions undertaken by Federal, state and local authorities, and the Company does not believe that the effects were significant enough to indicate impairment as of and for the years ended December 31, 2021 and 2020. As described above, patient volumes rebounded after the initial wave of the pandemic and the Company anticipates returning to pre-pandemic levels following the most recent waves. Novant Health will continue to assess potential indicators of impairment in all future periods.

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CARES Act Funding

In response to COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, was signed into law on March 27, 2020. The CARES Act provides relief funds to hospitals and other healthcare providers on the front lines of the COVID-19 response. These funds are to be used to support healthcare related expenses or lost revenues attributable to COVID-19. During 2021 and 2020, Novant Health received \$21,151 and \$240,224 of CARES Act funding. For the years ended December 31, 2021 and 2020, \$30,385 and \$205,924 were recognized as other operating revenue in the consolidated statements of operations and changes in net assets. As of December 31, 2021 and 2020, \$21,117 and \$34,300, respectively, are included in estimated third-party payor settlements on the consolidated balance sheets and may be recorded as revenue in future periods or refunded, subject to certain terms and conditions and ongoing regulatory clarifications.

Medicare Accelerated and Advanced Payment Program

In April 2020, the Company requested funds under the Centers for Medicare and Medicaid Services' Accelerated and Advanced Payment ("MAP") Program designed to increase cash flow to Medicare providers and suppliers impacted by COVID-19. The MAP program allows eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. Novant Health received \$373,718 of MAP payments during 2020, with repayment to occur based upon the terms and conditions of the program. Repayment of these funds began in April 2021 and will continue through the earlier of February 2023 or whenever all funds are repaid. At December 31, 2021 funds of \$266,028 have not been repaid. This liability is included in accrued liabilities and employee benefits and other liabilities on the consolidated balance sheets as of December 31, 2021 and 2020.

Employer Payroll Tax Deferrals

Under the provisions of the CARES Act, in 2020, employers were allowed to defer payment of the employer share of the Social Security tax they otherwise are responsible for submitting to the federal government with respect to their employees. Employers generally are responsible for paying a 6.2 percent tax on employee wages. The provision required that the deferred employment tax be paid over the following two years, with half of the amount required to be paid by December 31, 2021, and the other half by December 31, 2022. The Company had \$35,989 and \$71,978 of payroll tax deferrals in accrued liabilities and employee benefits and other liabilities on the consolidated balance sheets as of December 31, 2021 and 2020, respectively.

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4. Organizational Changes

Sale of Ownership Interest in Novant Health UVA Health System

On May 18, 2021, Novant Health entered into an agreement to withdraw as a member of the Novant Health UVA Health System (the "JOC"). Closing of the transactions contemplated in the Withdrawal Agreement occurred on July 1, 2021, at which time Novant Health ceased to be a member of the JOC. During 2021 and 2020, the JOC contributed \$237,773 and \$450,800 in operating revenues and other support and \$5,656 and \$3,439 in operating income. Novant Health received \$237,810, of which \$54,544 related to debt defeasance and \$183,266 was in exchange for the sale. The sale resulted in a loss of \$29,682 which is included in other revenue in the consolidated statements of operations and changes in net assets for the year ended December 31, 2021.

Acquisition of New Hanover Regional Medical Center

On February 1, 2021, a wholly owned subsidiary of Novant Health, Inc. purchased substantially all of the assets of New Hanover Regional Medical Center ("NHRMC") located in Wilmington, NC as well as certain assets of New Hanover County used by New Hanover Regional Medical Center in the delivery of health care services. The purchase also includes ownership interest or board control of the subsidiaries of New Hanover Regional Medical Center, most significantly, its physician practices which provide patient care at 55 locations. NHRMC includes 800 licensed beds and is the primary referral hospital in the region, with specialty centers in cardiac, cancer, obstetrics, trauma, vascular surgery, intensive care, rehabilitation and psychiatry. The total purchase price paid for the acquisition was \$1,557,094. In order to finance the transaction, on January 29, 2021, Novant Health amended its Revolving Credit Agreement to increase the borrowing limit to \$1,600,000 and extend the maturity date to July 29, 2022. On April 8, 2021, Novant Health issued \$1,500,000 of taxable fixed rate bonds and subsequently used the proceeds of these bonds to pay down \$1,493,000 of the outstanding balance on the Revolving Credit Agreement.

The Company recognized the fair value of NHRMC and its subsidiaries in its consolidated balance sheet and included its operations in its consolidated statement of operations and changes in net assets beginning February 1, 2021. Accounting guidance requires that the purchase price be allocated to the assets acquired and liabilities assumed.

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Below is the impact of acquired assets and assumed liabilities as of February 1, 2021:

Cash and cash equivalents	\$	47,325
Accounts receivable		168,723
Other current assets		86,008
Assets limited as to use		200,000
Long-term investments		21,444
Property and equipment		783,790
Right-of-use assets		54,419
Goodwill (included in intangible assets and goodwill)		481,130
Corporate trade name (included in intangible assets and goodwill)		93,000
Certificate of need (included in intangible assets and goodwill)		15,000
Investments in affiliates		2,836
Other assets		9
Total assets acquired	\$	<u>1,953,684</u>
Accounts payable		69,982
Accrued liabilities		40,949
Current portion of operating lease liabilities		13,610
Estimated third-party payor settlements		7,317
Operating lease liabilities, net of current portion		40,855
Employee benefits and other liabilities		203,513
Total liabilities assumed	\$	<u>376,226</u>
Net assets with donor restrictions assumed	\$	<u>20,364</u>
Total consideration	\$	<u>1,557,094</u>

The transaction included the creation of a \$200,000 transition stabilization fund, funded by New Hanover County to provide for payment of certain wind down expenses of NHRMC. As these expenses relate to the activities and liabilities excluded from the purchase, the assets are shown as assets limited as to use and are offset by a liability included in accrued liabilities and employee benefits and other liabilities on the consolidated balance sheet as of December 31, 2021.

NHRMC contributed \$1,390,932 of operating revenues and other support and \$(29,999) of operating loss for the year ended December 31, 2021.

The following table provides certain unaudited pro forma information for Novant Health, Inc. as if the NHRMC acquisition had occurred at the beginning of the year ended December 31, 2020:

	Year Ended December 31	
	2021	2020
Operating revenues and other support	\$ 7,511,920	\$ 7,094,843
Operating income	348,817	288,012

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5. Revenue Recognition and Accounts Receivable

Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which Novant Health expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others. Generally, the Company bills the patient and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Company. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. Novant Health believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving inpatient acute care services. The Company measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Company does not believe it is required to provide additional goods or services to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Company has elected to apply the practical expedient provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amounts of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. These performance obligations are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Novant Health determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Novant Health's policies and/or implicit price concessions provided to uninsured patients. The Company determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Company determines its estimate of implicit price concessions based on historical collection experience.

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Agreements with third-party payors typically provide for payments at amounts less than established charges. For services provided under Medicare and Medicaid programs, inpatient acute care services rendered to program beneficiaries are paid at prospectively determined rates per diagnosis. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient non-acute services, certain outpatient services and defined capital and medical education costs related to beneficiaries are paid based on a cost reimbursement methodology. Outpatient services are paid at a prospectively determined rate. Physician services are paid based upon established fee schedules. Novant Health is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by Novant Health and audits thereof by the fiscal intermediary. Payment arrangements with commercial insurance carriers include prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge Novant Health's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Company. In addition, the contracts the Company has with commercial payors also provide for retroactive audit and review of claims.

Cost report settlements under reimbursement agreements with Medicare and Medicaid for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's historical experience. Estimated settlements are adjusted in future periods as final settlements are determined. There is a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments arising from a change in the transaction price were not significant in 2021 and 2020.

Generally patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Novant Health also provides services to uninsured patients. The transaction price for both uninsured patients as well as insured patients with deductibles and coinsurance is estimated based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change. For the years ended December 31, 2021 and 2020, additional revenue of \$22,700 and \$25,900, respectively, was recognized due to changes in estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years.

Subsequent changes that are determined to be the results of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense is reported as a component of supplies and other in the consolidated statements of operations and changes in net assets and was not significant for the years ended December 31, 2021 and 2020.

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The composition of net patient service revenues by payor and type of service is as follows:

	December 31, 2021		
	Acute Care Facilities	Outpatient Locations	Total
Medicare	\$ 1,657,504	\$ 572,878	\$ 2,230,382
Medicaid	575,198	115,475	690,673
Managed care	2,447,157	1,144,611	3,591,768
Other	192,804	46,970	239,774
Self-pay	23,771	34,950	58,721
Total	\$ 4,896,434	\$ 1,914,884	\$ 6,811,318

	December 31, 2020		
	Acute Care Facilities	Outpatient Locations	Total
Medicare	\$ 1,089,219	\$ 440,236	\$ 1,529,455
Medicaid	392,724	86,309	479,033
Managed care	1,882,339	962,752	2,845,091
Other	112,754	37,764	150,518
Self-pay	23,425	25,272	48,697
Total	\$ 3,500,461	\$ 1,552,333	\$ 5,052,794

Novant Health has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Company's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Company does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Novant Health has a program of factoring certain patient receivables with recourse to a third-party. Novant Health is obligated to repurchase factored receivables upon occurrence of certain conditions of the program. Accordingly, the Company accounts for the factoring as a secured borrowing. The factored receivables are recorded at their estimated net realizable value and are shown as other assets in the consolidated balance sheets. An offsetting liability, representing Novant Health's potential recourse for these receivables, is part of employee benefits and other liabilities in the consolidated balance sheets. As of December 31, 2021, the factored notes and the related liabilities were \$49,435 and \$61,813, respectively. As of December 31, 2020, the factored notes and the related liabilities were \$54,001 and \$67,548, respectively.

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Other Revenue

In addition to net patient service revenue, Novant Health also recognizes revenue from other transactions. Revenue from these transactions is recognized when obligations under the terms of the respective contract are satisfied and is measured as the amount of consideration the Company expects to receive from those services. The Company recognizes rental income in accordance with GAAP on a straight-line basis over the lease term. Other revenue is comprised of the following for the years ended December 31:

	2021	2020
Pharmacy revenue	\$ 310,195	\$ 207,202
Pay-for-performance contracts	67,531	54,364
Provider relief funds	30,385	240,224
Management services agreements	12,087	1,190
(Loss) gain on sale of consolidated entities	(29,682)	6,500
Equity in earnings of affiliates	(4,062)	17,685
Rental income	9,955	11,106
Other miscellaneous revenues	188,419	91,710
	<u>\$ 584,828</u>	<u>\$ 629,981</u>

6. Charity Care and Community Benefit

In accordance with Novant Health's mission to improve the health of its communities one person at a time, Novant Health facilities accept patients regardless of their ability to pay. At acute facilities, uninsured patients qualify for a full write-off of their bills if their household income is at or below 300% of the federal poverty level. Novant Health also offers a catastrophic discount for patients with an account balance greater than \$5, flexible payment plans, and discounts for uninsured patients who do not qualify for the charity care program. In addition to these programs for hospitals, Novant Health physician groups and outpatient centers also have charity care programs to assist patients in need. The Company's approximate cost of providing care to indigent patients was \$192,780 and \$179,072 for the years ended December 31, 2021 and 2020, respectively. Novant Health estimates the costs of providing traditional charity care using each facility's estimated ratio of costs to charges. Funds received from gifts or grants to subsidize charity services provided were \$12,678 and \$3,596 for the years ended December 31, 2021 and 2020, respectively.

7. Other Current Assets

Other current assets consist of the following at December 31:

	2021	2020
Inventory	\$ 159,792	\$ 118,718
Prepays	78,237	54,157
Other receivables	105,123	86,379
	<u>\$ 343,152</u>	<u>\$ 259,254</u>

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8. Assets Limited as to Use and Investments

Short-Term Investments

Novant Health holds certain investments that are short-term in nature and have original maturity dates ranging from three to twelve months. Short-term investments consist of the following at December 31:

	2021	2020
Certificates of deposit	\$ 10,623	\$ 10,619
Fixed income - corporate and other	-	10,967
Fixed income - government securities	<u>400,817</u>	<u>309,156</u>
	<u>\$ 411,440</u>	<u>\$ 330,742</u>

Assets Limited as to Use

The designation of assets limited as to use at December 31 is as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
Under general and professional liability funding arrangement held by trustee	\$ 9,111	\$ 6,477	\$ 12,645	\$ 22,140
Transition stabilization fund	8,000	54,757	-	-
Held by bond trustee	9,989	-	18,180	-
Designated by board to service benefit plans	<u>13,527</u>	<u>238,029</u>	<u>11,849</u>	<u>212,536</u>
	<u>\$ 40,627</u>	<u>\$ 299,263</u>	<u>\$ 42,674</u>	<u>\$ 234,676</u>

Assets limited as to use are invested primarily in cash and cash equivalents and corporate, U.S. government and U.S. agency debt obligations.

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Long-Term Investments

Investments are reported at either fair value, the equity method of accounting or at NAV as a practical expedient. The composition of long-term investments is as follows

	December 31, 2021			
	At Fair Value	On Equity Method	At NAV	Total
Cash and cash equivalents	\$ 250,106	\$ -	\$ -	\$ 250,106
U.S. equities	162,840	-	549,615	712,455
International equities	7,520	-	468,586	476,106
Fixed income - government securities	577,741	-	-	577,741
Fixed income - corporate and other	28,153	86,122	-	114,275
Hedge funds	-	473,291	-	473,291
Private equity	-	309,150	-	309,150
Emerging markets	1,523	-	208,621	210,144
Real estate and other	139,715	251,362	-	391,077
	<u>\$ 1,167,598</u>	<u>\$ 1,119,925</u>	<u>\$ 1,226,822</u>	<u>\$ 3,514,345</u>

	December 31, 2020			
	At Fair Value	On Equity Method	At NAV	Total
Cash and cash equivalents	\$ 108,733	\$ -	\$ -	\$ 108,733
U.S. equities	124,134	-	582,987	707,121
International equities	17,878	-	413,327	431,205
Fixed income - government securities	574,936	-	-	574,936
Fixed income - corporate and other	5,448	94,326	-	99,774
Hedge funds	-	422,110	-	422,110
Private equity	-	152,126	-	152,126
Emerging markets	33,370	-	199,253	232,623
Real estate and other	57,469	198,574	-	256,043
	<u>\$ 921,968</u>	<u>\$ 867,136</u>	<u>\$ 1,195,567</u>	<u>\$ 2,984,671</u>

Long-term investments carried at net asset value (“NAV”) represent interests in private investment companies that do not trade in an active market and may be redeemed or liquidated only after giving notice to the investment company, with notice periods ranging from daily to 120 days. The investments are held in U.S. and international equities and emerging markets. The Company has elected to value the investments using NAV as reported by the investment company without adjustment, unless it is probable that the investment will be sold at a value significantly different than the reported NAV. At December 31, 2021 and 2020 we have not made any adjustments to the NAVs reported by the investment companies. The Company has the ability to redeem its interests at or within 120 days of the financial statement date.

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The Company's investments in hedge funds include funds structured as limited partnerships, LLCs and corporations. These funds are domiciled in the U.S. and foreign jurisdictions and are managed by investment managers subject to oversight by various countries' regulators. The underlying assets of the hedge funds vary widely in risk and liquidity. Overall, the hedge fund holdings of the Company are expected to provide improved diversification to the Company's broader portfolio.

The Company's investments in hedge funds represent 13.5% and 14.1% of total long-term investments held at December 31, 2021 and 2020, respectively. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and nonmarketable investments) and nondisclosure of portfolio composition.

Novant Health is obligated under certain investment agreements to periodically advance additional funding up to specified levels. As of December 31, 2021 and 2020, Novant Health had future commitments of \$350,903 and \$343,566, respectively, for which capital calls had not been exercised.

Investment income for assets limited as to use and investments is comprised of the following for the years ended December 31:

	2021	2020
Income		
Interest and dividend income	\$ 51,224	\$ 37,518
Net realized gains	322,620	37,347
Net unrealized gains	<u>78,971</u>	<u>126,958</u>
	<u>\$ 452,815</u>	<u>\$ 201,823</u>

Investment income is shown net of related expenses on the consolidated statements of operations and changes in net assets. Investment related administrative expenses were \$7,636 and \$7,629 for the years ended December 31, 2021 and 2020, respectively.

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Liquidity and Availability

As of December 31, 2021 and 2020, Novant Health has working capital of \$1,014,052 and \$699,136, respectively.

Financial assets at year-end:	2021	2020
Cash and cash equivalents	\$ 795,602	\$ 711,822
Accounts receivable, net	896,263	670,736
Short-term investments	411,440	330,742
Assets limited as to use	339,890	277,350
Receivable for settlement with third-party payors	16,315	25,109
Other current assets	105,123	86,379
Long-term investments	3,514,345	2,984,671
Other assets	47,136	37,665
Total financial assets	<u>\$ 6,126,114</u>	<u>\$ 5,124,474</u>
Less amounts not available:		
Long-term investments with liquidity horizons greater than one year	696,697	459,562
Assets limited as to use	339,890	277,350
Donor restricted funds	90,922	84,836
Financial assets not available to be used within one year	<u>\$ 1,127,509</u>	<u>\$ 821,748</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,998,605</u>	<u>\$ 4,302,726</u>

As part of the Company's liquidity management plan, cash in excess of daily requirements is invested in either money market funds, short-term investments or long-term investments. Investment decisions are made based on anticipated liquidity needs, such that financial assets are available as general expenditures, liabilities and other obligations come due. Additionally, Novant Health maintains a \$300,000 line of credit, as discussed in Note 16, *Long-Term Debt*. As of December 31, 2021, \$300,000 was available on the line of credit. As of December 31, 2021, the Company was in compliance with financial covenants as discussed in Note 16, *Long-Term Debt*.

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9. Fair Value Measurements

Novant Health categorizes, for disclosure purposes, assets and liabilities measured at fair value in the consolidated financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs which are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Novant Health follows the three-level fair value hierarchy to categorize these assets and liabilities recognized at fair value at each reporting period, which prioritizes the inputs used to measure such fair values. Level inputs are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities on the reporting date. Investments classified in this level generally include exchange traded equity securities, futures, pooled short-term investment funds, options and exchange traded mutual funds.

Level 2: Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Investments classified in this level generally include fixed income securities, including fixed income government obligations; asset-backed securities; certificates of deposit; derivatives; as well as certain U.S. and international equities which are not traded on an active exchange.

Level 3: Pricing inputs are generally unobservable for the assets and liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the determination of the fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities.

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets. Novant Health uses techniques consistent with the market approach and income approach for measuring the fair value of its Level 2 assets and liabilities. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted).

The degree of judgement exercised in determining fair value is greatest for securities categorized in Level 3. Inputs used in estimating the fair value of Level 3 investments include earnings metrics and a valuation multiple. Assumptions used, due to lack of observable inputs, may significantly impact the fair value of the investment.

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As of December 31, 2021 and 2020, the Level 1 and Level 2 assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs:

Certificates of deposit

The fair value of certificates of deposit is based on cost plus accrued interest. Significant observable inputs include security cost, maturity and relevant short-term interest rates.

U.S. equities, international equities, emerging markets and other exchange traded funds

The fair value of investments in U.S. equities, international equities, emerging markets and other exchange traded funds are primarily determined using either quoted prices in active markets or the calculated net asset value. The values for underlying investments are fair value estimates determined by external fund managers based on operating results, balance sheet stability, growth and other business and market sector fundamentals. The investments in Level 2 may be redeemed or liquidated on a daily basis with no notice.

Fixed income and debt securities

The fair value of investments in fixed income and debt securities is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads and security specific characteristics, such as early redemption options.

Derivatives

The fair value of derivative contracts is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include interest rates, credit spreads, volatilities and maturity.

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The following table summarizes fair value measurements, by level, at December 31, 2021 for all financial assets and liabilities measured at fair value on a recurring basis in the consolidated financial statements:

	Fair Value Measurements at Reporting Date Using			Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets				
Short-term investments:				
Certificates of deposit	\$ -	\$ 10,623	\$ -	\$ 10,623
Fixed income - government securities	-	400,817	-	400,817
Total short-term investments	-	411,440	-	411,440
Assets limited as to use:				
Cash and cash equivalents	94,758	-	-	94,758
U.S. equities	211,620	-	-	211,620
International equities	7,153	-	-	7,153
Fixed income - government securities	11,093	10,462	-	21,555
Fixed income - corporate and other	131	4,673	-	4,804
Total assets limited as to use	324,755	15,135	-	339,890
Long-term investments:				
Cash and cash equivalents	250,106	-	-	250,106
U.S. equities	132,607	-	30,233	162,840
International equities	7,520	-	-	7,520
Fixed income - government securities	975	576,766	-	577,741
Fixed income - corporate and other	28,000	153	-	28,153
Emerging markets	1,523	-	-	1,523
Other exchange traded funds	139,715	-	-	139,715
Total long-term investments	560,446	576,919	30,233	1,167,598
Total assets at fair value	\$ 885,201	\$ 1,003,494	\$ 30,233	\$ 1,918,928
Liabilities				
Accrued liabilities	\$ 13,527	\$ -	\$ -	\$ 13,527
Derivative financial instruments	-	39,260	-	39,260
Deferred compensation liabilities	234,257	-	-	234,257
Total liabilities at fair value	\$ 247,784	\$ 39,260	\$ -	\$ 287,044

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The following table summarizes fair value measurements, by level, at December 31, 2020 for all financial assets and liabilities measured at fair value on a recurring basis in the consolidated financial statements:

	Fair Value Measurements at Reporting Date Using			Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets				
Short-term investments:				
Certificates of deposit	\$ -	\$ 10,619	\$ -	\$ 10,619
Fixed income - corporate and other	-	10,967	-	10,967
Fixed income - government securities	-	309,156	-	309,156
Total short-term investments	-	330,742	-	330,742
Assets limited as to use:				
Cash and cash equivalents	41,123	-	-	41,123
U.S. equities	176,795	-	-	176,795
International equities	6,306	-	-	6,306
Fixed income - government securities	18,474	22,701	-	41,175
Fixed income - corporate and other	564	11,387	-	11,951
Total assets limited as to use	243,262	34,088	-	277,350
Long-term investments:				
Cash and cash equivalents	108,733	-	-	108,733
U.S. equities	111,772	-	12,362	124,134
International equities	17,878	-	-	17,878
Fixed income - government securities	-	574,936	-	574,936
Fixed income - corporate and other	5,243	205	-	5,448
Emerging markets	33,370	-	-	33,370
Other exchange traded funds	57,469	-	-	57,469
Total long-term investments	334,465	575,141	12,362	921,968
Total assets at fair value	\$ 577,727	\$ 939,971	\$ 12,362	\$ 1,530,060
Liabilities				
Accrued liabilities	\$ 11,654	\$ -	\$ -	\$ 11,654
Derivative financial instruments	-	51,803	-	51,803
Deferred compensation liabilities	198,519	-	-	198,519
Total liabilities at fair value	\$ 210,173	\$ 51,803	\$ -	\$ 261,976

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The table below sets forth a summary of the changes in the fair value of the Level 3 investment for the years ended December 31, 2021 and 2020:

	U.S. Equities
Balance at December 31, 2020	\$ 12,362
New investments	16,501
Distribution received	(2,027)
Unrealized gain	<u>3,397</u>
Balance at December 31, 2021	<u>\$ 30,233</u>
Balance at December 31, 2019	\$ -
Transfer in of Level 3 investment	9,650
Unrealized gain	<u>2,712</u>
Balance at December 31, 2020	<u>\$ 12,362</u>

During 2021, there were no transfers between levels. During 2020, the Company transferred \$9,650 from investments in affiliates to long-term investments as it was determined that the investment was to be held for the long-term and our primary objective is capital appreciation of the preferred stock.

10. Property and Equipment

Property and equipment consists of the following at December 31:

	2021	2020
Land and land improvements	\$ 413,167	\$ 409,302
Leasehold improvements	571,760	267,520
Buildings and building improvements	2,599,209	2,388,551
Equipment	1,899,791	2,101,953
Software	620,015	539,339
Construction-in-progress	<u>186,120</u>	<u>155,046</u>
	6,290,062	5,861,711
Less: Accumulated depreciation	<u>(3,406,832)</u>	<u>(3,461,642)</u>
	<u>\$ 2,883,230</u>	<u>\$ 2,400,069</u>

Novant Health reviews long-lived assets for recoverability as required when events and changes in circumstances indicate that its carrying value may not be recoverable. No impairment charges were recorded in 2021 or 2020.

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Depreciation expense for the years ended December 31, 2021 and 2020 was \$333,471 and \$257,293, respectively. Construction contracts of approximately \$592,588 exist for the construction of new hospitals and facilities, expansion of existing hospitals and facility renovations. At December 31, 2021, the remaining commitment on these contracts was \$371,107.

11. Leases

Novant Health leases property and equipment under non-cancellable agreements. The following table presents the components of our right-of-use assets and liabilities related to leases and their classification as of December 31:

Component of Lease Balances	Classification in Consolidated Balance Sheets	2021	2020
Assets:			
Operating lease assets		\$ 512,989	\$ 486,099
Finance lease assets		7,122	7,255
Total leased assets		<u>\$ 520,111</u>	<u>\$ 493,354</u>
Liabilities:			
Operating lease liabilities			
Current		\$ 106,774	\$ 88,796
Long-term		<u>429,628</u>	<u>418,011</u>
Total operating lease liabilities		536,402	506,807
Finance lease liabilities			
Current	Current portion of long-term debt	1,248	857
Long-term	Long-term debt, net of current portion	<u>6,317</u>	<u>6,467</u>
Total finance lease liabilities		<u>7,565</u>	<u>7,324</u>
Total lease liabilities		<u>\$ 543,967</u>	<u>\$ 514,131</u>

Novant Health's operating leases are primarily for real estate, including off-campus outpatient facilities, medical office buildings and corporate and other administrative offices, as well as medical and office equipment. Novant Health's finance leases consist of a real estate lease and several medical equipment leases. Real estate lease agreements typically have initial terms of five to ten years and equipment lease agreements typically have initial terms of three years. Leases with an initial term of 12 months or less ("short-term leases") are not recorded in the consolidated balance sheets.

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Real estate leases may include one or more options to renew, with renewals that can extend the lease term from five to ten years. The exercise of lease renewal options is at the Company's sole discretion. In general, renewal options are not considered to be reasonably likely to be exercised, therefore, renewal options are generally not recognized as part of right-of-use assets and lease liabilities. Certain leases also include options to purchase the leased property. The useful lives of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. The majority of medical equipment leases have terms of three years with a bargain purchase option that is reasonably certain of exercise; therefore, these assets are depreciated over their useful life, typically ranging from five to seven years.

Certain lease agreements for real estate include payments based on actual common area maintenance expenses and/or include rental payments adjusted periodically for inflation. These variable lease payments are recognized in supplies and other in the consolidated statements of operations and changes in net assets but are not included in the right-of-use asset or liability balances in our consolidated balance sheets. Lease agreements do not contain any material residual value guarantees, restrictions or covenants.

Novant Health has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all asset classes.

The following table presents certain information related to lease expense for finance and operating leases for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Operating leases ⁽¹⁾	\$ 125,226	\$ 106,690
Variable lease expense ⁽¹⁾	12,402	11,735
Finance lease expense:		
Amortization of leased assets	539	492
Interest on lease liabilities	40	47
	<u>\$ 138,207</u>	<u>\$ 118,964</u>

⁽¹⁾ Expenses are included in supplies and other in the consolidated statements of operations and changes in net assets.

The following table presents supplemental cash flow information for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 121,228	\$ 102,015
Operating cash flows for finance leases	506	441
Financing cash flows for finance leases	40	47

The Company entered into agreements to obtain right-of-use assets that created lease liabilities which resulted in noncash operating activities of \$67,454 and \$59,384 and noncash financing and investing activities of \$0 and \$7,288 for the years ended December 31, 2021 and 2020, respectively.

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Future maturities of lease liabilities at December 31, 2021 are presented in the following table:

	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Total</u>
2022	\$ 117,766	\$ 1,275	\$ 119,041
2023	104,433	1,288	105,721
2024	87,905	1,298	89,203
2025	72,169	896	73,065
2026	59,746	777	60,523
Thereafter	<u>141,019</u>	<u>2,174</u>	<u>143,193</u>
Total lease payments	583,038	7,708	590,746
Less: Imputed interest	<u>(46,636)</u>	<u>(143)</u>	<u>(46,779)</u>
Total lease obligations	536,402	7,565	543,967
Less: Current obligations	<u>(106,774)</u>	<u>(1,248)</u>	<u>(108,022)</u>
Long-term lease obligations	<u>\$ 429,628</u>	<u>\$ 6,317</u>	<u>\$ 435,945</u>

At December 31, 2021, the weighted average remaining lease term for operating leases is 6.7 years and the weighted average discount rate is 2.4%. For finance leases, the weighted average remaining lease term is 6.6 years and the weighted average discount rate is 5.1%.

Novant Health is also a lessor and sublessor of real estate under operating leases. At December 31, 2021 and 2020, \$12,506 and \$12,283, respectively, of deferred rent was recorded in the consolidated balance sheets as a component of other assets. Lease income for the periods ended December 31, 2021 and 2020 was \$9,955 and \$11,106, respectively, which is included in other revenue in the consolidated statements of operations and changes in net assets. Most of the Company's leases include operating expenses such as utilities and maintenance costs in rent charges. However, variable rent income is not material. The Company has elected the practical expedient that allows lessors to not separate lease and non-lease components by class of underlying asset for all asset classes. The combined component is accounted for under lease accounting guidance.

At December 31, 2021 and 2020, land and buildings with a net book value of \$12,718 and \$14,888, respectively, were leased to various unrelated health care organizations, with terms ranging from six months to five years. These assets are included in property and equipment, net on the consolidated balance sheets.

Although the Company leases and subleases a small amount of building space to non-affiliated medical practices, the significant leases consist of long-term ground leases classified as operating leases with remaining terms from 42 years with options to extend for the additional terms of five years each to 64 years with no options to extend.

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The future undiscounted cash flows to be received from these leases are as follows:

Years Ending December 31	
2022	\$ 5,475
2023	3,484
2024	3,155
2025	2,690
2026	2,415
Thereafter	<u>118,930</u>
	<u>\$ 136,149</u>

12. Intangible Assets and Goodwill

Intangible assets consist of the following at December 31:

	<u>Gross</u> <u>Intangible</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net</u> <u>Intangible</u>
Balance at December 31, 2021			
Unamortized intangible assets			
Certificates of need	\$ 73,688	\$ -	\$ 73,688
Total unamortized intangible assets	<u>73,688</u>	<u>-</u>	<u>73,688</u>
Amortized intangible assets			
Business relationships	44,299	(23,757)	20,542
Corporate trade name and other intangibles	<u>109,753</u>	<u>(10,139)</u>	<u>99,614</u>
Total amortized intangible assets	<u>154,052</u>	<u>(33,896)</u>	<u>120,156</u>
Total intangible assets	<u>\$ 227,740</u>	<u>\$ (33,896)</u>	<u>\$ 193,844</u>
Balance at December 31, 2020			
Unamortized intangible assets			
Certificates of need	\$ 67,311	\$ -	\$ 67,311
Total unamortized intangible assets	<u>67,311</u>	<u>-</u>	<u>67,311</u>
Amortized intangible assets			
Business relationships	44,299	(22,009)	22,290
Corporate trade name and other intangibles	<u>25,161</u>	<u>(8,150)</u>	<u>17,011</u>
Total amortized intangible assets	<u>69,460</u>	<u>(30,159)</u>	<u>39,301</u>
Total intangible assets	<u>\$ 136,771</u>	<u>\$ (30,159)</u>	<u>\$ 106,612</u>

Amortization expense related to intangible assets was \$5,540 and \$2,728 for the periods ended December 31, 2021 and 2020, respectively. Estimated annual amortization expense for intangible assets for the year 2021 is \$5,599 per year for 2022 through 2026.

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The following table summarizes the changes in the carrying amount of goodwill for the years ended December 31:

	2021	2020
As of January 1		
Goodwill, net of accumulated amortization	\$ 235,585	\$ 241,596
Accumulated impairment losses	<u>(32,150)</u>	<u>(37,563)</u>
	203,435	204,033
Additions	481,129	-
Disposals	<u>(24,159)</u>	<u>(598)</u>
	<u>660,405</u>	<u>203,435</u>
As of the end of the period		
Goodwill, net of accumulated amortization	692,555	235,585
Accumulated impairment losses	<u>(32,150)</u>	<u>(32,150)</u>
	<u>\$ 660,405</u>	<u>\$ 203,435</u>

Novant Health reviews long-lived assets for recoverability as required when events and changes in circumstances indicate that its carrying value may not be recoverable. The Company tests goodwill and indefinite-lived assets for impairment on an annual basis. No impairment charges to amortizable intangible assets were recorded as a result of this review in 2021 or 2020. Impairment tests presume stable or improving results at certain Novant Health reporting units which are based on the implementation of programs and initiatives that are designed to achieve projected results. If these projections are not met, or in the future negative trends occur which would impact our future outlook, further impairments of goodwill and other intangible assets may occur. Future restructuring of our markets that could potentially change our reporting units could also result in future impairments of goodwill.

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13. Investments in Affiliates

Novant Health has noncontrolling interests in 23 healthcare related entities. The Company's ownership interests in the entities range from 8.0% to 51.0%. These investments are accounted for using either the equity method or a measurement alternative.

A summary of investments, ownership percentages, investment amounts and the Company's share of earnings for the years ended December 31, 2021 and 2020 is as follows:

Investee	% Ownership		Investment Balance		Share of Earnings of Investee	
	2021	2020	2021	2020	2021	2020
Advanced Services	23%	23%	\$ 4,319	\$ 5,253	\$ 1,403	\$ 10,697
Radiation Oncology Centers of the Carolinas LLC	50%	50%	16,265	15,981	2,860	3,014
Novant Health Rehabilitation Hospital	50%	50%	18,104	15,626	2,478	2,210
Providence Plaza LLC	30%	30%	4,692	4,636	325	280
Other	Various	Various	10,574	13,458	(11,128)	1,484
			<u>\$ 53,954</u>	<u>\$ 54,954</u>	<u>\$ (4,062)</u>	<u>\$ 17,685</u>

The following table presents summarized financial information related to investments in the above noncontrolled entities as of December 31:

	2021	2020
Assets	\$ 199,941	\$ 194,936
Liabilities	94,462	106,797
Equity	105,479	88,139
Total revenue	95,516	141,066
Total expenses	96,136	82,328
Net income	(620)	58,738
Novant Health's share of net income	(4,062)	17,685

14. Other Assets

Other assets consist of the following at December 31:

	2021	2020
Notes receivable and other	\$ 71,135	\$ 70,764
Cash surrender value of insurance policies	37,011	32,681
Deferred rent income	12,507	12,283
Pledges receivable	10,125	4,984
Reinsurance receivables	5,101	7,541
	<u>\$ 135,879</u>	<u>\$ 128,253</u>

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15. Accrued Liabilities

Accrued liabilities consist of the following at December 31:

	2021	2020
Accrued compensation	\$ 371,861	\$ 335,863
Medicare advanced payments, current portion	224,835	173,385
Payroll taxes and withholdings	44,138	39,754
Interest	13,224	6,562
Postretirement benefit liability	1,292	1,267
Other accrued liabilities	105,420	80,650
Self-insurance		
Employee medical claims liability	34,688	27,472
Malpractice and workers' compensation liability, current portion	15,002	17,720
	<u>\$ 810,460</u>	<u>\$ 682,673</u>

16. Long-Term Debt

Following is a summary of long-term debt at December 31:

	2021	2020
Tax-exempt revenue bonds	\$ 625,300	\$ 775,575
Taxable revenue bonds	<u>1,750,000</u>	<u>250,000</u>
Total bonds	2,375,300	1,025,575
Taxable term loan	264,165	264,165
Finance lease obligations and other notes payable	<u>16,236</u>	<u>19,648</u>
	2,655,701	1,309,388
Unamortized premium or discount, net	22,686	27,622
Unamortized debt issuance costs, net	<u>(13,468)</u>	<u>(6,175)</u>
	2,664,919	1,330,835
Less: Current maturities	<u>(54,637)</u>	<u>(54,848)</u>
	<u>\$ 2,610,282</u>	<u>\$ 1,275,987</u>

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Tax-Exempt Revenue Bonds

Novant Health has tax-exempt financing agreements through conduit issuers. These bonds are comprised of the following at December 31:

	2021	2020
Series 2019 A Current Interest Term Bonds, bearing interest at rates ranging from 3.1% to 4.0% payable semi-annually with mandatory redemption beginning in 2047	\$ 306,985	\$ 306,985
Series 2013 A Current Interest Term Bonds and Serial Bonds, bearing interest at rates ranging from 3.125% to 5.0% payable semi-annually and maturing through 2046; principal payments began in 2014	119,210	120,135
Series 2013 B Current Interest Term Bonds and Serial Bonds, bearing interest at rates ranging from 3.125% to 5.0% payable semi-annually and maturing through 2046; principal payments began in 2014	-	136,360
Series 2008 A, B and C Variable Rate Demand Bonds, bearing interest at variable rates payable monthly and maturing through 2028; principal payments began in 2009	64,105	77,095
Series 2004 A and B Variable Rate Demand Bonds, bearing interest at variable rates payable monthly and maturing through 2034; principal payments begin in 2025	135,000	135,000
	<u>\$ 625,300</u>	<u>\$ 775,575</u>

In 2003, Novant Health entered into a new Master Trust Indenture (the "Agreement"). The Agreement authorizes the creation of a Combined Group, which consists of the members of the Obligated Group and the Restricted Affiliates. Novant Health and two of its affiliates that operate tertiary care hospitals, Novant Health Forsyth Medical Center and Novant Health Presbyterian Medical Center, are the members of the Obligated Group. The members of the Obligated Group are jointly and severally liable for the payment of all obligations under the Agreement. The Company's Restricted Affiliates, which include certain other subsidiaries of the Company, are not directly obligated to pay obligations under the Agreement, but the members of the Obligated Group have covenanted in the Agreement to cause the Restricted Affiliates to provide funds to the members of the Obligated Group to pay obligations under the Agreement. All bonds issued by Novant Health are collateralized by the Obligated Group.

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The bond agreements provide for early redemption periods of the bonds prior to mandatory redemption, subject to a premium in certain circumstances, as defined in the agreements. In accordance with the bond indenture agreements, the bonds are general, unsecured obligations of Novant Health. The bond indentures require Novant Health to cause the Restricted Affiliates to comply with certain covenants, including the maintenance of a minimum debt service coverage ratio and a minimum number of days cash on hand. As of December 31, 2021 and 2020, Novant Health is in compliance with these bond covenants.

The Series 2004 A and B Variable Rate Demand Bonds are collateralized by a standby purchase agreement (“SBPA”) issued by JP Morgan Chase Bank National Association. The SBPA expires April 1, 2025. If the SBPA should be used to fund tenders due to a failed remarketing, repayment in quarterly installments over three years is required. As a result, the Company has classified \$36,818 of the 2004 bonds as current at December 31, 2021 and 2020.

In March 2011, the documents related to the Series 2008 A, B and C Variable Rate Demand Bonds were amended to allow the conversion of the bonds to bank direct purchase index floating rate bonds. In December 2017, the Series 2008 A, B, and C Variable Rate Demand Bonds were refinanced. Subsequent to the refinancing, the direct purchase agreements have a term of seven years and will expire in December 2024.

In July 2021, the Series 2013 B bonds were defeased with cash in conjunction with Novant Health's withdrawal from Novant Health UVA Health System. The bonds were defeased until they are callable on November 1, 2022. The transaction resulted in a loss of \$4,456 including the write off of \$4,436 in unamortized bond premiums and \$796 in unamortized issuance costs.

Taxable Revenue Bonds

In April 2013, Novant Health issued \$250,000 of taxable fixed rate bonds (the “2013 C Bonds”). The 2013 C Bonds bear interest at a rate of 4.37% and mature in 2043. Proceeds of the 2013 C Bonds were used for eligible purposes, including the refinancing of long-term debt.

In April 2021, Novant Health issued \$1,500,000 of taxable fixed rate bonds (the “2021 A Bonds”). The 2021 A Bonds bear interest at rates ranging from 2.67% to 3.32% and mature in 2036, 2051 and 2061. Proceeds of the 2021 A Bonds were used for eligible purposes, including the refinancing of long-term debt. The taxable revenue bonds are subject to the same covenant requirements that are included in the bond agreements for the tax-exempt revenue bonds.

Taxable Term Loan

In March 2020, Novant Health entered into an agreement to borrow \$264,165. The loan bears interest at a fixed rate with principal payments due annually beginning in 2023 through the maturity date of April 1, 2030. The proceeds were used to call the Series 2010 A bonds and repay them at face value on November 1, 2020.

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Other Long-Term Debt

Other long-term debt consists of a promissory note related to the redemption of a membership interest and various loans and notes on buildings and finance leases, bearing interest at rates ranging from 0.81% to 12.15%. Scheduled maturities of all long-term debt are as follows:

Years Ending December 31

2022	\$	17,810
2023		24,017
2024		19,959
2025		17,948
2026		18,577
Thereafter		<u>2,557,390</u>
	\$	<u>2,655,701</u>

Novant Health capitalized \$1,765 and \$5,437 of interest in 2021 and 2020, respectively.

Revolving Credit Facility

In April 2020, Novant Health entered into a \$950,000 Revolving Credit Agreement. Effective January 29, 2021, the Senior Revolving Credit agreement was amended to increase the borrowing limit to \$1,600,000 and extend the maturity date to July 29, 2022. The full available amount was borrowed to fund the acquisition of New Hanover Regional Medical Center's assets. The proceeds of the issuance of the Series 2021 A Bonds were used to pay down \$1,493,000 of the outstanding balance. The remaining balance was paid with cash. In April 2021, the available balance was reduced to \$300,000. Borrowings bear interest at variable rates. At December 31, 2021, \$300,000 was available for borrowing.

Debt Issuance Costs

Unamortized debt issuance costs are presented in the consolidated balance sheets as a direct deduction from the carrying value of the associated debt. Debt issuance costs are amortized using the effective interest method over the life of the related debt agreements and instruments.

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(in thousands of dollars)

17. Short-Term Borrowings

Short-term borrowings consist primarily of securities repurchase transactions. Securities repurchase transactions are conducted by the Company under a standardized securities industry master agreement, amended to suit the specificities of each respective counter-party. These agreements generally provide detail as to the nature of the transaction, including provisions for payment netting, established parameters concerning the ownership and custody of the collateral securities, including the right to substitute collateral during the term of the agreement, and provide for remedies in the event of default by either party. The Company's securities repurchase agreements are accounted for as a secured borrowing and are reported in the consolidated balance sheets as short-term borrowings. The Company posts collateral in the form of U.S. treasury, agency securities and treasury inflation protected securities and receives an amount ranging from 94% to 98% of the fair value of the securities to be repurchased during January 2022 at interest rates ranging from 0.25% to 3.00%. At December 31, 2021 and 2020, the fair value amounts outstanding were \$124,518 and \$149,592, respectively. The interest rate on the outstanding balances at December 31, 2021 is 0.14%. The maturity dates of the agreements are under four weeks.

18. Interest Rate Swaps

As of August 18, 2008, concurrent with the 2008 bond issuance, Novant Health entered into two interest rate swap agreements to hedge the variable interest rates of the 2008 bonds. The swaps are based on an aggregate notional amount of \$64,105. Novant Health receives a variable rate which is tied to 68% of LIBOR, and pays a fixed rate of 3.679% and 3.621% for the \$46,300 and \$17,805 notional amounts, respectively. The swaps have been designated as cash flow hedges and are carried on the consolidated balance sheets at fair value. In the fourth quarter of 2018, the hedging relationship ceased to be highly effective and hedge accounting was discontinued.

In July 2006, Novant Health entered into a floating-to-fixed swap agreement with a notional amount of \$135,000 and a term of 28 years to hedge the floating rate 2004 bonds. Novant Health receives a variable rate which is tied to 64.8% of LIBOR plus 12 basis points and pays a fixed interest rate of 3.8%. The swap has been designated as a cash flow hedge and is carried on the consolidated balance sheets at fair value. In the first quarter of 2019, the hedge relationship ceased to be highly effective and hedge accounting was discontinued.

Novant Health records interest rate swaps at fair value. These swaps are presented as derivative financial instruments in the consolidated balance sheets.

The following table summarizes the expense for derivatives which is included in interest expense in the consolidated statements of operations and changes in net assets for the years ended December 31:

	2021	2020
Change in fair value of non-hedged interest rate swaps	\$ 12,543	\$ (7,906)
Amortization of deferred loss	(2,984)	(3,180)
	<u>\$ 9,559</u>	<u>\$ (11,086)</u>

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Notes to Consolidated Financial Statements
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19. Employee Benefits and Other Liabilities

Employee benefits and other liabilities consist of the following at December 31:

	2021	2020
Deferred compensation liabilities	\$ 234,257	\$ 198,519
Employee benefits and other	67,470	119,796
Transition stabilization fund	54,757	-
Medicare advanced payments, net of current portion	41,193	200,333
Self-insurance malpractice and workers' compensation, net of current portion	42,515	44,139
Deferred gains	4,276	3,451
Postretirement benefit liability, net of current portion	19,459	20,955
Pension liability, net of current portion	2,225	2,390
	<u>\$ 466,152</u>	<u>\$ 589,583</u>

20. Income Taxes

The provision for federal and state income taxes is as follows:

	2021	2020
Current tax expense (benefit)		
Federal	\$ 2,957	\$ (892)
State	550	97
	<u>3,507</u>	<u>(795)</u>
Deferred tax expense (benefit)		
Federal	1,209	1,422
State	77	(122)
	<u>1,286</u>	<u>1,300</u>
	<u>\$ 4,793</u>	<u>\$ 505</u>

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The components of deferred taxes are as follows:

	2021	2020
Deferred tax assets		
Loss carryforwards	\$ 15,370	\$ 16,493
Deferred charge for intercompany transfer	4,074	5,329
Allowance for doubtful accounts	715	954
Accrued expenses	3,332	3,748
Future deductions- operating leases	3,092	3,360
Total deferred tax assets	<u>26,583</u>	<u>29,884</u>
Deferred tax liabilities		
Intangible assets	(5,873)	(5,840)
Property and equipment	(85)	(564)
Right-of-use assets	(3,032)	(3,295)
Other	-	(1,087)
Total deferred tax liabilities	<u>(8,990)</u>	<u>(10,786)</u>
Valuation allowance	<u>(18,814)</u>	<u>(18,975)</u>
Net deferred tax (liability) asset	<u>\$ (1,221)</u>	<u>\$ 123</u>

GAAP requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. In making this determination, management considers all available positive and negative evidence affecting specific deferred tax assets, including the Company's past and anticipated future performance, reversal of deferred tax liabilities, length of carryback and carryforward periods and implementation of tax planning strategies.

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Objective positive evidence is necessary to support a conclusion that a valuation allowance is not needed for all or a portion of deferred tax assets when significant negative evidence exists. Cumulative losses in recent years are the most compelling form of negative evidence considered by management in this determination. For the years ended December 31, 2021 and 2020, management has determined that based on all available evidence, a valuation allowance of \$18,814 and \$18,975, respectively, is appropriate.

As of December 31, 2021, the Company had approximately \$74,009 of federal and \$50,135 of state loss carryforwards available to reduce taxable income. \$62,324 of the loss carryforwards expire through 2039 and the remainder do not expire. In addition, at December 31, 2021, the Company had approximately \$9,868 of federal and \$614 of state contribution carryforwards available to reduce taxable income.

Income tax expense (benefit) reported in the consolidated statements of operations and changes in net assets is shown below:

	2021	2020
Federal taxes	\$ 4,166	\$ 530
State income taxes	627	(25)
	<u>\$ 4,793</u>	<u>\$ 505</u>

The Company is required to evaluate uncertain tax positions. This evaluation includes a quantification of tax risk in areas such as unrelated business taxable income and the taxation of our for-profit subsidiaries. This evaluation did not have a material effect on the Company's consolidated statements of operations and changes in net assets for the years ended December 31, 2021 and 2020.

21. Employee Benefit Plans and Other Postretirement Benefit Plans

Certain Novant Health affiliates have supplemental retirement income plans covering highly compensated employees. These are nonqualified plans which are not subject to ERISA funding requirements. As such, Novant Health intends only to fund the plans in amounts equivalent to the plans' annual benefit payments. During 2013, the Company implemented a new supplemental retirement income plan that covers certain highly compensated employees. This plan acts as a defined contribution plan and annual funding requirements are determined under provisions of the plan. Some of these plans are nonqualified deferred compensation plans which provide certain individuals meeting specific criteria with the ability to defer compensation. The assets of these plans, along with the associated liabilities, are recorded as current and long-term assets limited as to use, accrued liabilities, and employee benefits and other liabilities on the consolidated balance sheets.

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Novant Health also provides fixed dollar amounts for health care and life insurance benefits to certain retired employees. Covered employees may become eligible for these benefits if they meet minimum age and service requirements, and if they are eligible for retirement benefits. Novant Health has the right to modify or terminate these benefits. The unfunded obligation in the consolidated balance sheets at December 31, 2021 and 2020 was \$20,751 and \$22,222, respectively. The expense associated with these plans totaled \$(503) for 2021 and \$1,439 for 2020. The discount rate used in determining the benefit obligation ranged between 2.10% and 2.65% for 2021 and 1.70% and 2.35% for 2020. The health care costs increase trend rate used was 6.25% in 2021 and 6.75% in 2020. The health care cost increase trend rate is projected to gradually decline to 4.50% by 2027.

In addition to these plans, Novant Health sponsors a number of defined contribution plans. Contributions are determined under various formulas. Costs related to such plans amounted to \$110,294 and \$87,444 in 2021 and 2020, respectively.

Certain Novant Health consolidated affiliates participate in cafeteria plans which provide certain benefits, including basic medical and dental coverage, long-term disability benefits, reimbursement of supplemental dependent care expenses and group life insurance benefits. The affiliates contribute predetermined amounts for each full-time and part-time employee, which is allocated to the various benefit options in accordance with the participant's election. Affiliate contributions to these plans were approximately \$300,391 in 2021 and \$282,126 in 2020.

22. Net Assets without Donor Restrictions

The following table reconciles the carrying amounts of the Company's controlling interest and the noncontrolling interests for net assets without donor restrictions:

	<u>Total</u>	<u>Controlling Interest</u>	<u>Noncontrolling Interests</u>
Balance at January 1, 2020	\$ 4,501,790	\$ 4,420,971	\$ 80,819
Excess (deficit) of revenues over expenses	382,155	382,401	(246)
Change in funded status of defined benefit plans	(878)	(878)	-
Amortization of deferred loss on derivative financial instruments	3,180	3,180	-
Other changes in net assets without donor restrictions	<u>(1,184)</u>	<u>137</u>	<u>(1,321)</u>
Balance at December 31, 2020	4,885,063	4,805,811	79,252
Excess of revenues over expenses	811,999	811,409	590
Deconsolidation of Novant Health UVA Health System	(60,185)	582	(60,767)
Change in funded status of defined benefit plans	1,206	1,206	-
Amortization of deferred loss on derivative financial instruments	2,984	2,984	-
Other changes in net assets without donor restrictions	<u>(3,449)</u>	<u>8,951</u>	<u>(12,400)</u>
Balance at December 31, 2021	<u>\$ 5,637,618</u>	<u>\$ 5,630,943</u>	<u>\$ 6,675</u>

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(in thousands of dollars)

23. Net Assets with Donor Restrictions

Donor restricted net assets are available for the following purposes as of December 31:

	2021	2020
Buildings and equipment	\$ 19,278	\$ 41,777
Clinical care, research and academic	50,992	27,651
Charity care	7,965	6,841
Other	12,687	8,567
	<u>\$ 90,922</u>	<u>\$ 84,836</u>

24. Professional and General Liability Insurance Coverage

Novant Health is self-insured for professional and general liability exposures up to certain limits. The Company has umbrella policies in place above those limits. The provision for estimated medical malpractice claims includes estimates of the ultimate costs for reported claims and claims incurred but not reported. Novant Health also participates in a self-insured program for workers' compensation and is self-insured for certain health benefits options. A portion of these self-insured professional liabilities is funded through a revocable trust fund operated by Novant Health. This fund was converted to claims-made status on January 1, 2020, and prior reported liabilities under this coverage were placed in run-off. Effective January 1, 2020, funding for self-insured professional liabilities are insured by Novant Health Casualty, LLC, a North Carolina domiciled insurance captive. Coverage terms and umbrella policies of the same or higher limits are in place for the captive. At December 31, 2021 and 2020, undiscounted professional and general liability loss reserves of \$57,517 and \$61,859, respectively, are included in current liabilities and employee benefits and other liabilities on the consolidated balance sheets. Expenses related to these plans amounted to \$26,060 and \$19,181 in 2021 and 2020, respectively.

Novant Health, Inc. and Affiliates
Notes to Consolidated Financial Statements
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(in thousands of dollars)

25. Commitments and Contingencies

The Company and its affiliates are presently involved in various personal injury, regulatory investigations, tort actions and other claims and assessments arising out of the normal course of business. The Company establishes separate legal reserves when such matters, other than those covered under the Company's self-insured programs, present loss contingencies that are both probable and estimable. Management believes that Novant Health has adequate legal defenses, self-insurance reserves and/or insurance coverage for these asserted claims, as well as any unasserted claims and does not believe these claims will have a material effect on the Company's operations or financial position. The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

At December 31, 2021, the Company had guarantees for payment of the indebtedness and lease agreements of certain equity method investees. The maximum potential amount of future payments under these agreements was approximately \$26,292. These guarantees extend until October 2026 based on the payment schedule of the underlying agreements. At December 31, 2021, approximately \$675 has been recorded in the consolidated balance sheet for the Company's obligations under these guarantees.

26. Concentrations of Credit Risk

Novant Health provides services primarily to the residents of various counties within North Carolina, South Carolina and Virginia without collateral or other proof of ability to pay. Most patients are local residents who are insured partially or fully under third-party payor arrangements.

The mix of receivables from patients and third-party payors at December 31 is as follows:

	2021	2020
Medicare	27.2%	28.8%
Medicaid	8.9%	4.7%
Other third-party payors	59.8%	62.3%
Patients	4.1%	4.2%
	<u>100.0%</u>	<u>100.0%</u>

Novant Health places the majority of its cash and investments with corporate and financial institutions. Novant Health maintains cash balances in excess of FDIC insured limits; however, the Company has not experienced any losses on such deposits.

Novant Health, Inc. and Affiliates
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27. Functional Expenses

Novant Health provides general health care services to residents within its geographic region. Novant Health's financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, amortization and interest and other occupancy costs, are allocated to a function based on a square footage or units of service basis. Allocated health care services costs not allocated on a units of service basis are generally allocated based on revenue. Expenses relating to providing these services are as follows:

	December 31, 2021			
	Health Care Services		Support Services	
	Acute Care Facilities	Outpatient Locations	General & Administrative	Total
Salaries and employee benefits	\$ 2,011,252	\$ 1,584,897	\$ 328,017	\$ 3,924,166
Supplies and other	1,781,874	664,654	239,114	2,685,642
Depreciation and amortization expense	206,522	51,345	81,766	339,633
Interest expense	60,841	7,748	9,107	77,696
Other non-operating expenses	(228)	1,884	8,169	9,825
Total expenses	\$ 4,060,261	\$ 2,310,528	\$ 666,173	\$ 7,036,962

	December 31, 2020			
	Health Care Services		Support Services	
	Acute Care Facilities	Outpatient Locations	General & Administrative	Total
Salaries and employee benefits	\$ 1,414,131	\$ 1,333,086	\$ 335,891	\$ 3,083,108
Supplies and other	1,332,862	595,005	145,223	2,073,090
Depreciation and amortization expense	147,261	46,507	66,283	260,051
Interest expense	62,744	8,390	6,888	78,022
Other non-operating expenses	(42)	2,349	5,865	8,172
Total expenses	\$ 2,956,956	\$ 1,985,337	\$ 560,150	\$ 5,502,443

Novant Health, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(in thousands of dollars)

28. Subsequent Events

The Company evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through March 28, 2022, the day the consolidated financial statements were issued.

29. Significant Recent Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*. The new guidance eliminates the requirement to calculate the implied fair value of goodwill (i.e., Step 2 of the current goodwill impairment test) to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value (i.e., measure the charge based on the current Step 1). This guidance is effective for Novant Health on January 1, 2022. The adoption of this guidance would only impact Novant Health's consolidated financial statements in situations where there is impairment of a reporting unit.

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. This guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The guidance also requires that the capitalized costs be expensed over the term of the hosting arrangement and that the expense and cash flows of the capitalized expense be presented in the same place on the statements of operations and statements of cash flows, respectively. Similarly, the capitalized costs are required to be presented on the balance sheets in the same line item that a prepayment of the fees of the associated hosting arrangement would be presented. This guidance was effective for Novant Health on January 1, 2020 and is being applied prospectively to all implementation costs incurred after the date of adoption. Implementation of this guidance did not have a significant impact on the consolidated financial statements of Novant Health.

In May 2019, the FASB issued ASU 2019-06, *Intangibles - Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topics 958)*. This guidance extends certain private company alternatives to not-for-profit entities, allowing the amortization of goodwill on a straight-line basis over ten years or less. If this accounting alternative is elected, an accounting policy election must also be made to test goodwill at either the entity level or the reporting unit level. Goodwill is required to be tested for impairment when a triggering event occurs that indicates that the fair value of the entity may be below its carrying amount. An election is also allowed on a prospective basis to subsume into goodwill and amortize customer-related intangible assets that are not capable of being sold or licensed independently and all noncompete agreements. If this election is adopted, the election to amortize goodwill must also be adopted. Novant Health has not elected these alternatives at this time.

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(in thousands of dollars)

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)* and has subsequently issued supplemental and/or clarifying ASUs (collectively “ASC 848”). This guidance provides relief from the application of certain guidance during the transition to alternative reference rates. Optional expedients are provided for contract modification that replace a reference rate affected by reference rate reform and related contemporaneous modifications. Exceptions are provided for changes to the critical terms of a hedging relationship due to reference rate reform. Expedients are provided for cash flow hedging relationships and fair value hedging relationships. These provisions are available until December 31, 2022. Novant Health is currently evaluating the effect of reference rate reform on its contracts, but the availability of these expedients and exceptions is expected to reduce the impact of reference rate reform on the consolidated financial statements of Novant Health.

In March 2021, the FASB issued ASU 2021-03, *Intangibles - Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*. The amendments in this update provide private companies and not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as required in Subtopic 350-20 as of the end of the reporting period, whether the reporting period is an interim or annual period. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired. An entity that does not elect the accounting alternative for amortizing goodwill and that performs its annual impairment test as of a date other than the annual reporting date should perform a triggering event evaluation only as of the end of the reporting period. Novant Health adopted this guidance via election effective October 1, 2021. Adoption of this guidance did not have a significant impact on the consolidated financial statements of Novant Health.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The guidance requires entities engaged in a business combination to recognize and measure contract assets acquired and contract liabilities assumed in accordance with ASC 606, *Revenue from Contracts with Customers*, rather than at fair value on the acquisition date. This guidance is effective for Novant Health on January 1, 2023 and early adoption is permitted. This guidance is not expected to have a significant impact on the consolidated financial statements of Novant Health.

Other Financial Information



Report of Independent Auditors

To the Board of Trustees of
Novant Health, Inc.

We have audited the consolidated financial statements of Novant Health Inc. and its affiliates as of and for the year ended December 31, 2021 and our report thereon appears on pages 1 and 2 of this document which included an unmodified opinion on those consolidated financial statements. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating information as of and for the year ended December 31, 2021 and the supplemental schedule of cost of community benefit programs for the year ended December 31, 2021 appearing on pages 52 – 58 (collectively referred to herein as the “information”) are presented for purposes of additional analysis and is not a required part of the consolidated financial statements nor is it intended to present the financial position, results of operation and cash flows of the individual entities. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information, excluding the schedule of cost of community benefit programs information marked “unaudited,” has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information, excluding the schedule of costs of community benefit programs information marked “unaudited,” is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The schedule of costs of community benefit programs information marked “unaudited” has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, accordingly, we do not express an opinion or provide any assurance on it.

PricewaterhouseCoopers LLP

March 28, 2022

Novant Health, Inc. and Affiliates
Schedule of Cost of Community Benefit Programs (unaudited)
December 31, 2021

In addition to providing charity care to uninsured patients, Novant Health also provides services to beneficiaries of public programs and various other community health services intended to improve the health of the communities in which the Company operates. Novant Health uses the following four categories to identify the resources utilized for the care of persons who are underserved and for providing community benefit programs to the needy:

- Traditional charity care, which includes the cost of services provided to persons who cannot afford health care because of inadequate resources and who are uninsured.
- Unpaid cost of Medicare, which represents the unpaid cost of services provided to persons through the government program for individuals age 65 and older as well as those that qualify for federal disability benefits.
- Unpaid cost of Medicaid, which represents the unpaid cost of services provided to persons covered by the government program for medically indigent patients.
- Community benefit programs, which consist of the unreimbursed costs of certain programs and services for the general community, mainly for indigent patients but also for people with chronic health risks. Examples of these programs include health promotion and education, free clinics and screenings and other community services.

The net cost of providing care to indigent patients and community benefit programs is as follows:

	2021
Traditional charity care	\$ 192,780
Unpaid cost of Medicare	727,846
Unpaid cost of Medicaid	111,485
Community benefit programs	<u>91,614</u>
	<u>\$ 1,123,725</u>

As discussed in Note 2 in the accompanying consolidated financial statements, Novant Health received supplemental Medicaid payments during 2021. These amounts are included in the community benefit amount for 2021.

Novant Health, Inc. and Affiliates
Consolidating Balance Sheet
December 31, 2021

<i>(in thousands of dollars)</i>	Combined Group	Unrestricted Affiliates	Eliminations	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 573,852	\$ 221,750	\$ -	\$ 795,602
Accounts receivable, net	815,295	80,968	-	896,263
Short-term investments	411,280	160	-	411,440
Current portion of assets limited as to use	31,516	9,111	-	40,627
Receivable for settlement with third-party payors	15,084	1,231	-	16,315
Other current assets	334,336	45,832	(37,016)	343,152
Total current assets	2,181,363	359,052	(37,016)	2,503,399
Assets limited as to use				
Long-term investments	282,918	16,345	-	299,263
Property and equipment, net	3,158,635	355,710	-	3,514,345
Operating lease right-of-use assets, net	2,543,474	339,756	-	2,883,230
Intangible assets and goodwill, net	532,017	60,736	(72,642)	520,111
Investments in affiliates	626,991	227,258	-	854,249
Deferred tax asset	1,655,952	24,862	(1,626,860)	53,954
Other assets	-	3,980	-	3,980
Other assets	117,760	19,445	(1,326)	135,879
Total assets	\$ 11,099,110	\$ 1,407,144	\$ (1,737,844)	\$ 10,768,410
Liabilities and Net Assets				
Current liabilities				
Current portion of long-term debt	\$ 53,992	\$ 645	\$ -	\$ 54,637
Short-term borrowings	124,300	218	-	124,518
Accounts payable	298,262	22,107	(7,618)	312,751
Accrued liabilities	717,849	108,701	(16,090)	810,460
Operating lease liabilities	101,350	13,918	(8,494)	106,774
Estimated third-party payor settlements	72,611	7,596	-	80,207
Due to (from) related organizations	(368,471)	368,471	-	-
Total current liabilities	999,893	521,656	(32,202)	1,489,347
Long-term debt, net of current portion	2,601,877	8,405	-	2,610,282
Deferred tax liability	-	5,201	-	5,201
Operating lease liabilities, net of current portion	447,208	47,953	(65,533)	429,628
Derivative financial instruments	39,260	-	-	39,260
Employee benefits and other liabilities	450,447	15,705	-	466,152
Total liabilities	4,538,685	598,920	(97,735)	5,039,870
Net assets				
Without donor restrictions - attributable to Novant Health	6,560,425	710,627	(1,640,109)	5,630,943
Without donor restrictions - noncontrolling interests	-	6,675	-	6,675
Total net assets without donor restrictions	6,560,425	717,302	(1,640,109)	5,637,618
With donor restrictions	-	90,922	-	90,922
Total net assets	6,560,425	808,224	(1,640,109)	5,728,540
Total liabilities and net assets	\$ 11,099,110	\$ 1,407,144	\$ (1,737,844)	\$ 10,768,410

See accompanying notes to consolidating supplemental schedules.

Novant Health, Inc.
Consolidating Statement of Operations
Year Ended December 31, 2021

<i>(in thousands of dollars)</i>	Combined Group	Unrestricted Affiliates	Eliminations	Total
Operating revenues				
Net patient service revenues	\$ 5,943,241	\$ 868,077	-	\$ 6,811,318
Other revenue	<u>386,313</u>	<u>303,457</u>	<u>(104,942)</u>	<u>584,828</u>
Total operating revenues	<u>6,329,554</u>	<u>1,171,534</u>	<u>(104,942)</u>	<u>7,396,146</u>
Operating expenses				
Salaries and employee benefits	3,406,578	522,656	(5,068)	3,924,166
Supplies and other	2,222,262	552,353	(88,973)	2,685,642
Depreciation and amortization expense	283,559	56,074	-	339,633
Interest expense	<u>62,821</u>	<u>14,875</u>	<u>-</u>	<u>77,696</u>
Total operating expenses	<u>5,975,220</u>	<u>1,145,958</u>	<u>(94,041)</u>	<u>7,027,137</u>
Operating income (loss)	354,334	25,576	(10,901)	369,009
Non-operating income (expense)				
Investment income	406,024	46,791	-	452,815
Loss on extinguishment of debt	-	(4,456)	-	(4,456)
Income tax expense	(2,951)	(1,842)	-	(4,793)
Other net periodic pension costs	<u>(561)</u>	<u>(15)</u>	<u>-</u>	<u>(576)</u>
Excess (deficit) of revenues over expenses	<u>\$ 756,846</u>	<u>\$ 66,054</u>	<u>\$ (10,901)</u>	<u>\$ 811,999</u>

See accompanying notes to consolidating supplemental schedules.

Novant Health, Inc.
Combined Group Combining Balance Sheet
December 31, 2021

<i>(in thousands of dollars)</i>	Obligated Group	Restricted Affiliates	Eliminations	Combined Group Total
Assets				
Current assets				
Cash and cash equivalents	\$ 499,027	\$ 74,825	\$ -	\$ 573,852
Accounts receivable, net of allowance for doubtful accounts	560,776	254,519	-	815,295
Short-term investments	411,280	-	-	411,280
Current portion of assets limited as to use	23,516	8,000	-	31,516
Receivable for settlement with third-party payors	8,779	6,305	-	15,084
Other current assets	199,450	134,886	-	334,336
Total current assets	1,702,828	478,535	-	2,181,363
Assets limited as to use	228,161	54,757	-	282,918
Long-term investments	3,158,635	-	-	3,158,635
Property and equipment, net	1,405,719	1,137,755	-	2,543,474
Operating lease right-of-use assets, net	244,443	287,574	-	532,017
Intangible assets and goodwill, net	49,242	577,749	-	626,991
Investments in affiliates	1,742,441	164	(86,653)	1,655,952
Other assets	99,417	18,343	-	117,760
Total assets	<u>\$ 8,630,886</u>	<u>\$ 2,554,877</u>	<u>\$ (86,653)</u>	<u>\$ 11,099,110</u>
Liabilities and Net Assets				
Current liabilities				
Current portion of long-term debt	\$ 52,969	\$ 1,023	\$ -	\$ 53,992
Short-term borrowings	124,300	-	-	124,300
Accounts payable	207,207	91,055	-	298,262
Accrued liabilities	479,171	238,678	-	717,849
Operating lease liabilities	41,461	59,889	-	101,350
Estimated third-party payor settlements	45,071	27,540	-	72,611
Due to (from) related organizations	(638,279)	269,808	-	(368,471)
Total current liabilities	311,900	687,993	-	999,893
Long-term debt, net of current portion	2,596,033	5,844	-	2,601,877
Derivative financial instruments	39,260	-	-	39,260
Operating lease liabilities, net of current portion	212,742	234,466	-	447,208
Employee benefits and other liabilities	360,197	90,250	-	450,447
Total liabilities	3,520,132	1,018,553	-	4,538,685
Net assets				
Without donor restrictions - attributable to Novant Health	5,110,754	1,536,324	(86,653)	6,560,425
Total net assets	5,110,754	1,536,324	(86,653)	6,560,425
Total liabilities and net assets	<u>\$ 8,630,886</u>	<u>\$ 2,554,877</u>	<u>\$ (86,653)</u>	<u>\$ 11,099,110</u>

See accompanying notes to consolidating supplemental schedules.

Novant Health, Inc.
Combined Group Combining Statement of Operations
December 31, 2021

<i>(in thousands of dollars)</i>	Obligated Group	Restricted Affiliates	Eliminations	Combined Group Total
Operating revenues				
Net patient service revenues	\$ 3,084,772	\$ 2,858,469	\$ -	\$ 5,943,241
Other revenue	<u>196,584</u>	<u>208,877</u>	<u>(19,148)</u>	<u>386,313</u>
Total operating revenues	<u>3,281,356</u>	<u>3,067,346</u>	<u>(19,148)</u>	<u>6,329,554</u>
Operating expenses				
Salaries and employee benefits	1,641,780	1,764,798	-	3,406,578
Supplies and other	1,170,478	1,070,932	(19,148)	2,222,262
Depreciation and amortization expense	146,718	136,841	-	283,559
Interest expense	<u>32,317</u>	<u>30,504</u>	<u>-</u>	<u>62,821</u>
Total operating expenses	2,991,293	3,003,075	(19,148)	5,975,220
Operating income	290,063	64,271	-	354,334
Non-operating income (expense)				
Investment income	405,719	305	-	406,024
Income tax expense	(2,951)	-	-	(2,951)
Other net periodic pension costs	<u>(400)</u>	<u>(161)</u>	<u>-</u>	<u>(561)</u>
Excess of revenues over expenses	<u>\$ 692,431</u>	<u>\$ 64,415</u>	<u>\$ -</u>	<u>\$ 756,846</u>

See accompanying notes to consolidating supplemental schedules.

Novant Health, Inc.
Notes to Consolidating or Combining Supplemental Schedules
December 31, 2021

1. Consolidated Financial Statements Reporting Entity

Novant Health, Inc. (“Novant Health” or the “Company”) is a nonprofit, integrated health care network of physician clinics, outpatient facilities and hospitals that serves patients and communities in North Carolina, South Carolina and Georgia. The Novant Health network consists of over 2,300 physicians and over 35,000 team members at more than 800 locations, including 14 medical centers and hundreds of outpatient facilities and physician clinics. Headquartered in Winston-Salem, North Carolina, Novant Health is committed to making healthcare remarkable for patients and communities, serving more than 6 million patients annually. Novant Health and its affiliates serve their communities with programs including health education, home health care, prenatal clinics, community clinics and immunization services.

2. Basis of Presentation and Summary of Significant Accounting Policies

Novant Health, Inc. Consolidating Balance Sheet and Consolidating Statement of Operations (which Combines the Information of the Combined Group and Unrestricted Affiliates)

The Total column reconciles to the consolidated financial statements of Novant Health, Inc. and includes the accounts of all affiliates controlled by Novant Health, Inc. The Total is comprised of the Combined Group (as described below, which is comprised of the Obligated Group and Restricted Affiliates) and the Unrestricted Affiliates, which represent affiliates not meeting the definition of the Obligated Group or Restricted Affiliates as defined below.

The Eliminations column represents the elimination of intercompany transactions and balances between the Combined Group and the Unrestricted Affiliates.

The consolidating balance sheet and consolidating statement of operations are otherwise prepared in accordance with accounting policies described in the accompanying notes to the consolidated financial statements. These schedules are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America, as a result of the exclusion of all required disclosures.

Combined Group Combining Balance Sheet and Statement of Operations

As noted in Note 16 to the consolidated financial statements, the Company is subject to a Master Trust Indenture (the “Agreement”) which authorizes the creation of a Combined Group, which consists of the members of the Obligated Group and the Restricted Affiliates.

The members of the Obligated Group are jointly and severally liable for the payment of all obligations under the Agreement. The members of the Obligated Group are Novant Health and its two affiliates that operate tertiary care hospitals, Forsyth Memorial Hospital, Inc. d/b/a Novant Health Forsyth Medical Center and The Presbyterian Hospital d/b/a Novant Health Presbyterian Medical Center, both of which are North Carolina nonprofit corporations. In the accompanying Combined Group combining balance sheet and combining statement of operations, the Obligated Group column presents information of the aforementioned entities.

Novant Health, Inc.
Notes to Consolidating or Combining Supplemental Schedules
December 31, 2021

Restricted Affiliates represent entities that are not directly obligated to pay obligations under the Agreement, but the members of the Obligated Group have covenanted in the Agreement to cause the Restricted Affiliates to provide funds to the members of the Obligated Group to pay obligations under the Agreement. The Company has designated eleven of its affiliates as Restricted Affiliates. Six of these Restricted Affiliates, Medical Park Hospital, Inc. d/b/a Novant Health Medical Park Hospital, Novant Health Thomasville Medical Center, Presbyterian Medical Care Corp. d/b/a Novant Health Matthews Medical Center, Brunswick Community Hospital d/b/a Novant Health Brunswick Medical Center, Mint Hill Medical Center, LLC d/b/a Novant Health Mint Hill Medical Center, and Novant Health New Hanover Regional Medical Center, LLC, operate, or maintain a significant investment in, hospitals. The other five Restricted Affiliates, Carolina Medicorp Enterprises, Inc., Forsyth Medical Group, LLC, Foundation Health Systems Corp., Novant Medical Group, Inc. f/k/a Presbyterian Regional Healthcare Corp. and Salem Health Services, Inc., provide, or invest in subsidiaries or joint ventures which provide health care and ancillary services. All of the members of the Combined Group, except Salem Health Services, Inc., are exempt from federal and state income taxation.

The Eliminations column represents the elimination of intercompany transactions and balances between the Obligated Group and the Restricted Affiliates.

The Combined Group combining balance sheet and combining statement of operations are otherwise prepared in accordance with accounting policies described in the accompanying notes to the consolidated financial statements. These schedules are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America, as a result of the exclusion of all required disclosures.