MARSHALL MEDICAL CENTER AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED OCTOBER 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Marshall Medical Center and Subsidiary
Placerville, California

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Marshall Medical Center and Subsidiary, which comprise the consolidated Balance Sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marshall Medical Center and Subsidiary as of December 31, 2022 and 2021, and the results of their operations, change in their net assets, and their 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Marshall Medical Center and Subsidiary 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Marshall Medical Center and Subsidiary' ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the 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 consolidated 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 Marshall Medical Center and Subsidiary' 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 Marshall Medical Center and Subsidiary' 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 40 through 47 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023, on our consideration of Marshall Medical Center and Subsidiary' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Marshall Medical Center and Subsidiary' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marshall Medical Center and Subsidiary' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Roseville, California
February 23, 2023

MARSHALL MEDICAL CENTER AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
OCTOBER 31, 2022 AND 2021

ASSETS	2022	2021
CURRENT ASSETS		
Cash and Cash Equivalents	$ 20,539,845	$ 34,610,299
Current Portion of Bond Funds – Held by Trustee	4,700,261	4,575,280
Patient Accounts Receivable	59,444,569	61,098,604
Estimated Third-Party Payor Settlements Receivable	1,544,163	2,476,600
Other Receivables	5,491,772	4,577,762
Inventories	4,814,454	4,951,937
Prepaid Expenses	2,480,267	2,567,137
Total Current Assets	99,015,331	114,857,619
ASSETS LIMITED AS TO USE		
Board Designated	53,245,934	81,063,395
Bond Funds – Held by Trustee	26,041,019	30,504,210
Beneficial Interest Held by Marshall Foundation for Community Health	341,907	212,317
Less: Current Portion of Bond Funds - Held by Trustee	(4,700,261)	(4,575,280)
Assets Limited as to Use, Net	74,928,599	107,204,642
PROPERTY AND EQUIPMENT, NET	123,125,735	120,802,586
OTHER ASSETS		
Prepaid Bond Insurance, Net	2,914,310	3,154,806
Intangible Assets, Net	13,973	13,973
Right-of-Use Lease Asset - Operating	5,773,155	6,512,194
Pension Prefunding	21,184,086	-
Other Assets	1,718,993	2,122,884
Total Other Assets	31,604,517	11,803,857
Total Assets	$ 328,674,182	$ 354,668,704

See accompanying Notes to Consolidated Financial Statements.

MARSHALL MEDICAL CENTER AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (CONTINUED)
OCTOBER 31, 2022 AND 2021

	2022	2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	$ 2,685,000	$ 2,633,106
Bond Interest Payable	2,015,261	2,080,279
Accounts Payable and Accrued Expenses	27,002,948	24,590,749
Accrued Compensation and Related Costs	21,784,144	16,378,974
Current Portion of Lease Liability - Operating	2,100,418	1,952,599
Medicare Advance Payments	-	21,824,473
Estimated Third-Party Payor Settlements Liabilities	356,936	374,979
Total Current Liabilities	55,944,707	69,835,159
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	99,145,616	102,330,968
Accrued Expenses	260,434	2,607,734
Lease Liability - Operating, Net of Current Portion	3,845,656	4,761,335
Liability for Pension Benefits	-	2,342,881
Total Noncurrent Liabilities	103,251,706	112,042,918
Total Liabilities	159,196,413	181,878,077
NET ASSETS		
Without Donor Restrictions:		
Controlling	168,983,242	172,481,631
Noncontrolling	152,620	96,678
Total Without Donor Restrictions	169,135,862	172,578,309
With Donor Restrictions	341,907	212,318
Total Net Assets	169,477,769	172,790,627
Total Liabilities and Net Assets	$ 328,674,182	$ 354,668,704

See accompanying Notes to Consolidated Financial Statements.

MARSHALL MEDICAL CENTER AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED OCTOBER 31, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Net Patient Service Revenue	$ 294,744,242	$ 296,913,555
Less Provision for Bad Debts	(5,345,878)	(4,986,945)
Patient Service Revenue	$ 289,398,364	$ 291,926,610
Provider Relief Funds	5,678,414	200,000
Other Revenue	5,506,085	2,184,655
Total Operating Revenues	300,582,863	294,311,265
OPERATING EXPENSES		
Salaries and Wages	101,880,414	98,348,495
Employee Benefits	44,227,053	48,904,048
Professional Fees	58,625,796	55,725,363
Supplies	43,471,389	38,950,323
Depreciation and Amortization	12,871,725	13,350,695
Purchased Services	22,106,908	20,628,328
Registry	7,238,921	724,313
Interest	2,369,356	2,575,002
Other	13,313,006	10,803,001
Total Operating Expenses	306,104,568	290,009,568
OPERATING INCOME (LOSS)	(5,521,705)	4,301,697
NONOPERATING INCOME (EXPENSE)		
Investment Income	1,480,371	14,603,634
Unrealized Losses on Investments, Net	(15,062,933)	(47,436)
Other	264,415	(1,734,759)
Net Nonoperating (Expense) Income	(13,318,147)	12,821,439
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(18,839,852)	17,123,136
Pension Related Changes Other than Net Periodic Pension Cost	14,673,867	63,635,759
Net Assets Released from Restriction for Purchase of Property and Equipment	761,923	606,305
CHANGE IN NET ASSETS	(3,404,062)	81,365,200
Net Assets Without Donor Restrictions - Beginning of Year	172,578,309	91,240,524
Member Distributions	(38,385)	(27,415)
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	$ 169,135,862	$ 172,578,309

See accompanying Notes to Consolidated Financial Statements.

MARSHALL MEDICAL CENTER AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEARS ENDED OCTOBER 31, 2022 AND 2021

	2022	2021
CONTRIBUTIONS	$ 891,512	$ 354,434
Net Assets Released from Restriction for Purchase of Property and Equipment	(761,923)	(606,305)
(DECREASE) INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	129,589	(251,871)
Net Assets With Donor Restrictions - Beginning of Year	212,318	464,189
NET ASSETS WITH DONOR RESTRICTIONS - END OF YEAR	$ 341,907	$ 212,318
(DECREASE) INCREASE IN NET ASSETS	$ (3,312,858)	$ 81,085,914
Net Assets - Beginning of Year	172,790,627	91,704,713
NET ASSETS - END OF YEAR	$ 169,477,769	$ 172,790,627

See accompanying Notes to Consolidated Financial Statements.

MARSHALL MEDICAL CENTER AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (3,274,473)	$81,113,329
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	12,871,725	13,350,695
Amortization of Bond Premium	(620,398)	(620,398)
Amortization of Bond Issuance Costs	120,046	126,849
Amortization of Right-of-Use Lease Asset - Operating	1,765,253	2,425,650
Provision for Bad Debts	5,345,878	4,986,945
Net Unrealized Losses on Investments	15,062,933	47,436
Pension Related Changes Other than Net Periodic Pension Cost	(14,673,867)	(63,635,759)
Gains on Disposal of Assets	-	(10,000)
Restricted Contributions	(891,512)	(354,434)
Changes in Operating Assets and Liabilities:		
Patient Accounts Receivable	(3,691,843)	(11,361,635)
Estimated Third-Party Payor Settlements Receivable	932,437	289,564
Inventories	137,483	(297,697)
Prepaid Expenses	109,620	305,944
Other Receivables	(914,010)	(638,411)
Other Noncurrent Assets	403,891	491,936
Bond Interest Payable	(65,018)	(100,486)
Accounts Payable and Accrued Expenses	(2,880,270)	634,401
Accrued Compensation and Related Costs	5,405,170	4,979,922
Liability for Pension Benefits	(8,853,100)	(4,162,314)
Lease Liability - Operating	(1,794,074)	(2,223,910)
Medicare Advance Payments	(21,824,473)	(8,175,527)
Estimated Third-Party Payor Settlements Liabilities	(18,043)	(125,000)
Net Cash Provided (Used) by Operating Activities	(17,346,645)	17,047,100
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(12,031,959)	(12,601,333)
Purchases of Assets Limited as to Use	(14,386,745)	(44,219,454)
Proceeds from Sale of Assets Limited as to Use	11,266,026	13,149,994
Net Cash Used by Investing Activities	(15,152,678)	(43,670,793)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(2,633,106)	(2,519,595)
Restricted Contributions	891,512	354,434
Member Distributions	(38,385)	(27,415)
Net Cash Used by Financing Activities	(1,779,979)	(2,192,576)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(34,279,302)	(28,816,269)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	66,925,703	95,741,972
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 32,646,401	$ 66,925,703

See accompanying Notes to Consolidated Financial Statements.

MARSHALL MEDICAL CENTER AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED OCTOBER 31, 2022 AND 2021

	2022	2021
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash and Cash Equivalents	$ 20,539,845	$34,610,299
Board Designated	837,593	1,811,194
Bond Funds - Held by Trustee	11,268,963	30,504,210
Cash, Cash Equivalents, and Restricted Cash	$ 32,646,401	$ 66,925,703
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 2,934,731	$ 4,280,027
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisitions of Property and Equipment	$ 15,020,128	$14,587,085
Less: Trade-In Value	43,000	2,600
Less: Purchases of Property and Equipment Included in Accounts Payable	2,945,169	1,983,152
Cash Paid for Property and Equipment	$ 12,031,959	$ 12,601,333

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Marshall Medical Center (the Medical Center) is a nonprofit corporation located in Placerville, California, providing health care services to the residents of El Dorado County and the surrounding areas. The Medical Center operates a 111-bed general acute care hospital with a full range of medical, surgical, emergency, and obstetric services. Marshall Medical Foundation is a division of the Medical Center and is comprised of outpatient primary clinics including rural health clinics, and specialty clinics, located throughout El Dorado County and focusing on population health to meet the needs of the community.

The Medical Center has an 87% membership interest in El Dorado Surgery Center, LLC, a California limited liability company (the Surgery Center). The Medical Center is the managing member of the Surgery Center.

Collectively, the Medical Center and the Surgery Center are defined as “the Organization.”

Principles of Consolidation

The consolidated financial statements include the accounts of the Medical Center and its majority-owned subsidiary, the Surgery Center. Noncontrolling interest represents the minority members’ proportionate share of the members’ interest. All material intercompany transactions and balances have been eliminated in the consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers highly liquid investments, such as money market accounts and certificates of deposit with maturities of less than 90 days, as cash equivalents.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Assets Limited as to Use

Assets limited as to use consist of board-designated assets set aside by the Medical Center’s board of directors (the Board) for future capital improvements, assets held by a trustee under indenture agreements, and beneficial interest held by Marshall Foundation for Community Health (the Foundation). The Board retains control over board-designated assets and at its discretion may subsequently use them for other purposes. Assets held by the trustee under indenture agreements are used by the trustee to make interest, principal, and insurance payments related to the bonds and to maintain reserve funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Bond Insurance, Net

Prepaid bond insurance costs are deferred and amortized using the effective interest method over the life of the bonds. As of October 31, 2022 and 2021, prepaid bond insurance costs were $4,285,000. As of October 31, 2022 and 2021, accumulated amortization of the bond insurance costs was $1,371,000 and $1,130,000, respectively, and amortization expense was $241,000 and $249,000 for the years ended October 31, 2022 and 2021, respectively.

Patient Accounts Receivable

Accounts receivable are reduced by explicit and implicit price concessions. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate implicit price concession. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of implicit price concessions.

For services provided to patients who have third-party coverage, the Organization reduces accounts receivable by contracted discounts and explicit price concessions, as well as estimated contractual adjustments and implicit price concessions, as necessary (for example, expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off as implicit price concessions.

Intangible Assets

Intangible assets reflect goodwill which consists of the excess of cost over net tangible assets pursuant to the acquisition of medical practices. As of October 31, 2022 and 2021, goodwill amounted to $14,000 and accumulated amortization of intangible assets was $-0-.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets (Continued)

The Organization accounts for goodwill pursuant to Accounting Standards Codification (ASC) 350 *Intangibles - Goodwill and Other.* Goodwill represents the excess of cost over fair value of assets of businesses acquired. In order to evaluate goodwill for impairment, the Organization assesses qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount at its measurement date of October 31 each year. If this were the case, the Organization would perform a more detailed two-step goodwill impairment test, used to identify potential goodwill impairments and to measure the amount of goodwill impairment losses to be recognized, if any.

In assessing the qualitative factors to determine whether it was more likely than not that the fair value of a reporting unit was less than its carrying amount, the Organization assessed relevant events and circumstances that would impact the fair value and the carrying amount of the reporting unit. The identification of relevant events and circumstances and how they may impact a reporting unit's fair value or carrying amount involve significant judgments and assumptions. Based upon the Organization's qualitative impairment analysis, conducted in accordance with Accounting Standards Update (ASU) No. 2011-08, the Organization concluded that there were no impairments to be recognized during the years ended October 31, 2022 and 2021.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets were considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell or dispose. During the years ended October 31, 2022 and 2021, the Organization did not incur any impairment losses on long-lived assets.

Property and Equipment

Property and equipment are recorded at cost. Interest cost incurred on borrowed funds during the construction period of capital assets is capitalized as a component of the cost of acquiring those assets. The Organization capitalizes fixed assets with a cost greater than $3,500 or groups of like assets with an aggregated cost greater than $5,000. Depreciation is computed using the straight-line method over the estimated useful life of each class of depreciable assets as follows (with leasehold improvements depreciated over the lesser of the lease term and the estimated useful life of the asset):

Land Improvements	10 to 25 Years
Buildings and Improvements	10 to 50 Years
Equipment	3 to 25 Years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

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

Leases

The Company determines if an arrangement is a lease at inception. In the statement of financial position, operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases, if any, are included in right-of-use (ROU) assets – financing and lease liability – financing.

ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term.

Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating leases is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included in lease liabilities or right of use assets on the consolidated balance sheets. The individual lease contracts may not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities. The Organization has elected not to separate nonlease components, if any, from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization's net assets with donor restrictions consist of restricted contributions held by the Foundation to be used for the benefit of the Organization.

Workers' Compensation

The Organization maintains an insurance policy against workers' compensation losses. For the years ended October 31, 2022 and 2021, the Organization had a $-0- deductible per occurrence with no aggregate limit for its workers' compensation policy. As of October 31, 2006 and prior, the Organization was self-insured for workers' compensation claims with a $250,000 deductible per occurrence and no aggregate limit. Losses from asserted and unasserted claims identified under the Organization's reporting system are accrued based on estimates that incorporate the Organization's past experience and relevant trend factors. The workers' compensation liability is recorded in accounts payable and accrued expenses, and the related insurance benefits receivable is recorded in other receivables on the consolidated balance sheets. The Organization had $500,000 in deposits and restricted cash as of October 31, 2022 and 2021.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Malpractice and Employment Practices Insurance Coverage

The Organization has purchased claims-made insurance to cover hospital and contracted clinicians' malpractice claims reported to the insurance carriers during the terms of the policies. The hospital policy has a $1,000 deductible per claim and maximum liability coverage of $5 million per claim. Additionally, the policy is limited to a maximum aggregate payout of $15 million per year. The contracted clinicians' policy has a maximum liability of $1 million per claim for anesthesiologists and other health care professionals. Additionally, the policy is limited to a maximum aggregate payout of $3 million per year for anesthesiologists and other physicians, and $10 million per year inclusive of all named entities, including nonphysician health care professionals. Separately, the hospital has purchased a Directors and Officers policy for employment practices with limits of $5 million per claim and $5 million in aggregate with a per claim deductible of $35,000. Claims-made insurance policies cover only malpractice and employment practices claims reported to the insurance carrier during the terms of the policies, regardless of the dates of the incidents giving rise to the claims. Costs related to losses from both reported and unreported claims are estimated by the Organization and accrued as a long-term liability. Those estimates are based on the Organization's experience of reported claims and eventual losses. The full deductible of malpractice and employment practices liability is recorded in accounts payable and accrued expenses and the related insurance claims receivable is recorded in other receivables.

Excess (Deficit) of Revenues over Expenses

Excess revenues over expenses, as reflected in the accompanying consolidated statements of operations and changes in net assets, is the Organization's performance indicator. The Organization's primary purpose is to provide comprehensive health care services to the community. As such, all activities related to the ongoing operations of the Organization are classified as operating activities. Operating revenues include those generated from direct patient care, related support services, and sundry revenues related to the operation of the Organization. Changes in net assets with donor restrictions, contributions of long-lived assets, and pension related changes other than net periodic pension cost are excluded from excess of revenues over expenses, consistent with industry practice.

Patient Service Revenue

The Organization has agreements with third-party payors that provide payments to the Organization at amounts different from its established rates. Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as tentative and final settlement amounts are determined.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charity Care

The Organization provides care to patients who meet certain criteria under its discounted payment and charity care policy without charge or at amounts less than its established rates. The Organization does not pursue collection of amounts determined to qualify as charity care. Charity care provided during the years ended October 31, 2022 and 2021, measured on the basis of estimated uncompensated costs, was $1,625,000 and $1,591,000, respectively. The estimated cost of providing charity care is calculated by multiplying the ratio of cost to gross charges for the Organization by the gross uncompensated charges associated with providing charity care to its patients.

Income Taxes

The Medical Center is a tax-exempt organization and is not subject to federal or state income taxes, except for unrelated business income, in accordance with Section 501(c)(3) of the Internal Revenue Code. In addition, the Medical Center qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation. The provision for income taxes was $-0- for the years ended October 31, 2022 and 2021.

Although the Medical Center is a nonprofit organization under the provisions of Section 501(c)(3) of the Internal Revenue Code, the Medical Center's subsidiary, the Surgery Center, pays an annual state franchise fee and a limited liability company fee based on gross revenue. Because the Surgery Center is treated by the IRS as a partnership that files a Form 1065, the Surgery Center's activities and net earnings pass through to the members who each determine the impact, if any, on the member's income tax liability.

Fair Value of Financial Instruments

Due to the short-term nature of cash and cash equivalents, accounts payable and accrued expenses, and third-party reimbursement contracts, their carrying values approximate their fair values. The fair value amounts of assets limited as to use are determined based on quoted market prices and dealer quotes for similar investments (Notes 6 and 7). Considerable judgment is required to develop estimates of fair value. The use of different market assumptions and/or estimation methodologies may affect the estimated fair value amounts. The fair value estimates are based on pertinent information available to management as of October 31, 2022 and 2021. Accordingly, the estimates are not necessarily indicative of the amounts the Organization could have realized in a current market exchange. The fair value of long-term debt is estimated based on quoted market prices for the bonds or similar financial instruments and approximates its carrying value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Affiliation Agreements

In December 2021, the Organization executed an affiliation agreement for cancer services with UC Davis Health (UCDH), which allows patients access to the UC Davis Comprehensive Cancer Center through the UC Davis Health Cancer Care Network. The Organization has formed an LLC with UCDH, (the LLC), which shall be owned initially 90% by UCDH and 10% by the Organization, based on Initial Capital Contributions of $10,000. The LLC shall loan the Organization up to $10,000,000 (first phase capital contributions), or as the parties otherwise agree, to fund tenant improvements and the acquisition of radiation oncology equipment. First phase capital contributions are not expected to be utilized until 2027.

Adoption of New Accounting Pronouncements

In May 2014, the FASB issued new accounting guidance, Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*, on revenue recognition. ASU 2014-09's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. The Organization adopted this guidance as of November 1, 2020, using the full retrospective method of transition.

The new standard provides for a single five-step model to be applied to all revenue contracts with customers, as well as requiring additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. Companies have an option to use either a retrospective approach or cumulative effect adjustment approach to implement the standard. The Organization adopted ASU 2014-09 using the full retrospective method for all contracts. The Organization applied the new guidance using the following practical expedients which are provided in Topic 606: completed contracts that began and ended in the same year were not restated; the actual rather than estimated consideration was used to determine the transaction price; and the amount of the transaction price allocated to the remaining performance obligations and details of when the Organization expects to recognize that amount as revenue for 2020 was not disclosed. The effects of applying these expedients were not significant to the consolidated financial statements. The adoption of this accounting standard was retrospectively applied to the periods presented and did not have an impact on the Organization's financial position or changes in net assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncements (Continued)

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the requirements of the guidance effective November 1, 2020 and elected to adopt the package of practical expedients available in the year of adoption. The Organization also elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Company's ROU assets.

Subsequent Events

Subsequent events are events or transactions that occur after the consolidated balance sheet date but before the consolidated financial statements are issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before the consolidated financial statements were issued. The Organization has evaluated subsequent events through February 23, 2023, which is the date the consolidated financial statements were issued.

On November 21, 2022, the Medical Center entered into a five-year lease agreement, along with a purchase and sale agreement, with the intention to exercise an option to purchase the underlying El Dorado Hills building for $14,723,000 within a year, August 15, 2023 at the earliest. The monthly lease payment will be $93,000, with a credit of $49,000 per month from April 2023 through the close of escrow on the building purchase. If the county does not allow for subdivision of the property or if certain other requirements are not met by the seller as identified in the lease and purchase agreements, the Medical Center intends to take advantage of the option to terminate the lease and forgo the purchase option on that basis.

As of January 26, 2023, The Medical Center assumed 100% membership interest and resulting control over the Foundation, whose operating results will be consolidated with those of the Organization as of January 26, 2023.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other third party restrictions limiting their use, within one year of the statement of financial position date, are comprised by the following:

	2022	2021
Cash and Cash Equivalents	$ 20,539,845	$34,610,299
Patient Accounts Receivable, Less Allowance for Doubtful Accounts	59,444,569	61,098,604
Board Designated	53,245,934	81,063,395
Total Available to Meet Cash Needs Within One Year	$ 133,230,348	$176,772,298

As part of the Organization's liquidity management plan, cash in excess of daily requirements may be invested in accordance with the Organization's investment policy. Additionally, board-designated assets, while generally reserved for long-term projects three or more years in the future, may be utilized at the discretion of the Board for operations if necessary (Note 7).

NOTE 3 PATIENT SERVICE REVENUE

Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government payors), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors several days after the services have been performed and/or the patient has been discharged from the facility. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. Performance obligations satisfied over time relate primarily to inpatient acute care services. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Organization does not believe it is required to provide additional goods or services to the patient. The Organization 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. The Organization measures the performance obligation generally when goods or services are provided to our patients and customers (for example, from admission into the hospital, or the commencement of an outpatient service). Performance obligations pertaining to other revenue, such as café sales, are considered to be satisfied at a point in time related to when goods are provided to our patients and customers in a retail setting and the Organization does not believe it is required to provide additional goods or services related to that sale.

NOTE 3 PATIENT SERVICE REVENUE (CONTINUED)

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

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

Medicare

Inpatient acute services rendered to Medicare program beneficiaries are paid at prospectively-determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors including patient length of stay. Outpatient services related to Medicare beneficiaries are paid based on a fee schedule. Annual cost reports are submitted and are subject to audit by the Medicare fiscal intermediary. The Organization's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Organization. The Organization's Medicare cost reports have been audited by the Medicare fiscal intermediary and final settlements have been received through October 31, 2018.

Medi-Cal

Inpatient acute services rendered to Medi-Cal program beneficiaries are paid at prospectively-determined rates per discharge, varying according to a patient classification system that is based on clinical, diagnostic, and other factors including patient length of stay. Outpatient services are paid at prospectively-determined rates per procedure. The Organization's Medi-Cal cost reports have been audited by the Department of Health Care Services through October 31, 2020 and final settlements have been received through the year ended October 31, 2019.

Other

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

Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

NOTE 3 PATIENT SERVICE REVENUE (CONTINUED)

Patient service revenue increased by $255,000 and $831,000 for the years ended October 31, 2022 and 2021, respectively, due to the impact of tentative or final settlements compared to prior years' estimates.

For uninsured patients who do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the statement of activities as a component of patient service revenue.

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients, as well as insured patients with uninsured balances (for example, copayments and deductibles). The implicit price concessions included in estimating the transaction price represents the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients.

Generally, patients who are covered by third-party payors are responsible for related deductibles, copayments and coinsurance, which vary in amount. The Organization also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles, copayments and coinsurance, as well as from those who are uninsured, based on historical experience and current market conditions. Patients who meet the Organization's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and implicit price concessions based on historical collection experience.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by numerous factors, including varying reimbursement protocols of different payors (such as prospective payment, fee schedule and percent of charges), patient care setting (such as inpatient, hospital outpatient and physician clinic) and patient length of stay.

NOTE 3 PATIENT SERVICE REVENUE (CONTINUED)

The Organization recognized revenue as of October 31, 2022 and 2021 of $289,398,000 and $291,927,000, respectively, from goods and services that transfer to the customer over time.

The Organization 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 Organization'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 Organization 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.

The difference between charges generated from agreements with third-party payors and the related payment amounts are reflected as explicit and implicit price concessions for the years ended October 31, was as follows:

	2022	2021
Gross Patient Service Revenue	$ 1,371,234,977	$1,261,772,142
Contractual Discounts	(1,081,836,613)	(969,845,532)
Patient Service Revenue	$ 289,398,364	$ 291,926,610

Patient service revenue by payor mix, net of price concessions recognized in the years ended October 31, was as follows:

	2022	2021
Medicare	$ 116,367,815	105,675,151
Medi-Cal	60,943,779	62,711,594
Other Third-Party and Government Payors	121,321,365	122,176,220
Self-Pay	(9,234,595)	1,363,645
Total	$ 289,398,364	$ 291,926,610

The opening and closing contract balances were as follow:

	Receviable
Balance as of November 1, 2020	$ 54,723,914
Balance as of October 31, 2021	61,098,604
Balance as of October 31, 2022	59,444,569

NOTE 4 HOSPITAL FEE PROGRAM

The California Hospital Fee Program (the Program) began July 1, 2011, and is comprised of laws enacted by the state of California. Program periods which impact financial results in 2022 and 2021, include July 1, 2019 through December 31, 2021 (Program VI) and January 1, 2022 through December 31, 2022 (Program VII). The Program requires a Quality Assurance Fee (QA Fee) to be paid by certain hospitals to a state fund established to accumulate the assessed QA Fees and receive matching federal funds. As a designated rural hospital for Medi-Cal purposes, the Organization is not required to pay QA Fees. QA Fees are supplemented by matching federal funds and paid to participating hospitals using two payment methodologies: a fee for service methodology and a managed care plan methodology. As of July 1, 2017, the managed care plan methodology began transitioning from a pass-through approach, based on historical Medi-Cal visits, to a directed payment model, based on current encounter data for only those plans with which the Medical Center is contracted for Medi-Cal managed care.

On February 25, 2020, CMS approved Program VI for the period July 1, 2019 through December 31, 2021. For the years ended October 31, 2022 **and 2021**, net patient service revenue included estimated supplemental payments of $676,000 and $4,085,000, respectively, for the fee for services portion of the program, and $5,648,000 and $15,209,000, respectively, for managed care.

On September 30, 2022, CMS approved Program VII for the period January 1, 2022 through December 31, 2022. For the years ended October 31, 2022 **and 2021**, net patient service revenue included estimated supplemental payments of $3,557,000 and $0, respectively, for the fee for services portion of the program, and $10,690,000 and $0, respectively, for managed care.

NOTE 5 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk include cash and cash equivalents, assets limited as to use (primarily cash and cash equivalents, certificates of deposit, marketable equity, and debt securities), and patient accounts receivable. Cash and cash equivalents are held in various financial institutions and, at times, such balances may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Organization has not experienced any losses on its deposits of cash and cash equivalents.

NOTE 5 CONCENTRATION OF CREDIT RISK (CONTINUED)

The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows as of October 31:

	2022	2021
Medicare - Traditional	29 %	26 %
Medicare - Managed Care	10 %	9 %
Medi-Cal - Traditional	3 %	3 %
Medi-Cal - Managed Care	10 %	12 %
Individual Patients	17 %	15 %
Private Insurance/Other Contracted Payors - Traditional	5 %	7 %
Private Insurance/Other Contracted Payors - Managed Care	26 %	28 %
Total	100 %	100 %

NOTE 6 FAIR VALUE OF ASSETS AND LIABILITIES

ASC 820, *Fair Value Measurements,* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value (Notes 9 and 12). The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

Available-for-Sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market securities, certificates of deposit, U.S. treasury and agency debt securities, mutual funds, and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

NOTE 6 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Closely Held Securities

Cayman Islands Exempted Company – The Lighthouse Diversified Fund Limited (the Fund) is a Cayman Islands Exempted Company valued at estimated fair value of the underlying net assets in the Fund. The Fund is a fund of funds whose investment objective is to seek consistent stable returns by allocating the Fund's assets to subadvisors who use a variety of investment strategies and invest across a wide range of investments. There is no secondary market for the Fund. In determining the Fund net asset value (NAV), the fund manager relies significantly on the subadvisors for fund investments. Except upon the death or bankruptcy of a shareholder, participating shares are not transferable without the prior written consent of the Fund, which consent may be withheld in its sole discretion.

There are also significant restrictions on redemptions of participating shares (which may be settled in securities rather than cash), as well as a "holdback" on redemptions pending the completion of the Fund's annual audit. Consequently, shareholders are likely to be able to dispose of their participating shares only by means of a redemption at the net asset value at the close of business monthly on 90 days' prior written notice to the Fund, in the absence of an active secondary market. The risk of any decline in the value of participating shares during the period from the date of notice of redemption until the redemption date will be borne by the shareholder requesting a redemption. Shareholders may not be able to liquidate their investments readily in the event of emergency or for any other reason. An investment in the Fund is illiquid and subject to risk. The Fund may need to suspend or postpone redemptions if it is not able to liquidate investments in a timely manner. Further, if significant redemptions of participating shares are requested, it may not be possible to liquidate the Fund's investments at the time such redemptions are requested or the Fund may be able to do so only at prices which the Investment Manager believes do not reflect the true value of such investments, resulting in an adverse effect on the return to the investors. During the year ended October 31, 2021, the Fund was fully redeemed by the Organization without incurring material costs.

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within fair value hierarchy in which the fair value measurements fall as of October 31.

	2022			
	Level 1	Level 2	Level 3	Balance
Money Market Securities	$ 12,448,463	$ -	$ -	$ 12,448,463
Certificates of Deposit	14,772,056	-	-	14,772,056
Equities	2,605,950	-	-	2,605,950
Mutual Funds:				
Large Cap Core	11,264,455	-	-	11,264,455
Small Cap Value	2,815,186	-	-	2,815,186
International Core	10,900,233	-	-	10,900,233
Fixed Income	24,822,517	-	-	24,822,517
Total Mutual Funds	49,802,391	-	-	49,802,391
Total	$ 79,628,860	$ -	$ -	$ 79,628,860

NOTE 6 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

	2021			
	Level 1	Level 2	Level 3	Balance
Money Market Securities	$ 32,527,721	$ -	$ -	$ 32,527,721
Equities	4,044,293	-	-	4,044,293
Mutual Funds:				
Large Cap Core	17,206,141	-	-	17,206,141
Small Cap Value	4,091,859	-	-	4,091,859
International Core	16,650,819	-	-	16,650,819
Fixed Income	37,259,089	-	-	37,259,089
Total Mutual Funds	75,207,908	-	-	75,207,908
	$ 111,779,922	$ -	$ -	$ 111,779,922

NOTE 7 ASSETS LIMITED AS TO USE

Assets limited as to use, which include board-designated assets as well as bond funds held by trustee and beneficial interest held by the Foundation, consist primarily of money market securities, mutual funds, equity securities, closely held securities, and U.S. treasury and agency debt securities. Although not restricted pursuant to agreements with third parties, board-designated assets are generally reserved for use on long-term projects unless the Board, at its discretion, deems it appropriate to utilize them for current operations.

The composition of assets limited as to use is set forth in the following table as of October 31:

	2022	2021
Board Designated:		
Money Market Securities	$ 837,593	$ 1,811,194
Mutual Funds	49,802,391	75,207,908
Equities	2,605,950	4,044,293
Subtotal	53,245,934	81,063,395
Bond Funds - Held by Trustee:		
Money Market Securities	11,268,963	30,504,210
Certificates of Deposit	14,772,056	-
Subtotal	26,041,019	30,504,210
Beneficial Interest Held by Marshall Foundation for Community Health		
Money Market Securities	341,907	212,317
Assets Limited as to Use	$ 79,628,860	$ 111,779,922

NOTE 7 ASSETS LIMITED AS TO USE (CONTINUED)

Investment income and gains (losses) on assets limited as to use, cash equivalents, and other investments are as follows for the years ended October 31:

	2022	2021
Investment Income	$ 1,480,371	$ 14,603,634
Unrealized Losses	(15,062,933)	(47,436)
Total Investment Income	$ (13,582,562)	$ 14,556,198

NOTE 8 PROPERTY AND EQUIPMENT

The cost of property and equipment by major class consists of the following as of October 31:

	2022	2021
Land and Improvements	$ 24,702,446	$ 24,550,195
Buildings and Improvements	155,679,253	153,276,530
Equipment	115,518,014	108,523,877
Subtotal	295,899,713	286,350,602
Less: Accumulated Depreciation	190,887,826	180,041,407
Subtotal	105,011,887	106,309,195
Construction in Progress	18,113,848	14,493,391
Property and Equipment, Net	$ 123,125,735	$ 120,802,586

During fiscal 2022 **and 2021**, the Organization was engaged in construction contracts of $24,103,000 and $25,178,000, respectively. Remaining commitments on the contracts as of October 31, 2022 **and 2021** were $12,075,000 and $15,166,000, respectively.

Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Net interest costs capitalized during the years ended October 31, 2022 and 2021 were $1,246,000 and $1,169,000, respectively.

NOTE 9 LONG-TERM DEBT

Long-term debt is summarized as follows as of October 31:

	2022	2021
California Health Facilities Financing Authority Insured Hospital Revenue Bonds, 2012 Series A	$ 1,535,000	$ 3,015,000
Unamortized Bond Premium	-	183,242
Total Insured Hospital Revenue Bonds, 2012 Series A	1,535,000	3,198,242
California Health Facilities Financing Authority Insured Hospital Revenue Bonds, 2015 Series A	23,480,000	24,495,000
Unamortized Bond Premium	2,099,292	2,290,136
Total Insured Hospital Revenue Bonds, 2015 Series A	25,579,292	26,785,136
California Health Facilities Financing Authority Insured Hospital Revenue Bonds, 2020 Series A	46,975,000	46,975,000
Unamortized Bond Premium	7,143,025	7,389,337
Total Insured Hospital Revenue Bonds, 2020 Series A	54,118,025	54,364,337
California Health Facilities Financing Authority Insured Hospital Revenue Bonds, 2020 Series B	21,840,000	21,900,000
Other Long-Term Debt	-	78,106
Subtotal	103,072,317	106,325,821
Less Unamortized Bond Issuance Costs	1,241,701	1,361,747
Subtotal	101,830,616	104,964,074
Less Amount Required to Meet Current Portion	2,685,000	2,633,106
Long-Term Debt, Net	$ 99,145,616	$ 102,330,968

In April 2020, the California Health Facilities Financing Authority issued $46,975,000 of Insured Hospital Revenue and Refunding Bonds, 2020 Series A, and $21,900,000 of Insured Revenue Bonds, 2020 Series B, on behalf of the Organization to advance refund $20,000,000 of 2004 Series B Bonds outstanding, finance certain capital projects, fund certain reserve accounts, and pay the cost of issuance.

Interest on the 2020 Series A Bonds is payable semiannually at rates ranging from 4.0% to 5.0%. Future principal maturities of the 2020 Series A Bonds aggregating $46,975,000 range from $1,945,000 to $3,685,000 per year and are due annually on November 1 beginning 2035 through 2051. The 2020 Series A Bonds included issuance costs of $803,000 and were issued at a premium of $7,760,000.

NOTE 9 LONG-TERM DEBT (CONTINUED)

Interest on the 2020 Series B Bonds is payable semiannually at rates ranging from 3.0% to 3.6%. Future principal maturities of the 2020 Series B Bonds aggregating $21,840,000 range from $80,000 to $2,135,000 per year and are due annually on November 1 through 2037. The 2020 Series B Bonds included issuance costs of $445,000.

In April 2015, the California Health Facilities Financing Authority issued $26,895,000 of Insured Hospital Revenue Bonds, 2015 Series A (2015 Bonds), on behalf of the Organization to advance refund $29,010,000 of 2004 Series A Bonds outstanding, to fund certain reserve accounts, and to pay the cost of issuance.

Interest on the 2015 Bonds is payable semiannually at rates ranging from 3.0% to 5.0%. Future principal maturities of the 2015 Bonds aggregating $23,480,000 range from $1,070,000 to $2,515,000 per year and are due annually on November 1 through 2033.

In September 2012, the California Health Facilities Financing Authority issued $17,805,000 of Insured Hospital Revenue Bonds, 2012 Series A (2012 Bonds), on behalf of the Organization to advance refund $4,485,000 and $16,610,000 of 1993 Series A and 1998 Series A Bonds outstanding, respectively, to fund certain reserve accounts, and to pay the cost of issuance.

Interest on the 2012 Bonds is payable semiannually at 5.0%. The final principal maturity of the 2012 Bonds is $1,535,000, due on November 1, 2022.

The bonds are secured by a pledge of gross revenues and a first deed of trust on substantially all Organization property and equipment with the exception of equipment acquired with proceeds from the promissory note with the U.S. Department of Agriculture. Repayment is insured through the California Health Facility Construction Loan Insurance Program administered by the state of California Department of Health Care Access and Information (HCAI, formerly Office of Statewide Health Planning and Development).

NOTE 9 LONG-TERM DEBT (CONTINUED)

The Organization is required to maintain a debt service coverage ratio of at least 1.25 to 1. The Organization is also required to make monthly deposits to the trustee for serial bond principal payments and interest payments becoming due and payable within the next 12 months. Aggregate monthly deposits required were $560,000 and $559,000 at October 31, 2022 and 2021, respectively.

At October 31, 2022, the fair value of the 2020 Series A and B Bonds, 2015 Series A Bonds, and 2012 Series A Bonds (the Bonds) was estimated at $89,307,000. The Bonds are measured on a recurring basis and are valued using third-party pricing services utilizing observable market-based data. Since pricing inputs for the Bonds are based on quoted prices for identical or similar instruments in markets that are not active, they are classified as Level 2.

Bond issuance costs are deferred and amortized using the effective interest method over the life of the bonds as part of interest expense. As of October 31, 2022 **and 2021**, bond issuance costs totaled $2,194,000. As of October 31, 2022 and 2021, and for the years then ended, accumulated amortization of the bond issuance costs were $952,000 and $832,000 respectively, and amortization, as included in interest expense, was $120,000 and $127,000, respectively.

Bond premiums are deferred and amortized using the effective interest method over the life of the bonds as part of interest expense. As of October 31, 2022 **and 2021**, bond premiums totaled $13,165,000. As of October 31, 2022 and 2021, and for the years then ended, accumulated amortization of the bond premiums were $3,923,000 and $3,302,000, respectively, and amortization, as included in interest expense, was $620,000 and $620,000, respectively.

Maturities of long-term debt are as follows:

Year Ending October 31,	Long-Term Debt
2023	$ 2,685,000
2024	2,810,000
2025	2,925,000
2026	3,050,000
2027	3,180,000
Thereafter	79,180,000
Total	93,830,000
Add Net Unamortized Bond Premium	9,242,317
Less: Net Unamortized Bond Issuance Costs	(1,241,701)
Subtotal	101,830,616
Less: Amount Required to Meet Current Obligations	2,685,000
Total	$ 99,145,616

NOTE 10 RELATED PARTY TRANSACTIONS

The Foundation exists to promote health care in the community. The Foundation's efforts benefit the Organization and other health care related entities. The Foundation is authorized by the Organization to solicit contributions on the Organization's behalf; however, the Organization exercises no control over the Foundation and therefore it is not consolidated in these financial statements. The Foundation periodically contributes to the Organization, generally designating contributions for property and equipment acquisition or for community-based education and wellness programs. For the years ended October 31, 2022 and 2021, the Foundation directly contributed $210,000 and $371,000, respectively, to the Organization, and provided indirect support to the Organization through programs and services paid to other vendors in the amount of $58,000 and $124,000, respectively. Beneficial interest held by the Foundation at October 31, 2022 and 2021 amounted to $342,000 and $212,000, respectively. The Organization also provides support to the Foundation in the form of office space, utilities, support services, and salary and benefit costs. The value of this support was $300,000 and $273,000 during the years ended October 31, 2022 and 2021, respectively.

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

The Organization classifies net assets with donor restrictions based on restrictions of time and purpose.

Net assets with donor restrictions at October 31 consisted of the following:

	2022	2021
Subject to Expenditure for Specified Purpose:		
Other Funds Designated for Specified Purposes	$ 100,376	$ 105,418
Dementia Endowment/Fund	100,000	-
Intensive Care Unit Fund	52,525	49,244
Pediatric Fund	41,828	41,828
Kitchen Campaign	34,278	2,215
Capital Equipment	12,900	13,613
Total Net Assets with Donor Restrictions	$ 341,907	$ 212,318

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets released from donor restrictions for the years ended October 31 were released for the following purposes:

	2022	2021
Restricted-Purpose Spending-Rate Distributions and Appropriations:		
Tesla Equipment Funded by PG&E	$ 629,334	$ -
Funds from Sale of Property	-	253,828
Other Funds Designated for Specified Purposes	-	152,477
Kitchen Campaign	36,291	100,000
South Wing CT Scanner Project	-	100,000
Cardiac Rehab Fund	93,798	-
Cancer Center Campaign	2,500	-
Total Net Assets Released from Donor Restrictions	$ 761,923	$ 606,305

NOTE 12 DEFINED BENEFIT PENSION AND DEFINED CONTRIBUTION 403(B) PLANS

The Organization historically provided a defined benefit pension plan (the Plan) covering substantially all full-time employees. Benefits, which are paid from a trust established for the Plan, are based on compensation and years of service. The Organization made annual contributions to the Plan based on the minimum amounts required to keep the trust sufficiently funded. The following tables set forth the changes in benefit obligations, changes in Plan assets, and components of net periodic benefit cost for the years ended October 31:

	2022	2021
Change in Benefit Obligation:		
Benefit Obligation - Beginning of Year	$ 228,659,722	$ 246,669,200
Service Cost	-	8,227,766
Interest Cost	5,666,892	5,705,047
Effect of Curtailment due to Plan Freeze	-	(30,495,639)
Change in Assumptions	(83,706,358)	3,356,165
Actuarial Loss	12,357,247	225,818
Benefits Paid	(6,165,615)	(5,028,635)
Benefit Obligation - End of Year	$ 156,811,888	$ 228,659,722
Change in Plan Assets:		
Fair Value of Plan Assets - Beginning of Year	$ 226,316,841	$ 176,528,246
Actual Return on Plan Assets	(42,155,252)	45,424,358
Employer Contributions	-	9,392,872
Benefits Paid	(6,165,615)	(5,028,635)
Fair Value of Plan Assets - End of Year	$ 177,995,974	$ 226,316,841
Funded Status:		
Unrecognized Net Actuarial Loss	$ (6,066,421)	$ (20,740,288)
Prepaid Pension Costs	27,250,507	18,397,407
Funded Status	$ 21,184,086	$ (2,342,881)

NOTE 12 DEFINED BENEFIT PENSION AND DEFINED CONTRIBUTION 403(B) PLANS (CONTINUED)

The Organization recognizes the full funding status of the Plan in the consolidated balance sheets as an asset (for overfunded plans) or as a liability (for underfunded plans). Items not yet recognized as a component of net periodic pension cost include the unrecognized net actuarial loss and the unrecognized prior service cost. No deferred amounts were recognized during the years ended October 31, 2022 and 2021.

The accumulated benefit obligation for the Plan was $156,812,000 and $228,660,000 at October 31, 2022 and 2021, respectively. The Plan was frozen as of June 30, 2021. As a result, participant benefit accruals and credited years of service under the Plan were frozen at June 30, 2021 levels and subsequently hired employees are not eligible for participation. Additionally, any compensation earned after June 30, 2021 will not be considered for determination of a participant's normal retirement benefit.

	2022	2021
Components of Net Periodic Benefit Cost:		
Service Cost	$ -	$ 8,227,766
Interest Cost	5,666,892	5,705,047
Expected Return on Plan Assets	(14,519,992)	(12,585,673)
Recognized Net Actuarial Loss	-	3,883,418
Net Periodic Benefit Cost	$ (8,853,100)	$ 5,230,558

	2022	2021
Assumptions:		
Weighted-Average Assumptions Used to Determine Benefit Obligations at October 31		
Discount Rate	0.00%	0.00%
Rate of Compensation Increase	0.00%	3.50%
Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost for Years Ended October 31		
Discount Rate	0.00%	0.00%
Expected Long-Term Return on Plan Assets	6.50%	6.50%
Rate of Compensation Increase	0.00%	3.50%

The Organization's expected long-term rate of return on Plan assets is determined by historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class as of October 31:

	2022	2021
Plan Assets:		
Equity Securities and Mutual Funds	65 %	65 %
Fixed Income Mutual Funds	35 %	35 %
Total	100 %	100 %

NOTE 12 DEFINED BENEFIT PENSION AND DEFINED CONTRIBUTION 403(B) PLANS (CONTINUED)

The allowable asset mix range and weighted-average target asset allocations are:

	Acceptable Ranges	Target Allocation
Equity Securities and Mutual Funds	55 to 75%	65%
Fixed Income Mutual Funds	15 to 35%	25%
Other Hedge Funds	0 to 20%	10%

The Organization's investment goals are to achieve growth through a balance of principal and income. It is expected that dividend and interest income will comprise a significant portion of the total return with some growth through capital appreciation. Appropriate investments include a targeted mix of fixed income and equity mutual funds. Up to 20% of Plan assets may be invested in marketable alternative asset managers or hedge funds for the purpose of reducing volatility.

The following tables present the Plan assets measured at fair value at October 31:

	2022			
	Level 1	Level 2	Level 3	Balance
Cash and Cash Equivalents	$ 689,534	$ -	$ -	$ 689,534
Equity Securities	8,929,000	-	-	8,929,000
Mutual Funds:				
Large Cap Core	50,312,858	-	-	50,312,858
Small Cap Value	13,461,294	-	-	13,461,294
International Core	42,528,158	-	-	42,528,158
Fixed Income	62,075,130	-	-	62,075,130
Total Mutual Funds	168,377,440	-	-	168,377,440
Total	$ 177,995,974	$ -	$ -	$ 177,995,974

	2021			
	Level 1	Level 2	Level 3	Balance
Cash and Cash Equivalents	$ 2,497,232	$ -	$ -	$ 2,497,232
Equity Securities	13,900,818	-	-	13,900,818
Mutual Funds:				
Large Cap Core	59,476,530	-	-	59,476,530
Small Cap Value	14,059,542	-	-	14,059,542
International Core	58,528,652	-	-	58,528,652
Fixed Income	77,854,067	-	-	77,854,067
Total Mutual Funds	209,918,791	-	-	209,918,791
Total	$ 226,316,841	$ -	$ -	$ 226,316,841

Contributions

The Organization expects to make no contributions to its pension plan in 2023.

NOTE 12 DEFINED BENEFIT PENSION AND DEFINED CONTRIBUTION 403(B) PLANS (CONTINUED)

Estimated Future Benefit Payments

The following future benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year Ending October 31,	Amount
2023	$ 6,762,500
2024	7,331,800
2025	7,963,400
2026	8,664,600
2027	9,249,700
2028-2032	52,688,600
Total	$ 92,660,600

In lieu of the defined benefit pension plan growth in benefits, the Organization added certain enhancements to the defined contribution 403(b) Plan, available to all full-time and part-time benefitted employees. The Organization made a discretionary matching contribution of 100% of elective deferrals up to 1% of compensation for the period of November 1, 2020 through June 30, 2021. For the period of July 1, 2021 through October 31, 2022, the Organization made or accrued a discretionary matching contribution of 50% of elective deferrals on up to 4% of compensation for a maximum of 2% of compensation. For the years ended October 31, 2022 and 2021, the matching contribution expense was $1,883,000 and $1,096,000, respectively.

Also effective July 1, 2021, the Organization makes a fixed percentage nonelective contribution based on each participant's compensation and years of service. Participants who were at least age 45 with 10 or more years of service as of June 30, 2021 receive an additional nonelective contribution equal to 4% of compensation. For the years ended October 31, 2022 and 2021, the nondiscretionary contribution expense was approximately $6,671,000 and $2,322,000, respectively.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Leases

The Organization leases office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2026 and provide for renewal options ranging from one year to five years. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Additionally, the agreements generally require the Organization to pay real estate taxes, insurance, and repairs.

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Leases (Continued)

The following table provides quantitative information concerning the Organization's leases:

	2022	2021
Lease Cost:		
Operating Lease Cost	$ 1,809,116	$ 2,263,544
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	$ 1,794,074	$ 2,223,910
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities:	$ 4,257,713	$ 8,645,479
Weighted-Average Remaining Lease Term - Operating Leases	2.5 years	5.2 years
Weighted-Average Discount Rate - Operating Leases	0.33%	0.57%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of October 31, 2022, is as follows:

Year Ending October 31,	Amount
2023	$ 2,180,094
2024	1,499,684
2025	1,282,868
2026	882,031
2027	302,417
Total Obligations Under Lease Liability - Operating	6,147,094
Less: Amount Representing Interest	(201,020)
Present Value of Obligations Under Lease Liability - Operating	$ 5,946,074

Litigation

The Organization is involved in claims and other litigation arising in the normal course of business. On December 6, 2021, the Organization reached a settlement and executed a settlement agreement in the amount of $5,000,000. Pursuant to this agreement, the Organization had accrued $5,000,000, reflected in accounts payable and accrued expenses on the balance sheet as of October 31, 2021, with a related $2,000,000 in nonoperating income (expense) on the statement of operations for the year then ended. This settlement obligation was fulfilled in September of 2022.

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Seismic Retrofit

The State of California has adopted seismic legislation (SB 1953), which requires all hospitals providing acute care patient services to conduct engineering evaluations of the structural and nonstructural systems in their buildings and to upgrade these systems to meet certain standards. The Organization completed criteria design documents with an architect and consulting engineers that provides an SB 1953 compliance program and optimizes the associated space use of the hospital inpatient buildings. A team of consulting engineers and architects, led by a structural engineering firm, will continue to develop documentation of existing hospital building conditions to meet submittal requirements to HCAI. The documentation by the design team will serve as future exhibits for the procurement of a design-build firm for implementation of the seismic retrofitting construction activities. The Organization will continue to align funding and schedule development of a full capital outlay program which will be required to comply with State reporting requirements starting in 2024 and meet the deadline for seismic compliance of 2030.

NOTE 14 FUNCTIONAL EXPENSES

The Organization provides general health care services to residents within its geographic region. Expenses related to providing these services were as follows for the years ended October 31:

	2022		
	Healthcare Services	General and Administration	Total
Salaries and Wages	$ 81,031,519	$ 20,848,895	$ 101,880,414
Employee Benefits	34,470,025	9,757,028	44,227,053
Professional Fees	55,297,402	3,328,394	58,625,796
Supplies	42,641,858	829,531	43,471,389
Depreciation and Amortization	6,453,174	6,418,551	12,871,725
Purchased Services	9,577,341	12,529,567	22,106,908
Registry	6,860,902	378,019	7,238,921
Interest	2,369,356	-	2,369,356
Other	3,760,891	9,552,115	13,313,006
Total	$ 242,462,468	$ 63,642,100	$ 306,104,568

NOTE 14 FUNCTIONAL EXPENSES (CONTINUED)

	2021		
	Healthcare Services	General and Administration	Total
Salaries and Wages	$ 78,044,509	$ 20,303,986	$ 98,348,495
Employee Benefits	38,291,371	10,612,677	48,904,048
Professional Fees	53,118,097	2,607,266	55,725,363
Supplies	38,312,029	638,294	38,950,323
Depreciation and Amortization	6,469,627	6,881,068	13,350,695
Purchased Services	9,428,689	11,199,639	20,628,328
Registry	558,844	165,469	724,313
Interest	2,574,916	86	2,575,002
Other	3,369,022	7,433,979	10,803,001
Total	$ 230,167,104	$ 59,842,464	$ 290,009,568

NOTE 15 SELF-INSURANCE OF HEALTH CARE BENEFITS

The Organization has a self-insurance program for its employees to provide health and dental care benefits. An estimate of claims incurred but not yet reported, in addition to amounts due and payable on existing claims, for which the Organization is self-insured was included in accounts payable and accrued expenses and totaled $4,600,000 and $2,526,000 as of October 31, 2022 and 2021, respectively. The Organization has a self-insurance reinsurance agreement with an insurance company for a specific stop-loss limit of $225,000 per participant per year, plus an additional $50,000 aggregate annually for certain selected claims. An estimate of amounts receivable for existing claims that met the stop-loss limit was included in other receivables and totaled $1,321,000 and $469,000 as of October 31, 2022 and 2021, respectively.

NOTE 16 COVID-19 PANDEMIC IMPACTS

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic significantly impacted global markets, supply chains, businesses, and communities. The Organization has incurred additional expenses and loss of revenues as a result of its efforts to prevent, prepare for and respond to the COVID-19 pandemic. Such efforts have included emergency preparedness, disease control and containment, planning for and responding to shortages of health care personnel, and loss of revenue due to temporary reductions in certain revenue streams. Management believes the Organization has taken appropriate actions to mitigate potential negative impacts.

NOTE 16 COVID-19 PANDEMIC IMPACTS (CONTINUED)

As part of the Organization's response to the COVID-19 pandemic, it accepted advanced payments from Medicare in the amount of $30,000,000. Repayments began in April 2021 and continued into September 2022, at which time all amounts had been repaid. As of October 31, 2022 and 2021, Medicare advance payments included in accounts payable and accrued expenses were $0 and $21,824,000, respectively.

As part of the Organization's response to the COVID-19 pandemic, it accepted payments from the CARES Act Provider Relief Fund (PRF), which is administered by the U.S. Department of Health and Human Services. The Organization received Provider Relief Funds in the aggregate amounts of $5,678,000, $200,000 and $20,120,000 during the years ended October 31, 2022, 2021 and 2020, respectively, and all amounts were recognized on the consolidated statements of operations and changes in net assets in the years received. Acceptance of the PRF payments entails terms and conditions that the Organization is required to follow, including single audit.

As part of the COVID-19 relief provided by the federal government during calendar 2020, employers were allowed to defer payment of the employer's share of Social Security payroll tax liabilities. The Organization took advantage of this relief and deferred a total of $4,669,000, half of which was paid prior to December 31, 2021, with the remainder due December 31, 2022. As of October 31, 2022 and 2021, deferred amounts included in accounts payable and accrued expenses were $2,334,000. As of October 31, 2021, an additional $2,334,000 was reflected in accrued expenses.

MARSHALL MEDICAL CENTER AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
OCTOBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Marshall Medical	Surgery Center	Subtotal	Eliminations	Consolidated
CURRENT ASSETS					
Cash and Cash Equivalents	$ 20,233,594	$ 306,251	$ 20,539,845	$ -	$ 20,539,845
Current Portion of Bond Funds – Held by Trustee	4,700,261	-	4,700,261	-	4,700,261
Patient Accounts Receivable	59,078,457	366,112	59,444,569	-	59,444,569
Estimated Third-Party Payor Settlements Receivable	1,544,163	-	1,544,163	-	1,544,163
Other Receivables	5,491,772	-	5,491,772	-	5,491,772
Inventories	4,716,546	97,908	4,814,454	-	4,814,454
Prepaid Expenses	2,470,246	10,021	2,480,267	-	2,480,267
Total Current Assets	98,235,039	780,292	99,015,331	-	99,015,331
ASSETS LIMITED AS TO USE					
Board Designated	53,245,934	-	53,245,934	-	53,245,934
Bond Funds – Held by Trustee	26,041,019	-	26,041,019	-	26,041,019
Beneficial Interest Held by Marshall Foundation for Community Health	341,907	-	341,907	-	341,907
Less Current Portion of Bond Funds - Held by Trustee	(4,700,261)	-	(4,700,261)	-	(4,700,261)
Assets Limited as to Use, Net	74,928,599	-	74,928,599	-	74,928,599
PROPERTY AND EQUIPMENT, NET	122,855,228	270,507	123,125,735	-	123,125,735
OTHER ASSETS					
Long-Term Investments	904,055	-	904,055	(904,055)	-
Prepaid Bond Insurance, Net	2,914,310	-	2,914,310	-	2,914,310
Intangible Assets, Net	13,973	-	13,973	-	13,973
Right-of-Use Lease Asset - Operating	5,309,551	463,604	5,773,155	-	5,773,155
Pension Prefunding	21,184,086		21,184,086	-	21,184,086
Other Assets	1,718,993	-	1,718,993	-	1,718,993
Total Other Assets	32,044,968	463,604	32,508,572	(904,055)	31,604,517
Total Assets	$ 328,063,834	$ 1,514,403	$ 329,578,237	$ (904,055)	$ 328,674,182

MARSHALL MEDICAL CENTER AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET (CONTINUED)
OCTOBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Marshall Medical	Surgery Center	Subtotal	Eliminations	Consolidated
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current Portion of Long-Term Debt	$ 2,685,000	$ -	$ 2,685,000	$ -	$ 2,685,000
Bond Interest Payable	2,015,261	-	2,015,261	-	2,015,261
Accounts Payable and Accrued Expenses	26,994,624	8,324	27,002,948	-	27,002,948
Accrued Compensation and Related Costs	21,735,040	49,104	21,784,144	-	21,784,144
Current Portion of Lease Liability - Operating	1,958,595	141,823	2,100,418	-	2,100,418
Medicare Advance Payments	-	-	-	-	-
Estimated Third-Party Payor Settlements Liabilities	356,936	-	356,936	-	356,936
Total Current Liabilities	55,745,456	199,251	55,944,707	-	55,944,707
NONCURRENT LIABILITIES					
Long-Term Debt, Net of Current Portion	99,145,616	-	99,145,616	-	99,145,616
Accrued Expenses	260,434	-	260,434	-	260,434
Lease Liability - Operating, Net of Current Portion	3,519,543	326,113	3,845,656	-	3,845,656
Liability for Pension Benefits	-	-	-	-	-
Total Noncurrent Liabilities	102,925,593	326,113	103,251,706	-	103,251,706
Total Liabilities	158,671,049	525,364	159,196,413	-	159,196,413
NET ASSETS					
Without Donor Restrictions:					
Controlling	169,050,878	836,419	169,887,297	(904,055)	168,983,242
Noncontrolling	-	152,620	152,620	-	152,620
Total Without Donor Restrictions	169,050,878	989,039	170,039,917	(904,055)	169,135,862
With Donor Restrictions	341,907	-	341,907	-	341,907
Total Net Assets	169,392,785	989,039	170,381,824	(904,055)	169,477,769
Total Liabilities and Net Assets	$ 328,063,834	$ 1,514,403	$ 329,578,237	$ (904,055)	$ 328,674,182

MARSHALL MEDICAL CENTER AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
OCTOBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Marshall Medical	Surgery Center	Subtotal	Eliminations	Consolidated
CURRENT ASSETS					
Cash and Cash Equivalents	$ 34,361,650	$ 248,649	$ 34,610,299	$ -	$ 34,610,299
Current Portion of Bond Funds – Held by Trustee	4,575,280	-	4,575,280	-	4,575,280
Patient Accounts Receivable	60,809,986	288,618	61,098,604	-	61,098,604
Estimated Third-Party Payor Settlements Receivable	2,476,600	-	2,476,600	-	2,476,600
Other Receivables	4,577,762	-	4,577,762	-	4,577,762
Inventories	4,851,390	100,547	4,951,937	-	4,951,937
Prepaid Expenses	2,563,830	3,307	2,567,137	-	2,567,137
Total Current Assets	114,216,498	641,121	114,857,619	-	114,857,619
ASSETS LIMITED AS TO USE					
Board Designated	81,063,394	-	81,063,394	-	81,063,394
Bond Funds – Held by Trustee	30,504,210	-	30,504,210	-	30,504,210
Beneficial Interest Held by Marshall Foundation for Community Health	212,318	-	212,318	-	212,318
Less Current Portion of Bond Funds - Held by Trustee	(4,575,280)	-	(4,575,280)	-	(4,575,280)
Assets Limited as to Use, Net	107,204,642	-	107,204,642	-	107,204,642
PROPERTY AND EQUIPMENT,					
Net of Accumulated Depreciation and Amortization	120,546,305	256,281	120,802,586	-	120,802,586
OTHER ASSETS					
Long-Term Investments	784,061	-	784,061	(784,061)	-
Prepaid Bond Insurance, Net	3,154,806	-	3,154,806	-	3,154,806
Intangible Assets, Net	13,973	-	13,973	-	13,973
Right-of-Use Lease Asset - Operating	5,895,479	616,715	6,512,194	-	6,512,194
Other Assets	2,122,884	-	2,122,884	-	2,122,884
Total Other Assets	11,971,203	616,715	12,587,918	(784,061)	11,803,857
Total Assets	$ 353,938,648	$ 1,514,117	$ 355,452,765	$ (784,061)	$ 354,668,704

MARSHALL MEDICAL CENTER AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET (CONTINUED)
OCTOBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

LIABILITIES AND NET ASSETS	Marshall Medical	Surgery Center	Subtotal	Eliminations	Consolidated
CURRENT LIABILITIES					
Current Portion of Long-Term Debt	$ 2,633,106	$ -	$ 2,633,106	$ -	$ 2,633,106
Bond Interest Payable	2,080,279	-	2,080,279	-	2,080,279
Accounts Payable and Accrued Expenses	24,588,041	2,708	24,590,749	-	24,590,749
Accrued Compensation and Related Costs	16,338,558	40,416	16,378,974	-	16,378,974
Current Portion of Lease Liability - Operating	1,812,817	139,782	1,952,599	-	1,952,599
Medicare Advance Payments	21,824,473	-	21,824,473	-	21,824,473
Estimated Third-Party Payor Settlements Liabilities	374,979	-	374,979	-	374,979
Total Current Liabilities	69,652,253	182,906	69,835,159	-	69,835,159
NONCURRENT LIABILITIES					
Long-Term Debt, Net of Current Portion	102,330,968	-	102,330,968	-	102,330,968
Accrued Expenses	2,607,734	-	2,607,734	-	2,607,734
Lease Liability - Operating, Net of Current Portion	4,281,616	479,719	4,761,335	-	4,761,335
Liability for Pension Benefits	2,342,881	-	2,342,881	-	2,342,881
Total Noncurrent Liabilities	111,563,199	479,719	112,042,918	-	112,042,918
Total Liabilities	181,215,452	662,625	181,878,077	-	181,878,077
NET ASSETS					
Without Donor Restrictions:					
Controlling	172,510,878	754,814	173,265,692	(784,061)	172,481,631
Noncontrolling	-	96,678	96,678	-	96,678
Total Without Donor Restrictions	172,510,878	851,492	173,362,370	(784,061)	172,578,309
With Donor Restrictions:	212,318	-	212,318	-	212,318
Total Net Assets	172,723,196	851,492	173,574,688	(784,061)	172,790,627
Total Liabilities and Net Assets	$ 353,938,648	$ 1,514,117	$ 355,452,765	$ (784,061)	$ 354,668,704

MARSHALL MEDICAL CENTER AND SUBSIDIARY
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED OCTOBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Marshall Medical	Surgery Center	Subtotal	Eliminations	Consolidated
OPERATING REVENUES					
Net Patient Service Revenue	$ 291,328,572	$ 3,415,670	$ 294,744,242	$ -	$ 294,744,242
Less Provision for Bad Debts	(5,345,878)	-	(5,345,878)	-	(5,345,878)
Patient Service Revenue	$ 285,982,694	$ 3,415,670	$ 289,398,364	$ -	$ 289,398,364
Provider Relief Funds	5,590,329	88,085	5,678,414	-	5,678,414
Other Revenue	5,506,085	-	5,506,085	-	5,506,085
Total Operating Revenues	297,079,108	3,503,755	300,582,863	-	300,582,863
OPERATING EXPENSES					
Salaries and Wages	100,659,042	1,221,372	101,880,414	-	101,880,414
Employee Benefits	44,016,157	210,896	44,227,053	-	44,227,053
Professional Fees	58,610,871	14,925	58,625,796	-	58,625,796
Supplies	42,472,685	998,704	43,471,389	-	43,471,389
Depreciation and Amortization	12,824,690	47,035	12,871,725	-	12,871,725
Purchased Services	21,841,106	265,802	22,106,908	-	22,106,908
Registry	7,210,312	28,609	7,238,921	-	7,238,921
Interest	2,369,356	-	2,369,356	-	2,369,356
Other	13,029,412	283,594	13,313,006	-	13,313,006
Total Operating Expenses	303,033,631	3,070,937	306,104,568	-	306,104,568
OPERATING INCOME	(5,954,523)	432,818	(5,521,705)	-	(5,521,705)
NONOPERATING INCOME (EXPENSE)					
Investment Income	1,480,371	-	1,480,371	-	1,480,371
Unrealized Losses on Investments, Net	(15,062,933)	-	(15,062,933)	-	(15,062,933)
Other	641,295	-	641,295	(376,880)	264,415
Total Nonoperating Income (Expense)	(12,941,267)	-	(12,941,267)	(376,880)	(13,318,147)
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(18,895,790)	432,818	(18,462,972)	(376,880)	(18,839,852)
Pension Related Changes Other than Net Periodic Pension Cost	14,673,867	-	14,673,867	-	14,673,867
Net Assets Released from Restriction for Purchase of Property and Equipment	761,923	-	761,923	-	761,923
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(3,460,000)	432,818	(3,027,182)	(376,880)	(3,404,062)
Net Assets Without Donor Restrictions - Beginning of Year	172,510,878	851,492	173,362,370	(784,061)	172,578,309
Member Distributions	-	(295,271)	(295,271)	256,886	(38,385)
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	$ 169,050,878	$ 989,039	$ 170,039,917	$ (904,055)	$ 169,135,862

MARSHALL MEDICAL CENTER AND SUBSIDIARY
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED OCTOBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Marshall Medical	Surgery Center	Subtotal	Eliminations	Consolidated
CONTRIBUTIONS	$ 891,512	$ -	$ 891,512	$ -	$ 891,512
Net Assets Released from Restriction for Purchase of Property and Equipment	(761,923)	-	(761,923)	-	(761,923)
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	129,589	-	129,589	-	129,589
Net Assets With Donor Restrictions - Beginning of Year	212,318	-	212,318	-	212,318
NET ASSETS WITH DONOR RESTRICTIONS - END OF YEAR	$ 341,907	$ -	$ 341,907	$ -	$ 341,907
DECREASE IN NET ASSETS	$ (3,330,411)	$ 137,547	$ (3,192,864)	$ (119,994)	$ (3,312,858)
Net Assets - Beginning of Year	172,723,196	851,492	173,574,688	(784,061)	172,790,627
NET ASSETS - END OF YEAR	$ 169,392,785	$ 989,039	$ 170,381,824	$ (904,055)	$ 169,477,769

MARSHALL MEDICAL CENTER AND SUBSIDIARY
CONSOLIDATING STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED OCTOBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Marshall Medical	Surgery Center	Subtotal	Eliminations	Consolidated
OPERATING REVENUES					
Patient Service Revenue	$ 288,718,348	$ 3,208,262	$ 293,605,697	$ -	$ 293,605,697
Provider Relief Funds	200,000	-	200,000	-	200,000
Other Revenue	2,184,655	-	2,184,655	-	2,184,655
Total Operating Revenues	291,103,003	3,208,262	295,990,352	-	295,990,352
OPERATING EXPENSES					
Salaries and Wages	97,161,714	1,186,781	98,348,495	-	98,348,495
Employee Benefits	48,678,226	225,822	48,904,048	-	48,904,048
Professional Fees	55,710,213	15,150	55,725,363	-	55,725,363
Supplies	37,978,762	971,561	38,950,323	-	38,950,323
Depreciation and Amortization	13,278,398	72,297	13,350,695	-	13,350,695
Purchased Services	20,350,633	277,695	20,628,328	-	20,628,328
Registry	694,226	30,087	724,313	-	724,313
Interest	2,574,916	86	2,575,002	-	2,575,002
Other	10,527,605	275,396	10,803,001	-	10,803,001
Total Operating Expenses	286,954,693	3,054,875	290,009,568	-	290,009,568
OPERATING INCOME (LOSS)	4,148,310	153,387	4,301,697	-	4,301,697
NONOPERATING INCOME (EXPENSE)					
Investment Income	14,603,634	-	14,603,634	-	14,603,634
Unrealized Gains on Investments, Net	(47,436)	-	(47,436)	-	(47,436)
Other	(1,594,163)	-	(1,594,163)	(140,596)	(1,734,759)
Total Nonoperating Income (Expense)	12,962,035	-	12,962,035	(140,596)	12,821,439
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	17,110,345	153,387	17,263,732	(140,596)	17,123,136
Pension Related Changes Other than Net Periodic Pension Cost	63,635,759	-	63,635,759	-	63,635,759
Net Assets Released from Restriction for Purchase of Property and Equipment	606,305	-	606,305	-	606,305
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	81,352,409	153,387	81,505,796	(140,596)	81,365,200
Net Assets Without Donor Restrictions - Beginning of Year	91,158,469	908,996	92,067,465	(826,941)	91,240,524
Member Distributions	-	(210,891)	(210,891)	183,476	(27,415)
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	$ 172,510,878	$ 851,492	$ 173,362,370	$ (784,061)	$ 172,578,309

MARSHALL MEDICAL CENTER AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(DOLLARS IN THOUSANDS)

	Marshall Medical	Surgery Center	Subtotal	Eliminations	Consolidated
CONTRIBUTIONS	$ 354,434	$ -	$ 354,434	$ -	$ 354,434
Net Assets Released from Restriction for Purchase of Property and Equipment	(606,305)	-	(606,305)	-	(606,305)
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(251,871)	-	(251,871)	-	(251,871)
Net Assets With Donor Restrictions - Beginning of Year	464,189	-	464,189	-	464,189
NET ASSETS WITH DONOR RESTRICTIONS - END OF YEAR	$ 212,318	$ -	$ 212,318	$ -	$ 212,318
INCREASE IN NET ASSETS	$ 81,100,538	$ (57,504)	$ 81,043,034	$ 42,880	$ 81,085,914
Net Assets - Beginning of Year	91,622,658	908,996	92,531,654	(826,941)	91,704,713
NET ASSETS - END OF YEAR	$ 172,723,196	$ 851,492	$ 173,574,688	$ (784,061)	$ 172,790,627

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

Board of Trustees
Marshall Medical Center and Subsidiary
Carson City, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Marshall Medical Center and Subsidiary, which comprise the balance sheet as of October 31, 2022, and the related statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Board of Trustees
Marshall Medical Center and Subsidiary

Report on Compliance and Other Matters

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

Purpose of This Report

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

CliftonLarsonAllen LLP

Roseville, California
February 23, 2023

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MARSHALL MEDICAL CENTER AND SUBSIDIARY

UNIFORM GUIDANCE
SUPPLEMENTAL FINANCIAL REPORT

YEAR ENDED OCTOBER 31, 2022

CPAs | CONSULTANTS | WEALTH ADVISORS

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MARSHALL MEDICAL CENTER AND SUBSIDIARY
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Marshall Medical Center and Subsidiary
Placerville, California

Report on Compliance for Each Major Federal Program

We have audited Marshall Medical Center and Subsidiary's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended October 31, 2022. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended October 31, 2022.

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Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with The Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

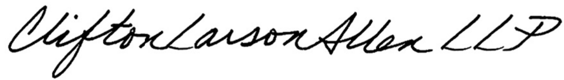
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Board of Directors
Marshall Medical Center and Subsidiary

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the remaining fund information of the Organization, as of and for the year ended October 31, 2022, and have issued our report thereon dated February 23, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Roseville, California
August 8, 2023

MARSHALL MEDICAL CENTER AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
OCTOBER 31, 2022

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Assistance Listing Number	Other I.D. Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services				
HHS/CDPH/EDC/Hospital Preparedness	93.074		$ -	$ 42,500
CDC/DHCS/EDC/EDC - COVID-19 ELC68 Expansion Funding Agreement #6218	93.391		-	250,000
Passed through Advocates for Human Potential, Inc: Opioid STR - *California Hub and Spoke System*	93.788	7426-CA H&SS-MARSHALLMEDICAL-01	-	987,508
Total Expenditures of Federal Awards			$ -	$ 1,280,008

MARSHALL MEDICAL CENTER AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
OCTOBER 31, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Organization, under programs of the federal government for the year ended October 31, 2022. The information in this schedule is presented in accordance with the applicable requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the net position, changes in net positions, or cash flows of the Organization.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

MARSHALL MEDICAL CENTER AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OCTOBER 31, 2022

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
   - Material weakness(es) identified? ______ yes __x__ no
   - Significant deficiency(ies) identified that are not considered to be material weakness(es)? ______ yes __x__ none reported
3. Noncompliance material to financial statements noted? ______ yes __x__ no

Federal Awards

1. Internal control over major federal programs:
   - Material weakness(es) identified? ______ yes __x__ no
   - Significant deficiency(ies) identified that are not considered to be material weakness(es)? ______ yes __x__ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ______ yes __x__ no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
93.788	Opioid STR - California Hub and Spoke System

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? ______ yes __x__ no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Prior Year Major Federal Program Findings

There were no findings in the prior year that were required to be reported in accordance with 2 CFR 200.516(a).

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