Halifax Hospital Medical Center
d/b/a Halifax Health

Financial Report
September 30, 2022

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Independent Auditor's Report

Honorable Commissioners of the Board
Halifax Hospital Medical Center
d/b/a Halifax Health

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of Halifax Hospital Medical Center d/b/a Halifax Health ("Halifax Health"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Halifax Health's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Halifax Health, as of September 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

We did not audit the basic financial statements of Halifax Health's fiduciary activities as of and for the year ended September 30, 2022, as presented on pages 19-20, which represent 100% of the total assets and additions of the aggregate remaining fund information. That statement was audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Halifax Health's fiduciary activities, is based solely on the report of the other auditors.

Emphasis of Matter

As explained in Note 1 to the financial statements, Halifax Health adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases,* during the year ended September 30, 2022, which is applied retroactively by restating balances in the financial statements as of October 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Halifax Health's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Halifax Health's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis on pages 4-13 and the required supplementary information on pages 58-64 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Halifax Health's basic financial statements. The accompanying Obligated Group and Florida Hospital Uniform Reporting System (FHURS) financial information on pages 65-69 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Obligated Group and FHURS financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RSM US LLP

Davenport, Iowa
January 20, 2023

INTRODUCTION

This section of the Halifax Hospital Medical Center (the "Medical Center") d/b/a Halifax Health's annual financial report provides an overview of the organization and management's discussion and analysis of financial performance and results for the fiscal year ended September 30, 2022. This analysis should be read in conjunction with the accompanying basic financial statements.

The Medical Center was originally created in 1925 under the name Halifax Hospital District by Chapter 112.72, Laws of Florida, 1925, as amended ("Enabling Act"). The Medical Center's Board of Commissioners (the "Board") is empowered to levy ad valorem taxes for operating expenses, capital outlays, and other purposes. Pursuant to the Enabling Act, the Medical Center has all the powers of a body corporate, including, but not limited to, the power to establish, construct, operate, and maintain such hospitals, medical facilities, and health care facilities and services for the preservation of the public health, for the public good, and for the use of the public; to enter into contracts; to borrow money; to establish for-profit and not-for-profit corporations; to acquire, purchase, hold, lease, and convey real and personal property; and of eminent domain.

After an amendment in 2019, the Enabling Act further authorizes the Medical Center to establish, own, construct, equip, operate, manage, and maintain hospitals and facilities and provide services within and beyond the boundaries of the geographic taxing district in the counties of Brevard, Flagler, Lake, and Volusia, as well as allow the continuance of hospice care services throughout the State of Florida. This is as long as proceeds from ad valorem taxes and non-ad valorem special assessments outside the boundaries of the taxing district are not used.

The Medical Center owns and operates three inpatient hospital facilities with a combined 673 beds under one license from the Agency for Health Care Administration ("AHCA"). The main campus of the Medical Center, located in Daytona Beach, includes a Level III neonatal intensive care center and a Level II state-certified trauma center, offering open-heart surgery, neurosurgery, inpatient rehabilitation and other specialty inpatient and outpatient services. The Port Orange campus, located 10 miles south of the main campus, is a community hospital providing a broad range of services to the residents of Port Orange and southeast Volusia County. The Halifax Behavioral Services ("HBS") campus, two miles north of the main campus, provides inpatient and outpatient child, adolescent, and adult psychiatric services. In addition to its inpatient facilities, the Medical Center owns and operates outpatient centers in Daytona Beach, Port Orange, Ormond Beach, Palm Coast, New Smyrna Beach, and Deland.

Further, the Medical Center of Deltona ("MCD") was established and opened in February 2020. MCD is a 43-bed hospital, separately licensed by AHCA, that provides the Deltona community with a hospital and high-quality medical care. In addition, MCD also owns and operates the outpatient centers located in Deltona.

The licensed beds by location are set forth in the table below:

Licensed Beds by Location

Main campus:	
Inpatient hospital	523
Inpatient rehabilitation	40
Port Orange campus	80
Medical Center of Deltona	43
HBS campus	30
Total	716

The Medical Center has established not-for-profit corporations (the "component units" or the "affiliates") to assist in carrying out its purpose to provide health care and related services to the community. The component units are legally separate organizations that were established to provide administrative and other services for and on behalf of the Medical Center. The component units of the Medical Center are:

- East Volusia Health Services, Inc. ("EVHS")
- HH Holdings, Inc. ("Holdings")
- Halifax Healthcare Systems, Inc. ("HHCSI")
- Halifax Healthy Families Corporation d/b/a Healthy Communities ("Healthy Communities")
- Halifax Staffing, Inc. ("Staffing")
- Patient Business & Financial Services, Inc. ("PBFS")
- Halifax Hospice, Inc. d/b/a Halifax Health Hospice ("Hospice")
- Halifax Management System, Inc. ("HMS")
- Halifax Medical Center Foundation, Inc. ("Foundation")
- Medical Center of Deltona, Inc. ("MCD")
- Volusia Health Ventures, Inc. d/b/a Volusia Health Network ("VHN")

These corporations are considered blended component units of the Medical Center and their financial results are blended with the Medical Center in the accompanying financial statements. See Note 1 of the audited financial statements for a description of each component unit and combining schedules. The Medical Center, together with all of its component units, is referred to as "Halifax Health."

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report includes the independent auditor's report, management's discussion and analysis, and the basic financial statements of Halifax Health. The basic financial statements are intended to describe the net position, results of operations, sources and uses of cash, and the capital structure of Halifax Health. Fiduciary fund statements for the pension trust fund are also provided as part of the basic financial statements. The basic financial statements include notes providing detailed information for select accounts and transactions.

In addition to the aforementioned content, the annual financial report includes required supplementary information composed of unaudited schedules of changes in net pension liability, funding progress, and actuarially determined contributions for the Halifax Pension Plan, and schedules of funding progress for the Halifax Health Retiree HRA and for the Halifax Retiree Medical postemployment benefit plans.

Schedules of net position and revenues, expenses, and changes in net position for the Obligated Group are included as additional (supplementary) information. The members of the Obligated Group are the Medical Center and Holdings. In accordance with generally accepted accounting principles, certain component units are blended with the accounts of the Medical Center in the Obligated Group financial information, including EVHS, Staffing, HHCSI and PBFS.

NET POSITION AND CHANGES IN NET POSITION

Net position is an indicator of the financial health of an organization. Increases in net position over time indicate that the financial condition is improving while decreases in net position over time signify a declining financial condition. A comparative summary of the financial condition of Halifax Health is presented below:

Condensed Statements of Net Position
(In Thousands)

	September 30,	
	2022	2021
Current assets	**$ 621,135**	$ 620,213
Assets whose use is limited, noncurrent	**34,556**	35,195
Capital and right to use assets, net	**429,658**	409,314
Other noncurrent assets and deferred outflows	**200,960**	225,389
Total assets and deferred outflows	**$ 1,286,309**	$ 1,290,111
Current liabilities	**$ 143,695**	$ 121,081
Long-term debt, leases and premium on long-term debt, net	**470,691**	452,452
Noncurrent liabilities and deferred inflows	**250,711**	287,978
Total liabilities and deferred inflows	**865,097**	861,511
Net investment in capital assets	**(5,806)**	(3,453)
Restricted net position	**5,671**	5,671
Unrestricted net position	**421,347**	426,382
Total net position	**421,212**	428,600
Total liabilities, deferred inflows and net position	**$ 1,286,309**	$ 1,290,111

The statement of revenues, expenses and changes in net position measures the annual operating success of the organization and can be used to determine whether costs have been recovered through operating revenue sources. Following is a comparative summary of the operations of Halifax Health.

Condensed Statements of Revenues and Expenses
(In Thousands)

	2022	2021
Operating revenue	**$ 704,123**	$ 688,620
Operating expenses	**(683,295)**	(645,924)
Income from operations	**20,828**	42,696
Nonoperating (expenses) revenues, net	**(28,216)**	36,446
(Decrease) increase in net position	**$ (7,388)**	$ 79,142

MANAGEMENT'S DISCUSSION OF RECENT FINANCIAL PERFORMANCE

COVID-19 Pandemic

The Medical Center's operations and financial condition were significantly impacted by the emergence of a novel coronavirus ("COVID-19") which has evolved into a global pandemic. On March 13, 2020, President Trump declared a national emergency in response to the COVID-19 pandemic. Shortly thereafter, President Trump and the Centers for Medicare and Medicaid Services ("CMS") recommended health care providers limit all "non-essential" elective medical and surgical procedures. On March 20, 2020, Florida Governor DeSantis issued Executive Order 20-72, which prohibited "any medically unnecessary, non-urgent or non-emergency procedure or surgery which, if delayed, does not place a patient's immediate health, safety, or wellbeing at risk". The Medical Center immediately complied with Executive Order 20-72 by canceling all elective procedures and began preparing for an anticipated surge in COVID-19 patients.

The financial impact of the COVID-19 pandemic has been driven by lost revenue, due to sharp declines in patient volume resulting from Executive Order 20-72, and increased expenses due to an increased need for personal protective equipment for caregivers and visitors, and materials and staffing necessary for COVID-19 testing (i.e., swabs, collection kits, reagents, etc.). Management estimates that the cumulative effect of the COVID-19 pandemic has resulted in increases in operating expenses of $55.3 million and $33 million for fiscal years 2022 and 2021, respectively.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES") was signed into law on March 27, 2020, to address the impact of COVID-19. As part of the CARES Act, the U.S. Department of Health and Human Services ("HHS") Provider Relief Fund distributed funds to health care providers to help cover costs and other financial impacts related to COVID-19. In April 2020, HHS made general distributions totaling $50 billion (in two tranches of $30 billion and $20 billion) to all health care providers in proportion to providers' share of 2019 net patient service revenue. In April 2020, HHS made various "targeted" distributions from Provider Relief Funds directing funding to COVID-19 high impact areas, to rural providers, and to reimburse providers for COVID-19-related treatment of uninsured patients. The Medical Center received distributions of $5 million as part of the rural funds, $14.1 million as part of the general distribution from Provider Relief Funds, and $45 million from the targeted funds. For the year ended September 30, 2021, $32.8 million of CARES Act funding is recorded as nonoperating revenue in the statement of revenue, expenses and changes in net position. No CARES Act funding was recorded during the year ended September 30, 2022.

Total assets and deferred outflows of Halifax Health decreased $3.8 million from September 30, 2021. Current assets of Halifax Health increased $.9 million from fiscal year 2021 primarily as a result a decrease in investments of $17.4 million partially offset by an increase in cash and cash equivalents of $16.2 million. Other current assets decreased $3.9 million which was mostly offset by the increase in accounts receivable of $2.3 million, an increase in inventories of $1.2 million and an increase current portion of rent receivables of $2.6 million. Capital and right to use assets, net of accumulated depreciation increased $20.3 million from 2021 due to purchases of capital assets of $6.1 million and the addition of $14.2 million in right to use lease assets recorded as a result of the implementation of GASB Statement No. 87, *Leases* ("GASB No. 87"). Other noncurrent assets and deferred outflows decreased $24.4 million from 2021 primarily due to the decrease in the fair value of the interest rate swap of $20.3 million, decreases in deferred outflows related to the pension plan of $24.8 million, offset by increases in other assets of $1.7 million, the increase of the investment in securities loan agreement of $12.7 million, and the recording of $8.2 million in receivables on leases, as a result of the implementation of GASB No. 87.

Total liabilities and deferred inflows of Halifax Health increased $3.6 million from September 30, 2021. Current liabilities increased $22.6 million primarily as a result of an increase in accounts payable of $23.4 million, offset by a decrease in accrued payroll of $4.5 million and an increase of $2.0 million for the current portion of lease liability due to the adoption of GASB No. 87.

Long-term debt, excluding current portion due, increased approximately $13.0 million from September 30, 2021 primarily as a result of the issuance of the Series 2022 bonds by the Medical Center and MCD. As of September 30, 2022, the Medical Center's outstanding bonds (Series 2008, Series 2015, and Series 2016) were rated A- by Standard & Poor's, and A- by Fitch Ratings with a stable outlook.

The decrease in noncurrent liabilities and deferred inflows of Halifax Health of $37.3 million from September 30, 2021 is primarily due to the decrease in long-term value of interest rate swap of $20.3 million, decrease in the net pension liability of $52.7 million, offset by the increase to deferred inflows related to pension of $15.1 million, recording of the long-term lease liabilities under GASB No. 87, less current portion of $12.5 million and increase of deferred inflows related to leases of $8.2 million due to the adoption of GASB No. 87.

The net position of Halifax Health at September 30, 2022, was $421.2 million, a decrease of $7.4 million from September 30, 2021.

Operating Revenues

The increase in operating revenues of $15.5 million over 2021 of Halifax Health is primarily the result of increases in outpatient volumes in Neurosurgery, General Surgery and Hospital service lines and continuation of benefits for Medicaid patients of the Medical Center and MCD. Halifax Health continues to expand the quality and continuum of services that it provides to the community.

Utilization statistics for the years ended September 30, 2022 and 2021 are as follows:

Halifax Health Utilization Statistics

	2022	2021
Medical Center Activity:		
Admissions	**23,672**	24,868
Patient days	**135,721**	146,357
Average daily census	**389**	402
Total outpatient visits	**280,820**	287,104
Observation patient day equivalents	**13,739**	13,075
Medical Center of Deltona Activity:		
Admissions	**1,524**	1,411
Patient days	**6,270**	6,896
Average daily census	**17**	19
Total outpatient visits	**18,569**	17,037
Observation patient day equivalents	**2,011**	1,541
Hospice Activity:		
Hospice patient days	**228,631**	210,833

Halifax Health's inpatient admissions for 2022 decreased by 1,196 admissions compared to 2021, and patient days for 2022 decreased by 10,636 (8.0%) compared to 2021. The decrease in patient days led to a decrease in the average daily census by 13 patients per day from the prior year. Outpatient visits for 2022 decreased by 6,284 compared to 2021.

Operating Expenses

Total operating expenses of Halifax Health increased by $37.4 million in fiscal year 2022 compared to fiscal year 2021 primarily due to an increase in purchased services of $35.2 million from contract labor, an increase in salaries and benefits of $1.2 million, an increase in supplies of $3.5 million, offset by a decrease in lease rental expense of $3.2 million due to the adoption of GASB No. 87.

Halifax Health also incurs expenses related to ad valorem taxes levied. These expenses include payments to Volusia County and the cities of Daytona Beach, Ormond Beach, Holly Hill, South Daytona and Port Orange (tax collector and appraiser commissions, Medicaid matching funds, and redevelopment taxes) and the costs of non-hospital community health services (physician services, community clinics, prescription drugs, medical supplies, etc.). Ad valorem tax-related expenses were substantially the same from 2022 to 2021.

Nonoperating Revenues, Expenses, Gains and Losses

Investment income decreased $32.5 million in fiscal year 2022 compared to fiscal year 2021 as a result of unfavorable performance of the equity markets. Investment income for the year ended September 30, 2022 includes an unfavorable change in unrealized gains and losses, net of approximately $28.1 million.

KEY FINANCIAL INDICATORS

The following represents a summary of key financial indicators of Halifax Health:

Key Financial Indicators

	2022	2021
Total margin	**(1.1)%**	10.6%
Days cash on hand	**288**	304
Unrestricted cash to long-term debt	**110.6%**	116.1%
Long-term debt to capitalization	**53.4%**	51.8%
Total net patient service revenue, before provision for bad debts (in millions)	**$ 719.7**	$ 743.0

The total margin decreased to (1.1%) in fiscal year 2022 due to a decrease in revenues and increases in operating and nonoperating expenses compared to fiscal year 2021. The number of days cash on hand, which includes unrestricted cash, investments and board designated assets whose use is limited, decreased from 304 days at September 30, 2021 to 288 days at September 30, 2022, due primarily to increased average expense per day.

Total net patient service revenue, before provision for bad debts, decreased $23.3 million from 2021 as a result of volumes in the emergency department, admissions, surgical services and outpatient physician practices.

COMMUNITY BENEFIT

Halifax Health provides a continuum of health care services to the community and is involved in numerous outreach programs that help meet the public health needs of the community. Halifax Health provided an estimated $45.4 million in community benefits during fiscal year 2022, which is comprised of amounts paid for community health and wellness services and the cost of uncompensated care, calculated by multiplying the cost-to-charge ratio times to the total amount of uncompensated care deductions from gross revenue.

The table below shows the sources and uses of the ad valorem tax revenues of Halifax Health, which includes community benefits:

SCHEDULE OF USES OF PROPERTY TAXES
(in thousands)

	2022	2021
Gross property tax levy	**$ 20,055**	$ 19,658
Tax discounts and uncollectible taxes	**(630)**	(631)
Net property taxes collected	**19,425**	19,027
Amounts paid to Volusia County and Cities:		
Tax collector and appraiser commissions	**(656)**	(656)
Volusia County Medicaid matching assessment	**(3,011)**	(3,332)
Redevelopment taxes paid to Cities	**(1,081)**	(872)
Subtotal	**(4,748)**	(4,860)
Net taxes available for community health, wellness and readiness	**14,677**	14,167
Amounts paid for community health and wellness services:		
Preventive health services (clinics, Healthy Kids, etc.)	**(187)**	(369)
Physician services	**(10,002)**	(8,849)
Trauma services	**(5,597)**	(6,138)
Pediatric and neonatal intensive care services	**(478)**	(957)
Child and adolescent behavioral services	**(460)**	(999)
Subtotal	**(16,724)**	(17,312)
Deficiency of net taxes available to fund hospital operating expenses	**(2,047)**	(3,145)
Uncompensated care provided by Halifax Health, *at cost*:		
Halifax Health patients at facilities within the Halifax Health tax district	**(29,439)**	(32,617)
Non Halifax Health taxing district patients and other write-offs	**(13,907)**	(18,015)
Subtotal	**(43,346)**	(50,632)
Total deficiency of net taxes available to fund hospital operating expenses and uncompensated care provided by Halifax Health, *at cost*	**$ (45,393)**	$ (53,777)

RISK FACTORS

The health care industry is highly dependent on several factors that could have a significant effect on the future operations and financial condition of Halifax Health. These factors include, but are not limited to, competition, state and federal regulatory authorities, Medicare and Medicaid laws and regulations, health care reform initiatives, environmental laws, advances in technology, changes in demand for health care services, demographic changes, and managed care contract terms and conditions.

As of the date of this report, the following known facts, decisions, or conditions may have a significant effect on net position or the results of operations:

- Salaries in the health care industry continue to be very competitive due to increased costs of attracting and retaining quality physicians, registered nurses, and other health care professionals. The COVID-19 pandemic has made attracting and retaining clinical staff more difficult and has caused health care providers including Halifax Health to utilize contracted clinical services, resulting in increased costs. During the year ended September 30, 2022, the Medical Center incurred increased costs for internal clinical staffing and contract labor of $52.4 million. In addition, the Medical Center had 198 open position as of September 30, 2022, of which 38% where clinically related.

- Rising rates of inflation and interest could result in increased costs.

- Market fluctuations and volatility could impact investment income of the Medical Center and its affiliates, and required pension plan funding.

- Expansion of telemedicine services and elimination of certificate of need requirements in the State of Florida may lead to greater competition and lower patient volumes and revenues.

- Respiratory Syncytial Virus Infection (RSV) and/or other viral infections, or new public health emergencies, could affect the Medical Center's ability to maintain clinical staffing levels and provide services.

- Severe weather, including hurricanes and tropical storms, could impact the ability of the Medical Center to provide services, and could result in increased costs and a negative local economic impact.

- The laws and regulations governing the Medicare and Medicaid program are complex and subject to change. As such, changes to these programs could have a negative effect on the financial performance of the Halifax Health. Audits of hospital compliance with Medicare and Medicaid program laws and regulations present exposure for repayments and fines and penalties.

- Federal and State initiatives:

    - The State of Florida has not approved Medicaid expansion, which has constrained state funding.

    - Federal legislative efforts, both directly and via tax reform, could significantly reduce access to individual insurance coverage currently provided under Federal programs.

    - The State of Florida Low Income Pool ("LIP") Program has been extended to June 30, 2030. Payments from the LIP program have been limited to the cost of charity care services provided, meaning that LIP funds are not available to offset Medicaid costs in excess of Medicaid payments.

- Medicaid special payment programs that began during fiscal year 2021, Hospital Directed Payment Program and Physician Directed Payment Program, designed to offset (but not eliminate) Medicaid costs in excess of Medicaid payments, could result in DSH and LIP cost limits to be exceeded and amounts being paid back in the future.

- The Federal Affordable Care Act ("ACA") enacted in March 2010, includes reduction in Medicaid disproportionate share funding of $4 billion in 2020 (which was delayed due to the COVID-19 pandemic) and $8 billion each year from 2021 to 2025, which could reduce payments to Halifax Health unless the cuts are further delayed by Congress. In addition, the "Build Back Better Act," adopted by the House of Representatives in November 2021 with support of President Biden, includes provisions that could further reduce Medicaid disproportionate share funding.

- The Statutory Pay-As-You-Go Act of 2010 will cause a 4% reduction in Medicare spending, including payments to hospitals, beginning in 2023, unless Congress waives these payment cuts.

- In November 2021, the Centers for Medicare and Medicaid Services ("CMS") issued a rule requiring staff working in Medicare or Medicaid certified providers to have the shots necessary to be fully vaccinated against COVID-19 by January 2, 2022, and to receive their first shot prior to December 6, 2021. The rule allows for medical and religious exemptions and requires that providers have policies and procedures to operationalize these requirements. On November 29 and November 30, 2021, the United States District Court for the Eastern District of Missouri and United States District Court for the Western District of Louisiana issued preliminary injunctions against the implementation and enforcement of the rule. CMS has appealed both of these decisions, and has filed motions for stays of these orders. As a result of these decisions, CMS has suspended activities related to the implementation and enforcement of the rule. Implementation of the rule could adversely impact the availability and salaries and wages of health care workers, and the cost of services provided.

- CARES Act Provider Relief Funds received are subject to audit and certain amounts could be at risk of being paid back in the future.

- Bundled payments and value-based payment initiatives of the Medicare program may reduce net payments received by Halifax Health.

The uncertainties listed above may adversely impact future operating results and financial position. The estimated effects of these matters have been considered in the development of the fiscal year 2022 Halifax Health operating budget.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Net Position
September 30, 2022
(In Thousands)

Assets and Deferred Outflows		
Current Assets:		
Cash and cash equivalents	$	194,865
Investments		309,403
Current assets whose use is limited—Trustee-held self-insurance funds		275
Accounts receivable, patients, net of estimated uncollectibles of $80,261		72,690
Inventories		17,704
Current portion of rent receivable		2,582
Other current assets		23,616
Total current assets		621,135
Noncurrent Assets Whose Use is Limited:		
Board-designated, funded depreciation		26,038
Trustee held funds		197
Restricted by donor		5,671
Board-designated, other		2,650
Investment in securities loan agreement		133,990
Depreciable capital assets, net		352,721
Nondepreciable capital assets		62,728
Right to use assets, net		14,209
Rent receivable		5,616
Other assets		12,985
Total assets		1,237,940
Deferred Outflows:		
Interest rate swap		13,727
Pension, contribution after measurement		21,315
Deferred outflows related to other postemployment benefits		1,270
Loss on refunding of debt, net		12,057
Total deferred outflows		48,369
Total assets and deferred outflows	$	1,286,309

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Net Position (Continued)
September 30, 2022
(In Thousands)

Liabilities, Deferred Inflows and Net Position		
Current Liabilities:		
Accounts payable and accrued liabilities	$	96,015
Accrued payroll and personal leave time		22,439
Current portion of accrued self-insurance liability		4,998
Current portion of long-term debt		9,190
Current portion of lease liabilities		2,039
Interest payable on long-term debt		5,285
Other current liabilities		3,729
Total current liabilities		143,695
Noncurrent Liabilities:		
Long-term debt, less current portion		448,885
Long-term lease liabilities, less current portion		12,450
Premium on long-term debt, net		9,356
Net pension liability		25,500
Other postemployment benefits liability		21,654
Accrued self-insurance liability, less current portion		10,962
Other liabilities		21,431
Securities loan agreement obligation		133,990
Long-term value of interest rate swap		13,727
Total liabilities		841,650
Deferred inflows related to pension		15,073
Deferred inflows related to leases		8,077
Deferred inflows related to other postemployment benefits		297
Total liabilities and deferred inflows		865,097
Net Position:		
Net investment in capital assets		(5,806)
Restricted by donors, expendable		5,427
Restricted by donors, nonexpendable		244
Unrestricted		421,347
Total net position		421,212
Total liabilities, deferred inflows and net position	$	1,286,309

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2022
(In Thousands)

Operating Revenues:	
Net patient service revenue,	
before provision for bad debts	$ 719,740
Provision for bad debts	(55,695)
Net patient service revenue	664,045
Ad valorem tax revenue	20,055
Other revenue	20,023
Total operating revenues	704,123
Operating Expenses:	
Salaries and benefits	315,026
Supplies	132,699
Purchased services	163,605
Depreciation and amortization	29,828
Ad valorem tax-related expenses	6,971
Leases and rentals	4,231
Other	30,935
Total operating expenses	683,295
Income from operations	20,828
Nonoperating Revenues (Expenses):	
Interest expense	(21,024)
Investment income—SLA	5,000
Investment loss—net	(17,233)
Donation revenue	1,870
Nonoperating gains—net	3,171
Total nonoperating expenses, net	(28,216)
Decrease in net position	(7,388)
Net Position:	
Beginning net position	428,600
End of year	$ 421,212

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Cash Flows
Year Ended September 30, 2022
(In Thousands)

Cash Flows from Operating Activities:	
Receipts from third-party payors and patients	$ 661,723
Payments to employees	(333,172)
Payments to suppliers	(283,204)
Other receipts	46,313
Other payments	(41,484)
Net provided by operating activities	50,176
Cash Flows from Noncapital Financing Activities:	
Proceeds from donations received	1,870
Receipt of CARES Act funding	5,711
Other nonoperating gains	3,171
Net cash provided by noncapital financing activities	10,752
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(39,125)
Proceeds from the sale of capital assets	3,421
Principal paid on long-term debt	(80,685)
Proceeds from issuance of long-term debt	94,675
Payment of bond issue costs	(502)
Payment of interest on long-term debt	(20,929)
Net cash used in capital and related financing activities	(43,145)
Cash Flows from Investing Activities:	
Realized investment income	3,367
Investment income—SLA	5,000
Purchase of investments and assets whose use is limited	(12,567)
Proceeds from sales and maturities of investments and assets whose use is limited	2,613
Net cash used in investing activities	(1,587)
Net increase in cash and cash equivalents	16,196
Cash and Cash Equivalents:	
Beginning of year	178,669
End of year	$ 194,865

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Cash Flows (Continued)
Year Ended September 30, 2022
(In Thousands)

Reconciliation of Income from Operations to Net Cash		
Used in Operating Activities:		
Income from operations	$	20,828
Adjustments to reconcile income from operations to net cash		
used in operating activities:		
Depreciation and amortization expense		29,828
Change in unrealized gains and losses on investments considered operating activity		7,500
Provision for bad debts		55,695
Changes in assets and liabilities:		
Accounts receivable, patients		(58,017)
Inventories and other current assets		2,671
Rent receivable		2,062
Other assets		(3,206)
Deferred outflows, pension contribution after measurement date		4,632
Deferred outflows, pension other		20,184
Deferred outflows related to other postemployment benefits		(38)
Deferred outflows, loss on refunding of debt		859
Accounts payable and accrued liabilities		15,350
Lease payments		(2,169)
Other liabilities		(59,069)
Deferred inflows related to pension		15,073
Deferred inflows related to leases		(2,183)
Deferred inflows related to other postemployment benefits		176
Net cash provided by operating activities	$	50,176
Noncash operating activities:		
Lease obligations incurred in connection with right to use assets	$	16,658
Rent receivables and deferred inflows recognized in conjunction with lessor arrangements	$	10,260
Noncash investing activities, change in unrealized gains and losses on investments and assets whose use is limited	$	7,500
Noncash capital and related financing activities:		
Securities lending agreement	$	12,665
Change in fair value of interest rate swap	$	20,279

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Fiduciary Net Position
September 30, 2022
(In Thousands)

Assets:		
Investments, at fair value:		
Money market funds	$	279
Mutual funds		216,189
Pooled, common and collective funds		69,238
Accrued income		1
Total investments		285,707
Contribution receivable		400
Net assets restricted for pension benefits	$	286,107
Liabilities:		
Accounts payable	$	7
Net position		286,100
Total liabilities and net position restricted for pension benefits	$	286,107

See Notes to Financial Statements.

Halifax Hospital Medical Center
d/b/a Halifax Health

Statement of Changes in Fiduciary Net Position
Year Ended September 30, 2022
(In Thousands)

Additions:	
Investment results:	
Depreciation in fair value of investments	$ (41,144)
Interest and dividends	4,859
Net investment results	(36,285)
Employer contributions	21,715
Total investment results and employer contributions, net	(14,570)
Deductions:	
Administrative expenses	41
Benefits paid directly to participants	47,331
Total deductions	47,372
Decrease in net position restricted for pension benefits	(61,942)
Net Position Restricted for Pension Benefits:	
Beginning of year	348,042
End of year	$ 286,100

See Notes to Financial Statements.

Note 1. Description of the Organization

Reporting Entity: Halifax Hospital Medical Center (the “Medical Center”) d/b/a Halifax Health was created by a special act of the Legislature of the State of Florida, Chapter 2003-374, Laws of Florida, as a special taxing district (the “District”), a public body corporate and politic of the State of Florida and successor to Halifax Hospital District created pursuant to Chapter 112.72, Laws of Florida, Special Acts of 1925. The Medical Center’s Board of Commissioners (the “Board”) is empowered to levy ad valorem taxes for operating expenses, capital outlays, and other purposes.

The Medical Center, located in Daytona Beach, Florida, is a full-service, accredited, acute care hospital licensed to operate 673 beds. The Medical Center owns and operates three inpatient hospital facilities under one license and several ambulatory facilities. The main campus of the Medical Center is the inpatient referral center, providing Level III neonatal intensive care and a Level II state-certified trauma center, in addition to open-heart surgery, neurosurgery, and other specialty inpatient and outpatient services. The Port Orange campus, located 10 miles south of the main campus, is a community hospital providing a broad range of services to the residents of Port Orange and Southeast Volusia County. The Halifax Behavioral Services campus, located two miles north of the main campus, provides child, adolescent, and adult inpatient and outpatient psychiatric services to the residents of Volusia and Flagler Counties.

As required by accounting principles generally accepted in the United States of America (“GAAP”), these financial statements represent the primary government, the Medical Center, and its component units. The component units discussed below are included because of the significance of their operational or financial relationships with the Medical Center. The Medical Center, together with its component units, is referred to as “Halifax Health.” All significant intercompany accounts and balances have been eliminated in the financial statements.

Component Units: East Volusia Health Services, Inc. (“EVHS”); Halifax Healthcare Systems, Inc. (“HHCSI”), HH Holdings, Inc. (“Holdings”); Halifax Healthy Families Corporation d/b/a Healthy Communities (“Healthy Communities”); Halifax Staffing, Inc. (“Staffing”); Patient Business & Financial Services, Inc. (“PBFS”); Halifax Hospice, Inc. d/b/a Halifax Health Hospice (“Hospice”); Halifax Management System, Inc. (“HMS”); Halifax Medical Center Foundation, Inc. (“Foundation”); Medical Center of Deltona (“MCD”) and Volusia Health Ventures, Inc. d/b/a Volusia Health Network (“VHN”) are legally separate organizations which represent component units of the Medical Center.

Each component unit was established to provide administrative and other services for and on behalf of the Medical Center. In accordance with GASB Statement No. 80, which was adopted by the Medical Center in 2016, these entities are blended within the financial results of the Medical Center because they are organized as not-for-profit corporations and the Medical Center is the sole corporate member of each component unit, with the exception of HMS and VHN. HMS is blended within the financial results of the Medical Center in accordance with GASB Statement No. 61 because it has a specific financial benefit to the Medical Center, and management of the Medical Center have operational responsibility for the results of HMS. The activities of VHN are not considered material to the Medical Center.

Note 1. Description of the Organization (Continued)

EVHS is a not-for-profit corporation organized under the laws of Florida. EVHS was organized for the purpose of entering into joint-venture agreements to enhance the access and quality of patient care provided to the community.

HHCSI is a not-for-profit corporation organized under the laws of Florida. HHCSI was organized for the purpose of enhancing the access and quality of patient care provided to the community.

Holdings is a not-for-profit corporation organized under the laws of Florida that was established to manage the remaining assets that resulted from the sale of Florida Health Care Plan in 2008.

Healthy Communities is a not-for-profit corporation organized under the laws of Florida that coordinates the delivery of education, health resources, and direct assistance to the community. The services provided by Healthy Communities include administering Healthy Kids (child health insurance program), facilitating the provision of preventive care, and providing education and other activities relating to the general welfare of all children in Volusia and Flagler counties.

Staffing is a not-for-profit corporation organized under the laws of Florida, formed for the purpose of providing individuals to staff and manage the Medical Center, its component units, and any other related entities and facilities. The Medical Center is obligated to reimburse Staffing for all costs incurred in meeting its obligations under an agreement between the parties.

PBFS is a not-for-profit corporation that operates the patient accounting services for the Medical Center and employs certain staff for this function.

MCD is a not-for-profit corporation, incorporated in the state of Florida, operating an accredited, 43-bed acute care hospital located in the City of Deltona, Florida.

Hospice was organized in 1984 as a not-for-profit corporation under the laws of Florida. Hospice provides palliative medical care and treatment to patients who have less than six months to live via four inpatient care centers and in-home hospice services. The Port Orange care center is a 16-bed inpatient care center located in Port Orange. The West Volusia care center is an 18-bed center in Orange City. The Southeast Volusia care center is a 12-bed facility located in Edgewater. The Ormond Beach Care Center is a 12-bed facility.

HMS was organized in 1984 as a not-for-profit corporation under the laws of Florida. HMS owns and leases to the Medical Center three ambulatory facilities and one hospital facility and to MCD one medical office building. Facilities located in Ormond Beach, Deltona and on the Medical Center's main campus in Daytona Beach provide outpatient hospital services and medical offices. The third facility located in Port Orange is an 80-bed inpatient hospital.

The Foundation was organized in 1988 as a not-for-profit corporation under the laws of Florida. The Foundation is the fund-raising organization for the Medical Center.

VHN was organized in 1984 as a not-for-profit corporation under Florida law. VHN operates a preferred provider network of physicians and hospitals in the service area and offers the network and certain related services to employers that are self-insured for the health insurance coverage of their employees.

EVHS has a 95% interest in Daytona Area Senior Services (DASS) d/b/a Halifax Health Care at Home, which provides home health services to the residents of the local area. DASS' financial activity is included in these financial statements.

Note 1. Description of the Organization (Continued)

Presented on the following pages are condensed combining schedules for the component units.

Condensed Combining Statement of Net Position
September 30, 2022
(In Thousands)

		Blended Component Units											
	Medical Center	Holdings	Staffing	PBFS	HHCSI	EVHS	Hospice	VHN	Foundation	MCD	HMS	Intercompany Eliminations	Halifax Health
Assets and Deferred Outflows													
Current assets	$ 241,526	$ 179,525	$ -	$ -	$ 129	$ 18,535	$ 100,385	$ 7	$ 48,222	$ 20,637	$ 16,618	$ (4,449)	$ 621,135
Noncurrent assets whose use is limited	26,038	-	-	-	-	-	2,650	-	5,671	197	-	-	34,556
Capital and right to use assets, net	266,535	14,424	-	-	1,315	9,754	18,118	2	-	122,865	21,774	(25,129)	429,658
Other assets and deferred outflows	62,177	2,879	-	-	-	166	4,075	-	-	134,966	21,216	(24,519)	200,960
Total assets and deferred outflows	$ 596,276	$ 196,828	$ -	$ -	$ 1,444	$ 28,455	$ 125,228	$ 9	$ 53,893	$ 278,665	$ 59,608	$ (54,097)	$ 1,286,309
Liabilities, Deferred Inflows and Net Position													
Current liabilities	$ 131,791	$ 23	$ -	$ -	$ 245	$ 381	$ 3,542	$ 529	$ -	$ 10,433	$ 1,211	$ (4,460)	$ 143,695
Long-term debt, less current portion	315,519	-	-	-	1,161	140	-	-	-	132,065	-	-	448,885
Other liabilities and deferred inflows	130,161	1,637	-	-		-	5,685	-	1,979	149,463	33,229	(49,637)	272,517
Total liabilities and deferred inflows	577,471	1,660	-	-	1,406	521	9,227	529	1,979	291,961	34,440	(54,097)	865,097
Net Position:													
Net investment in capital assets	(34,251)	14,296	-	-	(22)	-	15,947	2	-	(13,905)	12,127	-	(5,806)
Restricted by donors, expendable	-	-	-	-	-	-	-	-	5,427	-	-	-	5,427
Restricted by donors, nonexpendable	-	-	-	-	-	-	-	-	244	-	-	-	244
Unrestricted (deficit)	53,056	180,872	-	-	60	27,934	100,054	(522)	46,243	609	13,041	-	421,347
Total net position	18,805	195,168	-	-	38	27,934	116,001	(520)	51,914	(13,296)	25,168	-	421,212
Total liabilities, deferred inflows and net position	$ 596,276	$ 196,828	$ -	$ -	$ 1,444	$ 28,455	$ 125,228	$ 9	$ 53,893	$ 278,665	$ 59,608	$ (54,097)	$ 1,286,309

Halifax Hospital Medical Center
d/b/a Halifax Health

Notes to Financial Statements

Note 1. Description of the Organization (Continued)

Condensed Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2022
(In Thousands)

		Blended Component Units											
	Medical Center	Holdings	Staffing	PBFS	HHCSI	EVHS	Hospice	VHN	Foundation	MCD	HMS	Intercompany Eliminations	Halifax Health
Operating revenues	$ 595,823	$ 1,808	$ -	$ -	$ 3,192	$ 7,645	$ 51,443	$ 1,074	$ (3,176)	$ 45,627	$ 4,905	$ (4,218)	$ 704,123
Operating expenses, before depreciation and amortization	276,702	298	248,079	25,780	3,749	3,384	46,465	958	2,193	45,221	871	(233)	653,467
Depreciation and amortization	23,167	506	-	-	246	27	1,151	-	-	6,794	1,922	(3,985)	29,828
Total operating expenses	299,869	804	248,079	25,780	3,995	3,411	47,616	958	2,193	52,015	2,793	(4,218)	683,295
Income (loss) from operations	295,954	1,004	(248,079)	(25,780)	(803)	4,234	3,827	116	(5,369)	(6,388)	2,112	-	20,828
Nonoperating revenues (expenses)	(284,935)	(3,420)	248,079	25,780	-	-	(11,902)	-	-	(1,984)	166	-	(28,216)
Increase (decrease) in net position	$ 11,019	$ (2,416)	$ -	$ -	$ (803)	$ 4,234	$ (8,075)	$ 116	$ (5,369)	$ (8,372)	$ 2,278	$ -	$ (7,388)

Note 1. Description of the Organization (Continued)

Condensed Combining Statement of Cash Flows
Year Ended September 30, 2022
(In Thousands)

		Blended Component Units											
Net cash provided by (used in):	Medical Center	Holdings	Staffing	PBFS	HHCSI	EVHS	Hospice	VHN	Foundation	MCD	HMS	Intercompany Eliminations	Halifax Health
Operating Activities	$ 310,688	$ 4,960	$ (248,079)	$ (25,780)	$ -	$ 452	$ 2,254	$ -	$ 2,015	$ 1,737	$ 1,929	$ -	$ 50,176
Noncapital Financing Activities	(264,862)	-	248,079	25,780	-	1,322	433	-	-	-	-	-	10,752
Capital and Related Financing Activities	(32,253)	(576)	-	-	-	(11)	(408)	-	-	(9,713)	(184)	-	(43,145)
Investing Activities	(5,521)	(242)	-	-	-	-	-	-	(1,306)	5,132	350	-	(1,587)
Net increase (decrease) in cash and cash equivalents	8,052	4,142	-	-	-	1,763	2,279	-	709	(2,844)	2,095	-	16,196
Cash and Cash Equivalents:													
Beginning of year	112,105	15,462	-	-	-	15,941	8,043	-	2,022	14,498	10,598	-	178,669
End of year	$ 120,157	$ 19,604	$ -	$ -	$ -	$ 17,704	$ 10,322	$ -	$ 2,731	$ 11,654	$ 12,693	$ -	$ 194,865

Note 1. Description of the Organization (Continued)

Fiduciary Fund Financial Statements: The Pension Trust Fund (the "Pension Fund"), the fiduciary fund, is used to account for the net position restricted for the pension benefits of certain employees of Staffing and Hospice.

Note 2. Significant Accounting Policies

A summary of the significant accounting policies used by Halifax Health follows:

Accounting Standards: These financial statements have been prepared in accordance with the Governmental Accounting Standards Board ("GASB") codification ("GASB Cod."). The financial statements of the component units are also prepared in accordance with the GASB codification, as they are established for the direct benefit of the Medical Center. The financial statements of the Medical Center and its component units have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents: All unrestricted highly liquid investments with maturities of three months or less when purchased are considered cash equivalents, excluding cash and cash equivalents included in assets whose use is limited. Cash deposits are fully collateralized and federally insured up to FDIC limits.

Investments: Investments are reported at fair value or amortized cost, if not materially different from fair value. Investments are marketable securities representing the investment of cash available for current operations, and as such are reported as current assets. Interest and dividends, when earned, and realized and changes in unrealized investment gains and losses are recorded as nonoperating revenue and expenses in the statement of revenues, expenses, and changes in net position, with the exception of the Foundation. Interest and dividends, when earned, and realized and changes in unrealized investment gains and losses of the Foundation are recorded as operating revenue in the accompanying statement of revenues, expenses, and changes in net position.

Master Securities Loan Agreement: Halifax Health lends securities to other entities (borrowers) for collateral that will be returned for the same securities in the future under Master Securities Loan Agreements ("MSLA"). MCD entered into an MSLA with JP Morgan Chase Bank, N.A. ("JPMC"). The securities are recorded as a noncurrent asset and a noncurrent liability in the statement of net position.

Assets Whose Use is Limited: Assets whose use is limited are marketable securities that are designated and set aside and controlled by the Board of Directors (the "Board") for repair and replacement of capital assets and for other purposes. The Board retains control of, and may use, these designated assets for purposes other than those for which the assets were initially designated.

Trustee Held Funds: Assets that are held in trust are the remaining proceeds of the 2019 Revenue Bonds (Medical Center of Deltona Project). The funds are held by U.S. Bank and are designated for the acquisition, construction and equipping of the 43-bed hospital. The assets are reported at fair value in the accompanying statement of net position.

Capital Assets: Purchases of real property and equipment of $5,000 or greater that have a useful life of longer than one year are capitalized at cost. The costs of replacement assets are capitalized in the same manner. The cost of minor equipment less than $5,000 and repairs are recorded in operating expenses.

Note 2. Significant Accounting Policies (Continued)

Capital assets are reviewed and considered for impairment whenever indicators of impairment are present, such as the decline in service utility of a capital asset that is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset.

Depreciation and Amortization: Capital assets, excluding land and construction in progress, are depreciated on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives range from 5 to 20 years for building improvements, 10 to 40 years for buildings, 10 to 20 years for fixed equipment, and 3 to 20 years for major movable equipment. Capitalized intangible assets and goodwill are amortized over their estimated useful lives of three years and five years, respectively. Bond premium (discount) is reported in the accompanying financial statements as an increase (deduction) from long-term debt and is deferred and amortized in a manner that approximates the effective interest method.

Leases: A lease asset is determined at inception when the control of the right to use underlying asset belongs to the entity for the term of the lease for a period of one year or greater. The term of the lease may include exercisable options when reasonably certain the option will be renewed. Right to use assets are amortized in a systematic and rational manner over the shorter of the lease terms or useful life of the underlying asset.

Leases, in which Halifax Health is the lessee, are included as right to use assets, net of amortization, in accordance with GASB Statement No. 87, *Leases* ("GASB 87"), in the statement of net position at the present value of expected lease payments over the lease term, adjusted for lease incentives, if applicable. Lease liabilities and rent receivables are based initially at the present value of lease payments or receipts, respectively, over the course of the lease and is re-measured whenever there is a change or modification of the lease terms. The current and long-term lease liabilities are recorded in the statement of net position.

Payments for leases, in which Halifax Health is the lessor, are recorded as a rent receivable and a deferred inflows related to leases. Terms vary by lease, each providing a monthly lease payment subject to a fixed escalation on the anniversary date of the agreement. As lease payments are received, deferred inflows are accreted as rental revenue and the interest income is included in investment income in the statement of revenue, expenses and change in net position.

For leases recorded, the rates are based upon the incremental borrowing rate and vary based on inception date and terms of the contract. Current rates range from 0.59% to 4.14%.

Intangible Assets: Certain intangible assets, other than right to use assets, are capitalized in accordance with GASB Cod. Sec. 1400, *Reporting Capital Assets*. Generally, those intangible assets would meet the same criteria for capitalization as other capital assets, cost of $5,000 or greater and a useful life of longer than one year.

Debt Issuance Costs and Unamortized Bond Premium (Discount): Debt issuance costs are expensed as incurred. Unamortized bond premiums and discounts are amortized over the period the related obligation is outstanding. The amortization of bond premiums and discounts are included as a component of interest expense.

Note 2. Significant Accounting Policies (Continued)

Derivative Instruments: The Medical Center has entered into an interest rate-swap agreement (the "Swap") and applies hedge accounting in accordance with GASB Cod. Sec. D40, *Derivative Instruments*. For effective hedging instruments, the change in fair value is recorded as a deferred outflow on the accompanying statement of net position, and the fair value of the Swap is reported in noncurrent liabilities. See Note 9 for more information on the Swap.

Deferred Outflows and Inflows: In addition to the Swap described above, certain pension costs, other postemployment benefits, leases, and losses on refunding of debt in prior years are included in deferred outflows and inflows and amortized over a specified period. Amortization of pension and other postemployment benefits related deferred outflows and inflows is included in salaries and benefits expense in the accompanying statement of revenues, expenses, and changes in net position. Amortization of leases related to deferred inflows are included in other operating revenue in the accompanying statement of revenues, expenses and changes in net position.

Inventories: Inventories consist of medical supplies, which are stated at the lower of cost or market (on a first-in, first-out basis).

Personal Leave Time: Personal leave time, which includes holiday, sick, and vacation time, that is accrued but not used at September 30, 2022, is included in accrued payroll and personal leave time in the accompanying statement of net position.

Pension Plan: The Halifax Pension Plan (the "Plan") is a cost-sharing, multiple-employer, noncontributory defined benefit pension plan that covers certain employees of the two participating employers, Hospice and Staffing. The Plan is accounted for in accordance with GASB Cod. Sec. Pe5, *Pension Plans—Defined Benefit*. Contributions are made based on the minimum recommended contribution as determined by actuarial valuation. The Plan is considered a governmental plan exempt from Employee Retirement Income Security Act requirements based upon rulings received from the Internal Revenue Service. See Note 10 for more information on the Plan.

Self-Insurance: Halifax Health is self-insured for various risks of loss, including professional and general liability losses, workers' compensation claims, and employees' health claims. Estimated liabilities include known claims and claims that have been incurred but not reported. The noncurrent portion of estimated professional and general liability losses and workers' compensation claims have been discounted using a 2% interest rate for 2022. Estimated losses for employees' health claims are not discounted as all amounts are considered current liabilities. See Note 6 for more information on self-insurance liabilities.

Income Taxes: The Medical Center is tax exempt under Section 115 of the Internal Revenue Code ("IRC"). With the exception of VHN, all of the component units are not-for-profit corporations described in Section 501(c)(3) of the IRC and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the IRC and Chapter 220.13 of the Florida Statutes, respectively. VHN is a taxable Florida not-for-profit corporation. There was no material amount of tax expense or benefit for the year ended September 30, 2022.

Note 2. Significant Accounting Policies (Continued)

Net Position: In accordance with GASB Cod. Sec. 2200, *Comprehensive Annual Financial Report*, net position is reported in three components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of right to use assets net of accumulated amortization, capital assets net of accumulated depreciation and reduced by the outstanding balances of any debt issued that is attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

The restricted component of net position consists of restricted assets; assets that have constraints placed on them externally by creditors, grantors, contributors, or laws or regulations of other governments, or laws through constitutional provisions or enabling legislation, reduced by liabilities or deferred inflows related to those restricted assets.

The unrestricted component of net position consists of the net amount of assets, deferred outflows of resources and liabilities, and deferred inflows of resources that do not meet the definitions of the other two components of net position.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue and Expenses: For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses. Peripheral or incidental transactions, such as interest expense, donations, and investment income (loss) are reported as nonoperating revenues, expenses, gains, and losses, with the exception of the Foundation. Investment income (loss) of the Foundation is recorded as operating revenue in the accompanying statement of revenues, expenses and changes in net position.

Ad valorem taxes levied and received by the Medical Center are designated by law to fund the Medical Center's operating expenses, which may include maintenance, construction, improvements, and repairs to the Medical Center or fund other expenses in carrying out the business of the Medical Center. The Medical Center considers ad valorem tax receipts to be ongoing and central to the provision of health care services and, accordingly, classifies these funds as operating revenue.

Ad valorem taxes received by the Medical Center are based on the assessed valuation of certain taxable real and personal property at the Board-approved millage rate for the year. Gross receipts of $20.1 million are included in operating revenues in the accompanying statement of revenues, expenses, and changes in net position. Certain expenses directly attributable to the Medical Center's status as a taxing authority are classified as ad valorem tax-related expenses. These expenses, when added to the charity care and other uncompensated care provided to qualifying patients, exceed ad valorem taxes received and are considered by the Board when determining the tax levy.

Substantially all expenses, including those expenses directly attributable to the Medical Center's status as a taxing authority, are considered by management to be ongoing and central to the provision of health care services and, therefore, are reported as operating expenses.

When an expense is incurred for which both unrestricted and restricted resources are available, restricted resources are applied first.

Note 2. Significant Accounting Policies (Continued)

Net Patient Accounts Receivable: Net patient accounts receivable are reported at estimated net realizable amounts due from patients, third-party payors, and others for services rendered. The provision for bad debts is based on management's assessment of historical and expected net collections, considering business and economic conditions, trends in health care coverage, and other collection indicators. Throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon these trends. The results of this review are then used to make any modifications to the provision for bad debts and to establish an appropriate estimated allowance for uncollectible accounts. Specific patient accounts identified as uncollectible are written off to the allowance for uncollectible accounts.

Net Patient Service Revenue: The Medical Center, MCD, Hospice and DASS serve certain patients whose medical costs are not paid at established rates. These include patients sponsored under government programs, such as Medicare and Medicaid, patients sponsored under private contractual agreements, and uninsured patients who have limited ability to pay.

Net patient service revenue is reported at estimated net realizable amounts due from patients, third-party payors, and others when services are rendered, and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Approximately $25.8 million in amounts due to Medicare and Medicaid relating to estimated future retroactive adjustments is recorded in accounts payable and accrued liabilities.

Revenue from the Medicare and Medicaid programs accounted for approximately 55% of net patient service revenue for the year ended September 30, 2022. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as changes in estimated provisions and final settlements are determined. There were no significant adjustments to revenue related to prior periods during the year ended September 30, 2022.

The Medical Center, MCD and Hospice classify a patient as charity based on established policies. These policies define charity services as those services for which no additional payment is anticipated. When assessing a patient's ability to pay, the Medical Center and MCD utilize percentages of the federal poverty income levels, as well as the relationship between charges and the patient's income. Beginning fiscal year 2016, the Medical Center's policy was revised from 200% to 400% of the federal poverty income level and has been applied to current MCD practices. Hospice classifies charity patients as those whose income is at or below the federal poverty guidelines. Core services may be covered in full, or discounted based on income and a sliding scale. Charity care, based on estimated costs, totaled approximately $43.3 million for the year ended September 30, 2022. Cost of charity care is calculated by applying the cost-to-charge ratio to the total amount of charity care deductions from gross revenue. The cost-to-charge ratio is calculated by taking the total expenses, excluding bad debt, and dividing by gross charges of the Medical Center and MCD.

Note 2. Significant Accounting Policies (Continued)

Net patient service revenue is reported net of charity adjustments, contractual adjustments, and provision for bad debts for the year ended September 30, 2022, as follows (in thousands):

Gross patient charges	$ 2,561,378
Charity adjustments	(164,011)
Contractual adjustments	(1,677,627)
Net patient service revenue before provision for bad debts	719,740
Provision for bad debts	(55,695)
Net patient service revenue	$ 664,045

Other Funding Sources: Halifax Health receives funding from various components of the State Medicaid program. Funding sources include Low Income Pool ("LIP"), Disproportionate Share Hospital ("DSH"), Indirect Medical Education ("IME"), Graduate Medical Education ("GME"), and Hospital Directed Payment Program ("DPP") and Public Hospital Payment ("PHP").

The LIP program distributes funding to Halifax Health in support of programs that provide coverage for uninsured and underinsured patients. The LIP is a federal matching program that provides the State with the opportunity to receive additional distributions based upon a fixed annual pool of approximately $1.5 billion distributed based on a measure of charity care cost.

The DSH program distributes funding to Halifax Health as add-on payments for hospitals that treat a disproportionate number of low-income patients. These payments help hospitals continue to serve impoverished communities.

IME requires a hospital to have approved GME programs. These programs provide additional payments for a Medicare discharge to reflect the higher patient care costs of teaching hospitals relative to non-teaching hospitals.

DPP is administered regionally and is to help reduce the Medicaid shortfall experienced by hospitals. The program provides direct supplemental payments to eligible public and private entities that provide inpatient and outpatient services to Medicaid managed care recipients.

PHP provides supplemental payments for services provided by Doctor of Medicine or Osteopathy, as well as other licensed health care practitioners, to support access to high quality care in a public hospital in Florida.

Note 2. Significant Accounting Policies (Continued)

The programs above are subject to governmental administrative approval and provider-specific cost limits which are retrospectively audited. The Medical Center recognized revenue related to these other funding sources within net patient service revenue. The following table shows the amounts by program for the year ended September 30, 2022:

	2022
LIP/DSH	$ 16,427
IME	1,665
DPP	12,553
PHP	2,253
Total IGT payments	$ 32,898

New Accounting Pronouncements: On October 1, 2021, Halifax Health adopted GASB Statement No. 87, *Leases*. The Statement required the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The lease assets and liabilities are recorded as right to use assets and a lease liabilities in the statement of net position and are recognized as inflows of resources or outflows of resources based on the payment provisions of the contract on the statement of revenue, expenses and changes in net position. The standard required Halifax Health to record right to use assets and lease liabilities totaling $16.7 million, as a lessee, and rent receivables and deferred inflows related to leases of $10.1 million and $10.3 million, respectively, as a lessor in the statement of net position as of October 1, 2021.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. The standard became effective and was adopted by Halifax Health for the fiscal year beginning October 1, 2021.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 84, and a Suppression of GASB Statement No. 32.* This Statement requires that a Section 457 plan can be classified as either a pension plan or as an other employee benefit plan dependent upon whether the plan meets the definition of a pension plan and whether those arrangements should be reported as fiduciary activities. This standard became effective and was adopted by Halifax Health for the fiscal year beginning October 1, 2021. Halifax Health determined that this Statement did not materially impact its financial statements.

Pending Accounting Pronouncements: In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate. The removal of the London Interbank Offered Rate as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements are effective for reporting periods beginning after June 15, 2020, except for the requirements related to lease modifications, which are effective for reporting periods beginning after June 15, 2021. Halifax Health is evaluating the impact of this Statement on its financial statements.

Note 2. Significant Accounting Policies (Continued)

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement requires that issuers disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Recognized liabilities related to supporting the debt service of conduit debt obligations should be disclosed by recognized amount and changes during the reporting period. The standard is effective for fiscal years beginning after December 15, 2021. Halifax Health is evaluating the impact of this Statement on its financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement establishes that a SBITA results in a right to use subscription asset and a corresponding subscription liability. The standard is effective for fiscal years beginning after June 15, 2022. Halifax Health is evaluating the impact of this Statement on its financial statements.

In May 2022, GASB issued Statement No. 99, *Omnibus 2022.* The Statement provides guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements, including: accounting and financial reporting for exchange or exchange-like financial guarantees; certain derivative instruments that are neither hedging derivative instruments nor investment derivative instruments; and clarification of certain provisions of: GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* GASB Statement No. 87 and GASB Statement No. 96. This standard is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Halifax Health is evaluating the impact of this Statement on its financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of GASB No. 100 is to enhance the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This standard is effective for fiscal years beginning after June 15, 2023. Halifax Health is evaluating the impact of this Statement on its financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This Statement establishes accounting and reporting requirements for liabilities arising from certain types of compensated absence arrangements. This standard is effective for fiscal years beginning after December 15, 2023. Halifax Health is evaluating the impact of this Statement on its financial statements.

Note 3. Investments and Assets Whose Use is Limited

Halifax Health measures and records its investments and assets whose use is limited using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Agencies and Commercial Paper: quoted prices for identical securities in markets that are not active; and

- Corporate and Municipal Bonds: quoted prices for similar securities in active markets.

Halifax Health measures and records its pooled investments using the net asset value ("NAV") per share or its equivalent guidelines established by GASB Statement No. 72.

Parametric Portfolio Associates LLC ("Parametric") is managed through a management agreement. Participants share in the investment income, expenses, gains and losses of each Pooled Investment Fund based on their proportionate share as determined by units. The fair value of the position in the pool is the same as the value of the pool shares.

The Clarion Lion Properties Fund's ("Clarion") investment philosophy seeks to take advantage of changing conditions within the U.S. property and capital markets by periodically shifting allocations among property types and locations, while remaining focused on the management of a core equity real estate portfolio.

The Pooled Investment Funds are not registered with the Securities and Exchange Commission as an investment company. Halifax can redeem up to 100% of its investment in any Pooled Investment Fund monthly with five-business days notice. As of September 30, 2022, Halifax Health has no unfunded commitments.

Note 3. Investments and Assets Whose Use is Limited (Continued)

The composition and fair value classification of investments and assets whose use is limited of Halifax Health at September 30, 2022, is set forth in the following table:

Direct Investments (Fair Value)

		Assets Whose Use is Limited and Restricted Assets					
	Investments	**Trustee-Held Self-Insurance Funds**	**Trustee-Held Funds for Capital Projects**	**Board-Designated Funded Depreciation**	**Restricted by Donor**	**Board Designated Other**	**Total**
				(In Thousands)			
Level 1							
Money market funds	$ 10,266	$ 275	$ 1	$ 175	$ -	$ -	$ 10,717
Mutual funds:							
Chartwell Short Duration High Yield	6,669	-	-	-	-	-	6,669
Lord Abbett Core Fixed Income Fund	8,133	-	-	-	-	-	8,133
Lord Abbett Short Duration Income Fund	27,375	-	-	-	-	-	27,375
DFA Emerging Markets Core Equity Portfolio	4,207	-	-	-	399	95	4,701
DFA International Large Cap Portfolio	8,526	-	-	-	887	279	9,692
DFA Small Cap Value Portfolio	2,499	-	-	-	1,856	430	4,785
DFA U.S. Large Cap Value Portfolio	2,333	-	-	-	2,284	868	5,485
Vanguard Global Min Vol Admiral Fund	13,720	-	-	-	-	-	13,720
Vanguard Growth Index Fund	3,848	-	-	-	-	60	3,908
Vanguard Total Stock Market Index Fund	22,854	-	-	-	-	-	22,854
Vanguard Short-Term Investment Grade Inst Fund	29,752	-	-	-	-	918	30,670
Vanguard Small Cap Growth Index Fund	2,678	-	-	-	-	-	2,678
U.S. Treasury obligations	7,695	-	-	6,741	-	-	14,436
Total Level 1	150,555	275	1	6,916	5,426	2,650	165,823
Level 2							
U.S. Government-sponsored enterprises:							
Federal National Mortgage Association	-	-	-	3,352	-	-	3,352
Federal Home Loan Bank	1,926	-	-	14,008	-	-	15,934
Federal Home Loan Mortgage Corporation	4,187	-	196	1,762	-	-	6,145
Corporate bonds	130,245	-	-	-	-	-	130,245
Other	1,322	-	-	-	245	-	1,567
Total Level 2	137,680	-	196	19,122	245	-	157,243
Total Direct Investments	$ 288,235	$ 275	$ 197	$ 26,038	$ 5,671	$ 2,650	$ 323,066

Note 3. Investments and Assets Whose Use is Limited (Continued)

Pooled Investments (Net Asset Value)

		Assets Whose Use is Limited and Restricted Assets					
	Investments	**Trustee-Held Self-Insurance Funds**	**Trustee-Held Funds for Capital Projects**	**Board-Designated Funded Depreciation**	**Restricted by Donor**	**Board Designated Other**	**Total**
				(In Thousands)			
Pooled, Common and Collective Fund:							
Parametric Defensive Equity Fund LLC	$ 14,790	$ -	$ -	$ -	$ -	$ -	$ 14,790
Clarion Lion Properties Fund	6,378	-	-	-	-	-	6,378
Total Pooled Investments	21,168	-	-	-	-	-	21,168
Total Direct and Pooled Investments	$ 309,403	$ 275	$ 197	$ 26,038	$ 5,671	$ 2,650	$ 344,234

Note 3. Investments and Assets Whose Use is Limited (Continued)

The composition of investments in the Halifax Pension Plan at September 30, 2022, is set forth in the following table (in thousands):

Money market funds	$	279
Pooled, Common and Collective Fund:		
Parametric Defensive Equity Fund LLC		30,372
Clarion Lion Properties Fund		21,885
Partners Group Private Credit Strategy A LLC		16,981
Mutual funds:		
Chartwell Short Duration High Yield		11,694
Lord Abbett Short Duration Credit Trust II Fee Class MQ		44,283
Lord Abbett Core Fixed Income Trust II Fee Class MQ		13,098
DFA Emerging Markets Core Portfolio		11,994
DFA Large Cap International Portfolio		26,749
DFA U.S. Large Cap Value Portfolio		12,898
DFA U.S. Small Cap Value Portfolio		11,094
Vanguard Global Minimum Volatility Shares		29,434
Vanguard Growth Index Fund		9,437
Vanguard Total Stock Market Index Fund		39,045
Vanguard Short-Term Investment Grade Inst Fund		276
Vanguard Small Cap Growth Index Fund		6,188
Total	$	285,707

Assets whose use is limited for obligations classified as current liabilities are reported as current assets.

The Medical Center invests in money market, mutual funds and commingled investment vehicles whose underlying holdings qualify as fixed-income, equity or option securities in accordance with its investment policy described in Note 4.

At September 30, 2022, the Medical Center was invested in two money market funds, Wells Fargo Advantage Government Fund and Goldman Sachs Treasury Obligation Fund, and the following bond mutual funds:

- **Vanguard Short-Term Investment Grade (VFSIX)** actively invests its portfolio in short- and intermediate-term investment grade bonds. The fund had an average duration of 2.6 years as of September 30, 2022.
- **Chartwell Short Duration High Yield Fund (CWFIX)** actively invests in higher quality, short-term high yield corporate debt securities. The fund had an average duration of 3.1 years on September 30, 2022.
- **Lord Abbett Short Duration Income** actively invests its portfolio in short-term investment grade bonds. The fund had an average duration of 2.0 years as of September 30, 2022.
- **Lord Abbett Core Fixed Income** actively invests its portfolio in investment grade bonds. The fund had an average duration of 5.8 years as of September 30, 2022.

At September 30, 2022, the Medical Center held debt securities in U.S. Treasury Obligations and U.S. Government-sponsored enterprises including Federal National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation.

Note 3. Investments and Assets Whose Use is Limited (Continued)

Halifax holds the following Pooled Investment Funds:

- **Parametric Defensive Equity Fund LLC** is a commingled investment vehicle that provides income through selling call and put options on the S&P 500 while overlaying with positions in the S&P 500 and in short-term U.S. treasury bills.
- **The Clarion Lion Properties Fund** is a core, open-end real estate fund that invests primarily in a diversified portfolio of high-quality real estate assets in the four main property types (office, retail, industrial and apartment) located in major markets across the United States.
- **Partners Group Private Credit Fund** seeks to generate attractive risk-adjusted returns and current income by investing in a diversified portfolio of primarily senior secured loans. The majority of Fund Investments will be the most senior tranche in the capital structure of the relevant borrowers and often have lien security over the assets of the borrowers. The Investments may also comprise of opportunistic credit, which may appear attractive on a relative value basis.

Investment loss on assets whose use is limited, restricted assets, and investments for the year ended September 30, 2022, was $17.2 million and includes an unfavorable decrease in unrealized gains and losses of $20.6 million. Investment loss of the Foundation was $6.2 million and includes an unfavorable decrease in unrealized gains and losses of approximately $7.5 million and is included in other operating revenue.

Note 4. Deposits and Investment Risk

GASB Cod. Sec. I50, *Investments*, requires disclosures related to investment and deposit risks, including risks related to credit risk, consisting of custodial credit risk and concentrations of credit risk, interest rate risk, and foreign currency risk. GASB Cod. Sec. I50 also requires the disclosure of the credit quality of investments in debt securities, except for obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government.

<u>Investment Risk</u>: Investment policies were established in order to control and diversify risk by limiting specific security types and/or concentration with individual financial institutions. Specific investment types are limited to a percentage of the total investment portfolio and maximum maturity date. Investment strategies are influenced by relative market yields and the cash needs of Halifax Health. Excess funds of the Medical Center and its component units may be invested in accordance with the respective investment policies. Excess funds of the Medical Center may be invested in, but are not limited to:

- U.S. Government securities and repurchase agreements;
- U.S. Government agency and U.S. Government-sponsored enterprises;
- Domestic bank certificates of deposit provided that any such investments are in Federal Deposit Insurance Corporation guaranteed accounts or deposits collateralized by U.S. Government securities or obligations;
- Securities of, or other interests in, any management-type investment company or investment trust registered under the Investment Company Act of 1940, as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the U.S. Government or any agency or instrumentality thereof;
- Repurchase agreements with reputable financial institutions, which are fully secured by U.S. Government obligations;

Note 4. Deposits and Investment Risk (Continued)

- Mutual funds of registered investment advisors may be purchased to invest in the permissible securities listed above; and
- Commingled investment vehicles holding permissible securities listed above and in strategies listed in accordance with the investment policy.

The Halifax Pension Plan's investment policy provides guidelines for the types of investments that can be acquired in order to provide maximum diversity and reduce risk. Specific asset classes are limited to a percentage of the total investment portfolio. Specific investment strategies are influenced by relative market yields and the cash needs of the Halifax Pension Plan. The Halifax Pension Plan may be invested in, but not limited to:

- Local government investment pool;
- U.S. Government securities and repurchase agreements;
- U.S. Government agency and U.S. Government-sponsored enterprises;
- Domestic Bank Certificates of Deposit provided that any such investments are in Federal Deposit Insurance Corporation ("FDIC") guaranteed accounts or deposits collateralized by U.S. Government securities or obligations;
- Repurchase agreements with reputable financial institutions, which are fully secured by U.S. Government obligations;
- Commercial Paper and Stocks; limited to issuers with an A rating or better;
- Mutual funds of registered investment advisors may be purchased to invest in the permissible securities listed above; and
- Commingled investment vehicles holding permissible securities listed above and in strategies listed in accordance with the investment policy.

All investment decisions are made based on reasonable research as to credit quality, liquidity, and counterparty risk prior to the investment. An investment advisory firm is utilized to monitor the investment of all funds and quarterly performance of the portfolio is reported to management and the Investment Committee of the Board.

<u>Custodial Credit Risk</u>: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, Halifax Health and the Halifax Pension Plan will not be able to recover its deposits. At September 30, 2022, Halifax Health and the Halifax Pension Plan's deposits, consisting primarily of cash and cash equivalents, were covered by federal depository insurance, collateralized with U.S. Treasury Securities and Federal agency securities or guaranteed 100% by the State of Florida and collateralized through the Florida Bureau of Collateralization.

<u>Credit Risk</u>: The investment policy provides guidelines to investment managers that restrict investments in debt securities to those with an A- or A rating or better for Halifax Health and the Halifax Pension Plan, respectively, and established asset allocation limits to reduce the concentration of credit risk. Guidelines are provided to investment managers and monitored by the investment advisory firm and management for compliance. As of September 30, 2022, Halifax Health has an investment in debt securities with Federal National Mortgage Association totaling approximately $3.4 million, representing 0.97% of total investments. At September 30, 2022, the money market fund held by Halifax Health had a credit rating of Aaa-mf, and other debt securities were limited to one fixed income commingled investment trust with credit ratings of underlying debt securities ranging from A3 to Baa3 from Moody's Investor Service.

Note 4. Deposits and Investment Risk (Continued)

As of September 30, 2022, the Halifax Pension Plan did not have investments in debt securities in any one issuer that represents 5% or more of the Halifax Pension Plan's fiduciary net position. The Halifax Pension Plan's investment in a mutual fund that primarily invests in debt securities have a credit rating of Aaa-mf from Moody's Investor Service.

Interest Rate Risk: Changes in interest rates can adversely affect the fair value of an investment. Halifax Health and the Halifax Pension Plan manage exposure to interest rate risk by limiting investment maturities and diversifying its investment portfolios.

As of September 30, 2022, Halifax Health had investments, assets whose use is limited and restricted assets maturing as follows:

	Fair Value	No Maturity Date or Less than 1 Year	1 – 5 Years	6 – 10 Years
	(In Thousands)			
Money market funds	$ 10,717	$ 10,717	$ -	$ -
Mutual funds	140,670	140,670	-	-
U.S. Government securities	14,436	8,831	5,605	
U.S. Government-sponsored enterprises	25,431	14,341	9,302	1,788
Corporate bonds	130,245	62,414	59,433	8,398
Other	1,567	1,567	-	-
Total	$ 323,066	$ 238,540	$ 74,340	$ 10,186

	Net Asset Value	No Maturity Date or Less than 1 Year	1 – 5 Years	6 – 10 Years
	(In Thousands)			
Pooled, Common and Collective Fund:				
Parametric Defensive Equity Fund LLC	$ 14,790	$ 14,790	$ -	$ -
Clarion Lion Properties Fund	6,378	6,378	-	-
Total	$ 21,168	$ 21,168	$ -	$ -

At September 30, 2022, all of the Halifax Pension Plan's investments had maturity dates within one year or no maturity date.

Note 5. Capital Assets and Right to Use Lease Assets

Capital assets and right to use lease assets are presented net of accumulated depreciation and amortization, respectively, in the accompanying statement of net position. A summary of the activities for the year ended September 30, 2022, is presented below:

	Balance at September 30, 2021	Increases	Decreases	Balance at September 30, 2022	Elimination Entries	Balance at September 30, 2022
Depreciable capital assets:						
Land improvements	$ 6,644	$ 2,024	$ -	$ 8,668	$ -	$ 8,668
Buildings	508,511	25,116	3,011	530,616	-	530,616
Fixed equipment	35,856	929	1,145	35,640	-	35,640
Major moveable equipment	101,742	5,538	2,347	104,933	-	104,933
Computers and software	33,358	2,090	3,396	32,052	-	32,052
Accumulated depreciation	(338,287)	(27,379)	(6,478)	(359,188)	-	(359,188)
Capital assets-net	347,824	8,318	3,421	352,721	-	352,721
Nondepreciable capital assets:						
Land	51,615	650	2,176	50,089	-	50,089
Projects in progress	9,875	38,735	35,971	12,639	-	12,639
Capital assets-net	$ 409,314	$ 47,703	$ 41,568	$ 415,449	$ -	$ 415,449
Right-to-use lease assets						
Land improvements	$ -	$ 1,124	$ -	$ 1,124	$ (1,124)	$ -
Buildings	-	44,647	-	44,647	(27,989)	16,658
Fixed equipment	-	-	-	-	-	-
Major moveable equipment	-	-	-	-	-	-
Accumulated amortization	-	(6,434)	-	(6,434)	3,985	(2,449)
Right-to-use lease assets, net	$ -	$ 39,337	$ -	$ 39,337	$ (25,128)	$ 14,209

Note 6. Self-Insurance and Insurance

Self-Insurance: The Medical Center is self-insured for various risks of loss, including professional and general liability losses, workers' compensation claims, and employees' health claims. Certain component units participate in the Medical Center's employee health and workers' compensation self-insurance programs. Self-insurance funds are held by a trustee bank and recorded as assets whose use is limited.

The Medical Center, as a subdivision of the State of Florida, has sovereign immunity in tort actions. Therefore, in accordance with Chapter 768.28, Laws of Florida, the Medical Center and its component units are not liable to pay a claim by or judgment to any one person which exceeds the sum of $200,000 or any claim or judgment, or portions thereof, which when totaled with all other claims or judgments paid by the state or its agencies or subdivisions arising out of the same incident or occurrence exceeds the sum of $300,000. Chapter 768.28 also provides that judgments may be claimed or rendered in excess of these limits; however, these amounts must be reported to and approved by the Florida Legislature.

Note 6. Self-Insurance and Insurance (Continued)

Professional and general liability losses are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Accrued self-insurance liabilities include an amount for claims that have been incurred but not reported based on actuarial determinations. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards. The process used in computing claim liabilities does not necessarily result in actual claim amounts. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Due to current economic factors, the Medical Center discount rate is 2% and the confidence level is 95% as of September 30, 2022.

The liabilities for employees' health insurance and workers' compensation claims are estimated based on historical data. The Medical Center has commercial insurance policies for health insurance and workers' compensation for cases that exceed certain limits. The health insurance policy includes an 80% indemnity of cases that exceed $325,000 and a $1 million lifetime maximum. Specific excess coverage for workers' compensation includes retention of $750,000 per incident.

Changes in the accrued self-insurance liabilities for the years ended September 30, 2022 and 2021, are as follows:

	Balance at September 30, 2021	Current Year Claims and Changes in Estimates	Claim Payments	Balance at September 30, 2022
Employee health	$ 1,550	$ 5,934	$ (5,934)	$ 1,550
Professional liability	12,150	(723)	(627)	10,800
Workers' compensation	3,250	(1,017)	1,377	3,610
Total	$ 16,950	$ 4,194	$ (5,184)	$ 15,960

	Balance at September 30, 2020	Current Year Claims and Changes in Estimates	Claim Payments	Balance at September 30, 2021
Employee health	$ 1,500	$ 4,960	$ (4,910)	$ 1,550
Professional liability	11,855	720	(425)	12,150
Workers' compensation	3,211	1,484	(1,445)	3,250
Total	$ 16,566	$ 7,164	$ (6,780)	$ 16,950

Certain matters of litigation against Halifax Health arise in the normal course of business. Losses in excess of amounts accrued may occur although an estimate of such excess cannot be made. It is the opinion of management that the ultimate liability, if any, resulting from these matters will not have a material adverse effect on Halifax Health's financial statements.

Note 7. Agreements

Master Securities Loan Agreement: MCD entered into a Master Securities Loan Agreement (MSLA) with JP Morgan Chase Bank, N.A. (JPMC). MCD and JPMC are the only parties to the MSLA. Under the terms and conditions of the MSLA, JPMC is obligated to make payments to MCD equal to the actual interest paid on the 2019 and Series 2022-MCD Bonds in exchange for payments from MCD based upon the outstanding par amount of the 2019 and Series 2022-MCD Bonds and a variable index rate (regularly scheduled payments). The MSLA has a scheduled termination date of December 18, 2026. Upon the occurrence of certain events, both MCD and JPMC maintain early termination rights by giving notice to the other party prior to the close of business on a business day. Upon any scheduled, unscheduled, or optional termination, MCD is obligated to pay JPMC the fair value of the 2019 and Series 2022-MCD Bonds as of the termination date in addition to any regularly scheduled payments due. Both the asset and obligation in the amount of $134.0 million are recorded on the statement of net position as of September 30, 2022.

Management Services, Governance, and Contribution Agreement: On December 17, 2019, MCD entered into a Management Services, Governance, and Contribution Agreement (Agreement) with the Medical Center, HMS, and Hospice, as well as Shands Teaching Hospital and Clinics, Inc. (Shands). Under the Agreement, the Medical Center and Shands will: (i) provide management services to operate the Medical Center of Deltona, (ii) provide equal capital funding contributions, and (iii) equally receive MCD profits and distributions. On February 2, 2022, MCD entered into an amendment to the Agreement. Under the amendment, MCD issued the Series 2022, Hospital Revenue Bonds in the amount of $14.5 million to finance the acquisition of the emergency room facilities located on MCD's campus in the City of Deltona. Additionally, under the Agreement and 2022 amendment, Shands, HMS, and Hospice agreed to individually provide (and have provided) joint and several liability guarantees for the obligations under the MSLA. The capital funding contribution from Shands in the amount of $12 million is recorded in noncurrent liabilities in the statement of net position as of September 30, 2022.

Note 8. Long-Term Debt

Long-term debt at September 30, 2022, consists of the following:

	Current Portion of Long-Term Debt	Long-Term Debt	Premium
		(In Thousands)	
Bonds payable:			
Series 2008	$ -	$ 70,000	$ -
Series 2015	5,285	11,375	1,574
Series 2016	1,425	155,815	7,782
Series 2019	1,925	117,575	-
Series 2022 - MCD	-	14,490	-
Series 2022 - Medical Center	555	79,630	-
Total bonds payable	$ 9,190	$ 448,885	$ 9,356

Note 8. Long-Term Debt (Continued)

Bonds Payable: Halifax Health has $458.1 million of outstanding debt, which was issued to refund prior debt and to provide funding for capital projects and operating reserves. The debt is organized with outstanding principal balances as follows: $70 million of tax-exempt, variable-rate demand-obligation ("VRDO") bonds ("Series 2008"), secured by a letter of credit; $16.7 million of tax-exempt, fixed rate bonds ("Series 2015"), $157.2 million of tax-exempt, fixed rate bonds ("Series 2016"), $119.5 million of revenue bonds ("Series 2019"), $80.2 million of taxable refunding bonds ("Series 2022-Halifax) and $14.5 million of revenue bonds ("Series 2022 – MCD").

Pursuant to the terms of the Master Trust Indenture ("MTI") and First Amendment under which the Series 2008, 2015, 2016, and 2022 Halifax Health bonds were issued (excluding conduit indebtedness), principal and interest on each bond series are payable from and secured by a pledge of net revenues of the Obligated Group. The members of the Obligated Group are the Medical Center and Holdings. In accordance with generally accepted accounting principles, certain component units are blended with the accounts of the Medical Center in the Obligated Group's financial information, including EVHS, Staffing, HHCSI and PBFS.

The Series 2022 MCD Bonds were issued at par value with a 5.00% interest rate coupon and may be redeemed at the option of the Borrower. The Series 2022 bonds have a maturity date of December 15, 2049, and are secured by a mortgage on the assets of MCD.

The Series 2019 Bonds were issued at par value with a 5.25% interest rate coupon and may be redeemed at the option of MCD in whole or in part beginning on December 15, 2020, at 100% of the principal amount to be redeemed plus accrued interest to the redemption date. The Series 2019 bonds have a maturity date of December 15, 2049, and are secured by a mortgage on the assets of MCD.

The Series 2015 bonds and Series 2016 bonds have maturities extending through 2046. Interest rates range from 3.0% to 5.0%.

The Series 2008 bonds are tax-exempt, variable-rate securities with a weekly interest-rate period. The Series 2008 bonds have final maturities of June 1, 2048, subject to the demand provisions described below. The net proceeds of the Series 2008 bonds were used to advance refund a portion of the Medical Center's outstanding indebtedness, to provide funds for future capital projects, and for reimbursement of prior capital expenditures.

The Series 2008 bonds are subject to purchase from time to time at the option of the owners thereof and are required to be purchased in certain circumstances. As such, the bonds are supported by a remarketing agreement and an irrevocable direct pay letter of credit with a bank in the aggregate amount of $70 million at September 30, 2022. The remarketing agreement generally provides the Medical Center the option to market the obligations at the then-prevailing short-term rate, as determined by the remarketing agent. The obligations were marketed weekly during 2022, with interest rates ranging from 0.02% to 2.45%. The term of the letter of credit expires November 5, 2024. The letter of credit is secured by an interest in any bonds purchased with draws on the letter of credit and amounts payable under the MTI. The Medical Center did not draw on the letter of credit during 2022. In the event that the Series 2008 bonds are unable to be remarketed, the Medical Center would be required to draw on the letter of credit. Repayments of principal and interest would begin 367 days after the date of the draw (and no draw may be made on the letter of credit without seven days written notice). Repayments will be made in 12 equal quarterly installments of principal plus interest. Therefore, the final quarterly installment to be made under the provisions of the letter of credit would occur on July 10, 2025. Pursuant to the terms of the letter of credit, the Medical Center is required to comply with certain provisions regarding additional borrowings, capital expenditures, and the maintenance of certain financial ratios.

Note 8. Long-Term Debt (Continued)

The Medical Center has a $70 million notional-amount fixed-pay percentage of the London InterBank Offered Rate ("LIBOR") interest rate swap on the Series 2008 bonds (the "Swap"). The variable interest paid on the Series 2008 bonds is expected to correlate very closely with the rate that is received on the related Swap. The effective interest rate on the Swap is a synthetic fixed rate of interest of 3.90% at September 30, 2022. See Note 9 for further information on the Swap.

The Obligated Group is required to comply with certain provisions regarding additional borrowings and the maintenance of certain minimum debt service coverage, liquidity, and indebtedness ratios.
A summary of bond issues follows (in thousands):

Fixed Rate Bonds

		Term Bonds			Serial Bonds		
Series	Date Issued/ Converted	Original Issue Amount	Interest Rate	Maturity Date	Original Issue Amount	Interest Rate	Maturity Date
Series 2015	April 29, 2015				$ 57,530	4.00%–5.00%	June 1, 2046
Series 2016	March 28, 2016	$ 48,430	5.00	June 1, 2030	$ 117,060	3.38%–5.00%	June 1, 2046
			3.38	June 1, 2031			
			5.00	June 1, 2036			
			3.75	June 1, 2041			
			4.00	June 1, 2046			
Series 2019	December 18, 2019	$ 123,055	5.25	December 15, 2049			
Series 2022 - Halifax	March 15, 2022	$ 80,185	2.58%	June 1, 2025			
			2.11%	June 1, 2046			
Series 2022 - MCD	February 2, 2022	$ 14,490	5.00%	December 15, 2049			

Variable-Rate Bonds

Series	Date Issued	Original Issue Amount	Interest Rate at September 30, 2021	Maturity Date	Interest Rate Period
Series 2008	September 18, 2008	$ 70,000	2.450%*	June 1, 2048	7 days

* This rate is the remarketed interest rate in effect as of September 30, 2022. The Medical Center also has a fixed-pay interest rate as part of the Swap. See Note 9 for more information on the Swap.

Note 8. Long-Term Debt (Continued)

Listed below are the debt service payments for Halifax Health for each of the five years ending September 30, 2023 through 2027 and in five-year increments thereafter (in thousands). The principal shown on the Series 2008 bonds is based on scheduled repayments; however, as described above the principal is subject to call by the bondholders, in which case the principal may be due by 2022. The interest rate used to calculate interest on the Series 2008 bonds was the remarketed interest rate in effect at September 30, 2022. The table below excludes interest amounts related to the swap (see Note 9).

	Series 2008		Series 2015		Series 2016		Series 2022 (Medical Center)		Series 2019		Series 2022 (MCD)		Total Debt Secured by Obligated Group		Total Halifax Health	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ -	$ 1,715	$ 5,285	$ 833	$ 1,425	$ 6,899	$ 555	$ 2,069	$ 1,925	$ 6,223	$ -	$ 725	$ 7,265	$ 11,516	$ 9,190	$ 18,464
2024	-	1,715	5,555	569	1,490	6,828	565	2,066	2,025	6,120	-	725	7,610	11,178	9,635	18,023
2025	-	1,715	5,820	291	1,580	6,753	580	2,033	2,135	6,010	280	718	7,980	10,792	10,395	17,520
2026	-	1,715	-	-	1,650	6,674	7,085	1,651	2,250	5,895	295	703	8,735	10,040	11,280	16,638
2027	-	1,715	-	-	6,165	6,592	2,805	1,507	2,375	5,774	310	688	8,970	9,814	11,655	16,276
2028-2032	-	8,575	-	-	35,610	28,140	14,960	6,618	13,925	26,806	1,790	3,186	50,570	43,333	66,285	73,325
2033-2037	-	8,575	-	-	44,920	18,849	16,590	4,973	18,100	22,626	2,295	2,678	61,510	32,397	81,905	57,701
2038-2042	18,990	7,436	-	-	35,300	9,541	19,580	3,148	23,540	17,191	2,955	2,025	73,870	20,125	100,365	39,341
2043-2047	36,290	4,030	-	-	29,100	3,031	17,465	895	30,610	10,123	3,790	1,186	82,855	7,956	117,255	19,265
2048-2051	14,720	-	-	-	-	-	-	-	22,615	1,823	2,775	212	14,720	-	40,110	2,035
Total	$ 70,000	$ 37,191	$ 16,660	$ 1,693	$ 157,240	$ 93,307	$ 80,185	$ 24,960	$ 119,500	$ 108,591	$ 14,490	$ 12,846	$ 324,085	$ 157,151	$ 458,075	$ 278,588

Note 8. Long-Term Debt (Continued)

Long-term debt (and related premium) activity for the year ended September 30, 2022, consisted of the following:

	Balance at September 30, 2021 (Includes Premium)	Additions	Reductions by Payments or Decreases	Balance at September 30, 2022	Due Within One Year
Lease Liabilities	$ -	$ 16,658	$ (2,169)	$ 14,489	$ 2,039
Series 2008	70,000	-	-	70,000	-
Series 2015	102,624	-	(84,390)	18,234	5,285
Series 2016	166,718	-	(1,696)	165,022	1,425
Series 2019	121,325	-	(1,825)	119,500	1,925
Series 2022 (MCD)	-	14,490	-	14,490	-
Series 2022 (Halifax)	-	80,185	-	80,185	555
Total	$ 460,667	$ 111,333	$ (90,080)	$ 481,920	$ 11,229

Note 9. Interest Rate Swap

The Medical Center has entered into a Swap agreement with a notional amount of $70 million in conjunction with the issuance of the Series 2008 bonds that effectively converts the variable rate bonds to a fixed rate. Under the terms of the Swap, the Medical Center pays to the counterparty a fixed rate of interest equal to 3.837% of the remaining notional amount. In turn, the Medical Center receives a payment of variable interest equal to 67% of LIBOR. The termination date of this Swap agreement is June 1, 2048, which coincides with the maximum maturity of the Series 2008 bonds. Payments under the Swap agreement are insured by Assured Guaranty Municipal Corp. (“AGMC”). For the year ended September 30, 2022, the Medical Center made approximately $2.7 million in payments under the Swap agreement to the counterparty and received approximately $327,000 in payments under the Swap agreement from the counterparty. The payments made and received under the Swap agreement are included in interest expense on the accompanying statement of revenues, expenses and changes in net position.

In accordance with GASB Cod. Sec. D40, the Medical Center applies hedge accounting for its Swap. At September 30, 2022, the fair value of the Swap liability of approximately $13.7 million was included in other long-term liabilities, with the current-year change in fair value of approximately $20.3 million recorded as a decrease in deferred outflows. The fair value of the Swap was approximately $13.7 million at September 30, 2022, as determined by an independent source. In accordance with GASB Statement No. 72, the fair value measurement of the Swap is classified as Level 2 and is valued using matrix pricing based on the securities’ relationship to benchmark quoted prices.

<u>Interest Rate Risk</u>: The Medical Center is exposed to interest rate risk on the Swap. As LIBOR decreases, the Medical Center’s net payment on the Swap increases.

Note 9. Interest Rate Swap (Continued)

Basis Risk: The Medical Center is exposed to basic risk on the Swap because the variable-rate interest payments it receives on the Swap is based on a rate other than the interest rate the Medical Center pays on its hedged, variable rate debt, which is remarketed every seven days. As of September 30, 2022, the interest rate on the hedged variable-rate debt is 2.45% and 67% of LIBOR is 1.91%.

Termination Risk: The Medical Center or its counterparty may terminate the Swap if the other party fails to perform under the terms of the agreement. If, at the time of termination, the Swap is in a liability position, the Medical Center would be liable to the counterparty for payment equal to the liability, subject to net settlement.

The following table summarizes the Medical Center's anticipated net cash flows from outstanding variable rate debt and the related Swap at September 30, 2022 (in thousands). The interest rates used to calculate interest on the variable rate debt and the variable portion of the Swap were the respective interest rates in effect at September 30, 2022. The rate used for the fixed-pay portion of the Swap is the actual interest rate of 3.837%.

	Principal	Interest	Net Interest on Swap	Total Interest
Years ending September 30:				
2023	$ -	$ 1,715	$ 1,348	$ 3,063
2024	-	1,715	1,348	3,063
2025	-	1,715	1,348	3,063
2026	-	1,715	1,348	3,063
2027	-	1,715	1,348	3,063
2028-2032	-	8,575	6,741	15,316
2033-2037	-	8,575	6,741	15,316
2038-2042	18,990	7,436	5,847	13,283
2043-2047	36,290	4,030	3,168	7,198
2048-2051	14,720	-	-	-
Total	$ 70,000	$ 37,191	$ 29,237	$ 66,428

Note 10. Pension Plan

Defined Benefit Pension Plan: Certain employees participate in the Halifax Pension Plan, which is a cost-sharing, multiple-employer, noncontributory defined benefit pension plan (the "Plan") with two participating employers, Staffing and Hospice. The Plan is treated as a single employer plan for the purposes of making contributions and paying pension benefits, determining whether there has been any termination of service, and applying the maximum benefit limitation. Plan provisions are established and may be amended by the Board of Staffing, the Plan's sponsor. The Plan issues stand-alone financial statements that can be obtained by contacting the Plan's sponsor or by accessing Halifax Health's website at www.halifaxhealth.org. The Plan's financial statements are prepared using the accrual basis of accounting.

Note 10. Pension Plan (Continued)

The Plan covers all eligible employees who have attained the age of 21 and have more than one year of service. Eligibility for the Plan was closed to all employees whose initial hire date or rehire date was on or after October 1, 2000. Halifax Health assumed the unfunded portion of the past service liability for employees who participated and were not vested in the prior pension benefit programs. As of September 30, 2021, the measurement date, the Plan included 262 active employees, 437 terminated but vested participants, and 1,122 retired participants and beneficiaries.

Pension plan benefits are based on the number of years of service and the employee's highest three-year average annual compensation. Effective October 1, 2013 the Plan was frozen and as such, participants of the Plan will no longer accrue credit for years of service and, upon eligibility, calculation of benefits will be made based on compensation information through October 1, 2013. Participants may elect to receive pension plan benefits as a monthly annuity or as one lump-sum payment for an amount equal to the present value of future benefits, as calculated by an actuary. Beneficiaries receive an annual, automatic 3% cost of living adjustment.

The Medical Center is obligated by a contractual agreement to fund contributions on behalf of Staffing. The contribution rate is determined on an actuarial basis. Halifax Health contributed $21.3 million to the Plan in fiscal year 2022. In accordance with GASB Statement No. 68, that amount is recorded on the statement of net position as a deferred outflow at September 30, 2022. The Medical Center's proportionate share of the contribution, expense and net pension liability is 94.19% and Hospice's proportionate share is 5.81% for fiscal year 2022. The proportionate share calculation is based on the present value of future salaries for active employees of Staffing and Hospice.

Significant assumptions of the Plan are presented in the following table:

Actuarial Methods and Assumptions

Mortality table	Pri-2012 Mortality Table (Sex-Distinct), Scale MP-2021
Interest rate	6.50% annually, compounded
Pay increase	N/A
Cost of living adjustment	3%
Measurement date	September 30, 2021
Valuation date	October 1, 2021
Allocation of Plan assets	55-75% Equities
	20-40% Fixed income
	0-7% Core Private Real Estate
Real rate of return	Overall – (11.4)%, arithmetic mean
	Equities – (18)%
	Fixed income – (7.7)%
	Real Estate – 23.5%
Experience study date	October 1, 2020

Note 10. Pension Plan (Continued)

The discount rate used in measuring the total pension liability of $25.5 million was 6.5% for fiscal year 2022. The long-term expected rate of return on plan assets is 6.5%. The discount rates and rate of return are based on the long-term rate of return on pension plan investments expected to finance the payment of benefits into the future. Net pension liability at September 30, 2022, using a discount rate of 5.5% would have been $65.5 million, and using a discount rate of 7.5% would have been an asset of $8.6 million.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table on the previous page.

The projection of cash flows used to determine the discount rate assumed that contributions from the Medical Center and Hospice will continue into the future and that the Plan will eventually be fully funded. It is assumed that 25% of participants will elect a one-time, lump-sum benefit upon termination, and 0% of participants will elect a one-time, lump-sum benefit payment upon retirement. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

During the year ended September 30, 2022, Halifax offered an additional cash out option. This option was made available to all active employees 59 ½ years of age and older, term vested employees and those employees already receiving benefits. The applicable mortality table for the determination of present values under IRC Section 417(e)(3)(b) was used for the calculation, with an interest rate of 6.5% and a funding factor of 95%. The total dollar amount of the cash out was approximately $26.2 million and is included in the analysis of the pension as of September 30, 2022.

The net pension liability at September 30, 2022, using a discount rate of 6.50%, was $25.5 million. Since the last measurement date, September 30, 2021, the Plan updated its assumptions using the PRI-2012 (sex-distinct) table for employees and healthy annuitants with mortality improvements projected using Scale MP-2021 on a fully generational basis.

Note 10. Pension Plan (Continued)

Changes in the pension accounts since the last valuation date, and pension expense, are as follows (in thousands):

	Deferred Outflow - Pension Contributions	Deferred Inflow - Investment Returns	Deferred Outflow - Liability Loss	Deferred Outflow - Change in Assumptions	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Pension Expense
Balance at September 30, 2021	$ 25,947	$ 19,714	$ 453	$ 17	$ (366,356)	$ 288,165	$ (78,191)	$ -
Service cost	-	-	-	-	(1,809)	-	(1,809)	1,809
Interest cost	-	-	-	-	(24,071)	-	(24,071)	24,071
Difference in expected and actual experience	-	(37,072)	(4,216)	-	4,216	37,072	41,288	-
Changes of assumptions	-	-	-	9,027	(9,027)	-	(9,027)	-
Projected investment income	-	-	-	-		20,402	20,402	(20,402)
Benefit payments	-	-	-	-	23,505	(23,505)	-	-
Expenses	-	-	-	-	-	(39)	(39)	39
Contributions recognized in Plan fiduciary net position	(25,947)	-	-	-	-	25,947	25,947	-
Contributions made after measurement date	21,315	-	-	-	-	-	-	-
Amortization of deferred balances	-	2,285	3,763	(9,044)	-	-	-	2,996
Balance at September 30, 2022	$ 21,315	$ (15,073)	$ -	$ -	$ (373,542)	$ 348,042	$ (25,500)	$ 8,513

Proportionate share of the above balances as of September 30, 2022:

	Deferred Outflow - Pension Contributions	Deferred Inflow - Investment Returns	Deferred Outflow - Liability Loss	Deferred Outflow - Change in Assumptions	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Pension Expense
Medical Center	$ 20,077	$ (14,197)	$ -	$ -	$ (351,839)	$ 327,821	$ (24,018)	$ 8,018
Hospice	1,238	(876)	-	-	(21,703)	20,221	(1,482)	495
	$ 21,315	$ (15,073)	$ -	$ -	$ (373,542)	$ 348,042	$ (25,500)	$ 8,513

Note 10. Pension Plan (Continued)

The following table shows the balances of deferred inflows and outflows for the Plan as of September 30, 2022, the amount of deferred outflows to be realized in future years and the amount of deferred inflows to be recognized in future years' pension expense as follows (in thousands):

	Deferred Outflow - Contributions	Deferred Inflow - Investment Returns	Deferred Outflow - Liability Loss	Deferred Outflow - Change in Assumptions	To Be Recognized in Future Pension Expense
Balance at September 30, 2022:	$ 21,315	$ (15,073)	$ -	$ -	$ -
2023	(21,315)	541	-	-	(541)
2024	-	1,207	-	-	(1,207)
2025	-	5,913	-	-	(5,913)
2026	-	7,412	-	-	(7,412)
	$ -	$ -	$ -	$ -	$ (15,073)

<u>Defined Contribution Pension Plan</u>: Eligible employees may participate in a 403(b) defined contribution pension plan (the "Contribution Plan"). The Contribution Plan covers all eligible employees who have attained the age of 18 and have completed 30 days of employment. Employee contributions are matched dollar-for-dollar up to 3% of annual salary. Employees vest 20% per year of employment for employer-matched funds.

Total expense of the Contribution Plan for the year ended September 30, 2022, was approximately $6.3 million and is included in salaries and benefits in the accompanying statement of revenues, expenses, and changes in net position. Participants contributed approximately $14.4 million to the Contribution Plan for the year ended September 30, 2022.

Note 11. Other Postemployment Benefits

<u>Other Postemployment Benefit Plans</u>: Qualified retired employees are eligible for certain postretirement benefit plans other than pensions ("OPEB").

Retiree HRA Plan description: All employees with 10 years of benefited service as a participant in the Halifax Pension Plan or the Florida Retirement System are eligible to receive a subsidy for health insurance premiums ("Retiree HRA Plan"). The Retiree HRA Plan is a multi-employer defined benefit plan. The participant must present, at the time of retirement, evidence of health insurance coverage, either through an insurance company or Medicare. Contributions to the Retiree HRA Plan are calculated based on the number of years of service and is limited to a maximum annual benefit of $1,800 per participant. The Retiree HRA Plan does not issue stand-alone financial statements. It is included in the financial statements and required supplementary information.

Retiree Medical Plan description: Health insurance is also offered as a continuation of retiree group health benefits to certain retirees. All employees with 10 years of benefited service as a participant in the Halifax Pension Plan or with 30 years of benefit service who elect coverage from benefit eligible, active employment are able to participate in the Retiree Medical Plan ("Retiree Medical Plan").

Retirees and spouses on or before October 1, 2017 (Grandfathered) receive benefit coverage for the life of the retiree, provided the retiree and spouse, if applicable, elect coverage under Medicare Parts B and D when first eligible.

Note 11. Other Postemployment Benefits (Continued)

Retirees after October 1, 2017 may receive benefit coverage until attainment of age 65. Spouses of retirees after October 1, 2017, may receive benefit coverage until the earlier of attainment of age 65, the date the retiree reaches age 65 or the date the retiree ceases to be covered for any reason. There is no surviving spouse coverage under the plan.

The Retiree Medical Plan is a multi-employer defined benefit plan. Contributions to the Retiree Medical Plan are determined based on the calculated subsidized premium per participant. The Retiree Medical Plan does not issue stand-alone financial statements. It is included in the financial statements and required supplementary information.

Employees Covered by Benefit Terms: The following employees were covered by the benefit terms, as of October 1, 2020, which is the most recent actuarial valuation date:

	Retiree HRA Plan	Retiree Medical Plan
Active employees not fully eligible for benefits	171	174
Inactive employees currently receiving benefits	1,331	21
Active employees fully eligible for benefits	130	127
	1,632	322

Actuarial Methods and Assumptions: The total Retiree HRA Plan and Retiree Medical Plan's liabilities in the September 30, 2022 actuarial valuation were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions	Retiree HRA Plan	Retiree Medical Plan
Reporting date	September 30, 2022	September 30, 2022
Measurement date	September 30, 2021	September 30, 2021
Actuarial valuation date	October 1, 2020	October 1, 2020
Discount rate	2.19%	2.19%
Rate of compensation increase	3.00%	3.00%
Health care cost trend rates	N/A	**
Inflation rate	2.25%	2.25%
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percentage	Level Percentage
Amortization period	1.065	3.705
Method used to determine actuarial value of assets	N/A	N/A

** 6.75% for health care costs, decreasing to an ultimate rate of 3.78% in 2075. 7.0% for prescription drugs, decreasing to an ultimate rate of 3.78% in 2075.

The discount rate was based on the Fidelity General Obligation 20-year AA Municipal Bond Index.

The actuarial assumptions used in the September 30, 2022 report were based on the results of an actuarial experience study for the period ended October 1, 2020. These actuarial assumptions are based on the presumption that the Retiree HRA Plan and the Retiree Medical Plan will continue. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Note 11. Other Postemployment Benefits (Continued)

Changes in the Retiree HRA Plan and the Retiree Medical Plan Liability:

	Retiree HRA Plan	Retiree Medical Plan
	(In Thousands)	
Balance as of October 1, 2021	$ 20,307	$ 1,560
Changes for the year:		
Service cost	197	2
Interest	483	34
Differences between expected and actual experience	132	(308)
Changes of assumptions or other inputs	472	17
Benefit payments	(942)	(300)
Net changes	342	(555)
Balance as of September 30, 2022	$ 20,649	$ 1,005

Changes of assumptions or other inputs reflect a change in the discount rate from 2.75% as of October 1, 2020 to 2.41% as of September 30, 2022.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following table presents the total Retiree HRA Plan and Retiree Medical Plan OPEB liability of Halifax Health, as well as what the approximate total liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.41%) or 1-percentage-point higher (3.41%) than the current discount rate:

	1% Decrease 1.19%	Discount Rate 2.19%	1% Increase 3.19%
		(In Thousands)	
Total Retiree HRA Plan liability	$ 23,077	$ 20,649	$ 18,580
Total Retiree Medical Plan liability	1,060	1,005	956

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB: For the year ended September 30, 2022, Halifax Health recognized a Retiree HRA Plan expense in the amount of $1.5 million and a credit to expense in the Retiree Medical Plan expense of $55,400. At September 30, 2022, Halifax Health reported deferred outflows of resources and deferred inflows of resources related to the Retiree HRA Plan and Retiree Medical Plan from the following sources:

	Retiree HRA Plan		Retiree Medical Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In Thousands)			
Differences between expected and actual experience	$ 8	$ -	$ 1	$ (282)
Changes of assumptions or other inputs	29	-	41	(15)
Employer contributions subsequent to the measurement date	993	-	198	-
	$ 1,030	$ -	$ 240	$ (297)

Note 11. Other Postemployment Benefits (Continued)

Employer contributions subsequent to the measurement date of October 1, 2021 of approximately $742,000 for the Retiree HRA Plan which is reported as deferred outflows of resources as of September 30, 2022, will be recognized as a reduction of the OPEB liability in Halifax Health's year ending September 30, 2023. Other amounts reported as the deferred outflows of resources and deferred inflows of resources related to the Retiree HRA Plan and Retiree Medical Plan will be recognized in OPEB expense future service to retirement of plan participants as follows:

	Retiree HRA Plan	Retiree Medical Plan
	(In Thousands)	
Years ending September 30:		
2023	$ 37	$ (96)
2024	-	(103)
2025	-	(56)
	$ 37	$ (255)

Note 12. Commitments and Contingencies

Lessee Leases: In connection with the adoption of GASB No. 87, Halifax Health recognized a lease obligation and a right to use lease asset for agreements in which Halifax Health has the right to determine the nature and manner of an underlying asset's use for a period of one year or greater.

Future minimum lease payments are as follows (in thousands):

	Principal	Interest	Total
Years ending September 30,			
2023	$ 2,039	$ 219	$ 2,258
2024	2,000	191	2,191
2025	1,919	163	2,082
2026	1,918	134	2,052
2027	1,543	107	1,650
2028-2065	5,070	234	5,304
Total minimum lease payments required	$ 14,489	$ 1,048	$ 15,537

Lessor Leases: In connection with the adoption of GASB No. 87, Halifax Health recognized a lease receivable and a deferred inflow of resources for lease agreements in which Halifax Health was the lessor. Each lease provides for a monthly lease payment subject to a fixed escalation on the anniversary date of each agreement. Lease revenue related to lessor leases was $2.9 million for the year ended September 30, 2022. Interest income on lessor leases was $117,000 for the year ended September 30, 2022. As of September 30, 2022, the long-term rent receivable for leases was $8.2 million.

Note 12. Commitments and Contingencies (Continued)

Future principal and interest requirements to maturity for the rent receivables are as follows (in thousands):

	Principal	Interest	Total
Years ending September 30,			
2023	$ 2,582	$ 99	$ 2,681
2024	1,571	78	1,649
2025	1,083	65	1,148
2026	526	55	581
2027	377	47	424
2028-2065	2,059	349	2,408
Total minimum lease payments required	$ 8,198	$ 693	$ 8,891

Contingencies: The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in significant fines and penalties, including repayments for patient services previously reimbursed.

Note 13. Concentrations of Credit Risk

The Medical Center and Hospice grant credit without collateral to its patients, most of who are local residents that are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at September 30, 2022, was as follows:

Medicare	19%
Medicaid	6%
Other third-party payors	75%
Self-pay patients	0%
Total	100%

Note 14. Joint Ventures

EVHS has a 50% equity interest in a joint venture to operate East Central Florida Outpatient Imaging, LLC (ECFOI). During the year ended September 30, 2022, EVHS received distributions of $2.9 million from ECFOI and recognized its proportionate share of ECFOI's net income or loss by adjusting its equity interest balance. At September 30, 2022, EVHS had $1.2 million recorded as an equity interest in ECFOI that is included in other assets in the accompanying financial statements. ECFOI issues stand-alone financial statements.

EVHS has a 50% equity interest in a joint venture to develop and operate outpatient facilities. At September 30, 2022, EVHS had $1.2 million recorded as an equity interest that is included in other assets in the accompanying financial statements. During the year ended September 30, 2022, there were no distributions.

Note 14. Joint Ventures (Continued)

EVHS has a 50% equity interest in a joint venture to operate HB Rehabilitative Services, Inc. (HB). During the year ended September 30, 2022, EVHS received distributions of $579,000 from HB, and at September 30, 2022, EVHS had $7.2 million recorded as an equity interest in HB that is included in other assets in the accompanying financial statements.

MCD and Brooks Halifax Rehabilitation Services, LLC, ("Brooks") entered into a joint venture agreement to provide outpatient rehabilitation clinics. MCD has a 50% equity interest in the joint venture to operate as HB Deltona Rehabilitative Services, LLC ("HB"). During the year ended September 30, 2022, there were no distributions. MCD had $380,000 recorded as an equity interest. HB does not issue stand-alone financial statements.

Note 15. COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. A pandemic defines a global spread of a new disease most often applied to new influenza strains. The term is used to describe viruses that are able to infect people easily and spread from person to person in an efficient and sustained way across multiple regions. On March 20, 2020, Governor DeSantis, in response to the pandemic, issued an Executive Order prohibiting elective or non-emergency procedures and surgeries, which, if delayed, would not place a patient's health or safety at risk. Halifax Health revenues and expenses were significantly impacted by the closure of its thrift shops, decreases in patient volumes and related revenues and expenses.

In response to COVID-19 and its effects on the U.S. economy and the health care delivery system, Congress passed various stimulus bills, among these was the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), enacted on March 27, 2020, which has provided $100 billion in funding and other financial benefits to many health care systems. In April 2020, the U.S. Department of Health and Human Services ("HHS") made general distributions totaling $50 billion (in two tranches of $30 billion and $20 billion) to all health care providers in proportion to providers' share of 2019 net patient service revenue. Halifax Health received distributions of $5 million as part of the rural funds, $14.1 million as part of the general distribution from Provider Relief Funds, and $45 million from the targeted funds.

Management is aware that the Provider Relief Funds received are subject to audit, and certain amounts could be at risk of being paid back in the future. Based on the estimated financial impact of COVID-19 through September 30, 2022, management does not believe such amounts, if any, would be material.

Note 16. Subsequent Events

Management has evaluated subsequent events through January 20, 2023, the date which the financial statements were available to be issued.

Required Supplementary Information

Halifax Hospital Medical Center
d/b/a Halifax Health
Halifax Pension Plan

Required Supplementary Information (Unaudited)
Schedule of Changes in Net Pension Liability
(In Thousands)

	Total Pension Liability, (a)	Plan Fiduciary Net Pension, (b)	Net Pension Liability, (a) - (b)
Balance, September 30, 2014	$ 311,814	$ 207,198	$ 104,616
Service cost	2,776	-	2,776
Interest	20,547	-	20,547
Difference between expected and actual experience	(2,241)	-	(2,241)
Contributions—employer	-	20,000	(20,000)
Net investment income	-	12,954	(12,954)
Benefit payments	(15,077)	(15,077)	-
Plan administrative expenses	-	(59)	59
Balance, September 30, 2015	317,819	225,016	92,803
Service cost	4,282	-	4,282
Interest	20,943	-	20,943
Difference between expected and actual experience and assumption changes	(4,845)	-	(4,845)
Contributions—employer	-	15,218	(15,218)
Net investment income	-	(9,853)	9,853
Benefit payments	(15,355)	(15,355)	-
Plan administrative expenses	-	(115)	115
Balance, September 30, 2016	322,844	214,911	107,933
Service cost	4,441	-	4,441
Interest	21,234	-	21,234
Difference between expected and actual experience and assumption changes	(2,804)	-	(2,804)
Contributions—employer	-	21,236	(21,236)
Net investment income	-	20,892	(20,892)
Benefit payments	(16,818)	(16,818)	-
Plan administrative expenses	-	(77)	77
Balance, September 30, 2017	328,897	240,144	88,753
Service cost	3,770	-	3,770
Interest	21,776	-	21,776
Difference between expected and actual experience and assumption changes	1,387	-	1,387
Contributions—employer	-	21,060	(21,060)
Net investment income	-	25,668	(25,668)
Benefit payments	(20,439)	(20,439)	-
Plan administrative expenses	-	(74)	74
Balance, September 30, 2018	335,391	266,359	69,032
Service cost	3,311	-	3,311
Interest	22,154	-	22,154
Difference between expected and actual experience and assumption changes	2,490	-	2,490
Contributions—employer	-	19,876	(19,876)
Net investment income	-	15,283	(15,283)
Benefit payments	(21,349)	(21,349)	-
Plan administrative expenses	-	(71)	71
Balance, September 30, 2019	$ 341,997	$ 280,098	$ 61,899

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health
Halifax Pension Plan

Required Supplementary Information (Unaudited) (Continued)
Schedule of Changes in Net Pension Liability
(In Thousands)

	Total Pension Liability, (a)	Plan Fiduciary Net Pension, (b)	Net Pension Liability, (a) - (b)
Balance, September 30, 2019	$ 341,997	$ 280,098	$ 61,899
Service cost	2,769	-	2,769
Interest	22,596	-	22,596
Difference between expected and actual experience and assumption changes	13,430	-	13,430
Contributions—employer	-	19,500	(19,500)
Net investment income	-	(3,969)	3,969
Benefit payments	(20,359)	(20,359)	-
Plan administrative expenses	-	(68)	68
Balance, September 30, 2020	360,433	275,202	85,231
Service cost	2,133	-	2,133
Interest	23,733	-	23,733
Difference between expected and actual experience and assumption changes	2,266	(7,526)	9,792
Change of assumptions	87	-	87
Contributions—employer	-	23,472	(23,472)
Net investment income	-	19,420	(19,420)
Benefit payments	(22,296)	(22,296)	-
Plan administrative expenses	-	(107)	107
Balance, September 30, 2021	366,356	288,165	78,191
Service cost	1,809	-	1,809
Interest	24,071	-	24,071
Difference between expected and actual experience and assumption changes	(4,216)	37,072	(41,288)
Change of assumptions	9,027	-	9,027
Contributions—employer	-	25,947	(25,947)
Net investment income	-	20,402	(20,402)
Benefit payments	(23,505)	(23,505)	-
Plan administrative expenses	-	(39)	39
Balance, September 30, 2022	$ 373,542	$ 348,042	$ 25,500

Source: BPAS Actuarial and Pension Services.

Halifax Hospital Medical Center
d/b/a Halifax Health
Halifax Pension Plan

Required Supplementary Information (Unaudited)
Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)	Medical Center Proportionate Share (a-b) * 94.19%	Hospice Proportionate Share (a-b) * 5.81%	Covered Payroll (c)	Fiduciary Net Position as a % of Net Pension Liability (b/a)	Net Pension Liability as a % of Covered Payroll
October 1, 2020	$ 373,542	$ 348,042	$ 25,500	$ 24,018	$ 1,482	$ 21,589	93%	118%
October 1, 2019	366,356	288,165	78,191	72,030	6,161	23,098	79	339
October 1, 2018	360,433	275,202	85,231	78,515	6,716	26,858	76	317
October 1, 2017	341,997	280,098	61,899	59,000	2,899	32,092	82	193
October 1, 2016	335,391	266,359	69,032	65,145	3,887	33,515	79	206
October 1, 2015	328,897	240,144	88,753	83,756	4,997	38,361	73	231
October 1, 2014	322,844	214,911	107,933	101,856	6,077	42,387	67	255
October 1, 2013	317,819	225,016	92,803	87,578	5,225	43,613	71	213
October 1, 2012	311,814	207,198	104,616	98,726	5,890	46,960	66	223

Source: BPAS Actuarial and Pension Services.

Halifax Hospital Medical Center
d/b/a Halifax Health
Halifax Pension Plan

Required Supplementary Information (Unaudited)
Schedule of Actuarially Determined Contributions
(In Thousands)

Actuarial Valuation Date	Actuarially Determined Contributions (a)	Contributions Recognized During the year (b)	Difference of Actuarially Determined and Recognized Contributions (a-b)	% Contributions Recognized to Contributions Actuarially Determined (b/a)	Covered Payroll (c)	Contributions as a % of Covered Payroll (b/c)
October 1, 2020	$ 21,315	$ 25,947	$ (4,632)	122%	$ 21,589	120%
October 1, 2019	25,947	23,472	2,475	90	23,098	102
October 1, 2018	23,472	19,500	3,972	83	26,858	73
October 1, 2017	19,500	19,876	(376)	102	32,092	62
October 1, 2016	19,876	21,060	(1,184)	106	33,515	63
October 1, 2015	21,060	21,236	(176)	101	38,361	55
October 1, 2014	21,236	15,218	6,018	72	42,387	36
October 1, 2013	15,218	20,000	(4,782)	131	43,613	46
October 1, 2012	17,278	12,688	4,590	73	46,960	27

Source: BPAS Actuarial and Pension Services.

Halifax Hospital Medical Center
d/b/a Halifax Health

Note to Required Supplementary Information – Halifax Pension Plan (Unaudited)

Note 1. Key Assumptions

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2021
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	10 year, closed
Remaining amortization period	Varies
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	6.50%
Projected salary increases	NA
Cost-of-living adjustments	3.00%
Mortality	Pri-2012 Mortality Table (Sex-Distinct) Scale MP-2021
Retirement age	62

These actuarial assumptions are based on the presumption that the Plan will continue. Should the Plan terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated Plan benefits. Also, changes in actuarial assumptions and methods may affect the amounts reported and information presented in the required supplemental schedules.

Since the last measurement date, September 30, 2021, the Plan updated its assumptions regarding the interest rates. The change in the Plan assumption from 6.75% to 6.50% resulted in an increase in the pension liability of approximately $9.9 million at September 30, 2022.

In accordance with GASB Cod. Sec. Pe5, *Pension Plans – Defined Benefit*, Halifax Health is required to present 10 years of data in the required supplemental schedules; however, only nine years of information is available since implementing GASB Statement No. 68 at October 1, 2014. Annual Plan information will be added until the required 10 years is presented.

Halifax Hospital Medical Center
d/b/a Halifax Health

Required Supplementary Information (Unaudited)
Schedule of Changes in Total Retiree HRA Plan Liability and Related Ratios
(In Thousands)

	Years Ended September 30				
	2022	2021	2020	2019	2018
Total Retiree HRA Plan liability					
Service cost	**$ 197**	$ 213	$ 162	$ 197	$ 173
Interest	**483**	528	647	617	601
Changes of benefit terms	**-**	-	-	-	(559)
Differences between expected and actual experience	**132**	199	(76)	43	96
Changes of assumptions or other inputs	**472**	778	2,419	(1,255)	(1,949)
Benefit payments	**(942)**	(878)	(846)	(274)	(750)
Net change in total Retiree HRA Plan liability	**342**	840	2,306	(672)	(2,388)
Total Retiree HRA Plan liability—beginning	**20,307**	19,467	17,161	17,833	20,221
Total Retiree HRA Plan liability—ending	**$ 20,649**	$ 20,307	$ 19,467	$ 17,161	$ 17,833
Covered-employee payroll	**$ 21,589**	$ 23,098	$ 32,044	$ 32,092	$ 33,468
Total Retiree HRA Plan liability as a percentage of covered-employee payroll	**95.64%**	87.92%	60.62%	53.48%	53.28%
Changes of assumptions or other inputs reflect a change in the discount rate of:	**2.19%**	2.41%	2.75%	3.83%	3.50%

This schedule is presented to illustrate the requirement to show information for 10 years. However, only five years of information are available since implementing GASB No. 75 at October 1, 2017. Annual plan information will be added until the required 10 years is presented.

Halifax Hospital Medical Center
d/b/a Halifax Health

Required Supplementary Information (Unaudited)
Schedule of Changes in Total Retiree Medical Plan Liability and Related Ratios
(In Thousands)

	Years Ended September 30				
	2022	2021	2020	2019	2018
Total Retiree Medical Plan liability					
Service cost	**$ 2**	$ 4	$ 2	$ 3	$ 170
Interest	**34**	51	80	89	205
Changes of benefit terms	**-**	-	-	-	(5,085)
Differences between expected and actual experience	**(308)**	(132)	5	-	1,510
Changes of assumptions or other inputs	**17**	(35)	126	(58)	(530)
Benefit payments	**(300)**	(392)	(454)	(519)	(320)
Net change in total Retiree Medical Plan liability	**(555)**	(504)	(241)	(485)	(4,050)
Total Retiree Medical Plan liability—beginning	**1,560**	2,064	2,305	2,790	6,840
Total Retiree Medical Plan liability—ending	**$ 1,005**	$ 1,560	$ 2,064	$ 2,305	$ 2,790
Covered-employee payroll	**$ 21,589**	$ 23,098	$ 32,044	$ 32,092	$ 33,468
Total Retiree Medical Plan liability as a percentage of covered-employee payroll	**4.66%**	6.44%	6.44%	7.18%	8.34%
Changes of assumptions or other inputs reflect a change in the discount rate of:	**2.19%**	2.41%	2.75%	3.83%	3.50%

This schedule is presented to illustrate the requirement to show information for 10 years. However, only five years of information are available since implementing GASB No. 75 at October 1, 2017. Annual plan information will be added until the required 10 years is presented.

Other Supplementary Information

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information
Schedule of Net Position—Obligated Group
September 30, 2022
(In Thousands)

Assets and Deferred Outflows		
Current Assets:		
Cash and cash equivalents	$	157,465
Investments		178,032
Current assets whose use is limited—Trustee-held self-insurance funds		275
Accounts receivable, patients, net of estimated uncollectibles of $84,145		63,268
Inventories		16,224
Current portion of rent receivable		2,290
Other current assets		22,170
Total current assets		439,724
Noncurrent Assets Whose Use is Limited:		
Board-designated funded depreciation		26,038
Depreciable capital assets, net		212,968
Nondepreciable capital assets		54,242
Right to use assets, net		24,819
Investment in affiliates		172,380
Rent receivable, less current portion		5,456
Other assets		12,709
Total assets		948,336
Deferred Outflows:		
Interest rate swap		13,727
Pension, contribution after measurement date		20,077
Deferred outflows related to other postemployment benefits		1,196
Loss on refunding of debt, net		12,057
Total deferred outflows		47,057
Total assets and deferred outflows	$	995,393

(Continued)

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information
Schedule of Net Position—Obligated Group (Continued)
September 30, 2022
(In Thousands)

Liabilities, Deferred Inflows and Net Position	
Current Liabilities:	
Accounts payable and accrued liabilities	$ 89,258
Accrued payroll and personal leave time	20,535
Current portion of accrued self-insurance liability	4,998
Current portion of long-term debt	7,265
Current portion of lease liability	4,114
Interest payable on long-term debt	3,410
Other current liabilities	2,862
Total current liabilities	132,442
Noncurrent Liabilities:	
Long-term debt, less current portion	316,820
Long-term lease liability, less current portion	21,162
Premium on long-term debt, net	9,356
Net pension liability	24,018
Other postemployment benefits liability	20,396
Accrued self-insurance liability, less current portion	10,962
Other liabilities	10,150
Long-term value of interest rate swap	13,727
Total liabilities	559,033
Deferred inflows related to pension	14,197
Deferred inflows related to leases	7,657
Deferred inflows related to other post employment benefits	280
Total liabilities and deferred inflows	581,167
Net Position:	
Net investment in capital assets	(19,977)
Unrestricted	434,203
Total net position	414,226
Total liabilities, deferred inflows and net position	$ 995,393

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information
Schedule of Revenues, Expenses and Changes in Net Position—Obligated Group
Year Ended September 30, 2022
(In Thousands)

Operating Revenues:	
Net patient service revenue, before provision for bad debts	$ 614,101
Provision for bad debts	(46,150)
Net patient service revenue	567,951
Ad valorem tax revenue	20,055
Other revenue	20,462
Total operating revenues	608,468
Operating Expenses:	
Salaries and benefits	270,339
Supplies	121,649
Purchased services	133,431
Depreciation and amortization	23,946
Ad valorem tax-related expenses	6,971
Leases and rentals	1,473
Other	24,129
Total operating expenses	581,938
Income from operations	26,530
Nonoperating Revenues (Expenses):	
Interest expense	(14,515)
Investment loss—net	(4,589)
Donation revenue	1,437
Nonoperating gains—net	3,171
Loss from affiliates	(19,422)
Total nonoperating expenses, net	(33,918)
Decrease in net position	(7,388)
Net Position:	
Beginning net position	421,614
End of year	$ 414,226

Note 1. Summary of Significant Accounting Policies

Obligated Group: The members of the Obligated Group are the Medical Center and Holdings. In accordance with generally accepted accounting principles, certain component units are blended with the accounts of the Medical Center in the Obligated Group financial information, including EVHS, Staffing, HHCSI and PBFS. In addition, Hospice, VHN, Foundation, MCD and HMS are accounted for under the equity method in the Obligated Group financial information. The Medical Center has an equity interest in these entities, which are expected to produce income, appreciation in value, or other economic benefit. The net investment in capital assets and unrestricted components of the net position of the affiliates are included in equity interest in affiliates on the schedule of net position and income from affiliates is separately disclosed on the schedule of revenues, expenses, and changes in net position. In accordance with the MTI, the Obligated Group does not have ownership rights to the affiliates' restricted component of net position; therefore, they are excluded from the equity interest in affiliates.

The affiliates are not members of the Obligated Group and are not required to pay operating expenses or debt service of the Obligated Group. Except as may be requested by the Medical Center or Hospice, subject to certain limitations, to avoid or remedy a payment or covenant default, affiliates are not required to make any payments with respect to the outstanding indebtedness of the Medical Center or the Obligated Group.

Halifax Hospital Medical Center
d/b/a Halifax Health

Supplementary Information
Condensed Combining Schedule of Revenues, Expenses and Changes in Net Position—Florida Hospital Uniform Reporting System
Year Ended September 30, 2022
(In Thousands)

	Operating Entities							Nonoperating Entities									
	Medical Center	Holdings	Staffing Medical Center Division	PBFS	HHCSI	EVHS	Total Medical Center	Hospice	VHN	Foundation	HMS	Subtotal of Nonoperating Entities	Subtotal of FHURS Halifax Medical Center	Medical Center of Deltona	Halifax Health before Intercompany Eliminations	Intercompany Eliminations	Halifax Health
Operating revenues	$595,823	$ 1,808	$ -	$ -	$ 3,192	$ 7,645	$608,468	$ 51,443	$ 1,074	$ (3,176)	$ 4,905	$ 54,246	$ 662,714	$ 45,627	$ 708,341	$ (4,218)	$ 704,123
Operating expenses, before depreciation and amortization	276,702	298	248,079	25,780	3,749	3,384	557,992	46,465	958	2,193	871	50,487	608,479	45,221	653,700	(233)	653,467
Depreciation and amortization	23,167	506	-	-	246	27	23,946	1,151	-	-	1,922	3,073	27,019	6,794	33,813	(3,985)	29,828
Total operating expenses	299,869	804	248,079	25,780	3,995	3,411	581,938	47,616	958	2,193	2,793	53,560	635,498	52,015	687,513	(4,218)	683,295
												-					-
Income (loss) from operations	295,954	1,004	(248,079)	(25,780)	(803)	4,234	26,530	3,827	116	(5,369)	2,112	686	27,216	(6,388)	20,828	-	20,828
Non operating revenues (expenses)	(284,935)	(3,420)	248,079	25,780	-	-	(14,496)	(11,902)	-	-	166	(11,736)	(26,232)	(1,984)	(28,216)	-	(28,216)
												-					
Increase (decrease) in net position	$ 11,019	$ (2,416)	$ -	$ -	$ (803)	$ 4,234	$ 12,034	$ (8,075)	$ 116	$ (5,369)	$ 2,278	$ (11,050)	$ 984	$ (8,372)	$ (7,388)	$ -	$ (7,388)

Halifax Staffing provides employees to staff and manage the Medical Center and MCD. Expenses for these divisions are separately reported in the columns above..