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

COMBINED FINANCIAL STATEMENTS

for the years ended June 30, 2019 and 2018

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Draffin Tucker

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, 2019 and 2018, 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 8% of combined total assets at June 30, 2019 and 2018 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. 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

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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, 2019 and 2018, 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 Principle

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) 2014-09, *Revenue from Contracts with Customers (Topic 606).* Our opinion is not modified with respect to that matter.

As discussed in Note 1 to the combined financial statements, the System adopted new accounting guidance, FASB ASC ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to that matter.

Draffin & Tucker, LLP

Albany, Georgia
October 24, 2019

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

COMBINED BALANCE SHEETS
as of June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 22,056,111	$ 9,617,973
Assets limited as to use required for current liabilities	2,202,486	2,182,796
Patient accounts receivable, net	75,504,344	70,131,677
Other receivables	13,126,744	12,120,616
Inventories	15,543,594	15,271,297
Prepaid expenses	6,341,473	5,882,932
Estimated third-party payor settlements	2,990,703	3,155,490
Total current assets	137,765,455	118,362,781
Assets limited as to use:		
Held in trust under bond indenture	10,347	26,486,651
Restricted under interest rate swap and deferred compensation agreements	5,040,522	4,849,588
Board designated	208,341,890	185,328,963
Total assets limited as to use	213,392,759	216,665,202
Property and equipment, net	226,577,690	199,407,305
Derivative financial instruments	440,566	614,553
Other assets:		
Long-term investments	2,609,784	2,056,954
Goodwill on long-term investments	56,577,257	48,484,352
Beneficial interest in net assets of Foundations	12,001,105	11,499,121
Total other assets	71,188,146	62,040,427
Total assets	$ 649,364,616	$ 597,090,268

	2019	2018
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	$ 8,374,374	$ 8,431,742
Accounts payable	32,383,354	28,414,742
Accrued employee related expenses	24,686,789	19,392,704
Other accrued expenses	7,499,861	8,056,162
Total current liabilities	72,944,378	64,295,350
Long-term debt, excluding current maturities	171,241,511	179,717,995
Accrued self-insurance claims	25,212,127	20,826,631
Accrued pension cost	28,412,088	26,046,331
Deferred compensation payable	10,218,046	10,126,944
Collateral held under interest rate swap agreement	850,000	850,000
Total liabilities	308,878,150	301,863,251
Net assets:		
St. Joseph's/Candler Health System, Inc. net assets:		
Without donor restrictions – undesignated	326,046,969	285,671,955
With donor restrictions:		
Purpose restrictions	8,516,190	8,520,062
Perpetual in nature	1,035,000	1,035,000
Total St. Joseph's/Candler Health System, Inc. net assets	335,598,159	295,227,017
Noncontrolling interest in SJ/C Urgent Care	4,888,307	-
Total net assets	340,486,466	295,227,017
Total liabilities and net assets	$ 649,364,616	$ 597,090,268

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, 2019 and 2018

	2019	2018
Revenues, gains and other support:		
Net patient service revenue	$ 595,342,693	$ 515,430,621
Other revenue	55,992,487	48,714,833
Total revenues, gains and other support	651,335,180	564,145,454
Expenses:		
Salaries and wages	223,124,583	201,688,184
Employee benefits	46,513,758	40,971,515
Physician and professional fees	50,490,115	53,877,242
Materials and supplies	183,564,709	154,893,123
Purchased services	36,509,545	32,997,614
Insurance	9,737,001	5,250,112
Interest	5,936,852	5,633,223
Depreciation and amortization	24,279,158	23,867,546
Other	39,646,596	36,628,227
Total expenses	619,802,317	555,806,786
Income from operations	31,532,863	8,338,668
Nonoperating income (loss):		
Investment income	7,753,413	7,481,422
Unrealized gain on trading securities	7,022,745	-
Recognized gains on transferred securities	18,703,583	-
Change in fair value of derivative instruments	(173,987)	220,167
Net periodic pension cost	61,393	(628,535)
Other nonoperating losses	(784,673)	-
Nonoperating income, net	32,582,474	7,073,054
Revenues and gains in excess of expenses and losses	64,115,337	15,411,722
Net loss attributable to noncontrolling interest in SJ/C Urgent Care	111,874	-
Revenues and gains in excess of expenses and losses after noncontrolling interest	64,227,211	15,411,722

Continued

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

COMBINED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS, Continued
for the years ended June 30, 2019 and 2018

	2019	2018
Net assets without donor restrictions:		
Changes in beneficial interest in net assets of Foundations	$ 505,856	$ 334,015
Contributions for property	772,674	610,469
Changes in net unrealized gains and losses on investments other than trading securities	-	4,707,777
Reclassification of unrealized gains on transferred securities	(18,703,583)	-
Change in actuarial loss on defined benefit pension plan	(8,910,082)	(663,026)
Amortization of actuarial loss on defined benefit pension plan	3,313,050	3,358,096
Amortization of prior service cost on defined benefit pension plan	(830,112)	(830,112)
Increase in net assets without donor restrictions	40,375,014	22,928,941
Net assets with donor restrictions:		
Change in beneficial interest in net assets of Foundations, net	(3,872)	1,458,073
Increase in St. Joseph's/Candler Health System, Inc. net assets	40,371,142	24,387,014
Net assets, beginning of year	295,227,017	270,840,003
Net assets, end of year	$ 335,598,159	$ 295,227,017
Noncontrolling interest in SJ/C Urgent Care:		
Net loss	$(111,874)	$ -
Purchase of noncontrolling interest	4,214,000	-
Contributions from partners	786,181	-
	4,888,307	-
Increase in noncontrolling interest in net assets at beginning of year	-	-
Noncontrolling interest in SJ/C Urgent Care at end of year	$ 4,888,307	$ -

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, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Increase in net assets including noncontrolling interest	$ 45,259,449	$ 24,387,014
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Change in fair value of derivative instruments	173,987	(220,167)
Beneficial interest in net assets of Foundations, net	(501,984)	(1,792,088)
Net realized and unrealized gains on investments, net of reclassification adjustment	(7,369,184)	(6,696,975)
Depreciation and amortization	24,279,158	23,867,546
Loss on disposal of property	787,874	-
Contributions/purchase of noncontrolling interest	(5,000,181)	-
Contributions for property	(772,674)	(610,469)
Changes in:		
Patient accounts receivable	(5,372,665)	5,747,746
Other receivables	(1,006,129)	(1,072,419)
Inventories	(272,298)	(1,823,435)
Prepaid expenses	(458,540)	(437,957)
Accounts payable	3,968,612	3,646,474
Accrued liabilities	4,737,784	(1,916,275)
Estimated third-party payor settlements	164,787	(497,086)
Accrued self-insurance claims	4,385,496	(567,294)
Accrued pension costs	2,365,757	(5,236,423)
Deferred compensation payable	91,102	298,603
Net cash provided by operating activities	65,460,351	37,076,795
Cash flows from investing activities:		
Purchases of property and equipment	(55,398,330)	(25,337,682)
Proceeds from sale of assets limited as to use	68,699,101	125,377,643
Purchases of assets limited as to use	(54,793,959)	(124,354,358)
Proceeds (payments) on pledged collateral for swaps	-	620,000
Purchase of SJ/C Urgent Care	(8,600,000)	-
Sales (purchases) of long-term investments, net	(552,824)	(240,153)
Net cash used by investing activities	(50,646,012)	(23,934,550)

Continued

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

COMBINED STATEMENTS OF CASH FLOWS, Continued
for the years ended June 30, 2019 and 2018

	2019	2018
Cash flows from financing activities:		
Repayment of long-term debt	$(8,149,056)	$(20,162,537)
Proceeds from issuance of long-term debt	-	11,910,270
Repayment of short-term debt	-	(9,000,000)
Proceeds from issuance of short-term debt	-	5,000,000
Contributions for property	772,674	610,469
Contributions/purchase from partners	5,000,181	-
Net cash used by financing activities	(2,376,201)	(11,641,798)
Net increase in cash and cash equivalents	12,438,138	1,500,447
Cash and cash equivalents, beginning of year	9,617,973	8,117,526
Cash and cash equivalents, end of year	$ 22,056,111	$ 9,617,973
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 7,028,054	$ 6,864,166

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 331-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 305-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.

Continued

1. Summary of Significant Accounting Policies, Continued

Organization, Continued

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.

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 system 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.

Continued

1. Summary of Significant Accounting Policies, Continued

Organization, Continued

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.

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.

Continued

1. Summary of Significant Accounting Policies, Continued

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.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the combined balance sheets. Investments without a readily determinable fair value are evaluated for the applicability of the cost or equity method. 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 gains and

1. Summary of Significant Accounting Policies, Continued

Investments, Continued

losses on investments, interest and dividends) is included in excess revenues unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from excess revenues unless the investments are trading securities. The System transferred all of its investments into the trading category effective July 1, 2018.

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, 2019 and 2018.

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. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. 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, 2019 and 2018, the System had goodwill of $56,577,257 and $48,484,352, respectively. 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 2019.

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.

Continued

1. Summary of Significant Accounting Policies, Continued

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.

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 unrealized gains and losses on investments other than trading securities, 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.

Continued

1. Summary of Significant Accounting Policies, Continued

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 50l(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.

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, 2019 and 2018 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, 2019, NOL carryforwards

Continued

1. Summary of Significant Accounting Policies, Continued

Income Taxes, Continued

expiring through 2037 amounted to approximately $92,743,000 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, 2019 and 2018.

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.

Continued

1. Summary of Significant Accounting Policies, Continued

Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This comprehensive standard provides guidance on net asset classification and required disclosures on liquidity and availability of resources, requires expanded disclosure about expense and investment returns, and eliminates the requirement to present or disclose the indirect method reconciliation if using the direct method when presenting cash flows. The standard is effective for annual periods beginning after December 15, 2017. The System has adjusted the presentation of these combined financial statements for all periods presented, except for the disclosures around liquidity and availability of resources and analysis of expenses by nature and function. Those disclosures have been presented for 2019 only, as allowed by ASU No. 2016-14.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* which is a new comprehensive revenue recognition standard. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The System adopted ASU No. 2014-09 on July 1, 2018 using the full retrospective method of transition with practical expedients in FASB ASC 606-10-65-1(f) with no significant impact. The System performed an analysis of revenue streams and transactions under ASU No. 2014-09. In particular, for net patient service revenue, the System performed an analysis into the application of the portfolio approach as a practical expedient to group patient contracts with similar characteristics, such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. Upon adoption, the majority of what was previously classified as provision for bad debts (representing approximately $35 million) for the year ended June 30, 2018 and presented as a reduction to net patient service revenue on the statements of operations and changes in net assets is now treated as a price concession that reduces the transaction price, which is reported as net patient service revenue. Changes in credit issues not assessed at the date of service, are recognized as bad debt expense and included as a component of operating expenses on the statement of operations and changes in net assets. The new standard also requires enhanced disclosures related to the disaggregation of revenue and significant judgments made in measurement and recognition. The adoption of this guidance did not materially impact total operating revenues, excess revenues (expenses), or net assets.

Continued

1. Summary of Significant Accounting Policies, Continued

Accounting Pronouncements Not Yet Adopted

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 standard is effective for annual periods beginning after December 15, 2018. The System expects to adopt the new guidance for the year ending June 30, 2020 and is continuing to evaluate the impact the guidance will have on the combined financial statements.

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. The new guidance, including subsequent amendments, is effective for the System as of July 1, 2019. The System is continuing to evaluate the impact the guidance will have on the combined financial statements, with preliminary indications suggesting that the amounts recognized under the new standard will exceed those disclosed as noncancelable leases in Note 18 due to the additional clarification of the lease definition. As of July 1, 2019, management has estimated that the recognized right-of-use assets, and related lease liability, will total approximately $20 million.

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2018 combined financial statements to conform to the fiscal year 2019 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 24, 2019, the date the combined financial statements were issued.

Continued

2. Investments

Assets Limited as to Use

The composition of assets limited as to use at June 30, 2019 and 2018 is set forth in the following table. Investments are stated at fair value and are considered trading during 2019 and other than trading during 2018. The transfer between categories was at fair value and the portion of unrealized gain excluded from excess revenues was reclassed and recognized in earnings.

	2019	2018
Held in trust under bond indenture:		
Cash and cash equivalents	$ 2,210,655	$ 3,072,749
Mutual funds – fixed income	-	25,595,554
Interest receivable	2,178	1,144
Total	2,212,833	28,669,447
Interest rate swap agreement and deferred compensation agreement:		
Cash and cash equivalents	850,000	850,000
Mutual funds – equity	4,190,522	3,999,588
Total	5,040,522	4,849,588
Board designated:		
Cash and cash equivalents	2,284,770	1,609,858
U.S. Government and agency obligations	1,991,216	2,131,340
Municipal obligations	646,368	546,646
Corporate bonds	4,343,523	3,820,887
Mortgage backed securities	2,984,902	3,154,491
Mutual funds – fixed income	45,262,625	39,539,231
Mutual funds – balanced	13,203,942	13,036,733
Mutual funds – equity	71,067,209	62,165,678
Mutual funds – international equity	36,368,131	33,284,341
Equity securities – common stock	20,105,833	17,988,771

Continued

2. Investments, Continued

Assets Limited as to Use, Continued

	2019	2018
Board designated, continued:		
Equity securities – international	$ 1,061,047	$ 1,060,408
Equity securities – preferred stock	8,885,775	6,906,315
Interest receivable	136,549	84,264
Total	208,341,890	185,328,963
Total assets limited as to use	215,595,245	218,847,998
Less amounts required for current liabilities	2,202,486	2,182,796
Total	$ 213,392,759	$ 216,665,202

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, 2019 and 2018:

	2019	2018
Income:		
Interest income and dividends	$ 7,406,974	$ 5,492,231
Realized gain on sales of securities	346,439	1,989,191
Total investment income net of investment expense	$ 7,753,413	$ 7,481,422
Unrealized gain on trading securities	$ 7,022,745	$ -
Recognized gains on transferred securities	$ 18,703,583	$ -

Continued

2. Investments, Continued

Assets Limited as to Use, Continued

The following table outlines fair value and gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at June 30, 2018. During 2019, the System changed its accounting policy to treat all investments as trading.

	June 30, 2018					
	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government and Agency obligations	$ 367,063	$(10,952)	$ 1,045,053	$(25,035)	$ 1,412,116	$(35,987)
Municipal obligations	88,092	(1,374)	337,563	(18,607)	425,655	(19,981)
Corporate bonds	1,196,813	(53,328)	1,903,079	(457,306)	3,099,892	(510,634)
Mortgage backed securities	78,280	(1,955)	753,550	(35,692)	831,830	(37,647)
Mutual funds – fixed income	-	-	37,697,834	(2,479,624)	37,697,834	(2,479,624)
Mutual funds – balanced	-	-	9,000,393	(4,358,045)	9,000,393	(4,358,045)
Mutual funds – equity	-	-	889,287	(11,307)	889,287	(11,307)
Mutual funds – international equity	-	-	3,895,509	(478,244)	3,895,509	(478,244)
Equity securities - common stock	766,343	(167,444)	305,141	(115,625)	1,071,484	(283,069)
Equity securities – international	452,370	(34,988)	-	-	452,370	(34,988)
Total	$ 2,948,961	$(270,041)	$ 55,827,409	$(7,979,485)	$ 58,776,370	$(8,249,526)

- *U.S. Government and agency obligations, Municipal obligations, Mortgage backed securities, and Corporate bonds:* The unrealized losses on these investments were primarily caused by interest rate increases. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost or face value of the obligations. Because the System has the ability and intent to hold these investments until a market price recovery or maturity, these investments are not considered other-than-temporarily impaired.

- *Mutual funds and Equity securities:* For all of these securities with an unrealized loss, such unrealized loss in total was approximately 14% in 2018 of the System's carrying value of the securities in a loss position. The System considers various factors when determining if a decline in the fair value of an equity is other-than-temporary including,

Continued

2. Investments, Continued

Assets Limited as to Use, Continued

- *Mutual funds and Equity securities, continued:* but not limited to, the length of time and magnitude of the unrealized loss; the volatility of the investment; analyst recommendations and price targets; opinions of the System's external investment managers; market liquidity; and the System's intentions to sell or ability to hold the investments. Based on an evaluation of these factors, the System has concluded that the declines in fair values of the System's mutual funds and equity investments at June 30, 2018 are temporary.

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, 2019 and 2018 follows:

	2019	2018
Land	$ 15,719,931	$ 14,438,661
Land improvements	9,482,088	8,764,177
Building and fixed equipment	350,911,668	318,534,770
Major movable equipment	319,434,261	300,757,419
	695,547,948	642,495,027
Less accumulated depreciation	476,038,228	452,279,677
	219,509,720	190,215,350
Construction in progress	7,067,970	9,191,955
Property and equipment, net	$ 226,577,690	$ 199,407,305

Depreciation expense for the years ended June 30, 2019 and 2018 amounted to approximately $24,022,000 and $23,498,000, respectively.

Contracts exist for construction of an offsite outpatient cancer center campus of CH. At June 30, 2019, the remaining commitment on these contracts approximated $16 million.

Continued

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.

The changes in the carrying amount of goodwill for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Balance at beginning of year:		
Goodwill	$ 60,142,497	$ 60,260,816
Accumulated impairment losses	(11,658,145)	(11,658,145)
	48,484,352	48,602,671
Goodwill acquired during the year	8,092,905	-
Goodwill disposal	-	(118,319)
Balance at end of the year:		
Goodwill	68,235,402	60,142,497
Accumulated impairment losses	(11,658,145)	(11,658,145)
Balance at end of the year	$ 56,577,257	$ 48,484,352

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 financial statements from that date forward. The operating agreement was made for the purpose of acquiring and operating a portfolio of urgent care centers.

Continued

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

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 Organization

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 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 non-current asset in the combined balance sheets.

Continued

6. Related Organization, Continued

Candler Foundation, Inc.

	2019	2018
Assets:		
Cash	$ 21,966	$ 231,176
Investments	9,059,085	8,289,049
Other assets	750,821	861,952
Total assets	$ 9,831,872	$ 9,382,177
Liabilities:		
Accounts payable and accrued expenses	$ 1,278	$ 8,342
Due to related parties	130,267	22,351
Total liabilities	131,545	30,693
Net assets:		
Without donor restrictions	1,672,122	1,289,982
With donor restrictions:		
Purpose restrictions	7,093,205	7,126,502
Perpetual in nature	935,000	935,000
Total net assets	9,700,327	9,351,484
Total liabilities and net assets	$ 9,831,872	$ 9,382,177
Revenue and support	$ 3,097,727	$ 2,742,148
Expenses	1,881,940	1,226,333
Excess revenue	1,215,787	1,515,815
Other changes in net assets	(866,944)	(1,380)
Net assets, beginning of year	9,351,484	7,837,049
Net assets, end of year	$ 9,700,327	$ 9,351,484

Continued

6. Related Organization, Continued

St. Joseph Foundation of Savannah, Inc.

	2019	2018
Assets:		
Cash	$ 35,954	$ 12,773
Investments	2,034,776	1,959,309
Other assets	232,120	231,176
Total assets	$ 2,302,850	$ 2,203,258
Liabilities:		
Accounts payable and accrued expenses	$ 2,072	$ 3,164
Due to related parties	-	52,456
Total liabilities	2,072	55,620
Net assets:		
Without donor restrictions	777,793	654,078
With donor restrictions:		
Purpose restrictions	1,422,985	1,393,560
Perpetual in nature	100,000	100,000
Total net assets	2,300,778	2,147,638
Total liabilities and net assets	$ 2,302,850	$ 2,203,258
Revenue and support	$ 1,219,421	$ 1,197,044
Expenses	774,570	997,840
Excess revenue	444,851	199,204
Other changes in net assets	(291,711)	78,450
Net assets, beginning of year	2,147,638	1,869,984
Net assets, end of year	$ 2,300,778	$ 2,147,638

Continued

7. Long-Term Debt

The Hospital Authority of Savannah (Authority) issued three series of bonds pursuant to a Bond Trust Indenture dated September 1, 1998, by and between the Authority and the bond trustee, Wachovia Bank, N.A. (formerly known as First Union National Bank). The series are as follows: $38,875,000 principal amount Series A (St. Joseph's Hospital), $75,585,000 principal amount Series B (Candler Hospital), and $25,000,000 principal amount Series C (Taxable) (SJC Properties). The Authority simultaneously entered into a Loan Agreement dated September 1, 1998 by and between the Authority and the System, CH and SJH (Obligated Group). The Obligated Group has used the proceeds (1) to refund the Authority's Revenue Refunding and Improvement Bonds (Candler Hospital) Series 1992 and the Authority's Revenue Bonds (St. Joseph's Hospital Project) Series 1993; (2) to finance the acquisition of equipment and certain existing office buildings and a parking deck, routine capital expenditures for CH and SJH for a 24-month period, and other capital projects; and (3) to pay costs of issuance of the Series 1998 bonds. Series A and B were paid off with the issuance of the 2010 and 2011 Revenue Bonds. In November 2013, Series C was refunded with the issuance of the 2013 Series B Revenue Bonds.

The Authority issued a $45,000,000 principal bond Series 2003 pursuant to a Bond Trust Indenture dated December 1, 2003, by and between the Authority and the bond trustee, Wachovia Bank, N.A. (formerly known as First Union National Bank). The Authority simultaneously entered into a Loan Agreement dated December 1, 2003 by and between the Authority and the Obligated Group. The Obligated Group has used the proceeds (1) to finance the construction of a parking deck and the costs of routine capital expenditures for CH and SJH for a 24-month period, and other capital projects; (2) to pay costs of issuance of the Series 2003 bonds; and (3) to fund the Debt Service Reserve Fund in an amount equal to the reserve requirement. In November 2013, Series 2003 was refunded with the issuance of the 2013 Series A Revenue Bonds.

The Authority issued a $27,640,000 principal bond Series 2010 pursuant to a Bond Trust Indenture dated December 1, 2010, by and between the Authority and the bond trustee, Regions Bank. The Authority simultaneously entered into a Loan Agreement dated December 1, 2010 by and between the Authority and the System. The System has used the proceeds to pay the costs of current refunding of certain outstanding maturities of the Series 1998A and 1998B Revenue Bonds. In November 2013, the Series 2013D Master Note was issued to satisfy, discharge, and replace Series 2010. In July 2016, the Series 2013D Master Note was satisfied and discharged.

The Authority issued a $31,505,000 principal bond Series 2011-1 pursuant to a Bond Trust Indenture dated December 1, 2011, by and between the Authority and the bond trustee, Regions Bank. The Authority simultaneously entered into a Loan Agreement dated

Continued

7. Long-Term Debt, Continued

December 1, 2011 by and between the Authority and the System. In November 2013, the Series 2013E Master Note was issued to satisfy, discharge, and replace Series 2011-1. In July 2016, the Series 2013E Master Note was refunded with the issuance of the Series 2016A Revenue Bonds.

The Authority issued a $16,000,000 principal bond Series 2011-2 pursuant to a Bond Trust Indenture dated December 1, 2011, by and between the Authority and the bond trustee, TD Bank, N.A. The Authority simultaneously entered into a Loan Agreement dated December 1, 2011 by and between the Authority and the System. In November 2013, the Series 2013F Master Note was issued to satisfy, discharge, and replace Series 2011-2. In July 2016, the Series 2013F Master Note was refunded with the issuance of the Series 2016A Revenue Bonds.

Proceeds from the 2011 Revenue Bonds have been used to pay the costs of current refunding of all remaining outstanding maturities of the Authority's outstanding Series 1998A and Series 1998B Revenue Bonds.

CH incurred a $31,500,000 taxable term loan pursuant to a Loan Agreement dated December 1, 2011 by and between CH and Regions Bank. In November 2013, the Series 2013G Master Note was issued to satisfy, discharge, and replace this taxable term loan. In July 2016, the Series 2013G Master Note was refunded with the issuance of the Series 2016B Master Note.

CH incurred a $16,000,000 taxable term loan pursuant to a Loan Agreement dated December 1, 2011 by and between CH and TD Bank, N.A. In November 2013, the Series 2013H Master Note was issued to satisfy, discharge, and replace this taxable term loan. In July 2016, the Series 2013H Master Note was refunded with the issuance of the Series 2016B Master Note.

The 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. 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 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.

Continued

7. Long-Term Debt, Continued

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.

CH incurred a $36,000,000 Master Note Series 2016B pursuant to a credit agreement dated July 28, 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.

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.

Continued

7. Long-Term Debt, Continued

A summary of long-term debt at June 30, 2019 and 2018 follows:

	2019	2018
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	$ 75,245,371
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
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	1,537,437	1,665,555
Total	77,747,437	77,875,555
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	11,990,400

Continued

7. Long-Term Debt, Continued

	2019	2018
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	$ 22,741,289
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	2,066,141
	181,128,226	189,918,756
Less unamortized debt issue costs	1,512,341	1,769,019
	179,615,885	188,149,737
Less current maturities	8,374,374	8,431,742
Total long-term debt	$ 171,241,511	$ 179,717,995

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, 2019 and 2018, the System recognized approximately $292,000 and $52,000, 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 for the next five years are as follows:

Year Ending June 30	Amount
2020	$ 8,246,265
2021	7,713,123
2022	7,912,768
2023	8,082,008
2024	1,154,532
Thereafter	146,482,093
Total	$ 179,590,789

Subsequent to June 30, 2019, the System entered into an arrangement to begin the refunding of certain outstanding long-term debt and provide capital financing of new and existing projects with an issuance in 2019. The objectives of the debt restructure include:

- Reimbursement of certain fiscal year 2019 expenditures as well as future projects including a mini-cancer center in South Carolina, hospital campus renovations, and various additional projects to enhance the delivery of patient care

- Refund the 2016A and 2017 Series to re-amortize the balloon payments associated with the debt as well as refund the 2016B Series

- Strengthen balance sheet metrics by providing reduced debt service payments in the upcoming years by taking advantage of current low interest rates and,

- Provide a modernization of the Master Trust Indenture.

The issuance is expected in the final quarter of calendar year 2019, with a par amount of approximately $169 million and a premium of $13 million, with approximately $100 million earmarked for refunding of the 2016A, 2016B, and 2017 Series.

Continued

8. Short-Term Debt

A schedule of changes in the System's short-term debt at June 30, 2019 and 2018 follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Line-of-credit:				
Regions Bank	$ -	$ -	$ -	$ -

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Line-of-credit:				
Regions Bank	$ 4,000,000	$ 5,000,000	$(9,000,000)	$ -

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 terms of the System's line-of-credit during 2019 follows:

- Regions Bank – $15,000,000 line-of-credit with a maturity date of September 21, 2019. 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 20, 2020.

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. The critical terms of the swaps are as follows:

1998A and 1998B Swap Agreement – Variable to Fixed

	June 30, 2019	June 30, 2018
Notional amount	$ 35,485,000	$ 41,635,000
Fair market swap	$(334,000)	$ 352,000
Life remaining on swap	4 Years	5 Years

Continued

9. Derivative Financial Instruments, Continued

1998C and 2003 Swap Agreement – Variable to Variable

	June 30, 2019	June 30, 2018
Notional amount	$ 30,685,000	$ 34,255,000
Fair market swap	$ 775,000	$ 262,000
Life remaining on swap	14 Years	15 Years

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 LIBOR, resulted in reporting a net asset in 2019 and 2018.

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, 2019 and 2018, this earnings impact totaled $(173,987) and $220,167, 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 $850,000 of the counterparty's assets at June 30, 2019 and 2018, 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.

10. Net Assets with Donor Restrictions

A summary of the net assets with donor restrictions at June 30, 2019 and 2018 follows:

	2019	2018
Net assets with donor restrictions that are subject to expenditure for a specified purpose:		
Candler Foundation, Inc.	$ 7,093,205	$ 7,126,502
St. Joseph's Foundation of Savannah, Inc.	1,422,985	1,393,560
Total	$ 8,516,190	$ 8,520,062

Continued

10. Net Assets with Donor Restrictions, Continued

	2019	2018
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 patients receiving inpatient acute care 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.

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.

Continued

11. Patient Service Revenue, Continued

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 2015 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.

Continued

11. Patient Service Revenue, Continued

- Medicaid, Continued

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 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 $6,737,000 and $6,247,000 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, 2019 and 2018, 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.

Continued

11. Patient Service Revenue, Continued

- 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 (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 2019 or 2018.

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, 2019 and 2018. 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, 2019 and 2018 was not significant.

Continued

11. Patient Service Revenue, Continued

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, 2019 and 2018 is as follows:

	Net Patient Service Revenue				
	Medicare	Medicaid	Third-Party Payors	Self-Pay	Total All Payors
2019	$ 260,702,796	$ 32,112,061	$ 316,860,844	$(14,333,008)	$ 595,342,693
2018	$ 225,840,953	$ 21,102,019	$ 259,292,187	$ 9,195,462	$ 515,430,621

	Net Patient Service Revenue	
	2019	2018
Candler Hospital	$ 315,260,214	$ 272,399,046
St. Joseph's Hospital	245,091,798	214,224,175
SJC Home Health	8,546,366	9,084,159
SJC Medical Group	18,094,115	16,904,153
SJC Health Services	5,007,293	-
Georgia Infirmary	3,342,907	2,819,088
Timing of revenue and recognition:		
Services transferred over time	$ 595,342,693	$ 515,430,621

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 $155,000,000 and $142,000,000 for 2019 and 2018, respectively. The cost of charity and indigent services provided during 2019 and 2018 was approximately $37,000,000 and $55,200,000, 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 2019 and 2018.

	2019	2018
Gross patient charges	$ 2,708,919,865	$ 2,336,936,231
Uncompensated services:		
Charity and indigent care	154,911,135	141,774,209
Medicare	1,134,465,293	972,011,104
Medicaid	183,489,554	155,153,785
Other third-party payors	607,960,193	517,884,449
Price concessions	32,750,997	34,682,063
Total uncompensated care	2,113,577,172	1,821,505,610
Net patient service revenue	$ 595,342,693	$ 515,430,621

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.

13. Pension Plans, Continued

The following table sets forth the Plan's funded status and amounts recognized in the combined financial statements at June 30, 2019 and 2018:

	2019	2018
Plan assets at fair value as of June 30	$ 95,009,214	$ 89,360,520
Projected benefit obligation as of June 30	123,421,302	115,406,851
Funded status	$(28,412,088)	$(26,046,331)
Amounts recognized only in net assets without donor restrictions:		
Unrecognized net loss from past experience different from that assumed	$(61,167,653)	$(55,570,622)
Prior service cost not yet recognized in net periodic pension cost	3,461,576	4,291,688
Deferred pension cost	$(57,706,077)	$(51,278,934)

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, 2019 and 2018, were as follows:

	2019	2018
Discount rate	Segment Rates of 1.89%, 3.66% and 4.46%	Segment Rates of 1.62%, 3.80% and 4.75%
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.

Continued

13. Pension Plans, Continued

The actuarially computed net periodic pension cost for the Plan for the years ended June 30, 2019 and 2018 included the following components:

	2019	2018
Interest cost on projected benefit obligation	$ 4,547,885	$ 4,693,555
Expected return on plan assets	(7,092,210)	(6,593,004)
Amortization of actuarial loss	3,313,050	3,358,096
Amortization of prior service cost	(830,112)	(830,112)
Net periodic pension cost	(61,387)	628,535
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:		
Change in net actuarial loss	8,910,082	663,026
Amortization of net actuarial loss	(3,313,050)	(3,358,096)
Amortization of prior service cost	830,112	830,112
Total recognized in net assets without donor restrictions	6,427,144	(1,864,958)
Total recognized in net periodic pension cost and net assets without donor restrictions	$ 6,365,757	$(1,236,423)

The change in projected benefit obligation for the Plan for the years ended June 30, 2019 and 2018 included the following components:

	2019	2018
Projected benefit obligation, beginning of year	$ 115,406,851	$ 114,127,752
Interest cost	4,547,885	4,693,555
Actuarial loss	9,111,915	2,001,347
Benefits paid	(5,645,349)	(5,415,803)
Projected benefit obligation, end of year	$ 123,421,302	$ 115,406,851
Accumulated benefit obligation	$ 123,421,302	$ 115,406,851

Continued

13. Pension Plans, Continued

The change in plan assets for the Plan for the years ended June 30, 2019 and 2018 included the following components:

	2019	2018
Plan assets at fair value, beginning of year	$ 89,360,520	$ 82,844,998
Actual return on assets	7,294,043	7,931,325
Employer contributions	4,000,000	4,000,000
Benefits paid	(5,645,349)	(5,415,803)
Plan assets at fair value, end of year	$ 95,009,214	$ 89,360,520

The actuarial loss and prior service cost to be recognized during the next 12 months beginning July 1, 2019 is as follows:

Recognized net actuarial loss (approximately)	$ 3,500,000
Amortization of prior year service costs – SJC	(830,112)
Total	$ 2,669,888

Estimated Contributions

The System plans to contribute approximately $4,000,000 to this plan during fiscal year 2020.

Estimated Future Benefit Payments

The following benefit payments are expected to be paid:

Year Ending June 30	Pension Benefits
2020	$ 6,282,242
2021	$ 6,498,183
2022	$ 6,583,602
2023	$ 6,631,499
2024	$ 6,769,618
2025 – 2029	$ 35,103,857

The expected benefits to be paid are based on the same assumptions used to measure the System's benefit obligation at June 30, 2019.

Continued

13. Pension Plans, Continued

Plan Assets

The composition of plan assets at June 30, 2019 and 2018 is as follows:

	2019		2018	
	Amount	Percentage	Amount	Percentage
Cash and cash equivalents	$ 1,982,969	2%	$ 3,348,811	4%
Mutual funds – fixed income	11,282,779	12%	10,778,948	12%
Mutual funds – balanced	5,744,896	6%	7,951,659	9%
Mutual funds – equity	27,249,860	29%	22,619,900	25%
Mutual funds – international equity	20,767,429	22%	19,470,024	22%
Equity securities	27,981,281	29%	25,191,178	28%
Total plan assets, at fair value	$ 95,009,214	100%	$ 89,360,520	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 68% equity, 29% 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, 2019 and 2018, by asset category are as follows:

	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	$ -	$ -

	Fair Value Measurements at June 30, 2018			
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	$ 3,348,811	$ 3,348,811	$ -	$ -
Mutual funds – fixed income	10,778,948	10,778,948	-	-
Mutual funds – balanced	7,951,659	7,951,659	-	-
Mutual funds – equity	22,619,900	22,619,900	-	-
Mutual funds – international equity	19,470,024	19,470,024	-	-
Equity securities	25,191,178	25,191,178	-	-
Total	$ 89,360,520	$ 89,360,520	$ -	$ -

Continued

13. Pension Plans, Continued

Plan Assets, Continued

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, 2019 and 2018 totaled approximately $3,500,000 and $3,400,000, respectively. Discretionary contribution expense for the years ended June 30, 2019 and 2018 totaled approximately $5,060,000 and $2,463,000, respectively.

The System maintains an unfunded Supplemental Executive Retirement Plan (SERP), which provides retirement benefits to certain officers and select employees. This plan is non-qualified 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, 2019, 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, 2019 and 2018, and in management's opinion, provide an adequate reserve for loss contingencies. The estimate of these potential claims is approximately $23,000,000 and $19,000,000 at June 30, 2019 and 2018, respectfully, 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, 2019.

Continued

14. Self-Insurance Claims, Continued

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, 2019.

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 $19,370,000 and $18,400,000 during the fiscal years ended June 30, 2019 and 2018, respectively.

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, 2019 and 2018 was as follows:

	2019	2018
Medicare	32%	34%
Medicaid	6%	7%
Managed care	35%	31%
Commercial and other	17%	14%
Patients	10%	14%
Total	100%	100%

At June 30, 2019, 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.

Continued

16. Functional Expenses

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

	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

For 2018, the System incurred expenses of $430,842,996 and $124,963,790 for health care services and general and administrative services, respectively.

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.

Continued

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, short-term debt, and estimated third-party payor settlements:* 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.

- *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, 2019 and 2018 are as follows:

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 181,128,226	$ 190,236,809	$ 189,918,756	$ 195,516,906

Continued

17. Fair Values of Financial Instruments

Fair values of assets measured on a recurring basis at June 30, 2019 and 2018 are as follows:

		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	$ -

		Fair Value Measurements at June 30, 2018		
	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	$ 5,618,015	$ 3,349,811	$ 2,268,204	$ -
U.S. Government and Agency obligations	2,131,340	635,712	1,495,628	-
Municipal obligations	546,646	-	546,646	-
Corporate bonds	3,820,887	-	3,820,887	-
Mortgage backed securities	3,154,491	-	3,154,491	-
Mutual funds – fixed income	65,134,785	64,077,152	1,057,633	-
Mutual funds – balanced	13,036,733	13,036,733	-	-
Mutual funds – equity	66,165,266	62,165,678	3,999,588	-
Mutual funds – international equity	33,284,341	33,284,341	-	-
Equity securities – common stock	17,988,771	17,988,771	-	-
Equity securities – international	1,060,408	1,060,408	-	-
Equity securities – preferred stock	6,906,315	6,906,315	-	-
Derivatives	614,553	-	614,553	-
Total assets	$ 219,462,551	$ 202,504,921	$ 16,957,630	$ -

Continued

17. Fair Values of Financial Instruments, Continued

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, 2019 and 2018.

- *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.

- *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.

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.

Continued

18. Commitments and Contingencies

The System leases buildings and equipment under lease agreements which do not meet the criteria for capitalization. Total rental expense under such leases with nonaffiliates was approximately $5,300,000 and $5,000,000 for the years ended June 30, 2019 and 2018, respectively. Minimum future rentals on existing noncancelable leases for building and equipment from nonaffiliates as of June 30, 2019 are estimated to be as follows:

Year Ending June 30	Amount
2020	$ 4,865,000
2021	2,995,000
2022	1,050,000
2023	787,000
2024	383,000
Thereafter	134,000
Total	$ 10,214,000

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, 2019, the System has working capital of approximately $64,821,000.

Financial assets available for general expenditures within one year of the balance sheet date consist of the following at June 30, 2019:

Cash and cash equivalents	$ 22,056,111
Patient accounts receivable, net	75,504,344
Other receivables	13,126,744
Estimated third-party payor settlements	2,990,703
Assets limited as to use – board designated	208,341,890
Total financial assets available	$ 322,019,792

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. However, certain board designated funds could be made available, if necessary. 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.

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, 2019 and 2018, and our report thereon dated October 24, 2019, 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 58 through 77, 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 24, 2019

Let's Think Together.

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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
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
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
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
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
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
Goodwill on long-term investments	-	48,323,352	-	-	161,000
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
Total assets	$ 591,304,698	$ 204,769,397	$ 176,169,988	$ 603,394	$ 17,951,912

SJC Properties	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
$ -	$ 267,341	$ 470,289	$ 2,406,641	$ -	$ 22,056,111	$ -	$ 22,056,111
-	-	-	-	-	2,202,486	-	2,202,486
-	1,250,393	446,163	-	-	75,504,344	-	75,504,344
28,760	1,272,731	28,006	-	-	13,126,744	-	13,126,744
-	-	-	-	-	19,186,991	(19,186,991)	-
-	735,172	-	-	-	15,543,594	-	15,543,594
19,023	24,281	-	-	-	6,341,473	-	6,341,473
-	-	-	-	-	2,990,703	-	2,990,703
47,783	3,549,918	944,458	2,406,641	-	156,952,446	(19,186,991)	137,765,455
-	-	-	-	-	10,347	-	10,347
-	-	-	-	-	5,040,522	-	5,040,522
-	-	1,146,785	46,554,431	-	208,341,890	-	208,341,890
-	-	1,146,785	46,554,431	-	213,392,759	-	213,392,759
4,929,714	718,330	3,248,520	-	-	226,577,690	-	226,577,690
-	-	-	-	-	440,566	-	440,566
-	-	-	-	-	393,888,815	(393,888,815)	-
200	1,348	-	-	-	2,609,784	-	2,609,784
-	8,092,905	-	-	-	56,577,257	-	56,577,257
-	-	-	-	-	12,001,105	-	12,001,105
200	8,094,253	-	-	-	465,076,961	(393,888,815)	71,188,146
$ 4,977,697	$ 12,362,501	$ 5,339,763	$ 48,961,072	$ -	$ 1,062,440,422	$(413,075,806)	$ 649,364,616

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
Liabilities and Net Assets					
Current liabilities:					
Current maturities of long-term debt	$ 8,374,374	$ -	$ -	$ -	$ -
Accounts payable	4,432,908	14,134,848	12,473,987	157,364	710,818
Accrued employee related expenses	15,373,561	4,555,491	3,507,156	334,062	556,065
Other accrued expenses	3,836,034	1,704,675	1,012,468	-	645,019
Due to affiliates	19,134,110	-	-	-	-
Total current liabilities	51,150,987	20,395,014	16,993,611	491,426	1,911,902
Long-term debt, excluding current maturities	171,241,511	-	-	-	-
Accrued self-insurance claims	2,294,539	-	-	-	-
Accrued pension cost	28,412,088	-	-	-	-
Deferred compensation payable	-	793,275	3,397,247	-	6,027,524
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
Net assets:					
St. Joseph's/Candler Health System, Inc. net assets:					
Common stock	-	-	-	-	500
Without donor restrictions – undesignated	337,355,573	175,552,903	154,256,145	111,968	10,011,986
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
Noncontrolling interest in SJ/C Urgent Care	-	-	-	-	-
Total net assets	337,355,573	183,581,108	155,779,130	111,968	10,012,486
Total liabilities and net assets	$ 591,304,698	$ 204,769,397	$ 176,169,988	$ 603,394	$ 17,951,912

SJC Properties	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
$ -	$ -	$ -	$ -	$ -	$ 8,374,374	$ -	$ 8,374,374
35,495	200,353	135,059	102,522	-	32,383,354	-	32,383,354
5,675	237,578	117,201	-	-	24,686,789	-	24,686,789
34,175	189,037	-	78,453	-	7,499,861	-	7,499,861
-	-	-	52,881	-	19,186,991	(19,186,991)	-
75,345	626,968	252,260	233,856	-	92,131,369	(19,186,991)	72,944,378
-	-	-	-	-	171,241,511	-	171,241,511
-	-	-	22,917,588	-	25,212,127	-	25,212,127
-	-	-	-	-	28,412,088	-	28,412,088
-	-	-	-	-	10,218,046	-	10,218,046
-	-	-	-	-	850,000	-	850,000
75,345	626,968	252,260	23,151,444	-	328,065,141	(19,186,991)	308,878,150
500	165,000	-	120,000	-	286,000	(286,000)	-
4,901,852	6,682,226	5,087,503	25,689,628	-	719,649,784	(393,602,815)	326,046,969
-	-	-	-	-	8,516,190	-	8,516,190
-	-	-	-	-	1,035,000	-	1,035,000
4,902,352	6,847,226	5,087,503	25,809,628	-	729,486,974	(393,888,815)	335,598,159
-	4,888,307	-	-	-	4,888,307	-	4,888,307
4,902,352	11,735,533	5,087,503	25,809,628	-	734,375,281	(393,888,815)	340,486,466
$ 4,977,697	$ 12,362,501	$ 5,339,763	$ 48,961,072	$ -	$ 1,062,440,422	$(413,075,806)	$ 649,364,616

See accompanying independent auditor's report on combining information.

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

COMBINING BALANCE SHEETS
June 30, 2018

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
Assets					
Current assets:					
Cash and cash equivalents	$ 5,763,092	$ 98,607	$ 104,964	$ 102,359	$ 136,563
Assets limited as to use required for current liabilities	2,182,796	-	-	-	-
Patient accounts receivable, net	-	37,791,897	29,873,049	427,408	1,752,152
Other receivables	3,436,180	3,807,548	3,931,729	-	178,980
Due from affiliates	-	-	24,732,166	-	-
Inventories	12,062	6,473,018	7,983,000	-	-
Prepaid expenses	4,021,038	1,094,982	543,285	29,223	187,557
Estimated third-party payor settlements	-	1,736,849	1,379,351	-	39,290
Total current assets	15,415,168	51,002,901	68,547,544	558,990	2,294,542
Assets limited as to use:					
Held in trust under bond indenture	26,486,651	-	-	-	-
Restricted under interest rate swap and deferred compensation agreements	850,000	739,792	3,259,796	-	-
Board designated	133,115,831	-	-	-	8,031,711
Total assets limited as to use	160,452,482	739,792	3,259,796	-	8,031,711
Property and equipment, net	23,907,835	73,141,516	87,259,241	143,964	6,007,295
Derivative financial instruments	262,416	231,765	120,372	-	-
Other assets:					
Investments in affiliates	333,402,119	-	-	-	-
Long-term investments	-	1,974,188	51,668	6,510	23,040
Goodwill on long-term investments	-	48,323,352	-	-	161,000
Beneficial interest in net assets of Foundations	-	9,351,484	2,147,637	-	-
Total other assets	333,402,119	59,649,024	2,199,305	6,510	184,040
Total assets	$ 533,440,020	$ 184,764,998	$ 161,386,258	$ 709,464	$ 16,517,588

SJC Properties	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
$ -	$ 203	$ 403,807	$ 3,008,378	$ -	$ 9,617,973	$ -	$ 9,617,973
-	-	-	-	-	2,182,796	-	2,182,796
-	-	287,171	-	-	70,131,677	-	70,131,677
27,911	716,120	22,148	-	-	12,120,616	-	12,120,616
-	-	-	-	-	24,732,166	(24,732,166)	-
-	803,217	-	-	-	15,271,297	-	15,271,297
6,847	-	-	-	-	5,882,932	-	5,882,932
-	-	-	-	-	3,155,490	-	3,155,490
34,758	1,519,540	713,126	3,008,378	-	143,094,947	(24,732,166)	118,362,781
-	-	-	-	-	26,486,651	-	26,486,651
-	-	-	-	-	4,849,588	-	4,849,588
-	-	1,080,254	43,101,167	-	185,328,963	-	185,328,963
-	-	1,080,254	43,101,167	-	216,665,202	-	216,665,202
4,605,652	139,834	3,273,495	-	928,473	199,407,305	-	199,407,305
-	-	-	-	-	614,553	-	614,553
-	-	-	-	-	333,402,119	(333,402,119)	-
200	1,348	-	-	-	2,056,954	-	2,056,954
-	-	-	-	-	48,484,352	-	48,484,352
-	-	-	-	-	11,499,121	-	11,499,121
200	1,348	-	-	-	395,442,546	(333,402,119)	62,040,427
$ 4,640,610	$ 1,660,722	$ 5,066,875	$ 46,109,545	$ 928,473	$ 955,224,553	$(358,134,285)	$ 597,090,268

Continued

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

COMBINING BALANCE SHEETS, Continued
June 30, 2018

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
Liabilities and Net Assets					
Current liabilities:					
Current maturities of long-term debt	$ 8,431,742	$ -	$ -	$ -	$ -
Accounts payable	5,309,729	11,197,982	10,145,842	306,329	941,929
Accrued employee related expenses	11,029,801	4,221,002	3,168,704	329,752	428,503
Other accrued expenses	4,385,481	1,842,051	1,087,001	-	585,920
Due to affiliates	66,036	24,253,768	-	-	-
Total current liabilities	29,222,789	41,514,803	14,401,547	636,081	1,956,352
Long-term debt, excluding current maturities	179,717,995	-	-	-	-
Accrued self-insurance claims	1,605,144	-	-	-	-
Accrued pension cost	26,046,331	-	-	-	-
Deferred compensation payable	-	739,792	3,259,796	-	6,127,356
Collateral held under interest rate swap agreement	850,000	-	-	-	-
Total liabilities	237,442,259	42,254,595	17,661,343	636,081	8,083,708
Net assets:					
St. Joseph's/Candler Health System, Inc. net assets:					
Common stock	-	-	-	-	500
Without donor restrictions – undesignated	295,997,761	134,448,901	142,231,355	73,383	8,433,380
With donor restrictions:					
Purpose restrictions	-	7,126,502	1,393,560	-	-
Perpetual in nature	-	935,000	100,000	-	-
Total St. Joseph's/Candler Health System, Inc. net assets	295,997,761	142,510,403	143,724,915	73,383	8,433,880
Noncontrolling interest in SJ/C Urgent Care	-	-	-	-	-
Total net assets	295,997,761	142,510,403	143,724,915	73,383	8,433,880
Total liabilities and net assets	$ 533,440,020	$ 184,764,998	$ 161,386,258	$ 709,464	$ 16,517,588

SJC Properties	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
$ -	$ -	$ -	$ -	$ -	$ 8,431,742	$ -	$ 8,431,742
32,569	199,998	128,907	99,598	51,859	28,414,742	-	28,414,742
2,909	45,812	98,594	-	67,627	19,392,704	-	19,392,704
39,011	16,283	-	65,327	35,088	8,056,162	-	8,056,162
-	-	-	412,362	-	24,732,166	(24,732,166)	-
74,489	262,093	227,501	577,287	154,574	89,027,516	(24,732,166)	64,295,350
-	-	-	-	-	179,717,995	-	179,717,995
-	-	-	19,221,487	-	20,826,631	-	20,826,631
-	-	-	-	-	26,046,331	-	26,046,331
-	-	-	-	-	10,126,944	-	10,126,944
-	-	-	-	-	850,000	-	850,000
74,489	262,093	227,501	19,798,774	154,574	326,595,417	(24,732,166)	301,863,251
500	165,000	-	120,000	-	286,000	(286,000)	-
4,565,621	1,233,629	4,839,374	26,190,771	773,899	618,788,074	(333,116,119)	285,671,955
-	-	-	-		8,520,062	-	8,520,062
-	-	-	-	-	1,035,000	-	1,035,000
4,566,121	1,398,629	4,839,374	26,310,771	773,899	628,629,136	(333,402,119)	295,227,017
-	-	-	-	-	-	-	-
4,566,121	1,398,629	4,839,374	26,310,771	773,899	628,629,136	(333,402,119)	295,227,017
$ 4,640,610	$ 1,660,722	$ 5,066,875	$ 46,109,545	$ 928,473	$ 955,224,553	$(358,134,285)	$ 597,090,268

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
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
Total revenues, gains and other support	-	354,002,137	259,149,976	8,546,366	19,187,346
Expenses:					
Salaries and wages	-	110,080,154	87,943,012	6,324,746	13,807,375
Employee benefits	-	23,766,273	18,590,533	1,017,079	2,225,040
Physician and professional fees	-	28,122,728	17,413,697	24,598	4,006,372
Materials and supplies	-	90,200,921	86,044,624	299,543	2,140,884
Purchased services	-	27,505,946	11,894,296	13,696	787,968
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
Other	-	20,676,367	14,344,962	959,843	2,893,043
Total expenses	-	320,090,287	251,081,291	8,728,778	26,703,982
Income (loss) from operations	-	33,911,850	8,068,685	(182,412)	(7,516,636)
Nonoperating income (loss):					
Investment income	-	3,576,923	1,908,790	-	400,329
Unrealized gain on trading securities	-	2,985,279	2,161,746	-	236,165
Recognized gains on transferred securities	-	7,367,005	5,334,736	-	476,148
Change 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 gains (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)
Net loss attributable to noncontrolling interest in SJ/C Urgent Care	-	-	-	-	-
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)

SJC Properties	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
$ -	$ 5,007,293	$ 3,342,907	$ -	$ -	$ 595,342,693	$ -	$ 595,342,693
1,596,000	5,247,039	316,077	4,400,472	-	65,452,920	(9,460,433)	55,992,487
1,596,000	10,254,332	3,658,984	4,400,472	-	660,795,613	(9,460,433)	651,335,180
141,097	2,541,938	1,867,683	-	418,578	223,124,583	-	223,124,583
12,858	383,216	435,062	-	83,697	46,513,758	-	46,513,758
19,950	168,610	381,438	138,951	213,771	50,490,115	-	50,490,115
3,409	4,742,398	130,934	-	1,996	183,564,709	-	183,564,709
63,654	168,549	46,965	-	6,373	40,487,447	(3,977,902)	36,509,545
-	32,983	-	8,213,914	-	14,137,473	(4,400,472)	9,737,001
-	-	-	-	-	5,936,852	-	5,936,852
290,787	32,823	169,314	-	93,024	24,279,158	-	24,279,158
865,083	568,938	353,640	2,385	64,394	40,728,655	(1,082,059)	39,646,596
1,396,838	8,639,455	3,385,036	8,355,250	881,833	629,262,750	(9,460,433)	619,802,317
199,162	1,614,877	273,948	(3,954,778)	(881,833)	31,532,863	-	31,532,863
-	(13,242)	17,779	1,862,834	-	7,753,413	-	7,753,413
-	-	48,753	1,590,802	-	7,022,745	-	7,022,745
-	-	157,806	5,367,888	-	18,703,583	-	18,703,583
-	-	-	-	-	(173,987)	-	(173,987)
-	-	-	-	-	64,115,333	(64,115,333)	-
-	-	-	-	-	61,393	-	61,393
-	-	-	-	(787,873)	(784,673)	-	(784,673)
-	(13,242)	224,338	8,821,524	(787,873)	96,697,807	(64,115,333)	32,582,474
199,162	1,601,635	498,286	4,866,746	(1,669,706)	128,230,670	(64,115,333)	64,115,337
-	111,874	-	-	-	111,874	-	111,874
$ 199,162	$ 1,713,509	$ 498,286	$ 4,866,746	$(1,669,706)	$ 128,342,544	$(64,115,333)	$ 64,227,211

See accompanying independent auditor's report on combining information.

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

COMBINING STATEMENTS OF EXCESS REVENUES (EXPENSES)
June 30, 2018

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
Revenues, gains and other support:					
Net patient service revenue	$ -	$ 272,399,046	$ 214,224,175	$ 9,084,159	$ 16,904,153
Other revenue	-	31,713,199	13,517,791	-	751,068
Total revenues, gains and other support	-	304,112,245	227,741,966	9,084,159	17,655,221
Expenses:					
Salaries and wages	-	100,874,576	78,434,857	6,623,261	12,422,343
Employee benefits	-	20,942,563	16,250,119	1,121,321	1,949,231
Physician and professional fees	-	28,242,704	20,222,222	16,806	4,010,851
Materials and supplies	-	75,648,141	74,715,225	295,798	2,009,135
Purchased services	-	25,550,520	10,509,287	20,351	606,215
Insurance	-	2,716,150	2,110,360	-	223,602
Interest	-	3,267,269	2,365,954	-	-
Depreciation and amortization	-	13,629,968	9,009,309	115,668	475,654
Other	-	19,509,304	12,718,367	1,030,303	2,666,687
Total expenses	-	290,381,195	226,335,700	9,223,508	24,363,718
Income (loss) from operations	-	13,731,050	1,406,266	(139,349)	(6,708,497)
Nonoperating income (loss):					
Investment income	-	3,410,273	1,895,655	-	364,936
Change in fair value of derivative instruments	-	170,716	49,451	-	-
Gain on investments in affiliates	15,411,723	-	-	-	-
Net periodic pension cost	-	(364,550)	(263,985)	-	-
Nonoperating income (loss), net	15,411,723	3,216,439	1,681,121	-	364,936
Revenues and gains in excess (deficient) of expenses and losses	15,411,723	16,947,489	3,087,387	(139,349)	(6,343,561)
Net loss attributable to noncontrolling interest in SJ/C Urgent Care	-	-	-	-	-
Revenues and gains in excess (deficient) of expenses and losses after noncontrolling interest	$ 15,411,723	$ 16,947,489	$ 3,087,387	$(139,349)	$(6,343,561)

SJC Properties	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
$ -	$ -	$ 2,819,088	$ -	$ -	$ 515,430,621	$ -	$ 515,430,621
1,486,706	5,657,230	282,900	3,657,967	-	57,066,861	(8,352,028)	48,714,833
1,486,706	5,657,230	3,101,988	3,657,967	-	572,497,482	(8,352,028)	564,145,454
87,602	821,926	1,514,577	-	909,042	201,688,184	-	201,688,184
8,476	149,997	393,593	-	156,215	40,971,515	-	40,971,515
54,541	344,662	389,328	120,902	475,226	53,877,242	-	53,877,242
852	2,100,242	113,379	-	10,351	154,893,123	-	154,893,123
67,630	26,954	51,633	-	7,983	36,840,573	(3,842,959)	32,997,614
-	-	-	3,857,967	-	8,908,079	(3,657,967)	5,250,112
-	-	-	-	-	5,633,223	-	5,633,223
317,288	4,415	150,757	-	164,487	23,867,546	-	23,867,546
769,594	117,626	321,896	1,638	343,914	37,479,329	(851,102)	36,628,227
1,305,983	3,565,822	2,935,163	3,980,507	2,067,218	564,158,814	(8,352,028)	555,806,786
180,723	2,091,408	166,825	(322,540)	(2,067,218)	8,338,668	-	8,338,668
-	-	11,906	1,798,652	-	7,481,422	-	7,481,422
-	-	-	-	-	220,167	-	220,167
-	-	-	-	-	15,411,723	(15,411,723)	-
-	-	-	-	-	(628,535)	-	(628,535)
-	-	11,906	1,798,652	-	22,484,777	(15,411,723)	7,073,054
180,723	2,091,408	178,731	1,476,112	(2,067,218)	30,823,445	(15,411,723)	15,411,722
-	-	-	-	-	-	-	-
$ 180,723	$ 2,091,408	$ 178,731	$ 1,476,112	$(2,067,218)	$ 30,823,445	$(15,411,723)	$ 15,411,722

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
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
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
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)
Inventories	(2,125)	(380,521)	42,303	-	-
Prepaid expenses	(254,491)	(96,331)	(37,760)	9,467	(42,968)
Accounts payable	(876,821)	2,936,866	2,328,145	(148,965)	(231,111)
Accrued liabilities	3,794,313	197,113	263,919	4,310	186,661
Estimated third-party payor settlements	-	(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

SJC Properties	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
$ 336,231	$ 10,336,904	$ 248,129	$(501,143)	$(773,899)	$ 105,746,145	$(60,486,696)	$ 45,259,449
-	-	-	-	-	173,987	-	173,987
-	-	-	-	-	(501,984)	-	(501,984)
-	-	(48,753)	(1,861,159)	-	(7,369,184)	-	(7,369,184)
290,787	32,823	169,314	-	93,024	24,279,158	-	24,279,158
-	-	-	-	787,874	787,874	-	787,874
-	(5,000,181)	-	-	-	(5,000,181)	-	(5,000,181)
-	-	-	-	-	(772,674)	-	(772,674)
-	(1,250,393)	(158,992)	-	-	(5,372,665)	-	(5,372,665)
(849)	(556,611)	(5,858)	-	-	(1,006,129)	-	(1,006,129)
-	68,045	-	-	-	(272,298)	-	(272,298)
(12,176)	(24,281)	-	-	-	(458,540)	-	(458,540)
2,926	355	6,152	2,924	(51,859)	3,968,612	-	3,968,612
(2,070)	364,520	18,607	13,126	(102,715)	4,737,784	-	4,737,784
-	-	-	-	-	164,787	-	164,787
-	-	-	3,696,101	-	4,385,496	-	4,385,496
-	-	-	-	-	2,365,757	-	2,365,757
-	-	-	-	-	91,102	-	91,102
614,849	3,971,181	228,599	1,349,849	(47,575)	125,947,047	(60,486,696)	65,460,351

Continued

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

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
Cash flows from investing activities:					
Purchases of property and equipment	$(141,039)	$(14,832,670)	$(38,476,652)	$(122,445)	$(962,112)
Proceeds from sale of assets limited as to use	61,411,563	-	-	-	2,397,610
Purchases of assets limited as to use	(45,325,623)	(53,489)	(137,452)	-	(2,777,584)
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	(44,541,795)	(15,436,261)	(38,617,076)	(122,445)	(1,341,836)
Cash flows from financing activities:					
Repayment of long-term debt	(8,149,056)	-	-	-	-
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	12,914,519	(53,741)	(41,728)	(5,016)	(107,779)
Cash and cash equivalents, beginning of year	5,763,092	98,607	104,964	102,359	136,563
Cash and cash equivalents, end of year	$ 18,677,611	$ 44,866	$ 63,236	$ 97,343	$ 28,784

SJC Properties	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
$(614,849)	$(104,224)	$(144,339)	$ -	$ -	$(55,398,330)	$ -	$(55,398,330)
-	-	5,368	4,884,560	-	68,699,101	-	68,699,101
-	-	(23,146)	(6,476,665)	-	(54,793,959)	-	(54,793,959)
-	(8,600,000)	-	-	-	(8,600,000)	-	(8,600,000)
-	-	-	-	-	(60,486,696)	60,486,696	-
-	-	-	-	-	(552,824)	-	(552,824)
(614,849)	(8,704,224)	(162,117)	(1,592,105)	-	(111,132,708)	60,486,696	(50,646,012)
-	-	-	-	-	(8,149,056)	-	(8,149,056)
-	-	-	-	-	772,674	-	772,674
-	5,000,181	-	-	-	5,000,181	-	5,000,181
-	-	-	-	47,575	-	-	-
-	-	-	(359,481)	-	-	-	-
-	5,000,181	-	(359,481)	47,575	(2,376,201)	-	(2,376,201)
-	267,138	66,482	(601,737)	-	12,438,138	-	12,438,138
-	203	403,807	3,008,378	-	9,617,973	-	9,617,973
$ -	$ 267,341	$ 470,289	$ 2,406,641	$ -	$ 22,056,111	$ -	$ 22,056,111

See accompanying independent auditor’s report on combining information.

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

COMBINING STATEMENTS OF CASH FLOWS
June 30, 2018

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
Cash flows from operating activities:					
Increase (decrease) in net assets including noncontrolling interest	$ 24,355,915	$ 14,729,236	$ 819,302	$(230,693)	$ 941,019
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Change in fair value of derivative instruments	330,146	(362,201)	(188,112)	-	-
Beneficial interest in net assets of Foundations, net	-	(1,514,435)	(277,653)	-	-
Net realized and unrealized (gains) losses on investments	(4,107,002)	-	-	-	(403,971)
Depreciation and amortization	-	13,629,968	9,009,309	115,668	475,654
Contributions for property	-	(244,833)	(334,536)	-	-
Changes in:					
Patient accounts receivable	-	4,436,829	1,405,166	225,794	(274,701)
Other receivables	465,534	(268,206)	(1,370,094)	-	(80,158)
Inventories	(12,062)	(1,108,447)	(566,018)	-	-
Prepaid expenses	(301,717)	(3,420)	(92,791)	(8,113)	(42,541)
Accounts payable	680,901	3,088,803	(418,382)	17,299	228,201
Accrued liabilities	457,274	(1,625,277)	(1,101,065)	(55,261)	349,511
Estimated third-party payor settlements	-	(407,837)	(107,197)	-	17,948
Accrued self-insurance claims	(665,396)	-	-	-	-
Accrued pension costs, net	(5,236,423)	-	-	-	-
Deferred compensation payable	-	91,594	313,429	-	(106,420)
Net cash provided by (used in) operating activities	15,967,170	30,441,774	7,091,358	64,694	1,104,542

SJC Properties	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
$(197,873)	$(34,052)	$ 151,711	$ 2,858,194	$ 376,425	$ 43,769,184	$(19,382,170)	$ 24,387,014
-	-	-	-	-	(220,167)	-	(220,167)
-	-	-	-	-	(1,792,088)	-	(1,792,088)
-	-	(77,364)	(2,108,638)	-	(6,696,975)	-	(6,696,975)
317,288	4,415	150,757	-	164,487	23,867,546	-	23,867,546
-	-	(31,100)	-	-	(610,469)	-	(610,469)
-	-	(45,342)	-	-	5,747,746	-	5,747,746
(15,370)	182,505	13,370	-	-	(1,072,419)	-	(1,072,419)
-	(136,908)	-	-	-	(1,823,435)	-	(1,823,435)
9,025	-	1,600	-	-	(437,957)	-	(437,957)
(1,320)	96,442	(24,515)	99,598	(120,553)	3,646,474	-	3,646,474
18,244	(4,855)	(44,235)	(297)	89,686	(1,916,275)	-	(1,916,275)
-	-	-	-	-	(497,086)	-	(497,086)
-	-	-	98,102	-	(567,294)	-	(567,294)
-	-	-	-	-	(5,236,423)	-	(5,236,423)
-	-	-	-	-	298,603	-	298,603
129,994	107,547	94,882	946,959	510,045	56,458,965	(19,382,170)	37,076,795

Continued

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

COMBINING STATEMENTS OF CASH FLOWS, Continued
June 30, 2018

	St. Joseph's/ Candler Health System	Candler Hospital	St. Joseph's Hospital	SJC Home Health	SJC Medical Group
Cash flows from investing activities:					
Purchases of property and equipment	$ -	$(6,505,352)	$(16,951,223)	$(2,205)	$(975,488)
Proceeds from sale of assets limited as to use	97,837,929	-	-	-	2,378
Purchases of assets limited as to use	(95,164,793)	(91,594)	(313,429)	-	(149,211)
Proceeds (payments) on pledged collateral	620,000	-	-	-	-
Investment in affiliates	(19,382,170)	-	-	-	-
Sales (purchases) of long-term investments, net	-	(247,656)	10,939	-	(3,436)
Net cash provided by (used in) investing activities	(16,089,034)	(6,844,602)	(17,253,713)	(2,205)	(1,125,757)
Cash flows from financing activities:					
Repayment of long-term debt	(20,162,537)	-	-	-	-
Proceeds from issuance of long-term debt	11,910,270	-	-	-	-
Repayment of short-term debt	(9,000,000)	-	-	-	-
Proceeds from issuance of short-term debt	5,000,000	-	-	-	-
Contributions for property	-	244,833	334,536	-	-
Transfers to (from) affiliates, net	13,568,652	(23,793,611)	9,853,629	-	-
Net cash provided by (used in) financing activities	1,316,385	(23,548,778)	10,188,165	-	-
Net increase (decrease) in cash and cash equivalents	1,194,521	48,394	25,810	62,489	(21,215)
Cash and cash equivalents, beginning of year	4,568,571	50,213	79,154	39,870	157,778
Cash and cash equivalents, end of year	$ 5,763,092	$ 98,607	$ 104,964	$ 102,359	$ 136,563

SJC Properties	SJC Health Services	Georgia Infirmary	Geechee Reinsurance	Advocate Health Network	Totals	Eliminations	Combined Totals
$(129,994)	$(109,622)	$(153,753)	$ -	$(510,045)	$(25,337,682)	$ -	$(25,337,682)
-	-	5,192	27,532,144		125,377,643	-	125,377,643
-	-	(17,099)	(28,618,232)		(124,354,358)	-	(124,354,358)
-	-	-	-	-	620,000		620,000
-	-	-	-	-	(19,382,170)	19,382,170	-
-	-	-	-	-	(240,153)	-	(240,153)
(129,994)	(109,622)	(165,660)	(1,086,088)	(510,045)	(43,316,720)	19,382,170	(23,934,550)
-	-	-	-	-	(20,162,537)	-	(20,162,537)
-	-	-	-	-	11,910,270	-	11,910,270
-	-	-	-	-	(9,000,000)	-	(9,000,000)
-	-	-	-	-	5,000,000	-	5,000,000
-	-	31,100	-	-	610,469	-	610,469
-	-	-	371,330	-	-	-	-
-	-	31,100	371,330	-	(11,641,798)	-	(11,641,798)
-	(2,075)	(39,678)	232,201	-	1,500,447	-	1,500,447
-	2,278	443,485	2,776,177	-	8,117,526	-	8,117,526
$ -	$ 203	$ 403,807	$ 3,008,378	$ -	$ 9,617,973	$ -	$ 9,617,973

See accompanying independent auditor’s report on combining information.