KPMG

FLORIDA HEALTH SCIENCES CENTER, INC. AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

FLORIDA HEALTH SCIENCES CENTER, INC. AND SUBSIDIARIES

Table of Contents

KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602-5145

Independent Auditors' Report

The Board of Directors
Florida Health Sciences Center, Inc.:

Opinion

We have audited the consolidated financial statements of Florida Health Sciences Center, Inc. and its subsidiaries (the Center), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Center as of September 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

KPMG LLP

Tampa, Florida
December 15, 2023

FLORIDA HEALTH SCIENCES CENTER, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2023 and 2022

Assets		2023	2022
Current assets:			
Cash and cash equivalents	$	180,996,631	207,058,419
Short-term investments		50,947,276	48,912,157
Current portion of assets limited as to use		29,111,593	22,596,593
Patient accounts receivable		364,012,942	269,636,597
Inventories		40,023,379	43,418,561
Prepaid expenses and other current assets		80,980,858	76,260,406
Total current assets		746,072,679	667,882,733
Assets limited as to use, less current portion		1,492,298,333	1,390,994,313
Property and equipment, net		681,280,447	660,717,920
ROU operating assets		141,531,710	133,809,951
Investments in joint ventures		5,945,955	8,246,227
Other assets		82,505,274	81,203,334
Total assets	$	3,149,634,398	2,942,854,478
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	377,670,679	380,437,292
Deferred revenue		2,752,494	2,779,347
Current installments of long-term debt		16,913,246	8,804,429
Current installment of operating lease obligations		18,418,432	17,889,727
Current installment of finance lease obligations		1,945,531	1,651,667
Estimated third-party payor settlements		117,003,006	104,715,258
Total current liabilities		534,703,388	516,277,720
Long-term debt, excluding current installments		915,091,161	922,162,156
Obligations under operating lease, excluding current installments		111,425,139	102,431,636
Obligations under finance lease, excluding current installments		4,927,914	6,108,349
Other liabilities		112,424,056	107,851,722
Total liabilities		1,678,571,658	1,654,831,583
Net assets:			
Without donor restrictions		1,416,473,815	1,244,526,790
With donor restrictions		54,588,925	43,496,105
Total net assets		1,471,062,740	1,288,022,895
Total liabilities and net assets	$	3,149,634,398	2,942,854,478

See accompanying notes to consolidated financial statements.

FLORIDA HEALTH SCIENCES CENTER, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2023 and 2022

	2023	2022
Revenues, gains, and other support:		
Net patient service revenue	$ 2,203,523,504	1,903,293,011
Disproportionate share distributions	—	7,274,426
Other revenue	415,253,999	239,947,482
Total revenues, gains, and other support	2,618,777,503	2,150,514,919
Expenses:		
Salaries and benefits	1,026,730,163	939,251,175
Medical supplies	604,299,823	518,492,056
Other	387,264,799	289,252,540
Purchased services	386,676,566	293,301,330
Depreciation and amortization	87,463,425	77,336,298
Interest	31,908,671	28,623,752
Total expenses	2,524,343,447	2,146,257,151
Operating income	94,434,056	4,257,768
Nonoperating gains (losses):		
Investment return, net	76,250,100	(149,485,091)
Other, net	(4,428,860)	33,684,893
Total nonoperating gains (losses), net	71,821,240	(115,800,198)
Revenues, gains, and other support over (under) expenses	$ 166,255,296	(111,542,430)

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FLORIDA HEALTH SCIENCES CENTER, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2023 and 2022

	2023	2022
Net assets without donor restrictions:		
Revenues, gains, and other support over (under) expenses	$ 166,255,296	(111,542,430)
Minority interest in equity investment	485,180	10,480,376
Additional paid in capital from acquisition	—	3,931,270
Net assets released from restrictions used for property and equipment and other property transfers	5,206,549	3,603,543
Increase (decrease) in net assets without donor restrictions	171,947,025	(93,527,241)
Net assets with donor restrictions:		
Net assets released from restrictions:		
Used for property and equipment and other property transfers	(5,206,549)	(3,603,543)
Used for operations	(5,928,024)	(14,906,438)
Contributions	10,676,624	18,031,565
Increase in beneficial interest in net assets of Tampa General Hospital Foundation	11,550,769	8,840,778
Increase in net assets with donor restrictions	11,092,820	8,362,362
Increase (decrease) in net assets	183,039,845	(85,164,879)
Net assets, beginning of year	1,288,022,895	1,373,187,774
Net assets, end of year	$ 1,471,062,740	1,288,022,895

See accompanying notes to consolidated financial statements.

FLORIDA HEALTH SCIENCES CENTER, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 183,039,845	(85,164,879)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	87,463,425	77,336,298
Amortization of debt issue costs	338,790	201,535
Amortization of bond premiums	(513,915)	(696,576)
Noncash lease expense	26,715,253	24,154,509
Restricted contributions	(5,256,368)	(2,709,761)
Unrealized (gains) losses, net	(71,117,291)	171,070,934
Realized losses, net	10,692,140	16,632,872
Loss (gain) on joint ventures	1,902,182	(1,635,950)
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(94,376,345)	(31,737,635)
Inventories	3,395,182	(4,892,783)
Prepaid expenses and other assets	(11,156,501)	(80,274,286)
Accounts payable and accrued expenses	(2,483,331)	81,759,565
Deferred revenue	(26,853)	(90,565,266)
Estimated third-party payor settlements	12,287,748	10,028,620
Other liabilities	(17,106,329)	(17,795,002)
Net cash provided by operating activities	123,797,632	65,712,195
Cash flows from investing activities:		
Purchases of property and equipment	(104,737,073)	(159,611,611)
Purchases of assets limited as to use	(704,113,359)	(722,705,847)
Proceeds from sales of assets limited as to use	656,719,490	954,792,864
(Purchases) sales of short-term investments, net	(2,035,119)	1,447,987
Proceeds from joint ventures	398,090	14,221,808
Purchases of other assets, net	—	(8,895)
Net cash (used in) provided by investing activities	(153,767,971)	88,136,306
Cash flows from financing activities:		
Proceeds from restricted contributions	5,256,368	2,709,761
Payments of debt issue costs	(407,846)	(1,178,293)
Proceeds from issuance of long-term debt	11,277,000	147,100,000
Payments on long-term debt and finance lease obligations	(12,216,971)	(98,132,776)
Gain on debt extinguishment	—	(3,557,881)
Net cash provided by financing activities	3,908,551	46,940,811
(Decrease) increase in cash and cash equivalents	(26,061,788)	200,789,312
Cash and cash equivalents at beginning of year	484,179,133	283,389,821
Cash and cash equivalents at end of year	$ 458,117,345	484,179,133
Cash and cash equivalents	$ 180,996,631	207,058,419
Cash included in assets limited as to use, less current portion	277,120,714	277,120,714
	$ 458,117,345	484,179,133
Supplemental cash flow information:		
Cash paid for interest	$ 31,908,671	28,623,752
Accounts payable for property and equipment purchases	4,997,776	5,281,058

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization and Basis of Presentation

Florida Health Sciences Center, Inc. and Subsidiaries (the Center), located in the Tampa Bay region of Florida, is a not-for-profit entity incorporated during 1997 to meet the healthcare needs of the citizens of Hillsborough County and the state of Florida. The Center operates Tampa General Hospital (the Hospital), where it administers a teaching program for interns and residents. On October 1, 1997, control of the operations and all assets and liabilities of the Hospital were transferred from Hillsborough County Hospital Authority (the Authority), a governmental entity, to the Center. The change in control was accomplished through the execution of an agreement between the Authority and the Center, as well as changes granted by the Florida Legislature that provided for the privatization of the Hospital. Tampa General Hospital Foundation (the Foundation) is a related not-for-profit organization, which supports the Center.

In connection with the change in control, the Center entered into a 49-year lease agreement, which can be extended for an additional 49 years, with the Authority to lease the land and buildings on the Davis Islands campus, together with all improvements located thereon, for a nominal annual rental amount of $10. For financial reporting purposes, the fair value of the leased assets of approximately $86.6 million as of October 1, 1997 was reported as an increase in net assets with restrictions for the year ended September 30, 1998, as the leased assets can only be utilized in accordance with the specifications of the lease agreement. During the years ended September 30, 2023 and 2022, net assets of approximately $458,000 and $478,000, respectively, were released from restriction, relating to the annual depreciation expense associated with the leased assets.

The Center operates a number of wholly own subsidiaries which include, Florida Health Sciences Center, Ltd. (the Captive), which provides professional and general liability coverage to the Center, Tampa General Medical Group, Inc. (TGMG, Inc.), which operates a network of physician practices, FHSC Real Property Holding Company, LLC (FHSC Real Estate), TGH Innoventures, LLC, TGH Incentive Vehicle, LLC, TGH Innoventures Blocker, LLC and FSH Carried Interest, LLC, to further pursue medical innovations and healthcare technologies, TGH Architecture & Engineering, LLC (TGH Architecture), for the purpose of holding architectural licenses, TGHHOC Inc. (dba House of Coffee Tampa), for the purpose of operating a Starbucks Restaurant, TGH Ambulatory Services Company, Inc. (TGH Ambulatory), which established wholly owned subsidiaries as follows: TGH Staffing, LLC; The Surgery Center at TGH Brandon Healthplex, LLC (ASC); TGH Brandon Healthplex Pharmacy, LLC; and TGH Imaging, LLC (TGH Imaging) (previously, Tower Imaging, LLC (Tower)), for which Center acquired the remaining controlling 50% membership shares on December 2021. Pursuant to a Subscription Agreement in 2017, the ASC sold a 1% membership interest to an affiliated physician. In 2019, that membership interest was repurchased by the Center pursuant to a planned restructuring and a 45% membership interest in the ASC was subsequently purchased by a surgical investor group. In August 2020, an additional 1% membership interest was sold to an affiliated physician.

In February 2020, the Center entered into an operating agreement for 51% of newly formed Tampa General Rehabilitation Hospital, LLC (TGH Rehab) for the purpose of developing a rehabilitation hospital. The rehabilitation hospital began seeing patients in April 2022.

On October 1, 2021, the Center formed the Tampa General Provider Network, Inc. (TGPN) in an effort to expand its regional presence. Additionally, on October 1, 2021, the Center purchased the TGH Surgery Center at Morsani, LLC from the University of South Florida, expanding its ambulatory presence. On January 1, 2022, the Center launched USF Tampa General Physicians (USFTGP), a new organization dedicated to providing a unified management and support structure for physicians of both USF Health and TGMG, Inc., making it one of the largest academic medical groups in the state of Florida.

TGPN is the sole member of TGPN Blocker, LLC, TGPN M1, LLC, TGPN M2, LLC, and TGH Concierge Services, LLC. TGPN Blocker, LLC was formed as a holding company for TGPN’s for profit ventures. TGH Concierge Services, LLC contracts and arranges for concierge medicine services for members. TGPN M1, LLC and TGPN M2, LLC employ staff for TGPN-related medical practices.

In February 2022, the Center entered into a collaboration agreement for a 20% membership interest in Visiting Nurse Community Care of the West Coast, Inc. (“VNA”), a Florida not for profit corporation providing home health care services in the Tampa Bay region.

The consolidated financial statements of the Center include the operations of all entities controlled, either directly or indirectly, by the Center, which include the Hospital, the Captive, TGMG, Inc., TGPN, USFTGP, FHSC Real Estate, TGH Architecture, TGHHOC Inc., TGH Ambulatory, TGH Rehab, TGH Innoventures, LLC, TGH Incentive Vehicle, LLC, TGH Innoventures Blocker, LLC, FSH Carried Interest, LLC and the Center’s beneficial interest in the net assets of the Foundation. Investments in entities where the Center holds a noncontrolling interest are recorded under the equity method of accounting. All significant intercompany transactions among those entities have been eliminated during consolidation. The consolidated financial statements for the Center have been prepared on the accrual basis of accounting in accordance with US generally accepted accounting principles.

(b) Mission Statement

The Center is committed to providing area residents with excellent and compassionate healthcare ranging from the simplest to the most complex medical services.

(c) Cash and Cash Equivalents

The Center considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

Cash and cash equivalents that are managed as part of the Center’s investments are reported within assets limited as to use on the consolidated balance sheets. Cash equivalents are excluded from cash in the consolidated statements of cash flows as these funds are not used for operating needs.

(d) Inventories

Inventories consist principally of medical and surgical supplies, drugs, and medicines, and are valued at the lower of cost (first-in, first-out) or market.

(e) Assets Limited as to Use

Assets limited as to use primarily include assets held by independent bank trustees on behalf of the Center under terms of bond indentures and self-insurance trust agreements, over which the Center retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities have been reclassified to current assets in the consolidated balance sheets.

Investment return includes realized and unrealized gains and losses on investments, interest income, and dividends and are included in revenues, gains, and other support over expenses in the consolidated statements of operations and changes in net assets, unless the income or loss is restricted by donor or law. Investment income and net gains and losses restricted by donor stipulations are reported as net assets with donor restrictions.

(f) Property and Equipment

Property and equipment, transferred from the Authority on October 1, 1997, was recorded at fair value as determined by an independent appraisal. Other property and equipment acquisitions are recorded at historical cost at the date of acquisition or fair value at the date of donation. Maintenance and repairs are charged to expense as incurred, and improvements are capitalized. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets ranging from 3 to 40 years. Equipment under lease arrangements is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization expense in the accompanying consolidated financial statements. Interest cost on borrowed funds during the construction period is capitalized as a component of the cost of the assets.

Gifts of long-lived assets such as land, buildings, or equipment with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support and are recorded at fair value at the time the gift is made. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(g) Goodwill, Net

Goodwill, net of approximately $36.1 million and $40.1 million on September 30, 2023 and 2022, respectively, included in other assets, results from the excess of the amount paid over the fair value of identifiable assets and liabilities of acquired healthcare businesses. The Center amortizes goodwill on a straight-line basis over the useful life of 10 years.

As of September 30, 2023 and 2022, accumulated amortization was $22.1 million and $17.8 million, respectively. Amortization expense for each of the years ended September 30, 2023 and 2022 was $4.3 million and $3.3 million, respectively, and was included in depreciation and amortization expenses in the accompanying consolidated statements of operations and changes in net assets.

The Center reviews goodwill for impairment at least annually or whenever events or circumstances indicate that the carrying value may not be recoverable in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 350, *Intangibles – Goodwill and Other.* The annual impairment test was completed for the years ended September 30, 2023 and 2022 and it was determined that no impairment existed. No recent events or circumstances have occurred to indicate that impairment may exist.

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(h) Other Intangible Assets, Net

Other intangible assets consist of a trade name and a covenant to not compete of acquired healthcare businesses. The Center amortizes the trade name and the covenant to not compete assets on a straight-line basis over the useful life of 15 and 5 years, respectively. The trade name, net, of $8.5 million and the covenant to not compete, net, of $541,000 are included in other assets on September 30, 2023, respectively. Trade name, net, of $9.1 million and the covenant to not compete, net, of $634,000 are included in other assets on September 30, 2022, respectively.

Amortization expense for the trade name and the covenant to not compete was $641,000 and $163,000, respectively, for the year ended September 30, 2023. Amortization expense for the trade name and the covenant to not compete was $479,000 and $112,000, respectively, for the year ended September 30, 2022. Amortization expense was included in depreciation and amortization expenses in the accompanying consolidated statements of operations and changes in net assets.

The Center reviews other intangible assets for impairment at least annually or whenever events or circumstances indicate that the carrying value may be impaired. The evaluation is performed by comparing the carrying amount of these assets to their estimated fair value. If the estimated fair value is less than the carrying amount, then an impairment charge is recorded to reduce the asset to its estimated fair value. The annual impairment test was completed for the year ended September 30, 2023 and it was determined that no impairment existed. No recent events or circumstances have occurred to indicate that impairment may exist.

(i) Debt Issue Costs

Debt issuance costs of approximately $7.8 million and $7.4 million are included as a deduction from the carrying amount of long-term debt as of September 30, 2023 and 2022, respectively. These amounts include costs capitalized in connection with the issuance of the Series 2020 bonds, 2012A bonds, and the 2013, 2015, and 2022A and 2022B Bank Loans. Debt issuance costs of $408,000 were recognized for the year ended September 30, 2023, related to the Series 2023 bonds issuance. The 2012A bonds were extinguished in September 2022, as a result, debt issuance costs of $2.0 million and related debt issuance costs accumulated amortization of $1.3 million were expensed at the time of extinguishment as a component of other nonoperating gains (losses). Debt issuance costs of $1.2 million were recognized related to the 2022A and 2022B Bank Loans for the year ended September 30, 2022.

Debt issuance costs are amortized using the effective-interest method. Amortization of approximately $339,000 and $202,000 for the years ended September 30, 2023 and 2022, respectively, is included as a component of interest expense. The debt issuance costs, net of accumulated amortization, are approximately $6.7 million as of September 30, 2023 and 2022.

(j) Bond Premiums

Bond premiums are being amortized using the effective-interest method over the life of the related debt. Amortization of bond premiums of approximately $514,000 and $697,000 for the years ended September 30, 2023 and 2022, respectively, is included as a component of interest expense. Bond premiums of approximately $16.4 million and $16.9 million are included with the related debt in the consolidated balance sheets as of September 30, 2023 and 2022, respectively.

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The 2012A bonds unamortized bond premium of $4.2 million was expensed at the time of extinguishment as a component of other nonoperating gains (losses) as of September 30, 2022.

(k) Impairment of Long-Lived Assets

Management regularly evaluates whether events or changes in circumstances have occurred that could indicate impairment in the value of long-lived assets. There were no impairment losses recorded during the years ended September 30, 2023 and 2022. If there is an indication that the carrying amount of an asset is not recoverable, the Center estimates the projected undiscounted cash flows, from the use and eventual disposition of the asset, excluding interest, to determine whether an impairment loss exists. The impairment loss, if any, would be determined by comparing the historical carrying value of the asset to its estimated fair value.

In addition to consideration of impairment due to the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are revised, the carrying value of affected assets is depreciated or amortized over the remaining lives.

(l) Estimated Professional Liability, Workers' Compensation, and Employee Benefits Cost

The Center is self-insured for professional liability, workers' compensation, and employee health benefits. The provision for professional liability, workers' compensation, and employee health benefit claims includes estimates of the ultimate costs for both reported claims and claims incurred, but not reported, based on evaluation of pending claims and past experience.

(m) Net Assets with Donor Restrictions

Net assets with donor restrictions are those whose use by the Center have been limited by donors to a specific period or purpose. The majority of net assets with donor restrictions are maintained pursuant to the lease agreement with the Authority, whereby the Center must continue to provide specific patient-care-related services, continue to serve as a teaching hospital, and continue to provide certain levels of indigent care throughout the 49-year lease term. The remainder of net assets with donor restrictions are to be maintained by the Center in perpetuity, the income from which is expendable to support the Center's operations.

(n) Beneficial Interest in Tampa General Hospital Foundation

The Center recognizes its beneficial interest in the net assets of the Foundation. This interest is adjusted to reflect its share of change in the Foundation's net assets. The Foundation complies with the provisions of the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA).

(o) Nonoperating Gains and Losses and Revenues, Gains, and Other Support over Expenses

Activities deemed by the Center to be a provision of healthcare services are reported as revenues, gains, and other support over expenses. Other activities that are peripheral to providing healthcare services are reported as nonoperating gains and losses, net.

The consolidated statements of operations and changes in net assets include revenues, gains, and other support over expenses. Changes in net assets without donor restrictions that are excluded from revenues, gains, and other support over expenses are consistent with industry practice. Other changes

(Continued)

in net assets without donor restrictions consist primarily of pension liability adjustments and contributions of long-lived assets, if any.

(p) Disproportionate Share Distributions

The State of Florida Agency for Health Care Administration distributes low-income pool and disproportionate share payments to the Center based on its indigent care service level. The Center's policy is to recognize these distributions as revenue when amounts are due, and collection is reasonably assured. The receipt of any additional distributions is contingent upon the continued support by the Florida State Legislature.

(q) Charity Care

The Center provides care to patients who meet certain criteria by reference to established policy threshold. Because the Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue. Partial payments to which the Center is entitled from Medicaid, public assistance, and other programs on behalf of patients that meet the Center's charity care criteria are reported as net patient service revenue.

(r) Income Taxes

Except for TGHHOC Inc., TGH Innoventures Blocker, LLC and the companies established as wholly owned subsidiaries under TGH Ambulatory (the For-Profit Corporations), the Center has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, income earned in the furtherance of the Center's tax-exempt purpose is exempt from federal and state income taxes. Taxes are not levied in the Cayman Islands for income, profit, capital, or capital gains generated by the Captive.

The For-Profit Corporations are subject to federal and state income taxes. Taxes are recognized as necessary in the accompanying consolidated financial statements. Associated tax accounting impacts are not material to the consolidated financial statements.

The Center applies FASB ASC Topic 740, *Income Taxes*, which clarifies the accounting for uncertainty in income tax positions and provides guidance when tax positions are recognized in an entity's financial statements and how the value of these positions are determined.

US generally accepted accounting principles require management to evaluate tax positions taken by the Center and recognize a tax liability (or asset) if the Center has taken an uncertain position that more likely than not would not be sustainable upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Center, and has concluded that as of September 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

(s) Leases

As lessee, the Center is obligated under operating leases primarily for real estate, medical equipment, and other support equipment. The Center's finance leases are primarily for real estate and medical equipment. The Center determines if an arrangement is a lease at the inception of a contract and determines the lease term by considering the noncancelable term plus any renewal or cancellation

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options that are reasonably certain to be exercised. Real estate leases typically have initial terms of 3 to 10 years. Medical and other equipment leases typically have initial lease terms of 3 to 5 years. Real estate leases may include one or more options to renew, with renewals that generally extend the lease term from 3 to 5 years. Medical and other equipment leases generally include options to extend on a month-to-month or annual basis. In general, the Center does not consider renewal options to be reasonably likely to be exercised; therefore, renewal options are not recognized as part of right-of-use (ROU) assets and lease obligations.

The Center initially records the related ROU assets and lease obligations at commencement at the present value of lease payments. The ROU asset is also adjusted to include lease payments made at or before the lease commencement date, plus initial direct costs, less any lease incentives received. The Center has elected to use the Treasury Yield for the related lease term to discount the lease payments. The Center has also elected to not recognize ROU assets and lease obligations for leases with an initial term of 12 months or less (short-term leases) for all asset classes.

For operating leases, the lease liability is subsequently measured at the present value of the unpaid lease payments. For finance leases, the lease liability is subsequently measured at amortized cost using the effective-interest method.

For operating leases, ROU assets are amortized throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense is recognized on a straight-line basis over the lease term and is included in other expenses in the consolidated statements of operations and changes in net assets. For finance leases, the ROU asset is amortized using the straight-line method to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset. In those cases, the ROU asset is amortized over the useful life of the underlying asset. Amortization expense for finance leases is included within depreciation and amortization in the consolidated statements of operations and changes in net assets.

As a lessor, the Center leases building space to affiliates and third-party operators. The Center determines if an arrangement is a lease at inception of a contract and determines the lease term by considering the noncancelable term plus any renewal or cancellation options that are reasonably certain to be exercised.

As both lessee and lessor, the Center has elected the practical expedient to account for lease and non-lease components, such as common area maintenance fees, as a single lease component and is applying this expedient to real estate leases.

(t) Use of Estimates

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

(u) Going Concern

In accordance with Accounting Standards Updated (ASU) 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, management has assessed the Center's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued and determined that no further disclosure is required.

(v) Net Patient Services Revenue

The Center's revenues are derived from contracts with patients in which the performance obligation is to provide healthcare services to patients and are reported at the amount expected to be received in exchange for providing patient care. Consideration for these amounts are due from patients, third-party payors (such as managed care, Medicare, Medicaid) and others, and they include variable consideration for retroactive revenue adjustments. The Center identifies performance obligations based on the nature of the services provided and recognizes the revenue as the performance obligations are satisfied. Generally, the Center bills patients and third-party payors several days after the services are performed or shortly after discharge. Inpatient acute care services satisfied over time, generally from admission to time of discharge, are recognized based on actual charges incurred in relation to the total expected (or actual) charges, which depicts the transfer of healthcare services over the duration of the performance obligation. Revenue for performance obligations satisfied at a point in time, which is generally relating to patients receiving outpatient services, is recognized when services are provided, and the Center does not believe the patient requires additional services.

Because unsatisfied or partially unsatisfied performance obligations relate to contracts with a duration of less than one year, the Center has elected to apply the optional exemption provided by ASU 2014-09, *Revenue from Contracts with Customers*, ASC Topic 606-10-50-14 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the recognition period. The performance obligations are generally satisfied after discharge, which typically occurs within days or weeks of the end of the reporting period. The transaction 1 price is determined based on gross charges for services provided, reduced by price concessions related to third-party contractual arrangements, discounts provided to patients, and other implicit price concessions.

The Center determines the estimates of contractual adjustments and discounts based on contractual agreements, the Center's charity care policy, as well as historical experience and other collection indicators. The Center accounts for the contracts within each portfolio as a collective group, rather than individual contracts. The portfolios consist of major payor classes for inpatient and outpatient revenue. The financial statement effects of using this practical expedient are not materially different from an individual-contract approach.

Generally, patients covered by third-party payors are responsible for related deductibles and coinsurance, which is referred to as the patient portion. Subsequent adjustments to the transaction price that are determined to be the result of an adverse change in patient or payor's ability to pay, for example, bankruptcy, are recognized as bad debt expense. Bad debt expense is included within other expenses in the consolidated statements of operations and changes in net assets. Bad debt expense for the years ended September 30, 2023, and 2022, was not considered material to the Center.

Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates associated with these programs will change. The Center recognizes net patient service revenue associated with services provided to patients who have third-party (managed care, Medicare, Medicaid, other) payor coverage on the basis of contractual rates for the services rendered. For under-insured and uninsured patients who do not qualify for charity care, the Center recognizes revenue on the basis of individualized arrangements based on financial need and medical necessity. These arrangements do not take into account age, gender, race, social or immigrant status, sexual orientation or religious affiliation. On the basis of historical experience, a significant portion of the Center's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Center records a significant implicit price concession related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances, discounts, and implicit price concessions recognized for the years ended September 30, 2023 and 2022 from the major payor sources are as follows:

	2023	2022
Managed care	$ 1,117,934,591	889,656,841
Medicare	728,675,111	652,750,845
Medicaid	337,105,010	293,220,855
Other	10,845,195	59,940,660
Self-pay	8,963,597	7,723,810
	$ 2,203,523,504	1,903,293,011

(2) Net Patient Service Revenue

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. The most significant third-party payors to the Center are the Medicare and Medicaid programs, which account for approximately 48% and 50% of the Center's net patient service revenue for the years ended September 30, 2023 and 2022, respectively. A summary of the payment arrangements with major third-party payors is as follows:

(a) Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid on a prospectively determined rate per discharge based on the Medicare Severity Diagnosis Related Group (MSDRG) assigned to the patient. Commercial insurers, which operate as Medicare Advantage Plans, generally follow the traditional Medicare MSDRG payment methodology. Defined organ acquisition and graduate medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology, subject to certain limits and regulatory guidelines. The majority of outpatient services are paid on prospectively determined rates per occurrence based on the ambulatory payment classification (APC) assigned to the service provided. The Center also receives a disproportionate share payment from Medicare included in its MSDRG payment, based on its level of Medicaid patient volume and low-income Medicare beneficiaries.

The Center receives a final settlement for cost reimbursable and pass-through items after submission of its annual cost reports and audits thereof by the Medicare fiscal intermediary. A Medicare final settlement has been determined for all years up to and including 2008. Differences between estimated provisions for cost report settlements and final settlement amounts are reflected as net patient services revenue in the fiscal year the cost reports are considered finalized. Changes in such estimates related to prior cost reporting periods resulted in an increase in net patient services revenue of approximately $2.3 million and $240,000 for the years ended September 30, 2023 and 2022, respectively.

(b) Medicaid

In 2014, the Florida Legislature mandated that the majority of Florida Medicaid beneficiaries be transitioned to Statewide Medicaid Managed Care (SMMC). Because certain populations are carved out of SMMC, the Center has seen approximately three-fourths of its Medicaid reimbursement transition to these plans. The Center continued to be paid for outpatient services on a cost-based rate that reimburses per occasion of service through June 30, 2017. SMMC utilized the same payment methodology as traditional Medicaid for reimbursement of inpatient and transitioned to the same methodology for outpatient services. Effective July 1, 2017, the Agency for Health Care Administration (AHCA) implemented a new outpatient prospective payment methodology utilizing Enhanced Ambulatory Payment Groups (EAPGs), which are an outpatient visit-based patient classification available for all outpatient services and settings.

(3) Charity Care

The Center provides necessary medical care regardless of the patient’s ability to pay for services under its charity care policy. Qualification for charity care is based on the current Federal Poverty Income Guidelines (FPG). Under-insured and uninsured patients, who do not meet charity guidelines, may qualify for discounted care. Charity or discount consideration is available only after all third-party reimbursement and government sources have been exhausted. Excessive assets or medical expenses may be factored as part of the charity or discount evaluation. The Center ensures that financial counseling communication is clear, concise, and considerate of the patient and family members. In addition, regulatory changes that may have the potential to alter charity classifications are monitored and incorporated into the policy, as necessary.

The Center maintains records to identify and monitor the level of charity care. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The following measures the level of charity care and other community benefits, as defined, at estimated costs for the years ended September 30, 2023 and 2022:

	2023	2022
Traditional charity care	$ 50,294,000	54,307,000
Unreimbursed Medicaid and Medicaid HMO	153,519,000	130,243,000
Unreimbursed Hillsborough County Health Plan	26,131,000	24,004,000
	$ 229,944,000	208,554,000
As a percentage of operating expenses	9 %	10 %

(4) Concentration of Credit Risk of Net Accounts Receivable

The Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of September 30 is as follows:

	2023	2022
Managed care	75 %	75 %
Medicare	14	14
Medicaid	2	2
Other	9	9
	100 %	100 %

The credit risk in other payors is limited due to the large number of insurance companies that provide payments for services.

(5) Assets Limited as to Use and Short–Term Investments

Assets limited as to use as of September 30, 2023 and 2022, at fair value, are as follows:

	2023	2022
Internally designated for capital improvements and employee health benefits:		
Cash and cash equivalents	$ 72,842,293	67,886,199
Equities securities:		
Domestic stocks	49,737,368	44,686,534
Global stocks	42,404,633	33,579,531
Fixed income securities:		
Government obligations	287,721,226	266,036,592
Corporate bonds	217,748,482	227,289,474
Equity index fund	296,355,488	245,553,505
Total internally designated for capital improvements and employee health benefits	966,809,490	885,031,835
Beneficial interest in Tampa General Hospital Foundation	45,443,704	33,865,047
Held by trustee under malpractice self-insurance arrangement:		
Cash and cash equivalents	13,592,511	13,176,954
Equity securities:		
Mutual funds	48,463,733	31,808,783
Fixed income securities:		
Corporate bonds	21,538,163	14,287,807
Government obligations	17,227,883	12,365,831
Municipal bonds	18,965,276	13,194,523
Total held by trustee under malpractice self-insurance arrangement	119,787,566	84,833,898
Held by trustee under bond indentures:		
Cash and cash equivalents	334,906,293	237,760,602
Government obligations	54,462,873	172,099,524
Assets limited to use	1,521,409,926	1,413,590,906
Less amount included in current assets	(29,111,593)	(22,596,593)
Assets limited to use, less current portion	$ 1,492,298,333	1,390,994,313

Short-term investments, stated at fair value, consisted of cash, cash equivalents, corporate bonds, and government obligations as of September 30, 2023 and 2022:

		2023	2022
Cash and cash equivalents	$	685,340	5,334,305
Corporate bonds		11,400,937	12,705,912
Government obligations		38,860,999	30,871,940
	$	50,947,276	48,912,157

Investment income and gains and losses on assets limited as to use, cash equivalents and other investments comprise the following for the years ended September 30, 2023 and 2022:

		2023	2022
Other revenue:			
Interest income	$	2,145,814	2,566,284
Net realized gains on sale of investments		236,953	1,129,657
Unrealized gains (losses) on trading investments, net		4,645,825	(11,399,395)
Total		7,028,592	(7,703,454)
Nonoperating gains (losses):			
Interest income and dividends		20,707,727	27,948,977
Net realized losses on sale of investments		(10,929,093)	(17,762,529)
Unrealized gains (losses) on trading investments, net		66,471,466	(159,671,539)
Total		76,250,100	(149,485,091)
Total investment return	$	83,278,692	(157,188,545)

(6) Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurement,* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. FASB ASC Topic 820 requires investments to be grouped into three categories based on certain criteria as noted below:

- **Level 1:** Fair value is determined by using quoted prices for identical assets or liabilities in active markets.
- **Level 2:** Fair value is determined by using other than quoted prices that are observable or corroborated for the asset by other independently verifiable market data (e.g., quoted prices for identical assets in inactive markets, quoted prices for similar assets in active markets, observable inputs other than quoted prices, and inputs derived principally from or corroborated by observable market data by correlation or other means).

- **Level 3:** Fair value is determined by using inputs based on management assumptions that are not directly observable.

Following is a description of the valuation methodologies used for significant assets measured at fair value at September 30, 2023 and 2022:

Cash and cash equivalents: The carrying amounts reported in the consolidated balance sheets approximate the fair value because of the short maturities of these instruments.

Investments: Valued at the closing price reported on the active market on which the individual securities are traded or valued based on quoted prices for similar assets.

Estimates of fair values are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could affect the estimates.

The following tables summarize the fair values of the Center's significant financial assets and liabilities as of September 30, 2023 and 2022:

	September 30, 2023	Fair value measurement at reporting date	
		Level 1	**Level 2**
Cash and cash equivalents	$ 180,996,631	180,996,631	—
Short-term investments:			
Cash and cash equivalents	685,340	685,340	—
Corporate bonds	11,400,937	11,400,937	—
Government obligations	38,860,999	38,860,999	—
Total short-term investments	50,947,276	50,947,276	—
Assets limited to use:			
Cash and cash equivalents	421,341,097	421,341,097	—
Equity securities:			
Domestic stocks	49,737,368	49,737,368	—
Global stocks	42,404,633	42,404,633	—
Mutual funds	48,463,733	48,463,733	—
Fixed income securities:			
Government obligations	359,411,982	359,411,982	—
Corporate bonds	239,286,645	—	239,286,645
Municipal bonds	18,965,276	—	18,965,276
Equity index fund	296,355,488	—	296,355,488
Beneficial interest in Tampa General Hospital Foundation	45,443,704	—	45,443,704
Total assets limited to use	1,521,409,926	921,358,813	600,051,113
Total	$ 1,753,353,833	1,153,302,720	600,051,113

	September 30, 2022	Fair value measurement at reporting date	
		Level 1	Level 2
Cash and cash equivalents	$ 207,058,419	207,058,419	—
Short-term investments:			
Cash and cash equivalents	5,334,305	5,334,305	—
Corporate bonds	12,705,912	12,705,912	—
Government obligations	30,871,940	30,871,940	—
Total short-term investments	48,912,157	48,912,157	—
Assets limited to use:			
Cash and cash equivalents	318,823,755	318,823,755	—
Equity securities:			
Domestic stocks	44,686,534	44,686,534	—
Global stocks	33,579,531	33,579,531	—
Mutual funds	31,808,783	31,808,783	—
Fixed income securities:			
Government obligations	450,501,947	450,501,947	—
Corporate bonds	241,577,281	—	241,577,281
Municipal bonds	13,194,523	—	13,194,523
Equity index fund	245,553,505	—	245,553,505
Beneficial interest in Tampa General Hospital Foundation	33,865,047	—	33,865,047
Total assets limited to use	1,413,590,906	879,400,550	534,190,356
Total	$ 1,669,561,482	1,135,371,126	534,190,356

(7) Debt

On July 31, 2020, the Center entered into a credit agreement for a line of credit with TD Bank N.A. The Center has amended its existing revolving credit facility with TD Bank, N.A., to increase the maximum principal amount available under that facility from $70.0 million to $300.0 million. As of September 30, 2023 and 2022, none of the available line of credit had been drawn. The line of credit matures August 30, 2024, and is subject to further renewal and amendment. Interest is payable in accordance with the terms of the credit agreement at a taxable rate based upon either the *Wall Street Journal* published prime rate or the secured overnight financing rate (SOFR) as administered by the Federal Reserve Bank of New York, in each case, plus the applicable spread, subject to adjustments. Interest on the line of credit was 5.95% and 3.15% as of September 30, 2023 and 2022, respectively.

The Center's long-term debt consists of the following:

		2023	2022
2013 Bank Loan, maturing in various amounts through October 1, 2024 at a stated interest rate of 2.47%	$	4,394,000	8,789,000
2015 Bank Loan, maturing in various amounts through October 1, 2041 at a stated interest rate of 2.52%		166,678,300	169,219,100
2019 Bank of Tampa, maturing in various amounts through April 2, 2025 at a stated interest rate of 3.5%		669,125	1,162,404
Series 2020A Bonds, net of unamortized premium of $16.4 million and $16.9 million as of September 30, 2023 and 2022, respectively, maturing in various amounts through August 1, 2055, with stated rates of 3.5% to 5%		454,639,621	455,153,536
Series 2020B Bonds, respectively, maturing in various amounts through August 1, 2040, with stated rates of 2.01% to 4.27%		100,785,000	100,785,000
Series 2020C Bonds, respectively, maturing in various amounts through October 1, 2034, with stated rates of 4%		55,560,000	55,560,000
2022 Bank of Tampa, maturing in various amounts through July 15, 2027 at a stated interest rate of 3.95%		3,927,457	4,856,968
2022A Bank Loan, maturing in various amounts through October 1, 2043 at a stated interest rate of 4.08%		96,100,000	96,100,000
2022B Bank Loan, maturing in various amounts through October 1, 2052 at a stated interest rate of 4.11%		56,000,000	46,000,000
Construction loans		—	20,617
Total long-term debt		938,753,503	937,646,625
Less current installments		(16,913,246)	(8,804,429)
Less debt issuance costs		(6,749,096)	(6,680,040)
Long-term debt, excluding current installments	$	915,091,161	922,162,156

On February 28, 2013, the Hillsborough County Industrial Development Authority (IDA) issued $166.5 million aggregate principle amounts of tax-exempt Hospital Revenue Refunding Bonds (2012A Bonds). The 2012A Bonds were defeated in September 2022 through the issuance of the TD Bank N.A. Loan Agreement (2022A Bank Loan).

On September 19, 2013, the IDA, the Center, and PNC Bank N.A. entered into a Loan Agreement (2013 Bank Loan) in the amount of $37.0 million to provide for the refunding of the remaining outstanding principal of the Series 2003A Bonds. The 2013 Bank Loan contains various covenants, including, but not limited to, the maintenance of a minimum debt service coverage ratio. Stated interest rates on the 2013 Bank Loan are set at 2.57% with an effective rate of 2.78% at September 30, 2022, and maturities to October 1, 2024.

On December 11, 2015, the IDA, the Center, and TD Bank N.A. entered into a Loan Agreement (2015 Bank Loan) in the amount of $183.4 million. To provide for the refunding of a portion of the outstanding principal of the Series 2006 Bonds. The 2015 Bank Loan contains various covenants, including but not limited to, the maintenance of a minimum debt service coverage ratio. Stated interest rates on the 2015 Bank Loan are set at 2.52% with an effective rate of 2.56% as of September 30, 2023 and maturities to October 1, 2041.

On October 29, 2020, the IDA issued $438.3 million aggregate principle amounts of tax-exempt Hospital Revenue Bonds (2020A Bonds), $100.8 million aggregate principle amounts of taxable Hospital Revenue Bonds (2020B Bonds), $55.6 million aggregate principle amounts of tax-exempt Hospital Revenue Refunding Bonds (2020C Bonds). The proceeds of the 2020A Bonds and 2020B Bonds are to be utilized for the expansion, improvement, and further equipping of the healthcare facilities. The proceeds of the 2020C Bonds were used to purchase and redeem some of the Hospital’s outstanding series 2012A Bonds including $425,000 in unamortized bond issued costs. The bonds contain various covenants, including, but not limited to, the maintenance of a minimum debt service coverage ratio and provides that certain funds be established with a trustee bank.

Stated interest rates on the 2020A Bonds range from 3.5% to 5% with an effective rate of 3.47% as of September 30, 2023 and maturities through August 1, 2055. Stated interest rates on the 2020B Bonds range from 2.01% to 4.27% with an effective rate of 2.37% as of September 30, 2023, and maturities to August 1, 2040. Stated interest rates on the 2020C Bonds range from 3.6% to 4% with an effective rate of 2.97% as of September 30, 2023, and maturities to October 1, 2034.

On June 29, 2022, TGH Imaging and Bank of Tampa entered into a Loan Agreement (2022 Bank of Tampa) in the amount of up to $5.0 million to be used for extinguishment of certain existing TGH Imaging debt, capital projects, and capital investments. The 2022 Bank of Tampa contains various covenants, including, but not limited to, the maintenance of a minimum debt service coverage ratio. The 2019 Bank of Tampa loan and the construction loans were assumed as part of the TGH Imaging purchase in December 2022.

On September 14, 2022, the Center entered into the 2022A Bank Loan in the amount of up to $96.1 million to provide for the refunding of the remaining outstanding principal of the Series 2012A Bonds. The 2022A Bank Loan contains various covenants, including, but not limited to, the maintenance of a minimum debt service coverage ratio.

On September 14, 2022, the Center and PNC Bank N.A. entered into a Loan Agreement (2022B Bank Loan) in the amount of up to $100.0 million to be used for general corporate purposes, including capital projects and capital investments. The 2022B Bank Loan contains various covenants, including, but not limited to, the maintenance of a minimum debt service coverage ratio.

Scheduled maturities of long-term debt as of September 30, 2023 are as follows:

Year ending September 30:		
2024	$	16,399,331
2025		18,683,829
2026		19,059,257
2027		19,487,275
2028		19,163,041
Thereafter		829,601,149
Long-term debt, excluding unamortized premiums		922,393,882
Unamortized premium		16,359,621
Long-term debt, including unamortized premiums	$	938,753,503

(8) Property and Equipment

Property and equipment consist of the following as of September 30, 2023 and 2022:

		2023	2022
Land	$	61,257,479	61,257,479
Land improvements, buildings, and fixed equipment		742,360,009	679,736,141
Major moveable equipment		676,056,443	623,643,040
Leasehold improvements		36,329,387	33,308,662
Finance leases		11,311,999	9,357,107
Vehicles		9,399,946	9,399,946
Total property and equipment		1,536,715,263	1,416,702,375
Accumulated depreciation and amortization		(913,323,739)	(831,384,236)
Total property and equipment less depreciation and amortization		623,391,524	585,318,139
Construction in progress		57,888,923	75,399,781
Property and equipment, net	$	681,280,447	660,717,920

Depreciation expense amounted to approximately $81.9 million and $73.4 million during the years ending September 30, 2023 and 2022, respectively. Approximately $2.1 million and $36,000 of assets were removed from the consolidated balance sheets in 2023 and 2022, respectively, as these assets were no longer utilized by the Center.

(Continued)

As of September 30, 2023, the estimated cost to complete construction in progress is approximately $46.7 million.

Capitalized interest expense was $1.5 million and $2.5 million during the years ended September 30, 2023 and 2022, respectively.

(9) Lease Obligations

The Center is obligated under a lease for medical office space that expires in 10 years with five renewal options for 12 years each.

The tables below present various components of lease activity by the Center as of and for the year ended September 30, 2023, as a lessee and a lessor.

As lessee, the components of lease cost for the year ending September 30, 2023 and 2022 were as follows:

Lease type	Classification		2023	2022
Operating lease costs – fixed	Other expense	$	27,989,148	25,266,065
Financing lease interest	Interest expense		139,902	100,214
Financing lease amortization	Depreciation and amortization		1,704,369	797,459
Variable lease costs	Other expense		6,074,071	4,115,483
Short-term lease costs	Other expense		8,665,248	5,687,095
Total lease costs		$	44,572,738	35,966,316

Maturities of lease obligations under noncancelable leases as of September 30, 2023 are as follows:

		Operating leases	Finance leases
Year ending September 30:			
2024	$	21,899,358	2,031,154
2025		19,706,655	1,804,811
2026		18,661,702	1,262,640
2027		14,720,010	698,905
2028		13,936,837	539,245
Thereafter		70,006,791	825,404
Total undiscounted lease payments		158,931,353	7,162,159
Less imputed interest		(29,087,782)	(288,714)
Total lease liabilities	$	129,843,571	6,873,445

As of September 30, 2023, the Center has not identified any leases that have not yet commenced that create significant rights and obligations.

Other information related to leases as of and for the year ended September 30, 2023 is as follows:

Supplemental cash flow information:		
Cash paid for amounts included in the measurements of lease liabilities:		
Operating cash flows from operating leases	$	26,715,253
Operating cash flows from finance leases		139,902
Financing cash flows from finance leases		2,560,764
ROU assets obtained in exchange for new or modified leases obligations:		
Operating leases	$	29,164,613
Finance leases		1,560,200
Weighted average remaining lease term (in years):		
Operating leases		9
Finance leases		5
Weighted average discount rate:		
Operating leases		4.0 %
Finance leases		1.8 %

As lessor, undiscounted cash flows for future minimum lease payments to be received for operating leases in effect as of September 30, 2023 are as follows:

2024	$	1,625,989
2025		1,335,956
2026		1,252,635
2027		1,062,504
2028		862,420
Thereafter		12,857,387
Total future minimum lease payments receivable	$	18,996,891

The Center recognized lease revenue of approximately $3.7 million and $1.9 million during the years ended September 30, 2023 and 2022, respectively, primarily for subleased facilities. This revenue is reflected within other revenue in the consolidated statements of operations and changes in net assets.

(10) Pension and Other Postretirement Benefits

(a) 403b Savings Plan

Effective January 1, 2014, the Center's board of trustees approved an amendment and restatement of its 403(b) Savings Plan document to include a matching contribution equal to the sum of 100% of the first 3% of compensation deferred and 50% of the next 2% of compensation deferred. Effective January 1, 2018, the Center's board of directors approved an amendment to include an employer contribution to the plan equal to half of 1% of participant's compensation, as well as the ability to make a discretionary employer contribution each year. The original effective date of this plan was December 1, 1999. The Plan was established for the exclusive benefit of the participants and their beneficiaries. All employees are automatically enrolled upon hire for purposes of the elective deferral, unless they opt not to participate. Participants are eligible to receive a matching contribution upon completion of certain service requirements. Contribution expense attributable to this defined contribution plan was approximately $24.0 million and $21.1 million for the years ended September 30, 2023 and 2022, respectively, and is included in salaries and benefits on the consolidated statements of operations and changes in net assets.

(b) Other Postretirement Benefits

The Center sponsors a defined-benefit postretirement plan, which is intended to provide medical benefits to retirees who were hired prior to January 1, 2001 and had completed 30 or more years of service or who attained age 62 and completed five years of service. In addition, the plan provides benefits to retirees who had completed 20 or more years of service prior to January 1, 1997. The postretirement plan is contributory, with retiree contributions adjusted annually based on the projected average plan cost of the Center's self-insured health benefit program for the year. The Center accrues the cost of providing postretirement benefits during the active service period of the employee.

The components of net periodic postretirement benefit cost for the years ended September 30, 2023 and 2022 are as follows:

		2023	2022
Service cost – benefits attributed to service during the year	$	28,623	53,872
Interest cost on accumulated postretirement benefit obligation		97,477	70,644
Amortization of net (gain)		(519,093)	(369,218)
Net periodic postretirement benefit cost	$	(392,993)	(244,702)

The following table sets forth the postretirement plan's funded status and amounts recognized in other liabilities in the Center's consolidated balance sheets as of September 30, 2023 and 2022 (measurement date as of September 30):

		2023	2022
Change in accumulated benefit obligation:			
Accumulated benefit obligation at beginning of year	$	2,082,640	3,021,616
Service cost		28,623	53,872
Interest cost		97,477	70,644
Retiree contributions		259,851	238,737
Actuarial (gain)		(326,169)	(1,023,100)
Benefits paid		(337,464)	(279,129)
Accumulated benefit obligation at end of year		1,804,958	2,082,640
Change in plan assets:			
Employer contribution		77,613	40,392
Retiree contribution		259,851	238,737
Benefits paid		(337,464)	(279,129)
Fair value of plan assets at end of year		—	—
Funded status and accrued benefit costs	$	(1,804,958)	(2,082,640)

For measurement purposes, for pre-Medicare benefits, a 7.13% and 7.04% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2023 and 2022, respectively. For post-Medicare benefits, a 8.34% and 7.43% annual rate of increase in the per capita costs was assumed for the same period. These rates were assumed to decrease gradually over the next eight years and to remain at 4.5% thereafter.

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 5.78% and 5.41% as of September 30, 2023 and 2022, respectively. The weighted average discount rate used in determining the net benefit cost was 5.41% and 2.7% as of September 30, 2023 and 2022, respectively.

The impact of a one-percentage point change in assumed healthcare cost trend rates as of September 30, 2023 is as follows:

		One percentage increase	One percentage decrease
Effect on total of service and interest cost components	$	11,273	(9,699)
Effect on postretirement benefit obligation		152,558	(131,338)

(Continued)

The following are deferred pension costs that have not yet been recognized in periodic pension expense, but instead are accrued in net assets without donor restrictions as of September 30, 2023. Unrecognized actuarial gains and losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Deferred pension costs are amortized into annual pension expense over the average remaining assumed service period for active employees.

Net actuarial gain recognized in net assets without donor restrictions as of September 30, 2023	$	2,529,038
Net actuarial gain to be recognized during the next year		443,959

(c) Cash Flows

The Center expects to contribute approximately $198,000 to its postretirement benefit plan in fiscal year 2023.

The benefits expected to be paid in each year from 2024 through 2028 are approximately $198,000; $206,000; $201,000; $196,000; and $147,000, respectively. The aggregate benefits expected to be paid in the five years from 2028 through 2032 are $844,000. The expected benefits are based on the same assumptions used to measure the Center's benefit obligations as of September 30, 2023 and include estimated future employee service.

(11) Commitments and Contingencies

(a) Litigation

During the normal course of business, the Center is involved in litigation with respect to professional liability claims and other matters. In addition, the Center is subject to periodic regulatory investigations. The Center has purchased insurance coverage to minimize its exposure to such risk. This coverage includes property, directors and officers, vehicles, medical malpractice, and general liability. Each policy has its own deductible and/or self-insurance retention. Based on current information, management believes at this time that the results of the litigation and inquiries are not likely to have a material adverse effect on the consolidated financial position and results of the Center.

(b) Professional Liability

The Center insures its professional and general liability on a claims-made basis through a commercial insurance carrier. The Center has secured claims-made coverage continuously from October 1, 1997 through September 30, 2023. The Center has renewed its claims-made policy.

For claims prior to October 1, 1997, the Authority, as an agency or subdivision of the state of Florida, had sovereign immunity in tort actions. Therefore, in accordance with Chapter 768.28, the Center's legal liability was limited by statute to $100,000 per claimant and $200,000 for all claimants per occurrence. Self-insurance retention limits from October 1, 1997 to September 30, 2010 range from $1.0 million to $5.0 million. On May 21, 2010, the Captive was incorporated to provide excess professional liability and general liability coverage to the Center on a claims-made basis. The Captive's liability under this policy is limited to $85.0 million per claim and in the aggregate.

The Center has employed independent actuaries to assist management in estimating the ultimate costs, if any, of the settlement of known claims and incidents, as well as unreported incidents that may be asserted, arising from services rendered to patients. Reported amounts for professional liability were approximately $99.1 million and $90.4 million as of September 30, 2023 and 2022, respectively, and are included in accounts payable and accrued expenses and other liabilities on the accompanying consolidated balance sheets. The Center records the professional liability based on the actuarially determined expected level. Given the maturity of the plan, the Center believes the expected level is a better estimate of the ultimate outcome than other confidence levels. The expected level is a commonly followed industry practice.

(c) Third-Party Reimbursement

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Center is aware of these laws and regulations and, in situations where there is a possible violation or instance of noncompliance, has recorded an estimate of the impact of the possible violation or instance of noncompliance. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is a possibility that recorded estimates will change.

(d) Novel Coronavirus (COVID-19)

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law providing among other provisions, financial relief to hospitals and healthcare providers during the COVID-19 pandemic. The CARES Act Provider Relief Fund provides funding from the US Department of Health and Human Services (HHS) to support healthcare-related expenses or lost revenue attributable to the COVID-19 pandemic.

No Provider Relief Funding related to the CARES Act was received during the year ended September 30, 2023. As of September 30, 2022, the Center received approximately $54.7 million in Provider Relief Funding related to the CARES Act. The funds received under the CARES Act Provider Relief fund represent payments that do not need to be repaid as long as the Center complies with certain terms and conditions imposed by HHS, including reporting and compliance requirement. Such payments are accounted for as government grants and are recognized as other income once there is reasonable assurance that the applicable terms and conditions required to retain the funds will be met. As of September 30, 2023 and 2022, the Center has recognized approximately $0 and $4.0 million within other revenue on the consolidated statements of operations and changes in net assets.

During April 2020, the Center applied for and received approximately $131.0 million from the Medicare Advance Payment Program provided under the CARES Act. The Centers for Medicare and Medicaid Services (CMS) began recoupment of advances in April 2021. As of September 30, 2022, all funds have been recouped by CMS.

The CARES Act also permits employers to defer the payment of the employer’s portion of social security taxes incurred between March 27, 2020 and December 31, 2020, with half of the deferred payments required to be paid by December 31, 2021 and the other half to be paid by December 31, 2022. As of September 30, 2023, the Center has no Deferred Payroll tax payments. As of

September 30, 2022, the Center had deferred payroll tax payments of approximately $11.2 million, which are included within other liabilities on the consolidated balance sheet.

(12) Other Funding Sources

The Hospital receives funding from various components of the state of Florida's (the State) Medicaid program, including Medicaid Disproportionate Share Payments (DSH), Low Income Pool program (LIP), and Medicaid prospective payment rates. The State's DSH program distributes funding to the Hospital in recognition of the disproportionate level of care provided to indigent patients and to defray some of the costs associated with graduate medical education. The LIP is a federal matching program that provides states with the opportunity to receive additional distributions based upon the cost of charity care provided Medicaid fee for service is paid based on inpatient APR-DRG and outpatient paid based on outpatient EAPG.

The total funding amounts from DSH were $0 and $7.3 million during the years ended September 30, 2023 and 2022, respectively, and are reported as disproportionate share distributions in the accompanying consolidated statements of operations and changes in net assets. Since July 1, 2001, the Hospital has received trauma funding of approximately $3.5 million per year from Hillsborough County to supplement the Hospital's reimbursement for trauma services rendered to Hillsborough County residents.

As part of the 2021 General Appropriations Act, the Florida Legislature authorized the AHCA to establish the Medicaid Hospital Directed Payment Program (Hospital DPP). The Hospital DPP program operates on a regional basis and provides enhanced payments to participating hospitals in a region where Intergovernmental Transfers are contributed. The Federal government provides matching dollars to the share contributed by the State. For nonpublic hospitals, local governments pass special assessments to collect from nonpublic hospitals only. Such assessments do not impose any costs on the State or local governments. Local governments send the collected funds to the State, where they draw down the Federal match. That pool of money (the nonfederal share made up of local government contributions, with the addition of the Federal match) is disbursed to hospitals in participating regions through Medicaid managed care organizations responsible for reimbursing providers.

The Center is in Medicaid Region 6, which includes Hillsborough, Polk, Manatee, Hardee and Highlands Counties, and did not participate in Program Year 1 during State fiscal year 2021 – 2022. AHCA received CMS approval of Program Years 2 and 3 on September 30, 2022 and September 28, 2023, respectively. The applicable Region 6 counties of Polk and Hillsborough passed their required ordinance and the resolution to establish the assessment for the State fiscal year 2022-2023 by the required assessment deadline of November 30, 2022. During the fiscal year ended September 30, 2023, the Center paid an assessment related to Program Year 2 of approximately $25.1 million to fund the local Intergovernmental Transfer which is included in other expenses on the consolidated statements of operations and changes in net assets. The Center recognized approximately $67.6 million of other revenue related to Program Year 2 on the consolidated statements of operations and changes in net assets for the fiscal year ended September 30, 2023.

Due to the fact that not all of county resolutions establishing the assessments were completed until after September 30, 2023 for Region 6 and the expected enhanced payments to be received has not been determined by AHCA, the Health Center did not recognize any estimated Hospital DPP revenue or expense for the Program Year 3 assessment in the September 30, 2023 statements of operation and changes in net assets. The Hospital DPP program requires annual approval by CMS, therefore, amounts for future fiscal years are uncertain given matters associated with State and Federal budgets, CMS and judicial interpretation of governmental regulations, which are subject to political issues, economic factors, and other considerations that cannot be predicted at this time.

Under the terms of an agreement with the Hillsborough County Health Plan, the Hospital is paid for authorized services provided to eligible recipients based on contracted rates. The contract renews on an annual basis and is currently through June 30, 2021. These payments are subject to certain limits (network caps) for each network per contract, including amounts the Hospital must reimburse physicians. For the years ended September 30, 2023 and 2022, approximately $30.0 million and $28.0 million, respectively, were included in net patient services revenue.

(13) Joint Ventures

On February 11, 2022, the Center entered into a collaboration agreement with Visiting Nurse Associate of Florida, Inc., for the purpose of operating VNA. The Center owns a 20% membership interest in VNA.

On February 28, 2020, the Center entered into a management and administrative services agreement with Kindred Healthcare Operating, LLC (now Lifepoint Behavioral Health, LLC), for the purpose of establishing the TGH Rehab. The Center owns a 51% membership interest in TGH Rehab. The rehabilitation hospital began admitting patients in April 2022.

During 2019, the Center executed an agreement with Synergic Healthcare Solutions, LLC d/b/a Fast Track Urgent Care Center (Fast Track) to acquire 50% of the membership interest in the urgent care medical practices owned and operated by Fast Track.

The Center’s distributive share of operating (losses) gains of approximately ($1.9) million and $1.6 million has been included in nonoperating (losses) gains in the consolidated statements of operations and changes in net assets for the years ended September 30, 2023 and 2022, respectively.

(14) Affiliated Organizations

The Foundation was established to solicit contributions from the general public on behalf of the Hospital for the funding of capital acquisitions and to support Hospital programs. As of September 30, 2023 and 2022, the Foundation held assets for the Hospital that were restricted by donors. The Hospital’s interest in the net assets of the Foundation is included in assets limited as to use and amounted to approximately $45.4 million and $33.9 million as of September 30, 2023 and 2022, respectively.

The University of South Florida Board of Trustees (the University) has an affiliation agreement with the Center. The affiliation agreement establishes the Center as the primary teaching hospital for the University in order to provide healthcare education and training for students, residents, and other healthcare professionals. In accordance with the affiliation agreement, the University assigns physicians and residents to provide the customary services of the Center. For the years ended September 30, 2023 and 2022, the Center paid the University approximately $112.3 million and $97.8 million, respectively, for these services, which also include the residents' salaries and the related malpractice coverage and medical director fees. These amounts are recorded within salaries and benefits and other expenses in the accompanying consolidated statements of operations and changes in net assets.

(15) Functional Expenses

The Center's expenses are primarily related to providing healthcare services to the community. The functional breakdown of expenses incurred by the Center for the years ended September 30, 2023 and 2022 are as follows:

	September 30, 2023		
	Program activities	Supporting activities	
	Healthcare services	General and administrative	Total
Salaries and benefits	$ 832,230,767	194,499,396	1,026,730,163
Medical supplies	604,299,823	—	604,299,823
Other	227,506,591	159,758,208	387,264,799
Purchased services	246,069,932	140,606,634	386,676,566
Depreciation and amortization	65,814,448	21,648,977	87,463,425
Interest	31,908,671	—	31,908,671
Total operating expenses	$ 2,007,830,232	516,513,215	2,524,343,447

	September 30, 2022		
	Program activities	Supporting activities	
	Healthcare services	General and administrative	Total
Salaries and benefits	$ 767,944,049	171,307,126	939,251,175
Medical supplies	518,492,056	—	518,492,056
Other	179,694,277	109,558,263	289,252,540
Purchased services	176,486,103	116,815,227	293,301,330
Depreciation and amortization	55,264,571	22,071,727	77,336,298
Interest	28,623,752	—	28,623,752
Total operating expenses	$ 1,726,504,808	419,752,343	2,146,257,151

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Center. General and administrative expenses are those supporting activities that are not directly identifiable with one or more program activity. The Center reviews all departments and generally allocates each department to either program services or general and administrative based on departmental function. For depreciation and amortization expenses, the majority is assigned at the department level; however, the asset ledger was also reviewed for program service administrative departments to reassign from general and administrative to healthcare services.

(16) Liquidity and Availability

The Center has financial assets that could be available within one year of the balance sheet date to meet cash needs for general expenditures. These financial assets consist of cash, accounts receivable, short-term investments, and assets whose use is limited. While certain assets are classified as noncurrent, these assets are considered unrestricted and the Center has the ability to utilize them to meet any current needs that may arise. None of the financial assets quantified in the table below are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date. The accounts receivable are expected to be collected within one year. The Center structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

	2023	2022
Cash and cash equivalents	$ 180,996,631	207,058,419
Patient accounts receivable	364,012,942	269,636,597
Short-term investments	50,947,276	48,912,157
Assets whose use is limited:		
Board-designated funds	966,809,490	885,031,835
Total	$ 1,562,766,339	1,410,639,008

(17) Business Combinations

In 2018, the Center purchased a noncontrolling 50% membership interest in TGH Imaging. TGH Imaging operates radiology imaging centers across the region. On December 27, 2021 (the Acquisition Date), the Center purchased the remaining 50% membership interest in TGH Imaging for $27.5 million. The Center previously accounted for its 50% membership interest in TGH Imaging as an equity method investment. The results of operations of TGH Imaging since the Acquisition Date are included in the accompanying consolidated statements of operations and changes in net assets.

The Acquisition Date fair value of the purchase consideration was $55.0 million. The fair value of the equity interest held by the Center prior to the acquisition was $27.5 million. The Center recognized a step acquisition gain of $12.3 million as a component of other nonoperating gains (losses) in the accompanying consolidated statements of operations and changes in net assets. The purchase price for the remaining 50% membership interest was $27.5 million, half of which was funded by cash on the Acquisition Date. The remaining purchase price of $13.8 million is included in accounts payable and accrued expenses in the consolidated balance sheets as of September 30, 2022, and was paid in November 2022.

The Center accounted for the acquisition using the purchase method of accounting for business combinations under ASC 805, *Business Combinations*. The total purchase price is allocated to the tangible and identifiable intangible assets acquired and liabilities based on their estimated fair values as of the Acquisition Date. Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives and the expected future cash flows and related discount rates, can materially impact the consolidated financial statements. Significant inputs used for the model included the amount of cash flows, the expected period of the cash flows and the discount rates. The allocation of the purchase price is based on management's estimate of the Acquisition Date fair values of the assets acquired and liabilities assumed, as follows:

	2022
Assets acquired:	
Cash and cash equivalents	$ 532,619
Patient accounts receivable	4,720,526
Prepaid expenses and other current assets	1,241,111
Property and equipment, net	20,360,788
Trade name	9,577,327
Covenant to not compete	745,665
Total assets acquired	37,178,036
Liabilities and net assets assumed:	
Accounts payable and accrued expenses	7,575,861
Deferred revenue	3,270,439
Long-term debt	2,795,654
Obligations under finance lease	1,400,298
Equity	2,845,412
Total liabilities and net assets assumed	17,887,664
Net assets acquired	19,290,372
Goodwill	35,709,628
Total purchase price	$ 55,000,000

Goodwill represented the excess of the purchase price over the fair value of the net assets acquired and was primarily attributable to the expected synergies gained by combining the Center's operations and existing services with the acquired assets.

(Continued)

(18) Subsequent Events

The Center has evaluated subsequent events for recognition and disclosure through December 15, 2023, the date the consolidated financial statements were issued, and has determined that no additional disclosures or adjustments are required other than those noted below.

On October 2, 2023, the Center closed a tax-exempt refunding loan transaction that effected the refunding of the 2022 taxable loan transaction with TD Bank, N.A. The IDA issued Hospital Revenue Refunding Bonds (Tampa General Hospital Project) Series 2023 (the "Series 2023 Bonds") in the principal amount of $94.3 million, which Series 2023 Bonds were purchased by TD Bank, N.A..

On December 1, 2023, the Center successfully completed an acquisition from Community Health Systems, Inc. and certain of its affiliates, of substantially all of the assets of three hospitals located in Citrus and Hernando counties, Florida, and certain other assets related thereto (the "Acquisition"). The $295.8 million purchase price of the Acquisition was funded by a draw under the Center's existing Credit Facility provided by TD Bank, N.A. on November 28, 2023, in the amount of $300.0 million.