BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

Combined Financial Statements and Combining Information

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

Table of Contents

	Page
Independent Auditors' Report	1
Combined Financial Statements:	
Combined Balance Sheets	3
Combined Statements of Operations and Changes in Net Assets	4
Combined Statements of Cash Flows	6
Notes to Combined Financial Statements	7
Combining Information (2020 only)	
Schedule 1 – Combining Balance Sheet Information	45
Schedule 2 – Combining Statement of Operations and Changes in Net Assets Information	46

KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602-5145

Independent Auditors' Report

The Board of Trustees
BayCare Health System, Inc. and Affiliates:

We have audited the accompanying combined financial statements of BayCare Health System, Inc. and Affiliates (the Organization), which comprise the combined balance sheets as of December 31, 2020 and 2019, and the related combined statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of BayCare Health System, Inc. and Affiliates as of December 31, 2020 and 2019, and the changes in their net assets, and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The combining information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

March 5, 2021

2020 Statements of Cash Flows (SCF) MUST end with the value you see below (which is 127,381,000), but instead, BayCare falsified their 2020 SCF (see PDF page 8 of 50) (same as page 6 of 47) by ending it with the value 148,622,000.

BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

Combined Balance Sheets

December 31, 2020 and 2019

(In thousands)

Assets		2020	2019
Current assets:			
Cash and cash equivalents	$	127,381	86,859
Collateral received for securities lending transactions		281,111	228,578
Investments held on behalf of others		45,108	38,314
Short-term investments		250,779	—
Accounts receivable		434,147	405,567
Inventories		139,589	114,536
Estimated third-party settlements		—	442
Prepaid and other current assets		93,585	82,082
Total current assets		1,371,700	956,378
Investments		6,728,271	5,458,432
Assets limited as to use		289,069	251,299
Right-of-use asset – finance leases		21,400	18,802
Right-of-use asset – operating leases		66,540	58,284
Property and equipment, net		2,494,361	2,377,028
Beneficial interest in net assets of foundations		194,841	184,493
Other assets		141,228	127,123
Total assets	$	11,307,410	9,431,839
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	399,304	250,674
Employee compensation and benefits		357,877	353,165
Estimated third-party settlements		24,833	—
Current portion of finance lease liability		2,615	2,150
Current portion of operating lease liability		9,425	9,587
Current portion of long-term debt		28,821	77,032
Long-term debt, subject to short-term put arrangements		404,430	195,965
Liabilities for investments held on behalf of others		45,108	38,314
Liabilities under securities lending transactions		281,111	228,578
Total current liabilities		1,553,524	1,155,465
Finance lease liability, less current portion		21,810	19,182
Operating lease liability, less current portion		58,648	49,321
Long-term debt, less current portion		1,110,703	852,687
Other liabilities		721,958	459,819
Total liabilities		3,466,643	2,536,474
Net assets:			
Without donor restrictions		7,717,930	6,770,400
With donor restrictions		122,837	124,965
Total net assets		7,840,767	6,895,365
Total liabilities and net assets	$	11,307,410	9,431,839

See accompanying notes to combined financial statements.

BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Operations and Changes in Net Assets

Years ended December 31, 2020 and 2019

(In thousands)

		2020	2019
Change in net assets without donor restrictions:			
Operating revenues:			
Net patient service revenue	$	4,086,335	4,253,741
Net premium revenue		61,592	34,866
Other revenue		261,772	129,305
Total operating revenues		4,409,699	4,417,912
Operating expenses:			
Salaries and benefits		2,223,712	2,200,111
Supplies		833,905	837,571
Health plan claims and expenses		32,380	17,609
Other expenses		712,318	717,959
Depreciation and amortization		240,200	227,894
Interest		46,821	37,529
Total operating expenses		4,089,336	4,038,673
Operating income		320,363	379,239
Nonoperating gains (losses), net:			
Investment income, net		634,424	771,033
Loss on interest rate swaps		(25,759)	(24,637)
Other nonoperating gains, net		16,291	17,219
Total nonoperating gains, net		624,956	763,615
Excess of revenues and gains over expenses	$	945,319	1,142,854

(Continued)

BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Operations and Changes in Net Assets

Years ended December 31, 2020 and 2019

(In thousands)

		2020	2019
Change in net assets without donor restrictions:			
Excess of revenues and gains over expenses	$	945,319	1,142,854
Net unrealized gains on other-than-trading securities		—	24
Net assets released from restrictions for capital additions		9,036	10,235
Amortization of accumulated hedge accounting losses		458	458
Pension-related changes other than net periodic pension cost		(2,108)	9,152
Other		(5,175)	(1,057)
Increase in net assets without donor restrictions		947,530	1,161,666
Change in net assets with donor restrictions:			
Contributions		316	3,772
Net assets released from restrictions		(788)	(3,279)
Change in beneficial interest in net assets of foundations		(1,656)	6,312
Increase (decrease) in net assets with donor restrictions		(2,128)	6,805
Increase in net assets		945,402	1,168,471
Net assets at beginning of year		6,895,365	5,726,894
Net assets at end of year	$	7,840,767	6,895,365

See accompanying notes to combined financial statements.

BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

Combined Statements of Cash Flows

Years ended December 31, 2020 and 2019

(In thousands)

		2020	2019
Cash flows from operating activities:			
Increase in net assets	$	945,402	1,168,471
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization		240,200	227,894
Amortization of bond premiums, net		(1,337)	(1,607)
Amortization of bond issue costs		829	559
Loss on sale of property and equipment		1,278	1,767
Loss on extinguishment of debt		496	—
Change in net unrealized gains on investments		(434,875)	(554,043)
Net realized gains on investments		(70,272)	(81,894)
Loss on interest rate swaps		25,301	24,179
Change in beneficial interest in net assets of foundations		(10,348)	(21,475)
Restricted contributions		(316)	(3,772)
Nonperiodic pension-related changes		2,108	(9,152)
Changes in operating assets and liabilities:			
Accounts receivable		(28,580)	3,865
Inventories		(25,053)	(13,838)
Estimated third-party settlements		25,275	16,999
Prepaid and other current assets		(11,503)	(13,329)
Accounts payable and accrued expenses		148,578	32,087
Employee compensation and benefits		4,712	29,573
Other assets and liabilities		235,580	10,367
Net cash provided by operating activities		1,047,475	816,651
Cash flows from investing activities:			
Purchases of property and equipment		(354,978)	(378,056)
Proceeds from sales of property and equipment		590	93
Purchases of assets limited as to use and investments		(2,825,666)	(1,616,209)
Proceeds from sales of assets limited as to use and investments		1,793,666	1,195,538
Purchases of other assets, net		(15,712)	(14,053)
Net cash used in investing activities		(1,402,100)	(812,687)
Cash flows from financing activities:			
Restricted contributions		316	3,772
Proceeds from the revolving line of credit and the issuance of debt		1,394,193	730,105
Repayments of revolving line of credit, long-term debt, and finance lease obligations		(971,391)	(707,622)
Payments of debt issuance costs		(6,730)	—
Net cash provided by financing activities		416,388	26,255
Increase in cash and cash equivalents		61,763	30,219
Cash and cash equivalents at beginning of year		86,859	56,640
Cash and cash equivalents at end of year	$	148,622	86,859
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	$	49,312	42,092
Change in the acquisition of property and equipment through accrued expenses		(54)	(9,922)
Change in purchases of property and equipment to adjust for asset retirement obligations		538	86
Change in debt related to finance leases		—	(18,254)
Right-of-use assets added through the establishment of lease liabilities		24,274	25,888

Deduct $21,241 from this line item

!

Inappropriately includes $21,241 from PDF page 20 of 50, which is from ANOTHER balance sheet line item, NOT from “Cash and Cash Equivalents”

See accompanying notes to combined financial statements.

(1) Organization

BayCare Health System, Inc. (BayCare), a not-for-profit corporation exempt from state and federal income taxes, was formed effective July 1, 1997, pursuant to a joint operating agreement (JOA) among Trinity Health BayCare Participants (Trinity Health); Morton Plant Mease Health Care, Inc. (MPMHC); South Florida Baptist Hospital, Inc. (SFB) (collectively, the Members); and BayCare.

The Members executed the JOA to develop a regional healthcare network providing for a collaborative effort in the areas of community healthcare delivery, enhanced access to healthcare services for the poor, and the sharing of other common goals. The JOA is effective for a period of 50 years.

The JOA provides for the Members to maintain ownership of their assets while agreeing to operate as one organization with common governance and management. All entities managed by BayCare are included in these combined financial statements. Terms of the JOA provide that residual free cash flow, as defined, and funding for capital expenditures are allocated among the Members based on predetermined percentages. Such allocations are eliminated in combination.

The Members' entities and BayCare operate a number of acute care hospital facilities in the Tampa Bay, Florida area, as well as a skilled nursing facility, home health agency, ambulatory care sites, and physician practices. Effective January 1, 2019, BayCare Select Health Plans, Inc. (the Health Plan) commenced its principal operations. The Health Plan is a nonprofit and nonstock corporation incorporated on December 7, 2015 under the laws of the State of Florida. BayCare serves as the parent holding company and "sole member" of the Health Plan. The accompanying combined financial statements include the Members and various entities controlled by the Members, the Health Plan, and other related entities, hereafter referred to as the Organization.

All significant intercompany transactions and balances among these entities and other wholly owned subsidiaries have been eliminated from the combined financial statements.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of these combined financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with a maturity of three months or less when purchased. For purposes of the combined statements of cash flows, cash includes $17,979,000 and $0 of cash classified as assets limited to use and $3,262,000 and $0 of cash classified as long-term investments as of December 31, 2020 and 2019, respectively. Cash equivalents classified as investments limited as to use and held within the Organization's investment management program (Investment Pool) are excluded from cash and cash equivalents in the combined statements of cash flows as these funds are not used for operating needs.

(c) Securities Lending Transactions

The Organization participates in securities lending transactions whereby a portion of investments are loaned to various brokers in return for cash and securities from the brokers as collateral for the securities loaned. Pursuant to these arrangements, the collateral received must always equal at least 102% of the fair value of the securities loaned, which is determined at the end of each business day. Collateral received for securities lending transactions and the related liabilities are considered Level 1 investments (see note 2(r) for discussion of Level 1, Level 2, and Level 3 valuation methods). The collateral held for the securities loaned and a related payable of equal value at December 31, 2020 and 2019 have been reflected in the accompanying combined balance sheets.

The securities on loan are included in the following classifications (in thousands):

		December 31	
		2020	2019
Equity securities:			
U.S.	$	67,850	16,729
International		73,194	40,053
Fixed income securities:			
U.S.		42,566	36,194
International		83,853	122,893
Total	$	267,463	215,869

The Organization recorded net investment income of approximately $291,000 and $385,000 on these transactions for the years ended December 31, 2020 and 2019, respectively. Net investment income represents the amount received as investment income on the securities received as collateral and the investment earnings on the securities loaned to the brokers, offset by the fees paid to the various brokers. Security lending fees were approximately $219,000 and $2,045,000 during the years ended December 31, 2020 and 2019, respectively.

(d) Short-term Investments

Short-term investments include investments in money market funds expected to be used for operations during the year. These money market funds are reported using the estimated net asset value (NAV) as a practical expedient based on information provided by the respective bank.

(e) Investments and Investment Income

All of the Organization’s investments are considered trading. Investments in debt and equity securities with readily determinable fair values are measured at fair value using quoted market prices. Investments in limited partnerships are reported using the estimated NAV as a practical expedient based on information provided by the respective partnership. Investments in closed-end limited partnerships where capital is called over time, redemptions are limited, and the Organization does not have significant influence over the partnerships, are recorded using the equity method. The Organization has committed $800,000,000 in capital to these limited partnerships, HarbourVest, Metropolitan Real Estate, Park Street, Golub, and White Oak, with $236,844,000 unfunded as of December 31, 2020.

Investment income (including realized gains and losses, unrealized gains and losses on trading securities, interest, and dividends) is included in excess of revenues and gains (losses) over expenses unless such earnings are subject to donor-imposed restrictions. Investment income restricted by donor stipulations is reported as an increase in net assets with donor restrictions. Unrealized gains and losses on investments classified as other-than-trading are reported as a change in net assets without donor restrictions.

The Organization holds certain investments on behalf of others in the Investment Pool. Certain affiliated, uncombined not-for-profit foundations are participants in the Investment Pool. The combined financial statements present investments held on behalf of others, at fair value, as a current asset with a corresponding current liability representing the obligation to return the value of the investments to the foundations participating in the Investment Pool.

(f) Assets Limited as to Use

Assets limited as to use include investments held by BCHS Insurance, Ltd. (Captive), a wholly owned insurance captive, loan proceeds to purchase equipment, contractual obligations, donor restrictions and collateral for interest rate swaps. Amounts required to meet current liabilities of the Organization, if any, have been classified as current assets in the combined balance sheets.

Assets limited as to use are set aside and designated as follows (in thousands):

	December 31, 2020		
	Restricted		
	Internally	Externally	Total
Captive	$ 271,373	—	271,373
Collateral for interest rate swaps	—	16,200	16,200
Other	—	1,496	1,496
	$ 271,373	17,696	289,069

	December 31, 2019		
	Restricted		
	Internally	Externally	Total
Captive	$ 248,411	—	248,411
Collateral for interest rate swaps	—	1,400	1,400
Other	—	1,488	1,488
	$ 248,411	2,888	251,299

(Continued)

(g) Inventories

Inventories consist primarily of medical and surgical supplies and pharmaceuticals and are valued at lower of cost (first-in, first-out method) or market.

(h) Property and Equipment

Property and equipment are recorded at historical cost at the date of acquisition or fair value at the date of donation.

Depreciation and amortization expense is calculated using the straight-line method over the estimated useful lives of the property and equipment or the lease term, whichever is less. Routine maintenance and repairs are charged to expense as incurred. Expenditures that increase capacities or extend useful lives are capitalized. Interest cost on borrowed funds during the construction period is capitalized as a component of the cost of the assets.

Property and equipment consist of the following (in thousands):

		December 31	
		2020	**2019**
Land	$	160,434	154,263
Land improvements		73,239	72,218
Buildings and improvements		3,164,459	2,875,226
Equipment		1,936,955	1,858,437
		5,335,087	4,960,144
Less accumulated depreciation and amortization		3,036,048	2,846,522
		2,299,039	2,113,622
Construction in progress		195,322	263,406
Property and equipment, net	$	2,494,361	2,377,028

The Organization recorded approximately $236,366,000 and $224,353,000 of depreciation expense for the years ended December 31, 2020 and 2019, respectively. Interest costs of approximately $4,718,000 and $4,502,000 were capitalized during the years ended December 31, 2020 and 2019, respectively. Approximately $27,494,000 and $3,357,000 of fully depreciated assets were removed from the combined balance sheets in 2020 and 2019, respectively, as these assets were no longer utilized by the Organization.

The Organization had construction and information technology commitments of approximately $224,715,000 relating to various projects as of December 31, 2020. Resources available to fund the commitments are expected to include bond funds, operations and the investment program managed by BayCare.

(Continued)

The Organization reviews whether events and circumstances have occurred to indicate if the remaining useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. If such an event occurs, an assessment of possible impairment is based on whether the carrying amount of the assets exceeds the expected total undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the undiscounted cash flows are less than the net book value of the assets, an impairment loss based on the fair value of the assets is recognized. No impairments were recorded in 2020 or 2019.

(i) Beneficial Interest in Net Assets of Foundations

Beneficial interest in net assets of foundations primarily represents contributions received by affiliated fund-raising foundations on behalf of the Organization, net of expenses incurred by the foundations. The beneficial interest in net assets of foundations is recorded at fair value.

(j) Self-Insurance

The Organization is self-insured for professional liability, automobile insurance, workers' compensation, and employee health benefits. The provisions for estimated self-insured claims include estimates of the ultimate costs for both reported claims and claims incurred, but not reported, based on an evaluation of pending claims and past experience.

(k) Net Assets with Donor Restrictions

Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose. Net assets with donor restrictions are maintained primarily for the purposes of patient care related services, capital improvements, and research and education.

(l) Net Patient Service Revenue

The Organization's revenues are derived from contracts with patients in which the performance obligation is to provide health care services to the patients and are reported at the amount expected to be received in exchange for providing patient care. These amounts are due from patients, third-party payors (including managed care payors and government programs) and others, and they include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills patients and third-party payors several days after the services are performed or shortly after discharge. The Organization identifies performance obligations based on the nature of the services provided and recognizes the revenue as the performance obligations are satisfied. Inpatient acute care services satisfied over time, generally from admission to time of discharge, are recognized based on the actual charges incurred in relation to the total expected (or actual) charges, which depicts the transfer of health care services over the duration of the performance obligation. Revenue for performance obligations satisfied at a point in time, which is generally relating to patients receiving outpatient services, is recognized when services are provided, and the Organization does not believe the patient requires additional services.

Unsatisfied or partially unsatisfied performance obligations at the end of the reporting period are related to patients admitted to one of the Organization's hospitals that have not yet been discharged. The performance obligation is typically satisfied when the patient has been discharged, which generally occurs within five days of admission. Because these performance obligations are part of a contract that is expected to have a duration of one year or less, the Organization has elected to apply the optional exemption provided in ASC 606-10-50-14, which does not require the Organization to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied as of the period end.

The transaction price is determined based on gross charges for services provided, reduced by contractual adjustments to third-party payors, discounts provided to uninsured patients, and implicit price concessions. The payment arrangements with third-party payors for the services the Organization provides typically specify payments to the Organization at amounts different from the established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Generally, patients covered by third-party payors are responsible for related deductibles and coinsurance, which is referred to as the patient portion.

The Organization determines the estimates of contractual adjustments and discounts based on contractual agreements, the Organization's Patient Discount Policy, as well as historical experience and other collection indicators. Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between the amounts billed to the patients and the amounts the Organization expects to collect based on its collection history with those patients and current market conditions. The Organization estimates contractual adjustments, discounts and implicit price concessions utilizing a portfolio approach as a practical expedient to account for patient contracts with similar characteristics as a collective group rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

Subsequent adjustments to the transaction price that are determined to be the result of an adverse change in a patient or payor's ability to pay, for example, bankruptcy, are recognized as bad debt expense. Bad debt expense is included within other expenses in the combined statements of operations and changes in net assets. Bad debt expense for the years ended December 31, 2020 and 2019, was not material to the Organization.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. As a result, there is at least a reasonable possibility that recorded estimates associated with these programs will change by a material amount in the near term. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided using the expected value approach and are adjusted in future periods as additional information becomes available and as final settlements are determined or as years are no longer subject to audits, reviews, and investigations. Net patient service revenue increased approximately $6,003,000 and $7,646,000 during the years ended December 31, 2020 and 2019, respectively, due to final settlements on open cost report filings, specific settlement of certain appeal issues, and changes in recorded estimates for retroactive adjustments.

Patients who meet the Organization's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue and the cost of providing such care is recognized within operating expenses (see note 2(o)).

The composition of net patient service revenue (net of contractual adjustments, discounts, and implicit price concessions) by primary payor for the years ended December 31, 2020 and 2019 is as follows (in thousands):

		December 31	
		2020	2019
Medicare and Medicare HMO	$	1,598,202	1,632,423
Medicaid and Medicaid HMO		301,296	310,451
Managed Care		2,059,320	2,207,326
Other		127,517	103,541
Total all payors	$	4,086,335	4,253,741

The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Net patient accounts receivable included approximately $152,992,000 or 35% and $151,444,000 or 37% due from the Medicare program and approximately $33,134,000 or 8% and $31,579,000 or 8% due from the Medicaid program as of December 31, 2020 and 2019, respectively. The credit risk for other concentrations of receivables is limited due to the large number of insurance companies and other payors that provide payments for services.

(m) Health Plan Net Premium Revenue

Net premium revenue consists of premium revenue generated from Medicare. The Health Plan has a contract with The Centers for Medicare and Medicaid Services (CMS), which entitles the Health Plan to receive premium payments from CMS on behalf of each eligible member beneficiary enrolled in the Health Plan on a per-member-per-month basis (PMPM). The Health Plan recognizes net premium revenue during the month in which the Health Plan is obligated to provide services to an enrolled member.

Premiums for Medicare are generally fixed by contract in advance of the period during which the health care is covered. From time to time, government agencies require the Health Plan to reimburse them for premiums received on an eligibility list that later is discovered to contain individuals who were not eligible for government-sponsored programs or are eligible for a different premium category or a different program. The Health Plan records adjustments to revenues based on member retroactivity. Management estimates the amount of outstanding retroactivity each period and adjusts net premium revenue accordingly.

(n) Health Plan Claims and Expenses

Health plan claims and expenses are recognized by the Health Plan in the period in which services are delivered by unaffiliated providers. This cost also includes an estimate of the cost of future payment of claims for services which have been incurred but not yet reported.

(o) Community Commitment

The Organization exists to meet the healthcare needs of the community. Patients who are uninsured or underinsured and cannot pay for health care services are eligible for either traditional or hardship charity consideration.

The Agency for Health Care Administration (AHCA) defines traditional charity care eligibility at 200% of the federal poverty guidelines, unless the amount due from the patient exceeds 25% of annual family income limited to four times the poverty level. In an effort to meet its mission, the Organization affords its patients a hardship charity, which is defined as 250% of the federal poverty guidelines. The Organization provides financial assistance to certain eligible patients under its presumptive charity policy even if the patient does not request assistance. Accordingly, healthcare services are being provided to the community at no charge or for which costs exceed the payments received. Because payment is not pursued from patients meeting these guidelines, such amounts are not reported as net patient service revenue.

Payments received from Medicaid and other means-tested (based on patients' income level) programs are significantly less than established patient charges and are less than management's estimate of the costs of providing those services. These payments reduce the community commitment costs. An assessment of 1.0% to 1.5% of certain operating revenue earned and recorded is paid by several of the Organization's Hospitals to help fund the Florida Medicaid and indigent care program. The assessment has been included in the Medicaid and other means-tested program amounts below. Reimbursement received under the uncompensated and indigent care programs is included as subsidized costs.

Unbilled community services represent management's estimate of the cost of providing various programs to the community at no or little charge. Programs such as these include health screenings, educational programs, sponsorships, and research.

The tables below summarize the Organization's community commitment as measured by unreimbursed costs (estimated by the Organization's cost accounting system) (in thousands):

		Year ended December 31, 2020			
		Charity care	**Medicaid and other means-tested programs**	**Unbilled community services**	**Total**
Community commitment	$	130,075	335,551	56,258	521,884
Subsidized costs		(47,646)	(29,651)	—	(77,297)
Net community commitment	$	82,429	305,900	56,258	444,587

		Year ended December 31, 2019			
		Charity care	**Medicaid and other means-tested programs**	**Unbilled community services**	**Total**
Community commitment	$	151,433	336,249	38,939	526,621
Subsidized costs		(48,508)	(16,759)	—	(65,267)
Net community commitment	$	102,925	319,490	38,939	461,354

(p) Excess of Revenues and Gains over Expenses and Changes in Net Assets without Donor Restrictions

Activities deemed by the Organization to be a provision of healthcare services are reported as operating revenues and expenses. Other activities that are peripheral to providing healthcare services are reported as nonoperating gains and losses. Consistent with industry practice, other changes in net assets without donor restrictions are excluded from excess of revenues and gains over expenses.

(q) Income Taxes

The majority of the affiliates within the Organization are not-for-profit organizations described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code, and are also exempt from state income taxes. The Organization accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management has determined that no material unrecognized tax benefits or liabilities exist as of December 31, 2020 or 2019.

(r) Fair Value Measurements

Fair value guidance defines fair value as the exit price that would be received to sell an asset or paid to transfer a liability under current market conditions, in the principal or most advantageous market to the asset or liability, in an orderly transaction between market participants on the measurement date. It requires assets and liabilities to be grouped into three categories based on certain criteria as noted below:

- Level 1: Fair value is determined by using quoted prices for identical assets or liabilities in active markets.

  The Organization's Level 1 assets and liabilities include cash, money market funds and investments in U.S. and international equities, core fixed income, bank loan funds and real assets and are valued at quoted market prices.

- Level 2: Fair value is determined by using quoted prices for identical assets or liabilities in inactive markets, quoted prices for similar assets or liabilities in active markets, observable inputs other than quoted prices, and market corroborated inputs.

  The Organization's Level 2 assets include collective and common funds valued using the estimated NAV per share of the funds, U.S. and international equities, core fixed income, high yield fixed income, emerging markets fixed income and treasury inflation-protected securities. Level 2 liabilities include the Organization's interest rate swaps valued using widely accepted models that incorporate readily observable inputs in active markets (note 6).

- Level 3: Fair value is determined by using inputs based on various assumptions that are not directly observable.

  The Organization's Level 3 assets include international equities and beneficial interest in net assets of foundations.

(s) Leases

The Organization accounts for leases as both a lessee and a lessor in accordance with ASC Topic 842, *Leases* (see note 4).

As lessee, the Organization is obligated under noncancelable finance leases covering certain equipment. The Organization is also obligated under several noncancelable operating leases, primarily for rental of building space and equipment. The Organization determines if an arrangement is a lease at the inception of a contract and determines the lease term by assuming exercise of renewal options that are reasonably certain. The implicit borrowing rate or Treasury Yield for the related term is used to discount the lease payments based on information available at lease commencement. The Organization records the related right-of-use assets and right-of-use obligations at commencement at the present value of lease payments. As of December 31, 2020, the Organization does not have any operating or finance leases for which it is obligated that have not yet commenced.

For operating leases, right-of-use assets are amortized throughout the lease term at the carrying amount of the lease liability. Lease expense is recognized on a straight-line basis over the lease term and is included in other expenses in the combined statement of operations and changes in net assets.

For finance leases, the right-of-use asset is amortized using the straight-line method to the earlier of the end of its useful life or the end of the lease term. Amortization expense for finance leases is included within depreciation and amortization in the combined statement of operations and changes in net assets. The Organization has elected to not recognize right-of-use assets and right-of-use obligations for short-term leases for all asset classes. The Organization recognizes short-term lease payments on a straight-line basis over the lease term.

As a lessor, the Organization leases building space to affiliates and third-party operators. The Organization determines if an arrangement is a lease at inception of a contract and determines the lease term by assuming exercise of renewal options that are reasonably certain. As both lessee and lessor, the Organization has elected the practical expedient to not separate lease and non-lease components, such as common area maintenance fees, by class of underlying asset and is applying this expedient to all relevant classes.

(t) Voluntary Early Retirement Program

In July 2020, the Organization offered a one-time voluntary early retirement program to all team members who were age 63 or older as of July 1, 2020 and who had at least 5 years of consecutive years of service with the Organization. Team members participating in the optional program received a base incentive and an additional incentive based on years of service. Separation dates and payment dates for participating team members occur between November 2020 and April 2021. Expenses for the entirety of the program are approximately $28,739,000 and are reflected within salaries and benefits in the combined statements of operations and changes in net assets for the year ended December 31, 2020. A current liability for remaining unpaid incentives of approximately $21,455,000 as of December 31, 2020 is included within employee compensation and benefits in the combined balance sheets.

(u) Adoption of New Accounting Standards

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Organization adopted this ASU in March 2020 and the adoption did not have a significant impact on the Organization’s combined financial statements.

(v) Reclassifications

Certain reclassifications are reflected in the 2019 combined financial statements to conform to the 2020 combined financial statements presentation.

(3) Assets Limited as to Use, Investments, and Investments Held on Behalf of Others

The table below summarizes the fair values of assets limited as to use, investments, and investments held on behalf of others as of December 31, 2020 (in thousands). See note 2(r) for a discussion of valuation methodologies.

	December 31, 2020	Fair value measurements at reporting date		
		Level 1	Level 2	Level 3
Asset class:				
Cash	$ 21,241	21,241	—	—
Money market funds	250,779	250,779	—	—
Equity securities:				
U.S.	1,926,583	717,702	1,208,881	—
International	997,687	547,877	449,810	—
Fixed income securities:				
Core holdings	1,845,996	4,788	1,841,208	—
High yield	408,091	—	408,091	—
Emerging markets	207,361	—	207,361	—
Bank loan funds	195,547	195,547	—	—
TIPS	18,788	—	18,788	—
Other types of investments:				
Real assets	240,533	240,533	—	—
	6,112,606	1,978,467	4,134,139	—
Accrued income	10,174			
Recorded at net asset value	686,131			
Recorded using equity method	504,316			
	7,313,227			
Less amount included in current assets	295,887			
	$ 7,017,340			

(Continued)

The table below summarizes the changes in Level 3 assets for the year ended December 31, 2020 (in thousands):

		2020 International Equity
Beginning balance	$	22
Total gains (realized/unrealized) included in excess of revenues and gains over expenses		—
Purchases		—
Sales		—
Settlements		(22)
Transfers into Level 3		—
Ending balance	$	—

The table below summarizes the fair values of assets limited as to use, investments, and investments held on behalf of others as of December 31, 2019 (in thousands). See note 2(r) for a discussion of valuation methodologies.

		December 31, 2019	Fair value measurements at reporting date		
			Level 1	Level 2	Level 3
Asset class:					
Cash	$	5,662	5,662	—	—
Equity securities:					
U.S.		1,547,738	544,692	1,003,046	—
International		782,270	185,899	596,349	22
Fixed income securities:					
Core holdings		1,610,505	4,695	1,605,810	—
High yield		356,377	—	356,377	—
Emerging markets		173,607	—	173,607	—
Bank loan funds		175,770	175,770	—	—
TIPS		30,095	—	30,095	—
Other types of investments:					
Real assets		186,886	186,886	—	—
		4,868,910	1,103,604	3,765,284	22
Accrued income		12,063			
Recorded at net asset value		576,091			
Recorded using equity method		290,981			
		5,748,045			
Less amount included in current assets		38,314			
	$	5,709,731			

The table below summarizes the changes in Level 3 assets for the year ended December 31, 2019 (in thousands):

		2019 International Equity
Beginning balance	$	22
Total gains (realized/unrealized) included in excess of revenues and gains over expenses		22
Purchases		—
Sales		—
Settlements		(22)
Transfers into Level 3		—
Ending balance	$	22

The following investments have been estimated using the NAV per share as of December 31, 2020 and 2019 (in thousands). There are no unfunded commitments on any of these funds at December 31, 2020 and 2019.

		December 31		Redemption	Redemption
		2020	2019	frequency	notice period
Asset category:					
Hedge fund of funds (a)	$	367,253	311,680	Semiannually	95 days
Private real estate investment trust (b)		318,878	264,411	Quarterly	90 days
	$	686,131	576,091		

(a) The hedge fund of funds' objective is to develop and actively maintain an investment portfolio of long-term returns, with low volatility and downside protection qualities.

(b) The private real estate investment trust's primary objective is to invest in established core real estate with a diversified portfolio of high-quality buildings in the most liquid markets in the United States.

(Continued)

Investment income and gains and losses on assets limited as to use and investments comprise the following (in thousands):

		Year ended December 31	
		2020	2019
Investment income:			
Interest and dividends	$	129,277	135,120
Realized gains, net		70,272	81,894
Net unrealized gains on trading investments		434,875	554,019
		634,424	771,033
Other changes in net assets:			
Net unrealized gains on other-than-trading securities		—	24
Total investment return	$	634,424	771,057

Investment income is recorded net of investment expense, which was approximately $11,705,000 and $11,831,000 during the years ended December 31, 2020 and 2019, respectively.

(4) Leases

The tables below present various components of lease activity by the Organization as a lessee and a lessor.

As lessee, the components of lease cost were as follows (in thousands):

		Year ended December 31	
		2020	2019
Finance lease cost:			
Amortization of right of use assets	$	2,226	1,934
Interest on lease liabilities		651	602
Total finance lease cost		2,877	2,536
Operating lease cost		12,349	13,014
Short-term lease cost		1,057	846
Total lease cost	$	16,283	16,396

Maturities of lease liabilities under noncancelable leases as of December 31, 2020 are as follows (in thousands):

		Operating leases	Finance leases
2021	$	10,565	3,254
2022		8,909	3,288
2023		8,056	2,920
2024		6,959	2,484
2025		6,422	2,514
Thereafter		34,233	13,274
Total undiscounted lease payments		75,144	27,734
Less imputed interest		7,071	3,309
Total lease liabilities	$	68,073	24,425

Other information related to leases is as follows (in thousands):

		December 31	
		2020	2019
Supplemental cash flow information:			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flow from operating leases	$	9,806	9,899
Operating cash flow from finance leases		2,211	1,416

	December 31	
	2020	2019
Weighted average remaining lease term:		
Operating leases	9.9 years	9.6 years
Finance leases	10.3 years	8.8 years
Weighted average discount rate:		
Operating leases	1.9 %	2.4 %
Finance leases	2.8	3.1

As lessor, undiscounted cash flows from future minimum lease payments to be received for operating leases in effect as of December 31, 2020 are as follows (in thousands):

2021	$	9,569
2022		7,169
2023		5,639
2024		3,697
2025		2,642
Thereafter		3,561
Total future minimum lease payments receivable	$	32,277

The Organization recognized lease revenue of approximately $12,158,000 and $11,318,000 during the years ended December 31, 2020 and 2019, respectively. This revenue is reflected within other revenue in the combined statements of operations and changes in net assets.

(5) Debt

BayCare has $125,000,000 available under a line of credit with a bank. The committed line of credit is $75 million and the uncommitted is $50 million. On December 31, 2020 and 2019, $0 and $50,000,000 of the available line of credit had been drawn, respectively. Interest on the line of credit is based on the LIBOR daily floating rate plus a spread, which was 0.58% and 2.17% as of December 31, 2020 and 2019, respectively, and is payable monthly.

The Organization has a BayCare Obligated Group, which consists of certain members of the Organization (collectively, the Obligated Entities). The BayCare Obligated Group includes BayCare; St. Joseph's Health Care Center, Inc.; St. Joseph's Hospital, Inc.; St. Anthony's Hospital, Inc.; MPMHC; Morton Plant Hospital Association, Inc.; Trustees of Mease Hospital, Inc.; SFB; Winter Haven Hospital, Inc.; and Bartow Regional Medical Center, Inc. All of the outstanding bonds of the Obligated Entities are subject to the Master Trust Indenture and constitute BayCare Obligated Group indebtedness. The covenants in connection with the long-term debt agreements described below provide for the maintenance of certain levels of debt coverage and working capital, certain restrictions on additional indebtedness, and certain types and amounts of insurance protection.

The Organization is obligated under long-term debt as follows (in thousands):

	December 31	
	2020	2019
Baycare Health System Taxable Bonds, Series 2020A, at rates from 2.460% to 3.831%, payable through 2050:		
Principal amount	$ 574,420	—
Net unamortized debt issuance costs	(4,539)	—
Debt less unamortized debt issuance costs	569,881	—
Hillsborough County Industrial Development Authority Health System Revenue Bonds, Series 2020 B, C and D interest rate determined on a daily and weekly basis (approximately 0.10% at December 31, 2020 payable through 2042):		
Principal amount	227,215	—
Unamortized debt issuance costs	(1,074)	—
Debt less unamortized debt issuance costs	226,141	—
Hillsborough County Industrial Development Authority Health System Revenue Bonds, Series 2020 E and F, interest rate determined on a monthly basis (approximately 0.84% at December 31, 2020 payable through 2042):		
Principal amount	100,000	—
Unamortized debt issuance costs	(188)	—
Debt less unamortized debt issuance costs	99,812	—
City of Tampa, Florida, Health System Revenue Bonds, Series 2016A, at rates from 3.125% to 5.00%, payable through 2046:		
Principal amount	200,000	200,000
Net unamortized premium and debt issuance costs	14,427	14,854
Debt net of unamortized premium and debt issuance costs	214,427	214,854

	December 31 2020	December 31 2019
Polk County Industrial Development Authority Health System Revenue Bonds, Series 2014A, interest rate determined on a weekly basis (approximately 0.37% and 1.89% at December 31, 2020 and 2019, respectively) payable through 2044:		
Principal amount	$ 100,000	100,000
Unamortized debt issuance costs	(1,209)	(1,259)
Debt less unamortized debt issuance costs	98,791	98,741
City of Tampa, Florida, Health System Revenue Bonds, Series 2012A, at rates from 3.25% to 5.00%, payable through 2033:		
Principal amount	188,625	188,625
Net unamortized premium and debt issuance costs	4,987	5,631
Debt net of unamortized premium and debt issuance costs	193,612	194,256
City of Tampa, Florida, Health System Revenue Bonds, Series 2012B, interest rate determined on a weekly basis (approximately 0.39% and 1.91% at December 31, 2020 and 2019, respectively) payable through 2033:		
Principal amount	77,215	77,215
Unamortized debt issuance costs	(446)	(481)
Debt less unamortized debt issuance costs	76,769	76,734
City of Tampa, Florida, Health System Revenue Bonds, Series 2012 C, D, and E, interest rate determined on a monthly basis (approximately 1.88% at December 31, 2019) payable through 2042:		
Principal amount	—	177,215
Unamortized debt issuance costs	—	(146)
Debt less unamortized debt issuance costs	—	177,069
City of Tampa, Florida, Health System Revenue Bonds, Series 2010, at rates from 4.00% to 5.00%, payable through 2023:		
Principal amount	—	80,515
Net unamortized premium and debt issuance costs	—	(56)
Debt net of unamortized premium and debt issuance costs	—	80,459

(Continued)

		December 31	
		2020	**2019**
Pinellas County Health Facilities Authority Revenue Bonds, Series 2009A, interest rate determined on a weekly basis (approximately 0.66% and 1.66% at December 31, 2020 and 2019, respectively) payable through 2038:			
Principal amount	$	50,000	200,000
Less unamortized debt issuance costs		(135)	(185)
Debt less unamortized debt issuance costs		49,865	199,815
Pinellas County Health Facilities Authority Revenue Bonds, Series 2003A, interest rate determined on a weekly basis (approximately 2.41% at December 31, 2019) payable through 2023:			
Principal amount		—	18,090
Less unamortized debt issuance costs		—	(258)
Debt less unamortized debt issuance costs		—	17,832
Other		14,656	65,924
		1,543,954	1,125,684
Less current portion of long-term debt		28,821	77,032
Less long-term debt subject to short-term put arrangements		404,430	195,965
Long-term debt, less current portion and debt subject to short-term put arrangements	$	1,110,703	852,687

Aggregate scheduled maturities of long-term debt obligations as of December 31, 2020 are as follows (in thousands):

2021	$	29,141
2022		28,425
2023		23,557
2024		26,665
2025		28,340
Thereafter		1,396,489
		1,532,617
Unamortized premium and debt issue costs, net		11,337
	$	1,543,954

In April 2020, the Organization issued $601,665,000 of BayCare Health System Taxable Bonds (the Series 2020A Bonds). The proceeds were used for general corporate purposes including for the purposes of (1) financing, refinancing and reimbursing the cost of acquisition, construction, equipping and installation of certain capital improvements to healthcare facilities owned and operated by certain Members of the Obligated Group (2) refunding the Series 2010 and Series 2003A bonds and (3) paying costs associated with the issuance of the Series 2020A Bonds. A loss on early extinguishment of debt of approximately $340,000 was recorded during 2020 and is included in other nonoperating gains, net in the accompanying combined statements of operations and changes in net assets.

In April 2020, the Organization issued $227,215,000 of Hillsborough County Industrial Development Authority Health System Revenue Bonds (the Series 2020 B, C and D Bonds). The proceeds were used for (1) refunding a portion of the Series 2009A bonds and Series 2012C bonds and (2) paying costs associated with the issuance of the Series 2020BCD Bonds. A loss on early extinguishment of debt of approximately $60,000 was recorded during 2020 and is included in other nonoperating gains, net in the accompanying combined statements of operations and changes in net assets. The Series 2020BCD Bonds were issued as window variable rate demand bonds. These bonds are subject to long-term amortization periods and may be put to the Organization at the option of the bondholders in connection with certain remarketing arrangements. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after December 31, 2020, the principal amount of such bonds has been classified as a current obligation in the accompanying combined financial statements. The principal and interest payments on the Series 2020BCD Bonds are secured by credit facilities with banks which expire in 2027 (Series 2020BC) and 2024 (Series 2020D) unless extended by agreement between the banks and the Organization. Amounts drawn on the credit facility agreements are payable by the Organization within 180 days following the date on which amounts are drawn.

In April 2020, the Organization issued $100,000,000 of Hillsborough County Industrial Development Authority Health System Revenue Bonds comprised of $50,000,000 of Series 2020E Bonds (the Series 2020E Bonds) and $50,000,000 of Series 2020F Bonds (the Series 2020F Bonds). The Series 2020E and Series 2020F Bonds were used to refund the Series 2012D and Series 2012E bonds. A loss on early extinguishment of debt of approximately $96,000 was recorded during 2020 and is included in other nonoperating gains, net in the accompanying combined statements of operations and changes in net assets.

In April 2020, the Organization entered into an agreement to issue $188,625,000 of Hillsborough County Industrial Development Authority Health System Revenue Bonds (the Series 2022A Bonds). The Series 2022A Bonds are a fixed rate forward delivery bond issue to be directly purchased by a banking institution, expected to be issued on or about May 15, 2022 at an initial interest rate of 1.21%. The Series 2022A Bonds will be used to refund the Series 2012A Bonds.

The Series 2014A Bonds were issued as window variable rate demand bonds (VRDB). These bonds are subject to long-term amortization periods and may be put to the Organization at the option of the bondholders in connection with certain remarketing arrangements. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after December 31, 2020, the principal amount of such bonds has been classified as a current obligation in the accompanying combined financial statements.

The 2012B Bonds were issued as window VRDB. These bonds are subject to long-term amortization and may be put to the Organization at the option of the bondholders in connection with certain remarketing arrangements. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after December 31, 2020, the principal amount of such bonds has been classified as a current obligation in the accompanying combined financial statements.

Debt issue costs, net of accumulated amortization, are being amortized utilizing methods that approximate the effective interest method over the life of the debt. Amortization of debt issuance costs is included in interest expense. Unamortized debt issue costs are included with the related debt in the combined balance sheets.

Bond discounts and premiums are being amortized using the effective interest method over the life of the related debt. Amortization of bond discounts and premiums is included in interest expense. Unamortized bond discounts and premiums are included with the related debt in the combined balance sheets.

(6) Interest Rate Swap Agreements

The Organization uses interest rate swaps to manage net exposure to interest rate changes related to its borrowings and to manage its overall borrowing costs. These swaps are recorded as other liabilities at fair value.

The Organization's interest rate swap contracts are as follows:

Expiration date	The Organization pays fixed payor rate	The Organization receives		Notional amount 2020	Notional amount 2019
November 2033	3.669 %	67% of 3-month USD-LIBOR	$	77,215,000	77,215,000
November 2033	3.669	67% of 3-month USD-LIBOR		77,215,000	77,215,000
September 2034	3.476	67% of 1-month USD-LIBOR		5,032,565	5,299,293
September 2034	5.076	67% of 1-month USD-LIBOR plus 160 bps		15,099,435	15,899,707
September 2034	3.457	67% of 1-month USD-LIBOR		10,068,000	10,601,000
September 2036	3.841	67% of 1-month USD-LIBOR		11,380,000	11,980,000
November 2038	2.222	67% of 3-month USD-LIBOR		75,000,000	75,000,000
November 2038	2.222	67% of 3-month USD-LIBOR		75,000,000	75,000,000
November 2038	2.222	67% of 3-month USD-LIBOR		50,000,000	50,000,000
			$	396,010,000	398,210,000

An interest rate swap is an agreement in which two parties agree to exchange, at specified intervals, interest payment streams calculated on an agreed upon notional principal amount with at least one stream based upon a specified floating rate index. The differential to be paid or received as interest rates change is recognized as an adjustment to interest expense, which amounted to an increase of approximately $9,892,000 and $5,483,000 for the years ended December 31, 2020 and 2019, respectively.

The fair value of the interest rate swap agreements at December 31 is as follows (see note 2(r) for a discussion of valuation methodologies):

Derivatives not designated as hedging instruments	Counterparty	Balance sheet location		2020	2019
Interest rate swap contracts	Morgan Stanley	Other liabilities	$	47,403,000	38,880,000
Interest rate swap contracts	Goldman Sachs	Other liabilities		46,692,000	29,914,000

During 2008, the Organization discontinued hedge accounting for all swaps previously designated as hedges as the swaps were no longer considered to be highly effective. The Organization continues to carry the swaps at fair value with the subsequent changes in fair value included in nonoperating (losses) gains, net. Losses of approximately $5,841,000 and $6,299,000 at December 31, 2020 and 2019, respectively, that were accumulated in net assets without donor restrictions prior to the discontinuance of hedge accounting are being amortized in nonoperating gains, net using the straight-line method over the remaining life of the swaps.

The change in fair value of the interest rate swaps resulted in losses of approximately $(25,301,000) and $(24,179,000) for the years ended December 31, 2020 and 2019, respectively, included in nonoperating gains (losses), net.

(7) Goodwill

Goodwill of approximately $36,484,000 on December 31, 2020 and 2019, included in other assets, results from the excess of the amount paid over the fair value of identifiable assets and liabilities of acquired healthcare businesses. The Organization reviews goodwill for impairment at least annually or whenever events or circumstances indicate that the carrying value may not be recoverable in accordance with the provisions of Accounting Standards Codification Topic 350, *Intangibles – Goodwill and Other*.

The annual impairment test was completed for the years ended December 31, 2020 and 2019 and it was determined that no impairment existed. No recent events or circumstances have occurred to indicate that impairment may exist.

(8) Commitments and Contingencies

(a) Professional Liability

The nature of the Organization’s business inherently subjects the Organization to the risks of professional liability litigation. Estimated losses arising from events identified under the Organization’s incident reporting system have been recorded in the accompanying combined financial statements. In addition, an accrual for possible losses attributable to incidents that may have occurred, but that have not been identified under the incident reporting system has been estimated. The estimate is valued at the undiscounted expected future cash flows based on historical experience, relevant trend factors, and advice from consulting actuaries. The Organization is presently a defendant in various professional liability related legal actions. The Organization may be liable for losses in excess of the amount recorded on December 31, 2020; however, in the opinion of management, adequate provision has been made for estimated losses from asserted and unasserted claims.

The Organization's affiliated entities are insured through an insurance agreement with the Captive. The Captive also provides professional liability insurance for Florida-licensed, practicing physicians, and allied healthcare professionals who meet the Captive's underwriting requirements and have privileges to treat patients at the Organization's affiliated facilities.

Claims of approximately $288,281,000 and $298,170,000 are accrued based upon the expected ultimate costs of the experience to date of the Captive (including a provision for unknown incidents) on December 31, 2020 and 2019, respectively, and are included in other long-term liabilities.

(b) Litigation and Investigations

Certain of the Organization's affiliated entities currently are the subject of litigation other than professional liability litigation, as well as inquiries by federal agencies. The litigation generally involves matters of healthcare and employment law, as well as certain matters that arise in the ordinary course of business. The inquiries generally involve the application of complex healthcare regulations. The Organization is fully cooperating with the federal agencies in connection with their inquiries. Based on current information, management believes at this time that the results of the litigation and inquiries are not likely to have a material adverse effect on the combined financial position and results of the Organization.

(9) Retirement Plans

(a) Pension Plans – BayCare

Effective October 1, 2001, the Organization's board of trustees approved a system wide BayCare Health System Retirement Plan (Retirement Plan), a defined contribution plan that covers substantially all employees who meet certain service requirements. For these employees, the Retirement Plan provides that the Organization will contribute 2% of wages and also match 50% of the employee's contributions up to 6% of the contributing employee's wages. Prior existing defined contribution plans were rolled into the Retirement Plan. Contribution expense attributable to the defined contribution plan was approximately $73,789,000 and $68,888,000 for the years ended December 31, 2020 and 2019, respectively.

Employees who were participants in the Organization's defined benefit pension plan (SJH-SAH Plan) were given a one-time option to remain in the defined benefit pension plan or participate in the Retirement Plan. For participants who elected to participate in the Retirement Plan, the Organization froze their benefits so the participants no longer earn additional benefits for future services in the defined benefit pension plan. Effective December 31, 2016, the Organization froze the defined benefit pension plan, providing that no further benefits will accrue for remaining plan participants for services after the effective date.

In 2020 an amendment to the plan was made to allow certain participants, who were not currently eligible, to receive a one-time payout of their benefits. The window was open from September through October of 2020 to team members over the age of 59.5 and resulted in approximately $14,000,000 in lump sum payouts of the $17,000,000 plan settlement cost reflected in the table of changes to the defined benefit pension plan's benefit obligation and plan assets.

The authoritative guidance for the accounting of defined benefit pension and other postretirement plans requires recognition in the combined balance sheets of the funded status of defined benefit pension plans and the recognition in net assets without donor restrictions of unrecognized gains or losses, prior service costs or credits, and transition assets or obligations existing at the time of adoption. The funded status is measured as the difference between the fair value of the defined benefit pension plan's assets and the projected benefit obligation of the plan. The valuation of plan assets and the calculation of benefit obligations and funded status utilized a measurement date of December 31, 2020 and 2019.

The following are deferred pension costs, which have not yet been recognized in periodic pension expense, but instead are accrued in net assets without donor restrictions as of December 31, 2020 (in thousands):

		Amounts recognized in net assets without donor restrictions December 31, 2020	Amounts in net assets without donor restrictions to be recognized during the next fiscal year
Net actuarial loss	$	(22,747)	(1,100)

Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the average remaining assumed service period for active employees.

The following table sets forth changes to the defined benefit pension plan's benefit obligation, plan assets, and funded status (included in other noncurrent liabilities) as of December 31, 2020 and 2019, the measurement dates (in thousands):

		Year ended December 31	
		2020	2019
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	(158,519)	(152,660)
Interest cost		(4,307)	(5,737)
Actuarial loss		(11,536)	(9,506)
Benefits paid		6,571	9,384
Plan settlement		17,005	—
Projected benefit obligation at end of year		(150,786)	(158,519)

		Year ended December 31	
		2020	2019
Change in plan assets:			
Fair value of plan assets at beginning of year	$	157,835	133,100
Actual return on plan assets		17,256	24,119
Contributions made		10,000	10,000
Benefits paid		(6,571)	(9,384)
Plan settlement		(17,005)	—
Fair value of plan assets at end of year		161,515	157,835
Net amount recognized as accrued pension cost included in other noncurrent liabilities	$	10,729	(684)

The accumulated benefit obligation for the pension plan was approximately $150,786,000 and $158,519,000 on December 31, 2020 and 2019, respectively.

The table below summarizes components of net periodic pension cost of the defined benefit pension plan (in thousands). Components other than service cost are recorded within other nonoperating gains, net on the combined statements of operations and changes in net assets.

		Year ended December 31	
		2020	2019
Interest cost	$	4,307	5,737
Expected return on plan assets		(9,464)	(8,875)
Amortization of net actuarial loss		1,423	3,067
Net periodic pension cost (benefit)	$	(3,734)	(71)

Weighted average assumptions used to determine net periodic pension cost of the defined benefit pension plan are as follows:

	Year ended December 31	
	2020	2019
Discount rate	2.83 %	3.92 %
Projected rate of increase in future compensation levels	N/A	N/A
Expected long-term rate of return on plan assets	6.25	7.00

(Continued)

Weighted average assumptions used to determine benefit obligations of the defined benefit pension plan are as follows:

	Year ended December 31	
	2020	**2019**
Discount rate	1.93 %	2.83 %
Projected rate of increase in future compensation levels	N/A	N/A

The Organization has not determined if it will make a contribution to the SJH-SAH Plan in 2021.

The benefits expected to be paid in each year from 2021 to 2025 are approximately $10,969,000, $10,088,000, $9,379,000, $9,203,000, and $8,852,000, respectively. The aggregate benefits expected to be paid in the five years from 2026 to 2030 are approximately $39,990,000. The expected benefits to be paid are based on the same assumptions used to measure the Organization's benefit obligation at December 31, 2020. The investment objective of the defined benefit plan is to produce a return on investment that is based upon levels of liquidity and investment risk that are prudent and reasonable, given prevailing capital market conditions, which allows for payments of benefits to participants and their beneficiaries. The investment objective also incorporates the financial condition of the plan, future growth of active and retired participants, inflation, and the rate of salary increases. The defined benefit plan's investment committee has selected market-based benchmarks to monitor the performance of the investment strategy and performs periodic reviews of investment performance.

The investment strategy has a current target asset allocation policy as follows: 59% fixed income, 16% domestic equities, 10% international equities, 10% hedge funds, and 5% real assets. The expected long-term rate of return on plan assets is based primarily on expectations of future returns for the defined benefit plan's investments, based upon the target asset allocation. Additionally, these long-term return expectations are largely based on both historical capital market results and trends in market characteristics.

(Continued)

The table below summarizes the fair values of pension plan assets as of December 31, 2020 (in thousands) (see note 2(r) for discussion of valuation methods):

		Fair value measurements at reporting date	
	December 31, 2020	**Level 1**	**Level 2**
Asset category:			
Cash	$ 172	172	—
Equity securities:			
U.S.	27,314	2,943	24,371
International	18,874	10,196	8,678
Fixed income securities:			
Long duration	43,417	—	43,417
Core holdings	15,516	—	15,516
High yield	18,603	—	18,603
Emerging debt	8,657	—	8,657
Bank loan funds	6,721	6,721	—
Real assets	8,074	8,074	—
	147,348	28,106	119,242
Accrued income	28		
Recorded at net asset value	14,139		
Total	$ 161,515		

The table below summarizes the fair values of pension plan assets as of December 31, 2019 (in thousands) (see note 2(r) for discussion of valuation methods):

		Fair value measurements at reporting date	
	December 31, 2019	Level 1	Level 2
Asset category:			
Cash	$ 212	212	—
Equity securities:			
U.S.	26,688	2,556	24,132
International	16,800	4,699	12,101
Fixed income securities:			
Long duration	43,560	—	43,560
Core holdings	18,668	—	18,668
High yield	17,112	—	17,112
Emerging debt	8,184	—	8,184
Bank loan funds	6,876	6,876	—
Real assets	6,270	6,270	—
	144,370	20,613	123,757
Accrued income	27		
Recorded at net asset value	13,438		
Total	$ 157,835		

The following pension plan assets have been estimated using the NAV per share of the investments as of December 31, 2020 and 2019 (in thousands). There are no unfunded commitments on any of these funds on December 31, 2020 and 2019.

	December 31		Redemption	Redemption
	2020	2019	frequency	notice period
Asset category:				
Hedge fund of funds (a)	$ 14,139	13,438	Semiannually	95 days

(a) The hedge fund of funds' objective is to develop and actively maintain an investment portfolio of long-term returns, with low volatility and downside protection qualities.

(b) Pension Plan – Winter Haven

Qualified employees of Winter Haven participate in the Mid-Florida Medical Services, Inc. Pension Plan (the Plan) – a cash balance hybrid plan. A qualified employee is one who is over the age of 21, has received credit for at least 1,000 hours of service in a 12-month period, and was not over the age of 60 when hired. The Plan is funded to at least the minimum required Employee Retirement Income Security Act (ERISA) contribution.

On November 26, 2013, the Organization's board approved freezing the Plan, effective December 31, 2013. The terms of the freeze generally provide that no further benefit accrual under the Plan is provided for service after the effective date nor will new entrants into the Plan be permitted after the effective date.

The following are deferred pension costs, which have not yet been recognized in periodic pension expense, but instead are accrued in net assets without donor restrictions as of December 31, 2020 (in thousands):

		Amounts recognized in net assets without donor restrictions December 31, 2020	Amounts in net assets without donor restrictions to be recognized during the next fiscal year
Net actuarial gain (loss)	$	(9,915)	(600)

Unrecognized actuarial losses represent unexpected changes in the projected benefit obligation and plan assets over time, primarily due to changes in assumed discount rates and investment experience. Unrecognized prior service cost is the impact of changes in plan benefits applied retrospectively to employee service previously rendered. Deferred pension costs are amortized into annual pension expense over the average remaining assumed service period for active employees.

The table below sets forth changes to the Plan's benefit obligation, plan assets, and funded status (included in other noncurrent liabilities) as of December 31, 2020 and 2019, the measurement dates (in thousands).

		Year ended December 31	
		2020	**2019**
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	(53,289)	(50,130)
Interest cost		(1,472)	(1,899)
Actuarial gain (loss)		(5,837)	(4,763)
Plan settlements		2,403	2,579
Benefits paid		1,026	924
Projected benefit obligation at end of year		(57,169)	(53,289)
Change in plan assets:			
Fair value of plan assets at beginning of year		41,840	37,738
Actual return on plan assets		4,341	6,305
Contributions made		2,000	1,300
Plan settlements		(2,403)	(2,579)
Benefits paid		(1,026)	(924)
Fair value of plan assets at end of year		44,752	41,840
Net amount recognized as accrued pension cost included in other noncurrent liabilities	$	(12,417)	(11,449)

The accumulated benefit obligation for the Plan was approximately $57,169,000 and $53,289,000 on December 31, 2020 and 2019, respectively.

The table below summarizes components of net periodic pension cost of the Plan (in thousands). Components other than service cost are recorded within other nonoperating (losses) gains on the combined statements of operations and changes in net assets.

		Year ended December 31	
		2020	**2019**
Interest cost	$	1,472	1,899
Expected return on plan assets		(1,841)	(1,810)
Settlement loss		417	349
Amortization of net loss		228	322
Net periodic pension cost	$	276	760

Weighted average assumptions used to determine net periodic pension cost of the Plan are as follows:

	Year ended December 31	
	2020	**2019**
Discount rate	2.88 %	3.97 %
Projected rate of increase in future compensation levels	N/A	N/A
Expected long-term rate of return on plan assets	4.50	5.00

Weighted average assumptions used to determine benefit obligations of the Plan are as follows:

	Year ended December 31	
	2020	**2019**
Discount rate	1.95 %	2.88 %
Projected rate of increase in future compensation levels	N/A	N/A

The Organization expects to contribute to the defined benefit pension plan in 2021, but the amount of the contribution has not yet been determined.

The benefits expected to be paid in each year from 2021 to 2025 are approximately $3,108,000, $2,938,000, $3,484,000, $2,910,000, and $2,945,000, respectively. The aggregate benefits expected to be paid in the five years from 2026 to 2030 are approximately $16,479,000. The expected benefits to be paid are based on the same assumptions used to measure Winter Haven's benefit obligation on December 31, 2020.

The plan assets are administered by a trustee and are invested in the following percentages in various instruments on December 31, 2020: 49% fixed income, 23% domestic equities, 16% international equities, 9% hedge funds, and 3% real assets. The expected long-term rate of return on plan assets is based primarily on expectations of future returns for the defined benefit plan's investments, based upon the target asset allocation. Additionally, these long-term return expectations are largely based on both historical capital market results and trends in market characteristics.

The table below summarizes the fair values of pension plan assets as of December 31, 2020 (in thousands) (see note 2(r) for discussion of valuation methods):

		Fair value measurements at reporting date	
	December 31, 2020	**Level 1**	**Level 2**
Asset category:			
Cash	$ 52	52	—
Equity securities:			
U.S.	11,074	1,193	9,881
International	7,989	4,316	3,673
Fixed income securities:			
Long duration	10,840	—	10,840
Core holdings	6,505	—	6,505
High yield	1,645	—	1,645
Emerging debt	766	—	766
Bank loan funds	594	594	—
Real assets	1,476	1,476	—
	40,941	7,631	33,310
Accrued income	3		
Recorded at net asset value	3,808		
Total	$ 44,752		

The table below summarizes the fair values of pension plan assets as of December 31, 2019 (in thousands) (see note 2(r) for discussion of valuation methods):

		Fair value measurements at reporting date	
	December 31, 2019	Level 1	Level 2
Asset category:			
Cash	$ 1	1	—
Equity securities:			
U.S.	9,471	907	8,564
International	8,076	2,258	5,818
Fixed income securities:			
Long duration	9,729	—	9,729
Core holdings	6,389	—	6,389
High yield	1,750	—	1,750
Emerging debt	837	—	837
Bank loan funds	703	703	—
Real assets	1,262	1,262	—
	38,218	5,131	33,087
Accrued income	3		
Recorded at net asset value	3,619		
Total	$ 41,840		

The following pension plan assets have been estimated using the NAV per share of the investments as of December 31, 2020 and 2019 (in thousands). There are no unfunded commitments on any of these funds on December 31, 2020 and 2019.

	December 31		Redemption	Redemption
	2020	2019	frequency	notice period
Asset category:				
Hedge fund of funds (a)	$ 3,808	3,619	Semiannually	95 days

(a) The hedge fund of fund's objective is to develop and actively maintain an investment portfolio of long-term returns, with low volatility and downside protection qualities.

(10) Functional Expenses

The Organization's expenses are primarily related to providing healthcare services to the community. The Organization receives substantially all of its resources from providing healthcare services in a manner similar to a business enterprise, and its accounting policies conform to U.S. generally accepted accounting principles applicable to healthcare organizations.

Expenses related to providing these services for the years ended December 31, 2020 and 2019 are reflected in the tables below (in thousands).

		Year ended December 31, 2020		
		Program Services	Support Services	
		Health Care Services	MG&A	Total
Salaries and benefits	$	1,890,756	332,956	2,223,712
Supplies		822,602	11,303	833,905
Health plan claims and expenses		32,380	—	32,380
Other expenses		476,071	236,247	712,318
Depreciation and amortization		202,631	37,569	240,200
Interest		44,209	2,612	46,821
Total operating expenses	$	3,468,649	620,687	4,089,336

		Year ended December 31, 2019		
		Program Services	Support Services	
		Health Care Services	MG&A	Total
Salaries and benefits	$	1,876,331	323,780	2,200,111
Supplies		829,147	8,424	837,571
Health plan claims and expenses		17,609	—	17,609
Other expenses		453,944	264,015	717,959
Depreciation and amortization		190,568	37,326	227,894
Interest		37,175	354	37,529
Total operating expenses	$	3,404,774	633,899	4,038,673

The combined financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the System. These expenses require allocation on a reasonable basis that is consistently applied. Management, general and administrative (MG&A) expenses are those supporting activities that are not directly identifiable with one or more program or fundraising activity. The System reviews all departments and allocates each department to either program services or MG&A based on departmental function.

(11) Liquidity and Availability

The Organization has financial assets that could be available within one year of the balance sheet date to meet cash needs for general expenditures. These financial assets consist of cash, accounts receivable, short-term investments and certain noncurrent investments. While not classified as a current asset, the Organization has noncurrent investments that are unrestricted and are available to meet any current needs that may arise. None of the financial assets quantified in the table below are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The accounts receivable are expected to be collected within one year. The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in note 5 the Organization also has a committed line of credit in the amount of $75,000,000, which it could draw upon in the event of an unanticipated liquidity need. The available liquidity for the years ended December 31, 2020 and 2019 are as follows (in thousands):

		December 31	
		2020	**2019**
Cash and cash equivalents	$	127,381	86,859
Short-term investments		250,779	—
Accounts receivable		434,147	405,567
Noncurrent investments available within one year		6,223,955	5,167,451
Total	$	7,036,262	5,659,877

(12) COVID-19 Pandemic

In March 2020, the novel strain of coronavirus COVID-19 was declared a pandemic by the World Health Organization. To contain the spread and impact of COVID-19, and to mitigate the burden on the national healthcare system, federal, state and local authorities implemented various restrictive measures, including significant limitations on business activity, travel bans, promotions of physical distancing, mandated quarantines, and shelter-in-place orders. As a result, the Organization cancelled or postponed all elective procedures and non-urgent ambulatory visits during March through May of 2020, and placed limitations on non-emergent surgical cases requiring an inpatient bed during July and August of 2020.

The cancelation or postponement of these procedures resulted in a significant reduction in overall patient volumes. In addition, increases in supplies expenses were experienced because of shortages, delays and significant price increases, particularly personal protective equipment and pharmaceuticals, which adversely impacted operating results during the year ended December 31, 2020. The ultimate impact of the pandemic on the Organization's financial condition will depend on, among other factors, the duration and severity of the pandemic as well as negative economic conditions arising from the pandemic.

(a) Public Health and Social Services Emergency Fund (PHSS Emergency Fund)

As a result of the COVID-19 pandemic, the federal government took actions intended to assist healthcare providers. Sources of relief included the CARES Act, which was enacted on March 27, 2020. The CARES Act included $175 billion in funding to be distributed to eligible providers through the PHSS Emergency Fund, which is intended to compensate providers for increased healthcare-related expenses and lost patient revenues attributable to the COVID-19 pandemic and to ensure uninsured Americans have access to testing and treatment for COVID-19.

HHS allocated $50 billion of the CARES Act provider relief funding for general distribution to Medicare providers impacted by the COVID-19 pandemic. In addition, HHS has made additional general and targeted distributions for providers in areas particularly impacted by COVID-19.

Payments from the PHSS Emergency Fund are not subject to repayment so long as providers attest to certain terms and conditions required by HHS. PHSS Emergency Funds received will also be subject to certain required audits.

The Organization received PHSS Emergency Fund general and targeted distributions of approximately $143,348,000, of which approximately $134,469,000 has been recognized as other operating revenue in the combined statements of operations and changes in net assets for the year ended December 31, 2020. Payments are recognized as revenue when there is reasonable assurance that the terms and conditions associated with the distributions have been met. The remaining approximately $8,879,000 has been recorded within estimated third-party settlements in the combined balance sheet as of December 31, 2020. Amounts recognized as revenue could change in the future based on evolving compliance guidance provided by HHS.

(b) Medicare Accelerated and Advanced Payment Program

The CARES Act expanded the Medicare Accelerated and Advance Payment Program, which allows for eligible health care facilities to request up to six months of advance Medicare payments. Such accelerated payments are interest free for 29 months for most acute care hospitals. CMS will begin to apply claims for services provided to Medicare beneficiaries against the advance payments received approximately 12 months following receipt of the advance payments. As of December 31, 2020, the Organization had received approximately $317,187,000 of payments under this program. Amounts received represent contract liabilities under Topic 606. The current portion of approximately $118,301,000 is recorded within accounts payable and accrued expenses and the balance is recorded in other long-term liabilities in the combined balance sheets as of December 31, 2020.

(c) Deferred Payment of Employer Payroll Taxes

The CARES Act allows for the deferred payment of the employer portion of certain payroll taxes in 2020, with 50% due December 31, 2021 and the remaining 50% due December 31, 2022. As of December 31, 2020, the Organization had deferred payroll tax payments of approximately $49,006,000. The current portion is recorded within employee compensation and benefits and the balance is recorded in other long-term liabilities in the combined balance sheets as of December 31, 2020.

(13) Subsequent Events

The Organization has evaluated events and transactions occurring subsequent to December 31, 2020 as of March 5, 2021, which is the date the combined financial statements were issued. Management believes that no other material events have occurred since December 31, 2020 that require recognition or disclosure in the combined financial statements.

COMBINING INFORMATION

Schedule 1

BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

Combining Balance Sheet Information

December 31, 2020

(In thousands)

Assets	BayCare Health System, Inc.	Bartow Regional Medical Center, Inc.	Winter Haven Hospital, Inc.	Combined Trinity Health BayCare Participants	Morton Plant Mease Health Care, Inc.	South Florida Baptist, Inc.	BCHS Insurance, Ltd.	Subtotal	Eliminations	Combined
Current assets:										
Cash and cash equivalents	$ 120,303	816	6	1,082	5,173	1	—	127,381	—	127,381
Collateral received for securities lending transactions	281,111	—	—	—	—	—	—	281,111	—	281,111
Investments held on behalf of others	45,108	—	—	—	—	—	—	45,108	—	45,108
Short-term investments	250,779	—	—	—	—	—	—	250,779	—	250,779
Accounts receivable	62,542	7,314	38,786	183,513	129,704	14,274	—	436,133	(1,986)	434,147
Inventories	53,256	2,048	9,940	41,381	28,086	4,878	—	139,589	—	139,589
Prepaid and other current assets	69,768	406	8,250	10,974	6,877	751	13	97,039	(3,454)	93,585
Total current assets	882,867	10,584	56,982	236,950	169,840	19,904	13	1,377,140	(5,440)	1,371,700
Investments	6,620,639	—	107,632	—	—	—	—	6,728,271	—	6,728,271
Assets limited as to use	12,085	—	5,600	—	11	—	271,373	289,069	—	289,069
Right-of-use asset – finance leases	20,891	509	—	—	1,510	—	—	22,910	(1,510)	21,400
Right-of-use asset – operating leases	53,066	—	—	16,442	19,378	925	—	89,811	(23,271)	66,540
Property and equipment, net	395,878	41,927	207,525	1,128,402	680,376	40,253	—	2,494,361	—	2,494,361
Beneficial interest in net assets of foundations	—	—	18,263	45,948	119,887	10,743	—	194,841	—	194,841
Due from affiliates	(4,901,415)	31,600	(87,356)	2,256,678	2,523,900	196,438	—	19,845	(19,845)	—
Other assets	265,148	18,651	12,699	26,794	7,340	181	16,779	347,592	(206,364)	141,228
Total assets	$ 3,349,159	103,271	321,345	3,711,214	3,522,242	268,444	288,165	11,563,840	(256,430)	11,307,410
Liabilities and Net Assets										
Current liabilities:										
Accounts payable and accrued expenses	$ 187,556	3,052	23,380	94,364	77,044	7,657	2,222	395,275	4,029	399,304
Employee compensation and benefits	263,388	1,720	10,624	43,670	35,217	3,258	—	357,877	—	357,877
Estimated third-party settlements	229	68	3,463	21,723	(1,141)	491	—	24,833	—	24,833
Current portion of finance lease liability	2,342	273	—	—	1,162	—	—	3,777	(1,162)	2,615
Current portion of operating lease liability	7,525	—	—	3,112	3,544	347	—	14,528	(5,103)	9,425
Current portion of long-term debt	28,714	—	—	107	—	—	—	28,821	—	28,821
Long-term debt, subject to short-term put arrangements	404,430	—	—	—	—	—	—	404,430	—	404,430
Liabilities for investments held on behalf of others	45,108	—	—	—	—	—	—	45,108	—	45,108
Liabilities under securities lending transactions	281,111	—	—	—	—	—	—	281,111	—	281,111
Total current liabilities	1,220,403	5,113	37,467	162,976	115,826	11,753	2,222	1,555,760	(2,236)	1,553,524
Finance lease liability, less current portion	21,376	434	—	—	1,446	—	—	23,256	(1,446)	21,810
Operating lease liability, less current portion	47,030	—	—	13,566	15,980	596	—	77,172	(18,524)	58,648
Long-term debt, less current portion	1,110,524	—	—	179	—	—	—	1,110,703	—	1,110,703
Other liabilities	300,760	2,358	41,321	83,747	85,085	5,987	200,126	719,384	2,574	721,958
Total liabilities	2,700,093	7,905	78,788	260,468	218,337	18,336	202,348	3,486,275	(19,632)	3,466,643
Net assets:										
Without donor restrictions	649,066	95,366	234,272	3,423,168	3,219,695	247,344	85,817	7,954,728	(236,798)	7,717,930
With donor restrictions	—	—	8,285	27,578	84,210	2,764	—	122,837	—	122,837
Total net assets	649,066	95,366	242,557	3,450,746	3,303,905	250,108	85,817	8,077,565	(236,798)	7,840,767
Total liabilities and net assets	$ 3,349,159	103,271	321,345	3,711,214	3,522,242	268,444	288,165	11,563,840	(256,430)	11,307,410

See accompanying independent auditors' report.

Schedule 2

BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

Combining Statement of Operations and Changes in Net Assets Information

Year ended December 31, 2020

(In thousands)

	BayCare Health System, Inc.	Bartow Regional Medical Center, Inc.	Winter Haven Hospital, Inc.	Combined Trinity Health BayCare Participants	Morton Plant Mease Health Care, Inc.	South Florida Baptist, Inc.	BCHS Insurance, Ltd.	Subtotal	Eliminations	Combined
Change in net assets without donor restrictions:										
Operating revenues:										
Net patient service revenue	$ 521,722	75,006	372,413	1,738,732	1,304,794	139,052	—	4,151,719	(65,384)	4,086,335
Net premium revenue	61,592	—	—	—	—	—	—	61,592	—	61,592
Other revenue	692,308	729	9,001	104,690	78,477	498	—	885,703	(623,931)	261,772
Total operating revenues	1,275,622	75,735	381,414	1,843,422	1,383,271	139,550	—	5,099,014	(689,315)	4,409,699
Operating expenses:										
Salaries and benefits	861,167	27,774	164,948	652,217	506,494	54,804	—	2,267,404	(43,692)	2,223,712
Supplies	95,372	11,275	80,652	354,489	274,019	25,729	—	841,536	(7,631)	833,905
Health plan claims and expenses	55,949	—	—	—	—	—	—	55,949	(23,569)	32,380
Other expenses	176,493	20,515	109,162	515,259	397,820	41,676	—	1,260,925	(548,607)	712,318
Depreciation and amortization	58,591	3,777	18,984	89,195	64,119	6,184	—	240,850	(650)	240,200
Interest	49,722	549	2,441	21,339	17,198	2,294	—	93,543	(46,722)	46,821
Total operating expenses	1,297,294	63,890	376,187	1,632,499	1,259,650	130,687	—	4,760,207	(670,871)	4,089,336
Operating (loss) income	(21,672)	11,845	5,227	210,923	123,621	8,863	—	338,807	(18,444)	320,363
Nonoperating (losses) gains, net:										
Investment income, net	601,727	—	9,900	—	20	—	22,777	634,424	—	634,424
Loss on interest rate swaps	(24,067)	—	(1,692)	—	—	—	—	(25,759)	—	(25,759)
Other nonoperating gains (losses), net	(37,849)	(3)	132	4,236	10,696	1,999	37,100	16,311	(20)	16,291
Total nonoperating gains (losses), net	539,811	(3)	8,340	4,236	10,716	1,999	59,877	624,976	(20)	624,956
Excess of revenues and gains (losses) over expenses	$ 518,139	11,842	13,567	215,159	134,337	10,862	59,877	963,783	(18,464)	945,319

(Continued)

Schedule 2

BAYCARE HEALTH SYSTEM, INC. AND AFFILIATES

Combining Statement of Operations and Changes in Net Assets Information

Year ended December 31, 2020

(In thousands)

	BayCare Health System, Inc.	Bartow Regional Medical Center, Inc.	Winter Haven Hospital, Inc.	Combined Trinity Health BayCare Participants	Morton Plant Mease Health Care, Inc.	South Florida Baptist, Inc.	BCHS Insurance, Ltd.	Subtotal	Eliminations	Combined
Change in net assets without donor restrictions:										
Excess of revenues and gains over expenses	$ 518,139	11,842	13,567	215,159	134,337	10,862	59,877	963,783	(18,464)	945,319
Net asset transfers (to) from joint operating agreement participants, net	(510,777)	—	—	269,860	227,041	13,876	—	—	—	—
Net assets released from restrictions for capital additions	(188)	—	301	4,342	4,402	179	—	9,036	—	9,036
Amortization of accumulated hedge accounting losses	458	—	—	—	—	—	—	458	—	458
Pension-related changes other than net periodic pension cost	—	—	(2,221)	113	—	—	—	(2,108)	—	(2,108)
Transfer (to) from affiliates	9,246	—	(9,061)	(185)	—	—	—	—	—	—
Other	(19,051)	2	(3)	—	—	(1)	(2,660)	(21,713)	16,538	(5,175)
Increase (decrease) in net assets without donor restrictions	(2,173)	11,844	2,583	489,289	365,780	24,916	57,217	949,456	(1,926)	947,530
Change in net assets with donor restrictions:										
Contributions	—	—	300	—	16	—	—	316	—	316
Net assets released from restrictions	—	—	(671)	—	(113)	(4)	—	(788)	—	(788)
Change in beneficial interest in net assets of foundations	—	—	463	(1,626)	(284)	(209)	—	(1,656)	—	(1,656)
Increase (decrease) in net assets with donor restrictions	—	—	92	(1,626)	(381)	(213)	—	(2,128)	—	(2,128)
Increase (decrease) in net assets	(2,173)	11,844	2,675	487,663	365,399	24,703	57,217	947,328	(1,926)	945,402
Net assets at beginning of year	651,239	83,522	239,882	2,963,083	2,938,506	225,405	28,600	7,130,237	(234,872)	6,895,365
Net assets at end of year	$ 649,066	95,366	242,557	3,450,746	3,303,905	250,108	85,817	8,077,565	(236,798)	7,840,767

See accompanying independent auditors' report.