ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINED FINANCIAL STATEMENTS

for the years ended June 30, 2020 and 2019

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
St. Joseph's/Candler Health System, Inc.
Savannah, Georgia

We have audited the accompanying combined financial statements of St. Joseph's/Candler Health System, Inc. (System), which comprise the combined balance sheets as of June 30, 2020 and 2019, and the related combined statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We did not audit the financial statements of Geechee Reinsurance Company, LLC, a wholly-owned subsidiary, which statements reflect total assets constituting 6% of combined total assets at June 30, 2020 and 2019 and total revenues constituting 1% of combined total revenues for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Geechee Reinsurance Company, LLC, is based solely on the report of the other auditors. 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 combined financial statements are free from material misstatement.

Continued

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 combined financial statements.

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

Opinion

In our opinion, based on our audits and the report of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of St. Joseph's/Candler Health System, Inc. as of June 30, 2020 and 2019, and the results of its operations and changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 1 to the combined financial statements, the System adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* on July 1, 2019. The System also adopted FASB ASC ASU No. 2016-18, *Statement of Cash Flows – Restricted Cash,* in 2020 and fiscal year 2019 was recast to conform to the new presentation. Our opinion is not modified with respect to these matters.

Other Reporting Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020, on our consideration of the System'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 System'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 System's internal control over financial reporting and compliance.

Draffin & Tucker, LLP

Albany, Georgia
October 22, 2020

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINED BALANCE SHEETS
as of June 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 155,593,194	$ 22,056,111
Assets limited as to use required for current liabilities	6,905,237	2,202,486
Patient accounts receivable, net	71,060,136	75,504,344
Other receivables	11,131,106	13,139,986
Inventories	18,517,025	15,543,594
Prepaid expenses	7,033,332	6,341,473
Estimated third-party payor settlements	4,155,307	2,990,703
Total current assets	274,395,337	137,778,697
Assets limited as to use:		
Held in trust under bond indenture	25,662,118	10,347
Restricted under interest rate swap and deferred compensation agreements	4,610,467	5,040,522
Board designated	212,021,597	208,341,890
Total assets limited as to use	242,294,182	213,392,759
Property and equipment, net	263,611,670	226,577,690
Derivative financial instruments	-	440,566
Other assets:		
Long-term investments	2,084,948	2,609,784
Goodwill on long-term investments	56,577,257	56,577,257
Operating lease right-of-use assets	13,945,463	-
Beneficial interest in net assets of Foundations	12,699,740	12,001,105
Total other assets	85,307,408	71,188,146
Total assets	$ 865,608,597	$ 649,377,858

		2020	2019
LIABILITIES AND NET ASSETS			
Current liabilities:			
Current maturities of long-term debt		$ 1,523,041	$ 8,374,374
Current portion of operating lease liabilities		2,588,510	-
Accounts payable		35,163,178	32,383,354
Accrued employee related expenses		29,842,484	24,686,789
Other accrued expenses		14,517,025	7,499,861
Estimated third-party payor settlements		8,402,163	-
Total current liabilities		92,036,401	72,944,378
Medicare advance payments, excluding current portion		57,849,847	-
Long-term debt, excluding current maturities		274,046,285	171,241,511
Operating lease liabilities, excluding current portion		11,413,653	-
Accrued self-insurance claims		25,160,839	25,212,127
Accrued pension cost		18,322,419	28,412,088
Deferred compensation payable		10,637,991	10,218,046
Derivative financial instruments		3,092,078	-
Collateral held under interest rate swap agreement		-	850,000
Total liabilities		492,559,513	308,878,150
Net assets:			
St. Joseph's/Candler Health System, Inc. net assets:			
Without donor restrictions		357,939,764	325,935,095
With donor restrictions:			
Purpose restrictions		8,501,024	8,516,190
Perpetual in nature		1,035,000	1,035,000
Total St. Joseph's/Candler Health System, Inc. net assets		367,475,788	335,486,285
Noncontrolling interest in joint ventures		5,573,296	5,013,423
Total net assets		373,049,084	340,499,708
Total liabilities and net assets		$ 865,608,597	$ 649,377,858

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

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
for the years ended June 30, 2020 and 2019

	2020	2019
Revenues, gains and other support:		
Net patient service revenue	$ 612,391,015	$ 592,154,579
Other revenue	80,442,687	59,180,601
Total revenues, gains and other support	692,833,702	651,335,180
Expenses:		
Salaries and wages	246,890,958	223,124,583
Employee benefits	45,482,736	46,513,758
Physician and professional fees	54,681,741	50,490,115
Materials and supplies	192,679,204	183,564,709
Purchased services	37,991,553	36,509,545
Insurance	9,495,664	9,737,001
Interest	8,973,268	5,936,852
Depreciation and amortization	26,406,254	24,279,158
Other	44,084,074	39,646,596
Total expenses	666,685,452	619,802,317
Income from operations	26,148,250	31,532,863
Nonoperating income (loss):		
Investment income	6,507,763	7,766,655
Unrealized gains (losses) on securities	(3,675,446)	7,022,745
Recognized gains on transferred securities	-	18,703,583
Decrease in fair value of derivative instruments	(3,123,606)	(173,987)
Net periodic pension cost	(138,023)	61,393
Other nonoperating losses	(861,109)	(784,673)
Nonoperating income (loss), net	(1,290,421)	32,595,716
Revenues and gains in excess of expenses and losses	24,857,829	64,128,579
Net (income) loss attributable to noncontrolling interest in joint ventures	(375,568)	(13,242)
Revenues and gains in excess of expenses and losses after noncontrolling interest	24,482,261	64,115,337

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS, Continued
for the years ended June 30, 2020 and 2019

	2020	2019
Net assets without donor restrictions:		
Increase in beneficial interest in net assets of Foundations	$ 713,801	$ 505,856
Contributions for property	580,916	772,674
Reclassification of unrealized gains on transferred securities	-	(18,703,583)
Change in actuarial loss on defined benefit pension plan	3,221,912	(8,910,082)
Amortization of actuarial loss on defined benefit pension plan	3,835,891	3,313,050
Amortization of prior service cost on defined benefit pension plan	(830,112)	(830,112)
Increase in net assets without donor restrictions	32,004,669	40,263,140
Net assets with donor restrictions:		
Decrease in beneficial interest in net assets of Foundations, net	(15,166)	(3,872)
Increase in St. Joseph's/Candler Health System, Inc. net assets	31,989,503	40,259,268
Net assets, beginning of year	335,486,285	295,227,017
Net assets, end of year	$ 367,475,788	$ 335,486,285
Noncontrolling interest in joint ventures:		
Net income	$ 375,568	$ 13,242
Purchase of noncontrolling interest	-	4,214,000
Contributions from partners	184,305	786,181
Increase in noncontrolling interest	559,873	5,013,423
Noncontrolling interest in joint ventures, beginning of year	5,013,423	-
Noncontrolling interest in joint ventures, end of year	$ 5,573,296	$ 5,013,423

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

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINED STATEMENTS OF CASH FLOWS
for the years ended June 30, 2020 and 2019

	2020	Restated 2019
Cash flows from operating activities:		
Increase in net assets including noncontrolling interest	$ 32,549,376	$ 45,272,691
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Change in fair value of derivative instruments	3,123,606	173,987
Beneficial interest in net assets of Foundations, net	(698,635)	(501,984)
Net realized and unrealized (gains) losses on investments, net of reclassification adjustment	3,504,063	(7,369,184)
Depreciation and amortization	26,406,254	24,279,158
Loss on disposal of property	-	787,874
Contributions/purchase of noncontrolling interest	(184,305)	(5,000,181)
Contributions for property	(580,916)	(772,674)
Changes in:		
Patient accounts receivable	4,444,208	(5,372,665)
Other receivables	2,008,880	(1,019,371)
Inventories	(2,973,431)	(272,298)
Prepaid expenses	(691,859)	(458,540)
Accounts payable	2,779,824	3,968,612
Accrued liabilities	12,172,859	4,737,784
Estimated third-party payor settlements and Medicare advance payments	65,087,406	164,787
Accrued self-insurance claims	(51,288)	4,385,496
Accrued pension costs	(10,089,669)	2,365,757
Deferred compensation payable	419,945	91,102
Net cash provided by operating activities	137,226,318	65,460,351
Cash flows from investing activities:		
Purchases of property and equipment	(60,833,910)	(55,398,330)
Proceeds from sale of assets limited as to use	54,197,452	68,699,101
Purchases of assets limited as to use	(81,903,628)	(54,927,822)
Proceeds from interest rate swap termination	572,000	-
Payments on pledged collateral for swaps	(600,000)	-
Purchase of SJ/C Urgent Care	-	(8,600,000)
Sales (purchases) of long-term investments, net	524,836	(552,824)
Net cash used by investing activities	(88,043,250)	(50,779,875)

Continued

COMBINED STATEMENTS OF CASH FLOWS, Continued
for the years ended June 30, 2020 and 2019

	2020	Restated 2019
Cash flows from financing activities:		
Repayment of long-term debt	$(103,599,763)	$(8,149,056)
Proceeds from issuance of long-term debt	196,720,126	-
Payments on finance lease liabilities	(668,301)	-
Contributions for property	580,915	772,674
Contributions/purchase from partners	184,305	5,000,181
Net cash provided (used) by financing activities	93,217,282	(2,376,201)
Net increase in cash and cash equivalents	142,400,350	12,304,275
Cash and cash equivalents, beginning of year	27,540,263	15,235,988
Cash and cash equivalents, end of year	$ 169,940,613	$ 27,540,263
Reconciliation of cash and cash equivalents to the combined balance sheets:		
Cash and cash equivalents in current assets	$ 155,593,194	$ 22,056,111
Cash and cash equivalents in assets limited as to use	14,347,419	5,484,152
Total	$ 169,940,613	$ 27,540,263
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 5,078,691	$ 7,028,054
Assets acquired through leases	$ 681,229	$ -

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

1. Summary of Significant Accounting Policies

Organization

St. Joseph's/Candler Health System, Inc. (System), a not-for-profit membership corporation, was formed in 1997 under a Joint Operating Agreement entered into between Candler Hospital, Inc. (CH), Saint Joseph's Hospital, Inc. (SJH), and their various respective affiliates, such that the System became the parent organization of CH, SJH, and the affiliates. The Sisters of Mercy of the Americas, Inc. (SMA) is the sole member of the System.

The System is governed by its Board of Trustees (Board) with 19 members. The Board is self-perpetuating and elects its own members, except for the right of the South Central Leadership Team of SMA to appoint three trustees who shall be Sisters of SMA or another congregation of Roman Catholic religious women; and three trustees serve as ex-officio members, the System CEO (ex-officio voting) and the Presidents of the Medical Staff of CH and SJH (ex-officio nonvoting).

The System operates a comprehensive integrated healthcare network and serves as the controlling body of its affiliated entities as follows:

CH is a not-for-profit corporation, of which the System is the sole member, established to provide comprehensive health care services through the operation of a 384-bed acute care hospital in Savannah, Georgia. CH is the sole member of and operates SJC Oncology Services – Georgia, LLC in Savannah, Georgia, SJC Oncology Services – South Carolina, LLC in Hilton Head, South Carolina, Candler Medical Oncology Practice, LLC, Candler ENT Practice, LLC, and SJ/SC Cardiology, LLC, all of which are single member LLC's that provide advanced radiation oncology and other specialized services.

SJH is a not-for-profit corporation, of which the System is the sole member, established to provide comprehensive health care services through the operation of a 330-bed acute care hospital in Savannah, Georgia. SJH is the sole member of and operates St. Joseph's Medical Group, LLC, St. Joseph's Cardiology Group, LLC, SJC Electrophysiology, LLC, and St. Joseph's Vascular Group, LLC, all of which are single member LLC's that provide specialized physician services.

SJC Home Health, Inc. (Home Health) is a not-for-profit corporation, of which the System is the sole member, established to provide home health services in a twenty-one county area in southeast Georgia.

Georgia Infirmary, Inc. (Infirmary) is a not-for-profit corporation, of which the System is the sole corporate member. The System shall have, and may exercise with respect to the Infirmary, all rights and authorities granted by law to members of nonprofit corporations in Georgia or the bylaws of the Infirmary, except that the System does not have the authority to change the mission of the Infirmary as outlined in the Infirmary's original Articles of Incorporation. In the event of any merger or sale of substantially all of the assets of the System, all membership interest of the System in the Infirmary shall be deemed surrendered by the System and reverted to the Infirmary. The Infirmary is an adult day health provider and also provides a case management program to improve health outcomes for elderly or disabled Medicaid recipients with chronic medical conditions.

Continued

1. Summary of Significant Accounting Policies, Continued

Organization, Continued

SJC Ventures, Inc. (SJCV) is a for-profit corporation and wholly owned stock subsidiary of the System organized to be the sole shareholder of SJC Medical Group, Inc., SJC Properties, Inc. and SJC Health Services, Inc., thereby creating an affiliated group of corporations eligible to report on a consolidated basis for federal income tax purposes within the meaning of the Internal Revenue Code of 1986, as amended. In the accompanying combining information, the wholly owned subsidiaries of SJCV are presented separately.

SJC Medical Group, Inc. (SJCMG) is a for-profit corporation which owns, operates, and manages physician practices, in addition to performing billing services, of which SJCV is the sole shareholder.

SJC Properties, Inc. (Properties) is a for-profit corporation, wholly owned by SJCV, which owns and develops certain real estate and manages several medical office buildings.

SJC Health Services, Inc. (Health Services) is a for-profit corporation, wholly owned by SJCV, organized to further the health care delivery of the System. Health Services maintains a controlling interest in SJC/Wayne Medical Oncology, LLC and St. Joseph's/Candler Urgent Care Centers, LLC.

Geechee Reinsurance Company, LLC (Geechee) is a captive insurance company formed under the laws of the State of South Carolina to insure the general and professional liability risks of the System. Geechee is organized as a single member LLC with the System as its sole member.

St. Joseph's/Candler Advocate Health Network, LLC (AHN) operates as a clinically integrated network for the purpose of contracting with payers as an accountable care organization. AHN is organized as a single member LLC with the System as its sole member. During 2019, AHN ceased operations and disposed of all its assets.

The combined financial statements include the accounts of St. Joseph's/Candler Health System, Inc. and its affiliated entities. All significant intercompany accounts and transactions have been eliminated.

Basis of Accounting

These combined financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the System as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classifying net assets and transactions as net assets without donor restrictions and net assets with donor restrictions.

Continued

1. Summary of Significant Accounting Policies, Continued

Basis of Accounting, Continued

Net assets without donor restrictions – net assets available for use in general operations and not subject to donor imposed restrictions. The Board of Trustees has discretionary control over these resources. Designated amounts represent those net assets that the Board has set aside for a particular purpose. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net assets with donor restrictions – net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing, purpose of the related expenditures, or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Use of Estimates

The preparation of the combined financial statements in accordance 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments such as certificates of deposit, commercial paper and money market accounts purchased with a maturity of three months or less.

Pension Cost

The System sponsors a frozen defined benefit pension plan. The System recognizes the overfunded and underfunded status of the defined benefit pension plan in its combined balance sheets. Changes in the funded status are recorded in the year in which the changes occurred in the combined statements of operations and changes in net assets. Components of the net periodic pension cost other than service cost are reported in nonoperating income (loss). See Note 13 for additional information.

Inventories

Inventories are stated at the lower of cost and net realizable value, as determined on a first-in, first-out basis.

Continued

1. Summary of Significant Accounting Policies, Continued

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities, which are all classified as trading securities, are measured at fair value in the combined balance sheets. For investments in equity securities without a readily determinable fair value that do not qualify for the net asset value (NAV) practical expedient in ASC 820-10-35-59, an entity is permitted to elect a practicability exception to fair value measurement, under which the investment will be measured at cost, less impairment, plus or minus observable price changes (in orderly transactions) of an identical or similar investment of the same issuer. Investments qualifying for the equity method are stated at quoted net asset value of shares held at year end. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in excess revenues unless the income or loss is restricted by donor or law. Effective July 1, 2018, the System transferred all of its investments into the trading category. The transfer between categories was at fair value and the portion of unrealized gains excluded from excess revenues was reclassed and recognized in earnings. Effective July 1, 2019, the System adopted FASB ASU No. 2016-01.

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements; restricted assets under an interest rate swap agreement and a deferred compensation agreement; and designated assets set aside by the Board for future capital improvements, self-insurance and unfunded deferred compensation, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the System have been reclassified in the combined balance sheets at June 30, 2020 and 2019.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Finance lease assets are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the asset. Such amortization is included in depreciation and amortization in the combined financial statements. Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as increases in net assets without donor restrictions, and are excluded from excess revenues, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as increases in net assets with donor restrictions. Absent explicit donor stipulations addressing how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Continued

1. Summary of Significant Accounting Policies, Continued

Derivative Financial Instruments

The System accounts for its derivative financial instruments in accordance with FASB ASC 815, *Derivatives and Hedging*. FASB ASC 815 requires an entity to recognize all derivative instruments as either assets or liabilities in the combined balance sheets and to measure those instruments at fair value. FASB ASC 815 also requires that changes in the derivatives' fair values be recognized in the combined statement of operations and changes in net assets unless specific hedge accounting criteria are met. The System did not elect hedge accounting for its derivative instruments.

Goodwill

Goodwill and intangible assets with indefinite lives are tested for impairment annually and more frequently in the event of an impairment indicator. Intangible assets with definite lives are amortized over their respective estimated useful lives, and reviewed whenever events or circumstances indicate impairment may exist.

The System assesses qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the System determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is required. If the two-step impairment test is determined to be necessary, and in step two the carrying value of a reporting unit's goodwill exceeds its implied fair value, an impairment loss equal to the difference will be recorded.

As of June 30, 2020 and 2019, the System had goodwill of $56,577,257. The System has elected June 30th as its annual impairment assessment date. The System completed its annual impairment assessment and concluded that no material goodwill or indefinite lived intangible asset impairment charge was required for 2020.

Beneficial Interest in Net Assets of Foundations

The System accounts for the activities of its related Foundations in accordance with FASB ASC 958-20, *Not-for-Profit Entities, Financially Interrelated Entities.* FASB ASC 958-20 establishes reporting standards for transactions in which a donor makes a contribution to a not-for-profit organization which accepts the assets on behalf of or transfers these assets to a beneficiary which is specified by the donor. The St. Joseph's Foundation of Savannah, Inc. and Candler Foundation, Inc. accept assets on behalf of SJH and CH, respectively.

Deferred Financing Costs

Costs related to the issuance of long-term debt were deferred and are being amortized using the straight-line method over the life of the related debt which approximates the effective interest method. These costs are reported on the combined balance sheets as a direct deduction from the carrying amount of the related debt liability.

Continued

1. Summary of Significant Accounting Policies, Continued

Revenues and Gains in Excess of Expenses and Losses

The combined statements of operations and changes in net assets includes revenues and gains in excess of expenses and losses. Changes in net assets without donor restrictions which are excluded from revenues and gains in excess of expenses and losses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, adjustments to pension obligations, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System at amounts different from its 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 amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors, and others and includes variable consideration for retroactive revenue adjustments under reimbursement arrangements with third-party payors. Retroactive adjustments are included in the determination of the estimated transaction price and adjusted in future periods as settlements are determined.

Charity Care

The System provides care to patients who meet certain criteria under its financial assistance policy without charge or at amounts less than its established rates. Because the System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Estimated Self-Insurance Costs

The provision for estimated malpractice claims and other claims under self-insurance plans include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Income Taxes

The System, CH, SJH, Home Health and Infirmary are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Only net income from activities designated as unrelated to the exempt purposes of CH, SJH, Home Health, and Infirmary are subject to federal and state unrelated business income tax. Geechee is organized as a single member LLC owned by System and is treated as a disregarded entity for tax purposes.

Continued

1. Summary of Significant Accounting Policies, Continued

Income Taxes, Continued

The System applies accounting policies that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the System only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Based on the results of management's evaluation, no liability is recognized in the accompanying combined balance sheets for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of June 30, 2020 and 2019 or for the years then ended. The System's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

SJCV, SJCMG, Properties, and Health Services have generally incurred operating losses for tax purposes and have not recorded a current or deferred tax provision due to significant net operating loss (NOL) carryforwards which would be utilized to offset any potential tax liabilities generated from future taxable income. At June 30, 2020, NOL carryforwards expiring through 2040 amounted to approximately $94,464,000 and are available for the offset of future taxable income. No asset has been recognized related to this NOL carryforward due to continued operating losses.

Impairment of Long-Lived Assets

The System evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The System has not recorded any material impairment charges in the accompanying combined statements of operations and changes in net assets for the years ended June 30, 2020 and 2019.

Continued

1. Summary of Significant Accounting Policies, Continued

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosures,* defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. FASB ASC 820 describes the following three levels of inputs that may be used:

- *Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- *Level 2:* Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- *Level 3:* Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Recently Adopted Accounting Pronouncements

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* The new guidance requires equity investments (except those accounted for under the equity method or those that result in consolidation) to be measured at fair value, with changes in fair value recognized in net income; simplifies the impairment assessment of equity investments without readily determinable fair values; and amends certain disclosure requirements associated with the fair value of financial instruments. The System adopted ASU No. 2016-01 on July 1, 2019 using the modified retrospective method of transition. Prior to adoption, the System classified equity securities with readily determinable fair values as trading, therefore, adoption did not have an impact on the recognition of income related to the System's equity investments.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842),* which is a new comprehensive lease accounting model. The new standard clarifies the definition of a lease and requires lessees to recognize right-of-use assets and related lease liabilities for all leases with terms greater than twelve months. As part of the transition to the new standard, the System was required to measure and recognize leases that existed at July 1, 2019 using a modified retrospective approach. The System also elected the package of practical expedients permitted under the new standard that allowed the System to carry forward historical lease classification. The impact of adoption on the combined financial statements was an increase on July 1, 2019 in other noncurrent assets to record right-of-use assets and an increase in other current and noncurrent liabilities to record lease liabilities for current operating leases of approximately $16.4 million, representing the present value of remaining leases payments for operating leases.

Continued

1. Summary of Significant Accounting Policies, Continued

Recently Adopted Accounting Pronouncements, Continued

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* This ASU requires entities to show the changes in the total cash, cash equivalents, restricted cash, and restricted cash equivalents in the statement of cash flows and reconcile those amounts to the balance sheet. The System adopted ASU 2016-18 in 2020 and applied the provisions retrospectively to all periods presented in the combined financial statements. For the years ended June 30, 2020 and 2019, the System included approximately $14.3 million and $5.5 million, respectively, of restricted cash and cash equivalents to the total cash and cash equivalents presented in the combined statements of cash flows. The adoption of ASU 2016-18 had no impact to total revenues, gains and other support, revenues and gains in excess of expenses and losses or total net assets.

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2019 combined financial statements to conform to the fiscal year 2020 presentation. These reclassifications had no impact on the change in net assets in the accompanying combined financial statements.

Subsequent Events

In preparing these combined financial statements, the System has evaluated events and transactions for potential recognition or disclosure through October 22, 2020, the date the combined financial statements were issued.

2. Investments

Assets Limited as to Use

The composition of assets limited as to use at June 30, 2020 and 2019 is set forth in the following table. Investments are stated at fair value.

	2020	2019
Held in trust under bond indenture:		
Cash and cash equivalents	$ 11,235,532	$ 2,210,655
Mutual funds – fixed income	21,331,823	-
Interest receivable	-	2,178
Total	32,567,355	2,212,833

Continued

2. Investments, Continued

Assets Limited as to Use, Continued

	2020	2019
Interest rate swap agreement and deferred compensation agreements:		
Cash and cash equivalents	$ -	$ 850,000
Mutual funds – equity	4,610,467	4,190,522
Total	4,610,467	5,040,522
Board designated:		
Cash and cash equivalents	3,039,855	2,284,770
U.S. Government and agency obligations	2,844,114	1,991,216
Municipal obligations	696,325	646,368
Corporate bonds	3,859,852	4,343,523
Mortgage backed securities	2,667,348	2,984,902
Mutual funds – fixed income	40,594,681	45,262,625
Mutual funds – balanced	6,879,359	13,203,942
Mutual funds – equity	75,928,395	71,067,209
Mutual funds – international equity	44,069,781	36,368,131
Equity securities – common stock	22,285,963	20,105,833
Equity securities – international	-	1,061,047
Equity securities – preferred stock	9,083,892	8,885,775
Interest receivable	72,032	136,549
Total	212,021,597	208,341,890
Total assets limited as to use	249,199,419	215,595,245
Less amounts required for current liabilities	6,905,237	2,202,486
Total	$ 242,294,182	$ 213,392,759

Investment income and gains (losses) for assets limited as to use, cash equivalents, and investments are comprised of the following for the years ending June 30, 2020 and 2019:

	2020	2019
Income:		
Interest income and dividends	$ 5,960,813	$ 7,406,974
Realized gains on sales of securities	171,382	346,439
Total investment income net of investment expense	$ 6,132,195	$ 7,753,413
Unrealized gains (losses) on securities	$(3,675,446)	$ 7,022,745
Recognized gains on transferred securities	$ -	$ 18,703,583

Continued

2. Investments, Continued

Assets Limited as to Use, Continued

The System's investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying combined financial statements.

3. Property and Equipment

A summary of property and equipment at June 30, 2020 and 2019 follows:

	2020	2019
Land	$ 27,918,131	$ 15,719,931
Land improvements	10,312,068	9,482,088
Building and fixed equipment	375,651,946	350,911,668
Major movable equipment	343,557,125	319,434,261
Finance lease right-of-use assets	2,749,471	-
	760,188,741	695,547,948
Less accumulated depreciation	499,513,648	476,038,228
	260,675,093	219,509,720
Construction in progress	2,936,577	7,067,970
Property and equipment, net	$ 263,611,670	$ 226,577,690

Depreciation expense for the years ended June 30, 2020 and 2019 amounted to approximately $25,396,000 and $24,022,000, respectively.

Amortization expense on finance lease right-of-use assets for the year ended June 30, 2020 was approximately $707,000.

Construction contracts exist for various projects at year end with a total commitment of approximately $3.3 million. At June 30, 2020, the remaining commitment on these contracts approximated $2.1 million.

4. Goodwill

The System acquired Savannah Oncology Group on July 15, 2009. Savannah Oncology Group includes SJC Oncology Services – Georgia, LLC and SJC Oncology Services – South Carolina, LLC. The goodwill is evaluated annually for impairment.

The System, through a joint venture in which Health Services maintains a controlling interest, acquired a portfolio of urgent care centers to form St. Joseph's/Candler Urgent Care Centers, LLC on May 1, 2019. The goodwill is evaluated annually for impairment.

Continued

4. Goodwill, Continued

The changes in the carrying amount of goodwill for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
Balance at beginning of year:		
Goodwill	$ 68,235,402	$ 60,142,497
Accumulated impairment losses	(11,658,145)	(11,658,145)
	56,577,257	48,484,352
Goodwill acquired during the year	-	8,092,905
Impairment losses	-	-
Balance at end of the year:		
Goodwill	68,235,402	68,235,402
Accumulated impairment losses	(11,658,145)	(11,658,145)
Balance at end of the year	$ 56,577,257	$ 56,577,257

5. St. Joseph's/Candler Urgent Care Centers, LLC

During February 2019, Health Services signed an operating agreement to form St. Joseph's/ Candler Urgent Care Centers, LLC (SJ/C Urgent Care), in which Health Services maintains 51 percent ownership. Accordingly, the results of operations for SJ/C Urgent Care have been included in the accompanying combined financial statements from that date forward. The operating agreement was made for the purpose of acquiring and operating a portfolio of urgent care centers.

On May 1, 2019, SJ/C Urgent Care purchased six urgent and immediate health care clinics for a total purchase price of $8,600,000. Health Services accounted for this transaction under business combination accounting. As such, Health Services recorded the assets acquired on the purchase date at fair market value as determined by an appraisal by an independent valuation expert. The valuation study primarily relied on the income approach using discounted cash flows in determining fair market value.

The following assets were recognized from the purchase (at fair value):

Inventory	$ 118,095
Equipment	389,000
Goodwill	8,092,905
Total	$ 8,600,000

6. Related Organizations

Candler Foundation, Inc. and St. Joseph's Foundation of Savannah, Inc. (Foundations) were established to raise funds to support the operations of CH and SJH (Hospitals). The Foundations' bylaws provide that all funds raised, except for funds acquired for the operations

Continued

6. Related Organizations, Continued

of the Foundations, be distributed to or be held for the benefit of the Hospitals. The Foundations' general funds, which represent the Foundations' undesignated resources, are distributed to the Hospitals in amounts and in periods determined by the Foundations' Boards of Directors, who may also restrict the use of general funds for Hospital plant replacement or expansion or other specific purposes. Plant replacement and expansion funds, specific-purpose funds, and assets obtained from endowment income of the Foundations are distributed to the Hospitals as required to comply with the purpose specified by donors. A summary of the Foundations' assets, liabilities, net assets, results of operations, and changes in net assets follows. The Hospitals' interest in the net assets of the Foundations is reported as a noncurrent asset in the combined balance sheets.

Candler Foundation, Inc.

	2020	2019
Assets:		
Cash	$ 7,439	$ 21,966
Investments	9,357,167	9,059,085
Other assets	588,066	750,821
Total assets	$ 9,952,672	$ 9,831,872
Liabilities:		
Accounts payable and accrued expenses	$ 14,501	$ 1,278
Due to related parties	31,658	130,267
Total liabilities	46,159	131,545
Net assets:		
Without donor restrictions	1,914,549	1,672,122
With donor restrictions:		
Purpose restrictions	7,056,964	7,093,205
Perpetual in nature	935,000	935,000
Total net assets	9,906,513	9,700,327
Total liabilities and net assets	$ 9,952,672	$ 9,831,872
Revenue and support	$ 1,895,812	$ 3,097,727
Expenses	1,689,626	1,881,940
Excess revenue	206,186	1,215,787
Other changes in net assets	-	(866,944)
Net assets, beginning of year	9,700,327	9,351,484
Net assets, end of year	$ 9,906,513	$ 9,700,327

Continued

6. Related Organizations, Continued

St. Joseph's Foundation of Savannah, Inc.

	2020	2019
Assets:		
Cash	$ 389,847	$ 35,954
Investments	2,097,021	2,034,776
Due from related parties	73,892	15,099
Other assets	244,487	217,021
Total assets	$ 2,805,247	$ 2,302,850
Liabilities:		
Accounts payable and accrued expenses	$ 12,020	$ 2,072
Total liabilities	12,020	2,072
Net assets:		
Without donor restrictions	1,249,167	777,793
With donor restrictions:		
Purpose restrictions	1,444,060	1,422,985
Perpetual in nature	100,000	100,000
Total net assets	2,793,227	2,300,778
Total liabilities and net assets	$ 2,805,247	$ 2,302,850
Revenue and support	$ 1,261,297	$ 1,219,421
Expenses	768,848	774,570
Excess revenue	492,449	444,851
Other changes in net assets	-	(291,711)
Net assets, beginning of year	2,300,778	2,147,638
Net assets, end of year	$ 2,793,227	$ 2,300,778

7. Long-Term Debt

The Hospital Authority of Savannah (Authority) issued a $46,185,000 principal bond Series 2013A pursuant to a Bond Trust Indenture dated November 1, 2013, by and between the Authority and the bond trustee, Regions Bank. The Authority simultaneously entered into a Loan Agreement dated November 1, 2013, by and between the Authority and the System, CH, and SJH (Obligated Group). Interest will be paid annually through July 2026 by the System to the Authority. Subsequently, principal and interest will be paid through July 2031. Proceeds for the 2013A Revenue Bonds have been used (1) to finance the costs of constructing

Continued

7. Long-Term Debt, Continued

additions and improvements to, and equipment for, CH and SJH, (2) currently refund the outstanding principal amount of the Series 2003 Bonds, and (3) pay the costs of issuing the bonds and refunding the Series 2003 Bonds.

The Authority issued a $30,025,000 taxable term bond Series 2013B pursuant to a Bond Trust Indenture dated November 1, 2013, by and between the Authority and the bond trustee, Regions Bank. The Authority simultaneously entered into a Loan Agreement dated November 1, 2013, by and between the Authority and the System, CH, and SJH. Interest will be paid annually through July 2023. Subsequently, principal and interest will be paid through July 2027. Proceeds for the 2013B Revenue Bonds have been used (1) to finance the costs of constructing additions and improvements to, and equipment for, CH and SJH, (2) currently refund the outstanding principal amount of the Series 1998C Bonds, and (3) pay the costs of issuing the taxable bonds and refunding the Series 1998C Bonds.

The Authority issued an $87,505,000 principal bond Series 2016A pursuant to a Bond Trust Indenture dated July 1, 2016, by and between the Authority, the System, and the bond trustee, Regions Bank. Principal and interest will be paid monthly through July 2026. The purpose of the Bond is (1) to finance the costs of constructing additions and improvements to, and equipment for, CH and SJH, (2) refund the outstanding principal and interest of the Series 2013E and 2013F bonds, (3) pay the cost of issuing the Series 2016A and refunding the Series 2013E and 2013F bonds, and (4) expansion of services and campuses in neighboring communities. In December 2017, $12,000,000 of this Series was refunded with Series 2017. In November 2019, the remaining outstanding balance was refunded with the issuance Series 2019A bonds.

CH incurred a $36,000,000 Master Note Series 2016B pursuant to a credit agreement dated July 1, 2016, by and between CH and TD Bank. Principal and interest will be paid monthly through July 2022. The purpose of the Note is (1) to finance the costs of constructing additions and improvements to, and equipment for, CH and SJH, (2) refund the outstanding principal and interest of the Series 2013G and 2013H bonds, and (3) pay the cost of issuing the Series 2016B and refunding the Series 2013G and 2013H bonds. In November 2019, the Series 2019B was issued and a portion of the proceeds were allocated to refinance the Master Note Series 2016B.

SJC Properties, Inc. incurred a $2,963,640 noninterest bearing note payable pursuant to a purchase and sale agreement dated March 31, 2017, by and between Pooler Parkway, LLC and SJC Properties, Inc. Principal will be paid annually through March 2020. The purpose of the property located in Pooler, Georgia is for expansion of services and campuses in the neighboring community.

The Authority issued a $12,000,000 principal bond Series 2017 pursuant to a Bond Trust Indenture dated December 27, 2017, by and between the Authority, the System, and the bond trustee, Regions Bank. Principal and interest will be paid monthly through July 2026. The purpose of the Bond is to refund a portion of Series 2016A in order to finance the construction of an additional campus of SJH for outpatient services. In November 2019, the Authority issued the Series 2019A bonds and a portion of the proceeds were allocated to refund the Series 2017.

Continued

7. Long-Term Debt, Continued

The Authority issued a $106,960,000 principal bond Series 2019A pursuant to a Bond Trust Indenture dated November 1, 2019, by and between the Authority and the bond trustee, Regions Bank. The Authority simultaneously entered into a Loan Agreement dated November 1, 2019, by and between the Authority and the Obligated Group. The Obligated Group has used the proceeds to (1) pay the costs of issuance of the Series 2019A bonds, (2) refund the outstanding principal amounts of the Series 2016 and 2017 bonds, and (3) fund the Project Fund and the Expense Fund pursuant to the Bond Trust Indenture.

The Authority issued a $61,625,000 principal bond Series 2019B pursuant to a Bond Trust Indenture dated November 1, 2019, by and between the Authority and the bond trustee, Regions Bank. The Authority simultaneously entered into a Loan Agreement dated November 1, 2019, by and between the Authority and the Obligated Group. The Obligated Group has used the proceeds to (1) pay the costs of issuance of the Series 2019B bonds, (2) fund the Project Fund and the Expense Fund pursuant to the Bond Trust Indenture, and (3) refinance the outstanding principal amounts of the CH Master Note Series 2016B.

The Authority issued a $19,020,000 principal bond Series 2019C pursuant to a Bond Trust Indenture dated November 1, 2019, by and between the Authority and the bond trustee, Wells Fargo Bank, N.A. The Authority simultaneously entered into a Loan Agreement dated November 1, 2019, by and between the Authority and the Obligated Group. The Obligated Group has used the proceeds to (1) pay the costs of issuance of the Series 2019C bonds and (2) fund the Project Fund and the Expense Fund pursuant to the Bond Trust Indenture.

A summary of long-term debt at June 30, 2020 and 2019 follows:

	2020	2019
Hospital Authority of Savannah Revenue Bonds, St. Joseph's/Candler Health System, Inc.:		
Issue Series 2016A:		
Variable interest rate based on LIBOR plus a margin based on applicable rating, payable in varying monthly amounts from $11,635 to $674,657 from August 2016 until June 2026 with a balloon payment in July 2026 of $69,202,193.	$ -	$ 75,112,384
Issue Series 2013A:		
5.50% serial bonds, principal due in varying annual installments beginning in July 2027 to July 2031.	46,185,000	46,185,000

7. Long-Term Debt, Continued

	2020	2019
Hospital Authority of Savannah Revenue Bonds, St. Joseph's/Candler Health System, Inc., continued:		
Issue Series 2013B:		
6.00% term bonds, principal due in varying annual installments beginning in July 2024 to July 2027.	$ 30,025,000	$ 30,025,000
Unamortized premium	1,409,317	1,537,437
Total	77,619,317	77,747,437
Issue Series 2017:		
Variable interest rate based on LIBOR plus a margin based on applicable rating, payable in varying monthly amounts from $1,700 to $6,100 from January 2018 until July 2021, increasing to $90,822 for one year, increasing again to $92,729 for another year, then decreasing to $6,000, with a final balloon payment in July 2026 of $9,511,498.	-	11,970,804
Issue Series 2019A:		
4.00% term bonds, principal due in varying annual installments beginning July 2035 to July 2044 and 3.125% term bonds, principal due in annual installments of $13,675,000 in July 2043 and $6,325,000 in July 2044.	106,960,000	-
Issue Series 2019B:		
3.989% term bonds, principal due in varying annual installments beginning in July 2033 to July 2038.	61,625,000	-
Issue Series 2019C:		
5.00% term bonds, principal due in annual installments of $12,080,000 in July 2032 and $6,940,000 in July 2033.	19,020,000	
Unamortized premium	10,443,853	-
Total	198,048,853	-

Continued

7. Long-Term Debt, Continued

	2020	2019
Candler Hospital, Inc. taxable (Series 2016B), with a variable interest rate based on LIBOR plus a margin based upon the applicable rating, due in varying monthly installments of $569,365 to $631,554 from August 2016 until July 2022.	$ -	$ 14,962,153
SJC Properties, Inc. noninterest bearing note payable, due in varying annual amounts from $897,500 to $1,085,140 from March 2018 until March 2020.	-	1,335,448
Finance lease liabilities *(Note 20)*	2,833,078	-
	278,501,248	181,128,226
Less unamortized debt issue costs	2,931,922	1,512,341
	275,569,326	179,615,885
Less current maturities	751,058	8,246,265
Less current portion of unamortized premiums	771,983	128,109
Total long-term debt	$ 274,046,285	$ 171,241,511

Premiums and discounts on long-term debt are amortized using the straight-line method over the life of the related bonds which approximates the effective interest method.

Under the terms of the bond indentures, the System is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the accompanying combined balance sheets. The bond indentures also place limits on the incurrence of additional borrowings and require that the System satisfy certain measures of financial performance as long as the bonds are outstanding. Additionally, the bond indentures are secured by gross receipts of the System, CH, and SJH.

The System entered into interest rate swaps in relation to its debt structure. During the years ended June 30, 2020 and 2019, the System recognized approximately $162,000 and $292,000, respectively, which has been recorded as an addition to interest expense in the accompanying combined statements of operations and changes in net assets.

Continued

7. Long-Term Debt, Continued

Scheduled principal repayments on long-term debt (excluding finance lease liabilities) for the next five years are as follows:

Year Ending June 30	Amount
2021	$ -
2022	-
2023	-
2024	-
2025	7,740,000
Thereafter	256,075,000
Total	$ 263,815,000

8. Short-Term Debt

The System has a revolving line-of-credit for general operating and capital purposes. The line-of-credit is secured by the gross receipts of the System, CH, and SJH. The outstanding balance on the line-of-credit at June 30, 2020 and 2019 was $-0- with no activity occurring in either year. The terms of the System's line-of-credit during 2020 follows:

- Regions Bank – $15,000,000 line-of-credit with a maturity date of September 20, 2020. Interest is recalculated at a floating rate per annum equal to 30-Day LIBOR plus eighty-five one-hundredths of one percent (85 basis points), which is due monthly. In December 2016, the System amended the agreement to designate $3,070,000 as letter-of-credit within the funds available for the System's self-insured workers' compensation claims. Subsequent to year end, the System renewed the agreement to extend the maturity date to September 19, 2021.

9. Derivative Financial Instruments

The Series 1998 and 2003 Bonds utilized various interest rate swaps to take advantage of different interest rate positions. The fair market value of the swaps is reported in derivative financial instruments on the combined balance sheets. Both swaps were terminated in 2020. The critical terms of the swaps were as follows:

1998A and 1998B Swap Agreement – Variable to Fixed

	June 30, 2020	June 30, 2019
Notional amount	$ -	$ 35,485,000
Fair market swap	$ -	$(334,000)
Life remaining on swap	N/A	4 Years

Continued

9. Derivative Financial Instruments, Continued

1998C and 2003 Swap Agreement – Variable to Variable	June 30, 2020	June 30, 2019
Notional amount	$ -	$ 30,685,000
Fair market swap	$ -	$ 775,000
Life remaining on swap	N/A	14 Years

In 2020, the System entered into a forward starting interest swap to take advantage of different interest rate positions. The fair market value of the swap is reported in derivative financial instruments on the combined balance sheets. The critical terms of the swap are as follows:

Forward Starting Interest Swap	June 30, 2020	June 30, 2019
Notional amount	$ 46,185,000	$ -
Fair market swap	$(3,092,000)	$ -
Life remaining on swap	11 Years	N/A

The swaps were issued at market terms so that they had no fair value at their inception. The carrying amount of the swaps has been adjusted to fair value at the end of the year which, because of changes in forecasted levels of SIFMA and LIBOR, resulted in reporting a net liability in 2020 and a net asset in 2019.

The portion of the swap results not designated as a hedging derivative is included in revenues and gains in excess of expenses and losses. For the years ending June 30, 2020 and 2019, this earnings impact totaled $(3,123,606) and $(173,987), respectively.

Certain provisions of the System's interest rate swaps allow the System to receive assets from the counterparty as collateral. The System held approximately $-0- and $850,000 of the counterparty's assets at June 30, 2020 and 2019, respectively. These assets are included in assets limited as to use restricted under interest rate swap agreement and deferred compensation agreement and the corresponding liability is included in noncurrent liabilities in the accompanying combined balance sheets.

Continued

10. Net Assets with Donor Restrictions

A summary of the net assets with donor restrictions at June 30, 2020 and 2019 follows:

	2020	2019
Net assets with donor restrictions that are subject to expenditure for a specified purpose:		
Candler Foundation, Inc.	$ 7,056,964	$ 7,093,205
St. Joseph's Foundation of Savannah, Inc.	1,444,060	1,422,985
Total	$ 8,501,024	$ 8,516,190
Net assets with donor restrictions that are perpetual in nature:		
Candler Foundation, Inc.	$ 935,000	$ 935,000
St. Joseph's Foundation of Savannah, Inc.	100,000	100,000
Total	$ 1,035,000	$ 1,035,000

11. Patient Service Revenue

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

Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patient services. The System measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. These services are considered to be a single performance obligation and have a duration of less than one year. Revenue for performance obligations satisfied at a point in time is recognized when services are provided and the System does not believe it is required to provide additional services to the patient.

Continued

11. Patient Service Revenue, Continued

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

The System is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The System accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. As a result, the System has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract by contract basis.

The System has arrangements with third-party payors that provide for payments to the System at amounts different from its established rates. For uninsured patients that do not qualify for charity care, the System recognizes revenue on the basis of its standard rates, subject to certain discounts and implicit price concessions as determined by the System. The System determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the System's policy, and implicit price concessions provided to uninsured patients. Implicit price concessions represent the difference between amounts billed and the estimated consideration the System expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors. The System determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies, and historical experience.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- Medicare

  Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

  The System is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare Administrative Contractor (MAC). The System's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the System. The System's Medicare cost reports have been audited by the MAC through 2015 for both CH and SJH.

Continued

11. Patient Service Revenue, Continued

- Medicare, Continued

Laws and regulations governing the Medicare program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The System believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the federal level including the initiation of the Recovery Audit Contractor (RAC) program. The RAC program was created to review Medicare claims for medical necessity and coding appropriateness. The RAC's have authority to pursue improper payments with a three year look-back from the date the claim was paid. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare program.

- Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

The System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary. The System's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through 2017 for both CH and SJH.

Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The System has also entered into contracts with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems.

The System believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state level including the initiation of the Medicaid Integrity Contractor (MIC) program. This

Continued

11. Patient Service Revenue, Continued

- Medicaid, Continued

  program was created to review Medicaid claims for medical necessity and coding appropriateness. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicaid program.

  The state of Georgia enacted legislation known as the Provider Payment Agreement Act (Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient service revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment results in an increase in payments for Medicaid services to hospitals of approximately 11.88%. Approximately $6,824,000 and $6,737,000 of provider payments relating to the Act are included as a reduction in net patient service revenue in the accompanying combined statements of operations and changes in net assets for the years ended June 30, 2020 and 2019, respectively.

- Other Agreements

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

- Uninsured Patients

  The System maintains a Financial Assistance Policy (FAP) in accordance with Internal Revenue Code Section 501(r). Based on the FAP, following a determination of financial assistance eligibility, an individual will not be charged more than the Amounts Generally Billed (AGB) for emergency or other medical care provided to individuals with insurance covering that care. AGB is calculated by reviewing claims that have been paid in full (including deductibles and coinsurance paid by the patient) to the System for medically necessary care by Medicare and private health insurers during a 12-month look-back period.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the System's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known

Continued

11. Patient Service Revenue, Continued

(that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price, were not significant in 2020 or 2019.

Generally patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The System also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The System estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Adjustments arising from a change in the transaction price were not significant for the years ending June 30, 2020 and 2019. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended June 30, 2020 and 2019 was not significant.

Consistent with the System's mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles).

Net patient service revenue by major payor source, facility, and timing of revenue recognition for the years ended June 30, 2020 and 2019 is as follows:

	Net Patient Service Revenue				
	Medicare	Medicaid	Third-Party Payors	Self-Pay	Total All Payors
2020	$ 249,323,399	$ 35,619,028	$ 323,321,575	$ 4,127,013	$ 612,391,015
2019	$ 257,514,682	$ 32,112,061	$ 298,278,970	$ 4,248,866	$ 592,154,579

	Net Patient Service Revenue 2020	2019
Candler Hospital	$ 323,147,499	$ 315,260,214
St. Joseph's Hospital	248,630,757	245,091,798
SJC Home Health	8,709,886	8,546,366
SJC Medical Group	17,676,548	18,094,115
SJC Health Services	10,879,946	1,819,179
Georgia Infirmary	3,346,379	3,342,907
Timing of revenue and recognition:		
Services transferred over time	$ 612,391,015	$ 592,154,579

Continued

11. Patient Service Revenue, Continued

Hospital net patient service revenue includes a variety of services mainly covering inpatient acute care services requiring overnight stays, outpatient procedures that require anesthesia or use of the System's diagnostic and surgical equipment, and emergency care services. Performance obligations for the hospitals, home health, and other ancillary patient services are satisfied over time as the patient simultaneously receives and consumes the benefits the System performs. Requirements to recognize revenue for inpatient services are generally satisfied over periods that average approximately four days and for outpatient services are generally satisfied over a period of less than one day. Retail pharmacy, reference lab, and other point-of-sale revenues' performance obligations are satisfied at a point in time when the goods and services are provided. These revenues are recorded in other revenue on the combined statement of operations and changes in net assets.

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

The System has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the System otherwise would have recognized is one year or less in duration.

12. Uncompensated Services

Net patient service revenue includes amounts, representing the transaction price, based on standard charges reduced by variable considerations such as contractual adjustments, discounts, and implicit price concessions. Uncompensated care includes charity and indigent services of approximately $151,000,000 and $155,000,000 for 2020 and 2019, respectively. The cost of charity and indigent services provided during 2020 and 2019 was approximately $36,000,000 and $37,000,000, respectively, computed by applying a total cost factor to the charges foregone for uninsured claims and an estimated unreimbursed cost for insured claims.

Continued

12. Uncompensated Services, Continued

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2020 and 2019.

	2020	2019
Gross patient charges	$ 2,743,369,687	$ 2,696,194,070
Uncompensated services:		
Charity and indigent care	150,783,717	154,911,135
Medicare	1,168,210,764	1,124,927,612
Medicaid	170,433,901	183,489,554
Other third-party payors	609,928,623	607,960,193
Price concessions	31,621,667	32,750,997
Total uncompensated care	2,130,978,672	2,104,039,491
Net patient service revenue	$ 612,391,015	$ 592,154,579

13. Pension Plans

The System had a defined benefit pension plan (Plan) covering substantially all of its employees. Effective July 1, 2006, the System approved a plan amendment that effectively froze the Plan for any future service cost. The Plan benefits for retired, terminated and active employees or their beneficiaries were based on years of service and employee compensation during three of the last ten years of covered employment. The Plan is a Church Plan (as defined by ERISA) and is not subject to the Funding Standard Account Requirements of IRC Section 412 or to coverage under Title IV of ERISA. Annual contributions to the Plan are based on the Board's discretion. The funding decisions are made based upon the actuarial valuation as of July 1st. The disclosures are based on projections of actuarial information and actual plan assets as of June 30th.

The projected benefit obligation is the actuarial present value of that portion of the projected benefits attributable to employee service rendered through June 30, 2006. Cumulative net actuarial gains and losses are amortized over the average future service of active participants. Prior service cost is amortized over the remaining average future service of active employees as of the date the prior service cost arose.

The following table sets forth the Plan's funded status and amounts recognized in the combined financial statements at June 30, 2020 and 2019:

	2020	2019
Plan assets at fair value as of June 30	$ 95,158,646	$ 95,009,214
Projected benefit obligation as of June 30	113,481,065	123,421,302
Funded status	$(18,322,419)	$(28,412,088)

Continued

13. Pension Plans, Continued

	2020	2019
Amounts recognized only in net assets without donor restrictions:		
Unrecognized net loss from past experience different from that assumed	$(54,109,850)	$(61,167,653)
Prior service cost not yet recognized in net periodic pension cost	2,631,464	3,461,576
Deferred pension cost	$(51,478,386)	$(57,706,077)

Significant assumptions used to determine the accumulated and projected benefit obligations, and net periodic pension cost for the Plan for the years ended June 30, 2020 and 2019, were as follows:

	2020	2019
Discount rate	Segment Rates of 2.65%, 3.95% and 4.48%	Segment Rates of 1.89%, 3.66% and 4.46%
Rate of increase in future compensation levels	0.00%	0.00%
Expected long-term rate of return on assets	8.00%	8.00%

The assumption for the expected long-term rate of return on assets is an estimate based on historical returns for portfolios heavily weighted toward long-term investments, such as long-term bonds and equity securities.

The actuarially computed net periodic pension cost for the Plan for the years ended June 30, 2020 and 2019 included the following components:

	2020	2019
Interest cost on projected benefit obligation	$ 4,667,167	$ 4,547,885
Expected return on plan assets	(7,534,923)	(7,092,210)
Amortization of actuarial loss	3,835,891	3,313,050
Amortization of prior service cost	(830,112)	(830,112)
Net periodic pension cost	138,023	(61,387)
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:		
Change in net actuarial loss	(3,221,912)	8,910,082
Amortization of net actuarial loss	(3,835,891)	(3,313,050)
Amortization of prior service cost	830,112	830,112
Total recognized in net assets without donor restrictions	(6,227,691)	6,427,144
Total recognized in net periodic pension cost and net assets without donor restrictions	$(6,089,668)	$ 6,365,757

Continued

13. Pension Plans, Continued

The change in projected benefit obligation for the Plan for the years ended June 30, 2020 and 2019 included the following components:

	2020	2019
Projected benefit obligation, beginning of year	$ 123,421,302	$ 115,406,851
Interest cost	4,667,167	4,547,885
Actuarial loss	(8,797,937)	9,111,915
Benefits paid	(5,809,467)	(5,645,349)
Projected benefit obligation, end of year	$ 113,481,065	$ 123,421,302
Accumulated benefit obligation	$ 113,481,065	$ 123,421,302

The change in plan assets for the Plan for the years ended June 30, 2020 and 2019 included the following components:

	2020	2019
Plan assets at fair value, beginning of year	$ 95,009,214	$ 89,360,520
Actual return on assets	1,958,899	7,294,043
Employer contributions	4,000,000	4,000,000
Benefits paid	(5,809,467)	(5,645,349)
Plan assets at fair value, end of year	$ 95,158,646	$ 95,009,214

The actuarial loss and prior service cost to be recognized during the next 12 months beginning July 1, 2020 is as follows:

Recognized net actuarial loss	$ 3,835,891
Amortization of prior year service costs	(830,112)
Total	$ 3,005,779

Estimated Contributions

The System plans to contribute approximately $4,000,000 to this plan during fiscal year 2021.

Continued

13. Pension Plans, Continued

Estimated Future Benefit Payments

The following benefit payments are expected to be paid:

Year Ending June 30	Pension Benefits
2021	$ 5,818,410
2022	$ 5,954,646
2023	$ 6,096,950
2024	$ 6,335,709
2025	$ 6,541,507
2026 – 2030	$ 35,765,613

The expected benefits to be paid are based on the same assumptions used to measure the System's benefit obligation at June 30, 2020.

Plan Assets

The composition of plan assets at June 30, 2020 and 2019 is as follows:

	2020		2019	
	Amount	Percentage	Amount	Percentage
Cash and cash equivalents	$ 1,907,918	2%	$ 1,982,969	2%
Mutual funds – fixed income	11,473,423	12%	11,282,779	12%
Mutual funds – balanced	2,992,509	3%	5,744,896	6%
Mutual funds – equity	29,403,393	31%	27,249,860	29%
Mutual funds – international equity	21,464,731	23%	20,767,429	22%
Equity securities	27,916,672	29%	27,981,281	29%
Total plan assets, at fair value	$ 95,158,646	100%	$ 95,009,214	100%

The plan assets are long-term in nature and are intended to generate returns while preserving capital. The System's strategy is to maintain prudent levels of diversification throughout the portfolio to minimize risk. The target allocation for the investments is 78% equity, 19% fixed income/alternative investments and 3% cash and equivalents.

Continued

13. Pension Plans, Continued

Plan Assets, Continued

The fair values of the plan assets at June 30, 2020 and 2019, by asset category are as follows:

		Fair Value Measurements at June 30, 2020		
Asset Category	Fair Value	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	$ 1,907,918	$ 1,907,918	$ -	$ -
Mutual funds – fixed income	11,473,423	11,473,423	-	-
Mutual funds – balanced	2,992,509	2,992,509	-	-
Mutual funds – equity	29,403,393	29,403,393	-	-
Mutual funds – international equity	21,464,731	21,464,731	-	-
Equity securities	27,916,672	27,916,672	-	-
Total	$ 95,158,646	$ 95,158,646	$ -	$ -

		Fair Value Measurements at June 30, 2019		
Asset Category	Fair Value	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	$ 1,982,969	$ 1,982,969	$ -	$ -
Mutual funds – fixed income	11,282,779	11,282,779	-	-
Mutual funds – balanced	5,744,896	5,744,896	-	-
Mutual funds – equity	27,249,860	27,249,860	-	-
Mutual funds – international equity	20,767,429	20,767,429	-	-
Equity securities	27,981,281	27,981,281	-	-
Total	$ 95,009,214	$ 95,009,214	$ -	$ -

The System created a 401(k) plan effective January 1, 2004. All employees of the System who have reached age 21 and have completed one year of eligible service are eligible to participate in the employer matching program. Employees may deposit a portion of their earnings for each pay period on a pre-tax basis and the System matches 50% of each participant's voluntary contributions up to a maximum of 6% of the employee's annual salary. Matching contribution expenses for the years ended June 30, 2020 and 2019 totaled approximately $3,819,000 and $3,500,000, respectively. Discretionary contribution expense for the years ended June 30, 2020 and 2019 totaled approximately $2,986,000 and $5,060,000, respectively.

Continued

13. Pension Plans, Continued

The System maintains an unfunded Supplemental Executive Retirement Plan (SERP), which provides retirement benefits to certain officers and select employees. This plan is nonqualified and does not have a minimum funding requirement. The liability for this SERP obligation is included as deferred compensation payable and the assets set aside as a reserve for this liability are included in Board designated assets limited as to use in the accompanying combined balance sheets.

14. Self-Insurance Claims

The System insures its professional and general liability on a claims-made basis through Geechee, a wholly-owned subsidiary, with a self-insured retention limit of $7,000,000. The System insures its employed physician professional liability on a claims-made basis through Geechee with a self-insured retention limit of $4,000,000. At June 30, 2020, there are known claims and incidents that may result in additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. The System has employed independent actuaries to assist in estimating the ultimate costs, if any, of settlement of such claims that are not covered by commercial insurance.

Accrued malpractice losses have been discounted at 6.00% for both June 30, 2020 and 2019, and in management's opinion, provide an adequate reserve for loss contingencies. The estimate of these potential claims is approximately $23,000,000 at June 30, 2020 and 2019 and is included in accrued self-insurance claims in the accompanying combined balance sheets. Management was not aware of any asserted or unasserted claims that exceed the System's insurance coverage as of June 30, 2020.

The System is self-insured with respect to workers' compensation claims up to a self-insurance retention limit of $750,000 per claim. Workers compensation claims in excess of the self-insurance retention limits are insured with a commercial insurance carrier on a claims-made basis. Management was not aware of any asserted or unasserted claims that exceed the System's excess workers' compensation coverage as of June 30, 2020.

The System is self-insured with respect to employee health insurance claims. The System maintains reinsurance through a commercial excess coverage policy, which covers annual individual employee claims paid in excess of $290,000. Under this self-insurance program, the System paid or accrued approximately $19,506,000 and $19,370,000 during the fiscal years ended June 30, 2020 and 2019, respectively.

Continued

15. Concentrations of Credit Risk

The System 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 accounts receivable from patients and third-party payors for CH and SJH at June 30, 2020 and 2019 was as follows:

	2020	2019
Medicare	34%	32%
Medicaid	5%	6%
Managed care	36%	35%
Commercial and other	17%	17%
Patients	8%	10%
Total	100%	100%

At June 30, 2020, the System had deposits at major financial institutions which exceeded the $250,000 Federal Depository Insurance limits. Management believes the credit risks related to these deposits is minimal.

16. Functional Expenses

The System provides general health care services primarily to residents within its geographic location. Expenses related to providing these services in 2020 and 2019 are as follows:

	2020				
	Health Care Services	General and Administrative	Total	Eliminations	Combined Total
Salaries and wages	$ 193,423,462	$ 53,467,496	$ 246,890,958	$ -	$ 246,890,958
Employee benefits	33,529,547	11,953,189	45,482,736	-	45,482,736
Physician and professional fees	38,050,075	16,631,666	54,681,741	-	54,681,741
Materials and supplies	186,240,719	6,438,485	192,679,204	-	192,679,204
Purchased services	25,802,804	16,518,713	42,321,517	(4,329,964)	37,991,553
Insurance	8,799,291	8,356,189	17,155,480	(7,659,816)	9,495,664
Interest	8,973,268	-	8,973,268	-	8,973,268
Depreciation and amortization	19,298,225	7,108,029	26,406,254	-	26,406,254
Other	23,694,721	21,687,681	45,382,402	(1,298,328)	44,084,074
Total	$ 537,812,112	$ 142,161,448	$ 679,973,560	$(13,288,108)	$ 666,685,452

Continued

16. Functional Expenses, Continued

	2019				
	Health Care Services	General and Administrative	Total	Eliminations	Combined Total
Salaries and wages	$ 175,194,115	$ 47,930,468	$ 223,124,583	$ -	$ 223,124,583
Employee benefits	31,759,797	14,753,961	46,513,758	-	46,513,758
Physician and professional fees	34,197,507	16,292,608	50,490,115	-	50,490,115
Materials and supplies	177,878,292	5,686,417	183,564,709	-	183,564,709
Purchased services	24,004,625	16,482,822	40,487,447	(3,977,902)	36,509,545
Insurance	5,345,753	8,791,720	14,137,473	(4,400,472)	9,737,001
Interest	5,936,852	-	5,936,852	-	5,936,852
Depreciation and amortization	16,927,271	7,351,887	24,279,158	-	24,279,158
Other	21,895,454	18,833,201	40,728,655	(1,082,059)	39,646,596
Total	$ 493,139,666	$ 136,123,084	$ 629,262,750	$(9,460,433)	$ 619,802,317

The combined financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and amortization, interest expense, and other occupancy costs, are allocated to a function based on a square footage basis. Benefit expense is allocated consistent with salaries.

17. Fair Values of Financial Instruments

The following methods and assumptions were used by the System in estimating the fair value of its financial instruments:

- *Cash and cash equivalents, accounts payable, accrued expenses, estimated third-party payor settlements and Medicare advance payments:* The carrying amount reported in the combined balance sheets approximates its fair value, due to the short-term nature of these instruments.

- *Assets limited as to use and derivative financial instruments:* Amounts reported in the combined balance sheets are at fair value. See below for fair value measurement disclosures.

17. Fair Values of Financial Instruments, Continued

- *Long-term debt:* The fair value of the System's fixed rate long-term debt is estimated based on quoted market value for same or similar debt instruments. The remaining long-term debt carrying amount approximates its fair value. Based on inputs used in determining the estimated fair value, the System's long-term debt would be classified as Level 2 in the fair value hierarchy.

The carrying amounts and fair values of the System's long-term debt at June 30, 2020 and 2019 are as follows:

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 275,668,170	$ 302,599,761	$ 181,128,226	$ 190,236,809

Fair values of assets measured on a recurring basis at June 30, 2020 and 2019 are as follows:

		Fair Value Measurements at June 30, 2020		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 14,347,419	$ 14,347,419	$ -	$ -
U.S. Government and agency obligations	2,844,114	437,846	2,406,268	-
Municipal obligations	696,325	-	696,325	-
Corporate bonds	3,859,852	-	3,859,852	-
Mortgage backed securities	2,667,348	-	2,667,348	-
Mutual funds – fixed income	61,926,504	61,926,504	-	-
Mutual funds – balanced	6,879,359	6,879,359	-	-
Mutual funds – equity	80,538,862	75,928,395	4,610,467	-
Mutual funds – international equity	44,069,781	44,069,781	-	-
Equity securities – common stock	22,285,963	22,285,963	-	-
Equity securities – preferred stock	9,083,892	9,083,892	-	-
Total assets	$ 249,199,419	$ 234,959,159	$ 14,240,260	$ -
Liabilities:				
Derivatives	$ 3,092,078	$ -	$ 3,092,078	$ -

Continued

17. Fair Values of Financial Instruments, Continued

		Fair Value Measurements at June 30, 2019		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 5,484,152	$ 3,142,939	$ 2,341,213	$ -
U.S. Government and agency obligations	1,991,216	575,395	1,415,821	-
Municipal obligations	646,368	-	646,368	-
Corporate bonds	4,343,523	-	4,343,523	-
Mortgage backed securities	2,984,902	-	2,984,902	-
Mutual funds – fixed income	45,262,625	44,130,890	1,131,735	-
Mutual funds – balanced	13,203,942	13,114,182	89,760	-
Mutual funds – equity	75,257,731	71,067,210	4,190,521	-
Mutual funds – international equity	36,368,131	36,368,131	-	-
Equity securities – common stock	20,105,833	20,079,551	26,282	-
Equity securities – international	1,061,047	1,061,047	-	-
Equity securities – preferred stock	8,885,775	8,885,775	-	-
Derivatives	440,566	-	440,566	-
Total assets	$ 216,035,811	$ 198,425,120	$ 17,610,691	$ -

Following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

- *Cash and cash equivalents:* Valued at amortized cost, which approximates fair value.

- *U.S. Government and agency obligations:* U.S. government and agency obligations are based on yields currently available on comparable securities of issuers with similar credit ratings.

- *Corporate bonds and municipal obligations:* Certain corporate bonds and municipal obligations are valued at the closing price reported in the active market in which the security is traded. Other corporate bonds and municipal obligations are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar securities, the security is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

- *Mortgage backed securities:* Mortgage backed securities use valuation techniques that reflect market participants' assumptions and maximize the use of relevant observable inputs including quoted prices for similar assets, benchmark yield curves and market corroborated inputs.

Continued

17. Fair Values of Financial Instruments, Continued

- *Equity securities including mutual funds:* Certain equity securities are valued at the closing price reported on the active market on which the individual securities are traded. Other equity securities are valued based on quoted prices for similar investments in active or inactive markets or valued using observable market data.

- *Forward starting interest swap:* Measured using a credit-adjusted mid-market valuation computed using a zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar investments in active or inactive markets. Valuation techniques utilized to determine fair value are consistently applied. These valuation techniques also apply to financial assets held in the Defined Benefit Pension Plan as discussed in Note 13.

18. Commitments and Contingencies

Health Care Reform

There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of health care at the national and the state levels. Legislation has been passed that includes cost controls on healthcare providers, insurance market reforms, delivery system reforms, and various individual and business mandates among other provisions. The costs of these provisions are and will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the System.

Compliance Plan

The healthcare industry has been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. In addition, the Reform Legislation includes provisions aimed at reducing fraud, waste, and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The System has implemented a compliance plan focusing on such issues. There can be no assurance that the System will not be subjected to future investigations with accompanying monetary damages.

Continued

18. Commitments and Contingencies, Continued

Litigation

The System is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the System's future financial position or results from operations.

19. Liquidity and Availability

As of June 30, 2020 and 2019, the System has working capital of approximately $182,346,000 and $64,821,000, respectively.

Financial assets available for general expenditures within one year of June 30, 2020 and 2019, consist of the following:

	2020	2019
Cash and cash equivalents	$ 155,593,194	$ 22,056,111
Patient accounts receivable, net	71,060,136	75,504,344
Other receivables	11,131,106	13,139,986
Estimated third-party payor settlements	4,155,307	2,990,703
Assets limited as to use – board designated	212,021,597	208,341,890
Total financial assets available	$ 453,961,340	$ 322,033,034

None of the financial assets available are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The System estimates that approximately 100% of the Board designated funds are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above. The System has other assets whose use is limited for other purposes. These assets whose use is limited are not available for general expenditure within the next year and are not reflected in the amounts above. The System structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as more fully described in Note 8, the System has a line-of-credit of $15,000,000, which it could draw upon in the event of an unanticipated liquidity need.

20. Leases

The System has operating and finance leases for buildings and equipment. The System determines if an arrangement is a lease at the inception of a contract. Leases with an initial term of twelve months or less are not recorded on the consolidated balance sheets. The System has lease agreements which require payments for lease and nonlease components and has elected to account for these as a single lease component.

Continued

20. Leases, Continued

Right-of-use assets represent the System's right to use an underlying asset during the lease term, and lease liabilities represent the System's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date, based on the net present value of fixed lease payments over the lease term. The System has entered into lease arrangements that contain options to extend or terminate the lease in future periods. These options are included in the lease term used to compute the lease liabilities as presented on the combined balance sheets when it is reasonably certain the option will be exercised.

As most of the System's operating leases do not provide an implicit rate, the System uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The System considers recent debt issuances, as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates. Finance lease agreements generally include an interest rate that is used to determine the present value of future lease payments. Operating fixed lease expense and finance lease amortization expense are recognized on a straight-line basis over the lease term. Variable lease costs consist primarily of common area maintenance and are not significant to total lease expense.

Operating and finance lease right-of-use assets and lease liabilities as of June 30, 2020 were as follows:

	2020
Operating leases:	
Right-of-use assets:	
Operating lease right-of-use assets	$ 13,945,463
Lease liabilities:	
Current portion	$ 2,588,510
Long-term	11,413,653
Total operating lease liabilities	$ 14,002,163
Finance leases:	
Right-of-use assets:	
Property and equipment, net	$ 2,749,471
Lease liabilities:	
Current portion	$ 751,058
Long-term	2,082,020
Total finance lease liabilities	$ 2,833,078

Continued

20. Leases, Continued

Operating expenses for the leasing activity of the System as lessee for the year ended June 30, 2020 are as follows:

Lease Type	Amount
Operating lease cost	$ 3,316,736
Financing lease interest	124,319
Financing lease amortization	706,675
Short-term lease cost	508,266
Total lease cost	$ 4,655,996

In 2019, rental expense related to operating leases was $5.3 million.

Cash paid for amounts included in the measurement of lease liabilities for the year ended June 30, 2020 is as follows:

	2020
Operating cash flows from operating leases	$ 3,194,017
Operating cash flows from financing leases	115,579
Financing cash flows from finance leases	668,301
Total	$ 3,977,897

The aggregate future lease payments for operating and finance leases as of June 30, 2020 were as follows:

Year Ending June 30	Finance	Operating
2021	$ 870,634	$ 2,903,419
2022	826,972	2,613,599
2023	739,647	2,062,742
2024	504,480	1,618,016
2025	126,008	1,303,574
Thereafter	-	5,663,476
Total undiscounted cash flows	3,067,741	16,164,826
Less: present value discount	(234,663)	(2,162,663)
Total lease liabilities	$ 2,833,078	$ 14,002,163

Continued

20. Leases, Continued

Average lease terms and discount rates at June 30, 2020 were as follows:

	2020
Weighted-average remaining lease term (years):	
Operating leases	7.28
Finance leases	3.72
Weighted-average discount rate:	
Operating leases	4.00%
Finance leases	4.00%

21. Coronavirus (COVID-19)

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The outbreak has put an unprecedented strain on the U.S. healthcare system, disrupted or delayed production and delivery of materials and products in the supply chain, and caused staffing shortages. The extent of the impact of COVID-19 on the System's operational and financial performance depends on certain developments, including the duration and spread of the outbreak, remedial actions and stimulus measures adopted by local and federal governments, and impact on the System's customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the System's financial position or results of operations is uncertain.

On March 27, 2020, the President signed the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors open due to healthy patients delaying care and canceling elective services. On April 24, 2020, the Paycheck Protection Program and Health Care Enhancement Act was passed. This Act provides additional funding to replenish and supplement key programs under the CARES Act, including funds to health care providers for COVID-19 testing. The CARES Act funding is a conditional contribution and accounted for as a refundable advance until conditions have been substantially met or explicitly waived by the grantor. Because the use of the funds is limited to the purposes stated in the terms and conditions, the contributions are grantor restricted. The System reports restricted contributions, whose restrictions are met in the same period in which they are recognized (simultaneous release), as net assets without donor restrictions. Recognized revenue is reported as other operating revenue in the combined statements of operations and changes in net assets. The System received and recognized approximately $13,782,000 in grant stimulus funding in fiscal year 2020.

CARES Act funding may be subject to audits. While the System currently believes its use of the funds is in compliance with applicable terms and conditions, there is a possibility payments could be recouped based on changes in reporting requirements or audit results.

Continued

21. Coronavirus (COVID-19), Continued

On April 10, 2020, the System received payments in the amount of approximately $66.25 million under the Accelerated and Advance Payment Program expansion as part of the CARES Act. The program provides emergency funding and addresses cash flow difficulties when there are disruptions in claims submission and/or claims processing. Centers for Medicare and Medicaid Services (CMS) expanded the program for all Medicare providers throughout the country. In October 2020, a Continuing Resolution was passed which allows providers to defer repayment of these funds for up to 29 months before interest starts accruing. The System intends to repay the entire amount over the interest free period with final payment occurring in September 2022. The current portion of this amount is reported as estimated third-party payor settlements and the long-term portion is reported as Medicare advance payments, excluding current portion in the combined balance sheet as of June 30, 2020.

INDEPENDENT AUDITOR'S REPORT ON COMBINING INFORMATION

Board of Trustees
St. Joseph's/Candler Health System, Inc.
Savannah, Georgia

We have audited the combined financial statements of St. Joseph's/Candler Health System, Inc. as of and for the years ended June 30, 2020 and 2019, and our report thereon dated October 22, 2020, which expressed an unmodified opinion on those combined financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information included in this report on pages 52 through 71, inclusive, is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations and cash flows of the individual entities, and is not a required part of the combined financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual entities.

The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to Geechee Reinsurance Company, LLC, a wholly-owned subsidiary, is based on the report of other auditors, the combining information is fairly stated in all material respects in relation to the combined financial statements taken a whole.

Draffin & Tucker, LLP

Albany, Georgia
October 22, 2020

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS
June 30, 2020

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Assets						
Current assets:						
Cash and cash equivalents	$ 150,494,181	$ 88,376	$ 68,266	$ 64,198	$ 157,827	$ -
Assets limited as to use required for current liabilities	6,905,237	-	-	-	-	-
Patient accounts receivable, net	-	38,930,325	28,539,250	936,533	1,763,752	-
Other receivables	552,486	5,370,917	3,719,513	-	314,888	13,322
Due from affiliates	-	39,593,550	43,976,751	-	-	-
Inventories	1,517,646	7,549,018	8,842,162	-	-	-
Prepaid expenses	4,430,630	1,313,754	1,122,489	19,766	110,014	17,472
Estimated third-party payor settlements	-	2,734,041	1,381,882	-	39,384	-
Total current assets	163,900,180	95,579,981	87,650,313	1,020,497	2,385,865	30,794
Assets limited as to use:						
Held in trust under bond indenture	25,662,118	-	-	-	-	-
Restricted under interest rate swap and deferred compensation agreements	-	888,242	3,722,225	-	-	-
Board designated	154,260,656	-	-	-	8,927,962	-
Total assets limited as to use	179,922,774	888,242	3,722,225	-	8,927,962	-
Property and equipment, net	18,405,451	110,544,822	119,036,750	132,848	6,592,452	5,171,995
Derivative financial instruments	-	-	-	-	-	-
Other assets:						
Investments in affiliates	419,638,668	-	-	-	-	-
Long-term investments	-	1,794,603	100,756	6,510	25,665	146,066
Goodwill on long-term investments	-	48,323,352	-	-	161,000	-
Operating lease right-of-use assets	1,490,385	1,889,286	1,412,279	-	2,149,353	855,377
Beneficial interest in net assets of Foundations	-	9,906,513	2,793,227	-	-	-
Total other assets	421,129,053	61,913,754	4,306,262	6,510	2,336,018	1,001,443
Total assets	$ 783,357,458	$ 268,926,799	$ 214,715,550	$ 1,159,855	$ 20,242,297	$ 6,204,232

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2020

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
Assets, Continued							
Current assets:							
Cash and cash equivalents	$ 1,925,268	$ 679,578	$ 2,115,500	$ -	$ 155,593,194	$ -	$ 155,593,194
Assets limited as to use required for current liabilities	-	-	-	-	6,905,237	-	6,905,237
Patient accounts receivable, net	817,452	72,824	-	-	71,060,136	-	71,060,136
Other receivables	1,142,908	17,072	-	-	11,131,106	-	11,131,106
Due from affiliates	-	-	-	-	83,570,301	(83,570,301)	-
Inventories	608,199	-	-	-	18,517,025	-	18,517,025
Prepaid expenses	17,607	1,600	-	-	7,033,332	-	7,033,332
Estimated third-party payor settlements	-	-	-	-	4,155,307	-	4,155,307
Total current assets	4,511,434	771,074	2,115,500	-	357,965,638	(83,570,301)	274,395,337
Assets limited as to use:							
Held in trust under bond indenture	-	-	-	-	25,662,118	-	25,662,118
Restricted under interest rate swap and deferred compensation agreements	-	-	-	-	4,610,467	-	4,610,467
Board designated	-	1,163,537	47,669,442	-	212,021,597	-	212,021,597
Total assets limited as to use	-	1,163,537	47,669,442	-	242,294,182	-	242,294,182
Property and equipment, net	637,556	3,089,796	-	-	263,611,670	-	263,611,670
Derivative financial instruments	-	-	-	-	-	-	-
Other assets:							
Investments in affiliates	-	-	-	-	419,638,668	(419,638,668)	-
Long-term investments	11,348	-	-	-	2,084,948	-	2,084,948
Goodwill on long-term investments	8,092,905	-	-	-	56,577,257	-	56,577,257
Operating lease right-of-use assets	6,148,783	-	-	-	13,945,463	-	13,945,463
Beneficial interest in net assets of Foundations	-	-	-	-	12,699,740	-	12,699,740
Total other assets	14,253,036	-	-	-	504,946,076	(419,638,668)	85,307,408
Total assets	$ 19,402,026	$ 5,024,407	$ 49,784,942	$ -	$ 1,368,817,566	$(503,208,969)	$ 865,608,597

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2020

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Liabilities and Net Assets						
Current liabilities:						
Current maturities of long-term debt	$ 997,722	$ 262,285	$ 263,034	$ -	$ -	$ -
Current portion of operating lease liabilities	539,571	372,683	662,577	-	350,378	142,065
Accounts payable	5,235,141	14,619,844	13,727,452	346,856	755,813	65,581
Accrued employee related expenses	17,447,384	6,219,069	4,484,043	356,506	679,836	7,907
Other accrued expenses	8,809,499	3,248,858	1,636,888	-	365,610	(1,289)
Due to affiliates	83,565,263	-	-	-	-	-
Estimated third-party payor settlements	-	6,186,396	1,974,444	-	218,180	-
Total current liabilities	116,594,580	30,909,135	22,748,438	703,362	2,369,817	214,264
Medicare advance payments, excluding current portion	-	27,580,151	29,545,729	-	654,539	-
Long-term debt, excluding current maturities	272,829,779	585,629	630,877	-	-	-
Operating lease liabilities, excluding current portion	963,914	1,516,601	737,267	-	1,819,549	719,190
Accrued self-insurance claims	2,209,610	-	-	-	-	-
Accrued pension cost	18,322,419	-	-	-	-	-
Deferred compensation payable	-	888,242	3,722,225	-	6,027,524	-
Derivative financial instruments	3,092,078	-	-	-	-	-
Collateral held under interest rate swap agreement	-	-	-	-	-	-
Total liabilities	414,012,380	61,479,758	57,384,536	703,362	10,871,429	933,454
Net assets:						
St. Joseph's/Candler Health System, Inc. net assets:						
Common stock	-	-	-	-	500	500
Without donor restrictions	369,345,078	199,455,077	155,786,954	456,493	9,370,368	5,270,278
With donor restrictions:						
Purpose restrictions	-	7,056,964	1,444,060	-	-	-
Perpetual in nature	-	935,000	100,000	-	-	-
Total St. Joseph's/Candler Health System, Inc. net assets	369,345,078	207,447,041	157,331,014	456,493	9,370,868	5,270,778
Noncontrolling interest in joint ventures	-	-	-	-	-	-
Total net assets	369,345,078	207,447,041	157,331,014	456,493	9,370,868	5,270,778
Total liabilities and net assets	$ 783,357,458	$ 268,926,799	$ 214,715,550	$ 1,159,855	$ 20,242,297	$ 6,204,232

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2020

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
Liabilities and Net Assets, Continued							
Current liabilities:							
Current maturities of long-term debt	$ -	$ -	$ -	$ -	$ 1,523,041	$ -	$ 1,523,041
Current portion of operating lease liabilities	521,236	-	-	-	2,588,510	-	2,588,510
Accounts payable	239,144	120,176	53,171	-	35,163,178	-	35,163,178
Accrued employee related expenses	515,238	132,501	-	-	29,842,484	-	29,842,484
Other accrued expenses	370,712	-	86,747	-	14,517,025	-	14,517,025
Due to affiliates	-	-	5,038	-	83,570,301	(83,570,301)	-
Estimated third-party payor settlements	23,143	-	-	-	8,402,163	-	8,402,163
Total current liabilities	1,669,473	252,677	144,956	-	175,606,702	(83,570,301)	92,036,401
Medicare advance payments, excluding current portion	69,428	-	-	-	57,849,847	-	57,849,847
Long-term debt, excluding current maturities	-	-	-	-	274,046,285	-	274,046,285
Operating lease liabilities, excluding current portion	5,657,132	-	-	-	11,413,653	-	11,413,653
Accrued self-insurance claims	-	-	22,951,229	-	25,160,839	-	25,160,839
Accrued pension cost	-	-	-	-	18,322,419	-	18,322,419
Deferred compensation payable	-	-	-	-	10,637,991	-	10,637,991
Derivative financial instruments	-	-	-	-	3,092,078	-	3,092,078
Collateral held under interest rate swap agreement	-	-	-	-	-	-	-
Total liabilities	7,396,033	252,677	23,096,185	-	576,129,814	(83,570,301)	492,559,513
Net assets:							
St. Joseph's/Candler Health System, Inc. net assets:							
Common stock	165,000	-	120,000	-	286,000	(286,000)	-
Without donor restrictions	6,267,697	4,771,730	26,568,757	-	777,292,432	(419,352,668)	357,939,764
With donor restrictions:							
Purpose restrictions	-	-	-	-	8,501,024	-	8,501,024
Perpetual in nature	-	-	-	-	1,035,000	-	1,035,000
Total St. Joseph's/Candler Health System, Inc. net assets	6,432,697	4,771,730	26,688,757	-	787,114,456	(419,638,668)	367,475,788
Noncontrolling interest in joint ventures	5,573,296	-	-	-	5,573,296	-	5,573,296
Total net assets	12,005,993	4,771,730	26,688,757	-	792,687,752	(419,638,668)	373,049,084
Total liabilities and net assets	$ 19,402,026	$ 5,024,407	$ 49,784,942	$ -	$ 1,368,817,566	$(503,208,969)	$ 865,608,597

See accompanying independent auditor's report on combining information.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS
June 30, 2019

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Assets						
Current assets:						
Cash and cash equivalents	$ 18,677,611	$ 44,866	$ 63,236	$ 97,343	$ 28,784	$ -
Assets limited as to use required for current liabilities	2,202,486	-	-	-	-	-
Patient accounts receivable, net	-	38,767,388	32,638,587	302,649	2,099,164	-
Other receivables	1,227,430	6,161,790	4,086,689	-	321,338	28,760
Due from affiliates	-	13,877,974	5,309,017	-	-	-
Inventories	14,187	6,853,539	7,940,696	-	-	-
Prepaid expenses	4,275,529	1,191,313	581,046	19,756	230,525	19,023
Estimated third-party payor settlements	-	1,822,233	1,101,252	-	67,218	-
Total current assets	26,397,243	68,719,103	51,720,523	419,748	2,747,029	47,783
Assets limited as to use:						
Held in trust under bond indenture	10,347	-	-	-	-	-
Restricted under interest rate swap and deferred compensation agreements	850,000	793,275	3,397,247	-	-	-
Board designated	151,972,469	-	-	-	8,668,205	-
Total assets limited as to use	152,832,816	793,275	3,397,247	-	8,668,205	-
Property and equipment, net	17,410,956	74,929,072	118,811,074	177,136	6,352,888	4,929,714
Derivative financial instruments	774,868	(220,028)	(114,274)	-	-	-
Other assets:						
Investments in affiliates	393,888,815	-	-	-	-	-
Long-term investments	-	2,524,296	54,640	6,510	22,790	200
Goodwill on long-term investments	-	48,323,352	-	-	161,000	-
Operating lease right-of-use assets	-	-	-	-	-	-
Beneficial interest in net assets of Foundations	-	9,700,327	2,300,778	-	-	-
Total other assets	393,888,815	60,547,975	2,355,418	6,510	183,790	200
Total assets	$ 591,304,698	$ 204,769,397	$ 176,169,988	$ 603,394	$ 17,951,912	$ 4,977,697

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2019

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
Assets, Continued							
Current assets:							
Cash and cash equivalents	$ 267,341	$ 470,289	$ 2,406,641	$ -	$ 22,056,111	$ -	$ 22,056,111
Assets limited as to use required for current liabilities	-	-	-	-	2,202,486	-	2,202,486
Patient accounts receivable, net	1,250,393	446,163	-	-	75,504,344	-	75,504,344
Other receivables	1,285,973	28,006	-	-	13,139,986	-	13,139,986
Due from affiliates	-	-	-	-	19,186,991	(19,186,991)	-
Inventories	735,172	-	-	-	15,543,594	-	15,543,594
Prepaid expenses	24,281	-	-	-	6,341,473	-	6,341,473
Estimated third-party payor settlements	-	-	-	-	2,990,703	-	2,990,703
Total current assets	3,563,160	944,458	2,406,641	-	156,965,688	(19,186,991)	137,778,697
Assets limited as to use:							
Held in trust under bond indenture	-	-	-	-	10,347	-	10,347
Restricted under interest rate swap and deferred compensation agreements	-	-	-	-	5,040,522	-	5,040,522
Board designated	-	1,146,785	46,554,431	-	208,341,890	-	208,341,890
Total assets limited as to use	-	1,146,785	46,554,431	-	213,392,759	-	213,392,759
Property and equipment, net	718,330	3,248,520	-	-	226,577,690	-	226,577,690
Derivative financial instruments	-	-	-	-	440,566	-	440,566
Other assets:							
Investments in affiliates	-	-	-	-	393,888,815	(393,888,815)	-
Long-term investments	1,348	-	-	-	2,609,784	-	2,609,784
Goodwill on long-term investments	8,092,905	-	-	-	56,577,257	-	56,577,257
Operating lease right-of-use assets	-	-	-	-	-	-	-
Beneficial interest in net assets of Foundations	-	-	-	-	12,001,105	-	12,001,105
Total other assets	8,094,253	-	-	-	465,076,961	(393,888,815)	71,188,146
Total assets	$ 12,375,743	$ 5,339,763	$ 48,961,072	$ -	$ 1,062,453,664	$(413,075,806)	$ 649,377,858

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2019

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Liabilities and Net Assets						
Current liabilities:						
Current maturities of long-term debt	$ 8,374,374	$ -	$ -	$ -	$ -	$ -
Current portion of operating lease liabilities	-	-	-	-	-	-
Accounts payable	4,432,908	14,134,848	12,473,987	157,364	710,818	35,495
Accrued employee related expenses	15,373,561	4,555,491	3,507,156	334,062	556,065	5,675
Other accrued expenses	3,836,034	1,704,675	1,012,468	-	645,019	34,175
Due to affiliates	19,134,110	-	-	-	-	-
Estimated third-party payor settlements	-	-	-	-	-	-
Total current liabilities	51,150,987	20,395,014	16,993,611	491,426	1,911,902	75,345
Medicare advance payments, excluding current portion	-	-	-	-	-	-
Long-term debt, excluding current maturities	171,241,511	-	-	-	-	-
Operating lease liabilities, excluding current portion	-	-	-	-	-	-
Accrued self-insurance claims	2,294,539	-	-	-	-	-
Accrued pension cost	28,412,088	-	-	-	-	-
Deferred compensation payable	-	793,275	3,397,247	-	6,027,524	-
Derivative financial instruments	-	-	-	-	-	-
Collateral held under interest rate swap agreement	850,000	-	-	-	-	-
Total liabilities	253,949,125	21,188,289	20,390,858	491,426	7,939,426	75,345
Net assets:						
St. Joseph's/Candler Health System, Inc. net assets:						
Common stock	-	-	-	-	500	500
Without donor restrictions	337,355,573	175,552,903	154,256,145	111,968	10,011,986	4,901,852
With donor restrictions:						
Purpose restrictions	-	7,093,205	1,422,985	-	-	-
Perpetual in nature	-	935,000	100,000	-	-	-
Total St. Joseph's/Candler Health System, Inc. net assets	337,355,573	183,581,108	155,779,130	111,968	10,012,486	4,902,352
Noncontrolling interest in joint ventures	-	-	-	-	-	-
Total net assets	337,355,573	183,581,108	155,779,130	111,968	10,012,486	4,902,352
Total liabilities and net assets	$ 591,304,698	$ 204,769,397	$ 176,169,988	$ 603,394	$ 17,951,912	$ 4,977,697

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2019

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
Liabilities and Net Assets, Continued							
Current liabilities:							
Current maturities of long-term debt	$ -	$ -	$ -	$ -	$ 8,374,374	$ -	$ 8,374,374
Current portion of operating lease liabilities	-	-	-	-	-	-	-
Accounts payable	200,353	135,059	102,522	-	32,383,354	-	32,383,354
Accrued employee related expenses	237,578	117,201	-	-	24,686,789	-	24,686,789
Other accrued expenses	189,037	-	78,453	-	7,499,861	-	7,499,861
Due to affiliates	-	-	52,881	-	19,186,991	(19,186,991)	-
Estimated third-party payor settlements	-	-	-	-	-	-	-
Total current liabilities	626,968	252,260	233,856	-	92,131,369	(19,186,991)	72,944,378
Medicare advance payments, excluding current portion	-	-	-	-	-	-	-
Long-term debt, excluding current maturities	-	-	-	-	171,241,511	-	171,241,511
Operating lease liabilities, excluding current portion	-	-	-	-	-	-	-
Accrued self-insurance claims	-	-	22,917,588	-	25,212,127	-	25,212,127
Accrued pension cost	-	-	-	-	28,412,088	-	28,412,088
Deferred compensation payable	-	-	-	-	10,218,046	-	10,218,046
Derivative financial instruments	-	-	-	-	-	-	-
Collateral held under interest rate swap agreement	-	-	-	-	850,000	-	850,000
Total liabilities	626,968	252,260	23,151,444	-	328,065,141	(19,186,991)	308,878,150
Net assets:							
St. Joseph's/Candler Health System, Inc. net assets:							
Common stock	165,000	-	120,000	-	286,000	(286,000)	-
Without donor restrictions	6,570,352	5,087,503	25,689,628	-	719,537,910	(393,602,815)	325,935,095
With donor restrictions:							
Purpose restrictions	-	-	-	-	8,516,190	-	8,516,190
Perpetual in nature	-	-	-	-	1,035,000	-	1,035,000
Total St. Joseph's/Candler Health System, Inc. net assets	6,735,352	5,087,503	25,809,628	-	729,375,100	(393,888,815)	335,486,285
Noncontrolling interest in joint ventures	5,013,423	-	-	-	5,013,423	-	5,013,423
Total net assets	11,748,775	5,087,503	25,809,628	-	734,388,523	(393,888,815)	340,499,708
Total liabilities and net assets	$ 12,375,743	$ 5,339,763	$ 48,961,072	$ -	$ 1,062,453,664	$(413,075,806)	$ 649,377,858

See accompanying independent auditor's report on combining information.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF EXCESS REVENUES (EXPENSES)
June 30, 2020

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Revenues, gains and other support:						
Net patient service revenue	$ -	$ 323,147,499	$ 248,630,757	$ 8,709,886	$ 17,676,548	$ -
Other revenue	-	54,171,415	20,338,614	324,229	2,339,543	1,570,873
Total revenues, gains and other support	-	377,318,914	268,969,371	9,034,115	20,016,091	1,570,873
Expenses:						
Salaries and wages	-	121,034,289	95,005,660	6,325,127	14,732,563	125,189
Employee benefits	-	22,517,948	17,886,173	1,014,740	2,616,003	12,629
Physician and professional fees	-	31,877,079	17,706,181	24,236	3,849,147	36,559
Materials and supplies	-	102,746,403	84,944,017	296,989	2,081,806	5,593
Purchased services	-	26,839,102	13,542,690	12,694	816,337	115,691
Insurance	-	5,188,958	3,811,031	-	274,073	-
Interest	-	5,195,738	3,777,530	-	-	-
Depreciation and amortization	-	13,175,629	11,956,243	52,754	624,445	279,914
Other	-	22,313,317	16,204,404	763,023	2,814,499	918,573
Total expenses	-	350,888,463	264,833,929	8,489,563	27,808,873	1,494,148
Income (loss) from operations	-	26,430,451	4,135,442	544,552	(7,792,782)	76,725
Nonoperating income (loss):						
Investment income (loss)	-	2,823,164	1,633,286	-	469,205	-
Unrealized losses on securities	-	(1,735,398)	(1,256,668)	-	(209,448)	-
Recognized gains on transferred securities	-	-	-	-	-	-
Decrease in fair value of derivative instruments	-	(1,803,612)	(1,319,994)	-	-	-
Gain on investments in affiliates	24,482,261	-	-	-	-	-
Net periodic pension cost	-	(80,053)	(57,970)	-	-	-
Other nonoperating losses	-	(45,824)	(265,808)	-	(514,014)	(5,878)
Nonoperating income (loss), net	24,482,261	(841,723)	(1,267,154)	-	(254,257)	(5,878)
Revenues and gains in excess (deficient) of expenses and losses	24,482,261	25,588,728	2,868,288	544,552	(8,047,039)	70,847
Net income attributable to noncontrolling interest in joint ventures	-	-	-	-	-	-
Revenues and gains in excess (deficient) of expenses and losses after noncontrolling interest	$ 24,482,261	$ 25,588,728	$ 2,868,288	$ 544,552	$(8,047,039)	$ 70,847

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF EXCESS REVENUES (EXPENSES), Continued
June 30, 2020

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
Revenues, gains and other support:							
Net patient service revenue	$ 10,879,946	$ 3,346,379	$ -	$ -	$ 612,391,015	$ -	$ 612,391,015
Other revenue	6,962,753	363,552	7,659,816	-	93,730,795	(13,288,108)	80,442,687
Total revenues, gains and other support	17,842,699	3,709,931	7,659,816	-	706,121,810	(13,288,108)	692,833,702
Expenses:							
Salaries and wages	7,620,169	2,047,961	-	-	246,890,958	-	246,890,958
Employee benefits	945,570	489,673	-	-	45,482,736	-	45,482,736
Physician and professional fees	833,256	214,272	141,011	-	54,681,741	-	54,681,741
Materials and supplies	2,495,781	108,615	-	-	192,679,204	-	192,679,204
Purchased services	953,532	41,471	-	-	42,321,517	(4,329,964)	37,991,553
Insurance	151,843	-	7,729,575	-	17,155,480	(7,659,816)	9,495,664
Interest	-	-	-	-	8,973,268	-	8,973,268
Depreciation and amortization	142,491	174,778	-	-	26,406,254	-	26,406,254
Other	2,047,937	319,126	1,523	-	45,382,402	(1,298,328)	44,084,074
Total expenses	15,190,579	3,395,896	7,872,109	-	679,973,560	(13,288,108)	666,685,452
Income (loss) from operations	2,652,120	314,035	(212,293)	-	26,148,250	-	26,148,250
Nonoperating income (loss):							
Investment income (loss)	-	21,265	1,560,843	-	6,507,763	-	6,507,763
Unrealized losses on securities	-	(4,512)	(469,420)	-	(3,675,446)	-	(3,675,446)
Recognized gains on transferred securities	-	-	-	-	-	-	-
Decrease in fair value of derivative instruments	-	-	-	-	(3,123,606)	-	(3,123,606)
Gain on investments in affiliates	-	-	-	-	24,482,261	(24,482,261)	-
Net periodic pension cost	-	-	-	-	(138,023)	-	(138,023)
Other nonoperating losses	(29,585)	-	-	-	(861,109)	-	(861,109)
Nonoperating income (loss), net	(29,585)	16,753	1,091,423	-	23,191,840	(24,482,261)	(1,290,421)
Revenues and gains in excess (deficient) of expenses and losses	2,622,535	330,788	879,130	-	49,340,090	(24,482,261)	24,857,829
Net income attributable to noncontrolling interest in joint ventures	(375,568)	-	-	-	(375,568)	-	(375,568)
Revenues and gains in excess (deficient) of expenses and losses after noncontrolling interest	$ 2,246,967	$ 330,788	$ 879,130	$ -	$ 48,964,522	$(24,482,261)	$ 24,482,261

See accompanying independent auditor's report on combining information.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF EXCESS REVENUES (EXPENSES)
June 30, 2019

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Revenues, gains and other support:						
Net patient service revenue	$ -	$ 315,260,214	$ 245,091,798	$ 8,546,366	$ 18,094,115	$ -
Other revenue	-	38,741,923	14,058,178	-	1,093,231	1,596,000
Total revenues, gains and other support	-	354,002,137	259,149,976	8,546,366	19,187,346	1,596,000
Expenses:						
Salaries and wages	-	110,080,154	87,943,012	6,324,746	13,807,375	141,097
Employee benefits	-	23,766,273	18,590,533	1,017,079	2,225,040	12,858
Physician and professional fees	-	28,122,728	17,413,697	24,598	4,006,372	19,950
Materials and supplies	-	90,200,921	86,044,624	299,543	2,140,884	3,409
Purchased services	-	27,505,946	11,894,296	13,696	787,968	63,654
Insurance	-	3,249,410	2,414,385	-	226,781	-
Interest	-	3,443,374	2,493,478	-	-	-
Depreciation and amortization	-	13,045,114	9,942,304	89,273	616,519	290,787
Other	-	20,676,367	14,344,962	959,843	2,893,043	865,083
Total expenses	-	320,090,287	251,081,291	8,728,778	26,703,982	1,396,838
Income (loss) from operations	-	33,911,850	8,068,685	(182,412)	(7,516,636)	199,162
Nonoperating income (loss):						
Investment income (loss)	-	3,576,923	1,908,790	-	400,329	-
Unrealized gains on securities	-	2,985,279	2,161,746	-	236,165	-
Recognized gains on transferred securities	-	7,367,005	5,334,736	-	476,148	-
Decrease in fair value of derivative instruments	-	(154,571)	(19,416)	-	-	-
Gain on investments in affiliates	64,115,333	-	-	-	-	-
Net periodic pension cost	-	35,608	25,785	-	-	-
Other nonoperating losses	-	3,200	-	-	-	-
Nonoperating income (loss), net	64,115,333	13,813,444	9,411,641	-	1,112,642	-
Revenues and gains in excess (deficient) of expenses and losses	64,115,333	47,725,294	17,480,326	(182,412)	(6,403,994)	199,162
Net income attributable to noncontrolling interest in joint ventures	-	-	-	-	-	-
Revenues and gains in excess (deficient) of expenses and losses after noncontrolling interest	$ 64,115,333	$ 47,725,294	$ 17,480,326	$(182,412)	$(6,403,994)	$ 199,162

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF EXCESS REVENUES (EXPENSES), Continued
June 30, 2019

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
Revenues, gains and other support:							
Net patient service revenue	$ 1,819,179	$ 3,342,907	$ -	$ -	$ 592,154,579	$ -	$ 592,154,579
Other revenue	8,435,153	316,077	4,400,472	-	68,641,034	(9,460,433)	59,180,601
Total revenues, gains and other support	10,254,332	3,658,984	4,400,472	-	660,795,613	(9,460,433)	651,335,180
Expenses:							
Salaries and wages	2,541,938	1,867,683	-	418,578	223,124,583	-	223,124,583
Employee benefits	383,216	435,062	-	83,697	46,513,758	-	46,513,758
Physician and professional fees	168,610	381,438	138,951	213,771	50,490,115	-	50,490,115
Materials and supplies	4,742,398	130,934	-	1,996	183,564,709	-	183,564,709
Purchased services	168,549	46,965	-	6,373	40,487,447	(3,977,902)	36,509,545
Insurance	32,983	-	8,213,914	-	14,137,473	(4,400,472)	9,737,001
Interest	-	-	-	-	5,936,852	-	5,936,852
Depreciation and amortization	32,823	169,314	-	93,024	24,279,158	-	24,279,158
Other	568,938	353,640	2,385	64,394	40,728,655	(1,082,059)	39,646,596
Total expenses	8,639,455	3,385,036	8,355,250	881,833	629,262,750	(9,460,433)	619,802,317
Income (loss) from operations	1,614,877	273,948	(3,954,778)	(881,833)	31,532,863	-	31,532,863
Nonoperating income (loss):							
Investment income (loss)	-	17,779	1,862,834	-	7,766,655	-	7,766,655
Unrealized gains on securities	-	48,753	1,590,802	-	7,022,745	-	7,022,745
Recognized gains on transferred securities	-	157,806	5,367,888	-	18,703,583	-	18,703,583
Decrease in fair value of derivative instruments	-	-	-	-	(173,987)	-	(173,987)
Gain on investments in affiliates	-	-	-	-	64,115,333	(64,115,333)	-
Net periodic pension cost	-	-	-	-	61,393	-	61,393
Other nonoperating losses	-	-	-	(787,873)	(784,673)	-	(784,673)
Nonoperating income (loss), net	-	224,338	8,821,524	(787,873)	96,711,049	(64,115,333)	32,595,716
Revenues and gains in excess (deficient) of expenses and losses	1,614,877	498,286	4,866,746	(1,669,706)	128,243,912	(64,115,333)	64,128,579
Net income attributable to noncontrolling interest in joint ventures	(13,242)	-	-	-	(13,242)	-	(13,242)
Revenues and gains in excess (deficient) of expenses and losses after noncontrolling interest	$ 1,601,635	$ 498,286	$ 4,866,746	$(1,669,706)	$ 128,230,670	$(64,115,333)	$ 64,115,337

See accompanying independent auditor's report on combining information.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF CASH FLOWS
June 30, 2020

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Cash flows from operating activities:						
Increase (decrease) in net assets including noncontrolling interest	$ 31,989,505	$ 23,865,933	$ 1,551,884	$ 344,525	$(641,618)	$ 368,426
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Change in fair value of derivative instruments	3,226,959	(68,024)	(35,329)	-	-	-
Beneficial interest in net assets of Foundations, net	-	(206,186)	(492,449)	-	-	-
Net realized and unrealized (gains) losses on investments, net of reclassification adjustment	3,166,247	-	-	-	60,482	-
Depreciation and amortization	-	13,175,629	11,956,243	52,754	624,445	279,914
Loss on disposal of property	-	-	-	-	-	-
Contributions/purchase of noncontrolling interest	-	-	-	-	-	-
Contributions of property	(11,961)	(568,955)	-	-	-	-
Changes in:						
Patient accounts receivable	-	(162,937)	4,099,337	(633,884)	335,412	-
Other receivables	674,944	790,873	367,176	-	6,450	15,438
Inventories	(1,503,459)	(695,479)	(901,466)	-	-	-
Prepaid expenses	(155,101)	(122,441)	(541,443)	(10)	120,511	1,551
Accounts payable	802,233	484,996	1,253,465	189,492	44,995	30,086
Accrued liabilities	7,047,288	3,207,761	1,601,307	22,444	(155,638)	(33,232)
Estimated third-party payor settlements and Medicare advance payments	-	32,854,739	31,239,543	-	900,553	-
Accrued self-insurance claims	(84,929)	-	-	-	-	-
Accrued pension costs, net	(10,089,669)	-	-	-	-	-
Deferred compensation payable	-	94,967	324,978	-	-	-
Net cash provided by (used in) operating activities	35,062,057	72,650,876	50,423,246	(24,679)	1,295,592	662,183
Cash flows from investing activities:						
Purchases of property and equipment	56,062	(47,977,871)	(11,475,123)	(8,466)	(864,009)	(516,317)
Proceeds from sale of assets limited as to use	42,725,788	-	-	-	1,569,292	-
Purchases of assets limited as to use	(68,950,968)	-	-	-	(1,870,284)	-
Proceeds from interest rate swap termination	572,000	-	-	-	-	-
Payments on pledged collateral for swap	(600,000)	-	-	-	-	-
Purchase of SJ/C Urgent Care	-	-	-	-	-	-
Investment in affiliates	(25,749,853)	-	-	-	-	-
Sales (purchases) of long-term investments, net	-	729,693	(46,116)	-	(2,875)	(145,866)
Net cash provided by (used in) investing activities	(51,946,971)	(47,248,178)	(11,521,239)	(8,466)	(1,167,876)	(662,183)

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF CASH FLOWS, Continued
June 30, 2020

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
Cash flows from operating activities:							
Increase (decrease) in net assets including noncontrolling interest	$ 257,218	$(315,773)	$ 879,129	$ -	$ 58,299,229	$(25,749,853)	$ 32,549,376
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:							
Change in fair value of derivative instruments	-	-	-	-	3,123,606	-	3,123,606
Beneficial interest in net assets of Foundations, net	-	-	-	-	(698,635)	-	(698,635)
Net realized and unrealized (gains) losses on investments, net of reclassification adjustment	-	4,512	272,822	-	3,504,063	-	3,504,063
Depreciation and amortization	142,491	174,778	-	-	26,406,254	-	26,406,254
Loss on disposal of property	-	-	-	-	-	-	-
Contributions/purchase of noncontrolling interest	(184,305)	-	-	-	(184,305)	-	(184,305)
Contributions of property	-	-	-	-	(580,916)	-	(580,916)
Changes in:							
Patient accounts receivable	432,941	373,339	-	-	4,444,208	-	4,444,208
Other receivables	143,065	10,934	-	-	2,008,880	-	2,008,880
Inventories	126,973	-	-	-	(2,973,431)	-	(2,973,431)
Prepaid expenses	6,674	(1,600)	-	-	(691,859)	-	(691,859)
Accounts payable	38,791	(14,883)	(49,351)	-	2,779,824	-	2,779,824
Accrued liabilities	459,335	15,300	8,294	-	12,172,859	-	12,172,859
Estimated third-party payor settlements and Medicare advance payments	92,571	-	-	-	65,087,406	-	65,087,406
Accrued self-insurance claims	-	-	33,641	-	(51,288)	-	(51,288)
Accrued pension costs, net	-	-	-	-	(10,089,669)	-	(10,089,669)
Deferred compensation payable	-	-	-	-	419,945	-	419,945
Net cash provided by (used in) operating activities	1,515,754	246,607	1,144,535	-	162,976,171	(25,749,853)	137,226,318
Cash flows from investing activities:							
Purchases of property and equipment	(32,132)	(16,054)	-	-	(60,833,910)	-	(60,833,910)
Proceeds from sale of assets limited as to use	-	5,629	9,896,743	-	54,197,452	-	54,197,452
Purchases of assets limited as to use	-	(24,590)	(11,057,786)	-	(81,903,628)	-	(81,903,628)
Proceeds from interest rate swap termination	-	-	-	-	572,000	-	572,000
Payments on pledged collateral for swap	-	-	-	-	(600,000)	-	(600,000)
Purchase of SJ/C Urgent Care	-	-	-	-	-	-	-
Investment in affiliates	-	-	-	-	(25,749,853)	25,749,853	-
Sales (purchases) of long-term investments, net	(10,000)	-	-	-	524,836	-	524,836
Net cash provided by (used in) investing activities	(42,132)	(35,015)	(1,161,043)	-	(113,793,103)	25,749,853	(88,043,250)

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF CASH FLOWS, Continued
June 30, 2020

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	+ SJC Properties
Cash flows from financing activities:						
Repayment of long-term debt	$(103,599,763)	$ -	$ -	$ -	$ -	$ -
Proceeds from issuance of long-term debt	196,720,126	-	-	-	-	-
Payments on finance lease liabilities	(226,491)	(212,567)	(229,243)	-	-	-
Contributions for property	11,960	568,955	-	-	-	-
Contributions/purchase from partners	-	-	-	-	-	-
Transfers of property	-	-	-	-	-	-
Transfers to (from) affiliates, net	64,431,153	(25,715,576)	(38,667,734)	-	-	-
Net cash provided by (used in) financing activities	157,336,985	(25,359,188)	(38,896,977)	-	-	-
Net increase (decrease) in cash and cash equivalents	140,452,071	43,510	5,030	(33,145)	127,716	-
Cash and cash equivalents, beginning of year	22,965,214	44,866	63,236	97,343	171,097	-
Cash and cash equivalents, end of year	$ 163,417,285	$ 88,376	$ 68,266	$ 64,198	$ 298,813	$ -

Continued

COMBINING STATEMENTS OF CASH FLOWS, Continued
June 30, 2020

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
Cash flows from financing activities:							
Repayment of long-term debt	$ -	$ -	$ -	$ -	$(103,599,763)	$ -	$(103,599,763)
Proceeds from issuance of long-term debt	-	-	-	-	196,720,126	-	196,720,126
Payments on finance lease liabilities	-	-	-	-	(668,301)	-	(668,301)
Contributions for property	-	-	-	-	580,915	-	580,915
Contributions/purchase from partners	184,305	-	-	-	184,305	-	184,305
Transfers of property	-	-	-	-	-	-	-
Transfers to (from) affiliates, net	-	-	(47,843)	-	-	-	-
Net cash provided by (used in) financing activities	184,305	-	(47,843)	-	93,217,282	-	93,217,282
Net increase (decrease) in cash and cash equivalents	1,657,927	211,592	(64,351)	-	142,400,350	-	142,400,350
Cash and cash equivalents, beginning of year	267,341	485,339	3,445,827	-	27,540,263	-	27,540,263
Cash and cash equivalents, end of year	$ 1,925,268	$ 696,931	$ 3,381,476	$ -	$ 169,940,613	$ -	$ 169,940,613

See accompanying independent auditor's report on combining information.

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF CASH FLOWS
June 30, 2019

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Cash flows from operating activities:						
Increase (decrease) in net assets including noncontrolling interest	$ 41,357,812	$ 41,070,705	$ 12,054,215	$ 38,585	$ 1,578,606	$ 336,231
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Change in fair value of derivative instruments	(512,452)	451,793	234,646	-	-	-
Beneficial interest in net assets of Foundations, net	-	(348,843)	(153,141)	-	-	-
Net realized and unrealized (gains) losses on investments, net of reclassification adjustment	(5,202,752)	-	-	-	(256,520)	-
Depreciation and amortization	-	13,045,114	9,942,304	89,273	616,519	290,787
Loss on disposal of property	-	-	-	-	-	-
Contributions/purchase of noncontrolling interest	-	-	-	-	-	-
Contributions of property	-	(742,674)	(30,000)	-	-	-
Changes in:						
Patient accounts receivable	-	(975,491)	(2,765,536)	124,759	(347,012)	-
Other receivables	2,208,750	(2,354,242)	(154,961)	-	(142,358)	(849)
Inventories	(2,125)	(380,521)	42,303	-	-	-
Prepaid expenses	(254,491)	(96,331)	(37,760)	9,467	(42,968)	(12,176)
Accounts payable	(876,821)	2,936,866	2,328,145	(148,965)	(231,111)	2,926
Accrued liabilities	3,794,313	197,113	263,919	4,310	186,661	(2,070)
Estimated third-party payor settlements and Medicare advance payments	-	(85,384)	278,099	-	(27,928)	-
Accrued self-insurance claims	689,395	-	-	-	-	-
Accrued pension costs, net	2,365,757	-	-	-	-	-
Deferred compensation payable	-	53,483	137,451	-	(99,832)	-
Net cash provided by (used in) operating activities	43,567,386	52,771,588	22,139,684	117,429	1,234,057	614,849
Cash flows from investing activities:						
Purchases of property and equipment	(141,039)	(14,832,670)	(38,476,652)	(122,445)	(962,112)	(614,849)
Proceeds from sale of assets limited as to use	61,411,563	-	-	-	2,397,610	-
Purchases of assets limited as to use	(45,670,303)	(53,489)	(137,452)	-	(2,774,797)	-
Proceeds from interest rate swap termination	-	-	-	-	-	-
Payments on pledged collateral for swap	-	-	-	-	-	-
Purchase of SJ/C Urgent Care	-	-	-	-	-	-
Investment in affiliates	(60,486,696)	-	-	-	-	-
Sales (purchases) of long-term investments, net	-	(550,102)	(2,972)	-	250	-
Net cash provided by (used in) investing activities	(44,886,475)	(15,436,261)	(38,617,076)	(122,445)	(1,339,049)	(614,849)

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF CASH FLOWS, Continued
June 30, 2019

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Restated Combined Totals
Cash flows from operating activities:							
Increase (decrease) in net assets including noncontrolling interest	$ 10,350,146	$ 248,129	$(501,143)	$(773,899)	$ 105,759,387	$(60,486,696)	$ 45,272,691
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:							
Change in fair value of derivative instruments	-	-	-	-	173,987	-	173,987
Beneficial interest in net assets of Foundations, net	-	-	-	-	(501,984)	-	(501,984)
Net realized and unrealized (gains) losses on investments, net of reclassification adjustment	-	(48,753)	(1,861,159)	-	(7,369,184)	-	(7,369,184)
Depreciation and amortization	32,823	169,314	-	93,024	24,279,158	-	24,279,158
Loss on disposal of property	-	-	-	787,874	787,874	-	787,874
Contributions/purchase of noncontrolling interest	(5,000,181)	-	-	-	(5,000,181)	-	(5,000,181)
Contributions of property	-	-	-	-	(772,674)	-	(772,674)
Changes in:							
Patient accounts receivable	(1,250,393)	(158,992)	-	-	(5,372,665)	-	(5,372,665)
Other receivables	(569,853)	(5,858)	-	-	(1,019,371)	-	(1,019,371)
Inventories	68,045	-	-	-	(272,298)	-	(272,298)
Prepaid expenses	(24,281)	-	-	-	(458,540)	-	(458,540)
Accounts payable	355	6,152	2,924	(51,859)	3,968,612	-	3,968,612
Accrued liabilities	364,520	18,607	13,126	(102,715)	4,737,784	-	4,737,784
Estimated third-party payor settlements and Medicare advance payments	-	-	-	-	164,787	-	164,787
Accrued self-insurance claims	-	-	3,696,101	-	4,385,496	-	4,385,496
Accrued pension costs, net	-	-	-	-	2,365,757	-	2,365,757
Deferred compensation payable	-	-	-	-	91,102	-	91,102
Net cash provided by (used in) operating activities	3,971,181	228,599	1,349,849	(47,575)	125,947,047	(60,486,696)	65,460,351
Cash flows from investing activities:							
Purchases of property and equipment	(104,224)	(144,339)	-	-	(55,398,330)	-	(55,398,330)
Proceeds from sale of assets limited as to use	-	5,368	4,884,560	-	68,699,101	-	68,699,101
Purchases of assets limited as to use	-	(30,716)	(6,261,065)	-	(54,927,822)	-	(54,927,822)
Proceeds from interest rate swap termination	-	-	-	-	-	-	-
Payments on pledged collateral for swap	-	-	-	-	-	-	-
Purchase of SJ/C Urgent Care	(8,600,000)	-	-	-	(8,600,000)	-	(8,600,000)
Investment in affiliates	-	-	-	-	(60,486,696)	60,486,696	-
Sales (purchases) of long-term investments, net	-	-	-	-	(552,824)	-	(552,824)
Net cash provided by (used in) investing activities	(8,704,224)	(169,687)	(1,376,505)	-	(111,266,571)	60,486,696	(50,779,875)

Continued

COMBINING STATEMENTS OF CASH FLOWS, Continued
June 30, 2019

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group	SJC Properties
Cash flows from financing activities:						
Repayment of long-term debt	$(8,149,056)	$ -	$ -	$ -	$ -	$ -
Proceeds from issuance of long-term debt	-	-	-	-	-	-
Payments on finance lease liabilities	-	-	-	-	-	-
Contributions for property	-	742,674	30,000	-	-	-
Contributions/purchase from partners	-	-	-	-	-	-
Transfers of property	2,969,910	-	(3,017,485)	-	-	-
Transfers to (from) affiliates, net	19,068,074	(38,131,742)	19,423,149	-	-	-
Net cash provided by (used in) financing activities	13,888,928	(37,389,068)	16,435,664	-	-	-
Net increase (decrease) in cash and cash equivalents	12,569,839	(53,741)	(41,728)	(5,016)	(104,992)	-
Cash and cash equivalents, beginning of year	10,395,375	98,607	104,964	102,359	276,089	-
Cash and cash equivalents, end of year	$ 22,965,214	$ 44,866	$ 63,236	$ 97,343	$ 171,097	$ -

Continued

ST. JOSEPH'S/CANDLER HEALTH SYSTEM, INC.

COMBINING STATEMENTS OF CASH FLOWS, Continued
June 30, 2019

	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Restated Combined Totals
Cash flows from financing activities:							
Repayment of long-term debt	$ -	$ -	$ -	$ -	$(8,149,056)	$ -	$(8,149,056)
Proceeds from issuance of long-term debt	-	-	-	-	-	-	-
Payments on finance lease liabilities	-	-	-	-	-	-	-
Contributions for property	-	-	-	-	772,674	-	772,674
Contributions/purchase from partners	5,000,181	-	-	-	5,000,181	-	5,000,181
Transfers of property	-	-	-	47,575	-	-	-
Transfers to (from) affiliates, net	-	-	(359,481)	-	-	-	-
Net cash provided by (used in) financing activities	5,000,181	-	(359,481)	47,575	(2,376,201)	-	(2,376,201)
Net increase (decrease) in cash and cash equivalents	267,138	58,912	(386,137)	-	12,304,275	-	12,304,275
Cash and cash equivalents, beginning of year	203	426,427	3,831,964	-	15,235,988	-	15,235,988
Cash and cash equivalents, end of year	$ 267,341	$ 485,339	$ 3,445,827	$ -	$ 27,540,263	$ -	$ 27,540,263

See accompanying independent auditor's report on combining information.

INDEPENDENT AUDITOR'S 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*

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

Board of Trustees
St. Joseph's/Candler Health System, Inc.
Savannah, Georgia

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 combined financial statements of St. Joseph's/Candler Health System, Inc. (System), which comprise the combined balance sheet as of June 30, 2020, and the related combined statements of operations and changes in net assets and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated October 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the System'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 opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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.

Continued

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's combined financial statements are free from material misstatement, we performed tests of its compliance with the certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the combined 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 System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Draffin & Tucker, LLP

Albany, Georgia
October 22, 2020