The Health Care Authority for Baptist Health, An Affiliate of UAB Health System

Consolidated Financial Statements, Required Supplementary Information and Additional Information

June 30, 2021 and 2020

Warren Averett
CPAs AND ADVISORS

TABLE OF CONTENTS

	Page(s)
Independent Auditors' Report	1-2
Management's Discussion and Analysis (Unaudited)	3-8
Consolidated Financial Statements	
Consolidated Statements of Net Position	9
Consolidated Statements of Revenues, Expenses and Changes in Net Position	10
Consolidated Statements of Cash Flows	11-12
Statements of Fiduciary Net Position – Pension Trust Fund	13
Statements of Changes in Fiduciary Net Position – Pension Trust Fund	14
Notes to the Consolidated Financial Statements	15-52
Required Supplementary Information	
Schedule of Changes in the Net Pension Asset and Related Ratios (Unaudited)	53
Schedule of Investment Returns – Defined Benefit Pension Plan (Unaudited)	54
Additional Information	
Board Members and Officials (Unaudited)	55
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	56-57

Warren Averett
CPAs AND ADVISORS

2500 Acton Road
Birmingham, AL 35243
205.979.4100
warrenaverett.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Health Care Authority for Baptist Health, An Affiliate of UAB Health System
Montgomery, Alabama

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and fiduciary activities of The Health Care Authority for Baptist Health, An Affiliate of UAB Health System (the Authority), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of The Health Care Authority for Baptist Health, An Affiliate of UAB Health System, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (unaudited) information on pages 3 through 8, the schedule of changes in the net pension asset and related ratios (unaudited) on page 53, and the schedule of investment returns – defined benefit pension plan (unaudited) on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Warren Averett, LLC

Birmingham, Alabama
September 23, 2021

Introduction

The following discussion and analysis provides an overview of the consolidated financial position and activities of The Health Care Authority for Baptist Health, An Affiliate of UAB Health System, and its subsidiaries (the "Authority"). The Authority is a stand-alone entity and does not consolidate into any other entity. This discussion has been prepared by management and should be read in conjunction with the Authority's consolidated financial statements and notes thereto, which begin on page 9.

The Authority is one of the leading providers of health care to residents of central Alabama. The faith-based health system has nearly 60% inpatient market share in its primary service area, with services centering around three acute care facilities. With 432 licensed beds, Baptist Medical Center South is Montgomery's largest health care facility and serves as a regional tertiary referral center, providing trauma, cardiac, orthopedic and neurosurgical services. Baptist Medical Center South received the 2021 Women's Choice Award for Primary Stroke Center. This facility is also the owner of Crossbridge Behavioral Health, a freestanding psychiatric facility with an additional 60 licensed beds, as well as the Montgomery Cancer Center and its related entities, which includes oncology infusion and diagnostic imaging services. Baptist Medical Center East is a 150 licensed bed, full-service hospital providing acute care, women's and diagnostic services and received the 2021 Women's Choice Award for America's Best Hospital in Obstetrics. Prattville Baptist Hospital is licensed for 107 beds and provides emergency, medical, surgical, and geriatric behavioral health services for the communities north of the City of Montgomery. Complementary to the hospitals are a diverse array of activities and services provided by employed physicians, a free-standing ambulatory surgical center, institute for patient safety and medical simulation, residency teaching programs, hospice services, joint ventures and various disease management programs. Management continues to articulate and guide the development of core services and programs that leverage the strengths, unique attributes and market needs for each entity within the context of the Authority's strategic goals.

Consolidated Statements of Net Position

The consolidated statements of net position present the financial position of the Authority at the end of the fiscal year and include all assets and deferred outflows and liabilities and deferred inflows of the Authority. The difference between total assets and deferred outflows and total liabilities and deferred inflows is net position. Net position is one indicator of the current financial condition of the Authority, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease ("COVID-19") as a pandemic. The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is a $2.2 trillion economic stimulus bill passed by the 116th U.S. Congress and signed into law by former President Donald Trump in March 2020 in response to the economic fallout of the COVID-19 pandemic in the United States. The Authority received funding from the CARES Act to offset losses incurred during the pandemic.

In March 2020, The State Health Officer ordered the cancellation of all non-essential surgeries and procedures for the purpose of preserving personal protective equipment ("PPE") and critical hospital capacity for the anticipated surge of COVID-19 patients in March and April 2020. In fiscal year 2020, the effect of the cancellation of elective procedures reduced the operating revenue of the hospitals, outpatient centers, and physician offices.

The COVID-19 pandemic also impacted the Authority in fiscal year 2021. The Authority had a large expense structure to take care of the surge in volume and high acuity patients. Baptist Health's expenses increased in salaries 26.4%, supplies 13.9%, and pharmaceuticals 14.3% over prior year. Agency nurses were utilized to address health care worker shortages and meet surge in demand. The Authority managed operations through the pandemic and benefited from government stimulus and liquidity support.

A summary of the Authority's consolidated statements of net position is presented below:

	2021	2020	2019
Cash and cash equivalents	$ 118,868,668	$ 94,379,789	$ 6,260,579
Other current assets	103,905,512	97,339,538	107,965,459
Total current assets	222,774,180	191,719,327	114,226,038
Assets whose use is limited			
Under bond indenture agreements - held by trustee	10,073,801	10,228,193	10,121,572
By Board for capital replacement and other discretionary purposes	435,030,078	369,927,780	349,805,998
Capital assets, net	274,329,911	263,065,631	256,848,352
Other noncurrent assets	22,509,868	15,821,632	17,476,118
Total assets	964,717,838	850,762,563	748,478,078
Deferred outflows of resources	1,382,858	716,625	1,627,132
Total assets and deferred outflows of resources	$ 966,100,696	$ 851,479,188	$ 750,105,210
Current liabilities	$ 207,252,514	$ 191,973,077	$ 142,171,079
Long-term debt, less current installments	328,130,493	338,765,123	318,715,605
Long-term interest rate swap obligation	-	7,843,497	9,305,518
Other noncurrent liabilities	2,997,411	3,000,297	4,880,935
Total liabilities	538,380,418	541,581,994	475,073,137
Deferred inflows of resources	8,751,317	1,128,603	1,202,107
Minority interest	2,553,891	2,456,302	2,148,596
Net position			
Net investment in capital assets	(59,335,143)	(80,030,830)	(101,120,461)
Restricted - expendable for specific operating activities	10,489,614	8,294,041	7,842,024
Restricted - expendable for pension plan	9,713,599	8,623,073	8,602,510
Unrestricted	455,547,000	369,426,005	356,357,297
Total net position	416,415,070	306,312,289	271,681,370
Total liabilities, deferred inflows of resources and net position	$ 966,100,696	$ 851,479,188	$ 750,105,210

Unrestricted cash and investments (which include both cash/cash equivalents and assets whose use is limited by the Board) increased by $89.6 million and $108.2 million in fiscal years 2021 and 2020, respectively, producing a balance of $553.9 million as of June 30, 2021. The increase in unrestricted cash is due to Medicare Advanced Payments, CARES Act and other funding which helped to assist hospitals minimize the effects of revenue shortfalls and additional expenses due to COVID-19. In fiscal year 2020, the Authority received Medicare Advanced Payments totaling $61.0 million which was recorded as an increase to unrestricted cash and current liabilities. Medicare Advanced Payments are considered a loan with repayment timelines and terms. In late 2021, Medicare initiated the repayment process. Medicare Advanced Payments and corresponding current liability is $53.7 million as of June 30, 2021. Unrestricted cash was favorably impacted by the CARES Act and other funding totaling $28.6 million and $18.0 million received in fiscal years 2021 and 2020, respectively.

The Authority's cash position including the Medicare Advanced Payments and CARES Act funding is 236 days cash on hand. Excluding the Medicare Advanced Payment and CARES Act funding, the Authority's cash position continues to be strong finishing fiscal year 2021 with 204 days cash on hand. The Authority calculates days cash on hand to exclude the noncash expense of bad debt to follow guidelines published by the bond rating agencies that follow accounting treatment for bad debt in health care organizations.

Other noncurrent assets include $17.1 million of prepaid pension at June 30, 2021, which establishes the Authority's defined benefit pension plan funded ratio at 126%.

Estimated future commitments for capital expenditures related to construction-in-progress as of June 30, 2021, is approximately $13.8 million. The anticipated source of funds needed to fulfill this commitment is funding from operations.

Long-term debt, less current installments, decreased by $10.6 million in fiscal year 2021 as a result of regularly scheduled principal payments due within one year totaling $15.6 million offset by equipment loan for hardware and software to provide virtual nursing for $5.0 million. Long-term debt, less current installments, increased by $20.0 million in fiscal year 2020 driven by Series 2013 D bonds in the amount of $34.6 million that was classified as current in the prior year offset by regularly scheduled principal payments of $14.6 million.

Debt Activity

The Authority converted Series 2013 D bonds which were outstanding in the principal amount of $34.6 million to a new Direct Loan Mode on May 22, 2020. The Authority did not issue any new debt in fiscal years 2021, 2020, or 2019. The Authority entered into an equipment loan with Banyan Medical Systems, LLC ("Banyan") with payment terms effective November 1, 2020 due in monthly installments through October 1, 2025.

The Authority's credit ratings were most recently affirmed as follows:

- A3 bond rating affirmed by Moody's Investors Service on June 8, 2021, the outlook is stable
- BBB+ bond rating affirmed by Standard & Poor's Rating Services on April 30, 2021, the outlook on all ratings is stable

The Authority's statement of net position continues to improve with total net position increasing by $110.1 million to $416.4 million as of June 30, 2021. This is after an additional $34.6 million increase in fiscal year 2020 to $306.3 million.

Consolidated Statements of Revenues, Expenses and Changes in Net Position

The consolidated statements of revenues, expenses and changes in net position present the extent to which the Authority's overall net position increased or decreased during the year as a result of operations or other reasons.

A summary of the Authority's consolidated statements of revenues, expenses and changes in net position is presented below:

	2021	2020	2019
Operating revenues			
Net patient service revenue	$ 907,265,838	$ 759,489,376	$ 719,094,338
Other revenue	2,410,168	3,303,563	2,125,346
Total operating revenues	909,676,006	762,792,939	721,219,684
Operating expenses			
Salaries, wages and benefits	412,089,609	326,121,604	293,067,037
Supplies	109,054,713	95,756,602	83,930,664
Pharmaceuticals	137,215,327	120,026,230	111,624,544
Professional fees	38,436,872	33,819,363	31,079,774
Taxes and licenses	1,716,210	1,722,944	1,493,525
Depreciation and amortization	36,436,101	33,783,040	34,717,966
Other	149,420,617	134,688,535	135,405,635
Total operating expenses	884,369,449	745,918,318	691,319,145
Operating income	25,306,557	16,874,621	29,900,539
Nonoperating revenues (expenses)			
Net investment income	15,389,462	8,277,155	8,503,479
Minority interest in joint venture	(2,507,416)	(2,176,654)	(2,501,208)
Realized and unrealized gains on investments	49,747,232	12,014,146	21,096,279
Loss on derivative position	(38,306)	(2,034,346)	(2,534,211)
Interest expense	(9,725,385)	(12,186,846)	(12,514,703)
COVID-19 funding	32,229,048	14,422,505	-
Other nonoperating gain - joint ventures	180,707	165,004	218,861
Other nonoperating losses	(655,732)	(751,881)	(1,008,923)
Total nonoperating revenues	84,619,610	17,729,083	11,259,574
	109,926,167	34,603,704	41,160,113
Grants and contributions, net of cost and fund transfers	176,614	27,215	383,327
Revenues in excess of expenses	$ 110,102,781	$ 34,630,919	$ 41,543,440

The Authority's net patient service revenue, net of allowances for contractual discounts, charity care and bad debts, totaled $907.3 million as of June 30, 2021, an increase of $147.8 million over fiscal year 2020, which also demonstrated net patient revenue growth of $40.4 million over fiscal year 2019. The growth in net patient revenue in each of the last two fiscal years has been driven by growth in inpatient volume, the system's high acuity of services, continued growth at the Montgomery Cancer Center, improved commercial payor rates and enhanced reimbursement rates attributable to COVID-19.

The Authority's operating expenses increased by $138.5 million or 18.6% in fiscal year 2021 due to salaries, supplies and pharmaceuticals. Salaries, wages, and benefits increased by $86.0 million or 26.4% in fiscal year 2021 due to inpatient volume, shift pay incentives, overtime costs, merit and higher paid contract agency nurses. Agency nurse expense represents 21.8% and 7.0% of total salary expense for the years ended June 30, 2021 and 2020, respectively. The Authority approved payment to all employees to recognize their unwavering commitment during the global pandemic totaling $7.3 million and $6.7 million for the years ended June 30, 2021 and 2020, respectively. Supply expense increase of $13.3 million or 13.9% is attributed to volume, acuity, mix of surgeries, and the increased need of PPE due to the pandemic. Pharmacy expense grew by $17.2 million to $137.2 million in fiscal year 2021, after $8.4 million increase in fiscal year 2020. This expense growth is primarily driven by revenue generating outpatient oncology infusions, purchase of Remdesivir for COVID-19 patients, increase in patient days and higher patient acuity. The remaining expense growth in fiscal year 2021 resulted from increases in virtual nurse, insurance, maintenance and repairs, legal, management fees, and information technology. Depreciation and amortization expense increased to $36.4 million in fiscal year 2021. The increase in depreciation expense is due to additional capital purchased in fiscal year 2021 to accommodate the surge in volume related to COVID-19.

The Authority's operating expenses increased in fiscal year 2020 by $54.6 million. Salaries, wages and benefits increased 11.3% in fiscal year 2020 related to increase in nurse agency expense due to higher census, increase in RN rates associated with retention initiatives, changes in staffing in response to COVID-19 and merit. Supply expense increase of $11.8 million is attributed to volume, acuity, mix of surgeries, and the increased need of PPE due to the pandemic. Pharmacy expense grew by $8.4 million to $120.0 million in fiscal year 2020. The expense growth is primarily driven by revenue generating outpatient oncology infusions, drug dispensations and the increase in patient acuity. The remaining expense growth in fiscal year 2020 resulted from increases in insurance, management fees, opening of two COVID-19 clinics and information technology. Depreciation and amortization expense decreased to $33.8 million in fiscal year 2020.

Management has reviewed its assumptions associated with all ongoing governmental audits and investigations and has embedded a reserve of $2.3 million, $1.8 million and $2.7 million for fiscal years 2021, 2020 and 2019, respectively.

Pursuant to the Affiliation Agreement, as amended, originally entered into by Baptist Health, UA Board and UAB Health System effective July 1, 2005, the Authority is required to make a payment to University of Alabama Hospital based on operating results to support the academic and research missions of the UAB Health System and University of Alabama School of Medicine. The payment is an amount equal to 25% of the Authority's operating income. The parties intend that the calculations with respect to the contributions shall be made in a manner consistent with accounting principles in effect for Baptist Health prior to the execution of the Affiliation Agreement, and no payment is due if the Authority has an operating loss. The parties may, by separate written agreement, adopt calculation conventions to be consistent with this intent. The payment required by the Authority was $5.2 million in fiscal year 2021, $1.6 million in fiscal year 2020, and $5.8 million in fiscal year 2019.

The Authority's net investment income was $15.4 million in fiscal year 2021, an increase from $8.3 million in fiscal year 2020 and $8.5 million in fiscal year 2019. The realized and unrealized gains on investments were $49.7 million in fiscal year 2021, which increased from $12.0 million in fiscal year 2020 and $21.1 million in fiscal year 2019.

The Authority had one interest rate swap outstanding at the end of fiscal year 2021, which experienced a loss of $38 thousand in fiscal year 2021, $2.0 million in fiscal year 2020 and $2.5 million in fiscal year 2019. The fixed payor swap currently pays 4.64% on the $100 million notional amount and receives 67% of three-month LIBOR. The swap will mature March 15, 2022.

The CARES Act and other funding provided various forms of federal assistance for hospitals, including $175 billion in relief funds to hospitals and other healthcare providers on the front line of the pandemic. As long as certain terms and conditions are met by the Authority, all funds received to date from the CARES Act and other funding are not required to be repaid by the Authority. Resources received under the CARES Act and other funding are recognized as liabilities until the applicable eligibility requirements are met, including the incurrence of eligible expenditures and/or loss of revenues. Revenue is recognized when the applicable eligibility requirements are met. The Authority recognized $32.2 million as non-operating revenue for the fiscal year ended June 30, 2021. The Authority recognized $14.4 million as non-operating revenue with a remaining $3.6 million as unearned revenue for the fiscal year ended June 30, 2020.

Consolidated Statements of Cash Flows

The consolidated statements of cash flows provide additional information to the Authority's financial results by reporting the major sources and uses of cash.

Cautionary Note Regarding Forward-Looking Statements

All statements, other than the statement of historical facts, which addresses activities, events or developments that the Authority expects or anticipates will or may occur in the future, contain forward-looking information. In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and is derived using various assumptions. The Authority does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

Requests for Information

This financial report is designed and intended to provide a general overview of the Authority's financial position and results from operations. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Chief Financial Officer, The Health Care Authority for Baptist Health, An Affiliate of UAB Health System, 301 Brown Springs Road, Montgomery, Alabama 36117.

The Health Care Authority for Baptist Health, An Affiliate of UAB Health System
Consolidated Statements of Net Position
June 30, 2021 and 2020

	2021	2020
Assets and Deferred Outflows of Resources		
Current assets		
Cash and cash equivalents	$ 118,868,668	$ 94,379,789
Patient accounts receivable, net of allowance for uncollectible accounts of $52,200,053 and $52,135,871 at June 30, 2021 and 2020, respectively	68,308,277	64,731,291
Due from third-party payors	6,344,911	6,015,811
Inventories	9,924,980	8,797,321
Prepaid expenses and other current assets	19,327,344	17,795,115
Total current assets	222,774,180	191,719,327
Noncurrent assets		
Assets whose use is limited		
Under bond indenture agreements - held by trustee	10,073,801	10,228,193
By Board for capital replacement and other discretionary purposes	435,030,078	369,927,780
Total assets whose use is limited	445,103,879	380,155,973
Intangible assets, net	818,125	1,753,125
Net pension asset	17,082,058	9,035,051
Investment in joint ventures	290,457	1,001,144
Capital assets, net	274,329,911	263,065,631
Other assets	4,319,228	4,032,312
Total noncurrent assets	741,943,658	659,043,236
Total assets	964,717,838	850,762,563
Deferred outflows of resources	1,382,858	716,625
Total assets and deferred outflows of resources	$ 966,100,696	$ 851,479,188
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities		
Accounts payable and accrued expenses	$ 64,735,739	$ 43,933,911
Accrued malpractice	26,771,890	22,775,259
Salaries, wages and employee benefits payable	39,617,253	35,686,505
Due to third-party payors	2,341,677	1,820,991
Medicare Advance Payments	53,673,783	61,024,658
Unearned revenue	1,103,626	12,172,222
Current installments of long-term debt	15,608,362	14,559,531
Current interest rate swap obligation	3,400,184	-
Total current liabilities	207,252,514	191,973,077
Noncurrent liabilities		
Long-term interest rate swap obligation	-	7,843,497
Other liabilities	2,997,411	3,000,297
Long-term debt, less current installments	328,130,493	338,765,123
Total liabilities	538,380,418	541,581,994
Deferred inflows of resources	8,751,317	1,128,603
Minority interest	2,553,891	2,456,302
Net position		
Net investment in capital assets	(59,335,143)	(80,030,830)
Restricted - expendable for specific operating activities	10,489,614	8,294,041
Restricted - expendable for pension plan	9,713,599	8,623,073
Unrestricted	455,547,000	369,426,005
Total net position	416,415,070	306,312,289
Total liabilities, deferred inflows of resources and net position	$ 966,100,696	$ 851,479,188

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

The Health Care Authority for Baptist Health, An Affiliate of UAB Health System
Consolidated Statements of Revenues, Expenses and Changes in Net Position
June 30, 2021 and 2020

	2021	2020
Operating revenues		
Net patient service revenue, net of provision for bad debts of $106,911,938 and $114,665,471 for the years ended June 30, 2021 and 2020, respectively	$ 907,265,838	$ 759,489,376
Other revenue	2,410,168	3,303,563
Total operating revenues	909,676,006	762,792,939
Operating expenses		
Salaries, wages and benefits	412,089,609	326,121,604
Supplies	109,054,713	95,756,602
Pharmaceuticals	137,215,327	120,026,230
Contracted services	35,523,057	34,246,039
Services - health care and general and administrative	39,728,609	37,413,147
Repairs and maintenance	27,711,021	21,352,347
Professional fees	38,436,872	33,819,363
Utilities	11,910,146	11,629,856
Insurance	9,629,494	9,217,516
Lease and rental	4,387,997	3,202,041
Taxes and licenses	1,716,210	1,722,944
Advertising	2,379,248	2,367,239
Depreciation and amortization	36,436,101	33,783,040
Other	18,151,045	15,260,350
Total operating expenses	884,369,449	745,918,318
Operating income	25,306,557	16,874,621
Nonoperating revenues (expenses)		
Net investment income	15,389,462	8,277,155
Minority interest in joint venture	(2,507,416)	(2,176,654)
Realized and unrealized gain on investments	49,747,232	12,014,146
Loss on derivative position	(38,306)	(2,034,346)
COVID-19 funding	32,229,048	14,422,505
Interest expense	(9,725,385)	(12,186,846)
Other nonoperating gain - joint ventures	180,707	165,004
Other nonoperating losses	(655,732)	(751,881)
Total nonoperating revenues	84,619,610	17,729,083
	109,926,167	34,603,704
Noncapital grants and contributions, net of cost and fund transfers	176,614	27,215
Excess of revenues over expenses	110,102,781	34,630,919
Net position		
Beginning of year	306,312,289	271,681,370
End of year	$ 416,415,070	$ 306,312,289

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

The Health Care Authority for Baptist Health, An Affiliate of UAB Health System
Consolidated Statements of Cash Flows
June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Receipts from and on behalf of patients and third-party payors	$ 898,839,853	$ 785,244,024
Payments to employees and related benefits	(416,923,636)	(313,293,703)
Payments to suppliers	(407,359,705)	(390,884,621)
Net cash provided by operating activities	74,556,512	81,065,700
Cash flows from noncapital financing activities		
Noncapital contributions	176,614	27,215
Medicare Advance (Repayment) Payments	(7,350,875)	61,024,658
COVID-19 funding	28,611,205	18,040,348
Distributions to minority interest and from joint ventures, net	(2,195,589)	(1,685,750)
Net cash provided by noncapital financing activities	19,241,355	77,406,471
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	592,913	20,538
Purchases of capital assets	(41,096,815)	(39,994,724)
Principal payments on debt	(15,431,829)	(14,802,333)
Interest payments on debt	(9,757,581)	(12,142,973)
Net cash used in capital and related financing activities	(65,693,312)	(66,919,492)
Cash flows from investing activities		
Net investment income	30,904,343	21,739,371
Interest payments on interest rate swap obligations	(4,481,619)	(3,496,367)
Proceeds from joint venture	677,157	-
Purchases of investment securities	(65,053,116)	(25,785,818)
Proceeds from sale of investment securities	31,760,392	24,098,628
Net cash (used in) provided by investing activities	(6,192,843)	16,555,814
Net increase in cash and cash equivalents	21,911,712	108,108,493
Cash and cash equivalents		
Beginning of year	129,098,536	20,990,043
End of year	$ 151,010,248	$ 129,098,536

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

The Health Care Authority for Baptist Health, An Affiliate of UAB Health System
Consolidated Statements of Cash Flows
June 30, 2021 and 2020

	2021	2020
Reconciliation of cash and cash equivalents to statement of net position		
Cash and cash equivalents	$ 118,868,668	$ 94,379,789
Cash and cash equivalents included in assets whose use is limited	32,141,580	34,718,747
Total cash and cash equivalents	$ 151,010,248	$ 129,098,536
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 25,306,557	$ 16,874,621
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	36,436,101	33,783,040
Other noncash items	74,351	12,496
Changes in operating assets and liabilities		
Patient accounts receivable, net	(3,576,986)	7,337,073
Inventories, prepaid expenses and other current assets	(2,659,888)	(4,192,935)
Other assets	(8,333,923)	701,292
Accounts payable and accrued expenses	34,572,353	13,316,738
Due to/from third-party payors	191,586	6,559,634
Unearned revenue	(7,450,753)	8,554,379
Other long-term liabilities	(2,886)	(1,880,638)
Net cash provided by operating activities	$ 74,556,512	$ 81,065,700
Supplemental noncash investing, capital, and financing activities information		
Capital assets acquired through equipment loan	$ 5,815,320	$ -
Increase (decrease) in capital asset purchases accrued in accounts payable and accrued expenses	$ 138,394	$ (929,405)
Increase (decrease) in fair value of investments	$ 34,232,351	$ (1,448,070)

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

The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Statements of Fiduciary Net Position- Pension Trust Fund
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 1,628,571	$ 756,890
Investments:		
Equity	37,275,098	34,907,460
Fixed income	43,930,908	36,402,238
Total investments	81,206,006	71,309,698
Total assets	$ 82,834,577	$ 72,066,588
Liabilities and Net Position		
Net position restricted for pension	$ 82,834,577	$ 72,066,588

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

The Health Care Authority for Baptist Health, An Affiliate of UAB Health System
Statements of Changes in Fiduciary Net Position- Pension Trust Fund
June 30, 2021 and 2020

	2021	2020
Additions		
Net investment income	$ 14,856,665	$ 4,565,653
Total additions	14,856,665	4,565,653
Deductions		
Benefit payments, including refunds of member contributions	(3,871,730)	(3,703,475)
Administrative expenses	(216,946)	(178,577)
Total deductions	(4,088,676)	(3,882,052)
Net change in plan fiduciary net position	10,767,989	683,601
Plan fiduciary net position beginning of year	72,066,588	71,382,987
Plan fiduciary net position end of year	$ 82,834,577	$ 72,066,588

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

1. Summary of Significant Accounting Policies

Organization

The Authority is a public corporation organized under The Health Care Authorities Act of 1982, as amended (the "Enabling Law"), Code of Alabama 1975, Section 22-21-310, *et seq.* The Authority was organized under the Enabling Law on July 1, 2005, by The Board of Trustees of The University of Alabama, a public corporation and constitutional entity of the State of Alabama (the "UA Board"). The Authority is a stand-alone entity and does not consolidate into any other entity. The Authority is the owner and operator of a health care delivery system (the "System") in the Montgomery, Alabama area. The UAB Health System, an Alabama nonprofit corporation, manages the System for the Authority. UAB Health System is affiliated with the UA Board, including University of Alabama Hospital in Birmingham, Alabama, which is the primary teaching hospital for the medical school at the University of Alabama in Birmingham.

Prior to the organization of the Authority, the System was owned and operated by Baptist Health, an Alabama nonprofit corporation and a 501(c) (3) organization. Baptist Health, UA Board and UAB Health System entered into an Affiliation Agreement dated July 1, 2005 (the "Affiliation Agreement"), that provided for, among other things, the reorganization of the ownership of the System. Pursuant to the Affiliation Agreement, the Authority was organized to be the owner and operator of the System. UA Board is the sponsor for the Authority under the Enabling Law in which UA Board elects 7 of the 13 directors of the Authority, and Baptist Health elects the remaining directors. As of July 1, 2005, all of the System's assets, liabilities and operations were transferred from Baptist Health to the Authority, and the Authority assumed the liabilities of Baptist Health. The Authority also became the owner or controlling entity for the former subsidiaries of Baptist Health. Although the reorganization was effective July 1, 2005, the operations of the Authority are a continuation of the System operations that had been conducted by Baptist Health prior to the reorganization.

Although Baptist Health remains in existence as a corporation, it no longer has significant assets or operations. All of its significant assets, liabilities and operations have been transferred to the Authority. The primary function of Baptist Health after entering into the Affiliation Agreement is to elect directors to the Authority and monitor the results of operations of the System and the use of payments made by the Authority pursuant to the Affiliation Agreement. Baptist Health also retains its right of approval for certain actions of the Authority, the obligation to resume ownership, operation of the System and assume outstanding debt of the Authority if the Affiliation Agreement is terminated. The Affiliation Agreement has an indefinite term but can be terminated by either party without cause on each three-year anniversary. The next anniversary will occur on July 1, 2023.

Principles of Consolidation
The consolidated financial statements of the Authority include the accounts of Baptist Medical Center South ("BMCS"), Baptist Medical Center East ("BMCE"), Prattville Baptist Hospital ("PBH"), Baptist Health Professional Services and Baptist Health Corporate Administration; its consolidated subsidiaries are listed as follows:

Subsidiary	Tax Status
Baptist Health Care Foundation of Montgomery ("BHCF")	Not-For-Profit
Montgomery Baptist Outreach Services Corporation ("BOSC")	Not-For-Profit
Outreach Management Services, Inc. ("OMSI")	Not-For-Profit
Baptist Ventures, Inc. ("BVI")	For-Profit

BVI is the general partner of Montgomery Surgical Center, LLC (“MSC”).

East Montgomery Health Facilities Development, Inc. (“EMHFD”) is included in the consolidated financial statements because of its fiscal dependency on the Authority to cover losses, and the exclusion of EMHFD from the financial reporting entity would render the Authority's consolidated financial statements incomplete or misleading.

BHCF, BOSC, OMSI, BVI, MSC and EMHFD are considered blended component units under Governmental Accounting Standards Board (“GASB”) Statement No. 61. Condensed financial information of these entities is presented in Note 19.

All significant intercompany accounts and transactions have been eliminated from the accompanying consolidated financial statements.

Within the consolidated financial statements, the Authority has certain investments in joint ventures, which are accounted for under the equity method.

Enterprise Fund Accounting
The Authority utilizes the enterprise fund method of accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. As a governmental entity, the Authority follows the accounting standards promulgated by GASB.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The estimates susceptible to significant changes primarily include those used in determining the collectability of receivables, the reserves for self-insured employee health claims, malpractice reserves, CARES Act funds recognized, estimated third-party payor settlements, pension assumptions and the useful lives and recoverability of capital and intangible assets. Although some variability is inherent in these estimates, management believes that the amounts provided are adequate.

Donor Pledges
The Authority receives gift pledges and bequests of financial support. Revenue is recognized when a pledge, representing an unconditional promise to give, is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. At June 30, 2021 and 2020, restricted net assets attributable to BHCF in the accompanying consolidated statements of net position were $10,489,614 and $8,294,041, respectively. In fiscal years 2021 and 2020, expenses incurred by BHCF in soliciting contributions were $24,721 and $87,308, respectively.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, interest-bearing and noninterest-bearing checking accounts and highly liquid debt instruments with maturity dates of less than three months, excluding amounts whose use is limited under bond indenture agreements held by trustee or by Board designation. The carrying amounts reported in the consolidated statements of net position for these instruments approximate their fair value.

The Authority's deposits were held by financial institutions that participate in the State of Alabama's Security of Alabama Funds Enhancement ("SAFE") Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation ("FDIC"). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Certain balances consolidated by the Authority for nongovernmental entities (BHCF, BOSC, BVI and MSC) are not eligible to participate in the SAFE Program. These funds are covered by FDIC limits, and no material amounts were over established limits.

Patient Accounts Receivable, Net
Patient accounts receivable, net, reflect patient accounts receivable less allowances for doubtful accounts and contractual adjustments. (Note 3.)

Inventories
Inventories are stated at the lower of cost or net realizable value with cost determined using the average cost method of accounting.

Assets Whose Use is Limited
Securities held in trust by trustee are for debt service. Securities held in trust by trustee and investment securities designated by the Board for capital replacement and other discretionary purposes are carried at fair value plus accrued interest as of June 30, 2021 and 2020. The fair value at the time of sale of the specific investment security sold is used to compute realized gains or losses. (Notes 4 and 5.)

Intangible Assets, Net
The Authority's intangible assets are related to BMCS. (Note 18.)

Defined Benefit Pension Plan
For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Baptist Health Retirement Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. (Note 12.)

Other Assets
Other assets consist primarily of assets associated with deferred compensation arrangements and nonpatient accounts receivable.

Capital Assets, Net
Capital asset acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method over the useful lives, which range from 1 to 40 years. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. (Note 6.)

Charity Care
The Authority provides charity care to patients who meet certain criteria under its charity care policy. Because the Authority does not pursue collection of amounts determined to qualify as charity care, it is not reported as net patient service revenue. (Note 2.)

Debt Financing Costs
Debt financing costs are expensed as incurred.

Derivative Activities
GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* provides definition of a derivative investment instrument and addresses measurement and reporting. It discusses that changes in the fair value of hedging derivative instruments will be reported as deferred outflows or inflows of resources, while changes in fair value of investment derivative instruments (i.e., ineffective hedging instruments) will be reported as part of investment revenue (expense).

For the derivative instrument held by the Authority as of June 30, 2021 and 2020, the losses are recognized in nonoperating revenues (expenses) during the period of change. (Note 9.)

Claims Incurred But Not Reported
The consolidated financial statements include an accrual for incurred but not reported claims ("IBNR") for the Authority's portion of self-insured claims. The IBNR calculation is actuarially determined based on the Authority's specific experience.

Income Taxes
The Authority has been determined to be exempt from income taxes due to being considered a political subdivision of the State of Alabama, created pursuant to Section 22-21-310 of the Code of Alabama and, as such, a governmental entity.

BHCF, BOSC and OMSI are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). These entities have evaluated their tax positions as required under the relevant accounting standards and have determined that they do not have any uncertain tax positions that they would be unable to substantiate upon examination. Returns have been filed for all years through June 30, 2020. Years June 30, 2018, and subsequent remain subject to audit by taxing authorities.

BVI is a for-profit corporation and is subject to federal and state income tax. Federal income taxes are assessed to BVI on one consolidated federal income tax return. State income taxes are assessed to BVI on an unconsolidated, separate state income tax return basis. Income tax expense is recorded in other nonoperating losses. Net operating loss carry forwards and investment tax credit carry forwards are recognized when realized due to full valuation allowances being provided against these amounts. During the years ended June 30, 2021 and 2020, BVI paid cash for income taxes in the amounts of approximately $957,000 and $754,000, respectively.

EMHFD is a for-profit corporation and is subject to federal and state income tax. Net operating loss carry forwards are recognized when realized due to full valuation allowances being provided against these amounts. During the years ended June 30, 2021 and 2020, EMHFD had no tax liability due to net losses.

BVI and EMHFD have evaluated their tax positions as required under the relevant accounting standards and have determined that they do not have any uncertain tax positions that they would be unable to substantiate upon examination. BVI and EMHFD have filed their tax returns for all years through June 30, 2020. Years June 30, 2018, and subsequent remain subject to audit by taxing authorities.

Medicare Advance Payments
The Authority received $61.0 million advance payments in fiscal year 2020 from Medicare to help minimize the effects of revenue shortfalls due to COVID-19. The advanced payments are considered loans with repayment timelines and terms. In late 2021, Medicare initiated the repayment process. Medicare Advanced Payments and corresponding current liability is $53.7 million and $61.0 million as of June 30, 2021 and 2020, respectively.

Unearned Revenue
Unearned revenue consists of amounts received from Medicaid for disproportionate share and other payments which are recognized into income evenly based on Medicaid’s fiscal year ending September 30th and from funds received under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). (Note 20.)

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the Authority has only one item that qualifies for reporting in this category, deferred outflows related to the pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expenses) until that time. The Authority has only one type of item that qualifies for reporting in this category, deferred inflows related to the pension plan.

Net Position
Net position of the Authority is classified in four components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets and any applicable reserve fund balances. *Restricted - expendable for specific operating activities* are net amounts related to BHCF. *Restricted - expendable for pension plan* are net amounts related to the defined benefit pension plan. *Unrestricted* are remaining net amounts that do not meet the definition of *net investment in capital assets* or *restricted.*

Net Patient Service Revenue
The Authority has agreements with third-party payors that provide for payments at amounts different from the Authority's established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Additionally, pursuant to GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments,* net patient service revenue is reported net of the provision for bad debts. (Note 2.)

Other Operating Revenue
Other operating revenue consists of miscellaneous service revenue that is central to the provision of health care services.

Other Operating Expenses
Expenses include printing, postage, travel, recruitment, medical education and other miscellaneous items.

Revenues, Expenses and Changes in Net Position
The Authority's consolidated statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Authority's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

The consolidated statements of revenues, expenses and changes in net position include income from noncapital grants and contributions, net of cost and fund transfers.

Accrued Malpractice
The accrual relates to the Authority's risks involving general and professional liability, which is a self-insurance program. The risks are subject to various claims and aggregate limits, with excess liability coverage provided by independent commercial insurers. An actuary annually reviews the adequacy of the coverage.

Recent Accounting Pronouncements
In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a

statement of changes in fiduciary net position. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The Authority adopted this statement July 1, 2020.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements for this statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. 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 reported in a business-type activity or enterprise fund. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this statement should be applied prospectively.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

In January 2020, the GASB issued GASB Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates.* Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements ("PPPs"). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement ("SCA"), which GASB defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This statement also provides guidance for accounting and financial reporting for availability payment arrangements ("APAs"). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of this statement are effective immediately. The effective dates of the above statements which were delayed have been modified accordingly.

In May 2020, the GASB issued GASB 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 (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In June 2020, the GASB issued GASB 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 Supersession of GASB Statement No. 32.* The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit ("OPEB") plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code ("IRC") Section 457 deferred compensation plans ("Section 457 plans") that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this statement are effective as follows:

- The requirements in (1) paragraph 4 of this statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this statement are effective immediately.
- The requirements in paragraphs 6–9 of this statement are effective for fiscal years beginning after June 15, 2021
- All other requirements of this statement are effective for reporting periods beginning after June 15, 2021.

Earlier application is encouraged and is permitted by specific requirement as follows:

- Paragraph 4 of this statement as it applies to arrangements other than defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans.
- Paragraphs 6–9 of this statement and the supersession of the remaining requirements of statement 32 (as detailed in paragraph 3 of this statement).

The Authority adopted the provisions of paragraph 4 and 5 of this statement July 1, 2020 when GASB Statement No. 84 was adopted.

Reclassifications
Certain reclassifications have been made to the prior year consolidated financial statements in order for them to be in conformity with the current year presentation.

Subsequent Events
The Authority has evaluated the impact of subsequent events through September 23, 2021, representing the date on which the financial statements were issued.

2. Net Patient Service Revenue

The composition of net patient service revenue for the years ended June 30, 2021 and 2020, is as follows:

	2021	2020
Gross patient service revenue	$ 2,771,368,304	$ 2,464,085,926
Less: Contractual adjustments	(1,725,366,272)	(1,554,491,115)
Less: Charity care	(31,824,256)	(35,439,964)
	1,014,177,776	874,154,847
Less: Provision for bad debts	(106,911,938)	(114,665,471)
Net patient service revenue	$ 907,265,838	$ 759,489,376

The Authority has agreements with governmental and other third-party payors that provide for reimbursement to the Authority at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Authority's billings at established rates for services and amounts reimbursed by third-party payors. Charity care includes the amount of charges foregone for services and supplies furnished under the charity care policy, the estimated costs of those services and supplies and equivalent service statistics. Charity care as a percent of total charges was 1.1% and 1.4% for fiscal years 2021 and 2020, respectively.

A summary of the basis of reimbursement with major third-party payors follows:

Medicare
Substantially all acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to the patient classification systems that are based on clinical, diagnostic and other factors. Additionally, the Authority is reimbursed for both its direct and indirect medical education costs (as defined), principally based on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. The Authority generally is reimbursed for certain retroactively settled items at tentative rates, with final settlement determined after submission of annual cost reports by the Authority and audits by the Medicare fiscal intermediary. Baptist Medical Center East cost reports have been settled through 2017 and tentative final settlements have been received for fiscal years 2018, 2019 and 2020. Prattville Baptist Hospital cost reports have been audited and settled through 2016 and tentative final settlements have been received for fiscal years 2017, 2018, 2019 and 2020. Baptist Medical Center South cost reports have been audited and settled through 2014. For fiscal years 2015, 2016, 2017, 2018, 2019 and 2020, tentative final settlements have been received.

Revenue from the Medicare program and commercial insurance programs that administer Medicare programs (Medicare HMOs) accounted for approximately 43% and 42% of the Authority's gross patient service revenue for the years ended June 30, 2021 and 2020, respectively.

Medicaid
Inpatient services rendered to Medicaid program beneficiaries are reimbursed at all-inclusive prospectively determined per diem rates. Outpatient services are reimbursed based on encounter rates. Revenue from the Medicaid program accounted for approximately 15% of the Authority's gross patient service revenue for both years ended June 30, 2021 and 2020.

Blue Cross
Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined per diem rates. Outpatient services rendered to Blue Cross subscribers are reimbursed using Enhanced Ambulatory Patient Grouping ("EAPG") with the exception of certain departments of Montgomery Cancer Center, which represent approximately 36% of the total outpatient charges for BMCS, which are reimbursed based upon CPT code and a fixed all-inclusion rate. EAPG groups procedures and medical visits sharing similar characteristics and resource utilization, and generates payments based on a multiple of average resource utilization (determined by the EAPG model) and the provider base rate. EAPG eliminates cost report settlements. Revenue from the Blue Cross program accounted for approximately 24% of the Authority's gross patient service revenue for both years ended June 30, 2021 and 2020.

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

3. Patient Accounts Receivable, Net

A summary of patient accounts receivable, net of allowances for uncollectible accounts, for the years ended June 30, 2021 and 2020, is as follows:

	2021	2020
Patients and insurers	$ 82,349,588	$ 80,348,767
Medicare	64,272,720	61,313,407
Medicaid	63,352,447	57,608,801
Blue Cross	37,342,106	36,986,242
Total patient accounts receivable	247,316,861	236,257,217
Less: Allowance for doubtful accounts and contractual adjustments	(179,008,584)	(171,525,926)
Patient accounts receivable, net	$ 68,308,277	$ 64,731,291

4. Assets Whose Use Is Limited under Bond Indenture Agreements - Held by Trustee

Assets whose use is limited under bond indenture agreements - held by trustee consist of the following as of June 30, 2021 and 2020:

	2021	2020
Debt service, reserve funds and required deposits		
2006 Series B Bonds	$ 5,770,319	$ 5,857,422
2006 Series D Bonds	4,292,992	4,292,992
2013 Series A Bonds	1	1
2013 Series B Bonds	10,487	77,776
2013 Series C Bonds	1	1
2013 Series D Bonds	1	1
	$ 10,073,801	$ 10,228,193

At June 30, 2021 and 2020, the investments included in assets whose use is limited under bond indenture agreements - held by trustee consist of cash and cash equivalents and are stated at fair value plus accrued interest.

Interest income on unexpended debt proceeds whose use is limited under bond indenture agreements - held by trustee was $1,017 and $122,844 for the years ended June 30, 2021 and 2020, respectively, and is reported in net investment income in the accompanying consolidated statements of revenues, expenses and changes in net position.

5. Assets Whose Use Is Limited by Board for Capital Replacement and Other Discretionary Purposes

The Authority has the responsibility for the oversight of its investments and has established an Investment Policy for the Corporate Plan and a separate policy for the Funded Depreciation Plan. The objectives of the portfolio are to provide consistent, above average rates of return, while mitigating investment risk.

The Authority recognizes that risk and volatility are present to some degree with all types of investments. High levels of risk are to be avoided at the total fund level through diversification by asset class and style of each manager, as well as sector and industry limits. The Authority also considers the risks and benefits of the active versus passive management approach.

Managers are retained to manage pools of assets, and mutual/commingled funds are allocated to such managers in order to achieve an appropriate, diversified and balanced asset mix.

The Authority has constructed a diversified portfolio that invests in a variety of mutual/commingled funds with differing investment objectives. It is understood that due to this implementation through the purchase of a mutual or commingled fund, it is not possible for the Authority to place restrictions on any aspect of mutual fund management. The portfolio is a widely diversified portfolio and is actively managed within an asset allocation framework that encompasses the full range of market exposures within the capital markets. The portfolio is designed to provide the Authority with a broadly diversified portfolio that participates in the major world markets. In addition to the benefits of diversification, asset allocation strategies should enhance the long-term returns and reduce the risk of the portfolio. This portfolio seeks capital appreciation and current income. The following is a list of the different types of asset classes that will be utilized to accomplish the long-term goals of the Authority.

Foreign Equity
The funds in the foreign equity category invest in companies located outside of the United States. Most of these funds invest in developed countries, such as Japan, Britain, France and Germany. Many foreign equity funds also allocate a percentage of assets in emerging markets, such as China, Brazil and Thailand. The benchmark index used for comparison is the MSCI-EAFE (Europe, Australia and Far East) Index.

Mid Capitalization Equity
The funds in the mid capitalization category invest in companies of various sizes and mixed characteristics, putting it between the small and large capitalization categories, usually investing in companies with market value that falls in the range between $1.5 billion and $10 billion. The benchmark index used for comparison is the Russell MidCap Value/Growth Index.

Large Capitalization Growth Equity
The funds in the large capitalization growth category invest in companies that are projected to grow faster than the overall stock market. Typically, the market value for large capitalization growth companies will be over $5 billion. Most of these funds focus on either companies in rapidly expanding industries, such as technology and health care or multinational companies with a high percentage of sales coming from foreign markets. Portfolio statistics such as P/E and P/B ratios are typically higher than the overall market. The benchmark index used for comparison is the Russell 1000 Growth Index.

Large Capitalization Value Equity
The funds in the large capitalization value category invest in companies that are less expensive than the market as a whole, measured by lower P/E and P/B ratios. Typically, the market value for large capitalization value companies will be over $10 billion. Typical sectors that these funds invest in are utilities, energy and financial sectors. The benchmark index used for comparison is the Russell 1000 Value Index.

S&P 500 Index
The funds in this category construct portfolios in an attempt to track the S&P 500 Index, a widely-used benchmark for large capitalization managers. These funds tend to have lower expense ratios than actively managed funds. In addition, portfolio turnover is very low, and S&P 500 Index funds provide exposure to growth and value sectors. The benchmark index used for comparison is the S&P 500 Index.

Fixed Income

The objective of the fixed income portion of the portfolio assets is to provide both a secure, above-average stream of income (i.e., income in excess of U.S. Treasury bill rates) and to provide a relatively stable market value base. Fixed income as measured by portfolio duration shall range between three to six years. The portfolio should not exceed 130%, nor should it be less than 70% of the Barclays Capital Aggregate Bond Index, formerly known as the Lehman Brothers Aggregate Bond Index.

Cash Equivalent Investments

Such investments should be prudently diversified and would include:

- any instrument issued by, guaranteed by or insured by the U.S. Government, agencies or other full faith instruments;
- commercial paper issued by domestic corporations, which is rated both "P-1" and "A-1" by Moody's Investors Service ("Moody's") and Standard and Poor's ("S&P") rating agencies, respectively; and
- commingled, short-term cash reserve funds managed generally in accordance with the principles set forth above.

The Authority's Investment Committee has approved the following asset mix target for the corporate portfolio:

Asset Class	Authority Target Weight	BHCF Target Weight	Ranges
Large Cap Value	13%	11%	
Large Cap Core (Index)	13%	11%	
Large Cap Growth	13%	11%	
Total Large Cap Equity	**39%**	**33%**	±10%
Mid Cap Growth	7%	6%	
Mid Cap Value	7%	6%	
Total Mid Cap Equity	**14%**	**12%**	±5%
Foreign Equity	**7%**	**5%**	± 2.5%
Total equity	**60%**	**50%**	±5%
Fixed income/cash equivalent	**40%**	**40%**	±10%
Short-term investment/cash equivalent	**0%**	**10%**	±10%

The Authority's Investment Committee has approved the following asset mix target for the funded depreciation portfolio:

Short-Term Portion:

Asset Class	Authority Target Weight
Equity	0%
Fixed income	50% for portfolio in excess of $5,000,000; 0% for portfolio less than $5,000,000
Short-term investment/cash	50% for portfolio in excess of $5,000,000; 100% for portfolio less than $5,000,000

Intermediate-Term Portion:

Asset class	Minimum	Maximum
Equity	30.0%	45.0%
Fixed income	55.0%	70.0%
Cash	0.0%	10.0%

The composition of investments whose use is limited by Board for capital replacement and other discretionary purposes, by investment type at fair value, for the Authority at June 30, 2021 and 2020, is as follows:

	2021	2020
Cash and cash equivalent investments	$ 22,067,779	$ 24,490,554
Equity - mutual funds		
Mid Cap Equity	26,301,679	26,268,712
Large Cap Equity	101,272,441	84,005,130
Foreign Equity	18,243,606	15,206,623
Total equities	145,817,726	125,480,465
Fixed income		
Mortgage-back securities	65	103
Mutual funds	267,144,508	219,956,658
Total fixed income	267,144,573	219,956,761
	$ 435,030,078	$ 369,927,780

Assets whose use is limited by the Board for capital replacement and other discretionary purposes as reported in the consolidated statements of net position include cumulative adjustments to the fair value of these investments.

The cumulative amount of net change in the fair value of these investments for the Authority as of June 30, 2021 and 2020, is as follows:

	Mid Cap Equity	Large Cap Value	Foreign Equity	Fixed Income	Total
2021					
Cumulative change in fair value	$ 10,344,781	$ 38,371,845	$ 4,026,820	$ 27,807,446	$ 80,550,892
2020					
Cumulative change in fair value	$ 6,586,214	$ 20,758,616	$ 493,206	$ 18,480,505	$ 46,318,541

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Credit Risk

Fixed income securities are subject to credit risk, which is the chance that an issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors, such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain fixed income securities, primarily obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government, are not considered to have credit risk.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond and, ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond-rating agencies, such as Moody's or S&P. In the rating agency's opinion, the lower the rating, the greater the chance that the bond issuer will fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

The Authority's investment policy recognizes that a limited amount of credit risk, properly managed and monitored, is prudent and provides incremental risk adjusted return over its benchmark. Credit risk in each investment pool is managed primarily by diversifying across issuers and limiting the amount of portfolio assets that can be invested in noninvestment grade securities. Not more than 5% of the fixed income investments, at fair value, shall be invested in securities of any one issuer, except government and agency or government-backed obligations, without prior approval.

Fixed income investments shall be made only in those issues rated "Baa3" (investment grade) or better by the Moody's rating agency and "BBB-" (investment grade) or better by the S&P's rating agency with emphasis toward "A" or higher quality issues. However, based upon the investment managers’ research, up to 10% may be invested in those issues rated no lower than "Ba" by Moody's and "BB" by S&P. These issues should be purchased with the expectation of a possible upgrade in credit rating.

The credit risk for fixed income investments for the Authority at June 30, 2021 and 2020, is as follows:

	2021	2020
U.S. Government guaranteed	$ 65	$ 103
AA+	382,728	326,393
AA	12,839,080	9,975,038
A	216,392,646	179,070,669
B	418,612	340,759
BB	226,832	212,105
BBB	36,884,610	30,031,694
Total	$ 267,144,573	$ 219,956,761

Custodial Credit Risk
Custodial credit risk is the risk that, in the event of the corporate failure of the custodian, the investment securities may not be returned.

Investment securities are registered in the Authority's name by the custodial bank as an agent. As a result, custodial credit risk is remote.

Concentration of Credit Risk
Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments.

As previously mentioned, credit risk in each investment pool is managed primarily by diversifying across issuers and limiting the amount of portfolio assets that can be invested in noninvestment grade securities. At June 30, 2021 and 2020, there were two investments in single issuers that represented 5% or more of total investments.

Interest Rate Risk
Interest rate risk is the risk that the value of fixed income investments will decline because of changing interest rates. The prices of fixed income investments with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100-basis point (one percentage point) change in the level of interest rates. It is not a measure of time. The Authority does not have a specific policy relative to interest rate risk. As such, there are no restrictions on weighted average maturity for the portfolio as it is managed relative to the investment objectives.

The effective durations for fixed income investments at June 30, 2021, are as follows (duration in years):

	Fair Value	Average Duration
Morgan Asset Management	$ 65	
Pimco Real Return Institutional	382,728	7.83
Pimco Low Duration	12,839,080	1.70
Dodge & Cox	38,030,845	5.40
iShares J.P. Morgan	226,832	8.51
Lord Abbett	418,612	4.05
Metropolitan West Total Return	36,884,611	6.35
Vanguard Wellesley	155,877,109	7.77
T Rowe Price Short-Term Bond	22,484,691	1.72
Total fair value	$ 267,144,573	
Portfolio average duration		5.42

6. Capital Assets, Net

A summary of capital assets for the years ended June 30, 2021 and 2020, is as follows:

	Balance July 1, 2020	Additions	Transfers/ Retirements	Balance June 30, 2021
Capital assets not being depreciated				
Land	$ 20,548,252	$ -	$ (97,554)	$ 20,450,698
Construction-in-progress	9,954,164	31,827,545	(32,865,104)	8,916,605
	30,502,416	31,827,545	(32,962,658)	29,367,303
Capital assets being depreciated				
Land improvements	10,302,088	64,068	79,724	10,445,880
Buildings	352,661,172	48,759	18,952,149	371,662,080
Fixed equipment	7,265,166	27,600	392,986	7,685,752
Leasehold improvements	9,304,881	18,114	1,004,013	10,327,008
Equipment	319,811,899	15,064,443	250,808	335,127,150
Assets at historical cost	699,345,206	15,222,984	20,679,680	735,247,870
Less: Accumulated depreciation	(466,781,991)	(35,501,101)	11,997,830	(490,285,262)
Capital assets, net	$ 263,065,631	$ 11,549,428	$ (285,148)	$ 274,329,911

	Balance July 1, 2019	Additions	Transfers/ Retirements	Balance June 30, 2020
Capital assets not being depreciated				
Land	$ 20,467,252	$ -	$ 81,000	$ 20,548,252
Construction-in-progress	9,307,121	19,671,940	(19,024,897)	9,954,164
	29,774,373	19,671,940	(18,943,897)	30,502,416
Capital assets being depreciated				
Land improvements	8,655,646	(18,717)	1,665,159	10,302,088
Buildings	345,744,471	507,356	6,409,345	352,661,172
Fixed equipment	4,803,919	113,259	2,347,988	7,265,166
Leasehold improvements	8,867,189	5,795	431,897	9,304,881
Equipment	315,392,621	18,785,686	(14,366,408)	319,811,899
Assets at historical cost	683,463,846	19,393,379	(3,512,019)	699,345,206
Less: Accumulated depreciation	(456,389,867)	(32,848,040)	22,455,916	(466,781,991)
Capital assets, net	$ 256,848,352	$ 6,217,279	$ -	$ 263,065,631

Construction-in-progress comprises construction and development costs during the construction period and is valued at cost. Depreciation is not recorded until construction is substantially complete and the assets are ready for productive use. As of June 30, 2021, the construction-in-progress was predominately associated with BMCS kitchen plumbing renovation and CVICU expansion, BMCE 3rd floor addition, and renovations to clinical and support services areas throughout the health system.

Estimated future commitment for capital expenditures related to construction-in-progress as of June 30, 2021, is approximately $13.8 million. The source of funding for these projects will be funding from operations.

In accordance with the Authority's internal policy, the Authority retired fully depreciated assets in the amount of $11.6 million and $22.5 million in fiscal years 2021 and 2020, respectively.

In relation to capital assets, the consolidated statements of net position present net position into a component classified as net investment in capital assets. This negative amount of ($59,335,143) and ($80,030,830) for the years ended June 30, 2021 and 2020, respectively, is due to the original costs of capital assets being reduced over time by standard depreciation and impairment, while the related debt has been refinanced over the years, resulting in a significant portion of capital related debt to remain outstanding.

7. Investment in Joint Ventures

At June 30, 2021, the Authority has interests in three joint ventures.

American HomePatient Ventures, Inc. ("AHP") - BVI entered into an agreement with AHP on December 1, 1995. Each party has 50% interest. The joint venture provides respiratory therapy, nutritional, intravenous and other medical services in the home environment and supplies medical equipment and pharmaceuticals in support of these services.

Baptist Home Health, LLC - On June 30, 2010, the Authority contributed to Baptist Home Health, LLC ("LLC") all the property, assets and contractual rights to the operations of home health for 100% ownership in the LLC. The Authority sold membership interest in the LLC to Alabama Health Care Group, LLC (75%) and transferred membership interest in the LLC to BVI (25%). The joint venture will continue to provide home health services in central Alabama.

Sports Medicine Partners, LLC - The joint venture between Southern Orthopedic Properties, L.L.C. (25%) and BVI (75%) is consolidated into the Authority's accompanying consolidated financial statements due to the significance of ownership and control.

A combined summary of the equity investment joint ventures' financial information as of June 30, 2021 and 2020, and for the years then ended, and the Authority's percentage of ownership is as follows:

	Assets	Liabilities	Equity	Revenues	Net Income (Loss)	Authority %
2021						
Baptist Ventures AHP Homecare Alliance	$ 758,925	$ 60,471	$ 698,454	$ 1,371,092	$ 478,996	50%
Baptist Home Health, LLC	2,401,055	574,214	1,826,841	3,757,099	(235,080)	25%
	$ 3,159,980	$ 634,685	$ 2,525,295	$ 5,128,191	$ 243,916	

	Assets	Liabilities	Equity	Revenues	Net Income (Loss)	Authority %
2020						
Baptist Ventures AHP Homecare Alliance	$ 619,444	$ 66,092	$ 553,352	$ 728,424	$ 205,127	50%
Baptist Home Health, LLC	3,043,531	792,451	2,251,080	2,368,173	83,646	25%
Southeast Supply Solutions, LLC	765,880	59,204	706,676	12,500	(6,012)	96%
	$ 4,428,855	$ 917,747	$ 3,511,108	$ 3,109,097	$ 282,761	

The Authority's equity interest in these joint ventures after considering net realizable value is $290,457 and $1,001,144 for the years ended June 30, 2021 and 2020, respectively. The Authority's equity interest is reflected in the consolidated statements of net position.

The Authority's percentage of net gain related to joint ventures represented $180,707 and $165,004 for the years ended June 30, 2021 and 2020, respectively. Net gain related to the joint ventures is reported in the consolidated statements of revenues, expenses and changes in net position.

Southeast Supply Solutions, LLC – Articles of Dissolution were filed on February 10, 2020.The Authority received final equity distribution in August 2020.

Imaging Management, LLC – The joint venture between Imaging Associates, LLC (25%) and BMCS (75%) is consolidated into the Authority's accompanying consolidated financial statements due to the significance of ownership and control. The agreement between Imaging Management, LLC and BMCS to operate Neuroscience Imaging Center ended September 30, 2015. Effective June 15, 2020, the joint venture was dissolved between Imaging Associates, LLC and BMCS.

8. Long-Term Debt

Long-term debt consists of the following as of June 30, 2021 and 2020:

	2021	2020
Revenue bonds		
2006 Revenue Bonds, Series B, variable interest rate (0.28% at June 30, 2021), due 2022 and 2030 through 2037	$ 68,425,000	$ 76,550,000
2006 Revenue Bonds, Series D, fixed interest rate (ranging from 4.375% to 4.750%), due annually 2021 to 2024, 2027 to 2030, 2032 to 2038	8,825,000	9,130,000
2013 Revenue Bonds, Series A, fixed interest rate of 5.50%, due 2043	118,000,000	118,000,000
2013 Revenue Bonds, Series B, variable interest rate (0.19% at June 30, 2021), due 2023, 2025 to 2029, 2033 to 2042	66,500,000	66,500,000
2013 Revenue Bonds, Series C, fixed interest rate of 2.36%, due through 2023	45,000,000	48,750,000
2013 Revenue Bonds, Series D, variable interest rate (1.99% at June 30, 2021), due through 2023	32,199,799	34,572,443
Equipment loan	4,943,022	-
Capital leases	-	6,887
	343,892,821	353,509,330
Unamortized premiums and discounts, net	(153,966)	(184,676)
	343,738,855	353,324,654
Less: Current installments of long-term debt	15,608,362	14,559,531
	$ 328,130,493	$ 338,765,123

The Authority did not issue any new debt in fiscal years 2021 or 2020, except as noted below.

The Authority entered into an equipment loan with Banyan Medical Systems, LLC (“Banyan”) with payment terms effective November 1, 2020 due in monthly installments through October 1, 2025.

The Authority refinanced Series 2013-D bonds on May 22, 2020, which were outstanding in the principal amount of $34.6 million.

Fiscal year 2021 and 2020 changes in the Authority's long-term debt are as follows:

	Original Date of Issuance	Balance July 1, 2020	Additions	Defeasement/ Other	Payments	Balance June 30, 2021	Due Within One Year
2021							
Series 2006 B	3/16/2006	$ 76,550,000	$ -	$ -	$ (8,125,000)	$ 68,425,000	$ -
Series 2006 D	3/16/2006	9,130,000	-	-	(305,000)	8,825,000	8,375,000
Series 2013 A	5/14/2013	118,000,000	-	-	-	118,000,000	-
Series 2013 B	5/23/2013	66,500,000	-	-	-	66,500,000	-
Series 2013 C	5/23/2013	48,750,000	-	-	(3,750,000)	45,000,000	3,750,000
Series 2013 D	5/22/2020	34,572,443	-	-	(2,372,644)	32,199,799	2,417,220
Capital leases	Various	6,887	-	-	(6,887)	-	-
Equipment loan	11/1/2020	-	5,815,320	-	(872,298)	4,943,022	1,066,142
Unamortized premiums and discounts, net		(184,676)	-	30,710	-	(153,966)	-
		$ 353,324,654	$ 5,815,320	$ 30,710	$ (15,431,829)	$ 343,738,855	$ 15,608,362

	Original Date of Issuance	Balance July 1, 2019	Additions	Defeasement/ Other	Payments	Balance June 30, 2020	Due Within One Year
2020							
Series 2006 B	3/16/2006	$ 85,000,000	$ -	$ -	$ (8,450,000)	$ 76,550,000	$ 8,125,000
Series 2006 D	3/16/2006	9,130,000	-	-	-	9,130,000	305,000
Series 2013 A	5/14/2013	118,000,000	-	-	-	118,000,000	-
Series 2013 B	5/23/2013	66,500,000	-	-	-	66,500,000	-
Series 2013 C	5/23/2013	52,500,000	-	-	(3,750,000)	48,750,000	3,750,000
Series 2013 D	5/22/2020	36,901,333	-	-	(2,328,890)	34,572,443	2,372,644
Capital leases	Various	280,330	-	-	(273,443)	6,887	6,887
Unamortized premiums and discounts, net		(221,277)	-	36,601	-	(184,676)	-
		$ 368,090,386	$ -	$ 36,601	$ (14,802,333)	$ 353,324,654	$ 14,559,531

Approximate future minimum maturities of long-term debt as of June 30, 2021, are as follows:

Year	Principal	Interest	Total
2022	$ 15,608,362	$ 11,657,880	$ 27,266,242
2023	77,180,643	11,269,115	88,449,758
2024	2,278,064	9,640,802	11,918,866
2025	1,163,064	9,640,146	10,803,210
2026	1,852,688	9,604,546	11,457,234
Thereafter	245,810,000	144,805,816	390,615,816
	$ 343,892,821	$ 196,618,305	$ 540,511,126

The carrying amount and fair value of the debt at June 30, 2021, are as follows:

	Carrying Amount	Fair Value
Revenue bonds		
2006 Revenue Bonds, Series B	$ 68,425,000	$ 68,425,000
2006 Revenue Bonds, Series D	8,825,000	8,853,507
2013 Revenue Bonds, Series A	118,000,000	152,373,400
2013 Revenue Bonds, Series B	66,500,000	66,500,000
2013 Revenue Bonds, Series C	45,000,000	45,000,000
2013 Revenue Bonds, Series D	32,199,799	32,199,799
Equipment loan	4,943,022	4,943,022
	$ 343,892,821	$ 378,294,728

The fair value of the debt is estimated using market yields which produce a valuation that is generally indicative of market valuation based on the Authority's current incremental borrowing rate for similar debt instruments. The fair value approximates the carrying value of certain debt as of June 30, 2021.

Under the terms of the Indenture, the Authority is required to maintain certain deposits with a trustee. Such deposits are included as assets whose use is limited under bond indenture agreements held by the trustee on the accompanying consolidated statements of net position. The Indenture also places limits on the incurrence of additional borrowings and requires that the Authority satisfy certain measures of financial performance as long as the bonds are outstanding.

The Authority also has one bond insurance policy and two bank credit agreements that contain additional or more stringent covenants than the Indenture, such as a debt to capitalization ratio, liquidity ratio and debt service coverage ratio.

During August 2020, the Authority opened a revolving line of credit with a financial institution for a principal amount of $65,000,000. The line of credit carried a variable rate of LIBOR plus 1.00%. The Authority did not make draws on the line of credit during the year ended June 30, 2021. The line of credit matured on August 10, 2021 and was not renewed.

9. Derivative Financial Instrument

The derivative utilized by the Authority is an interest rate swap designed to limit the Authority's exposure to changes in the cash flow of its variable rate debt, which is subject to interest rate volatility. A swap agreement is a contract between two parties to exchange cash flows based on indices applied to a notional amount.

The change in fair value of the derivative is required to be marked-to-market on the consolidated statements of revenues, expenses and changes in net position.

At June 30, 2021 and 2020, the derivative financial instrument consisted of the following:

Description		Notional	Maturity	Pay Index	Receive Index		Fair Value
2021							
Designated for trading:							
Fixed payor	$	100,000,000	March 2022	4.64%	67% 3 mo LIBOR	$	(3,400,184)
2020							
Designated for trading:							
Fixed payor	$	100,000,000	March 2022	4.64%	67% 3 mo LIBOR	$	(7,843,497)

The derivative investment instrument has been determined to be ineffective, and the change in the fair value of the derivative in the amounts of $4,443,313 and $1,462,021 for the years ended June 30, 2021 and 2020, respectively; and interest paid in the amounts of $4,481,619 and $3,496,367 for the years ended June 30, 2021 and 2020, respectively, have been netted and recorded in the consolidated statements of revenues, expenses and changes in net position as a loss on derivative position in the non-operating revenues (expenses) section.

10. Rental Revenue under Operating Leases

BMCS has leased 25 suites in its office building to nonrelated parties under noncancelable operating leases as of June 30, 2021. These leases expire over the next five years.

BOSC has leased 13 suites in its office buildings to nonrelated parties under noncancelable operating leases as of June 30, 2021. These leases expire over the next five years.

BMCE has leased three suites in its office buildings to nonrelated parties under noncancelable operating leases as of June 30, 2021. These leases expire over the next two years.

BVI has leased four buildings to nonrelated parties under noncancelable operating leases as of June 30, 2021. These leases expire over the next two years.

Baptist Health Corporate Administration has leased one building to a nonrelated party under noncancelable operating leases as of June 30, 2021. This lease expires over the next two years.

EMHFD has leased two suites in its office building to nonrelated parties under noncancelable operating leases as of June 30, 2021. These leases expire over the next two years.

BHCF has leased one suite in its office building to a nonrelated party under a noncancelable operating lease as of June 30, 2021. The lease expires over the next year.

Future minimum rental payments to be received from noncancelable operating leases as of June 30, 2021, are as follows:

2022	$ 2,272,761
2023	1,127,719
2024	583,576
2025	318,642
2026	266,829
	$ 4,569,527

The net book value of the office building areas currently leased under noncancelable operating leases as of June 30, 2021 and 2020, consists of the following:

	2021	2020
Office buildings	$ 31,345,294	$ 24,250,459
Less: Accumulated depreciation	(18,986,400)	(14,548,413)
	$ 12,358,894	$ 9,702,046

11. Defined Contribution Plans

The Authority contributes to three defined contribution plans, which cover substantially all of its employees. The Authority participates in a 457(b) plan, BVI participates in a 401(k) plan and BOSC participates in a 403(b) plan. The Authority matches a certain percentage of employee contributions to these plans through its 401(a) plan. Total contributions made to the three defined contribution plans were $3,183,150 and $2,782,377, for the years ended June 30, 2021 and 2020, respectively.

12. Defined Benefit Pension Plan

The following plan information is presented in accordance with the disclosure requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Plan Description
The Authority maintains a single-employer, noncontributory defined benefit pension plan, Baptist Health Retirement Plan (the "Plan"), which covers employees of the Authority and all related entities, except OMSI, who have completed one year of service and work a minimum of 1,000 hours per year. Effective June 30, 2003, the Plan was amended to freeze benefits and participation. Participants who terminate employment after completing five years of credited service will be vested and receive their accrued benefit commencing at age 65. The Plan provides retirement, disability retirement and death benefits for the spouse if an employee dies before retirement, provided the employee is vested.

The Plan was amended to allow any employees of BMCE, PBH, MSC and Prattville Baptist Nursing Home hired by Baptist Health on or effective September 1, 1998, to be credited with vesting service under this Plan equal to the service credited to the employees under their prior employer as defined under the Columbia Life Times Savings and Retirement Program as of August 31, 1998.

Benefits Provided
Effective January 1, 2001, the normal retirement benefit formula was 1% times average monthly earnings times credited service, which is limited to 35 years. Average monthly earnings are defined as the base rate of pay on January 1st averaged over the five highest consecutive years of the final 10 years immediately preceding the earlier of June 30, 2003, or retirement.

Pension Plan Fiduciary Net Position
The investment policy of the Plan is to preserve principal while providing reasonable returns. The assets of the funds shall be invested in accordance with all relevant legislation in a manner consistent with applicable fiduciary standards. The asset allocation was approximately 50% fixed income and 50% equity for both years ended June 30, 2021 and 2020.

Additional information about the Plan's fiduciary net position (i.e. plan assets) is as follows:

The following table presents information about the fair value measurement of the Plan's fiduciary net position as of June 30, 2021 and 2020. See Note 17 for valuation techniques.

		Fair Value Measurements Using		
Assets	**Fair Value at June 30, 2021**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and cash equivalents	$ 1,628,571	$ 1,628,571	$ -	$ -
Equity - mutual funds				
Foreign	24,393,822	24,393,822	-	-
Large Cap	9,211,838	9,211,838	-	-
Mid Cap	3,669,438	3,669,438	-	-
Fixed income securities				
Mutual Funds	43,930,908	43,930,908	-	-
Total assets at fair value	$ 82,834,577	$ 82,834,577	$ -	$ -

		Fair Value Measurements Using		
Assets	**Fair Value at June 30, 2020**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and cash equivalents	$ 756,890	$ 756,890	$ -	$ -
Equity - mutual funds				
Foreign	3,419,203	3,419,203	-	-
Large Cap	23,054,276	23,054,276	-	-
Mid Cap	8,433,981	8,433,981	-	-
Fixed income securities				
Mutual Funds	36,402,238	36,402,238	-	-
Total assets at fair value	$ 72,066,588	$ 72,066,588	$ -	$ -

The credit risk for the Plan's fixed income securities at June 30, 2021 and 2020, is as follows:

	2021	2020
A	$ 2,723,716	$ 2,240,971
AA-	2,460,131	2,033,128
BBB	38,747,061	32,128,139
Total	$ 43,930,908	$ 36,402,238

Contributions

Contributions for the defined benefit pension are made solely by the Authority. The Authority could be required to annually contribute at least the minimum actuarially determined contribution. No such contributions were required in 2021 or 2020.

Employees Covered

Employee membership data related to the plan as of January 1, 2021, was as follows:

Inactive plan participants as of January 1, 2021:	
Retirees and beneficiaries currently receiving benefits	857
Terminated vested	661
	1,518
Active plan participants as of January 1, 2021:	
Vested	488
	2,006

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2021 and 2020, using the following assumptions, applied to all periods included in the measurement:

Cost Method - Entry Age Normal, as required by GASB Statements No. 67 and 68.

Investment return of 6.0%, net of pension plan investment expense, including inflation in fiscal year 2021.
Investment return of 6.5%, net of pension plan investment expense, including inflation in fiscal year 2020.

Mortality rates – PRI-2012 Employee Tables with the Retiree and Contingent Survivor Tables for annuities projected forward with Scale MP-2020 (previously, projected forward with Scale MP-2019).

Discount Rate

The discount rate to measure the total pension liability was 6.0% in fiscal year 2021 and 6.5% in fiscal year 2020. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

Net Pension Asset
As of June 30, 2021, the Authority reported a net pension asset. The net pension asset was measured as of January 1, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation at that date.

Changes in the Authority's net pension asset for the year ended June 30, 2021, were as follows:

	Increase (Decrease)		
	Total Pension Liability [a]	**Plan Fiduciary Net Position [b]**	**Net Pension Asset [a]-[b]**
Balance at July 1, 2020	$ 63,031,537	$ 72,066,588	$ (9,035,051)
Changes for the year:			
Interest	3,952,769	-	3,952,769
Difference between expected and actual experience	55,558	-	55,558
Changes of assumptions	2,584,385	-	2,584,385
Benefit payments, including refunds of member contributions	(3,871,730)	(3,871,730)	-
Net investment income	-	14,856,665	(14,856,665)
Administrative expenses	-	(216,946)	216,946
Net changes	2,720,982	10,767,989	(8,047,007)
Balance at June 30, 2021	$ 65,752,519	$ 82,834,577	$ (17,082,058)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
The Authority recognized a credit to pension expense of $1,090,526 and $20,563, for the years ended June 30, 2021 and 2020, respectively. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Net difference between projected and actual earnings	$ 305,012	$ 8,751,317
Assumptions	1,055,163	-
Difference between projected and actual experience	22,683	-
Total	$ 1,382,858	$ 8,751,317

Amounts reported in deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Increase (Decrease)
FY 2022	$ (923,161)
FY 2023	(2,306,018)
FY 2024	(2,075,955)
FY 2025	(2,063,325)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate
The following presents the Authority's net pension asset calculated using the discount rate of 6.0%, as well as what the Authority's net pension asset would be if it were calculated using a discount rate one percentage point lower (5.0%) or one percentage point higher (7.0%) than the current rate:

	Discount Rate	Net Pension Asset
1% decrease	5.0%	$ (10,544,192)
Current discount rate	6.0%	(17,082,058)
1% increase	7.0%	(22,649,344)

Actuarial Cost Method
Under the entry age normal cost method, benefits are projected to retirement (or earlier termination) for each plan participant based upon the assumptions as to future compensation increases. The annual normal cost is determined as a level percentage of pay necessary to fund a participant's benefits over the entire period of active participation in the plan. The actuarial accrued liability is the excess of the present value of future benefits over the present value of future normal costs.

The normal cost and the actuarial accrued liability of the plan is the sum of the corresponding amounts for each participant. Under GASB No. 67 and 68 the actuarial accrued liability is called the Total Pension Liability.

Deviations in actual experience from the experience anticipated by the actuarial assumptions result in actuarial gains or losses which reduce or increase, respectively, the Total Pension Liability. Each year's deviation will be amortized over the average future working lifetime of all participants for purposes of calculating the Plan's pension cost.

All employees who are plan participants on the valuation date are included in the actuarial valuation.

13. Related Party Transactions

Per the Affiliation Agreement, as amended, the Authority is required to contribute funds to University of Alabama Hospital ("University Hospital") to support the academic and research missions of the UAB Health System and the University of Alabama School of Medicine. At the fiscal year end of June 30, 2021 and 2020, the Authority's required payments to University Hospital totaled $5,193,724 and $1,562,591, respectively. As of June 30, 2021 and 2020, there was a remaining payable to University Hospital of $4,426,612 and $909,189, respectively, to settle transfers of the funds between entities pursuant to the Affiliation Agreement, as amended.

Firms in which members of the Board of Directors have an interest, economic or otherwise, engage from time to time in business transactions with the Authority. Members of the Board of Directors must comply with the Authority's Conflict of Interest Policy, which intends to provide guidance to board members to help recognize and deal with ethical issues. With specific regard to conflicts of interest, the policy serves to protect the Authority's interests when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a board member.

14. Concentrations of Credit Risk

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

	2021	2020
Medicare	39 %	37 %
Medicaid	11 %	10 %
Blue Cross	32 %	35 %
Self-pay patients	4 %	5 %
Other	14 %	13 %
	100 %	100 %

15. Commitments under Operating Lease Obligations

The Authority entered into operating leases for professional office space and various equipment. Approximate future maximum lease payments under these operating leases at June 30, 2021, are as follows:

	Operating Leases
2022	$ 1,734,169
2023	266,159
2024	179,237
2025	162,482
2026	126,675
Thereafter	553,014
Total maximum lease payments	$ 3,021,736

Rent expense, net, amounted to approximately $1,759,000 and $1,395,000 for the years ended June 30, 2021 and 2020, respectively.

16. Commitments and Contingencies

Laws and regulations governing the current Medicare and Medicaid programs are complex and subject to interpretation. The Authority believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened allegations of potential wrongdoing but acknowledges that compliance with such laws and regulations can be subject to future government review and interpretation. Regulatory action could include fines, penalties and exclusion from certain governmental payor programs, specifically Medicare and Medicaid.

The Tax Relief and Health Care Act of 2006 made the Recovery Audit Contractor ("RAC") program permanent and mandated its nationwide expansion by 2010. This program was established by Centers for Medicare and Medicaid Services (“CMS”) to conduct post payment reviews to detect and correct improper payments in the fee-for-service Medicare program. The program has since been expanded to prepayment reviews. CMS has awarded contracts to four RACs that have implemented the permanent RAC program on a nationwide basis. Each RAC has discretion over the types of reviews and record requests it conducts as long as it follows CMS defined statement of work. The RAC conducting audits in the state of Alabama is Cotiviti, LLC of Atlanta, Georgia. RAC reviews in Alabama began in December 2009 and have continued to date.

The Authority is involved in various claims and lawsuits arising out of the conduct of its business. The ultimate outcome of these matters is uncertain at this time; however, management does not believe that the ultimate liabilities, if any, resulting from the claims will have a material adverse effect on the Authority's consolidated statements of net position, consolidated statements of revenues, expenses and changes in net position or consolidated statements of cash flows. Workers' compensation and professional and general liability are insured with third parties with deductibles and coverage limits based upon experience and market conditions. The Authority has engaged independent actuaries to estimate the ultimate costs of such claims. These ultimate costs are based on discounted actuarial estimated future payments related to occurrences prior to the statement of net position date that include case reserves and incurred but not reported reserves plus allocated loss adjustment expenses. In management's opinion, accrued liabilities provide an adequate reserve for these loss contingencies.

17. Fair Value Measurement

The following information is presented in accordance with the disclosure requirements of GASB Statement No. 72, *Fair Value Measurement and Application*.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Authority for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

- Level 3 - Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available; therefore, allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Items Measured at Fair Value on a Recurring Basis
Assets and liabilities measured at fair value on a recurring basis are summarized below and include investments reported as other assets in the accompanying consolidated statements of net position of $3,002,126 and $3,011,452 as of June 30, 2021 and 2020, respectively:

		Fair Value Measurements Using		
Assets	**Fair Value at June 30, 2021**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and cash equivalents	$ 32,141,580	$ 32,141,580	$ -	$ -
Equity - mutual funds				
Foreign	18,243,606	18,243,606	-	-
Large Cap	101,272,441	101,272,441	-	-
Mid Cap	26,301,679	26,301,679	-	-
Fixed income securities				
Mortgage Backed Securities	65	-	65	-
Mutual Funds	270,146,634	270,146,634	-	-
Total assets at fair value	$ 448,106,005	$ 448,105,940	$ 65	$ -
Liabilities				
Interest rate swap obligation	$ (3,400,184)	$ -	$ (3,400,184)	$ -

Assets	Fair Value at June 30, 2020	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 34,718,747	$ 34,718,747	$ -	$ -
Equity - mutual funds				
Foreign	15,206,623	15,206,623	-	-
Large Cap	84,005,130	84,005,130	-	-
Mid Cap	26,268,712	26,268,712	-	-
Fixed income securities				
Mortgage Backed Securities	103	-	103	-
Mutual Funds	222,968,110	222,968,110	-	-
Total assets at fair value	$ 383,167,425	$ 383,167,322	$ 103	$ -
Liabilities				
Interest rate swap obligation	$ (7,843,497)	$ -	$ (7,843,497)	$ -

The valuation techniques used to measure fair value for the items in the tables above are as follows:

- Level 1 - Fair value is based upon quoted prices in active markets that the Authority has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The Authority does not adjust the quoted prices for such assets and liabilities.
- Level 2 - Inputs are observable, either directly or indirectly, but do not qualify as Level 1. Fair value is based on quoted prices for identical or similar instruments in active or inactive markets, matrix pricing and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the asset. Inputs are obtained from various sources, including market participants, dealers and brokers.
- Level 3 - Fair value is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

The interest rate swap obligation is valued using observable inputs, such as quotations received from the counterparty, dealers or brokers whenever available and considered reliable. In instances where models are used, the value of the interest rate swaps depend upon the contractual terms of, and specific risks inherent in, the instrument, as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk and correlations of such inputs. The interest rate swap obligation have inputs that can generally be corroborated by market data and are, therefore, classified within Level 2.

In fiscal year 2021 and 2020, the Authority did not have any assets or liabilities valued as Level 3.

18. Intangible Assets, Net

The following table details the composition of the Authority's intangible assets, net:

	2021	2020
Intangible assets	$ 16,579,111	$ 16,579,111
Accumulated intangible amortization	(15,760,986)	(14,825,986)
Total intangible assets, net	$ 818,125	$ 1,753,125

The intangible costs are amortized on a straight-line basis for ten years. Intangible amortization expense from these acquisitions totaled $935,000 for both years ending June 30, 2021 and 2020.

The Authority estimates aggregate amortization expenses for future years as follows:

2022	$ 818,125

19. Condensed Financial Information – Blended Component Units

The following table represents the condensed financial information of the blended component units of the Authority as of June 30, 2021:

	BOSC	EMHFD	BHCF	All Other	Total
Condensed Statements of Net Position					
Current assets	$ 1,107,090	$ 1,500	$ 614	$ 2,058,618	$ 3,167,822
Capital assets, net	19,002,996	10,954,145	3,444,759	8,389,491	41,791,391
Other assets	1,182,848	-	9,664,399	4,759,507	15,606,754
Intercompany receivable	-	-	504,495	2,745,192	3,249,687
Total assets	$ 21,292,934	$ 10,955,645	$ 13,614,267	$ 17,952,808	$ 63,815,654
Current liabilities	$ 771,656	$ 68,032	$ 32,966	$ 1,605,582	$ 2,478,236
Other noncurrent liabilities	1,182,848	2,345,997	-	2,531,262	6,060,107
Intercompany payable	84,398,467	21,210,208	-	-	105,608,675
Total liabilities	86,352,971	23,624,237	32,966	4,136,844	114,147,018
Minority interest	-	-	-	2,553,891	2,553,891
Restricted net position	-	-	10,489,614	-	10,489,614
Unrestricted net position	(65,060,037)	(12,668,592)	3,091,687	11,262,073	(63,374,869)
Total liabilities and net position	$ 21,292,934	$ 10,955,645	$ 13,614,267	$ 17,952,808	$ 63,815,654
Condensed Statements of Revenue, Expenses and Changes in Net Position					
Operating revenue	$ 7,614,214	$ 1,691,112	$ 583,090	$ 23,970,727	$ 33,859,143
Operating expense	(12,493,319)	(1,022,526)	(325,024)	(16,661,947)	(30,502,816)
Depreciation expense	(1,431,152)	(408,031)	(214,873)	(815,642)	(2,869,698)
Nonoperating revenues (expenses)	344,296	(1,057,728)	1,868,713	616,326	1,771,607
Excess revenues over (under) expenses	(5,965,961)	(797,173)	1,911,906	7,109,464	2,258,236
Net transfers, contributions, and grants	3,023	-	188,862	(7,501,712)	(7,309,827)
Net position beginning of the year	(59,097,099)	(11,871,419)	11,480,533	11,654,321	(47,833,664)
Net position end of the year	$ (65,060,037)	$ (12,668,592)	$ 13,581,301	$ 11,262,073	$ (52,885,255)
Condensed Statements of Cash Flows					
Net cash (used in) provided by:					
Operating activities	$ (4,746,232)	$ 667,327	$ 254,394	$ 747,829	$ (3,076,682)
Investing activities	-	-	-	117,277	117,277
Noncapital financing activities	5,664,697	460,599	(237,111)	270,256	6,158,441
Capital and related financing activities	(927,924)	(1,127,926)	(17,283)	(1,153,625)	(3,226,758)
Net change in cash and cash equivalents	(9,459)	-	-	(18,263)	(27,722)
Cash beginning of the year	11,067	-	-	68,250	79,317
Cash end of the year	$ 1,608	$ -	$ -	$ 49,987	$ 51,595

The following table represents the condensed financial information of the blended component units of the Authority as of June 30, 2020:

	BOSC	EMHFD	BHCF	All Other	Total
Condensed Statements of Net Position					
Current assets	$ 1,092,347	$ 1,500	$ -	$ 2,163,495	$ 3,257,342
Capital assets, net	19,506,223	11,291,978	3,642,349	8,646,073	43,086,623
Other assets	1,286,342	-	7,583,078	4,779,196	13,648,616
Intercompany receivable	-	-	267,383	3,015,448	3,282,831
Total assets	$ 21,884,912	$ 11,293,478	$ 11,492,811	$ 18,604,212	$ 63,275,413
Current liabilities	$ 961,898	$ 69,291	$ 12,278	$ 1,460,672	$ 2,504,139
Other noncurrent liabilities	1,286,342	2,281,017	-	3,032,917	6,600,276
Intercompany payable	78,733,771	20,814,589	-	-	99,548,360
Total liabilities	80,982,011	23,164,897	12,278	4,493,589	108,652,775
Minority interest	-	-	-	2,456,302	2,456,302
Restricted net position	-	-	8,294,041	-	8,294,041
Unrestricted net position	(59,097,099)	(11,871,419)	3,186,492	11,654,321	(56,127,705)
Total liabilities and net position	$ 21,884,912	$ 11,293,478	$ 11,492,811	$ 18,604,212	$ 63,275,413
Condensed Statements of Revenue, Expenses and Changes in Net Position					
Operating revenue	$ 6,329,122	$ 1,691,112	$ 605,250	$ 21,545,042	$ 30,170,526
Operating expense	(10,886,529)	(1,249,060)	(417,226)	(15,514,730)	(28,067,545)
Depreciation expense	(1,352,008)	(405,889)	(223,704)	(774,905)	(2,756,506)
Nonoperating revenues (expenses)	5,000	(1,057,728)	247,947	1,210,021	405,240
Excess revenues over (under) expenses	(5,904,415)	(1,021,565)	212,267	6,465,428	(248,285)
Net transfers, contributions, and grants	941,013	-	148,976	(23,244,893)	(22,154,904)
Net position beginning of the year	(54,133,697)	(10,849,854)	11,119,290	28,433,786	(25,430,475)
Net position end of the year	$ (59,097,099)	$ (11,871,419)	$ 11,480,533	$ 11,654,321	$ (47,833,664)
Condensed Statements of Cash Flows					
Net cash (used in) provided by:					
Operating activities	$ (4,181,849)	$ 444,649	$ 494,427	$ (14,806,462)	$ (18,049,235)
Investing activities	-	-	-	31,167	31,167
Noncapital financing activities	5,631,496	665,629	(479,600)	15,581,324	21,398,849
Capital and related financing activities	(1,438,880)	(1,110,278)	(15,027)	(760,308)	(3,324,493)
Net change in cash and cash equivalents	10,767	-	(200)	45,721	56,288
Cash beginning of the year	300	-	200	22,529	23,029
Cash end of the year	$ 11,067	$ -	$ -	$ 68,250	$ 79,317

20. COVID-19 Funding

The CARES Act provides various forms of federal assistance for hospitals, including $175 billion in relief funds to hospitals and other healthcare providers on the front line of the COVID-19 pandemic. The Authority received $28.6 million and $18.0 million in years ended 2021 and 2020, respectively. As long as certain terms and conditions are met by the Authority, all funds received to date from the CARES Act and other funding are not required to be repaid by the Authority. Resources received under the CARES Act and other funding is recognized as liabilities until the applicable eligibility requirements are met, including the incurrence of eligible expenditures and/or loss of revenues. The Authority recognized $32.2 million as non-operating revenue for the fiscal year ended June 30, 2021. The Authority recognized $14.4 million as non-operating revenue and $3.6 million as unearned revenue, which was earned in fiscal year ended June 30, 2021, for the fiscal year ended June 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

The Health Care Authority for Baptist Health, An Affiliate of UAB Health System
Schedule of Changes in Net Pension Asset and Related Ratios (Unaudited)
June 30, 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Interest	$ 3,952,769	$ 3,970,948	$ 3,945,043	$ 3,931,765	$ 4,404,558	$ 4,302,353	$ 4,243,838	$ 4,153,548
Differences between expected and actual experience	55,558	208,339	291,581	239,902	(796,621)	1,469,531	(489,512)	-
Changes in assumptions	2,584,385	(649,777)	(149,997)	(403,954)	(831,072)	(1,127,560)	-	-
Changes in benefit terms	-	-	-	-	1,559,824	-	-	-
Benefit payments	(3,871,730)	(3,703,475)	(3,564,465)	(3,442,328)	(11,527,421)	(2,887,560)	(2,726,634)	(2,526,451)
Net change in total pension liability	2,720,982	(173,965)	522,162	325,385	(7,190,732)	1,756,764	1,027,692	1,627,097
Total pension liability - beginning	63,031,537	63,205,502	62,683,340	62,357,955	69,548,687	67,791,923	66,764,231	65,137,134
Total pension liability - ending	$ 65,752,519	$ 63,031,537	$ 63,205,502	$ 62,683,340	$ 62,357,955	$ 69,548,687	$ 67,791,923	$ 66,764,231
Plan fiduciary net position								
Net investment income	$ 14,856,665	$ 4,565,653	$ 5,541,647	$ 2,919,534	$ 5,274,872	$ 2,281,632	$ 2,481,881	$ 9,337,934
Benefit payments	(3,871,730)	(3,703,475)	(3,564,465)	(3,442,328)	(11,527,421)	(2,887,560)	(2,726,634)	(2,526,451)
Administrative expenses	(216,946)	(178,577)	(143,607)	(175,496)	(319,868)	(246,588)	(208,865)	(166,790)
Net change in plan fiduciary net position	10,767,989	683,601	1,833,575	(698,290)	(6,572,417)	(852,516)	(453,618)	6,644,693
Plan fiduciary net position - beginning	72,066,588	71,382,987	69,549,412	70,247,702	76,820,119	77,672,635	78,126,253	71,481,560
Plan fiduciary net position - ending	$ 82,834,577	$ 72,066,588	$ 71,382,987	$ 69,549,412	$ 70,247,702	$ 76,820,119	$ 77,672,635	$ 78,126,253
Net pension asset - ending	$ (17,082,058)	$ (9,035,051)	$ (8,177,485)	$ (6,866,072)	$ (7,889,747)	$ (7,271,432)	$ (9,880,712)	$ (11,362,022)
Plan fiduciary net position as a percentage of the total pension liability	126.0%	114.3%	112.9%	111.0%	112.7%	110.5%	114.6%	117.0%
Covered-employee payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Net pension asset as a percentage of covered-employee payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*

* No active employees participating in the plan

The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Schedule of Investment Returns – Defined Benefit Pension Plan (Unaudited)
June 30, 2021

Annual money-weighted rate of return, net of investment expense:

2021	2020	2019	2018	2017	2016	2015	2014
21.15%	6.56%	8.17%	4.26%	7.48%	2.99%	3.23%	13.29%

Reported returns for GASB No.67 disclosure requirements effective fiscal year 2014.

ADDITIONAL INFORMATION

The Health Care Authority for Baptist Health, An Affiliate of UAB Health System
Board Members and Officials (Unaudited)
June 30, 2021

Name	Title	Address	Term Expires
I. William Ferniany, Ph.D.	Chair	500 22nd Street South, Suite 408 Birmingham, Alabama 35233	2022
John A. Henig, Jr.	Vice Chair	444 S. Perry Street Montgomery, Alabama 36104	2022
James V. Wright, Ed.D.	Secretary/Treasurer	4131 Carmichael Road, Suite 3 Montgomery, Alabama 36106	2022
Russell Tyner	Member	301 Brown Springs Rd Montgomery, Alabama 36117	2022
Benjamin Espy	Member	255 Dexter Avenue Montgomery, Alabama 36104	2022
Donovan Kendrick, M.D.	Member	4775 Mt. Zion Rd Ramer, AL 36069	2022
Vanessa Leonard	Member	P.O. Box 97 Rockford, Alabama 35136	2022
Ronald Brown	Member	2660 Eastchase Lane, Suite 100 Montgomery, Alabama 36117	2022
Kay K. Miller	Member	8166 Mossy Oak Drive Montgomery, Alabama 36117	2022
Selwyn M. Vickers, M.D.	Member	510 20th Street South Birmingham, Alabama 35294	2022
James M. Edwards	Member	105 Tallapoosa Street, Suite 200 Montgomery, Alabama 36104	2022
Rev. Gary Burton	Member	13812 Hwy 31 Hope Hull, Alabama 36043	2022
Dawn Bulgarella	Member	500 22nd Street South, Suite 408 Birmingham, Alabama 35233	2022

Warren Averett
CPAs AND ADVISORS

2500 Acton Road
Birmingham, AL 35243
205.979.4100
warrenaverett.com

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

Board of Directors
The Health Care Authority for Baptist Health, An Affiliate of UAB Health System
Montgomery, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of The Health Care Authority for Baptist Health, An Affiliate of UAB Health System (the Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 23, 2021.

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

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

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

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

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

Warren Averett, LLC

Birmingham, Alabama
September 23, 2021