Southeast Georgia Health System, Inc.

Consolidated Financial Statements and Supplementary Information

Years Ended April 30, 2019 and 2018

DIXON HUGHES GOODMAN LLP

Table of Contents

DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

Board of Directors
Southeast Georgia Health System, Inc.
Brunswick, Georgia

We have audited the accompanying consolidated financial statements of Southeast Georgia Health System, Inc. (the "System"), which comprise the consolidated balance sheets as of April 30, 2019 and 2018, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the System as of April 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 Principles

As discussed in Note 2 to the consolidated financial statements, during the year ended April 30, 2019, the System adopted ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* and ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to these matters.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 26 through 28 is presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position and results of operations of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Dixon Hughes Goodman LLP

Tampa, Florida
July 25, 2019

Southeast Georgia Health System, Inc.
Consolidated Balance Sheets
April 30, 2019 and 2018
(in thousands)

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 15,172**	$ 14,980
Patient accounts receivable, net of allowance for uncollectible accounts of $45,194 in 2018 (see Note 2)	**65,484**	65,824
Other receivables	**9,227**	4,382
Supplies and pharmaceutical inventories	**9,838**	8,036
Assets limited as to use	**3,635**	5,717
Other current assets	**3,618**	3,269
Total current assets	**106,974**	102,208
Assets limited as to use:		
Held by trustee for debt service	**8,831**	15,110
Restricted by third-parties for construction	**89,787**	98,562
Internally designated for self-insurance	**5,183**	4,463
Internally designated for capital improvements and other purposes	**191,540**	181,964
Total assets limited as to use, net of current	**295,341**	300,099
Property and equipment, net	**256,741**	237,871
Other assets:		
Leverage loan receivable	**9,785**	9,785
Other assets	**3,064**	319
Total other assets	**12,849**	10,104
Total assets	**$ 671,905**	$ 650,282

Southeast Georgia Health System, Inc.
Consolidated Balance Sheets
April 30, 2019 and 2018
(in thousands)

(Continued)

	2019	2018
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	**$ 5,963**	$ 5,723
Accounts payable (including construction-related amounts of $2,887 and $898, respectively)	**18,891**	16,298
Estimated third-party payor settlements	**1,875**	1,633
Accrued salaries and compensated absences	**14,796**	14,145
Other accrued expenses and deferrals	**13,481**	12,359
Total current liabilities	**55,006**	50,158
Long-term debt, excluding current maturities	**266,199**	273,101
Notes payable to community development entities	**13,824**	13,824
Professional liability claims obligation, net of current	**5,183**	4,462
Total liabilities	**340,212**	341,545
Net assets:		
Without donor restrictions	**331,693**	308,737
Total liabilities and net assets	**$ 671,905**	$ 650,282

Southeast Georgia Health System, Inc.
Consolidated Statements of Operations and Changes in Net Assets
Years Ended April 30, 2019 and 2018
(in thousands)

	2019	2018
Operating revenues:		
Patient service revenue (net of contractual allowances and discounts)		$ 434,554
Provision for bad debts (see Note 2)		(46,171)
Net patient service revenue	**$ 416,387**	388,383
Other revenues	**3,474**	3,700
Total operating revenues	**419,861**	392,083
Operating expenses:		
Salaries and wages	**174,342**	163,651
Employee benefits	**44,276**	41,660
Contract personnel	**12,155**	18,340
Professional fees	**5,113**	5,569
Supplies and drugs	**81,385**	76,342
Physician fees	**9,735**	9,598
Insurance and utilities	**9,013**	8,882
Outside services	**32,396**	32,874
Depreciation and amortization	**19,547**	20,484
Hospital provider fees and assessments	**9,101**	8,482
Other	**9,610**	9,739
Interest expense	**4,820**	5,091
Total operating expenses	**411,493**	400,712
Income (loss) from operations	**8,368**	(8,629)
Non-operating revenues:		
Net investment income	**11,141**	9,186
Other	**686**	1,587
Total non-operating revenues, net	**11,827**	10,773
Excess of revenues over expenses	**20,195**	2,144
Other changes in net assets	**2,761**	(1,539)
Increase in net assets	**22,956**	605
Net assets, beginning of year	**308,737**	308,132
Net assets, end of year	**$ 331,693**	$ 308,737

Southeast Georgia Health System, Inc.
Consolidated Statements of Cash Flows
Years Ended April 30, 2019 and 2018
(in thousands)

	2019	2018
Cash flows from operating activities:		
Increase in net assets	$ 22,956	$ 605
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	19,547	20,484
Net realized and unrealized gains on investments	(5,891)	(5,020)
Other	(1,265)	(300)
Changes in operating assets and liabilities:		
Patient accounts receivable	340	(2,930)
Other receivables	(4,845)	1,854
Accounts payable and accrued expenses	3,965	(930)
Estimated third-party payor settlements	242	(1,256)
Other	(3,774)	134
Net cash provided by operating activities	31,275	12,641
Cash flows from investing activities:		
Purchases of capital assets	(37,302)	(24,808)
Proceeds from disposal of assets	31	1,500
Net change in assets limited as to use	12,731	(117,634)
Net cash used in investing activities	(24,540)	(140,942)
Cash flows from financing activities:		
Principal payments on long-term debt	(15,808)	(7,155)
Payments for debt issuance costs	-	(1,759)
Proceeds from issuance of long-term debt	9,265	120,885
Net cash (used in) provided by financing activities	(6,543)	111,971
Increase (decrease) in cash and cash equivalents	192	(16,330)
Cash and cash equivalents, beginning of year	14,980	31,310
Cash and cash equivalents, end of year	$ 15,172	$ 14,980
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 9,615	$ 4,755
Non-cash transactions:		
Capital lease for equipment	$ 1,150	$ -

See accompanying notes.

Notes to Consolidated Financial Statements

1. Reporting Entity

Southeast Georgia Health System, Inc. (the “System”) operates Southeast Georgia Health System Brunswick Campus (the “Brunswick Campus”), which includes a 300-bed acute care hospital, an outpatient care center, and a rehabilitation and wound center; Southeast Georgia Health System Camden Campus (the “Camden Campus”), a 40-bed acute care hospital located in St. Mary’s, Georgia; and two skilled nursing facilities: Senior Care Center-Brunswick, located in Brunswick, Georgia, and Senior Care Center-St. Mary’s, located in St. Mary’s, Georgia.

The System also operates the following controlled affiliates:

- Cooperative Healthcare Services, Inc., doing business as Southeast Georgia Physician Association (“SGPA”), the operations of which consist primarily of various physician practices located in Brunswick, Georgia and the surrounding geographic region
- Southeast Georgia Health System Foundation, Inc. (the “Foundation”), which exists for the sole benefit of the System and receives contributions to support the System and its charitable activities
- Southeast Georgia Health System QALICB I, LLC (“QALICB”), a wholly-owned financing vehicle for the construction of certain qualified projects under the New Market Tax Credit (“NMTC”) program discussed in Note 14

The Glynn-Brunswick Memorial Hospital Authority (the “Authority”), a public body corporate and politic, was established by the governing bodies of Glynn County, Georgia (the “County”), and the City of Brunswick, Georgia (the “City”), on March 1, 1961 under the Hospital Authorities Law of Georgia. The Authority is governed by nine members appointed by the governing bodies of the County and the City. Prior to May 1, 2015, the Authority did business as Southeast Georgia Health System.

Effective May 1, 2015, the Authority undertook a corporate restructuring and executed a lease and transfer agreement with the System, a Georgia not-for-profit corporation, (formerly Kings Bay Community Hospital, Inc.), which assumed substantially all of the operations, assets and liabilities of the Authority and agreed to operate the facilities thereof as a community healthcare provider and to perform and abide by all covenants, agreements, and restrictions thereof for an initial period of forty years. Under the agreement, the System makes nominal lease payments to the Authority plus amounts sufficient to make debt service payments on Authority conduit debt obligations as they come due, and assumes all operational, financial, indigent care, and community responsibilities. The governing board of the System was initially comprised of the members of the Authority, plus two additional members, and is self-perpetuating. The Board has subsequently been further expanded and is currently comprised of twelve members. In connection with the corporate restructuring, the organizational documents of component units of the Authority were amended and restated effective May 1, 2015, such that the System is the sole corporate member and has controlling economic interest in the affiliates, which are consolidated into the System reporting entity. Because the System’s Board of Directors is self-perpetuating, and the Authority does not have financial accountability for the System, the System and its controlled affiliates are excluded from the Authority’s reporting entity subsequent to the restructuring.

Effective September 1, 2015, the System entered into the Coastal Community Health, Inc. ("Coastal") Affiliation Agreement with Baptist Health System, Inc., a Florida not-for-profit corporation, and Flagler Hospital, Inc., a Florida not-for-profit corporation, (collectively, the "Health Systems"), in order to pursue potential operational efficiencies in areas such as supply chain management, information systems, and care coordination in the southeast Georgia and northeast Florida regions that the Health Systems serve. Effective September 14, 2018, Flagler Hospital, Inc. withdrew from the Coastal Affiliation Agreement. The Coastal governing board consists of seven individuals, three of whom are appointed by the System's Board of Directors. Under the affiliation agreement, the Coastal governing board maintains certain reserved powers which could influence specific operational and governance matters of the Health Systems. The reserved powers do not constitute a control relationship over the Health Systems.

2. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies consistently applied by management in the preparation of the accompanying consolidated financial statements:

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the System and its controlled affiliates. Material intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The System has been recognized as tax-exempt pursuant to Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for state or federal income taxes has been presented in the accompanying consolidated financial statements.

The System recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The System has determined that it does not have any material unrecognized tax benefits or obligations.

Cash and Cash Equivalents

The System considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. The System maintains cash deposits in excess of federally insured limits and requires financial institutions to pledge collateral for the excess uninsured amounts.

Debt Issuance Costs

Debt issuance costs are amortized over the term of the related debt using the interest method and are reported as a reduction in long-term debt.

Assets Limited as to Use

Assets limited as to use include assets set aside by the System Board of Directors for future capital improvements, self-insurance, and other purposes, over which the Board retains control and may at their discretion subsequently use for other purposes; and assets held by trustees under loan agreements for construction and debt service. Amounts required to meet current obligations have been classified as current assets.

Investments in marketable debt and equity securities are reported at fair value in the consolidated balance sheet. Alternative investments are reported using net asset value ("NAV") as a practical expedient for fair value. Interest, dividends and gains and losses, both realized and unrealized, on such investments are reported as non-operating revenues when earned.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, there is at least a reasonable possibility that changes in the values of investment securities will occur in the near term and that these changes could materially affect the amounts reported in the consolidated balance sheets.

Supplies and Pharmaceutical Inventories

Pharmaceutical inventories are valued at lower of cost or market on the first-in, first-out basis. Supplies and storeroom inventories are valued at average cost.

Property and Equipment

Property and equipment are reported at historical cost. Depreciation is computed on the straight-line method and is provided over the estimated useful life of each class of depreciable asset as follows:

Land improvements	15 to 20 years
Buildings and building improvements	20 to 40 years
Information systems, equipment, and furniture	3 to 15 years

Net Patient Service Revenue and Allowance for Uncollectible Accounts

As discussed further below and in Note 3, the System implemented new accounting guidance in fiscal 2019 which changes how the System characterizes amounts previously recognized as uncollectible accounts and bad debts. Effective May 1, 2018, such amounts are reported as explicit and implicit price concessions which directly reduce net patient service revenue and patient accounts receivable.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others as services are rendered, including a provision for bad debts (implicit price concessions) and estimated retroactive adjustments under reimbursement agreements. Such amounts are recognized on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

For the year ended April 30, 2018, the allowance for uncollectible accounts was based on the evaluation of the overall collectability of accounts receivable. As accounts were known to be uncollectible, they were charged against the allowance. Accounts receivable valuation estimates are primarily based on the System's historical collection experience by payor class and patient type. The primary risk of uncollectibility relates to uninsured patient accounts and patient accounts for which primary insurance has paid, but patient deductibles or co-insurance remain outstanding. As such, changes in general economic conditions or healthcare coverage provided by federal or state governments or private insurers may have a material impact on these estimates.

Management routinely assessed, in the normal course of business, the adequacy of the allowance for uncollectible accounts based upon its assessment of factors such as historical collection rates, expected future collection rates considering business and economic conditions, trends in healthcare coverage, and other collection indicators by payor category, and adjusted the allowance and related provision accordingly. The System's allowance for uncollectible accounts was approximately 80% of self-pay accounts receivable at April 30, 2018.

Charity Care

The System provides care to patients who meet certain criteria under its charity care policy, without charge or at amounts less than its established rates. The System's charity care policy follows federal government guidelines in determining which patients qualify for charity care. Charity services are defined as those for which patients have the obligation and willingness to pay but do not have the ability to do so. Charges related to charity services are written off as charity care in accordance with established policies and are not recognized as net patient service revenue.

Excess of Revenues over Expenses

The System's consolidated statements of operations and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues primarily result from exchange transactions associated with providing healthcare services, which is the System's principal activity. Investment income and losses and certain non-exchange revenues are reported as non-operating revenues. Operating expenses include all expenses incurred to provide healthcare services.

Changes in net assets without donor restrictions that are excluded from excess of revenues over expenses, consistent with relevant accounting literature and industry practice, include contributions of long-lived assets (including assets acquired using contributions that, by donor restriction, were to be used for the purpose of acquiring such assets), equity transactions with noncontrolling interests, and certain pension accounting items.

Compensated Absences

The System's team members earn paid time off ("PTO") at varying rates depending on salary and years of service. PTO time accumulates based on years of service and generally any days not used at year-end will carry over to the next fiscal year, subject to a maximum limit. Each year, eligible team members may receive payment for up to 25 percent of their PTO balance, but not more than 100 hours per year. Accrued PTO is paid at the time of termination except that team members hired after June 30, 2018, who subsequently terminate their employment with the System, are eligible to receive payment for their unused accrued PTO only if they have been employed by the System for three years or more. At April 30, 2019 and 2018, the System has accrued liabilities of approximately $8,943,000 and $8,724,000, respectively, related to compensated absences.

Reclassifications

Certain reclassifications have been made to the 2018 consolidated financial statements to conform to the 2019 presentation. These classifications had no effect on the financial position, results of operations, or cash flows of the System.

Subsequent Events

The System evaluated subsequent events from May 1, 2019 through July 25, 2019, which is the date the consolidated financial statements were issued.

Adoption of New Accounting Standards Updates

During the year ended April 30, 2019, the System adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of* Financial Statements of Not-for-Profit Entities. Among other things, the ASU requires changes in the presentation of net assets (retrospectively applied) and expanded disclosures regarding liquidity and functional expenses (prospectively applied - see Notes 15 and 16). As such, amounts previously reported at April 30, 2018 as unrestricted net assets have been reclassified as net assets without donor restrictions. These reclassifications had no impact on the total net assets or total changes in net assets in the accompanying consolidated financial statements.

During the year ended April 30, 2019, the System adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* The System has elected to implement ASU 2014-09 using the modified retrospective approach, in which the standard is effective beginning in the year of implementation and prior periods are not restated. Adoption of the new standard did not materially impact the timing, amount, or pattern of recognition of the System's net revenues and, as such, no cumulative effect adjustment at May 1, 2018 was required as a result of implementation. The primary impact of ASU 2014-09 on the System's consolidated financial statements is to expand qualitative and quantitative disclosures related to the System's revenue recognition policies, significant management judgments and estimates, and disaggregated net revenues. In addition, the new standard resulted in changes to the presentation of net patient service revenue and accounts receivable in the consolidated financial statements, whereby amounts that have historically been characterized as bad debts and uncollectible accounts are now reported as a direct reduction of net patient revenue and accounts receivable as implicit price concessions. Such amounts, which have been separately presented in fiscal 2018 under legacy GAAP, have been reclassified to a net presentation upon adoption of the new standard and are not separately presented in the consolidated financial statements in fiscal 2019.

3. Net 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 insurer and government programs) and others. A significant portion of the System’s net patient service revenues are derived from the third-party payor programs. The System's agreements with third-party payors provide for payments to the System at amounts different from its established rates. Revenues received under third-party arrangements are subject to audit and retroactive adjustment. Generally, the System bills the patients and third-party payors several days after the services are performed 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 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 obligations. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving inpatient acute care services. The System measures the performance obligation from admission to the point when it is no longer required to provide services to that patient, which is generally the time of discharge. Revenue for performance obligations satisfied at a point in time generally relate to patients receiving outpatient services or patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) where the System does not provide additional goods beyond the point of service.

The System has elected the practical expedients available under Topic 606 related to accounting for significant financing components and incremental contract acquisition costs. Management has determined any such amounts are insignificant. In addition, 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 from disclosure of amounts associated with unsatisfied performance obligations at the end of the reporting period. Such unsatisfied or partially unsatisfied performance obligations primarily relate to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are typically completed when patients are discharged, which generally occurs within days or weeks of the end of the reporting period. Management has determined that the System has an unconditional right to payment subject only to the passage of time for services provided to these in-house patients through the end of the reporting period. Such amounts are reported within patient accounts receivable in the consolidated balance sheets.

The System determines the transaction price based on standard charges for goods and 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. The System determines its estimates of explicit price concessions for contractual adjustments and discounts based on contractual agreements, discount policies, and historical experience. The System determines its estimate of implicit price concessions based on its historical collection experience with this class of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. Management believes that the financial effects of using this practical expedient are not materially different from an individual contract approach.

The Medicare program pays prospectively determined rates for inpatient and outpatient operating and capital related services. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Revenue for services rendered under Medicare third-party payor programs has been recorded at estimated settlement amounts. Final determination of the settlement amounts is subject to review by appropriate authorities or their agents and to the extent that ultimate settlement amounts differ from amounts previously estimated, related adjustments are reflected in the financial statements in the period of final settlement.

The Medicaid program pays prospectively determined rates for inpatient operations and capital related services. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors and certain outpatient services. The remaining outpatient services are paid on a cost reimbursement basis. 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. Beginning June 1, 2006, Georgia Medicaid moved a significant portion of its recipients to managed care companies called Care Management Organizations (“CMO”). Contractual payments are made by the CMO for services provided using the same methodology and payment rates as traditional Medicaid.

The Georgia General Assembly enacted legislation which went into effect in July 2010 which established a healthcare provider tax for the purpose of funding the Medicaid program. The healthcare provider tax legislation expired June 30, 2013, and was replaced with a provider fee arrangement. The provider fee percentage is set by the Georgia Department of Community Health based on the appropriation in the State Medicaid budget. The System paid approximately $4,830,000 and $5,336,000 to the State for the years ended April 30, 2019 and 2018, respectively.

Under the provisions of the Georgia Indigent Care Trust Fund (“ICTF”), Medicaid disproportionate share hospitals (“DSH”) contribute funds to be used by the State in the Medicaid program, which may be supplemented by federal funds (combination dollars). Combination dollars are returned to DSH as additional Medicaid inpatient reimbursement. During 2019 and 2018, approximately $3,845,000 and $2,941,000 respectively, was recorded as net patient service revenue and approximately $1,291,000 and $841,000, respectively, was recorded as inter-governmental transfers relating to ICTF. The federal government does not ensure future ICTF funding.

Under Georgia Upper Payment Limit Rate (“UPL”) provisions, government owned or operated hospitals and critical access eligible hospitals may contribute funds to be used by the State in the Medicaid program, which may be supplemented by federal funds (combination dollars). Combination dollars are returned in the form of UPL payments and are recorded as additional Medicaid inpatient and outpatient reimbursement. During 2019 and 2018, approximately $9,261,000 and $7,116,000, respectively, was recorded as net patient service revenue and approximately $2,974,000 and $2,264,000, respectively, was recorded as inter-governmental transfers relating to UPL. The federal government does not ensure future UPL funding.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates may change by a material amount in the near term. The System believes that it is in compliance with all applicable laws and regulations. The System is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the System's consolidated financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation. Non-compliance can result in significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The System also has 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 includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. The System's contracts with commercial and nongovernmental payors also provide for retroactive audit and review of claims.

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, new information becomes available, or as years are settled or are no longer subject to such audits, reviews, and investigations.

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. Net patient service revenue increased approximately $51,000 during the year ended April 30, 2019 and decreased approximately $333,000 during the year ended April 30, 2018, due to differences in actual settlements of prior period cost reports and other changes in prior estimates.

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). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients. Patients who meet the System's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

The System has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service lines, method of reimbursement and timing of when revenue is recognized.

The System's net patient service revenue for the year ended April 30, 2019 is summarized in the following table (in thousands):

	Brunswick Campus	Camden Campus	SGPA	Senior Care Centers	Total	*Total %*
Medicare						
Inpatient	$ 79,694	$ 9,681	$ -	$ 3,655	$ 93,030	*22%*
Outpatient	51,669	9,581	15,743	-	76,993	*19%*
Medicaid						
Inpatient	19,638	5,603	-	17,914	43,155	*11%*
Outpatient	13,366	2,290	6,455	-	22,111	*5%*
Other third-party						
Inpatient	40,659	7,468	-	1,770	49,897	*12%*
Outpatient	71,777	15,874	34,427	-	122,078	*29%*
Self-pay						
Inpatient	3,336	284	-	1,125	4,745	*1%*
Outpatient	1,274	1,334	1,770	-	4,378	*1%*
Total	$ 281,413	$ 52,115	$ 58,395	$ 24,464	$ 416,387	*100%*

Revenue from patient deductibles, copays, and coinsurance are included in the categories presented above based on the primary payor classification.

4. Concentrations of Credit Risk

In the course of providing healthcare services, the System grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of, or is otherwise entitled to receive, patient benefits under governmental and commercial health insurance programs, plans and policies. For the years ended April 30, 2019 and 2018, approximately 49 percent and 47 percent, respectively, of the System's net patient service revenue was derived from the federal Medicare and Medicaid programs.

The System provides healthcare services in Glynn and Camden counties and the surrounding areas in southeast Georgia and, as a result, has a related geographic concentration of credit risk pertaining to patient accounts receivable.

The composition of receivables from patients and third-party payors as of April 30, 2019 and 2018 was as follows:

	2019		2018	
	Gross	Net	Gross	Net
Medicare	**34%**	**30%**	35%	33%
Medicaid	**8%**	**7%**	9%	7%
Other third-party payors	**25%**	**43%**	25%	40%
Self-pay (including patient-responsible balances after third-party payment)	**33%**	**20%**	31%	20%
	100%	**100%**	100%	100%

5. Assets Limited as to Use

Assets limited as to use consist of deposits and investments which are exposed to various risks. The System employs a number of investment managers and has adopted a formal investment policy which endeavors to conform with the Uniform Prudent Investor Act and the Prudent Investor Standard as a means of managing its exposure to risk. Due to the level of risk associated with certain investment securities, there is a reasonable possibility that the values of investment securities will change in the near term by a material amount.

Concentration of credit risk. The System has an investment policy which provides objectives and guidelines for diversification of funds, but places no specific limit on the amount that may be invested in any one issuer.

Interest rate risk. The System has an investment policy that considers investment risks and provides for a prudent approach with regular monitoring and reporting. The investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit risk. The System has adopted an investment policy that permits specific investments, including debt and equity securities, separate accounts, mutual funds, trusts, partnerships, commingled funds, pooled funds, contracts, and other types of investments. The policy provides guidelines regarding risk tolerance and investment objectives by type, including credit rating, liquidity, market capitalization, region, sector, and investment strategy.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. The System secures its deposits through depository insurance, a collateral pool administered under the direction of the State of Georgia Office of Treasury and Fiscal Services, and collateral held by third parties or the respective pledging financial institutions' trust departments in the System's name.

Assets Limited as to Use

The composition of assets limited as to use at April 30, 2019 and 2018 is summarized as follows (in thousands):

	2019	2018
Held by trustee for debt service:		
Cash depository accounts	$ 12,466	$ 16,317
Money market funds	-	4,510
	12,466	20,827
Restricted by third-parties for construction:		
Cash depository accounts	87,454	94,914
Money market funds	2,333	3,648
	89,787	98,562
Internally designated for self-insurance:		
Cash depository accounts	10	4
Money market funds	285	279
Mutual funds	4,888	4,180
	5,183	4,463
Internally designated for capital improvements and other purposes:		
Cash depository accounts	638	536
Money market funds	2,848	1,841
Corporate bonds	713	672
Corporate equity securities	7,332	10,561
Mutual funds	135,610	119,456
U.S. agencies mortgage/asset-backed	5,611	5,344
U.S. treasuries	1,952	3,391
Alternative investments	36,836	40,163
	191,540	181,964
	298,976	305,816
Less amounts classified as current	(3,635)	(5,717)
Total	$ 295,341	$ 300,099

Investment income and gains and losses for assets limited as to use are comprised of the following for the years ended April 30, 2019 and 2018 (in thousands):

	2019	2018
Interest and dividend income	$ 5,249	$ 4,166
Net realized gains on sales of trading securities	1,810	1,762
Net unrealized gains on sales of trading securities	4,082	3,258
	$ 11,141	$ 9,186

6. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The System has categorized its financial instruments into a three-level fair value hierarchy based on the priority of inputs used in related valuation techniques. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within multiple levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

A description of the valuation methodologies used for instruments measured at fair value on a recurring basis in accordance with the three-level fair value hierarchy follows:

> *Level One* – Values based on unadjusted quoted prices for identical assets or liabilities in an active market that the System has the ability to access.
>
> *Level Two* – Values based on pricing inputs which are either directly observable or that can be derived or supported from observable data. These inputs may include quoted prices for similar assets or liabilities in nonactive markets or pricing models whose inputs are observable for substantially the full term of the asset or liability.
>
> *Level Three* – Values based on prices or valuation techniques that require inputs that are both significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources.

Level One investments held by the System include common stocks and mutual funds that are traded in active markets. Level Two investments held by the System include U.S. government and corporate obligations which are valued using prices that are determined through observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics. Other than as described in Note 10 for the pension plan investments, the System did not hold any Level Three securities as of April 30, 2019 and 2018.

The System's alternative investments include three private pooled investment funds with underlying investment holdings. At April 30, 2019, approximately $12,239,000 is invested in a hedge fund through funds of funds structures, approximately $17,871,000 is invested in a closed benchmark index fund, and approximately $6,732,000 is invested in global equity securities. The hedge funds achieve diversification by allocating investment funds across various money managers or market groups, using different trading methods, and focusing on different markets worldwide. The fund managers employ a variety of investment strategies and hedging techniques to achieve long-term capital growth, while seeking to reduce volatility. The closed index fund employs a strategy of investing in U.S. government securities and derivative instruments in order to exceed in order to exceed a benchmark short-term treasury index fund. The global equity securities fund seeks to earn long-term capital appreciation by constructing a portfolio of long and short positions in global stocks.

Alternative investments may have less liquidity, a stale quoted price, or varying prices from independent sources. The System is subject to limitations on redemption of certain investments, whereby redemptions can only occur bi-monthly or quarterly with sixty to seventy-five days' notice. In addition, redemptions may be temporarily restricted under certain conditions, including situations where the fund is restricted in its ability to make comparable withdrawals from one or more portfolio funds or there are a large number of requests for redemptions from other investors. Otherwise, all funds are redeemable at NAV per share as of the redemption date. In accordance with GAAP, alternative investments measured at NAV as a practical expedient for fair value are excluded from the fair level hierarchy.

Fair value estimates are based on pertinent information available to management as of April 30, 2019 and 2018, respectively. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of the consolidated financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

The fair value hierarchy of assets limited as to use at April, 30, 2019 is summarized as follows (in thousands):

	Level 1	Level 2	Total
Money market mutual funds	$ 5,466	$ -	$ 5,466
Corporate equities	7,332	-	7,332
Mutual funds:			
Equities	65,700	-	65,700
Bonds/fixed income	49,126	-	49,126
Balanced	17,914	-	17,914
Closed end	7,758	-	7,758
U.S. agencies mortgage/asset backed	-	5,611	5,611
U.S. treasuries	-	1,952	1,952
Corporate bonds	-	713	713
	$ 153,296	$ 8,276	161,572
Cash depository accounts			100,568
Alternative investments measured at NAV			36,836
Total assets limited as to use			$ 298,976

The fair value hierarchy of assets limited as to use at April, 30, 2018 is summarized as follows (in thousands):

	Level 1	Level 2	Total
Money market mutual funds	$ 10,278	$ -	$ 10,278
Corporate equities	10,561	-	10,561
Mutual funds:			
Equities	57,868	-	57,868
Bonds/fixed income	35,720	-	35,720
Balanced	23,329	-	23,329
Closed end	6,719	-	6,719
U.S. agencies mortgage/asset backed	-	5,344	5,344
U.S. treasuries	-	3,391	3,391
Corporate bonds	-	672	672
	$ 144,475	$ 9,407	153,882
Cash depository accounts			111,771
Alternative investments measured at NAV			40,163
Total assets limited as to use			$ 305,816

The carrying amounts of current financial assets and liabilities approximate fair value based on their short-term nature. The fair value of long-term debt at April 30, 2019 and 2018 totaled approximately $290,155,000 and $292,432,000, respectively, measured using pricing models that utilize Level 2 inputs, including debt terms, market conditions, and recent transaction prices in thinly-traded markets.

7. Property and Equipment

Property and equipment is summarized as follows at April 30, 2019 and 2018 (in thousands):

	2019	2018
Land and land improvements	**$ 33,137**	$ 32,470
Buildings and building improvements	**267,812**	264,390
Information systems, equipment, and furniture	**135,246**	123,170
Construction in progress	**32,049**	10,100
	468,244	430,130
Less accumulated depreciation	**(211,503)**	(192,259)
Property and equipment, net	**$ 256,741**	$ 237,871

Assets recorded under capital leases at April 30, 2019 and 2018 were approximately $10,802,000 and $9,652,000, respectively, with related accumulated depreciation of approximately $8,253,000 and $7,858,000, respectively.

During the year ended April 30, 2019, the System capitalized approximately $3,294,000 of interest incurred on the Series 2017 Fixed Rate Revenue Anticipation Certificates as construction in progress.

8. Long-Term Debt

Long-term debt at April 30, 2019 and 2018 is summarized as follows (in thousands):

	2019	2018
Series 2018 refunding revenue anticipation certificates, bearing interest at 3.35 percent, payable semi-annually on the first day of February and August each year, maturing annually through 2034	**$ 9,120**	$ -
Series 2017 fixed rate revenue anticipation certificates, bearing interest at 4.0 percent to 5.0 percent, payable semi-annually on the first day of February and August each year, maturing annually beginning in 2039	**106,860**	106,860
Series 2015 fixed rate refunding revenue anticipation certificates, bearing interest at 3.5 percent to 5.0 percent, payable semi-annually on the first day of February and August each year, maturing annually beginning in 2019	**83,935**	83,935
Series 2008A fixed rate revenue anticipation certificates, bearing interest from 4.5 percent to 5.625 percent, payable annually, maturing annually through 2034, refunded in fiscal 2019	**-**	13,860
Series 2008B variable rate revenue anticipation certificates, bearing interest at rates that reset weekly (1.48 percent at April 30, 2019), payable monthly, maturing annually through 2038	**40,180**	40,190
Notes payable, bearing interest at rates equal to LIBOR plus .75 percent to 1.25 percent, payable in monthly installments of principal and interest, maturing annually through 2022, secured by real property	**16,117**	17,708
Capital lease obligations	**1,097**	158
	257,309	262,711
Plus unamortized issuance premiums and discounts	**16,519**	17,847
Less current maturities	**(5,963)**	(5,723)
Less unamortized issuance costs	**(1,666)**	(1,734)
Long-term debt, excluding current maturities	**$ 266,199**	$ 273,101
Notes payable to community development entities (see Note 14)	**$ 13,824**	$ 13,824

Scheduled principal repayments on long-term debt, notes payable to community development entities, and capital lease obligations for years ending April 30 are as follows (in thousands):

2020	$ 5,963
2021	6,620
2022	6,852
2023	16,772
2024	6,126
Thereafter	228,800
	$ 271,133

Pursuant to the lease and transfer agreement, the System pays the Authority amounts sufficient to pay the principal of, redemption premium and interest on any and all revenue anticipation certificates, bonded indebtedness, loans, borrowings or other debt obligations of the Authority existing at May 1, 2015.

In May 2018, the Authority issued the Refunding Revenue Anticipation Certificates ("Series 2018 Certificates") in the amount of $9,265,000. The purpose of the issuance was to advance refund a portion of the Authority's outstanding Series 2008A Certificates.

In December 2017, the Authority issued Fixed Rate Revenue Anticipation Certificates ("Series 2017 Certificates") in the amount of $106,860,000. The purpose of the issuance is to fund renovations and expansion of the Brunswick Campus, including the Emergency Department and the Surgical Platform/Central Sterile Supply Area. The issuance will also fund renovations and an upgrade to the central energy plant and infrastructure.

In April 2015, the Authority issued Refunding Revenue Anticipation Certificates ("Series 2015 Certificates") in the amount of $83,935,000. The purpose of the issuance was to advance refund a portion of the Authority's outstanding Series 2008A Certificates, as well as to pay costs of issuance. In connection with the issuance of the Series 2015 Certificates, the master trust indenture was amended such that the obligated group consists of the Authority, Camden Campus, SGPA, and Brunswick Campus.

In September 2008, the Authority issued Fixed Rate Revenue Anticipation Certificates ("Series 2008A Certificates") in the amount of $106,865,000 and Variable Rate Revenue Anticipation Certificates ("Series 2008B Certificates") in the amount of $40,570,000. The variable interest rate is reset by the remarketing agent based on investor demand in weekly auctions. The purpose of the issuance was to fund the acquisition and renovation of a 200-bed skilled nursing facility contiguous to the Brunswick Campus; the construction of additional labor, delivery, recovery and postpartum patient rooms and renovation of the existing Maternity Care Center on the Brunswick Campus; the replacement of utility infrastructure within the St. Simons Tower on the Brunswick Campus; the development and build-out of an Orthopedic and Neurologic care center within the St. Simons Tower on the Brunswick Campus; certain other renovations to the Brunswick Campus and medical equipment acquisitions; and to refund the Authority's outstanding Series 2004 Certificates.

The Authority utilized the net proceeds from the issuance of the Series 2018 and Series 2015 Certificates, plus certain debt service reserve funds on hand, to purchase U.S. government securities and deposit them into an irrevocable trust with an escrow agent in order to provide for all future debt service payments on the refunded Series 2008A Certificates. As a result, refunded certificates totaling $103,120,000 have been legally defeased as of April 30, 2019.

The outstanding revenue certificates are secured by a first and prior liens on revenues from the operations of the obligated group. Monies in debt service funds are also subject to a lien in favor of the holders of the certificates issued. The Series 2008B Certificates are supported by a letter of credit issued by TD Bank N.A. for $40,200,000 plus related accrued interest at April 30, 2019. The term of the letter of credit is through September 21, 2021.

Under the terms of the certificate indentures, the System is required to maintain certain deposits with trustees for debt service and construction purposes. Such deposits are included within assets limited as to use in the consolidated balance sheet. The certificate indentures also contain various restrictive covenants pertaining to certain measures of financial performance. The System is in compliance with these covenants.

The System maintains an open end revolving line of credit of $6,000,000 at an interest rate equal to the greater of 3.25 percent or LIBOR plus 125 basis points. The line of credit is unsecured. As of April 30, 2019 and 2018, there were no outstanding advances on the credit line.

The System has two notes payable with Branch Banking and Trust Company with an aggregate initial available amount of $20,000,000 for the purpose of constructing a medical office building located in Glynn County, Georgia and a medical office building located in Camden County, Georgia. The notes carry an interest rate equal to the sum of one-month LIBOR and 1.25 percent (3.74% and 3.15% at April 30, 2019 and 2018, respectively). Beginning

January 21, 2014, the System began making monthly principal payments on the 21st day of each month in an amount equal to 1/360th of the principal loan balance at December 21, 2012. The entire outstanding principal balance and all accrued unpaid interest under the notes shall be due and payable in full on December 21, 2021.

In October 2017, the System entered into a promissory note payable with Branch Banking and Trust Company for $5,000,000 for the purpose of acquiring medical equipment. The note carries a fixed interest rate of 2.98%. Beginning November 4, 2017, the System began making monthly principal and interest payments in an amount equal to $89,895. The last payment on the note payable will be due on October 4, 2022.

9. Commitments and Contingencies

The System is involved in litigation in the ordinary course of business related to professional liability claims. The System maintains umbrella insurance with a limit of $20,000,000 each occurrence and $20,000,000 annual aggregate for professional liability and other general liability claims exceeding self-retained limits of $2,000,000 individually and $6,000,000 collectively, on an annual basis. The System is self-insured under these limits. At April 30, 2019, malpractice and other various claimants had filed claims that are in various stages of processing, and some may ultimately be brought to trial.

The System has engaged the services of an independent actuary to perform an annual evaluation of estimated professional liability claims obligations and to determine the reserve requirements at the end of each fiscal year. The discount rate used in actuarial calculations for 2019 and 2018 was 3.5 percent. The current portion of the estimated professional liability claims obligation included in other accrued expenses totaled approximately $1,728,000 and $1,488,000 at April 30, 2019 and 2018, respectively, while the non-current obligation totaled approximately $5,183,000 and $4,462,000, respectively. Self-insured professional liability claims expense for 2019 and 2018 aggregated approximately $1,665,000 and $1,332,000, respectively. Management is of the opinion that the accrual for professional liability claims is adequate for loss contingencies, however, it is possible that actual losses may differ from management's estimates.

The System has designated non-current assets limited as to use of approximately $5,183,000 and $4,463,000 at April 30, 2019 and 2018, respectively, for self-insurance reserves.

The System is committed under various non-cancelable operating leases for equipment with expiration dates through 2024, as well as lease agreements for office space with expiration dates through 2025. Future minimum operating lease payments for years ending April 30 are as follows (in thousands):

2020	$ 2,529
2021	1,617
2022	1,060
2023	772
2024	187
Thereafter	94
	$ 6,259

The System had contractual commitments related to construction and information system projects totaling approximately $108,174,000 and $13,509,000 as of April 30, 2019 and 2018, respectively.

10. Employee Benefit Trust and Self-Insurance

The System maintains a plan and trust agreement to provide life insurance, accident and health benefits (including hospitalization, medical, surgical, major medical, and other health benefits), and workers' compensation for its team members. The System maintains excess workers' compensation and employers' liability insurance above self-insured retention limits of $750,000 per occurrence through the Georgia Self Insurers Guarantee Trust Fund. The System maintains an irrevocable standby letter of credit in the amount of $2,850,000 which is committed at April 30, 2019 for self-insured workers compensation claims. At April 30, 2019 and 2018, there were no outstanding advances on the letter of credit.

Life insurance coverage is provided by premiums paid to an independent insurance carrier. Health benefits for team members and their dependents, if elected, are funded entirely by contributions into the plan by the System and its team members. The plan is administered by a third-party administrator.

Claims liabilities related to health benefit and workers' compensation are included in other accrued expenses at April 30, 2019 and 2018 in the amount of $4,025,000 and $3,450,000, respectively.

11. Retirement Plans

The Authority sponsors a frozen non-contributory defined benefit pension plan. Benefits in the defined benefit pension plan were frozen in 1998, and participants were offered incentives to transfer their benefit to the 403(b) defined contribution plan. Most participants converted to the defined contribution plan and the Authority funded the remaining pension obligation.

Under the lease and transfer agreement, the System has assumed the plan obligation and has agreed to fund the future benefits of the remaining participants in the frozen pension plan.

The plan will continue in existence as long as benefits are being paid to existing participants. The calculated benefits are based on years of service and the team member's compensation during the last five years of employment.

Assumptions used in the accounting for net periodic pension costs in the System's financial statements for the years ended April 30, 2019 and 2018 were as follows:

	2019	**2018**
Weighted average discount rate	**3.83%**	4.13%
Expected long-term rate of return	**3.83%**	4.13%

Estimated future benefit payments are as follows for years ending April 30 (in thousands):

2020	$ 1,430
2021	543
2022	529
2023	519
2024	502
2025-2029	2,258

As of April 30, 2019 and 2018, the plan was approximately 102% and 103% funded, respectively with a total pension liability of approximately $7,416,000 and $7,602,000, respectively and assets totaling approximately $7,566,000 and $7,819,000, respectively.

Plan assets are invested and managed in accordance with the System's investment policy, which provides for a "prudent investor" approach to investment and asset management decisions. Plan assets are held with a life insurance company under a group annuity contract. The Plan assets are classified within the fair value hierarchy as Level Three investments and are measured utilizing contract value, which is the expected redemption price of the investment as of the measurement date.

The System sponsors a 403(b) defined contribution plan. Under the plan, participants receive employer matching contributions based on individual deferral contributions and years of credited service. Employer discretionary contributions are made annually as a percent of each participant's salary. The System administers the plans and can change or alter plan provisions. Contributions to the 403(b) plan aggregated approximately $6,543,000 and $6,349,000 during the years ended April 30, 2019 and 2018, respectively.

12. Charity Care and Community Service

The System is committed to meeting the needs of the communities which it serves. To this end, the System provides care to patients who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured. The amount of support provided for the years ended April 30, 2019 and 2018 is as follows (in thousands):

	2019	2018
Indigent care:		
Based on established rates	**$ 47,712**	$ 39,902
Based on estimated costs of the care provided	**16,756**	14,368
Implicit price concessions:		
Provision for bad debts, based on established rates	**47,532**	46,171

The System provides financial support for a variety of programs designed to meet the health and educational needs of the communities which it serves. The amount of direct financial support provided to those community programs for the year ended April 30, 2019 and 2018 was as follows (in thousands):

	2019	2018
College of Coastal Health Professional Education	**$ 74**	$ 55
Athletic trainer support to schools	**197**	133
Davis Love Foundation	**38**	75
American Cancer Society	**11**	12
Emergency & Acute Care Medical Co. Southeast LLC	**3,822**	3,500
Total	**$ 4,142**	$ 3,775

The System also sponsored and participated in over 103 and 110 other programs during 2019 and 2018, respectively, in support of not-for-profit community organizations, providing direct financial support to those activities in the amount of approximately $154,000 and $170,000 during the years ended April 30, 2019 and 2018, respectively.

13. Charitable Remainder Trust

The System is beneficiary to a charitable remainder trust. The trust provides for the payment of distributions over the trust's term to designated beneficiaries, of which the System is the sole remaining beneficiary. The trust indenture provides that, contingent upon approval of the trustee, the remaining trust assets are available to fund permanent additions to the System. In May 2018, the trustee and the System entered into an agreement, whereby the System requested, and the Trustee agreed, to allow the distribution of the entire remainder of the trust funds to the System over a period of five years to help facilitate renovations within the System. During fiscal year 2019, the System received the first distribution of $950,000.

The System recorded approximately $4,750,000 in contributions from the trust during fiscal year 2019. Amounts remaining to be collected at April 30, 2019 totaled approximately $3,761,000.

14. New Market Tax Credit

The System participates in the NMTC program offered through the Department of the Treasury in order to finance the renovation and construction of medical facilities in designated areas of Brunswick, Georgia. The NMTC program permits corporate and individual taxpayers to receive a credit against federal income taxes for making qualified equity investments in qualified community development entities ("CDE").

The System entered into a NMTC transaction with JPMorgan Chase Bank (the "Bank") in December 2012, whereby the System made a leverage loan of approximately $9,785,000 to Chase NMTC Brunswick Investment Fund, LLC ("Investment Fund"). The Investment Fund is a funding vehicle for the CDEs that was capitalized with an equity investment of approximately $4,473,000 by Chase Community Equity, LLC ("Investor"), the federal tax credit investor under the NMTC program. The Investment Fund made qualified equity investments totaling $14,250,000 into two CDEs, which loaned to QALICB approximately $13,824,000 in qualified low-income community investment loans. The QALICB notes payable to the CDEs bear interest only for the first seven years at a rate of 0.65 percent. Beginning in fiscal year 2020, payments of principal and interest totaling approximately $144,000 are due each month until maturity in 2045. The terms of the System's leverage loan receivable from the Investment Fund mirror those of the terms of the notes payable to the CDE, except at a rate of .62 percent.

In connection with the NMTC transaction, the System entered into a put/call option agreement with the Bank. In 2019, the Bank can exercise its put option and sell its interest in the Investment Fund to the System for a nominal price of $1,000 plus transfer taxes. If the Bank does not exercise its put option then the System can exercise its call option to purchase the equity in the Investment Fund at fair value. Thus, it is expected that the System will acquire the Bank's equity interest in the Investment Fund, at which time it will forgive the notes payable from QALICB to the CDEs and the leverage loan receivable from the Investment Fund to the System. Any potential anticipated gain to be realized from the NMTC transaction is an unrecorded contingency.

15. Liquidity and Availability of Resources

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the balance sheet date are reflected in the balance sheets as current assets and certain assets limited as to use and include the following balances at April 30, 2019 (in thousands):

Cash and cash equivalents	$ 15,172
Patient accounts receivable	65,484
Other receivables	9,227
Assets limited as to use:	
Assets limited as to use, current	3,635
Board-designated	191,540
Total	$ 285,058

The System has certain assets limited as to use which have been internally designated for future capital improvements and other purposes. Such board-designated amounts may be made available for general expenditure in the normal course of operations and, accordingly, have been included in the table above. The System has other assets limited as to use which are restricted for construction, debt service, and self-insurance and are not available for general expenditure, and, accordingly, which have been excluded from the table above.

As discussed in in Note 8, the System maintains a $6,000,000 line of credit. As of April 30, 2019, there were no outstanding advances on the line of credit.

The System funds its operations primarily through service charges to patients. At the discretion of management, excess cash not needed for operating expenditures are invested in various investment funds. Management's goal is to assure liquidity to satisfy all short-term liabilities within seven calendar days by maintaining a portfolio consisting of high quality, actively traded securities.

16. Functional Expenses

The System provides inpatient, outpatient, emergency care services, and long-term care primarily for residents of the Brunswick, Georgia area. Expenses related to providing these services for the year ended April 30, 2019 are approximately (in thousands):

	Healthcare Services	General & Administrative	Total
Salaries and wages	$ 165,831	$ 8,511	$ 174,342
Employee benefits	44,224	52	44,276
Contract personnel	12,009	146	12,155
Professional fees	527	4,586	5,113
Supplies and drugs	81,169	216	81,385
Physician fees	9,697	38	9,735
Insurance and utilities	8,975	38	9,013
Outside services	31,649	747	32,396
Depreciation and amortization	19,547	-	19,547
Hospital provider fee	9,101	-	9,101
Other	5,826	3,784	9,610
Interest expense	4,820	-	4,820
Total operating expenses	$ 393,375	$ 18,118	$ 411,493

Southeast Georgia Health System, Inc.
Consolidating Balance Sheet
April 30, 2019
(in thousands)

	Brunswick Campus (1)	Camden Campus	SGPA	Eliminations	Total Obligated Group	Foundation	QALICB I	Subtotal	Eliminations	Consolidated
ASSETS										
Current assets:										
Cash and cash equivalents	$ 15,130	$ (307)	$ (169)	$ -	$ 14,654	$ -	$ 518	$ 15,172	$ -	$ 15,172
Patient accounts receivable	49,158	8,148	8,178	-	65,484	-	-	65,484	-	65,484
Other receivables	6,533	1,304	1,094	-	8,931	296	-	9,227	-	9,227
Supplies and pharmaceutical inventories	7,946	1,727	165	-	9,838	-	-	9,838	-	9,838
Assets limited as to use	3,635	-	-	-	3,635	-	-	3,635	-	3,635
Other current assets	3,147	285	177	-	3,609	-	9	3,618	-	3,618
Total current assets	85,549	11,157	9,445	-	106,151	296	527	106,974	-	106,974
Assets limited as to use:										
Held by trustee for debt service	8,831	-	-	-	8,831	-	-	8,831	-	8,831
Restricted by third-parties for construction	89,787	-	-	-	89,787	-	-	89,787	-	89,787
Internally designated for self-insurance	5,183	-	-	-	5,183	-	-	5,183	-	5,183
Internally designated for capital improvements and other purposes	181,727	-	-	-	181,727	9,813	-	191,540	-	191,540
Total assets limited as to use	285,528	-	-	-	285,528	9,813	-	295,341	-	295,341
Property and equipment, net	199,677	36,642	3,713	(130)	239,902	-	16,839	256,741	-	256,741
Other assets:										
Investment in affiliates	37,725	-	127	(23,971)	13,881	-	-	13,881	(13,881)	-
Intercompany receivable	-	15,466	-	(12,306)	3,160	-	755	3,915	(3,915)	-
Leverage loan receivable	9,785	-	-	-	9,785	-	-	9,785	-	9,785
Other assets	3,064	-	-	-	3,064	-	-	3,064	-	3,064
Total other assets	50,574	15,466	127	(36,277)	29,890	-	755	30,645	(17,796)	12,849
Total assets	$ 621,328	$ 63,265	$ 13,285	$ (36,407)	$ 661,471	$ 10,109	$ 18,121	$ 689,701	$ (17,796)	$ 671,905

1 The Senior Care Centers are included in the Brunswick Campus financial information above.

Southeast Georgia Health System, Inc.
Consolidating Balance Sheet
April 30, 2019
(in thousands)

(Continued)

	Brunswick Campus (1)	Camden Campus	SGPA	Eliminations	Total Obligated Group	Foundation	QALICB I	Subtotal	Eliminations	Consolidated
LIABILITIES AND NET ASSETS										
Current liabilities:										
Current maturities of long-term debt	$ 4,806	$ 1,098	$ 59	$ -	$ 5,963	$ -	$ -	$ 5,963	$ -	$ 5,963
Accounts payable	16,586	1,426	879	-	18,891	-	-	18,891	-	18,891
Intercompany payable	3,398	-	12,306	(12,306)	3,398	517	-	3,915	(3,915)	-
Estimated third-party payor settlements	3,239	(1,364)	-	-	1,875	-	-	1,875	-	1,875
Accrued salaries and compensated absences	7,931	1,063	5,802	-	14,796	-	-	14,796	-	14,796
Other accrued expenses and deferrals	10,636	1,581	1,256	-	13,473	-	8	13,481	-	13,481
Total current liabilities	46,596	3,804	20,302	(12,306)	58,396	517	8	58,921	(3,915)	55,006
Long-term debt, excluding current maturities	239,416	25,872	911	-	266,199	-	-	266,199	-	266,199
Notes payable to community development entities	-	-	-	-	-	-	13,824	13,824	-	13,824
Professional liability claims obligation, net	3,623	1,354	206	-	5,183	-	-	5,183	-	5,183
Total liabilities	289,635	31,030	21,419	(12,306)	329,778	517	13,832	344,127	(3,915)	340,212
Net assets - without donor restrictions	331,693	32,235	(8,134)	(24,101)	331,693	9,592	4,289	345,574	(13,881)	331,693
Total liabilities and net assets	$ 621,328	$ 63,265	$ 13,285	$ (36,407)	$ 661,471	$ 10,109	$ 18,121	$ 689,701	$ (17,796)	$ 671,905

1 The Senior Care Centers are included in the Brunswick Campus financial information above.

Southeast Georgia Health System, Inc.
Consolidating Statement of Operations and Changes in Net Assets
Year Ended April 30, 2019
(in thousands)

	Brunswick Campus (1)	Camden Campus	SGPA	Eliminations	Total Obligated Group	Foundation	QALICB I	Subtotal	Eliminations	Consolidated
Operating revenues:										
Net patient service revenue	$ 305,877	$ 53,186	$ 58,395	$ (1,071)	$ 416,387	$ -	$ -	$ 416,387	$ -	$ 416,387
Other revenues	5,570	512	6,769	(9,503)	3,348	485	617	4,450	(976)	3,474
Total operating revenues	311,447	53,698	65,164	(10,574)	419,735	485	617	420,837	(976)	419,861
Operating expenses:										
Salaries and wages	90,049	16,323	67,753	-	174,125	217	-	174,342	-	174,342
Employee benefits	27,606	4,568	12,050	-	44,224	52	-	44,276	-	44,276
Contract personnel	9,401	1,121	1,633	-	12,155	-	-	12,155	-	12,155
Professional fees	4,808	-	305	-	5,113	-	-	5,113	-	5,113
Supplies and drugs	68,440	8,865	4,070	-	81,375	10	-	81,385	-	81,385
Physician fees	10,262	2,697	2,792	(6,016)	9,735	-	-	9,735	-	9,735
Insurance and utilities	7,104	1,590	310	-	9,004	9	-	9,013	-	9,013
Outside services	23,843	5,551	4,027	(1,071)	32,350	46	-	32,396	-	32,396
Depreciation and amortization	16,190	2,391	561	-	19,142	-	405	19,547	-	19,547
Hospital provider fees and assessments	7,110	1,556	435	-	9,101	-	-	9,101	-	9,101
Other	7,930	1,276	4,781	(3,487)	10,500	25	61	10,586	(976)	9,610
Interest expense	3,730	960	40	-	4,730	-	90	4,820	-	4,820
Total operating expenses	276,473	46,898	98,757	(10,574)	411,554	359	556	412,469	(976)	411,493
Income (loss) from operations	34,974	6,800	(33,593)	-	8,181	126	61	8,368	-	8,368
Non-operating revenues (expenses):										
Net investment income	10,393	9	24	-	10,426	715	-	11,141	-	11,141
Other	1,371	-	13	-	1,384	(698)	-	686	-	686
Total non-operating revenues, net	11,764	9	37	-	11,810	17	-	11,827	-	11,827
Excess (deficit) of revenues over (under) expenses	46,738	6,809	(33,556)	-	19,991	143	61	20,195	-	20,195
Other changes in net assets	2,892	-	(131)	-	2,761	-	-	2,761	-	2,761
Equity in earnings of affiliates	(26,674)	-	-	26,878	204	-	-	204	(204)	-
Equity transfers	-	-	32,093	(32,093)	-	-	-	-	-	-
Increase (decrease) in net assets	$ 22,956	$ 6,809	$ (1,594)	$ (5,215)	$ 22,956	$ 143	$ 61	$ 23,160	$ (204)	$ 22,956

1 The Senior Care Centers are included in the Brunswick Campus financial information above.

See independent auditors' report.