Navicent Health, Inc.
and Affiliates

Consolidated Financial Statements

Years Ended September 30, 2018 and 2017

DIXON HUGHES GOODMAN LLP

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Navicent Health, Inc. and Affiliates
Macon, Georgia

We have audited the accompanying consolidated financial statements of Navicent Health, Inc. and Affiliates (collectively, "Navicent Health"), which comprise the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated statements of operations, 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 did not audit the financial statements of Centra Professional Indemnity (SPC), Ltd. ("CPI"), a consolidated affiliate, which statements reflect approximately $75,457,000 and $72,425,000 of consolidated total assets as of September 30, 2018 and 2017, respectively. 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 CPI for 2018 and 2017, is based solely on the report of 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 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.

DIXON HUGHES GOODMAN LLP

Opinion

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Navicent Health as of September 30, 2018 and 2017, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information referred to in the table of contents is presented for purposes of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual affiliated 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 supplementary 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, which insofar as it relates to CPI is based on the report of other auditors, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Dixon Hughes Goodman LLP

Atlanta, Georgia
July 22, 2019

Navicent Health, Inc. and Affiliates
Consolidated Balance Sheets (dollars in thousands)
September 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 22,622**	$ 40,494
Short-term investments	**720,320**	701,722
Patient accounts receivable, less allowance for uncollectible accounts of $82,688 and $109,499 in 2018 and 2017, respectively	**152,663**	158,297
Estimated third-party settlements	**12,874**	23,117
Other accounts and notes receivable	**20,661**	29,838
Prepaid expenses and other current assets	**31,521**	25,526
Total current assets	**960,661**	978,994
Assets limited as to use	**211,114**	201,201
Long-term investments	**16,878**	49,348
Property and equipment, net	**476,455**	403,620
Cash surrender value of insurance policies	**26,880**	25,671
Other long-term assets	**9,908**	23,308
Total assets	**$ 1,701,896**	$ 1,682,142

See accompanying notes.

Consolidated Balance Sheets (dollars in thousands), continued

	2018	2017
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	**$ 40,365**	$ 50,218
Accrued compensation and withholdings	**34,908**	30,929
Current portion of long-term debt	**4,830**	10,390
Entrance fee deposits and refunds payable	**504**	1,306
Other current liabilities	**16,236**	12,571
Total current liabilities	**96,843**	105,414
Long-term debt, excluding current portion	**296,610**	232,833
Reserve for self-insured losses	**34,854**	36,435
Accrued pension benefit liability	**46,086**	77,444
Deferred revenue from entrance fees	**14,538**	12,113
Entrance fees payable	**24,560**	25,857
Other long-term liabilities	**53,953**	60,824
Total liabilities	**567,444**	550,920
Net assets:		
Unrestricted	**1,021,077**	1,017,083
Temporarily restricted	**107,003**	108,434
Total net assets excluding noncontrolling interest	**1,128,080**	1,125,517
Noncontrolling interest in subsidiaries	**6,372**	5,705
Total net assets	**1,134,452**	1,131,222
Total liabilities and net assets	**$ 1,701,896**	$ 1,682,142

See accompanying notes.

Consolidated Statements of Operations (dollars in thousands)

	2018	2017
Unrestricted revenues, gains, and other support:		
Patient service revenue (net of contractual allowances and discounts)	**$ 865,369**	$ 758,887
Provision for bad debts	**(91,586)**	(130,560)
Net patient service revenue less provision for bad debts	**773,783**	628,327
Other revenue	**58,435**	43,067
Total unrestricted revenues, gains, and other support	**832,218**	671,394
Expenses:		
Labor and employee benefits	**481,636**	414,337
Supplies and other expenses	**414,271**	327,013
Depreciation and amortization	**39,495**	38,750
Interest	**5,738**	8,074
Total expenses	**941,140**	788,174
Loss from operations	**(108,922)**	(116,780)
Other income:		
Investment income	**31,761**	23,303
Change in fair value of interest rate swap	**3,982**	5,387
Other	**5,735**	5,912
Total other income	**41,478**	34,602
Unrestricted revenues, gains, and other support under expenses	**(67,444)**	(82,178)
Gain attributable to noncontrolling interest	**(1,173)**	(1,063)
Unrestricted revenues, gains, and other support under expenses attributable to controlling interest	**$ (68,617)**	$ (83,241)

See accompanying notes.

Navicent Health, Inc. and Affiliates
Consolidated Statements of Changes in Net Assets (dollars in thousands)
Years ended September 30, 2018 and 2017

	2018	2017
Unrestricted net assets, controlling interest:		
Unrestricted revenues, gains, and other support under expenses attributable to controlling interest	**$ (68,617)**	$ (83,241)
Net unrealized gains on investments	**20,648**	15,502
Change in pension plan and post retirement health care plan funded status	**36,450**	21,797
Net assets released from restriction	**15,513**	934
Increase (decrease) in unrestricted net assets, controlling interest	**3,994**	(45,008)
Unrestricted net assets, noncontrolling interest:		
Excess of unrestricted revenues, gains, and other support over expenses	**1,173**	1,063
Distribution to noncontrolling interest	**(506)**	(598)
Increase in unrestricted net assets, noncontrolling interest	**667**	465
Temporarily restricted net assets:		
Contributions	**5,659**	7,896
Investment gain	**8,423**	9,012
Net assets released from restrictions	**(15,513)**	(934)
Increase in temporarily restricted net assets	**(1,431)**	15,974
Increase (decrease) in net assets	**3,230**	(28,569)
Net assets at beginning of year	**1,131,222**	1,159,791
Net assets at end of year	**$ 1,134,452**	$ 1,131,222

See accompanying notes.

Navicent Health, Inc. and Affiliates
Consolidated Statements of Cash Flows (dollars in thousands)
Years ended September 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 3,230	$ (28,569)
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized gains on investments	(35,834)	(23,254)
Net restricted contributions and investment income	(14,082)	(16,908)
Change in pension plan and post retirement health care plan funded status	(36,450)	(21,797)
Change in fair value of interest rate swap	(3,982)	(5,387)
Depreciation and amortization	39,495	38,750
Loss on disposal of property and equipment	260	811
Loss on refunding	2,194	-
Amortization of deferred revenues	(1,996)	(1,648)
Proceeds from nonrefundable entrance fees	4,348	1,946
Changes in operating assets and liabilities:		
Patient accounts receivable	5,634	85,134
Other assets, prepaid expenses, and supplies	16,003	(17,224)
Accounts payable and accrued expenses	(9,853)	27,686
Accrued compensation and withholdings	3,979	(632)
Estimated third-party payor settlements	10,243	(14,328)
Entrance fee deposits	1,516	(412)
Other current liabilities	3,665	(314)
Supplemental benefit plan	(1,209)	(1,979)
Other long-term liabilities	5,037	1,740
Reserve for self-insured losses	(1,581)	292
Accrued pension benefit liability	(2,834)	(9,291)
Net cash (used in) provided by operating activities	(12,217)	14,616
Cash flows from investing activities:		
Purchase of property and equipment	(112,011)	(42,786)
Proceeds from sales of investments, net	49,706	8,063
Investment in affiliate	-	(14,587)
Change in assets limited as to use, net	(9,913)	(6,587)
Net cash used in investing activities	(72,218)	(55,897)
Cash flows from financing activities:		
Principal payments	-	(9,838)
Proceeds from bond refunding	240,000	-
Proceeds from bank term loans	61,756	30,000
Payment to refund long-term debt	(245,251)	-
Debt issuance costs	(482)	-
Net restricted contributions and investment income	14,082	16,908
Refund of entrance fees	(4,842)	(4,239)
Proceeds from refundable entrance fees	1,300	814
Net cash provided by financing activities	66,563	33,645
Net change in cash and cash equivalents	(17,872)	(7,636)
Cash and cash equivalents at beginning of year	40,494	48,130
Cash and cash equivalents at end of year	$ 22,622	$ 40,494

See accompanying notes.

Notes to Consolidated Financial Statements

1. Organization and General

Central Georgia Health Systems, Inc. was incorporated on November 17, 1994, as a nonprofit corporation whose primary purpose is to serve as a controlling body for The Medical Center of Central Georgia, Inc., and other affiliated entities, in supporting their mission of coordinating the functions of individual corporate providers of a comprehensive range of high quality, reasonably priced health care services to the central Georgia community.

During 2014 Central Georgia Health Systems, Inc. began doing business as Navicent Health. During 2015, Central Georgia Health Systems, Inc. officially changed its name to Navicent Health, Inc. The entities described below are consolidated to form Navicent Health, Inc. and Affiliates (collectively, “Navicent Health”).

The Medical Center of Central Georgia, Inc., d/b/a
The Medical Center, Navicent Health (the “Medical Center” or “MCNH”)

The Medical Center is a nonprofit medical center whose primary purpose is to provide inpatient, outpatient, physician care, home care, emergency and other health care related services to the central Georgia community. The Medical Center operates the Doctors Office Building, Central Georgia Pet, LLC and the Hospice of Central Georgia. The Medical Center is a controlled affiliate of Navicent Health.

The Medical Center leases certain assets from the Macon-Bibb County Hospital Authority (the “Authority”) for a term of 30 years. Pursuant to the lease agreement dated February 14, 1995, effective October 1, 1995, substantially all assets of the Authority were transferred to the Medical Center and substantially all liabilities and operating responsibilities of the Authority were assumed by the Medical Center. Pursuant to an Amended and Restated Lease Agreement effective August 30, 2018, the lease was extended for a new term of forty years, with automatic renewal every five years for a new term of forty years. In addition, the Medical Center pays bond indebtedness, the related interest thereon, and certain other expenses of the Authority. At the expiration or termination of the agreement, all assets of the Medical Center and certain interests of affiliated entities shall be distributed, subject to such debt or other liabilities as may be applicable, to the Authority.

The Medical Center of Peach County, Inc. d/b/a
The Medical Center of Peach County, Navicent Health (“Peach Medical Center”)

Peach Medical Center, incorporated during 2012, is a controlled nonprofit medical center whose primary purpose is to provide inpatient, outpatient, physician care, emergency and other health care related services to the Peach County, Georgia area.

The Peach Medical Center has a Lease and Transfer Agreement (“Lease”) with the Hospital Authority of Peach County. Under the terms of the Lease agreement, Navicent Health manages and operates the hospital facility.

Navicent Health Baldwin, Inc. d/b/a
Navicent Health Baldwin (“Baldwin”)

Navicent is the sole member of Baldwin, a medical center whose primary purpose is to provide inpatient, outpatient, physician care, emergency and other health care related services to the Baldwin County, Georgia area.

Central Georgia Health Ventures, Inc. d/b/a Health Ventures, Navicent Health (“HVNH”)

HVNH was incorporated on February 14, 1995 and is a taxable corporation.

Health Services of Central Georgia, Inc. d/b/a Navicent Health Physician Group ("NHPG")

NHPG, incorporated on February 24, 1997, is a nonprofit corporation whose primary purpose is to employ healthcare providers such as physicians, nurse practitioners and physician assistants that are in short supply in private practice and to provide medical education.

Central Georgia Senior Health, Inc. d/b/a Carlyle Place, Navicent Health ("Carlyle Place")

Carlyle Place, incorporated on May 2, 1997, is a nonprofit corporation whose primary purpose is to construct, own, and operate a continuing care retirement community in Macon, Georgia.

Navicent Health Foundation, Inc. (the "Foundation")

The Foundation is a nonprofit corporation whose primary purpose is to raise funds of any kind or character to be used exclusively for charitable, medical, educational, and scientific purposes at or in connection with Navicent Health. During 2017, the Foundation changed its name from Medcen Community Health Foundation, Inc. to Navicent Health Foundation, Inc.

Centra Professional Indemnity (SPC), Ltd. ("CPI")

CPI, incorporated on November 14, 1995, is a controlled foreign corporation whose primary purpose is to provide certain professional and workers' compensation insurance coverage for Navicent Health.

Central Georgia Rehabilitation Hospital, LLC d/b/a Rehabilitation Hospital, Navicent Health ("RHNH")

RHNH is a Georgia limited liability company whose sole member is Navicent Health, Inc. The Limited Liability Company operating agreement was made effective as of June 28, 2006, by Navicent Health, Inc. RHNH is operated with the sole mission to provide physical rehabilitation services to the central Georgia community.

Navicent Health Plan, Inc. ("NHP")

Effective August 29, 2017, Navicent Health purchased all the shares of AmeriHealth Caritas Georgia, Inc., which is domiciled in Georgia. NHP is a health maintenance organization that is to provide managed care services to the Navicent Health market. Subsequent to the purchase date, the name of the organization was changed to Navicent Health Plan, Inc.

Central Georgia PET, LLC ("PET")

PET was incorporated on December 5, 2001, for the purpose of operating an outpatient radiology imaging center. MCNH has a 66.7% ownership interest in PET whose operations are consolidated within MCNH's consolidated financial statements. Included in unrestricted net assets at September 30, 2018 and 2017, are approximately $639,000 and $533,000, respectively, representing the noncontrolling interest in PET.

Secure Health Plans of Georgia, LLC ("SHPG")

SHPG, incorporated on November 6, 1996, is a limited liability company whose primary purpose is to provide certain health care services through the establishment, operation, and maintenance of a diversified portfolio of insurance products. Navicent Health provided 50.4% of the capital of SHPG. Included in unrestricted net assets at September 30, 2018 and 2017, are $5,707,000 and $5,172,000, respectively, representing the noncontrolling interest in SHPG.

Stratus Healthcare

Navicent Health (including the Medical Center, Navicent Health; Navicent Health Baldwin; Medical Center of Peach County, Navicent Health; and Rehabilitation Hospital, Navicent Health) is a member of Stratus Healthcare ("Stratus") an alliance of 15 hospitals and 9 health systems. Stratus is a collaborative partnership of hospitals, the largest of its kind in the Southeast, in central and South Georgia that has formed to create a network of hospitals, health care systems and physicians. Members of the Stratus alliance will work together to exchange best practices, combine resources, develop coordinated information systems, reduce costs and manage the health of populations, providing the Federal healthcare reform will require that medical care be reimbursed based on a fee-for-value framework rather than the fee-for-service model used in the past.

Houston Healthcare System, Inc. ("Houston")

Navicent Health and Houston entered a letter of intent on November 16, 2017 to enter a strategic partnership between the two systems. The partnership agreement is currently under legal and compliance review and is expected to be formalized in fiscal 2019.

The Charlotte – Mecklenburg Hospital Authority d/b/a Atrium Health ("Atrium Health")

In February 2018, Navicent Health signed a Letter of Intent with Atrium Health to enter a strategic combination to enhance access, affordability, and equity of care for individuals and families in central and south Georgia. In December 2018, Atrium Health and Navicent Health signed an Agreement and Member Substitution ("Agreement"), effective January 1, 2019, pursuant to which AHNH Georgia, Inc., a newly-formed controlled affiliate of Atrium Health, became the sole corporate member of Navicent Health. Through this Agreement, Navicent Health (excluding the Foundation) will become a regional hub in, and an integral part of, the Atrium Health system. Under terms of the agreement, Navicent Health (excluding the Foundation) retains and appoints a majority of its Board of Directors, but Atrium Health holds customary approval rights, including approving Navicent Health budgets and any borrowings or discharge of Navicent Health debt. In addition, Atrium Health agrees to ensure that Navicent Health does not default under any indebtedness agreements, notes or bonds, or other debt-related liabilities. Atrium Health has committed to make certain capital expenditures at Navicent Health facilities that will equal at least $1 billion over the first 10 years following the combination. The source of the funds for these expenditures will include Navicent Health's existing cash and cash flows from the operations of Navicent Health following the closing of the transaction, but Atrium Health has committed to fund $425 million of the total capital commitment.

2. Significant Accounting and Reporting Policies

A summary of the significant accounting and reporting policies followed by Navicent Health in the preparation of its consolidated financial statements is presented below:

Accounting Standards

Navicent Health follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the "FASB." The FASB sets accounting principles generally accepted in the United States of America ("GAAP") that Navicent Health follows to ensure consistent reporting of its financial condition, results of operations, and cash flows. References to GAAP issued by the FASB in these footnotes are to the *FASB Accounting Standards Codification,* sometimes referred to as the "Codification" or "ASC". Updates to the Codification are referred to as Accounting Standard Updates ("ASU").

Principles of Consolidation

The consolidated financial statements include the accounts of Navicent Health and all controlled affiliates. All significant intercompany transactions and accounts have been eliminated in consolidation.

Obligated Group

The Obligated Group, as defined by the Master Trust Indenture ("MTI"), is comprised of the Medical Center, Navicent Health, NHPG, Baldwin, and Peach Medical Center.

Fair Value Measurements

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs in measuring fair value, and GAAP establishes a three level hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

<u>Level 1</u>

Quoted prices in active markets for identical assets or liabilities such as debt and equity securities, mutual funds, and money market accounts that are traded in an active market, and other cash equivalents. Level one investments include common stocks, equity mutual funds and money market funds that are traded in an active market.

<u>Level 2</u>

Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Navicent Health's level 2 investments include corporate bonds, U.S. government obligations, and asset and mortgage backed securities. Navicent Health utilizes a third-party pricing service to determine the fair value of each of these investment securities. Because quoted prices in active markets for identical assets are not available, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics.

<u>Level 3</u>

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Navicent Health's level 3 investments include limited liability partnerships and limited liability companies. The fair value for these investments are determined by applying Navicent Health's ownership percentage to the net asset value of the investment fund. Underlying investments of the funds include hedge funds, real estate funds, mortgage backed securities, asset backed securities and global equity fund of funds.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks and investments in highly liquid debt instruments with maturities of three months or less when purchased, excluding assets limited as to use. From time to time Navicent Health deposits at banks exceed the Federal Deposit Insurance Corporation insurance limit. By policy, the amount of credit exposure to any one institution is limited, and such investments are generally not collateralized.

Investments

Investments in marketable equity securities and all investments in debt securities are stated at fair value in the consolidated balance sheets. All investments have been designated by management to be other than trading securities. Investment income or loss (including realized gains and losses on investments, interest, dividends and other-than-temporary impairment in investments) is included in the excess of unrestricted revenues, gains, and other support over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of unrestricted revenues, gains, and other support over expenses.

Management evaluates individual securities to ascertain whether other-than-temporary impairment ("OTTI") has occurred. Management considers several factors including when the security might recover in value, declines in market value below 80% of the original cost for a period in excess of a year, and whether or not management intends to hold the respective security until the anticipated recovery in value occurs. No OTTI was recognized during 2018 or 2017.

Assets Limited as to Use

Assets limited as to use include assets held for use for the Foundation activities and by donor restrictions, set aside for the self-insurance reserve fund, or set aside by the Board of Directors ("Board") for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes.

Interest Rate Swap

Navicent Health utilizes an interest rate swap to manage the variability in interest rates on certain of its variable rate debt. Derivative instruments are required to be reported at fair value as either assets or liabilities in the balance sheet. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, an entity must designate the hedging instrument, based upon the exposure being hedged. For derivative instruments not designated as hedging instruments, the changes in fair value are recognized in the performance indicator.

The performance indicator (excess of unrestricted revenues, gains, and other support over expenses) reported by not-for-profit healthcare organizations is analogous to income from continuing operations of a for-profit enterprise. Navicent Health does not account for the interest rate swap under hedge accounting, and, accordingly, changes in the value of the swap are recorded above the performance indicator. Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been used had a ready market for the securities existed.

Patient Accounts Receivable

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, Navicent Health analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, Navicent Health analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), Navicent Health records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. Recoveries of accounts previously written off are recorded as a reduction to the provision for bad debt expense when received.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is based upon management's assessment and consideration of historical and expected net collections, business and economic conditions, trends in health care coverage, and other collection indicators. Periodically, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category. The results of this review are then used to make any modifications to the provision for bad debts to establish an appropriate allowance for uncollectible accounts. Navicent Health's allowance for doubtful accounts for self-pay patients was 96% and 98% of self-pay accounts receivable at September 30, 2018 and 2017, respectively.

Inventory

Inventory is included as a component of other current assets on the consolidated balance sheets and consists primarily of medical supplies that are stated principally at the lower of average cost or market.

Property and Equipment

Property and equipment acquisitions are recorded on the basis of cost. Expenditures for maintenance and repairs are charged to expense. Expenditures that materially increase the value of property and equipment or extend useful lives are capitalized as a cost of the applicable property and equipment. Navicent Health removes the costs and related allowances from the accounts for properties sold or retired.

Property and equipment are depreciated using straight-line methods over their estimated economic lives. Useful lives range from 5 to 25 years for land improvements, 20 to 40 years for buildings, and 3 to 15 years for equipment.

Long-Lived Assets

Periodically, reviews are performed of long-lived assets, such as property and equipment and goodwill, to determine whether any impairment exists. Management believes that the long-lived assets in the accompanying consolidated balance sheets are appropriately valued at September 30, 2018 and 2017.

Vacation Policy

Employee vacation pay is accrued when earned by the employee and is recorded within accrued compensation and withholdings on the consolidated balance sheets.

Entrance Fee Deposits

Deposits received from future residents (10% of the entrance fee) of the continuing care retirement community are held in an escrow account, earning interest, until the residents move into the continuing care retirement community. These deposits are recorded as a current liability.

Refundable and Nonrefundable Entrance Fees

Refundable and nonrefundable entrance fees are received from residents upon admission to the continuing care retirement community.

Certain contracts with residents stipulate that entrance fees are refundable on a vacated unit when the entrance fee on a comparable unit has been collected but are not limited to the proceeds of re-occupancy. These refundable entrance fees are recorded as refunds payable.

Certain contracts with residents stipulate that entrance fees are not refundable 48 months after the original contract date. Nonrefundable entrance fees are recorded as deferred revenue and amortized on a straight-line basis over the life expectancy of the resident on the date of occupancy. Unamortized deferred revenue from nonrefundable entrance fees is recorded as revenue upon a resident's death or the termination of the contract.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use is restricted by the donor for a specific time period or purpose.

Net Patient Service Revenue, Less Provision for Bad Debts

Net patient service revenue, less provision for bad debts, is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Navicent Health's revenues may be subject to adjustment as a result of examination by government agencies or contractors, and as a result of differing interpretation of government regulations, medical diagnosis, charge coding, medical necessity, or other contract terms. The resolution of these matters, if any, often is not finalized until subsequent to the period during which the services were rendered.

Reserve for Self-Insured Losses

Navicent Health is insured by CPI for certain professional and workers' compensation insurance. CPI determines its provision for known cases on the basis of the losses reported to it by a claims handler. CPI has engaged the services of independent consulting actuaries to advise on the required level of total outstanding loss reserves. The provision for outstanding loss reserves is therefore based upon the advice of these actuaries and management's best estimate for the ultimate development of losses reported.

Changes in estimates of outstanding claims reserves resulting from the continuous review process and differences between estimates and payments are recognized in income in the period in which they are determined.

CPI records its estimated liabilities gross of any amounts recoverable under its own reinsurance, which amounts, if any, are recorded separately in the consolidated balance sheets. In the event that CPI reinsurers are unable to meet their obligations under the reinsurance agreements, CPI would be liable to pay all losses under the reinsurance assumed but would only receive reimbursement to the extent that the reinsurers can meet their obligations.

Operating and Nonoperating Activities

Navicent Health's primary purpose is to provide diversified health care services to the community. As such, activities related to the ongoing operations of Navicent Health are classified as operating activities. Operating revenues include those generated from direct patient care, related support services, and sundry revenues related to the operation of Navicent Health. Activities not directly related to the ongoing operations of Navicent Health, or that occur infrequently, are reported as other revenue. Included in other revenue are activities related to cafeteria, parking, grant, and other miscellaneous revenues. In addition, gains or losses from disposition of operating properties, earnings on interest bearing deposits, change in fair values of interest rate swaps, interest on nonoperating investments, and marketable securities that are used to support health related activities are reported as other income.

Charity Care

Navicent Health provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Navicent Health accepts all patients regardless of their ability to pay. Because Navicent Health does not pursue collection of amounts determined to qualify as charity care, such amounts are excluded from net patient service revenue. Partial payments to which Navicent Health is entitled from public assistance programs on behalf of patients that meet Navicent Health's charity care criteria are reported as net patient service revenue.

Navicent Health, under its financial assistance and uninsured discount policies, provides care without charge or at discounted rates to all uninsured patients, including any uninsured patient who experiences catastrophic-related illness or injury. Key elements used to determine eligibility for financial assistance include a patient's demonstrated inability to pay based on family size and household income relative to Federal income poverty guidelines. Amounts determined to qualify as financial assistance are not reported as net patient service revenue. The estimated cost of services of charity care provided under Navicent Health's financial assistance policy is estimated by applying a cost to charge ratio to the amount of applicable charges foregone. These costs amount to approximately $47,860,000 and $37,246,000 for 2018 and 2017, respectively.

Unrestricted Revenues, Gains, and Other Support Under Expenses

The consolidated statements of operations include unrestricted revenues, gains, and other support under expenses. Changes in unrestricted net assets which are excluded from unrestricted revenues, gains, and other support under expenses, 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, changes in unfunded pension and postretirement plan gains and losses, 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).

Gifts, Contributions, and Grants

Gifts, contributions, and grants are recorded at market value as of the date of receipt. Noncash items are recorded at market value on the date of the gift. Contributions restricted by the donor are recorded in restricted net assets at market value on the date of the contribution.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reported in the consolidated statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Income Tax

Navicent Health, Inc., the Medical Center, NHPG, Carlyle Place, and the Foundation are organizations exempt from federal income tax, pursuant to Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. CPI is a foreign corporation not subject to tax in the United States. PET, RHNH and SHPG are organized under Georgia law and the Internal Revenue Code as limited liability companies (“LLC”). The members of an LLC report taxable income or loss on their corporate or individual tax returns. Navicent Health’s share of income from PET, RHNH and SHPG operations is not considered unrelated business income (“UBI”) and is therefore not subject to tax. Navicent Health and its affiliates have evaluated their tax positions and have determined that they do not have any material unrecognized tax benefits or obligations as of September 30, 2018.

HVNH is subject to income tax. With respect to its for-profit subsidiaries, Navicent Health accounts for income taxes in accordance with the liability method under which deferred tax assets and liabilities are determined based on the differences between the financial accounting and tax bases of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the currently enacted tax rate expected to apply to taxable income in the periods that the deferred tax asset or liability is expected to be realized or settled.

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.

Asset Retirement Obligations

A conditional asset retirement obligation is an unconditional legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. Navicent Health recognizes a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated.

Cash Surrender Value of Insurance Policies

Navicent Health previously had a supplemental executive benefit program ("SEBP") for current and retired executives ("Executive" or "Executives") that was designed to protect against the loss of key employees. Navicent Health paid premiums on insurance policies for each Executive in the plan. Navicent Health anticipated that the cash surrender value of the policies would grow to amounts sufficient for the Executives to take withdrawals from, or borrow against, the value to supplement the Executives' retirement income. During 2009, Navicent Health suspended the SEBP program and stopped making further premium payments on the insurance policies.

Navicent Health continues to retain an assigned interest in the life insurance policies. The cash surrender value of the policies amounted to approximately $26,880,000 and $25,671,000 at September 30, 2018 and 2017, respectively, and these amounts are included as a long-term asset in the consolidated balance sheets.

Pension Plan and Postretirement Health Care Benefits

Navicent Health sponsors a defined benefit pension plan and a postretirement health care plan. Navicent Health recognizes the overfunded and underfunded status of the defined benefit pension and postretirement plans in its balance sheets. Changes in the funded status are recorded in the year in which the changes occurred through changes in unrestricted net assets. Plan assets and benefit obligations are measured as of the date of the fiscal year-end balance sheet.

Subsequent Events

Navicent Health evaluated the effect subsequent events would have on the consolidated financial statements from October 1, 2018 through July 22, 2019, which is the date the consolidated financial statements were issued. All reportable subsequent events have been incorporated in the consolidated financial statements.

3. Net Patient Service Revenue

A summary of payment arrangements with major third-party payors follows:

Medicare

Medicare inpatient and outpatient services, with certain limited exceptions, are based on a prospective reimbursement methodology referred to as the Prospective Payment System ("PPS") for inpatients and Ambulatory Payment Classifications ("APCs") for outpatients. Under PPS, a hospital is reimbursed at predetermined rates for an episode of care based on diagnosis-related groups ("DRGs") for inpatients and APCs for outpatients, which classify treatments for illnesses according to the estimated intensity of hospital resources necessary to furnish care for each diagnosis. As a teaching hospital, Navicent Health receives payments for training physicians and other medical professionals (graduate medical education or GME payments). These payments are in two different forms, direct medical education ("DME") and indirect medical education ("IME") payments. DME payments support the direct costs of training while IME payments support the higher infrastructure that teaching hospitals incur relating to teaching, and higher patient acuity. As a hospital serving a disproportionate share of low-income patients (Medicare and Medicaid patients eligible to receive supplemental Social Security income), Navicent Health also receives additional payments in the form of disproportionate share payments.

Navicent Health is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report and audits thereof by the Medicare fiscal intermediary. Navicent Health'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. MCNH's cost reports have been audited and final settled by the Medicare fiscal intermediary through September 30, 2009.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a diagnostic related group based methodology that is not subject to retroactive settlement. Outpatient services are paid on a cost reimbursement methodology subject to certain limits. Services rendered under this program are recorded at established rates and reduced to the estimated amount due from the third-party payors through recording of contractual adjustments and other discounts. Because Navicent Health cannot pursue collections for the contractual or discounted amounts, they are not reported as revenue.

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. MCNH's cost reports have been audited and final settled by the Medicaid fiscal intermediary through September 30, 2015.

Managed Care and Other Payors

Navicent Health has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The bases for payment to Navicent Health under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Net patient service revenues are reported at the estimated net realizable amounts from third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as interim or final settlements are determined. In the opinion of management, adequate provisions have been made for any adjustments that may result from such reviews. However, it is reasonably possible that recorded estimates will change by material amounts in the near term. Net patient service revenue decreased approximately $1,321,000 and increased approximately $5,073,000 for 2018 and 2017, respectively, due to changes in amounts previously estimated as a result of final settlements and changes in estimates.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Navicent Health 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 that would have a material effect on the consolidated financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

(tabular amounts in thousands)

Gross patient service charges and net patient service revenue for the years ended September 30 include:

	2018	2017
Gross patient service charges	**$ 3,076,298**	$ 2,713,681
Contractual adjustments	**2,012,479**	1,799,005
Charity care:		
Charity care charges	**198,741**	152,347
County contributions from tax revenue	**(339)**	(452)
Net charity care	**198,402**	151,895
Other adjustments	**48**	3,894
Total contractual and other adjustments	**2,210,929**	1,954,794
Patient service revenue (net of contractual allowances and discounts)	**865,369**	758,887
Less provision for bad debts	**91,586**	130,560
Net patient service revenue, less provision for bad debts	**$ 773,783**	$ 628,327

Indigent Care Trust Fund

Under the provisions of the Georgia Indigent Care Trust Fund Act ("ICTF"), Medicaid disproportionate share hospitals ("DSH") may contribute funds to be used by the State in the Medicaid program and which will be supplemented by federal funds (combination dollars). The combination dollars are returned to DSH as additional Medicaid inpatient reimbursement.

Amounts recorded in patient service revenue (net of contractual allowances and discounts) in the consolidated financial statements related to the ICTF are summarized approximately as follows:

	2018	2017
Amounts received from the ICTF	**$ 4,415**	$ 3,552
Contribution to ICTF	**1,561**	1,141
Excess received over contribution	**$ 2,854**	$ 2,411

Upper Payment Limit

Under the provisions of the Georgia Upper Payment Limit Rate adjustments ("UPL"), government owned or operated hospitals, nursing homes and critical access eligible hospitals may contribute funds to be used by the state in the Medicaid program, which will be supplemented by federal funds (combination dollars). Amounts recorded in the consolidated financial statements related to the UPL are summarized approximately as follows:

	2018	2017
Amounts received from UPL	**$ 10,811**	$ 7,109
Contributions to UPL	**3,419**	3,281
Excess received over contribution	**$ 7,392**	$ 3,828

Net amounts received under the ICTF and UPL programs are recorded in net patient service revenue.

(tabular amounts in thousands)

4. Investments

Investments are summarized as follows:

	2018	2017
Short-term investments:		
Money market fund and other	**$ 32,531**	$ 18,439
Equity securities	**277,992**	280,192
Alternative investments	**260,432**	249,267
Asset backed securities	**43,716**	46,836
Fixed Income Mutual funds	**3,297**	4,172
U.S. Treasury obligations and other government backed securities	**63,870**	70,933
Corporate bonds	**38,482**	31,883
	$ 720,320	$ 701,722
Long-term alternative investments	**$ 16,878**	$ 49,348

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, the possibility is reasonable 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.

Navicent Health invests in alternative investments that are defined as venture capital, international and domestic private equity investments, and absolute return (hedge) funds. Long-term investments are alternative investment funds, primarily comprised of real estate funds that require seven to ten-year fund terms before the investments can be liquidated.

The recorded market price for alternative investments is estimated by the individual investment manager taking into account such factors as the financial condition of each investee, economic and market conditions affecting their operations, any changes in management, the length of time since the initial investment, recent transactions involving the securities of the investee, the value of similar securities issued by companies in the same or similar businesses, and limited marketability of the portfolio.

Valuations provided by the general partners and investment managers are evaluated by management through accounting and financial reporting processes to review and monitor existence and valuation assertions. Due to the inherent uncertainty of valuation of the alternative investments, the fair values estimated by the individual investment manager, in the absence of readily ascertainable market values, may not necessarily represent the amounts that could be realized from sales or other dispositions of investments, and the differences may be material.

(tabular amounts in thousands)

Investment income for assets limited as to use and short-term and long-term investments for the years ended September 30 includes:

	2018	2017
Investment income:		
Interest and dividends	$ 16,600	$ 15,551
Realized gains	15,161	7,752
	$ 31,761	$ 23,303
Other changes in unrestricted net assets:		
Unrealized gains on investments, other than trading securities	$ 20,648	$ 15,502

5. Assets Limited as to Use

The composition of assets limited as to use stated at fair value is set forth in the following table:

	2018	2017
Self-insurance reserve fund (held primarily by CPI):		
Money market funds	$ 3,471	$ 1,300
Corporate bonds	25,716	27,258
Mutual funds	20,250	13,800
Equity securities	20,478	15,985
Other	5,542	7,227
Alternative investments	-	6,855
	75,457	72,425
Foundation:		
Cash and cash equivalents	51	143
Money market funds	11,119	4,989
U.S. government securities	5,009	4,311
U.S. corporate bonds	3,411	3,938
Mortgage backed securities	1,019	884
Mutual funds	18,943	20,453
Equity securities	41,242	29,986
Alternative investments	30,175	46,876
	110,969	111,580
Reservation deposits, held under escrow agreement:		
Cash and cash equivalents	1,409	234
Deposit held by Georgia Department of Insurance		
Cash and cash equivalents	1,000	-
Designated by Board:		
Other	22,279	16,962
	$ 211,114	$ 201,201

(tabular amounts in thousands)

6. Property and Equipment

Property and equipment consisted of the following at September 30:

	2018	2017
Land and land improvements	**$ 32,455**	$ 31,604
Buildings and improvements	**477,050**	465,714
Parking deck	**46,473**	46,473
Movable equipment	**384,353**	372,233
Fixed equipment	**111,947**	108,728
	1,052,278	1,024,752
Less accumulated depreciation	**725,547**	686,562
	326,731	338,190
Construction-in-progress	**149,724**	65,430
	$ 476,455	$ 403,620

Depreciation expense for the years ended September 30, 2018 and 2017 amounted to approximately $38,916,000 and $38,049,000, respectively.

7. Long-Term Debt

A summary of long-term debt of the Obligated Group at September 30 is as follows:

	2018	2017
Term Loan issued in December 2017, variable interest rates, 1.50% at September 30, 2018, due in December 2027; collateralized by the gross revenues of the Obligated Group	$ **60,000**	-
Revenue Anticipation Certificates, Series 2017A for MCNH variable interest rates, 2.28% at September 30, 2018, due in varying installments to 2045; collateralized by the gross revenues of the Obligated Group	**40,000**	-
Revenue Anticipation Certificates, Series 2017B for MCNH variable interest rates, 2.14% at September 30, 2018, due in varying installments to 2042; collateralized by the gross revenues of the Obligated Group	**200,000**	-
Taxable loan, issued in January 2012, variable interest rate, 2.18% at September 30, 2017, refunded in December 2017	**-**	39,868
Revenue Anticipation Certificates, Series 2012A issued in January 2012, variable interest rate, 1.81% at September 30, 2017, refunded in December 2017	**-**	2,600
Revenue Anticipation Certificates, Series 2012B issued in January 2012, variable interest rate, 1.81% at September 30, 2017, refunded in December 2017	**-**	8,600
Revenue Anticipation Certificates, Series 2012C issued in January 2012, variable interest rate, 1.91% at September 30, 2017, refunded in December 2017	**-**	11,100

(tabular amounts in thousands)

	2018	2017
Revenue Anticipation Certificates, Series 2012D issued in January 2012, variable interest rate, 1.36% at September 30, 2017, refunded in December 2017	$ -	$ 26,170
Revenue Anticipation Certificates, Series 2009 issued in September 2009, fixed interest rates ranging between 4% and 5%, refunded in December 2017	-	80,758
Revenue Anticipation Certificates, Series 2015 for MCNH variable interest rates, 1.29% at September 30, 2017, refunded in December 2017	-	9,260
Revenue Anticipation Certificates, Series 2015 for Carlyle Place issued in May 2015, variable interest rates, 1.63% at September 30, 2017, refunded in December 2017	-	35,600
Term loan, issued in September 2017, variable interest rate, 1.91% at September 30, 2017, refunded in December 2017	-	30,000
Other	1,756	-
	301,756	243,956
Less current portion	4,830	10,390
Less unamortized bond issuance costs	316	733
	$ 296,610	$ 232,833

Effective December 1, 2017, the Macon-Bibb County Hospital Authority issued the $40,000,000 Series 2017A Certificates and the $200,000,000 Series 2017B Certificates. The proceeds of the Series 2017 Certificates were loaned to MCNH for the purpose of refunding the Macon-Bibb County Hospital Authority Revenue Anticipation Certificates (The Medical Center of Central Georgia Project) Series 2015 Certificates-MCNH, Series 2015 Certificates-CP, Series 2012A Certificates, Series 2012B Certificates, Series 2012C Certificates, Series 2012D Certificates, and Series 2009 Certificates and financing and reimbursing the cost of construction on the project. The Series 2017A Certificates and Series 2017B Certificates are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount of each Bond to be redeemed plus accrued interest to the date fixed for redemption until maturity on August 1, 2045 and August 1, 2042, respectively. Interest is calculated based on one-month LIBOR. The series 2017A Certificates have been purchased by a financial institution with a 10-year holding period that expires on December 31, 2027, prior to maturity of the certificates. The Series 2017B Certificates have been purchased by a financial institution with a 2-year holding period that expires on December 31, 2019, prior to the maturity of the certificates.

Effective December 1, 2017, MCNH entered into a taxable loan with a financial institution in an amount up to $60,000,000. The proceeds of the loan were used to payoff the remaining balance of the taxable loan issued in 2012 as well as the term loan issued in 2017. The note requires monthly interest payments at the adjusted LIBOR rate beginning February 1, 2018. The full principal balance is due upon maturity of the loan on December 31, 2027.

Effective September 1, 2017, Navicent Health entered into a term note in the amount of $30,000,000. The Note requires monthly interest payments at the adjusted LIBOR rate. The full principal balance is due upon maturity of the loan in March of 2020.

On May 1, 2015, the Macon-Bibb County Hospital Authority issued $11,860,000 Macon-Bibb County Hospital Authority Revenue Anticipation Certificates (The Medical Center of Central Georgia, Inc. Project), Series 2015 (“Series 2015 Certificates-MCNH”). The proceeds of the Series 2015 Certificates-MCNH were loaned to MCNH for the purpose of refunding the Macon-Bibb County Hospital Authority Revenue Anticipation Certificates (The Medical Center of Central Georgia Project) Series 2003A Certificates that were issued July 1, 2003 for the purpose of refunding the Series 1993A and 1993C Certificates and financing and reimbursing the cost of construction on the project.

On May 1, 2015, the Macon-Bibb County Hospital Authority issued $38,435,000 Macon-Bibb County Hospital Authority Revenue Anticipation Certificates (The Medical Center of Central Georgia, Inc. Project), Series 2015 ("Series 2015 Certificates-CP"). The proceeds of the Series 2015 Certificates-CP were loaned to Carlyle Place for the purpose of refunding the Macon-Bibb County Hospital Authority Revenue Anticipation Certificates (Central Georgia Senior Health, Inc. – Carlyle Place Project) Series 2000 Certificates that were issued May 1, 2000 for the purpose of financing the cost of construction.

On January 1, 2012, MCNH entered into a taxable note in the amount up to $50,000,000. The Note requires monthly interest payments at the adjusted LIBOR rate. Principal payments were due annually beginning September 1, 2020 with a final principal payment due July 31, 2023. The Note also has certain financial and other covenants for which Navicent Health must comply.

On January 31, 2012, the Authority issued $48,700,000 Macon-Bibb County Hospital Authority Revenue Anticipation Certificates (The Medical Center of Central Georgia, Inc. Project), Series 2012A, Series 2012B, and Series 2012C ("Series 2012 Certificates"). The proceeds of the Series 2012 Certificates were loaned to MCNH for the purpose of refunding Series 1997, Series 1998, and Series 2003B Certificates ("Prior Bonds"), respectively.

In addition, on January 31, 2012, the Authority issued the Macon-Bibb County Hospital Authority Revenue Anticipation Certificates (The Medical Center of Central Georgia, Inc. Project), Series 2012D to finance the construction of the Peach Medical Center hospital facility. Also, on January 31, 2012, MCNH entered in to a taxable loan agreement ("Taxable Loan"). The proceeds of the Taxable Loan were used to finance the construction of various healthcare facilities.

In September 2009, the Authority issued $80,800,000 Macon-Bibb County Hospital Authority Revenue Anticipation Certificates (The Medical Center of Central Georgia, Inc. Project), Series 2009 Certificates ("Series 2009 Certificates"). The proceeds of the Series 2009 Certificates were loaned to MCNH to (i) pay off two bank loans totaling $80,000,000 obtained during 2009 that had been used to redeem the Series 2005 Certificates, and (ii) pay the costs of issuing the Series 2009 Certificates.

MCNH guarantees payment of the 2017 Revenue Anticipation Certificates (collectively, the "Certificates") to the Macon-Bibb County Hospital Authority in the form of a lease and transfer agreement (the "Agreement"). The Master Trust Indenture (the "Indenture") for the Certificates was amended to include all members of the Obligated Group under the provisions of the Agreement. To secure prompt payment of principal and interest on the Certificates and secure performance of its obligation, the Obligated Group granted a security interest in its gross revenues (as more fully defined in the Indenture) and in all its property. The Obligated Group is subject to certain covenants, including limitations on additional indebtedness, transfers of assets, maintenance of certain amounts of insurance, and certain other financial covenants under the terms of the Indenture.

Interest paid in 2018 and 2017 totaled approximately $4,706,000 and $7,402,000, respectively.

For the year ended September 30, 2018, Navicent Health did not meet the minimum debt service coverage ratio requirement of 1.1 under the Indenture and related Covenant and Loan Agreement dated December 1, 2017. Subsequent to year-end, Navicent Health obtained a waiver from the bank related to its covenant violation at September 30, 2018. The waiver is limited to the violation of the debt service coverage ratio covenant.

(tabular amounts in thousands)

Original principal maturities of long-term debt are as follows:

Years ending September 30:	
2019	$ 4,830
2020	4,820
2021	5,060
2022	5,310
2023	5,580
Thereafter	276,156
	$ 301,756

8. Interest Rate Swaps

On October 1, 2001, Carlyle Place entered into an interest rate swap agreement in relation to $23,000,000 of its Revenue Anticipation Bonds, Series 2000. Although the 2000 Series was refinanced during 2015 and 2017, the interest rate swap agreement remains intact. This interest rate swap agreement, which expires on September 1, 2021, requires Carlyle Place to make fixed-rate interest payments of 4.1% on a monthly basis in return for receiving a monthly variable-rate interest payment. As of September 30, 2018, the floating interest rate, which is based on 67% of LIBOR, was 1.52%. The fair value of Carlyle Place's interest swap liability was approximately $460,000 and $894,000 at September 30, 2018 and 2017, respectively, which is included in other long-term liabilities in the accompanying consolidated balance sheets. The fair value of the interest rate swap liability decreased approximately $434,000 and $590,000 for the years ended September 30, 2018 and 2017, respectively.

MCNH has an interest rate swap agreement relating to a portion of the $52,000,000 Series 2005 Revenue Anticipation Bonds (“2005 Series”). Although the 2005 Series was refinanced during 2009, the interest rate swap agreement remains intact. The interest rate swap, which expires on August 1, 2035 and has a mandatory exercise date of May 1, 2021, requires MCNH to make fixed-rate interest payments of 3.2% on a monthly basis in return for receiving a monthly variable-rate interest payment equal to 67% of LIBOR, which was 1.52% at September 30, 2018. The fair value of MCNH's interest swap was a liability of approximately $5,442,000 and $8,990,000 at September 30, 2018 and 2017, respectively. These amounts are included in other long-term liabilities in the accompanying consolidated balance sheets. The fair value of the interest rate swap liability decreased approximately $3,548,000 and $4,797,000 for the years ended September 30, 2018 and 2017, respectively.

9. Entrance Fees

Nonrefundable and refundable entrance fees are summarized as follows:

	2018	**2017**
Nonrefundable entrance fees	**$ 27,408**	$ 24,477
Accumulated amortization	**12,870**	12,364
	$ 14,538	$ 12,113
Refundable entrance fee liability	**$ 24,560**	$ 25,857

Amortization of the nonrefundable entrance fees was approximately $1,994,000 and $1,648,000 for the years ended September 30, 2018 and 2017, respectively.

10. Postretirement Benefit Plans

Defined Benefit Pension Plan

Navicent Health has a noncontributory defined benefit pension plan (“pension plan”) covering substantially all employees of Navicent Health. The benefits are based on years of service and the employee's highest compensation during three of the employee's last ten years of service. Navicent Health's funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus any additional amounts Navicent Health may determine to be appropriate.

The Board of Directors of Navicent Health (the “Board”) approved a redesign of the plan that was effective on January 1, 2008. The changes included freezing the plan effective December 31, 2007, with the plan closed to any new participants at December 31, 2007. Plan participants under the age of 40 on January 1, 2008 no longer accumulate benefits.

During 2013, the Board approved an amendment to freeze the pension plan as of December 31, 2013, such that future benefits are no longer accrued for all employees after that date.

Defined Benefit Health Care Plan

Navicent Health sponsors a defined benefit health care plan (“health plan”) that provides postretirement medical benefits to full-time employees who have worked 20 years and attained age 60 while in service with Navicent Health. The plan is contributory with retiree contributions adjusted annually, and it contains other cost-sharing features such as deductibles and coinsurance. Navicent Health's policy is to fund the cost of medical benefits in amounts determined at the discretion of management.

During September 2017, management changed the health plan eligibility requirements. Employees who are within 5 years of eligibility as of October 1, 2017 (achieving age 60 and 20 years of service) will continue to be eligible for coverage; however, employees who are outside 5 years of these requirements, will no longer be eligible for the health plan.

The funded status of the pension plan and health plan is measured as the difference between the fair value of the plans’ assets and the projected benefit obligation of the plans.

(tabular amounts in thousands)

The following tables present a reconciliation of the beginning and ending balances of the plans' projected benefit obligation, the fair value of plan assets, and the funded status of the plans as of and for the years ended September, 30, 2018 and 2017:

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	2018	**2017**	**2018**	**2017**
Projected benefit obligation, beginning of year	**$ 432,499**	$ 433,183	**$ 35,252**	$ 40,825
Change in benefit obligation:				
Service cost	**-**	-	**922**	1,729
Interest cost	**14,460**	13,940	**1,072**	1,143
Actuarial (gain) loss	**(19,772)**	(2,138)	**(6,909)**	5,833
Change in plan provisions	**-**	-	**(1,536)**	(12,260)
Benefits paid	**(28,015)**	(12,486)	**(2,074)**	(2,018)
Projected benefit obligation, end of year	**$ 399,172**	$ 432,499	**$ 26,727**	$ 35,252

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	2018	**2017**	**2018**	**2017**
Fair value of plan assets, beginning of year	**$ 355,055**	$ 331,734	**$ -**	$ -
Change in plan assets:				
Actual return on plan assets	**26,046**	31,807	-	-
Contributions of plan sponsor	**-**	4,000	**2,074**	2,018
Contributions of plan participants	**-**	-	**322**	322
Benefits paid	**(28,015)**	(12,486)	**(2,396)**	(2,340)
Fair value of plan assets, end of year	**$ 353,086**	$ 355,055	**$ -**	$ -
Unfunded status, end of year	**$ (46,086)**	$ (77,444)	**$ (26,727)**	$ (35,252)

Amounts recognized on the consolidated balance sheets at September 30, 2018 and 2017, are as follows:

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	2018	**2017**	**2018**	**2017**
Other current liabilities	**$ -**	$ -	**$ 2,320**	$ 2,434
Other long-term liabilities	**-**	-	**24,406**	32,818
Accrued pension plan liability	**46,086**	77,444	**-**	-
	$ 46,086	$ 77,444	**$ 26,726**	$ 35,252

(tabular amounts in thousands)

Included in unrestricted net assets at September 30, 2018 and 2017, are the following amounts that have not yet been recognized in the net periodic pension and postretirement benefit cost:

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	2018	**2017**	**2018**	**2017**
Unrecognized prior service cost (credit)	**$ -**	$ -	**$ (10,926)**	$ (12,186)
Unrecognized actuarial loss	**138,854**	167,378	**8,715**	17,901
	$ 138,854	$ 167,378	**$ (2,211)**	$ 5,715

Changes recognized in unrestricted net assets for the years ended September 30, 2018 and 2017, are as follows:

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	2018	**2017**	**2018**	**2017**
Net actuarial (gain) loss	**$ (24,534)**	$ (10,602)	**$ (6,909)**	$ 5,833
Prior service credit	-	-	**(1,536)**	(12,260)
Amortization of prior service costs	**-**	-	**2,795**	(12)
Amortization of actuarial loss	**(3,990)**	(4,110)	**(2,276)**	(644)
	$ (28,524)	$ (14,712)	**$ (7,926)**	$ (7,083)

The estimated prior service cost and net gain to be recognized in net periodic pension expense and net periodic postretirement cost during the next fiscal year are as follows:

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	2019	**2018**	**2019**	**2018**
Prior service credit	**$ -**	$ -	**$ 2,795**	$ (2,598)
Actuarial (gain)/ loss	**3,990**	4,110	**(2,276)**	2,513

A summary of the components of net periodic benefit cost (income) for the years ended September 30, 2018 and 2017 is as follows:

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	2018	**2017**	**2018**	**2017**
Service cost	**$ 2,145**	$ -	**$ 922**	$ 1,729
Interest cost	**14,460**	13,940	**1,072**	1,143
Expected return on plan assets	**(23,429)**	(23,342)	**-**	-
Amortization of unrecognized prior service cost (credit)	**-**	-	**(2,795)**	12
Amortization of net loss	**3,990**	4,110	**2,276**	644
	$ (2,834)	$ (5,292)	**$ 1,475**	$ 3,528

(tabular amounts in thousands)

Assumptions used in determining the actuarial present value of the projected benefit obligations as of September 30, 2018 and 2017, are as follows:

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	2018	**2017**	**2018**	**2017**
Weighted-average discount rate	**4.34%**	3.98%	**4.09%**	3.59%

Assumptions used in determining the net periodic benefit cost for the years ended September 30, 2018 and 2017 are as follows:

	Defined Benefit Pension Plan		Defined Benefit Health Care Plan	
	2018	**2017**	**2018**	**2017**
Weighted-average discount rate	**3.98%**	3.89%	**3.59%**	3.51%
Expected long-term rate of return on assets	**7.00%**	7.00%	**N/A**	N/A

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is 8.19% for 2018, decreasing annually to 4.5% in 2026. The health care cost trend rate assumption has an effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of September 30, 2018, by approximately $1,221,000 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for 2018 by approximately $97,000.

Navicent Health uses fair market value as the market-related value of assets in calculating the expected return on the plan assets component of net periodic pension expense and net periodic postretirement benefit for the years ended September 30, 2018 and 2017.

During 2019, Navicent Health expects to contribute approximately $6,000,000 and $2,320,000 to its defined benefit pension plan and health care plan, respectively.

Benefits expected to be paid in each of the next five fiscal years and thereafter are estimated as follows:

	Defined Benefit Pension Plan	Defined Benefit Health Care Plan
Years ending September 30:		
2019	$ 17,310	$ 2,320
2020	18,190	2,432
2021	19,119	2,510
2022	20,036	2,642
2023	20,898	2,825
2024-2028	115,730	13,775

(tabular amounts in thousands)

The target allocation for the pension plan is as follows as of September 30, 2018 and 2017:

	Minimum	Target	Maximum
Equity securities	27%	50%	78%
Debt securities	12%	31%	44%
Alternative investments	5%	19%	40%

To develop the expected long-term rate of return on assets assumptions, Navicent Health considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

The Plan investment strategy is focused on matching the emerging long-term needs of the retirement plan with the proven, long-term performance patterns of the various investment markets. The Plan's investments represent the opportunity to reduce Navicent Health's cost of funding plan benefits and insulate the Plan's assets against deterioration of purchasing power caused by inflation.

The target allocation of all assets is to reflect proper diversification in order to reduce the potential of a single security or single sector of securities having a disproportionate impact on the portfolio. In an effort to maintain the overall risk level of the portfolio within an acceptable range, the relative mix of asset classes will be rebalanced back toward the target allocations as opportunities permit, but in any event not less often than annually.

11. Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes. As of September 30, 2018 and 2017, deferred income taxes have no net carrying value. As of September 30, 2018 and 2017, Navicent Health had deferred tax assets of approximately $2,000,000 and $4,300,000, respectively, relating principally to net operating loss carryovers. As of September 30, 2018 and 2017, such deferred tax assets were offset by a valuation allowance of an equal amount.

Federal net operating loss carryovers for HVNH totaled approximately $9,700,000 at September 30, 2018.

12. Commitments and Contingencies

Litigation and Compliance

The System is involved in litigation arising in the ordinary course of business. Management believes that, based on the available information and consultation with legal counsel, recorded reserves are adequate to address the risk of loss related to resolution of these uncertainties.

Changes in federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on the System. The healthcare industry is subject to numerous laws and regulation from federal, state and local governments, and the government has increased enforcement of Medicare and Medicaid anti-fraud and abuse laws, as well as physician self-referral laws (STARK law and regulation). The System’s compliance with these laws and regulations is subject to ongoing internal monitoring as well as periodic governmental review and inquiries, and the System has responded appropriately to any such compliance matters. The System is aware of certain asserted and unasserted compliance matters, and from time to time, the System may agree to resolve certain compliance mattes with the government. The System will continue to monitor its compliance and all related government inquiries and respond appropriately. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Corporate Integrity Agreement

In connection with settlement agreements between MCNH and the U.S. Department of Health and Human Services, Office of Inspector General ("OIG"), MCNH entered into a Corporate Integrity Agreement ("CIA") with the OIG to promote compliance with the statues, regulations, and written directives of Medicare, Medicaid, and all other Federal health care programs. The CIA will last five years from commencement in April 2015 and will require MCNH to provide certain information and maintain certain requirements each year. Effective August 2, 2017, an amendment to the 2015 CIA extended the term of the CIA to August 1, 2022.

General and Professional Liability Insurance

Navicent Health is currently insured for commercial general liability on an occurrence basis and professional liability on a claims-made basis by CPI, a wholly-owned subsidiary of Navicent Health, and excess coverage by commercial insurance carriers through CPI. The excess coverage limits are $40,000,000 for each of 2018 and 2017. The coverage for professional liability is limited to claims incurred and reported during its term. Actuarially determined funding is provided for losses.

For all claims prior to October 1, 2002, the policy had a limit of $2 million per occurrence and $6 million in aggregate. For all claims between October 1, 2002 and September 30, 2004, the policy had a limit of $4 million per occurrence and $12 million in aggregate, and for all claims between October 1, 2004 and September 30, 2006, the policy had a limit of $4 million per occurrence and $14 million in aggregate. Effective October 1, 2006, the policy has a limit of $4 million per occurrence and $20 million in aggregate.

CPI also insures Navicent Health on an occurrence basis for workers' compensation insurance, which has a limit of $500,000 per occurrence, with no aggregate limit per year. Beginning April 1, 2011, CPI began insuring Navicent Health for equipment maintenance and repairs with limits of liability of $2,500,000 per claim and annual aggregate.

During 2018 and 2017, Navicent Health paid premiums of approximately $10,400,000 and $12,500,000 to CPI, respectively, for these coverages. These premiums have been properly eliminated from consolidated statements of operations. The reserve for self-insured losses totaled approximately $34,854,000 and $36,435,000 at September 30, 2018 and 2017, respectively, and are comprised of reported loss reserves and incurred but not reported loss reserves.

Employee Group Health Insurance

Navicent Health is self-insured for its employee group health insurance. Navicent Health has estimated and recorded accruals for claims incurred, but not reported or paid prior to the fiscal year-end.

(tabular amounts in thousands)

Property and Equipment

Navicent Health has commitments for purchases of property and equipment of approximately $48,083,000 at September 30, 2018.

13. Temporarily Restricted Net Assets

Temporarily restricted net assets as of September 30 are available for the following purposes:

	2018	2017
Promises for future years	**$ 9,695**	$ 9,269
Program grants:		
Pathology development	**11,721**	10,800
Children's Hospital	**17,498**	25,815
Regional health education center	**1,316**	1,212
Research and education	**8,930**	8,344
HEAT Trust	**7,605**	6,794
Community grants	**13,030**	12,026
Hospice inpatient facility	**3,358**	3,045
Emergency center	**3,067**	2,826
Georgia Heart Center	**17,619**	16,245
Critical care center	**2,551**	2,349
Cancer research	**5,316**	4,868
Other grants	**5,297**	4,841
	$ 107,003	$ 108,434

14. Concentrations of Credit Risk

Navicent Health grants credit to patients, substantially all of whom reside in central Georgia. Navicent Health generally does not require collateral or other security in extending credit to patients; however, they routinely obtain assignment of (or are otherwise entitled to receive) patients' benefits payable under their health programs, plans, or policies (e.g. Medicare, Medicaid, Blue Cross, and other preferred provider arrangements and commercial insurance policies). Revenue from the Medicare and Medicaid programs accounted for approximately 54% and 53% of Navicent's net patient revenue for the years ended September 30, 2018 and 2017, respectively.

The mix of receivables from patients and third-party payors at September 30, 2018 and 2017 was as follows:

	2018	2017
Medicare	**34%**	36%
Medicaid	**12%**	12%
Other third-party payors	**48%**	47%
Patients	**6%**	5%
	100%	100%

15. Functional Expenses

Navicent Health does not present expense information by functional classification because its resources and activities are primarily related to providing health care services. Further, since Navicent Health receives substantially all of its resources from providing health care services in a manner similar to a business enterprise, other indicators contained in these consolidated financial statements are considered important in evaluating how well management has discharged their stewardship responsibilities.

16. Fair Value of Financial Instruments

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

Cash and cash equivalents

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate their fair value.

Investments

Fair values, which are the amounts reported in the consolidated balance sheets, are based on quoted market prices, if available, estimated using quoted market prices for similar securities, or estimated using pricing models, discounted cash flow methodologies, or similar techniques.

Investments considered alternative investments are valued at net asset value.

Patient accounts receivable

The carrying amounts reported in the consolidated balance sheets for patient accounts receivable approximate their fair values.

Assets limited as to use

Fair values, which are the amounts reported in the consolidated balance sheets, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Assets limited as to use that are considered alternative investments are valued at net asset value.

Accounts payable and accrued expenses

The carrying amounts reported in the consolidated balance sheets for accounts payable and accrued expenses approximate their fair value.

Accrued compensation and withholdings

The carrying amounts reported in the consolidated balance sheets for accrued compensation and withholdings approximate their fair value.

Estimated third-party payor settlements

The carrying amounts reported in the balance sheets for estimated third-party payor settlements approximate their fair value.

Long-term debt

Fair values of Navicent Health's revenue anticipation certificates are based on current traded value. The fair value of Navicent Health's remaining long-term debt is estimated using discounted cash flow analyses, based on Navicent Health's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts reported in the balance sheets for long-term debt approximate their fair value.

Derivative Financial Instruments

The fair value of the derivative financial instruments are determined from a discounted cash flow model based on projected interest rates during the term of the contract and amounts outstanding on the corresponding long-term debt. In addition, credit risk associated with the counter party (when an asset) or Navicent Health (when a liability) is factored into the fair value model.

(tabular amounts in thousands)

The following summarizes Navicent Health's assets and (liabilities) by level:

	Assets (Liabilities) at Fair Value As of September 30, 2018		
	Level 1	**Level 2**	**Total**
Short-term investments:			
Money market accounts and other	$ 7,685	$ 24,846	$ 32,531
Asset backed:			
Auto loan receivable	-	4,903	4,903
Collateralized mortgage obligation	-	33,568	33,568
Credit card receivable	-	710	710
Other asset backed	-	4,535	4,535
Total asset backed	-	43,716	43,716
Corporate bonds:			
Domestic	-	31,288	31,288
Foreign	-	7,194	7,194
Total corporate bonds	-	38,482	38,482
Government securities:			
FHLMC	-	15,416	15,416
FNMA	-	17,389	17,389
GNMA	-	6,415	6,415
Municipal bonds	-	8,890	8,890
U.S. Treasuries	-	15,760	15,760
Total government securities	-	63,870	63,870
Equity securities:			
Fixed income mutual funds	3,297	-	3,297
Mutual funds	100,398	-	100,398
Real estate investment trusts	4,809	-	4,809
Common stock:			
Consumer discretionary	34,470	-	34,470
Consumer staples	13,884	-	13,884
Energy	7,730	-	7,730
Financials	15,210	-	15,210
Foreign	4,621	-	4,621
Health care	32,713	-	32,713
Industrials	16,482	-	16,482
Information technology	40,653	-	40,653
Materials	5,816	-	5,816
Other	1,206	-	*1,206*
Total common stocks	172,785	-	172,785
Total equity securities	281,289	-	281,289
Total investments in the fair value hierarchy	288,974	170,914	459,888
Investments measured at net asset value (a)			260,432
			$ 720,320
Long-term investments measured at net asset value (a)			$ 16,878
Interest rate swap - included in other long-term liabilities	$ -	$ (5,902)	$ (5,902)

(a) In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated balance sheets.

(tabular amounts in thousands)

	Assets (Liabilities) at Fair Value As of September 30, 2018		
	Level 1	**Level 2**	**Total**
Included in assets limited as to use:			
Money market funds	$ 14,590	$ -	$ 14,590
Mutual funds	18,943	20,250	39,193
Equity securities:			
Common stocks:			
Consumer discretionary, staples	11,663	-	11,663
Information technology	9,518	-	9,518
Materials and industrials	4,992	-	4,992
Health care	7,110	-	7,110
Financials	3,076	-	3,076
Energy	1,275	-	1,275
Foreign	2,232	-	2,232
Total common stocks	39,866	-	39,866
Other equity securities	21,854	-	21,854
Total equity securities	61,720	-	61,720
Corporate bonds	25,716	3,411	29,127
Government securities:			
U.S. Federal Agency securities	-	4,304	4,304
Other	-	705	705
Total government securities	-	5,009	5,009
Mortgage-backed and asset backed securities	-	1,019	1,019
Total investments in the fair value hierarchy	120,969	29,689	150,658
Total investments measured at net asset value (a)			30,175
			$ 180,833

Amounts included in assets limited as to use that are not subject to the fair value disclosure in the table above amounted to $30,281,000 at September 30, 2018.

(a) In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated balance sheets.

(tabular amounts in thousands)

The following summarizes Navicent Health's assets and (liabilities) by level:

	Assets (Liabilities) at Fair Value As of September 30, 2017		
	Level 1	Level 2	Total
Short-term investments:			
Money market accounts and other	$ 2,261	$ 16,178	$ 18,439
Asset backed:			
Auto loan receivable	-	3,313	3,313
Collateralized mortgage obligation	-	39,210	39,210
Credit card receivable	-	554	554
Other asset backed	-	3,759	3,759
Total asset backed	-	46,836	46,836
Corporate bonds:			
Domestic	-	29,239	29,239
Foreign	-	2,644	2,644
Total corporate bonds	-	31,883	31,883
Government securities:			
FHLMC	-	12,376	12,376
FNMA	-	25,815	25,815
GNMA	-	6,642	6,642
Municipal bonds	-	12,184	12,184
U.S. Treasuries	-	13,916	13,916
Total government securities	-	70,933	70,933
Equity securities:			
Fixed income mutual funds	4,172	-	4,172
Mutual funds	112,199	-	112,199
Real estate investment trusts	4,494	-	4,494
Common stock:			
Consumer discretionary	26,778	-	26,778
Consumer staples	10,613	-	10,613
Energy	11,805	-	11,805
Financials	10,475	-	10,475
Foreign	5,205	-	5,205
Health care	16,346	-	16,346
Industrials	16,919	-	16,919
Information technology	43,228	-	43,228
Materials	15,607	-	15,607
Other	6,523	-	6,523
Total common stocks	163,499	-	163,499
Total equity securities	284,364	-	284,364
Total investments in the fair value hierarchy	286,625	165,830	452,455
Investments measured at net asset value (a)			249,267
			$ 701,722
Long-term investments measured at net asset value (a)			$ 49,348
Interest rate swap - included in other long-term liabilities	$ -	$ (9,884)	$ (9,884)

In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated balance sheets.

(tabular amounts in thousands)

	Assets (Liabilities) at Fair Value As of September 30, 2017		
	Level 1	**Level 2**	**Total**
Included in assets limited as to use:			
Money market funds	$ 6,289	$ -	$ 6,289
Mutual funds	20,453	13,800	34,253
Equity securities:			
Common stocks:			
Consumer discretionary, staples	6,708	-	6,708
Information technology	8,675	-	8,675
Materials and industrials	4,107	-	4,107
Health care	3,303	-	3,303
Financials	2,391	-	2,391
Energy	642	-	642
Foreign	2,757	-	2,757
Total common stocks	28,583	-	28,583
Other equity securities	17,389	-	17,389
Total equity securities	45,971	-	45,971
Corporate bonds	11,640	19,556	31,196
Government securities:			
U.S. Federal Agency securities	-	3,941	3,941
Other	-	370	370
Total government securities	-	4,311	4,311
Mortgage-backed and asset backed securities	-	884	884
Total investments in the fair value hierarchy	84,354	38,551	122,905
Total investments measured at net asset value (a)			53,731
			$ 176,636

Amounts included in assets limited as to use that are not subject to the fair value disclosure in the table above amounted to $24,565,000 at September 30, 2017.

(a) In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated balance sheets.

(tabular amounts in thousands)

Fair values of the pension plan investments are summarized as follows:

	Pension Assets at Fair Value As of September 30, 2018		
	Level 1	**Level 2**	**Total**
Money market funds	$ 9,051	$ -	$ 9,051
Equity mutual funds	63,936	-	63,936
U.S. government securities:			
U.S. treasuries	17,106	-	17,106
GNMA, FNMA, FHLMC pools	-	13,501	13,501
Government collateralized mortgage and asset backed	-	892	892
Other	-	1,784	1,784
Total U.S. government securities	17,106	16,177	33,283
Corporate bonds:			
Domestic	20,321	-	20,321
Foreign	1,807	-	1,807
Total corporate obligations	22,128	-	22,128
Common stocks:			
Domestic	117,432	-	117,432
Foreign	8,429	-	8,429
Total common stocks	125,861	-	125,861
Other funds:			
Mortgage and asset back securities	-	7,069	7,069
Real estate investment trusts	3,403	-	3,403
Total other funds	3,403	7,069	10,472
Total investments in the fair value hierarchy	241,485	23,246	264,731
Total investments measured at net asset value (a)			88,355
			$ 353,086

(a) In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated balance sheets.

(tabular amounts in thousands)

	Pension Assets at Fair Value As of September 30, 2017		
	Level 1	**Level 2**	**Total**
Money market funds	$ 8,124	$ -	$ 8,124
Equity mutual funds	74,107	-	74,107
U.S. government securities:			
U.S. treasuries	11,910	-	11,910
GNMA, FNMA, FHLMC pools	-	16,027	16,027
Government collateralized mortgage and asset backed	-	1,275	1,275
Other	-	435	435
Total U.S. government securities	11,910	17,737	29,647
Corporate bonds:			
Domestic	23,081	-	23,081
Foreign	2,144	-	2,144
Total corporate obligations	25,225	-	25,225
Common stocks:			
Domestic	107,101	-	107,101
Foreign	13,696	-	13,696
Total common stocks	120,797	-	120,797
Other funds:			
Mortgage and asset back securities	-	5,132	5,132
Real estate investment trusts	3,514	-	3,514
Total other funds	3,514	5,132	8,646
Total investments in the fair value hierarchy	243,677	22,869	266,546
Total investments measured at net asset value (a)			88,509
			$ 355,055

(a) In accordance with Topic 820, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated balance sheets.

(tabular amounts in thousands)

The System's alternative investments are measured at net asset value as a practical expedient for fair value and are accordingly excluded from the fair value hierarchy. The table below sets forth a summary of the alternative investments including a description of the investments and any unfunded commitments or restrictions associated with the investments.

	Fair Value at 9/30/2018	Fair Value at 9/30/2017	Unfunded Commitments	Other Redemption Restrictions	Redemption Notice Period(v)
Included in investments:					
Debt securities (i)	$ 79,598	$ 83,400	$ 14,689	0-1 year lock-up, Some not permitted	5-30 day written notice, monthly
Master funds and fund of funds (ii)	43,315	69,285	-	0-1 year lock-up	35-90 day written notice, monthly to annually
Private funds (iii)	127,039	120,701	-	0-1 year lock-up	5-60 day written notice, monthly to annually
Real estate investment Funds (iv)	27,358	25,229	1,122	Some not permitted	90 day written notice, quarterly
Total	$ 277,310	$ 298,615			
Included in assets limited as to use:					
Debt securities (i)	$ 11,289	$ 20,818	$ 3,233	0-1 year lock-up, Some not permitted	5-30 day written notice, monthly
Master funds and fund of funds (ii)	6,078	6,854	-	0-1 year lock-up	35-90 day written notice, monthly to annually
Private funds (iii)	7,491	20,895	-	0-1 year lock-up	5-60 day written notice, monthly to annually
Real estate investment Funds (iv)	5,317	5,164	2,476	Some not permitted	90 day written notice, quarterly
Total	$ 30,175	$ 53,731			

(tabular amounts in thousands)

	Fair Value at 9/30/2018	Fair Value at 9/30/2017	Unfunded Commitments	Other Redemption Restrictions	Redemption Notice Period(v)
Included in pension plan assets:					
Debt securities (i)	$ 38,161	$ 42,003	$ 7,158	0-1 year lock-up, Some not permitted	5-30 day written notice, monthly
Master funds and fund of funds (ii)	20,065	18,886	-	0-1 year lock-up	35-90 day written notice, monthly to annually
Private funds (iii)	18,610	17,210	-	0-1 year lock-up	5-60 day written notice, monthly to annually
Real estate investment Funds (iv)	11,519	10,410	6,994	Some not permitted	90 day written notice, quarterly
Total	$ 88,355	$ 88,509			

(i) The objective of these investments is to achieve long-term growth of capital by investing in debt securities. These debt securities include but are not limited to floating rate debt, foreign corporate debt, sovereign risk debt, emerging market debt, and distressed debt.

(ii) The objective of these investments is to achieve long-term growth of capital by investing in various funds that focus on a wide range of investments. These investments include but are not limited to debt, equities, derivatives, and real estate.

(iii) The objective of these investments is to achieve long-term growth of capital by investing in a wide range of investments. These investments include but are not limited to equities, futures contracts, and derivatives.

(iv) The objective of these investments is to achieve long-term growth of capital by investing in a wide range of real estate investments. These investments include portfolio companies, portfolio investments, and real estate assets.

(v) For many of these investments, there is a limit to the amount that can be redeemed on any redemption date. If the aggregate amount requested by investors to be redeemed on any redemption date is greater than the redemption percentage, generally 10-25% of the net asset value of the total fund, the respective funds' governing board may reduce the amount of shares to be redeemed pro rata among investors so that the aggregate amount to be withdrawn equals the limit percentage of the net asset value of the fund.

17. Equity Investments

Central Georgia Health Network, LLC

Central Georgia Health Network, LLC was incorporated on October 25, 1996, for the purpose of participating in contracts with preferred provider organizations, health maintenance organizations or other alternative health care delivery systems. MCNH owns 29% of the common stock in Central Georgia Health Network, Inc. and accounts for this investment under the equity method of accounting. The investment amounted to approximately $53,200 and $59,000 at September 30, 2018 and 2017, respectively.

Central Georgia MRI, LLC

Central Georgia MRI, LLC ("CG MRI") was incorporated on October 2, 2000, as a joint venture with Radiology Associates to share the cost of an MRI laboratory. CG MRI became operational on September 16, 2002. HVNH provided 50% of the capital in CG MRI and records the investment under the equity method of accounting. The investment amounted to approximately $444,000 and $327,000 at September 30, 2018 and 2017, respectively.

Georgia Magnetic Imaging Center, Ltd.

Georgia Magnetic Imaging Center, Ltd. ("GMIC") was incorporated on March 22, 1985 to own and operate certain medical equipment. HVNH purchased a 49.5% ownership interest in GMIC on December 31, 2002 for $1,181,000 and records the investment on the equity method of accounting. The investment amounted to approximately $1,140,000 and $1,084,000 at September 30, 2018 and 2017, respectively.

TC2, LLC ("TC2")

TC2 is a Georgia limited liability company formed in 2016 that is owned 50% by Navicent Health. TC2 was formed as an Accountable Care Organization ("ACO") to facilitate participation in shared savings and shared losses and provide compliance with healthcare quality criteria and performance standards. The investment amounted to approximately $340,000 and $243,000 at September 30, 2018 and 2017, respectively.

Cowles Clinic Realty, LLC

Cowles Clinic Realty, LLC ("Cowles") was incorporated on October 20, 2003 to operate as a physician practice. Navicent Health purchased a 51% ownership interest in Cowles on September 27, 2016 for $2,332,000 and records the investment on the equity method of accounting. The investment amounted to approximately $2,601,000 and $2,711,000 at September 30, 2018 and 2017, respectively.

18. Management Services Agreements

Navicent Health has a management services agreement with the Hospital Authority of Putnam County ("HAPC"). Under this agreement, Navicent Health is to provide quarterly consulting reports to HAPC. Navicent Health also provides a credit facility agreement in the amount of $5,000,000 with interest on drawn amounts at 6% per annum. As of September 30, 2018 and 2017, HAPC had drawn $4,916,000 and $4,916,000, respectively on the credit facility. HAPC is also required to pay a quarterly management service fee of $125,000. At September 30, 2018 and 2017, $1,091,000 and $1,125,000, respectively was due from Putnam under the management service agreement.

Navicent Health entered into a management services agreement with the Hospital Authority of Monroe County ("HAMC") in December 2016. Under the terms of the consulting agreement, Navicent Health agrees to provide certain management services to HAMC. HAMC agrees to pay Navicent Health a management fee of $400,000 in year one increasing $50,000 per year capping at $500,000. At September 30, 2018 and 2017, $205,000 and $300,000, respectively, was due from HAMC under the management consulting agreement.

Supplementary Information

Navicent Health, Inc. and Affiliates
Consolidating Balance Sheet (dollars in thousands)
September 30, 2018

	Navicent Health, Inc.	Medical Center of Central Georgia, Inc. d/b/a The Medical Center, Navicent Health	Medical Center of Peach County, Inc. d/b/a The Medical Center of Peach County, Navicent Health	Navicent Health Baldwin	Health Services of Central Georgia, Inc. d/b/a Navicent Health Physician Group	Obligated Group	Navicent Health Foundation, Inc.	Central Georgia Senior Health, Inc. d/b/a Carlyle Place, Navicent Health	Central Georgia Health Ventures, Inc. d/b/a Health Ventures, Navicent Health	Central Georgia Rehabilitation Hospital, LLC d/b/a Rehabilitation Hospital, Navicent Health	Navicent Health Plan	Centra Professional Indemnity, Ltd.	Secure Health Plans of Georgia, LLC	Eliminations	Consolidated
ASSETS															
Current assets:															
Cash and cash equivalents	$ 1,398	$ 2,828	$ 2,571	$ 3,062	$ 1,796	$ 11,655	$ -	$ 323	$ 1,017	$ 1,047	$ 3,004	$ -	$ 5,576	$ -	$ 22,622
Short-term investments	-	635,436	-	571	-	636,007	-	84,313	-	-	-	-	-	-	720,320
Patient accounts receivable, net	-	130,509	4,678	8,239	4,954	148,380	-	-	115	4,168	-	-	-	-	152,663
Estimated third-party settlements	-	11,335	1,049	326	-	12,710	-	-	-	164	-	-	-	-	12,874
Other accounts and notes receivable	3,252	4,614	522	340	787	9,515	9,695	1,190	-	-	-	-	823	(562)	20,661
Prepaid expenses and other current assets	7,764	21,201	252	1,976	13	31,206	-	11	-	128	-	-	176	-	31,521
Total current assets	12,414	805,923	9,072	14,514	7,550	849,473	9,695	85,837	1,132	5,507	3,004	-	6,575	(562)	960,661
Assets limited as to use	18,349	-	-	-	-	18,349	110,969	1,409	791	-	1,000	75,457	3,139	-	211,114
Long-term investments	-	15,389	-	-	-	15,389	-	1,489	-	-	-	-	-	-	16,878
Investments in subsidiaries	30,235	-	-	-	-	30,235	-	-	-	-	-	-	-	(30,235)	-
Intercompany	13,510	72,408	(37,889)	10,184	(18,682)	39,531	(143)	(38,431)	(828)	(2)	-	-	-	(127)	-
Property and equipment, net	22,449	391,194	18,960	12,536	1,151	446,290	243	29,508	3	202	-	-	209	-	476,455
Cash surrender value of insurance policies	-	26,880	-	-	-	26,880	-	-	-	-	-	-	-	-	26,880
Other assets	11,144	890	-	-	498	12,532	48	236	1,785	-	75	-	-	(4,768)	9,908
Total assets	$ 108,101	$ 1,312,684	$ (9,857)	$ 37,234	$ (9,483)	$ 1,438,679	$ 120,812	$ 80,048	$ 2,883	$ 5,707	$ 4,079	$ 75,457	$ 9,923	$ (35,692)	$ 1,701,896

Navicent Health, Inc. and Affiliates
Consolidating Balance Sheet (dollars in thousands), continued
September 30, 2018

	Navicent Health, Inc.	Medical Center of Central Georgia, Inc. d/b/a The Medical Center, Navicent Health	Medical Center of Peach County, Inc. d/b/a The Medical Center of Peach County, Navicent Health	Navicent Health Baldwin	Health Services of Central Georgia, Inc. d/b/a Navicent Health Physician Group	Obligated Group	Navicent Health Foundation, Inc.	Central Georgia Senior Health, Inc. d/b/a Carlyle Place, Navicent Health	Central Georgia Health Ventures, Inc. d/b/a Health Ventures, Navicent Health	Central Georgia Rehabilitation Hospital, LLC d/b/a Rehabilitation Hospital, Navicent Health	Navicent Health Plan	Centra Professional Indemnity, Ltd.	Secure Health Plans of Georgia, LLC	Eliminations	Consolidated
LIABILITIES, NET ASSETS AND STOCKHOLDER'S EQUITY															
Current liabilities:															
Accounts payable and accrued expenses	$ 8,766	$ 28,642	$ 271	$ 1,198	$ 301	$ 39,178	$ 93	$ 1,016	$ (7)	$ 36	$ -	$ 339	$ 272	$ (562)	$ 40,365
Accrued compensation and withholdings	8,333	16,271	423	2,328	5,877	33,232	78	-	5	1,037	-	-	556	-	34,908
Current portion of long-term debt	230	4,600	-	-	-	4,830	-	-	-	-	-	-	-	-	4,830
Entrance fee deposits and refunds payable	-	-	-	-	-	-	-	504	-	-	-	-	-	-	504
Other current liabilities	1,973	13,757	(11)	-	31	15,750	-	-	-	(3)	-	460	29	-	16,236
Total current liabilities	19,302	63,270	683	3,526	6,209	92,990	171	1,520	(2)	1,070	-	799	857	(562)	96,843
Long-term debt, excluding current portion	14,776	266,834	-	15,000	-	296,610	-	-	-	-	-	-	-	-	296,610
Reserve for self-insured losses	-	-	-	-	-	-	-	-	-	-	-	34,854	-	-	34,854
Accrued pension benefit liability	-	46,086	-	-	-	46,086	-	-	-	-	-	-	-	-	46,086
Deferred revenues from entrance fees	-	-	-	-	-	-	-	14,538	-	-	-	-	-	-	14,538
Entrance fees payable	-	-	-	-	-	-	-	24,560	-	-	-	-	-	-	24,560
Other long-term liabilities	21,530	31,161	-	-	-	52,691	-	460	791	-	-	-	11	-	53,953
Total liabilities	55,608	407,351	683	18,526	6,209	488,377	171	41,078	789	1,070	-	35,653	868	(562)	567,444
Net assets:															
Unrestricted net assets	52,493	904,667	(10,540)	18,708	(15,692)	949,636	13,638	38,970	-	4,637	-	-	-	14,196	1,021,077
Temporarily restricted	-	-	-	-	-	-	107,003	-	-	-	-	-	-	-	107,003
Noncontrolling interest in subsidiary	-	666	-	-	-	666	-	-	-	-	-	-	-	5,706	6,372
Total net assets	52,493	905,333	(10,540)	18,708	(15,692)	950,302	120,641	38,970	-	4,637	-	-	-	19,902	1,134,452
Stockholder's equity:															
Common stock	-	-	-	-	-	-	-	-	-	-	75	17	4,053	(4,145)	-
Paid-in-capital	-	-	-	-	-	-	-	-	25,895	-	4,000	1,653	-	(31,548)	-
(Accumulated deficit) retained earnings	-	-	-	-	-	-	-	-	(23,801)	-	4	38,134	5,002	(19,339)	-
	$ 108,101	$ 1,312,684	$ (9,857)	$ 37,234	$ (9,483)	$ 1,438,679	$ 120,812	$ 80,048	$ 2,883	$ 5,707	$ 4,079	$ 75,457	$ 9,923	$ (35,692)	$ 1,701,896

Navicent Health, Inc. and Affiliates
Consolidating Statement of Operations and Changes in Net Assets (dollars in thousands)
Year ended September 30, 2018

	Navicent Health, Inc.	Medical Center of Central Georgia, Inc. d/b/a The Medical Center, Navicent Health	Medical Center of Peach County, Inc. d/b/a The Medical Center of Peach County, Navicent Health	Navicent Health Baldwin	Health Services of Central Georgia, Inc. d/b/a Navicent Health Physician Group	Obligated Group	Navicent Health Foundation, Inc.	Central Georgia Senior Health, Inc. d/b/a Carlyle Place, Navicent Health	Central Georgia Health Ventures, Inc. d/b/a Health Ventures, Navicent Health	Central Georgia Rehabilitation Hospital, LLC d/b/a Rehabilitation Hospital, Navicent Health	Navicent Health Plan	Centra Professional Indemnity, Ltd.	Secure Health Plans of Georgia, LLC	Eliminations	Consolidated
Unrestricted revenues, gains, and other support:															
Patient service revenue (net of contractual allowances and discounts)	$ -	$ 715,215	$ 24,455	$ 55,538	$ 49,784	$ 844,992	$ -	$ 605	$ 86	$ 19,686	$ -	$ -	$ -	$ -	$ 865,369
Provision for bad debts	-	(69,639)	(5,510)	(8,277)	(7,759)	(91,185)	-	-	-	(401)	-	-	-	-	(91,586)
Net patient service revenue less provision for bad debts	-	645,576	18,945	47,261	42,025	753,807	-	605	86	19,285	-	-	-	-	773,783
Other revenue	2,866	22,428	34	694	854	26,876	16,647	14,906	16	-	-	9,096	8,231	(17,337)	58,435
Total unrestricted revenues, gains, and other support	2,866	668,004	18,979	47,955	42,879	780,683	16,647	15,511	102	19,285	-	9,096	8,231	(17,337)	832,218
Expenses:															
Labor and employee benefits	78,736	274,688	8,364	24,966	69,206	455,960	1,081	7,945	128	12,313	-	-	4,209	-	481,636
Supplies and other expenses	(18,987)	375,084	9,159	24,946	4,175	394,377	15,513	6,268	90	6,373	-	6,149	2,838	(17,337)	414,271
Depreciation and amortization	5,393	27,211	1,624	2,303	673	37,204	-	2,175	1	43	-	-	72	-	39,495
Interest	155	3,734	559	355	-	4,803	-	935	-	-	-	-	-	-	5,738
Total expenses	65,297	680,717	19,706	52,570	74,054	892,344	16,594	17,323	219	18,729	-	6,149	7,119	(17,337)	941,140
(Loss) income from operations	(62,431)	(12,713)	(727)	(4,615)	(31,175)	(111,661)	53	(1,812)	(117)	556	-	2,947	1,112	-	(108,922)
Other income (loss):															
Investment income	(130)	20,122	39	-	1	20,032	1,337	8,767	1,394	14	4	791	(111)	(467)	31,761
Change in fair value of interest rate swap	-	3,548	-	-	-	3,548	-	434	-	-	-	-	-	-	3,982
Other	1,289	8,147	754	1,024	-	11,214	-	(70)	-	6	-	-	-	(5,415)	5,735
Excess of unrestricted revenues, gains and other support (under) over expenses	(61,272)	19,104	66	(3,591)	(31,174)	(76,867)	1,390	7,319	1,277	576	4	3,738	1,001	(5,882)	(67,444)
Other changes in net assets	46,120	(5,718)	-	22,299	19,030	81,731	(1,798)	(1,159)	(2,184)	(2,492)	4,075	1,178	-	(8,677)	70,674
Total change in net assets	(15,152)	13,386	66	18,708	(12,144)	4,864	(408)	6,160	(907)	(1,916)	4,079	4,916	1,001	(14,559)	3,230
Net assets (liabilities) at beginning of year	67,645	891,947	(10,606)	-	(3,548)	945,438	121,049	32,810	3,001	6,553	-	34,888	8,054	(20,571)	1,131,222
Net assets (liabilities) at end of year	$ 52,493	$ 905,333	$ (10,540)	$ 18,708	$ (15,692)	$ 950,302	$ 120,641	$ 38,970	$ 2,094	$ 4,637	$ 4,079	$ 39,804	$ 9,055	$ (35,130)	$ 1,134,452

See accompanying auditors' report on supplementary information.