

CoxHealth

Independent Auditor's Report and
Consolidated Financial Statements

September 30, 2019 and 2018

CoxHealth
September 30, 2019 and 2018

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Independent Auditor's Report

Board of Directors
CoxHealth
Springfield, Missouri

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Health System as of September 30, 2019 and 2018, and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in *Note 1* to the consolidated financial statements, in 2019, the Health System adopted ASU 2014-09, *Revenues from Contracts with Customers (Topic 606)* and ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to these matters.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Springfield, Missouri
February 13, 2020

CoxHealth
Consolidated Balance Sheets
September 30, 2019 and 2018
(In Thousands)

Assets

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 290,551	\$ 264,344
Short-term investments	10,953	10,304
Assets limited as to use – current	14,653	10,390
Patient accounts receivable, net of 2018 allowance of \$168,318	187,062	182,814
Estimated amounts due from third-party payers	-	376
Other receivables	8,811	7,295
Contributions receivable – current	695	130
Supplies	19,339	20,542
Prepaid expenses	11,452	12,247
Total current assets	<u>543,516</u>	<u>508,442</u>
Assets Limited As To Use		
Investments		
Internally designated		
Building fund investments and other	356,411	313,270
Donated investments	229,464	220,250
Externally restricted		
Donor restricted	45,893	45,727
Under deferred compensation agreement	15,875	16,252
Required statutory reserves	11,530	13,442
Held by trustees		
Self-insurance trust investments and other	30,629	28,969
Under bond indenture agreements	98,637	5,141
	<u>788,439</u>	<u>643,051</u>
Less amount required to meet current obligations	14,653	10,390
	<u>773,786</u>	<u>632,661</u>
Contributions receivable	2,785	1,476
	<u>776,571</u>	<u>634,137</u>
Long-Term Receivables	<u>2,565</u>	<u>2,239</u>
Property and Equipment, At Cost	1,394,191	1,352,961
Less accumulated depreciation	844,381	796,574
	<u>549,810</u>	<u>556,387</u>
Goodwill and Intangible Assets	<u>25,830</u>	<u>25,930</u>
Other Assets	<u>7,370</u>	<u>6,701</u>
Total assets	<u>\$ 1,905,662</u>	<u>\$ 1,733,836</u>

See Notes to Consolidated Financial Statements

Liabilities and Net Assets

	<u>2019</u>	<u>2018</u>
Current Liabilities		
Current maturities of long-term debt	\$ 13,384	\$ 14,175
Current bond premiums and other	1,979	1,330
Accounts payable	50,648	53,912
Accrued payroll and vacation pay	68,007	60,679
Accrued interest	8,526	6,777
Other accrued expenses	36,788	41,309
Estimated amounts due to third-party payers	11,210	9,737
Estimated insurance costs – current	19,110	18,016
Contract liability	14,450	-
Deferred revenue – current	-	12,030
	<u>224,102</u>	<u>217,965</u>
Total current liabilities		
	19,352	17,396
Estimated Insurance Costs		
	15,973	16,332
Deferred Compensation		
	80,398	41,208
Accrued Pension Liability		
	488	622
Other Long-Term Liabilities		
Long-Term Debt		
Long-term debt	593,136	517,793
Bond premiums and other	28,028	18,526
	<u>621,164</u>	<u>536,319</u>
Total liabilities	<u>961,477</u>	<u>829,842</u>
Net Assets		
Without donor restrictions	896,618	860,735
With donor restrictions	47,567	43,259
	<u>944,185</u>	<u>903,994</u>
Total net assets		
	<u>\$ 1,905,662</u>	<u>\$ 1,733,836</u>
Total liabilities and net assets		

CoxHealth
Consolidated Statements of Operations and Changes in Net Assets
Years Ended September 30, 2019 and 2018
(In Thousands)

	2019	2018
Revenues, Gains and Other Support Without Donor Restrictions		
Patient service revenue (net of contractual discounts and allowances)		\$ 1,437,759
Provision for uncollectible accounts		(127,589)
Net patient service revenue less provision for uncollectible accounts	\$ 1,420,141	1,310,170
Premium revenue	134,620	146,915
Other revenue	74,118	63,923
Net assets released from restrictions used for operations	3,002	2,374
Total revenues, gains and other support without donor restrictions	1,631,881	1,523,382
Expenses		
Salaries and wages	677,617	627,501
Employee benefits	140,692	129,433
Purchased services and professional fees	196,989	203,037
Supplies and other	422,150	399,090
State provider tax program	53,960	52,535
Depreciation	53,894	52,226
Interest	20,909	22,160
Total expenses	1,566,211	1,485,982
Operating Income	65,670	37,400
Other Income (Expense)		
Contributions	615	144
Investment return	16,523	28,173
Loss on pension settlement	-	(21,024)
Loss on extinguishment of debt	(848)	-
Other	381	477
Total other income	16,671	7,770
Excess of Revenues Over Expenses	82,341	45,170

CoxHealth
Consolidated Statements of Operations and Changes in Net Assets
Years Ended September 30, 2019 and 2018
(In Thousands)

	<u>2019</u>	<u>2018</u>
Net Assets Without Donor Restrictions		
Excess of revenues over expenses	\$ 82,341	\$ 45,170
Investment return – change in unrealized gains and losses on other than trading securities	125	(80)
Net assets released from restriction used for purchase of property and equipment	3,020	653
Change in defined benefit pension plans gains and losses	<u>(49,603)</u>	<u>42,013</u>
Increase in net assets without donor restrictions	<u>35,883</u>	<u>87,756</u>
Net Assets With Donor Restrictions		
Contributions received	9,816	4,860
Investment return, net	514	974
Change in interest in net assets of Skaggs Foundation	-	(54)
Net assets released from restrictions	<u>(6,022)</u>	<u>(3,027)</u>
Increase in net assets with donor restrictions	<u>4,308</u>	<u>2,753</u>
Change in Net Assets	40,191	90,509
Net Assets, Beginning of Year	<u>903,994</u>	<u>813,485</u>
Net Assets, End of Year	<u>\$ 944,185</u>	<u>\$ 903,994</u>

CoxHealth
Consolidated Statements of Cash Flows
Years Ended September 30, 2019 and 2018
(In Thousands)

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ 40,191	\$ 90,509
Items not requiring (providing) operating cash flow		
Depreciation	53,894	52,226
Amortization of deferred financing costs	(1,360)	(1,020)
Provision for uncollectible accounts	-	127,589
Loss on sale of property and equipment, net	542	71
Loss (gain) on investment in equity investees	(323)	73
Appreciation of Series H Capital Appreciation Bonds	1,490	1,812
Net gain on investments	(5,220)	(18,585)
Change in defined benefit pension plan gains and losses	49,603	(42,013)
Restricted contributions and investment income received	(10,330)	(5,780)
Changes in		
Receivables	(4,952)	(135,695)
Estimated third-party settlements	1,849	181
Accrued self-insurance costs	3,050	(2,968)
Other assets and liabilities	(5,391)	11,364
	<u>123,043</u>	<u>77,764</u>
Investing Activities		
Purchase of short-term investments	(7,434)	(13,614)
Proceeds from sale of short-term investments	6,785	44,967
Purchase of investments	(478,277)	(369,655)
Proceeds from sale of investments	335,209	342,130
Proceeds from Skaggs Foundation	2,544	-
Purchase of property and equipment	(47,532)	(36,586)
Cash received from Cox Barton County Hospital	-	484
Other	(18)	863
	<u>(188,723)</u>	<u>(31,411)</u>

CoxHealth
Consolidated Statements of Cash Flows
Years Ended September 30, 2019 and 2018
(In Thousands)

	<u>2019</u>	<u>2018</u>
Financing Activities		
Proceeds from restricted contributions and investment income received	\$ 7,644	\$ 5,780
Proceeds from issuance of term loan	30,000	-
Principal payments on term loan	(30,000)	-
Payment of deferred financing costs	(535)	-
Proceeds from issuance of long-term debt	134,967	-
Principal payments on long-term debt	<u>(50,189)</u>	<u>(14,156)</u>
Net cash provided by (used in) financing activities	<u>91,887</u>	<u>(8,376)</u>
Change in Cash and Cash Equivalents	26,207	37,977
Cash and Cash Equivalents, Beginning of Year	<u>264,344</u>	<u>226,367</u>
Cash and Cash Equivalents, End of Year	<u>\$ 290,551</u>	<u>\$ 264,344</u>
Supplemental Cash Flows Information		
Purchase of property and equipment in accounts payable	\$ 3,130	\$ 3,184
Interest paid (net of amount capitalized)	\$ 20,880	\$ 22,161
Capital lease obligation incurred for property and equipment	\$ 382	\$ 20,637

CoxHealth
Notes to Consolidated Financial Statements
September 30, 2019 and 2018
(In Thousands)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

CoxHealth is the parent of Lester E. Cox Medical Centers and its wholly owned subsidiaries plus certain affiliated not-for-profit entities and is collectively referred to as CoxHealth. CoxHealth (the “Health System”) operates as an integrated delivery system including four hospitals, a surgical center, an inpatient rehabilitation facility, home care companies, physician services, mental health services, insurance companies and a foundation. The Health System primarily earns revenues by providing inpatient, outpatient, emergency care, inpatient rehabilitation, home care, physician services and health insurance products to patients and employers in Springfield, Missouri, and the surrounding southwest Missouri area.

Principles of Consolidation

The consolidated financial statements include the consolidated financial statements of CoxHealth and its wholly-owned/controlled subsidiaries:

CoxHealth – is the sole corporate member of the following entities:

Lester E. Cox Medical Centers

Cox Medical Group

Ferrell-Duncan Clinic, Inc. (FDCI) – CMG as the sole shareholder of FDCI

Cox Barton County Hospital

CBCH, LLC

Cox Taxable Close Corporation

Cox Medical Group Clinics

CoxHealth Accountable Care, LLC

Lester E. Cox Medical Centers – is the sole corporate member of the following entities:

The Skaggs Community Hospital Association d/b/a Cox Medical Center Branson

Cox-Monett Hospital

Cox Health Systems HMO, Inc. (HMO)

Cox Health Systems Insurance Company – HMO is the sole shareholder of Cox Health Systems Insurance Company

Cox HealthPlans, LLC – HMO is the sole member of Cox HealthPlans, LLC

CoxHealth Foundation

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Notes to Consolidated Financial Statements
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Cox Alternative Care of the Ozarks, Inc., Healthcare Services of the Ozarks, Inc. and CoxHealth Home Care Services of the Midwest, Inc. collectively referred to as Oxford HealthCare

Cox HPS of the Ozarks, Inc.

Medical Developments, Inc.

Insurance Company of Springfield, Inc.

Primrose Place, Inc.

Cox College

CoxHealth Innovations, LLC

Health Enrichment Services, Inc.

Oxford Health Care, Cox Barton County Hospital, Cox HPS of the Ozarks, Inc., Medical Developments, Inc., Insurance Company of Springfield, Inc., Primrose Place, Inc. and Cox College are collectively referred to as Other CoxHealth Entities.

CBCH, LLC, Cox Taxable Close Corporation, Cox Medical Group Clinics, CoxHealth Accountable Care, LLC, CoxHealth Innovations, LLC and Health Enrichment Services, Inc. had no financial statement activity in 2019 and 2018.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Health System considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At September 30, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers, repurchase agreement accounts and certificates of deposit.

At September 30, 2019, the Health System's cash accounts exceeded federally insured limits by approximately \$60,304.

CoxHealth
Notes to Consolidated Financial Statements
September 30, 2019 and 2018
(In Thousands)

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investments in equity investees are reported on the equity method of accounting and are included with long-term receivables on the consolidated balance sheets. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investments also include investments in alternative assets, such as hedge funds structured as limited liability corporations or partnerships. These funds are measured at fair value using net asset value (NAV), as a practical expedient. The estimated fair value of these alternative investments is based on the most recent valuations provided by external investment managers.

Management has reviewed and evaluated the values provided by the managers and agrees with the valuation methods and assumptions used to determine those fair values, and believes the carrying amount of these investments is a reasonable estimate of fair value. The amount at which the Health System may be able to sell the investments may be different than the estimated carrying value.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of operations and changes in net assets as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Health Claims Incurred and Reserved

Cox Health Systems Insurance Company and Cox Health Systems HMO, Inc. contract with various healthcare providers for the provision of hospitalization and other medical services to their members. These companies compensate the providers based upon negotiated discounts from established rates or at predetermined rates based upon diagnosis.

Accrued medical claims and related expenses (hospitalization and other medical services) include amounts billed and not paid, an estimate of costs incurred for unbilled services and an estimate of costs to be incurred for hospitalizations in progress at period end. The costs to be incurred of \$17,850 and \$20,200 at September 30, 2019 and 2018, respectively, are included within current liabilities in other accrued expenses. Substantially all of the estimate of costs to be incurred will be paid within the next 12 months. Management believes such estimates to be adequate; however, the actual amount paid may be more or less than the amounts provided. Adjustments to these estimates are included in current operations.

CoxHealth
Notes to Consolidated Financial Statements
September 30, 2019 and 2018
(In Thousands)

All claims paid to CoxHealth from its consolidated insurance companies have been eliminated in consolidation.

Assets Limited As To Use

Assets limited as to use include (1) assets set aside by the Board of Directors and management for future capital improvements, major contingencies and debt service over which the Board and management retains control and may at its discretion subsequently use for other purposes; (2) assets externally restricted by donors, deferred compensation agreements and required statutory reserves for Cox Health Systems Insurance Company and Cox Health Systems HMO, Inc.; (3) assets held by trustees under bond indenture agreements; and (4) self-insurance trust arrangements and certain contributions receivable. Amounts required to meet current liabilities of the Health System are included in current assets.

Patient Accounts Receivable

Subsequent to Adoption of ASU 2014-09, Revenue from Contracts with Customers (Topic 606)

Patient accounts receivable reflects the outstanding amount of consideration to which the Health System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs) and others. As a service to the patient, the Health System bills third-party payers directly and bills the patient when the patient's responsibility for co-pays, coinsurance and deductibles is determined. Patient accounts receivable are due in full when billed.

Bad debt expense was not significant for the year ended September 30, 2019.

Prior to Adoption of ASU 2014-09, Revenues from Contracts with Customers (Topic 606)

Accounts receivable were reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Health System analyzed its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviewed data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Health System analyzed contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

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Notes to Consolidated Financial Statements
September 30, 2019 and 2018
(In Thousands)

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Health System records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates or the discounted rates if negotiated or provided by policy and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Contract Assets and Liabilities

Amounts related to health care services provided to patients which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract assets consist primarily of health care services provided to patients who are still receiving inpatient care in the Health System at the end of the year.

Contract assets are included in patient accounts receivable at September 30, 2019. At September 30, 2018, amounts related to health care services provided to patients which have not been billed and did not meet the conditions of an unconditional right to payment as of the year then ended are included on the balance sheet in accounts receivable, less allowance for doubtful accounts. Contract assets were not significant for the year ended September 30, 2019.

The Health System receives payment in advance of services being provided for home care services, nursing education tuition and insurance policy premiums. These advance payments are recorded as contract liabilities and recognized as revenue as services are provided.

The Health System has entered into certain shared savings payment arrangements with insurance providers to improve outcomes and reduce costs. The Health System receives payments from insurance providers in advance of final outcomes and cost measurements. Therefore, the Health System has deferred revenue recognition of shared savings payments until final outcomes and costs have been determined by the insurance providers.

These advanced payments are recorded as contract liabilities and recognized as revenue as services are provided. At September 30, 2018, amounts related to payments received for future health care services are included on the balance sheet in deferred revenue.

Supplies

The Health System states supply inventories as stated at the lower of cost, determined using the first-in, first-out method, or net realizable value.

CoxHealth
Notes to Consolidated Financial Statements
September 30, 2019 and 2018
(In Thousands)

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated on a straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when the donated asset is placed in service.

Land improvements	5 - 25 years
Buildings	5 - 80 years
Leasehold improvements	5 - 35 years
Fixed equipment	5 - 50 years
Major movable equipment	3 - 25 years

The Health System capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and incurred was:

	2019	2018
Total interest expense incurred on borrowings for project	\$ 1,721	\$ -
Interest income from investment of proceeds of borrowings for project	(795)	-
Net interest cost capitalized	<u>\$ 926</u>	<u>\$ -</u>
Interest capitalized	\$ 1,721	\$ -
Interest charged to expense	<u>20,909</u>	<u>22,160</u>
Total interest incurred	<u>\$ 22,630</u>	<u>\$ 22,160</u>

Long-Lived Asset Impairment

The Health System evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No impairment was recorded in 2019 or 2018.

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Notes to Consolidated Financial Statements
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(In Thousands)

Interest in Net Assets of Skaggs Foundation

Skaggs Foundation holds certain restricted net assets on behalf of the Health System. The Health System accounts for its interest in the net assets of Skaggs Foundation (Interest) in a manner similar to the equity method. Interest in the net assets of the Skaggs Foundation was \$6,572 and \$9,175 at September 30, 2019 and 2018, respectively, which is included in donor-restricted assets limited as to use. Changes in the Interest are included in change in net assets. Transfers of assets between the Skaggs Foundation and the Health System are recognized as increases or decreases in the Interest.

Goodwill

Goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value of the reporting unit is less than the carrying amount, including goodwill. If, based on the evaluation, it is determined to be more likely than not that the fair value of the reporting unit is less than the carrying value, then goodwill is tested further for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Goodwill resulting from the acquisitions of physician clinics was \$25,278 and \$25,378, respectively, at September 30, 2019 and 2018, which is included in goodwill and intangible assets. A \$100 impairment was recorded in 2019 which is included in supplies and other expense. No impairment was recorded in 2018.

Debt Issuance and Deferred Financing Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the effective interest method.

Deferred financing costs represent premiums and discounts incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the effective interest method of amortization. Other loan costs are being amortized on a straight-line basis over the term of the loan.

Other Assets

The Health System funds life insurance policies for certain key executives. Upon termination of the policies all premiums advanced to the policyholder will be returned to the Health System.

Deposits of various amounts are on account with certain vendors which provide for additional discounts on purchases made.

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Notes to Consolidated Financial Statements
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(In Thousands)

Refund Liabilities

The consideration the Health System has received from patients for which it does not expect to be entitled to is recorded as a refund liability which is included in accounts payable.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Patient Service Revenue

Patient service revenue is recognized as the Health System satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Health System expects to be entitled in exchange for providing patient care. The Health System determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Health System's policies and implicit price concessions provided to uninsured patients.

The Health System determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payer groups. The Health System determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payers.

Premium Revenue

The Health System receives premium revenue through Cox Health Systems Insurance Company and Cox Health Systems HMO, Inc., resulting from the sale of health insurance policies. Premiums are reported as earned in the period in which members are entitled to receive healthcare services. Premiums received prior to such period are recorded as deferred revenue and reflected as a liability in the accompanying balance sheets.

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(In Thousands)

Charity Care

The Health System provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Health System does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as patient service revenue.

Contributions

Contributions are provided to the Health System either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<u>Nature of the Gift</u>	<u>Value Recognized</u>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Health System overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

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When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions. No conditional contributions existed at September 30, 2019 and 2018.

Estimated Insurance Costs and Professional Liability Claims

An annual estimated provision is accrued for professional liability claims, comprehensive general liabilities, employee healthcare and workers' compensation claims and includes an estimate of the ultimate costs, including estimated costs to defend the claims, for both reported claims and claims incurred but not reported. The estimated liability for claims not expected to be settled within the next year is included in long-term liabilities.

The Health System recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 7*.

Income Taxes

The following organizations are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the organizations are subject to federal income tax on any unrelated business taxable income.

- CoxHealth
- Lester E. Cox Medical Centers
- Cox Alternative Care of the Ozarks, Inc.
- Healthcare Services of the Ozarks, Inc.
- CoxHealth Home Care Services of the Midwest, Inc.
- Cox HPS of the Ozarks, Inc.
- Cox-Monett Hospital
- Cox Medical Center Branson
- Cox Barton County Hospital
- Cox Health Systems Insurance Company
- Cox Health System HMO, Inc.
- Cox HealthPlans, LLC

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Primrose Place, Inc.
CoxHealth Foundation
Cox Medical Group
Cox College
Cox Medical Group Clinics
CBCH, LLC
Health Enrichment Services, Inc.
CoxHealth Innovations, LLC
CoxHealth Accountable Care, LLC

Medical Developments, Inc., Insurance Company of Springfield, Inc., Cox Taxable Close Corporation and Ferrell-Duncan Clinic, Inc. are for-profit entities and subject to federal and state income tax.

The Health System files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Health System is no longer subject to U.S. federal examinations by tax authorities for years before 2016.

Excess of Revenues Over Expenses

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, change in defined benefit pension plans gains and losses and net assets released from restriction used for purchase of property and equipment.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period-end date. There were no such transfers in 2019 or 2018.

Changes in Accounting Principles

Revenue from Contracts with Customers

On October 1, 2018, the Health System adopted Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, (ASU 2014-09) using a modified-retrospective method of adoption to all contracts with patients at October 1, 2018. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers or patients in an amount that reflects the consideration to which the Health System expects to be entitled in exchange for those goods or services. The

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amount to which the Health System expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing patient care services to its patients. Adoption of ASU 2014-09 resulted in changes in presentation of the financial statements and related disclosures in the notes to the consolidated financial statements. Prior to the adoption of ASU 2014-09, the majority of the provision for uncollectible accounts related to patients without insurance, as well as patient responsibility balances for co-pays, co-insurance and deductibles for patients with insurance. Under ASU 2014-09, the estimated amounts due from patients for which the Health System does not expect to be entitled or collect from the patients are considered implicit price concessions and excluded from the Health System's estimation of the transaction price or revenue recorded.

The adoption had no impact on operating income, overall change in net assets or net cash provided by (used in) operating activities.

Presentation of Financial Statements of Not-for-Profit Entities

On October 1, 2018, the Health System adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958: Presentation of Financial Statements of Not-for-Profit Entities)*. A summary of the changes is as follows:

Balance Sheets

- The balance sheets distinguish between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Statements of Operations

- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Consolidated Financial Statements

- Expenses are reported by both nature and function in one location.
- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the balance sheet.

This change had no impact on previously reported total change in net assets.

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Subsequent Events

Subsequent events have been evaluated through February 13, 2020, which is the date the consolidated financial statements were issued.

Note 2: Patient Service Revenue

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

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Health System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. The Health System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Health System receiving inpatient acute care services or patients receiving services in its outpatient centers, skilled nursing care, or in their homes (home care).

The Health System measures the performance obligation from inpatient admission, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and the Health System does not believe it is required to provide additional goods related to the patient.

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

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Transaction Price

The Health System determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions which consist of contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Health System's policy and implicit price concessions provided to uninsured patients. The Health System determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Health System determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Third-Party Payers

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

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Cox-Monett Hospital and Cox Barton County Hospital are designated as critical access hospitals. As such, they are paid on a cost basis for most inpatient and outpatient services. The Health System is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Health System and audits thereof by the Medicare administrative contractor.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on a prospectively established per diem rate. Medicaid outpatient reimbursement is based on a prospective percentage rate determined from prior cost reports regressed forward.

Other. Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The Health System participates in the Missouri state provider tax program which provides for additional reimbursement from the Medicaid program in relation to the percentage of Medicaid and indigent population the Health System serves. The Health System paid assessments of \$53,960 and \$52,535 in state provider tax during 2019 and 2018, respectively, which is presented in operating expenses within the accompanying consolidated financial statements.

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Funding received in excess of costs to provide services to the Medicaid and indigent population may be refunded to the state for reallocation to other healthcare systems. The Health System received \$65,413 and \$61,640 in 2019 and 2018, respectively, which is recorded in patient service revenue in the accompanying consolidated financial statements. Currently, no funds are expected to be repaid to the state, however, it is reasonably possible that circumstances could change materially in the near term.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Health System'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 Health System. In addition, the contracts the Health System has with commercial payers also provide for retroactive audit and review of claims.

Settlements with third-party payers for retroactive adjustments due to cost report or other audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and the Health System's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2019 and 2018.

From time to time the Health System will receive overpayments of patient balances from third-party payers or patients resulting in amounts owed back to either the patients or third-party payers. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of September 30, 2019 and 2018, the Health System has a liability for refunds to third-party payers and patients recorded of approximately \$2,852 and \$3,970, respectively, included in accounts payable.

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Patient and Uninsured Payers

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Health System also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Health System estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended September 30, 2019 and 2018, additional revenue of \$8,261 and \$0, respectively, was recognized due to changes in its estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Health System's mission, care is provided to patients regardless of their ability to pay. Therefore, the Health System has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Health System expects to collect based on its collection history with those patients.

Patients who meet the Health System's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Revenue Composition

The Health System has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payers (for example, Medicare, Medicaid, commercial insurance, patient) have different reimbursement and payment methodologies
- Geography of entity performing the service
- Hospital's line of business that provided the service (for example, hospital inpatient, hospital outpatient, physician services, etc.)

Tables providing details of these factors are presented below.

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The composition of patient service revenue by primary payer for the year ended September 30, 2019, which includes the adoption of ASU 2014-09, *Revenues from Contracts with Customers (Topic 606)* is as follows:

Medicare	\$ 534,608
Medicaid	184,235
Commercial insurance	683,538
Patients	<u>17,760</u>
	<u><u>\$ 1,420,141</u></u>

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the year ended September 30, 2018, was approximately:

Medicare	\$ 516,906
Medicaid	175,776
Commercial insurance	660,599
Patients	<u>84,478</u>
	<u><u>\$ 1,437,759</u></u>

The table below represents disaggregation of patient service revenue by payer by entity for the year ended September 30, 2019.

	Medical Centers	Cox- Branson	Cox- Monett Hospital	Other	Eliminations	Total
Medicare	\$ 392,862	\$ 92,207	\$ 15,389	\$ 34,150	\$ -	\$ 534,608
Medicaid	140,156	23,487	8,625	11,967	-	184,235
Commercial insurance	621,027	76,177	21,996	29,020	(64,682)	683,538
Patients	<u>15,701</u>	<u>171</u>	<u>449</u>	<u>1,439</u>	<u>-</u>	<u>17,760</u>
	<u><u>\$ 1,169,746</u></u>	<u><u>\$ 192,042</u></u>	<u><u>\$ 46,459</u></u>	<u><u>\$ 76,576</u></u>	<u><u>\$ (64,682)</u></u>	<u><u>\$ 1,420,141</u></u>

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The composition of patient service revenue based on lines of business and method of reimbursement for the year ended September 30, 2019, are as follows:

Hospital inpatient	\$ 454,133
Hospital outpatient	701,602
Physician services	190,359
Home based care and hospice	<u>74,047</u>
Total	<u><u>\$ 1,420,141</u></u>

Revenue is recognized as health care services are provided over time. Revenue recognized at a point in time, such as retail pharmacy, is not significant.

Financing Component

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

Note 3: Concentrations of Credit Risk

The Health System grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at September 30, 2019 and 2018, is:

	<u>2019</u>	<u>2018</u>
Medicare	23.5%	27.1%
Medicaid	6.4%	8.9%
Commercial insurance	50.2%	53.8%
Patients	<u>19.9%</u>	<u>10.2%</u>
	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

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Note 4: Investments and Investment Return

Investments, at September 30, include:

	2019	2018
Cash	\$ 1,602	\$ 1,266
Money market funds	108,916	28,842
Stable value fund	43,864	40,640
Certificates of deposit	12,881	12,925
Governmental obligations	70,299	62,009
Corporate obligations	65,188	58,970
Equity securities	22,944	19,492
Mutual funds – equity securities	288,487	228,973
Mutual funds – debt securities	5,796	4,929
Alternative investments	161,148	174,222
Assets under perpetual trusts	10,816	11,009
Interest in net assets of foundation	6,572	9,175
Other	879	903
	<u>799,392</u>	<u>653,355</u>
Total investments	<u>\$ 799,392</u>	<u>\$ 653,355</u>

The stable value fund is primarily concentrated with one company in the financial guaranty insurance business. The insurance company is not required to maintain certain ratings by nationally recognized rating agencies. However, at September 30, 2019 and 2018, this insurance company was rated AA- and Aa3 by Standard & Poor's and Moody's, respectively.

Investments are included on the balance sheets as follows:

	2019	2018
Short-term investments	\$ 10,953	\$ 10,304
Assets limited as to use		
Internally designated	585,875	533,520
Externally restricted by donors	73,298	75,421
Held by trustees	129,266	34,110
	<u>799,392</u>	<u>653,355</u>
	<u>\$ 799,392</u>	<u>\$ 653,355</u>

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Investment Return

Total investment return is comprised of the following:

	2019	2018
Interest and dividend income	\$ 14,451	\$ 12,354
Realized gains and losses on securities and investments accounted for under the fair value option of Topic 825	(3,467)	9,695
Unrealized gains on trading securities	351	6,492
Unrealized gains (losses) on other than trading securities	125	(80)
Change in beneficial interest in perpetual trust	(193)	255
Change in fair value of investments accounted for under the fair value option of Topic 825	8,404	2,223
	<u>\$ 19,671</u>	<u>\$ 30,939</u>

Total investment return is reflected in the statements of operations and changes in net assets as follows:

	2019	2018
Net assets without donor restrictions		
Revenues, gains and other support without donor restrictions	\$ 2,509	\$ 1,872
Other nonoperating income	16,523	28,173
Change in unrealized gains and losses on other than trading securities	125	(80)
Net assets with donor restrictions	514	974
	<u>\$ 19,671</u>	<u>\$ 30,939</u>

Investment return of \$2,509 and \$1,872 on unexpended debt proceeds limited as to use under bond indenture agreements, self-insurance trust earnings and short-term investments have been included in revenues, gains and other support without donor restrictions for the years ended September 30, 2019 and 2018, respectively.

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Alternative Investments

The alternative investments that have been estimated using the net asset value per share as a practical expedient consist of the following at September 30:

	September 30, 2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity (A)	\$ 26,846	\$ 21,743	None	None
Private equity (B)	900	19,000	None	None
Risk parity (C)	24,970	-	Monthly	15 days
Real assets (D)	25,356	-	Monthly	30 days
International small cap (E)	7,696	-	Daily	10 days
Real estate (F)	19,927	-	Quarterly	45 days
Real return (G)	-	-	Monthly	30 days
Hedge fund of funds (H)	28,433	-	Quarterly	65 days
Emerging markets equity (I)	16,121	-	Monthly	7 days
Emerging markets local currency debt (J)	10,899	-	Daily	5 days

	September 30, 2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity (A)	\$ 19,087	\$ 27,703	None	None
Private equity (B)	-	-	None	None
Risk parity (C)	22,222	-	Monthly	15 days
Real assets (D)	27,810	-	Monthly	30 days
International small cap (E)	8,010	-	Daily	10 days
Real estate (F)	18,846	-	Quarterly	45 days
Real return (G)	23,737	-	Monthly	30 days
Hedge fund of funds (H)	27,710	-	Quarterly	65 days
Emerging markets equity (I)	16,834	-	Monthly	7 days
Emerging markets local currency debt (J)	9,966	-	Daily	5 days

- (A) The objectives of the funds are to deliver superior risk-adjusted returns proactively sourcing attractive investments from across a broad spectrum of global private equity funds (primaries and secondaries) and co-investment opportunities and to achieve, over the life of the fund, long-term compounded net returns in excess of public equities as measured by the MSCI World Index. The funds have a lock-up period of 13 years as of the initial closing in December 2013, with up to two one-year extensions and the interest in the fund is nonredeemable.

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- (B) The objective of the fund is to provide a vehicle for qualified investors to invest in a select group of private equity funds and investment vehicles, principally by making, holding and disposing of privately negotiated investments in the form of limited partner interests and other securities and of securities distributed by portfolio funds in which the partnership has made investments. In addition, the partnership may acquire secondary interests from third parties, may provide capital to select individuals and entities to support the formation of investment vehicles within the investment objectives of the partnership, may participate in co-investment opportunities, and, subject to the provisions of this Agreement, may engage in any lawful activity for which limited partnerships may be organized under the Delaware Act. The fund has a lock-up period of 12 years as of the initial closing in April 2019, with up to three one-year extensions and the interest in the fund is nonredeemable.
- (C) The objectives of the fund are to efficiently deliver exposure to a broadly diversified set of global risk premia covering equities, government bonds, commodities and credit. These include exposure to global developed and emerging stocks, developed government bonds, emerging market fixed income and emerging currencies, global inflation protected bonds, high-yield and investment grade credit spreads, mortgage spreads and commodities, among other exposures.
- (D) The objectives of the fund are to seek absolute total return by investing in income-generating publicly traded master limited partnerships, either directly or via equity swaps, with a particular focus on energy sector master limited partnerships and other C-Corporation energy infrastructure companies.
- (E) The objectives of the fund are to achieve long-term growth primarily from a diversified portfolio of small and mid-capitalization equity securities of companies located in any country other than the United States and Canada. The fund has defined small- and mid-capitalization equity securities to be equity securities of companies with a market capitalization less than \$15 billion at time of their initial purchase.
- (F) The objectives of the fund are to generate attractive investment returns from a portfolio of equity investments in income producing real property. The fund offers a commingled fund vehicle with an established portfolio of high-quality real estate investments, including active management of stable, well-located properties among the four primary real estate sectors – apartment, industrial, office and retail – in major metropolitan markets throughout the continental United States.
- (G) The objectives of the fund are to seek to generate a total return in the long term through investments in commodity related instruments globally. The fund may be exposed to a range of commodity sectors from time to time but anticipates that under current market conditions the fund will be primarily invested in the energy, agriculture and metals sectors. The fund may invest in a range of commodity related investments including, for example, futures contracts, swaps, options, forward contracts and structured notes and, to a lesser extent, equities, debt securities, convertible securities and warrants of issuers in commodity related industries. The Health System liquidated this fund during the year ended September 30, 2019.

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- (H) The objective of the fund is to grow the value of investors' capital. The funds attempt to deliver attractive risk-adjusted returns to investors with limited exposure to broad market risk factors. The funds attempt to meet the investment objective by allocating the master fund's capital directly or indirectly to investment vehicles, managed accounts, derivatives, co-investments and other public and private investment instruments (Portfolio Funds). The Portfolio Funds may consist of commingled investment vehicles or may take the form of non-traditional investments. The funds will invest in Portfolio Funds employing various investment strategies. These strategies can involve the purchase and sale of various financial instruments, including but not limited to stocks, bonds, options, futures contracts, derivative instruments, insurance- and reinsurance-related products and cash and cash equivalents.
- (I) The objective of the fund is to outperform the MSCI Emerging Markets Index, including dividends net of withholding taxes, by investing in a portfolio of non-U.S., emerging market equities. The fund will typically invest substantially all of its assets in the equity securities of emerging market companies; cash (including U.S. dollars and/or foreign currencies) and cash equivalents (denominated in U.S. dollars and/or foreign currencies and including commingled short-term investment vehicles). The fund also seeks to benefit from a broad universe of investment candidates including large-, mid- and small-cap stocks from which to make its selections and from exposure to markets which tend to be less efficient, both which offer potential for enhanced returns.
- (J) The objective of the fund is to achieve long-term total returns primarily through investment in public sector, sovereign and corporate bonds issued by emerging market borrowers or that derive a predominant part of their economic activity from emerging market countries. The fund will primarily invest in strategic investment opportunities in a portfolio of investment grade debt, non-investment grade debt and debt which is not rated either issued by companies which have their registered office in emerging markets and/or which are issued or guaranteed by governments, government agencies or supranational bodies of those countries. In addition, the fund may use derivatives (including but not limited to futures, currency forwards, interest rate swaps, total return swaps and credit default swaps) and forward transactions for investment, hedging purposes and/or efficient portfolio management. The fund will adopt net short duration positions and may have net short currency positions.

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Note 5: Property and Equipment

Property and equipment are stated at cost. A summary of cost by category and the related total accumulated depreciation follows:

	2019	2018
Land	\$ 34,465	\$ 33,410
Land improvements	28,643	28,434
Buildings	503,135	496,126
Fixed equipment	312,577	305,650
Major movable equipment	497,134	476,182
Construction in progress	18,237	13,159
	<u>1,394,191</u>	<u>1,352,961</u>
Less accumulated depreciation	<u>844,381</u>	<u>796,574</u>
	<u>\$ 549,810</u>	<u>\$ 556,387</u>

At September 30, 2019, construction in progress represents costs incurred in connection with the construction of a new facility for Cox-Monett Hospital, Cox Medical Center Branson central utility plant projects, Cox College renovations, construction on various clinics and other assets not yet placed in service. The total cost of the projects in progress at September 30, 2019, is estimated to be approximately \$93,757 representing an additional commitment to complete the projects of approximately \$75,520, which will be funded by proceeds from the Series 2019A Health Facilities Revenue Bonds and operations. At September 30, 2019, the project funds associated with the 2019A Bonds totaled \$90,610.

Note 6: Beneficial Interest in Perpetual Trusts

The Health System has been named as an irrevocable beneficiary of several perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the Health System; however, the Health System will never receive the assets of the trusts.

At the date the Health System receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the consolidated statements of operations and changes in net assets. A beneficial interest in perpetual trust is recorded in the consolidated balance sheets at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the consolidated balance sheets, with trust distributions and changes in fair value recognized in the consolidated statements of operations and changes in net assets.

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The estimated value of the expected future cash flows is \$10,816 and \$11,009, which represents the fair value of the trust assets at September 30, 2019 and 2018, respectively.

Note 7: Estimated Self Insurance and Professional Liability Claims

The Health System is primarily insured for professional liability claims, comprehensive general liabilities, employee healthcare and workers' compensation.

The Health System purchases a claims-made policy for malpractice claims in excess of self-insured limits that covers individual claims in excess of \$4 million or \$40 million total policy limits. Losses from asserted and unasserted claims identified under the Health System's incident reporting system are accrued based on estimates that incorporate the Health System's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors.

Based upon the Health System's claims experience, an accrual has been made for the Health System's estimated malpractice costs, including costs associated with litigating or settling claims, under its malpractice insurance policy, amounting to approximately \$21,600 and \$19,400 as of September 30, 2019 and 2018, respectively. Management is vigorously contesting the current claims and believes the accrued liability for self-insured claims is sufficient to cover probable losses. However, given the nature of the claims and the uncertainties involved, it is possible that management's estimate of ultimate losses for self-insured claims may change materially in the near term.

The System maintains estimated liabilities for self-insurance costs for certain employee health and workers' compensation claims. These liabilities include an estimate of the ultimate costs for both reported claims and claims incurred but not reported. Based upon the Health System's claims experience, an accrual has been made for the Health System's estimated self-insurance costs of approximately \$16,862 and \$16,012 as of September 30, 2019 and 2018, respectively. It is reasonably possible the actual claims could differ materially from these estimates in the near term.

Activity in the Health System's accrued self-insurance liabilities during 2019 and 2018 is summarized as follows:

	2019	2018
Balance, beginning of year	\$ 35,412	\$ 38,380
Current year claims incurred and change in estimates for claims incurred in prior years	72,426	63,900
Claims and expenses paid	<u>(69,376)</u>	<u>(66,868)</u>
Balance, end of year	<u>\$ 38,462</u>	<u>\$ 35,412</u>

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Note 8: Long-Term Debt

	2019	2018
Health Facilities Revenue Bonds Series H 1992 (A)	\$ 17,344	\$ 22,404
Health Facilities Revenue Bonds Series 2008A (B)	-	32,500
Health Facilities Revenue Bonds Series 2008B (C)	70,000	70,000
Health Facilities Revenue Bonds Series 2008C (D)	33,945	34,045
Health Facilities Revenue Bonds Series 2013A (E)	197,960	199,410
Health Facilities Revenue Bonds Series 2015A (F)	126,485	126,485
Health Facilities Revenue Bonds Series 2019A (G)	120,260	-
Health Facilities Revenue Note (H)	3,418	4,061
Capital leases (I)	12,274	16,994
Cox Barton County capital lease (J)	13,927	14,378
Purchase agreement (K)	2,013	2,108
Note payable (L)	5,290	5,348
Notes payable (M)	3,604	4,235
	<u>606,520</u>	<u>531,968</u>
Unamortized bond premiums and discounts, net	34,596	23,636
Unamortized deferred issuance costs	(4,589)	(3,780)
	<u>636,527</u>	<u>551,824</u>
Less current bond premiums and other	1,979	1,330
Less current maturities	13,384	14,175
	<u>\$ 621,164</u>	<u>\$ 536,319</u>

- (A) Series H bonds issued in 1992 in the original amount of \$20,347, which are capital appreciation bonds bearing interest at 4.25 percent to 6.70 percent. The bonds were to accrete to a peak amount of \$61,128, but a portion of the proceeds from the Series 2002 Variable Rate Demand Bonds was used to extinguish the Current Interest Serial Bonds and the Current Interest Term Bonds associated with the Series H Bonds. The total amount extinguished with proceeds from the Series 2002 Variable Rate Demand Bonds was \$5,755. During 2008, the Health System defeased 37.9 percent or \$13,685 of the Series H bonds maturing in years 2016 through 2022 using existing cash and investments. The defeasance will result in a reduction in annual debt service of approximately \$4 million in each of the years in which such Series H bonds mature. With the 2008 defeasance, the bonds will now accrete to a peak amount of \$45,849 in 2022. Unamortized debt issuance costs were \$43 and \$70 at September 30, 2019 and 2018, respectively.

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The Medical Center's Health Facilities Revenue Bonds, Series H 1992 are insured by a municipal bond guaranty policy which insures payment of interest and principal at stated maturity or pursuant to scheduled mandatory redemption provisions subject to certain restrictions.

- (B) Series 2008A Bonds, issued on September 10, 2008, in the original amount of \$162,500, with an original issue discount of \$5,421. These bonds bear interest rates at 5.00 percent to 5.50 percent and mature between November 15, 2022, and November 15, 2039. The proceeds of the 2008A bonds were used to redeem the Series 1997 Bonds, Series 2002 Bonds, a portion of the 1992 Series H Bonds and fund certain construction and remodeling projects. A portion of these bonds were refunded in advance with the issuance of the Series 2015A Bonds in the amount of \$130,000.

On November 15, 2018, the Health System entered into a \$30,000 one-year term loan (Series 2018A) with a maturity date of November 14, 2019. The proceeds of this loan were used to redeem the remainder of the Series 2008A Bonds which resulted in a loss on extinguishment of debt in 2019 of \$848. The balance of the Series 2018A term loan was paid in advance with a portion of the proceeds of the Series 2019A Bonds during 2019.

Unamortized debt issuance costs for the Series 2008A Bonds were \$0 and \$202 at September 30, 2019 and 2018, respectively.

- (C) Index Put Rate Bonds, Series 2008B, in the original amount of \$70,000. The interest rate was 1.94 percent and 2.44 percent at September 30, 2019 and 2018, respectively. The bonds are due in graduated installments from November 15, 2023, through November 15, 2044. The proceeds of the 2008B bonds were used to fund certain construction and remodeling projects. Unamortized debt issuance costs were \$344 and \$358 at September 30, 2019 and 2018, respectively.

The Series 2008B Bonds are directly placed with a financial institution, bearing interest at 68 percent of the 30-day LIBOR rate plus 60 basis points through the original initial indexed put period ending December 3, 2018. On October 1, 2018, the Health System executed the Third Supplemental Series 2008B Bond Trust Indenture. Effective October 4, 2018, the Series 2008 Bonds bear interest at 79 percent of the 30-day LIBOR rate plus an applicable factor ranging from 29 to 69 basis points depending on the Health System's bond rating through the initial indexed put period ending October 1, 2021. At such time, the Health System may enter into a new indexed put-rate period with the current or a replacement financial institution or seek other mode conversion options.

- (D) Index Put Rate Bonds, Series 2008C, in the original amount of \$35,000. The interest rate was 1.94 percent and 2.44 percent at September 30, 2019 and 2018, respectively. The bonds are due in graduated installments from November 15, 2012, through November 15, 2043. The proceeds of the 2008C bonds were used to fund certain construction and remodeling projects. Unamortized debt issuance costs were \$186 and \$194 at September 30, 2019 and 2018, respectively.

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The Series 2008C Bonds are directly placed with a financial institution, bearing interest at 70 percent of the 30-day LIBOR rate plus 65 basis points through the original initial indexed put period ending September 1, 2021. On October 1, 2018, the Health System executed the Third Supplemental Series 2008B Bond Trust Indenture. Effective October 4, 2018, the Series 2008C Bonds bear interest at 79 percent of the 30-day LIBOR rate plus an applicable factor ranging from 29 to 69 basis points depending on the Health System's bond rating through the initial indexed put period ending October 1, 2021. At such time, the Health System may enter into a new indexed put-rate period with the current or a replacement financial institution or seek other mode conversion options.

- (E) Series 2013A Bonds, issued on April 17, 2013, in the original amount of \$201,475, with an original issue premium of \$14,290. These bonds bear interest rates at 5.00 percent to 5.50 percent and mature between November 15, 2016, and November 15, 2048. The proceeds of the 2013A bonds were used to redeem The Skaggs Community Hospital Association, d/b/a Skaggs Regional Medical Center, Series 1998 and 2005 Hospital Revenue Bonds and fund certain construction and remodeling projects. Unamortized debt issuance costs were \$1,746 and \$1,822 at September 30, 2019 and 2018, respectively.
- (F) Series 2015A Bonds, issued on April 22, 2015, in the original amount of \$126,485, with an original issue premium of \$15,725. These bonds bear interest rates at 4.00 percent to 5.00 percent and mature between November 15, 2022, and November 15, 2039. The proceeds of the 2015A bonds were used to refund in advance a portion of the 2008A bonds. Unamortized debt issuance costs were \$1,001 and \$1,078 at September 30, 2019 and 2018, respectively.
- (G) Series 2019A Bonds, issued on April 17, 2019, in the original amount of \$120,260, with an original issue premium of \$11,957. These bonds bear interest rates at 3.00 percent to 5.00 percent and mature between November 15, 2022, and November 15, 2049. The proceeds of the 2019A bonds were used to redeem the 2018A term loan that initially extinguished the Series 2008A bonds and fund certain construction and remodeling projects. Unamortized debt issuance costs were \$1,222 and \$0 at September 30, 2019 and 2018, respectively.

The Medical Center's bonds are secured by all tangible personal property of the institution, including all fixtures, furnishings, machinery and equipment constituting part of the south facility and certain equipment located at the north facility. The bonds are also secured by all revenue and proceeds of the operations of the facilities excluding only gifts, grants, bequests, donations and contributions to the Medical Centers and the income and gains derived therefrom which are specifically restricted by the donor or grantor to a particular purpose other than payment of the bonds.

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The Obligated Group members for all the outstanding bonds at September 30, 2019, is CoxHealth, Lester E. Cox Medical Centers, Cox Medical Center Branson, Cox-Monett Hospital, Cox College and Cox Medical Groups Clinics. Cox Medical Groups Clinics had no activity in 2019 or 2018. The indenture agreements require that certain funds be established with the trustees. Accordingly, these funds are included as assets limited as to use held by trustee in the financial statements. The bond indenture agreements require the Obligated Group to comply with certain restrictive covenants including minimum insurance coverage, maintaining financial ratios above specified levels and restrictions on incurrence of additional indebtedness. The maximum annual debt service for the Obligated Group, as of September 30, 2019, was approximately \$37,498.

- (H) Revenue note issued in 2017 in the original amount of \$4,692, bearing interest at 1.99 percent. The note is payable in monthly installments of \$59 beginning October 2017 through September 2024 and secured by the equipment purchased. Unamortized debt issuance costs were \$47 and \$56 at September 30, 2019 and 2018, respectively.
- (I) Capital leases for various equipment, payable in monthly installments through 2024. The capital leases bear imputed interest rates between 0 percent to 8.82 percent and are secured by the equipment.
- (J) Capital lease for property and equipment associated with Cox Barton County Hospital, payable through 2048. The capital lease bears imputed interest at 2.09 percent secured by the property and equipment. Upon the expiration of the initial term, the lease can be renewed for three additional ten-year terms.
- (K) Purchase agreement notes payable dated September 1, 1997, payable in annual installments ranging from \$52 to \$2,964 through September 2035. The notes bear interest at 8.00 percent annually.
- (L) Promissory note in connection with the purchase of a specialty clinic in the original amount of \$5,750, dated January 5, 2011, bearing interest at 2.50 percent. The note is payable in annual installments ranging from \$58 to \$2,013 through December 2030.
- (M) Notes payable in monthly installments through 2027. The notes payable bear interest rates between 0 percent to 3.00 percent and are secured by the equipment.

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Aggregate annual maturities of long-term debt, excluding amortization of bond discounts and premiums, at September 30, 2019, are:

Year Ending September 30,	Contractual Maturities	Scheduled Maturities (1)
2020	\$ 13,384	\$ 13,384
2021	13,716	13,716
2022	114,470	10,905
2023	9,143	11,033
2024	9,488	11,538
Thereafter	446,319	545,944
	<u>\$ 606,520</u>	<u>\$ 606,520</u>

(1) Scheduled maturities above assumes an extension of the put-rate period of the Series 2008B and Series 2008C Bonds beyond September 30, 2024.

Advanced Refunding

The proceeds from certain bond offerings were used to advance refund portions of bonds previously issued. Proceeds sufficient to cover repayment of the bond offerings were placed in escrow with a bond trustee and upon making the advance refunding deposits with the bond trustee, the Health System has no further obligation under the financing documents and has been released from the liability. Accordingly, the outstanding obligations related to this bond offering and the related escrow deposit are not reflected in the accompanying consolidated financial statements.

The proceeds from the 2008A bond offering by the Health System were used to advance refund a portion of the 1992 Series H Bonds. The outstanding obligations and escrow deposit related to this bond offering is \$10,532 and \$11,641, respectively, at September 30, 2019.

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Note 9: Net Assets With Donor Restrictions

Net assets with donor restrictions at September 30, 2019 and 2018, are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose		
Health education	\$ 3,550	\$ 3,757
Indigent care	9,859	9,332
Health services	4,175	4,040
Construction projects	8,593	4,840
Research and other	765	790
	<u>26,942</u>	<u>22,759</u>
Endowments		
Subject to spending policy and appropriation		
Investments to be held in perpetuity, the income is restricted to be spent only for the donor's intended purpose	20,625	20,500
	<u>20,625</u>	<u>20,500</u>
	<u>\$ 47,567</u>	<u>\$ 43,259</u>

During 2019 and 2018, net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes in the amounts of \$3,002 and \$2,374, respectively. During 2019 and 2018, net assets of \$3,020 and \$653, respectively, were released to purchase property and equipment.

Note 10: Charity Care

The estimated cost of charity care provided under the Health System's charity care policy was approximately \$55,051 and \$47,029 for the years ended September 30, 2019 and 2018, respectively. The cost of charity care is estimated by applying the ratio of cost to charges to the gross uncompensated care charges.

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Note 11: Functional Expenses

The Health System provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the health care services, CoxHealth Systems HMO health claims expense, and general and administrative expense classifications based on the direct assignment, expenses and other methods. The following schedule presents the natural classification of expenses by function as follows:

	2019			
	Health Care Services	Cox Health Systems HMO Health Claims Expense	General and Administrative	Total
Salaries and wages	\$ 515,781	\$ 4,184	\$ 157,652	\$ 677,617
Employee benefits	107,090	1,297	32,305	140,692
Purchased services and professional fees	149,942	1,091	45,956	196,989
Supplies and other	321,328	64,427	36,395	422,150
State provider tax program	53,960	-	-	53,960
Depreciation and amortization	41,022	150	12,722	53,894
Interest	15,916	-	4,993	20,909
	<u>\$ 1,205,039</u>	<u>\$ 71,149</u>	<u>\$ 290,023</u>	<u>\$ 1,566,211</u>
	2018			
	Health Care Services	Cox Health Systems HMO Health Claims Expense	General and Administrative	Total
Salaries and wages	\$ 464,753	\$ 4,219	\$ 158,529	\$ 627,501
Employee benefits	95,863	1,344	32,226	129,433
Purchased services and professional fees	150,378	963	51,696	203,037
Supplies and other	295,583	83,573	19,934	399,090
State provider tax program	52,535	-	-	52,535
Depreciation and amortization	38,681	187	13,358	52,226
Interest	16,413	-	5,747	22,160
	<u>\$ 1,114,206</u>	<u>\$ 90,286</u>	<u>\$ 281,490</u>	<u>\$ 1,485,982</u>

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Note 12: Operating Leases

Rental expense under operating lease agreements for various physician clinic buildings and equipment totaled approximately \$18,200 and \$17,600 for the years ended September 30, 2019 and 2018, respectively.

Noncancellable operating leases for various physician clinic buildings and equipment expire in various years through 2027. Future minimum payments at September 30, 2019, are summarized as follows:

2020	\$	7,358
2021		7,460
2022		6,429
2023		6,006
2024		6,049
Thereafter		<u>34,102</u>
	<u>\$</u>	<u>67,404</u>

Note 13: Significant Commitments

During the year ended September 30, 2012, the Health System and Cerner formed a strategic alignment, Si3 – The Star Initiative for Information and Innovation, dedicated to transforming health information in the region, enhancing clinical processes and healthcare delivery capabilities and positioning the Health System for future growth and advancement. With this alignment, Cerner will assume operational and administrative responsibilities for the Health System’s information technology environment and services, including remote hosting, monitoring and system performance capabilities. The agreement is effective as of October 2012 for an initial term of 10 years. The agreement was amended in 2017, effective April 1, 2017, with a 10-year term ending March 31, 2027. At the end of the term, the agreement will automatically renew in one-year increments unless either party gives notice to terminate the arrangement. The payments on these agreements are recognized as expense when incurred.

During the year ended September 30, 2018, the Health System and Cerner entered into an additional agreement for certain system upgrades. The agreement is effective as of September 20, 2018 for an initial term of 90 months ending March 31, 2027. At the end of the term, the agreement will automatically renew in two-year increments unless either party gives notice to terminate the arrangement. The payments on these agreements are recognized as expense when incurred.

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Future minimum payments required under these agreements at September 30, 2019, are summarized as follows:

2020	\$	34,954
2021		35,644
2022		36,890
2023		32,297
2024		32,112
Thereafter		81,968
	\$	253,865

Note 14: Pension Plans

Defined Benefit Pension Plan

The Health System had a noncontributory defined benefit pension plan covering all employees who met the eligibility requirements. Effective April 25, 2009, an amendment was enacted to freeze the plan, whereby no further benefits will be accrued under the plan.

Effective December 1, 2017, the plan terminated, and all remaining participants became fully vested. The plan sponsor applied for and received approval for the termination from the Internal Revenue Service. To satisfy a portion of the pension obligation, the Health System purchased annuities totaling \$23,917 and all payment of future benefits will be paid by the insurance company. All of the plan's assets were either distributed or transferred by December 31, 2017 and were sufficient to provide for the plan's accumulated benefit obligation.

Effective October 3, 2017, the Health System established two noncontributory defined benefit pension plans, the Pension Plan A and the Pension Plan B, and all participants ceased to be covered by the terminating plan and started participating in either Plan A or Plan B, subject to certain eligibility factors, unless covered by the purchased annuities. The accrued benefits of the participants were transferred to either Plan A or Plan B. Concurrently, the plan assets were transferred to a master trust account. The Health System makes contributions to the plan in conformity with the required level of funding determined by the plan's actuary. The Health System expects to contribute approximately \$6,000 to the plan in 2020.

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The Health System uses a September 30 measurement date for the plans. Information about the combined plans' funded status follows:

	2019	2018
Change in projected benefit obligation		
Beginning of year	\$ 260,423	\$ 336,979
Interest cost	10,733	11,862
Actuarial (gain) loss	40,322	(24,768)
Annuity purchase	-	(23,917)
Benefits paid	(11,022)	(39,733)
End of year	<u>300,456</u>	<u>260,423</u>
Change in fair value of plan assets		
Beginning of year	219,215	257,332
Actual return on plan assets	3,355	9,533
Employer contribution	8,510	16,000
Annuity purchase	-	(23,917)
Benefits paid	(11,022)	(39,733)
End of year	<u>220,058</u>	<u>219,215</u>
Funded status at end of year	<u>\$ (80,398)</u>	<u>\$ (41,208)</u>
Amounts recognized in the balance sheets:		
Noncurrent accrued pension liability	<u>\$ (80,398)</u>	<u>\$ (41,208)</u>

Amounts recognized in the change in net assets not yet recognized as components of net periodic benefit cost consist of:

	2019	2018
Unrecognized net actuarial loss	<u>\$ (141,916)</u>	<u>\$ (92,313)</u>

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Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	2019	2018
Projected benefit obligation	\$ 300,456	\$ 260,423
Accumulated benefit obligation	\$ 300,456	\$ 260,423
Fair value of plan assets	\$ 220,058	\$ 219,215
Components of net periodic benefit cost		
Interest cost	\$ 10,733	\$ 11,862
Expected return on plan assets	(15,138)	(16,534)
Amortization of net actuarial loss	2,501	3,222
Net periodic benefit cost	\$ (1,904)	\$ (1,450)

Other changes in plan assets and benefit obligations recognized in change in net assets without donor restrictions:

	2019	2018
Current year actuarial (gain) loss	\$ 52,104	\$ (17,767)
Loss on pension settlement	-	(21,024)
Amortization of net actuarial loss	(2,501)	(3,222)
Total recognized in change in net assets without restrictions	\$ 49,603	\$ (42,013)

The estimated net loss for the defined benefit pension plan that will be amortized from net assets without restrictions into net periodic benefit cost over the next fiscal year is \$4,367.

Significant assumptions include:

	2019	2018
Weighted average assumptions used to determine benefit obligations		
Discount rate	3.18% / 3.08%	4.25% / 4.21%
Weighted average assumptions used to determine benefit costs		
Discount rate	4.25% / 4.21%	3.78%
Expected return on plan assets	7.00%	7.00%

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The Health System has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plan to recognize potentially higher returns through a limited investment in equity securities. The target asset allocation percentages for 2019 and 2018 are as follows:

Growth	50–70%
Income	20–40%
Diversification	0–20%

Growth assets include: Domestic equity, international equity, emerging market debt, high-yield bonds, energy-related master limited partnerships, private equity/debt, hedge fund-growth and risk parity investments.

Income assets include: Core fixed income, senior loans, core real estate and hedge funds-income investments.

Diversification assets include: Inflation-linked bonds (TIPS), long-term Treasury bonds, commodities, hedge funds-diversification and cash investments.

Pension Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets as a component of the funded status of the Plan as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

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The fair values of the Health System's pension plan assets at September 2019 and 2018, by asset class are as follows:

	2019				
	Fair Value Measurements Using				
	Quoted	Significant	Significant	Investments	
	Prices in	Other	Unobservable	Measured at	
	Active	Observable	Inputs	NAV^(A)	
	Markets for	Inputs	(Level 3)		
	Identical	(Level 2)			
	Assets				
	(Level 1)				
	Total				
Money market	\$ 4,073	\$ 4,073	\$ -	\$ -	\$ -
Governmental obligations	24,263	-	24,263	-	-
Corporate bonds	10,002	-	10,002	-	-
Alternative investments	72,154	-	-	-	72,154
Equity securities					
Materials and industrial	1,517	1,517	-	-	-
Consumer discretionary	1,273	1,273	-	-	-
Financial industry	1,892	1,892	-	-	-
Health care	1,602	1,602	-	-	-
Information technology	1,428	1,428	-	-	-
Other industries	1,535	1,535	-	-	-
Mutual funds – equity					
Domestic equity	62,511	62,511	-	-	-
International funds	37,808	37,808	-	-	-
Total pension investments	\$ 220,058	\$ 113,639	\$ 34,265	\$ -	\$ 72,154

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	2018				
	Fair Value Measurements Using				
	Quoted	Prices in	Significant	Significant	Investments
	Active	Markets	Other	Unobservable	Measured at
	for Identical	Observable	Inputs	Inputs	NAV^(A)
	Assets	(Level 1)	(Level 2)	(Level 3)	
	Total				
Money market	\$ 7,879	\$ 7,879	\$ -	\$ -	\$ -
Governmental obligations	19,580	-	19,580	-	-
Corporate bonds	10,342	-	10,342	-	-
Alternative investments	82,116	-	-	-	82,116
Equity securities					
Materials and industrial	1,686	1,686	-	-	-
Consumer discretionary	1,852	1,852	-	-	-
Financial industry	2,082	2,082	-	-	-
Health care	1,615	1,615	-	-	-
Information technology	1,723	1,723	-	-	-
Other industries	1,706	1,706	-	-	-
Mutual funds – equity					
Domestic equity	64,785	64,785	-	-	-
International funds	23,849	23,849	-	-	-
Total pension investments	\$ 219,215	\$ 107,177	\$ 29,922	\$ -	\$ 82,116

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

Plan assets are held by a bank-administered trust fund, which invests the plan assets in accordance with the provisions of the plan agreement. The plan agreement permits investment in common stocks, corporate bonds and debentures, U.S. government obligations, alternative investments and other specified investments, based on certain target allocation percentages.

The following benefit payments expected to be paid as of September 30:

2020	\$ 12,632
2021	13,352
2022	14,011
2023	14,773
2024	15,254
2025 – 2029	81,719

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Defined Contribution Plans

The Health System has a 403(b) retirement plan which covers eligible employees. Contributions to the plan are made by the Health System and participants. The Health System matches up to 5 percent of the participant's qualifying compensation and discretionary contributions, as approved by the Health System's Board of Directors. The Health System's discretionary contributions to the plan were \$24,646 and \$22,528 for the years ended September 30, 2019 and 2018, respectively. The Health System accrued an additional discretionary contribution of \$1,000 in 2019 and 2018, respectively.

The Health System provides certain employees of Ferrell-Duncan Clinic a defined contribution retirement plan. The Health System contributes a percentage of wages for each eligible employee. The Health System's contributions to the plan were \$521 and \$749 for the years ended September 30, 2019 and 2018, respectively.

The Health System also provides 457(b) and 457(f) deferred compensation plans. The plans are eligible to full-time physicians and management of the Health System. The plans consist of salary reduction only and there are no contributions by the Health System. Under the terms of the plans, the deferred compensation liability and related assets limited as to use are recorded by the Health System and are subject to the general creditors of the Health System. At September 30, 2019 and 2018, the investment balance in these plans and the corresponding accrued deferred compensation liability is \$15,875 and \$16,252, respectively.

Note 15: Related Party Transactions

The Health System has two lease agreements with an employed physician group under a contractual arrangement for approximately 200,000 square feet of building clinical space. The lease payments are adjusted annually based on the increase in the Consumer Price Index and expire on January 2020 with an automatic five-year renewal that was exercised subsequent to year end. CoxHealth has rental expense with this group of \$4,894 and \$4,831 in 2019 and 2018, respectively.

Note 16: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

CoxHealth
Notes to Consolidated Financial Statements
September 30, 2019 and 2018
(In Thousands)

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2019 and 2018:

	Fair Value Measurements Using				
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV^(A)
September 30, 2019					
Cash (B)	\$ 1,602	\$ -	\$ -	\$ -	\$ -
Money market funds	108,916	108,916	-	-	-
Governmental obligations	70,299	-	70,299	-	-
Corporate obligations	65,188	-	65,188	-	-
Equity securities					
Materials and industrial	4,265	4,265	-	-	-
Consumer discretionary	3,122	3,122	-	-	-
Financial industry	4,562	4,562	-	-	-
Health care	4,206	4,206	-	-	-
Information technology	3,534	3,534	-	-	-
Other industries	3,255	3,255	-	-	-
Mutual funds – equity					
Domestic equity	166,336	166,336	-	-	-
International funds	122,151	122,151	-	-	-
Mutual funds – fixed income	5,796	5,796	-	-	-
Beneficial interest in					
perpetual trusts	10,816	-	10,816	-	-
Alternative investments	161,148	-	-	-	161,148
Stable value fund	43,864	-	-	43,864	-
Certificates of deposit (B)	12,881	-	-	-	-
Interest in net assets of					
foundation (B)	6,572	-	-	-	-
Other (B)	879	-	-	-	-
	<u>\$ 799,392</u>				
Total investments	<u>\$ 799,392</u>				

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Notes to Consolidated Financial Statements
September 30, 2019 and 2018
(In Thousands)

	Fair Value Measurements Using				
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV^(A)
September 30, 2018					
Cash (B)	\$ 1,266	\$ -	\$ -	\$ -	\$ -
Money market funds	28,842	28,842	-	-	-
Governmental obligations	62,009	-	62,009	-	-
Corporate obligations	58,970	-	58,970	-	-
Equity securities					
Materials and industrial	3,339	3,339	-	-	-
Consumer discretionary	3,274	3,274	-	-	-
Financial industry	3,729	3,729	-	-	-
Health care	3,325	3,325	-	-	-
Information technology	3,022	3,022	-	-	-
Other industries	2,803	2,803	-	-	-
Mutual funds – equity					
Domestic equity	155,893	155,893	-	-	-
International funds	73,080	73,080	-	-	-
Mutual funds – fixed income	4,929	4,929	-	-	-
Beneficial interest in					
perpetual trusts	11,009	-	11,009	-	-
Alternative investments	174,222	-	-	-	174,222
Stable value fund	40,640	-	-	40,640	-
Certificates of deposit (B)	12,925	-	-	-	-
Interest in net assets of					
foundation (B)	9,175	-	-	-	-
Other (B)	903	-	-	-	-
Total investments	<u>\$ 653,355</u>				

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

(B) Certain assets limited as to use that are recorded at other than fair value (as fair value is described in ASC 820), are included above to permit reconciliation of the fair value hierarchy to the total investments presented in the consolidated balance sheets. As these assets are carried at other than fair value, they have not been classified in the fair value hierarchy.

CoxHealth
Notes to Consolidated Financial Statements
September 30, 2019 and 2018
(In Thousands)

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended September 30, 2019. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

Beneficial Interest in Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated balance sheets using significant unobservable (Level 3) inputs:

	Stable Value Fund	
	2019	2018
	<hr/>	<hr/>
Balance, October 1	\$ 40,640	\$ 39,179
Purchases	2,000	200
Investment return	<hr/> 1,224	<hr/> 1,261
Balance, September 30	<hr/> <hr/> \$ 43,864	<hr/> <hr/> \$ 40,640
Total investment return included in change in net assets	<hr/> <hr/> \$ 1,224	<hr/> <hr/> \$ 1,261

CoxHealth
Notes to Consolidated Financial Statements
September 30, 2019 and 2018
(In Thousands)

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at September 30, 2019 and 2018.

	Fair Value at 9/30/2019	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Stable Value Fund	\$ 43,864	Discounted cash flow	Risk-adjusted discount rate	2.52% based on corporate credits, adjusted for liquidity
		Discounted cash flow	Investment term	3 years based on insurance co. typical assets
		Discounted cash flow and theoretical transfer (exit value)	Crediting rate	3.35% base rate as observed from manager statement
	Fair Value at 9/30/2018	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Stable Value Fund	\$ 40,640	Discounted cash flow	Risk-adjusted discount rate	3.926% based on corporate credits, adjusted for liquidity
		Discounted cash flow	Investment term	3 years based on insurance co. typical assets
		Discounted cash flow and theoretical transfer (exit value)	Crediting rate	3.05% base rate as observed from manager statement

Sensitivity of Significant Unobservable Inputs

The following is a discussion of the sensitivity of significant unobservable inputs, the interrelationships between those inputs and other unobservable inputs used in recurring fair value measurement and of how those inputs might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement.

Stable Value Fund

The significant unobservable inputs used in the fair value measurement are risk-adjusted discount rate, investment term and crediting rate.

CoxHealth
Notes to Consolidated Financial Statements
September 30, 2019 and 2018
(In Thousands)

Note 17: The Fair Value Option

As permitted by Topic 825, the Health System has elected to measure alternative investments at fair value. Management has elected the fair value option for these items because it more accurately reflects the portfolio returns and financial position of the Health System.

See *Note 16* for additional disclosures regarding fair value of each of the consolidated balance sheet line items listed in the preceding paragraph.

Changes in Fair Value

Changes in fair value for items for which the fair value option has been elected are reported as changes in unrealized gains and losses on fair value option of Topic 825 as a component of investment return in the consolidated financial statements. The change for 2019 and 2018 was \$8,404 and \$2,223, respectively, which reflects the unrealized gains and losses of the alternative investments for which the fair value option has been elected. Realized gains and losses of alternative investments are recognized as a component of investment return in the consolidated financial statements.

Note 18: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2019 and 2018, comprise the following:

	2019	2018
Total financial assets		
Cash and cash equivalents	\$ 290,551	\$ 264,344
Patient accounts receivable	187,062	182,814
Investments, including assets limited as to use	799,392	653,355
Estimated amounts due from third-party payers	-	376
Other receivables	11,376	9,534
Contributions receivable	3,480	1,606
Total financial assets	1,291,861	1,112,029
Less amounts not available to be used within one year		
Assets limited as to use – internally designated	585,875	533,520
Assets limited as to use – externally restricted	73,298	75,421
Assets limited as to use – held by trustees	129,266	34,110
Long-term receivables	2,565	2,239
Long-term contributions receivable	2,785	1,476
Financial assets not available to be used within one year	793,789	646,766
Financial assets available to meet cash needs for general expenditures within one year	\$ 498,072	\$ 465,263

CoxHealth
Notes to Consolidated Financial Statements
September 30, 2019 and 2018
(In Thousands)

The Health System has certain assets limited as to use for donor-restricted purposes, deferred compensation agreements and required statutory reserves for Cox Health Systems Insurance Company and Cox Health Systems HMO. In addition, certain other internally designated assets are designated for future capital expenditures, major contingencies and debt service. These assets limited as to use, which are more fully described in Note 4, are not available for general expenditure within the next year. However, the internally designated amounts could be made available, if necessary.

As part of the Health System's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 19: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerability due to certain concentrations. Those matters include the following:

Variable Consideration

Estimate of variable consideration in determining the transaction price for patient service revenue as described in *Notes 1* and *2*.

Self-Insurance Claims

Estimates related to the accrual for self-insurance claims are described in *Notes 1* and *7*.

Accountable Care Organization (ACO)

On January 1, 2018, the Health System entered into a Participant Agreement (the "Agreement") with Centers for Medicare & Medicaid Services (CMS) to participate as an ACO under the Next Generation ACO Model (Model). Pursuant to the agreement, the Health System may receive shared savings payments from CMS or be required to make shared loss repayments to CMS based on the level of claim expenditures made by Medicare Part A and B patients attributed to the ACO for a Performance Year (calendar year) in comparison to a benchmark defined in the rules and regulations of the Model.

Shared savings payments or shared loss repayments are determined by CMS after the end of each Agreement Performance Year. In order for a shared savings payment or loss repayment to accrue for the Health System, ACO expenditures must exceed a minimum savings or loss rate threshold. In addition, for the years ended September 30, 2019 and 2018, the Health System's maximum shared savings payment from CMS and shared savings loss repayment to CMS is capped at 5 percent and 10 percent, respectively, of total ACO expenditures.

CoxHealth
Notes to Consolidated Financial Statements
September 30, 2019 and 2018
(In Thousands)

The Health System estimates shared savings or losses throughout the Performance Year and has estimated and recorded a shared savings loss of \$3,639 for the Performance Year 2019 as of September 30, 2019, which is included in estimated amounts due to third-party payers. No shared savings or losses were recorded at September 30, 2018. It is reasonably possible that this estimate may differ materially from the final CMS reconciliation calculated amount due to the lack of access to all of the underlying data utilized by CMS in the calculation.

Legal Contingencies

In the normal course of business, the Health System is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Health System's self-insurance program or by commercial insurance; for example, allegations regarding employment practices, billing arrangements or performance of contracts. The Health System evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of the ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Pension Benefit Obligation

The Health System has a noncontributory defined benefit pension plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimate of this liability materially in the near term.

Investments

The Health System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

Note 20: 340B Outpatient Drug Discount Program

The Health System participates in the 340B Outpatient Drug Discount Program administered by the Office of Pharmacy Affairs of the Health Resources and Services Administration (HRSA). Under this program, the Health System received approximately \$27,300 and \$24,900 in benefits generated from purchases of outpatient pharmaceuticals in 2019 and 2018, respectively. The benefit is presented as a reduction of supplies and other expenses within the consolidated statement of operations and changes in net assets.

CoxHealth
Notes to Consolidated Financial Statements
September 30, 2019 and 2018
(In Thousands)

The Health System also contracts with certain local pharmacies to assist them in providing outpatient drugs to the Health System's patients. The Health System purchases outpatient drugs at 340B outpatient drug discount prices to replenish those dispensed to outpatients on the Health System's behalf. The Health System recognized revenue from these contracts of \$13,368 and \$10,400, with associated costs of goods sold of \$4,681 and \$6,087, in 2019 and 2018, respectively.

Note 21: Future Change in Accounting Principle

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the consolidated balance sheets as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for the Health System for annual periods beginning with September 30, 2020. The Health System is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Supplementary Information

CoxHealth

Consolidating Schedule – Balance Sheet Information

September 30, 2019

(In Thousands)

Assets

	CoxHealth	Medical Centers	Cox-Branson	Cox-Monett Hospital	Health Systems HMO, Inc.	CoxHealth Foundation	Cox Medical Group	Other CoxHealth Entities	Eliminations	Total
Current Assets										
Cash and cash equivalents	\$ -	\$ 169,454	\$ 56,289	\$ 9,795	\$ 17,389	\$ 3,095	\$ 11,693	\$ 22,836	\$ -	\$ 290,551
Short-term investments	-	3,519	-	-	7,434	-	-	-	-	10,953
Assets limited as to use – current	-	13,232	291	1,130	-	-	-	-	-	14,653
Patient accounts receivable	-	157,985	24,272	6,192	-	-	-	8,444	(9,831)	187,062
Due from affiliates	-	24,314	15,570	997	613	-	-	1,286	(42,780)	-
Other receivables	-	754	72	(16)	2,914	362	-	5,115	(390)	8,811
Contributions receivable – current	-	-	-	-	-	695	-	-	-	695
Supplies	-	12,891	2,780	347	-	-	-	3,321	-	19,339
Prepaid expenses	-	10,072	694	9	391	-	-	1,019	(733)	11,452
Total current assets	-	392,221	99,968	18,454	28,741	4,152	11,693	42,021	(53,734)	543,516
Assets Limited As To Use										
Investments										
Internally designated										
Building fund investments and other	-	296,639	28,493	-	14,309	-	-	16,970	-	356,411
Donated investments	-	227,010	-	-	-	2,454	-	-	-	229,464
Externally restricted										
Donor restricted	-	6,185	15,483	-	-	23,069	-	1,156	-	45,893
Under deferred compensation agreement	-	15,875	-	-	-	-	-	-	-	15,875
Required statutory reserves	-	-	-	-	11,530	-	-	-	-	11,530
Held by trustees										
Self-insurance trust investments and other	-	30,629	-	-	-	-	-	-	-	30,629
Under bond indenture agreements	-	53,572	9,436	35,629	-	-	-	-	-	98,637
	-	629,910	53,412	35,629	25,839	25,523	-	18,126	-	788,439
Less amount required to meet current obligations	-	13,232	291	1,130	-	-	-	-	-	14,653
	-	616,678	53,121	34,499	25,839	25,523	-	18,126	-	773,786
Contributions receivable	-	-	-	-	-	2,785	-	-	-	2,785
	-	616,678	53,121	34,499	25,839	28,308	-	18,126	-	776,571
Long-Term Receivables	-	11,215	-	-	-	-	-	-	(8,650)	2,565
Interest in Net Assets of Subsidiaries	945,142	275,793	-	-	-	-	-	4,929	(1,225,864)	-
Property and Equipment, At Cost	-	1,178,156	143,989	34,263	7,836	-	-	29,947	-	1,394,191
Less accumulated depreciation	-	751,328	51,729	21,855	7,651	-	-	11,818	-	844,381
	-	426,828	92,260	12,408	185	-	-	18,129	-	549,810
Goodwill and Intangible Assets	-	25,264	552	-	-	-	14	-	-	25,830
Other Assets	-	4,670	559	129	-	-	-	2,012	-	7,370
Total assets	\$ 945,142	\$ 1,752,669	\$ 246,460	\$ 65,490	\$ 54,765	\$ 32,460	\$ 11,707	\$ 85,217	\$ (1,288,248)	\$ 1,905,662

CoxHealth

Consolidating Schedule – Balance Sheet Information

September 30, 2019

(In Thousands)

Liabilities and Net Assets

	CoxHealth	Medical Centers	Cox-Branson	Cox-Monett Hospital	Health Systems HMO, Inc.	CoxHealth Foundation	Cox Medical Group	Other CoxHealth Entities	Eliminations	Total
Current Liabilities										
Current maturities of long-term debt, net	\$ -	\$ 11,273	\$ 1,439	\$ 175	\$ -	\$ -	\$ -	\$ 497	\$ -	\$ 13,384
Current bond premiums and other		1,618	188	173	-	-	-	-	-	1,979
Accounts payable	-	42,062	1,850	526	3,252	-	-	3,348	(390)	50,648
Accrued payroll and vacation pay	-	55,750	7,162	2,008	-	-	406	2,681	-	68,007
Accrued interest	-	6,586	1,260	680	-	-	-	-	-	8,526
Other accrued expenses	-	26,110	1,042	267	18,654	-	-	546	(9,831)	36,788
Estimated amounts due to third-party payers	-	6,751	1,008	1,557	-	-	-	1,894	-	11,210
Due to affiliates	957	18,467	-	-	-	215	14,298	8,843	(42,780)	-
Estimated insurance costs – current	-	17,813	1,049	292	-	-	-	302	(346)	19,110
Contract liability	-	6,236	37	-	4,244	409	-	3,911	(387)	14,450
Total current liabilities	957	192,666	15,035	5,678	26,150	624	14,704	22,022	(53,734)	224,102
Estimated Insurance Costs	-	19,352	-	-	-	-	-	-	-	19,352
Deferred Compensation	-	15,973	-	-	-	-	-	-	-	15,973
Accrued Pension Liability	-	80,398	-	-	-	-	-	-	-	80,398
Other Long-Term Liabilities	-	9	-	-	-	374	-	105	-	488
Long-Term Debt										
Long-term debt	-	473,251	71,770	34,434	7,176	-	-	15,155	(8,650)	593,136
Bond premiums and other	-	21,874	3,381	2,773	-	-	-	-	-	28,028
	-	495,125	75,151	37,207	7,176	-	-	15,155	(8,650)	621,164
Total liabilities	957	803,523	90,186	42,885	33,326	998	14,704	37,282	(62,384)	961,477
Net Assets										
Without donor restrictions	896,618	901,579	146,222	22,605	21,439	1,436	(2,997)	41,701	(1,131,985)	896,618
With donor restrictions	47,567	47,567	10,052	-	-	30,026	-	6,234	(93,879)	47,567
Total net assets	944,185	949,146	156,274	22,605	21,439	31,462	(2,997)	47,935	(1,225,864)	944,185
Total liabilities and net assets	\$ 945,142	\$ 1,752,669	\$ 246,460	\$ 65,490	\$ 54,765	\$ 32,460	\$ 11,707	\$ 85,217	\$ (1,288,248)	\$ 1,905,662

CoxHealth

Consolidating Schedule – Statement of Operations Information

Year Ended September 30, 2019

(In Thousands)

	CoxHealth	Medical Centers	Cox-Branson	Cox-Monett Hospital	Health Systems HMO, Inc.	CoxHealth Foundation	Cox Medical Group	Other CoxHealth Entities	Eliminations	Total
Revenues, Gains and Other Support Without Donor Restrictions										
Patient service revenue	\$ 1	\$ 1,169,746	\$ 192,042	\$ 46,459	\$ -	\$ -	\$ -	\$ 76,575	\$ (64,682)	\$ 1,420,141
Premium revenue	-	-	-	-	134,903	-	-	1,137	(1,420)	134,620
Other revenue	5,573	31,121	5,622	1,149	3,282	-	26	31,741	(4,396)	74,118
Net assets released from restrictions used for operations	-	1,421	-	-	-	1,581	-	-	-	3,002
Total revenues, gains and other support without donor restrictions	5,574	1,202,288	197,664	47,608	138,185	1,581	26	109,453	(70,498)	1,631,881
Expenses										
Salaries and wages	68,114	376,369	69,813	21,141	4,184	-	97,425	40,571	-	677,617
Employee benefits	16,444	98,780	14,481	4,358	1,297	-	149	8,500	(3,317)	140,692
Purchased services and professional fees	(89,486)	329,379	41,711	8,652	1,091	-	(98,058)	6,346	(2,646)	196,989
Supplies and other	5,340	250,331	42,223	6,370	128,819	1,674	1,097	50,689	(64,393)	422,150
State provider tax program	-	44,146	7,589	1,414	-	-	-	811	-	53,960
Depreciation	5,060	38,397	7,300	1,485	150	-	-	1,502	-	53,894
Interest	98	17,623	2,918	(12)	142	-	-	277	(137)	20,909
Total expenses	5,570	1,155,025	186,035	43,408	135,683	1,674	613	108,696	(70,493)	1,566,211
Operating Income (Loss)	4	47,263	11,629	4,200	2,502	(93)	(587)	757	(5)	65,670
Other Income (Expense)										
Contributions	-	224	(44)	60	-	328	-	47	-	615
Investment return	-	13,545	1,092	-	1,179	28	-	679	-	16,523
Other	-	381	-	-	-	-	-	-	-	381
Loss on extinguishment of debt	-	(848)	-	-	-	-	-	-	-	(848)
Change in interest in net assets of subsidiaries	35,879	21,184	-	-	-	-	-	-	(57,063)	-
Total other income	35,879	34,486	1,048	60	1,179	356	-	726	(57,063)	16,671
Excess (Deficiency) of Revenues Over Expenses	35,883	81,749	12,677	4,260	3,681	263	(587)	1,483	(57,068)	82,341
Investment return – change in unrealized gains and losses on other than trading securities	-	125	-	-	-	-	-	-	-	125
Net assets released from restriction used for purchase of property and equipment	-	504	-	-	-	2,516	-	-	-	3,020
Change in defined benefit pension plans gains and losses	-	(49,603)	-	-	-	-	-	-	-	(49,603)
Transfer from (to) affiliates	-	2,516	-	-	-	(2,516)	-	-	-	-
Increase (Decrease) in Net Assets Without Donor Restrictions	\$ 35,883	\$ 35,291	\$ 12,677	\$ 4,260	\$ 3,681	\$ 263	\$ (587)	\$ 1,483	\$ (57,068)	\$ 35,883

CoxHealth
Consolidating Schedule – Statement of Cash Flows Information
Year Ended September 30, 2019
(In Thousands)

	CoxHealth	Medical Centers	Cox-Branson	Cox-Monett Hospital	Health Systems HMO, Inc.	CoxHealth Foundation	Cox Medical Group	Other CoxHealth Entities	Eliminations	Total
Operating Activities										
Change in net assets	\$ 40,191	\$ 39,599	\$ 12,537	\$ 4,260	\$ 3,681	\$ 4,359	\$ (587)	\$ 1,431	\$ (65,280)	\$ 40,191
Items not requiring (providing) operating cash flow										
Depreciation	5,060	38,397	7,300	1,485	150	-	-	1,502	-	53,894
Amortization of deferred financing costs	-	(1,157)	(133)	(70)	-	-	-	-	-	(1,360)
(Gain) loss on sale of property and equipment, net	-	347	197	(2)	-	-	-	-	-	542
(Gain) loss on investment in equity investees	-	(323)	-	-	-	-	-	-	-	(323)
Appreciation of Series H Capital Appreciation Bonds	-	1,490	-	-	-	-	-	-	-	1,490
Net (gain) loss on investments	-	(5,306)	723	-	(445)	(82)	-	(110)	-	(5,220)
Change in defined benefit pension plan gains and losses	-	49,603	-	-	-	-	-	-	-	49,603
Change in interest in net assets of subsidiaries	(40,190)	(25,106)	-	-	-	-	-	17	65,279	-
Restricted contributions and investment income received	-	(2,312)	140	-	-	(8,193)	-	35	-	(10,330)
Changes in										
Receivables	-	(12,712)	(56)	(1,384)	(7)	525	9,656	(2,650)	1,676	(4,952)
Estimated third-party settlements	-	1,467	(762)	-	-	-	-	1,144	-	1,849
Accrued self-insurance costs	-	2,693	110	29	-	-	-	5	213	3,050
Other assets and liabilities	-	3,056	(523)	510	(7,129)	60	88	435	(1,888)	(5,391)
Net cash provided by (used in) operating activities	5,061	89,736	19,533	4,828	(3,750)	(3,331)	9,157	1,809	-	123,043

CoxHealth
Consolidating Schedule – Statement of Cash Flows Information
Year Ended September 30, 2019
(In Thousands)

	CoxHealth	Medical Centers	Cox-Branson	Cox-Monett Hospital	Health Systems HMO, Inc.	CoxHealth Foundation	Cox Medical Group	Other CoxHealth Entities	Eliminations	Total
Investing Activities										
Purchase of short-term investments	\$ -	\$ -	\$ -	\$ -	\$ (7,434)	\$ -	\$ -	\$ -	\$ -	\$ (7,434)
Proceeds from sale of short-term investments	-	2,528	-	-	4,257	-	-	-	-	6,785
Purchase of investments	-	(357,467)	(48,751)	(37,165)	(28,123)	(3,416)	-	(3,355)	-	(478,277)
Proceeds from sale of investments	-	275,212	33,240	1,536	21,539	825	-	2,857	-	335,209
Proceeds from Skaggs Foundation	-	-	2,544	-	-	-	-	-	-	2,544
Purchase of property and equipment	(5,061)	(31,038)	(7,043)	(3,474)	(174)	-	-	(742)	-	(47,532)
Other	-	(160)	-	-	-	-	-	-	142	(18)
Net cash provided by (used in) investing activities	<u>(5,061)</u>	<u>(110,925)</u>	<u>(20,010)</u>	<u>(39,103)</u>	<u>(9,935)</u>	<u>(2,591)</u>	<u>-</u>	<u>(1,240)</u>	<u>142</u>	<u>(188,723)</u>
Financing Activities										
Proceeds from restricted contributions and investment income received	-	2,312	(140)	-	-	5,507	-	(35)	-	7,644
Proceeds from issuance of term loan	-	30,000	-	-	-	-	-	-	-	30,000
Principal payments on term loan	-	(30,000)	-	-	-	-	-	-	-	(30,000)
Payment of deferred financing costs	-	(26)	(130)	(379)	-	-	-	-	-	(535)
Proceeds from issuance of long-term debt	-	81,800	15,622	37,545	142	-	-	-	(142)	134,967
Principal payments on long-term debt	-	(44,633)	(4,747)	(172)	-	-	-	(637)	-	(50,189)
Net cash provided by (used in) financing activities	<u>-</u>	<u>39,453</u>	<u>10,605</u>	<u>36,994</u>	<u>142</u>	<u>5,507</u>	<u>-</u>	<u>(672)</u>	<u>(142)</u>	<u>91,887</u>
Change in Cash and Cash Equivalents	<u>-</u>	<u>18,264</u>	<u>10,128</u>	<u>2,719</u>	<u>(13,543)</u>	<u>(415)</u>	<u>9,157</u>	<u>(103)</u>	<u>-</u>	<u>26,207</u>
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>151,190</u>	<u>46,161</u>	<u>7,076</u>	<u>30,932</u>	<u>3,510</u>	<u>2,536</u>	<u>22,939</u>	<u>-</u>	<u>264,344</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ 169,454</u>	<u>\$ 56,289</u>	<u>\$ 9,795</u>	<u>\$ 17,389</u>	<u>\$ 3,095</u>	<u>\$ 11,693</u>	<u>\$ 22,836</u>	<u>\$ -</u>	<u>\$ 290,551</u>

CoxHealth
Consolidating Schedule – Balance Sheet Information – Other Entities
September 30, 2019
(In Thousands)

Assets

	Oxford Home Health Care	Cox- Barton County Hospital	HPS of the Ozarks, Inc.	Medical Developments, Inc.	Insurance Company of Springfield	Primrose Place, Inc.	Cox College	Total
Current Assets								
Cash and cash equivalents	\$ 8,157	\$ 1,675	\$ 3,126	\$ 1,114	\$ 205	\$ 91	\$ 8,468	\$ 22,836
Patient accounts receivable	2,008	3,363	3,073	-	-	-	-	8,444
Due from affiliates	-	-	-	-	-	1,286	-	1,286
Other receivables	405	816	73	2,674	-	46	1,101	5,115
Supplies	-	184	1,330	1,764	-	-	43	3,321
Prepaid expenses	112	12	-	-	378	-	517	1,019
Total current assets	<u>10,682</u>	<u>6,050</u>	<u>7,602</u>	<u>5,552</u>	<u>583</u>	<u>1,423</u>	<u>10,129</u>	<u>42,021</u>
Assets Limited As To Use								
Investments								
Internally designated								
Building fund investments and other	4,973	-	11,997	-	-	-	-	16,970
Externally restricted								
Donor restricted	-	-	-	-	-	1,156	-	1,156
	<u>4,973</u>	<u>-</u>	<u>11,997</u>	<u>-</u>	<u>-</u>	<u>1,156</u>	<u>-</u>	<u>18,126</u>
Interest in Net Assets of Subsidiaries								
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,929</u>	<u>4,929</u>
Property and Equipment, At Cost								
Property and equipment	5,766	14,204	6,225	1,307	-	85	2,360	29,947
Less accumulated depreciation	5,389	1,811	1,785	1,102	-	72	1,659	11,818
	<u>377</u>	<u>12,393</u>	<u>4,440</u>	<u>205</u>	<u>-</u>	<u>13</u>	<u>701</u>	<u>18,129</u>
Other Assets								
	<u>15</u>	<u>613</u>	<u>1,091</u>	<u>293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,012</u>
Total assets	<u>\$ 16,047</u>	<u>\$ 19,056</u>	<u>\$ 25,130</u>	<u>\$ 6,050</u>	<u>\$ 583</u>	<u>\$ 2,592</u>	<u>\$ 15,759</u>	<u>\$ 85,217</u>

CoxHealth
Consolidating Schedule – Balance Sheet Information – Other Entities
September 30, 2019
(In Thousands)

Liabilities and Net Assets

	Oxford Home Health Care	Cox- Barton County Hospital	HPS of the Ozarks, Inc.	Medical Developments, Inc.	Insurance Company of Springfield	Primrose Place, Inc.	Cox College	Total
Current Liabilities								
Current maturities of long-term debt	\$ -	\$ 497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 497
Accounts payable	242	427	1,381	682	-	-	616	3,348
Accrued payroll and vacation pay	715	1,223	605	7	-	-	131	2,681
Other accrued expenses	440	18	44	3	36	-	5	546
Estimated amounts due to third-party payers	-	1,894	-	-	-	-	-	1,894
Due to affiliates	256	2,218	659	4,272	-	-	1,438	8,843
Estimated insurance costs – current	125	-	71	-	-	-	106	302
Contract liability	-	-	-	-	387	-	3,524	3,911
Total current liabilities	1,778	6,277	2,760	4,964	423	-	5,820	22,022
Other Long-Term Liabilities	-	105	-	-	-	-	-	105
Long-Term Debt								
Long-term debt	729	13,681	745	-	-	-	-	15,155
Total liabilities	2,507	20,063	3,505	4,964	423	-	5,820	37,282
Net Assets								
Without donor restrictions	13,391	(1,007)	21,625	1,086	160	1,436	5,010	41,701
With donor restrictions	149	-	-	-	-	1,156	4,929	6,234
Total net assets	13,540	(1,007)	21,625	1,086	160	2,592	9,939	47,935
Total liabilities and net assets	\$ 16,047	\$ 19,056	\$ 25,130	\$ 6,050	\$ 583	\$ 2,592	\$ 15,759	\$ 85,217

CoxHealth

Consolidating Schedule – Statement of Operations Information – Other Entities Year Ended September 30, 2019 (In Thousands)

	Oxford Home Health Care	Cox- Barton County Hospital	HPS of the Ozarks, Inc.	Medical Developments, Inc.	Insurance Company of Springfield	Primrose Place, Inc.	Cox College	Total
Revenues, Gains and Other Support								
Without Donor Restrictions								
Patient service revenue	\$ 17,666	\$ 21,785	\$ 37,124	\$ -	\$ -	\$ -	\$ -	\$ 76,575
Premium revenue	-	-	-	-	1,137	-	-	1,137
Other revenue	(11)	1,734	12	16,761	2	-	13,243	31,741
Total revenues, gains and other support without donor restrictions	17,655	23,519	37,136	16,761	1,139	-	13,243	109,453
Expenses								
Salaries and wages	14,689	11,138	5,899	2,306	-	-	6,539	40,571
Employee benefits	2,341	2,553	1,377	574	-	-	1,655	8,500
Purchased services and professional fees	1,154	3,669	363	244	39	2	875	6,346
Supplies and other	(577)	3,069	30,100	14,651	1,111	45	2,290	50,689
State provider tax program	-	811	-	-	-	-	-	811
Depreciation	198	856	261	63	-	11	113	1,502
Interest	-	277	-	-	-	-	-	277
Total expenses	17,805	22,373	38,000	17,838	1,150	58	11,472	108,696
Operating Income (Loss)	(150)	1,146	(864)	(1,077)	(11)	(58)	1,771	757
Other Income (Expense)								
Contributions	-	1	-	-	-	46	-	47
Investment return	149	32	498	-	-	-	-	679
Total other income	149	33	498	-	-	46	-	726
Excess (Deficiency) of Revenues Over Expenses	(1)	1,179	(366)	(1,077)	(11)	(12)	1,771	1,483
Increase (Decrease) in Net Assets Without Donor Restrictions	\$ (1)	\$ 1,179	\$ (366)	\$ (1,077)	\$ (11)	\$ (12)	\$ 1,771	\$ 1,483

CoxHealth
Consolidating Schedule – Statement of Cash Flows Information – Other Entities
Year Ended September 30, 2019
(In Thousands)

	Oxford Home Health Care	Cox- Barton County Hospital	HPS of the Ozarks, Inc.	Medical Developments, Inc.	Insurance Company of Springfield	Primrose Place, Inc.	Cox College	Total
Operating Activities								
Change in net assets	\$ 3	\$ 1,179	\$ (366)	\$ (1,077)	\$ (11)	\$ (51)	\$ 1,754	\$ 1,431
Items not requiring (providing) operating cash flow								
Depreciation	198	856	261	63	-	11	113	1,502
Net (gain) loss on investments	-	-	(148)	-	-	38	-	(110)
Change in interest in net assets of subsidiaries	-	-	-	-	-	-	17	17
Restricted contributions and investment income received	(4)	-	-	-	-	39	-	35
Changes in								
Receivables	1,219	(3,793)	298	573	-	2	(949)	(2,650)
Estimated third-party settlements	-	1,144	-	-	-	-	-	1,144
Accrued self-insurance costs	(33)	-	8	-	-	-	30	5
Other assets and liabilities	(210)	(278)	405	435	25	-	58	435
Net cash provided by (used in) operating activities	1,173	(892)	458	(6)	14	39	1,023	1,809
Investing Activities								
Purchase of investments	(148)	-	(3,207)	-	-	-	-	(3,355)
Proceeds from sale of investments	-	-	2,857	-	-	-	-	2,857
Purchase of property and equipment	(39)	(133)	(39)	(16)	-	-	(515)	(742)
Net cash provided by (used in) investing activities	(187)	(133)	(389)	(16)	-	-	(515)	(1,240)
Financing Activities								
Proceeds from restricted contributions and investment income received	4	-	-	-	-	(39)	-	(35)
Principal payments on long-term debt	-	(637)	-	-	-	-	-	(637)
Net cash provided by (used in) financing activities	4	(637)	-	-	-	(39)	-	(672)
Change in Cash and Cash Equivalents	990	(1,662)	69	(22)	14	-	508	(103)
Cash and Cash Equivalents, Beginning of Year	7,167	3,337	3,057	1,136	191	91	7,960	22,939
Cash and Cash Equivalents, End of Year	\$ 8,157	\$ 1,675	\$ 3,126	\$ 1,114	\$ 205	\$ 91	\$ 8,468	\$ 22,836

CoxHealth
Obligated Group Schedule – Balance Sheet Information
September 30, 2019
(In Thousands)

Assets

	CoxHealth	Medical Centers	Cox- Branson	Cox- Monett Hospital	Cox College	Eliminations	Total
Current Assets							
Cash and cash equivalents	\$ -	\$ 169,454	\$ 56,289	\$ 9,795	\$ 8,468	\$ -	\$ 244,006
Short-term investments	-	3,519	-	-	-	-	3,519
Assets limited as to use – current	-	13,232	291	1,130	-	-	14,653
Patient accounts receivable, net of allowance	-	157,985	24,272	6,192	-	-	188,449
Due from affiliates	-	24,314	15,570	997	-	(18,963)	21,918
Other receivables	-	754	72	(16)	1,101	-	1,911
Supplies	-	12,891	2,780	347	43	-	16,061
Prepaid expenses	-	10,072	694	9	517	-	11,292
Total current assets	-	392,221	99,968	18,454	10,129	(18,963)	501,809
Assets Limited As To Use							
Investments							
Internally designated							
Building fund investments and other	-	296,639	28,493	-	-	-	325,132
Donated investments	-	227,010	-	-	-	-	227,010
Externally restricted							
Donor restricted	-	6,185	15,483	-	-	-	21,668
Under deferred compensation agreement	-	15,875	-	-	-	-	15,875
Held by trustees							
Self-insurance trust investments	-	30,629	-	-	-	-	30,629
Under bond indenture agreements	-	53,572	9,436	35,629	-	-	98,637
	-	629,910	53,412	35,629	-	-	718,951
Less amount required to meet current obligations	-	13,232	291	1,130	-	-	14,653
	-	616,678	53,121	34,499	-	-	704,298
Long-Term Receivables	-	11,215	-	-	-	-	11,215
Interest in Net Assets of Subsidiaries	945,142	275,793	-	-	4,929	(1,137,964)	87,900
Property and Equipment, At Cost	-	1,178,156	143,989	34,263	2,360	-	1,358,768
Less accumulated depreciation	-	751,328	51,729	21,855	1,659	-	826,571
	-	426,828	92,260	12,408	701	-	532,197
Goodwill and Intangible Assets	-	25,264	552	-	-	-	25,816
Other Assets	-	4,670	559	129	-	-	5,358
Total assets	\$ 945,142	\$ 1,752,669	\$ 246,460	\$ 65,490	\$ 15,759	\$ (1,156,927)	\$ 1,868,593

CoxHealth
Obligated Group Schedule – Balance Sheet Information
September 30, 2019
(In Thousands)

Liabilities and Net Assets

	CoxHealth	Medical Centers	Cox- Branson	Cox- Monett Hospital	Cox College	Eliminations	Total
Current Liabilities							
Current maturities of long-term debt, net	\$ -	\$ 11,273	\$ 1,439	\$ 175	\$ -	\$ -	\$ 12,887
Current bond premiums and other	-	1,618	188	173	-	-	1,979
Accounts payable	-	42,062	1,850	526	616	-	45,054
Accrued payroll and vacation pay	-	55,750	7,162	2,008	131	-	65,051
Accrued interest	-	6,586	1,260	680	-	-	8,526
Other accrued expenses	-	26,110	1,042	267	5	-	27,424
Estimated amounts due to third-party payers	-	6,751	1,008	1,557	-	-	9,316
Due to affiliates	957	18,467	-	-	1,438	(18,963)	1,899
Estimated self-insurance costs – current	-	17,813	1,049	292	106	-	19,260
Contract liability	-	6,236	37	-	3,524	-	9,797
Total current liabilities	<u>957</u>	<u>192,666</u>	<u>15,035</u>	<u>5,678</u>	<u>5,820</u>	<u>(18,963)</u>	<u>201,193</u>
Estimated Self-Insurance Costs	-	19,352	-	-	-	-	19,352
Deferred Compensation	-	15,973	-	-	-	-	15,973
Accrued Pension Liability	-	80,398	-	-	-	-	80,398
Other Long-Term Liabilities	-	9	-	-	-	-	9
Long-Term Debt							
Long-term debt	-	473,251	71,770	34,434	-	-	579,455
Deferred financing costs	-	21,874	3,381	2,773	-	-	28,028
	<u>-</u>	<u>495,125</u>	<u>75,151</u>	<u>37,207</u>	<u>-</u>	<u>-</u>	<u>607,483</u>
Total liabilities	<u>957</u>	<u>803,523</u>	<u>90,186</u>	<u>42,885</u>	<u>5,820</u>	<u>(18,963)</u>	<u>924,408</u>
Net Assets							
Without donor restrictions	896,618	901,579	146,222	22,605	5,010	(1,075,416)	896,618
With donor restrictions	47,567	47,567	10,052	-	4,929	(62,548)	47,567
Total net assets	<u>944,185</u>	<u>949,146</u>	<u>156,274</u>	<u>22,605</u>	<u>9,939</u>	<u>(1,137,964)</u>	<u>944,185</u>
Total liabilities and net assets	<u>\$ 945,142</u>	<u>\$ 1,752,669</u>	<u>\$ 246,460</u>	<u>\$ 65,490</u>	<u>\$ 15,759</u>	<u>\$ (1,156,927)</u>	<u>\$ 1,868,593</u>

CoxHealth
Obligated Group Schedule – Statement of Operations Information
Year Ended September 30, 2019
(In Thousands)

	CoxHealth	Medical Centers	Cox-Branson	Cox-Monett Hospital	Cox College	Eliminations	Total
Revenues, Gains and Other Support Without Donor Restrictions							
Patient service revenue	\$ 1	\$ 1,169,746	\$ 192,042	\$ 46,459	\$ -	\$ (4,069)	\$ 1,404,179
Other revenue	5,573	31,121	5,622	1,149	13,243	-	56,708
Net assets released from restrictions used for operations	-	1,421	-	-	-	-	1,421
Total revenues, gains and other support without donor restrictions	5,574	1,202,288	197,664	47,608	13,243	(4,069)	1,462,308
Expenses							
Salaries and wages	68,114	376,369	69,813	21,141	6,539	-	541,976
Employee benefits	16,444	98,780	14,481	4,358	1,655	-	135,718
Purchased services and professional fees	(89,486)	329,379	41,711	8,652	875	-	291,131
Supplies and other	5,340	250,331	42,223	6,370	2,290	(4,069)	302,485
State provider tax program	-	44,146	7,589	1,414	-	-	53,149
Depreciation	5,060	38,397	7,300	1,485	113	-	52,355
Interest	98	17,623	2,918	(12)	-	-	20,627
Total expenses	5,570	1,155,025	186,035	43,408	11,472	(4,069)	1,397,441
Operating Income (Loss)	4	47,263	11,629	4,200	1,771	-	64,867
Other Income (Expense)							
Contributions	-	224	(44)	60	-	-	240
Investment return	-	13,545	1,092	-	-	-	14,637
Other	-	381	-	-	-	-	381
Loss on extinguishment of debt	-	(848)	-	-	-	-	(848)
Change in interest in net assets of subsidiaries	35,879	21,184	-	-	-	(53,999)	3,064
Total other income	35,879	34,486	1,048	60	-	(53,999)	17,474
Excess (Deficiency) of Revenues Over Expenses	35,883	81,749	12,677	4,260	1,771	(53,999)	82,341
Investment return – change in unrealized gains and losses on other than trading securities	-	125	-	-	-	-	125
Net assets released from restriction used for purchase of property and equipment	-	504	-	-	-	-	504
Change in defined benefit pension plans gains and losses	-	(49,603)	-	-	-	-	(49,603)
Transfer from (to) affiliates	-	2,516	-	-	-	-	2,516
Increase (Decrease) in Net Assets Without Donor Restrictions	\$ 35,883	\$ 35,291	\$ 12,677	\$ 4,260	\$ 1,771	\$ (53,999)	\$ 35,883

CoxHealth
Obligated Group Schedule – Balance Sheet Information
Year Ended September 30, 2018
(In Thousands)

Assets

	CoxHealth	Medical Centers	Cox- Branson	Cox- Monett Hospital	Cox College	Eliminations	Total
Current Assets							
Cash and cash equivalents	\$ -	\$ 151,190	\$ 46,161	\$ 7,076	\$ 7,960	\$ -	\$ 212,387
Short-term investments	-	6,047	-	-	-	-	6,047
Assets limited as to use – current	-	10,390	-	-	-	-	10,390
Patient accounts receivable, net of allowance	-	150,413	25,869	5,560	-	-	181,842
Estimated amounts due from third-party payers	-	193	183	-	-	-	376
Due from affiliates	-	16,839	13,874	937	-	(18,124)	13,526
Other receivables	-	797	116	(2)	1,069	-	1,980
Supplies	-	13,737	2,877	386	50	-	17,050
Prepaid expenses	-	11,733	178	8	482	-	12,401
Total current assets	-	361,339	89,258	13,965	9,561	(18,124)	455,999
Assets Limited As To Use							
Investments							
Internally designated							
Building fund investments and other	-	268,637	22,942	-	-	-	291,579
Donated investments	-	217,866	-	-	-	-	217,866
Externally restricted							
Donor restricted	-	5,841	18,226	-	-	-	24,067
Under deferred compensation agreement	-	16,252	-	-	-	-	16,252
Held by trustees							
Self-insurance trust investments	-	28,969	-	-	-	-	28,969
Under bond indenture agreements	-	5,141	-	-	-	-	5,141
	-	542,706	41,168	-	-	-	583,874
Less amount required to meet current obligations	-	10,390	-	-	-	-	10,390
	-	532,316	41,168	-	-	-	573,484
Long-Term Receivables	-	10,747	-	-	-	-	10,747
Interest in Net Assets of Subsidiaries	904,951	250,687	-	-	4,946	(1,079,814)	80,770
Property and Equipment, At Cost	-	1,147,575	136,688	29,632	1,850	-	1,315,745
Less accumulated depreciation	-	711,155	45,180	20,605	1,551	-	778,491
	-	436,420	91,508	9,027	299	-	537,254
Goodwill and Intangible Assets	-	25,264	552	-	-	-	25,816
Other Assets	-	4,628	576	154	-	-	5,358
Total assets	\$ 904,951	\$ 1,621,401	\$ 223,062	\$ 23,146	\$ 14,806	\$ (1,097,938)	\$ 1,689,428

CoxHealth
Obligated Group Schedule – Balance Sheet Information
Year Ended September 30, 2018
(In Thousands)

Liabilities and Net Assets

	CoxHealth	Medical Centers	Cox- Branson	Cox- Monett Hospital	Cox College	Eliminations	Total
Current Liabilities							
Current maturities of long-term debt, net	\$ -	\$ 11,771	\$ 1,771	\$ 172	\$ -	\$ -	\$ 13,714
Current bond premiums and other	-	1,200	130	-	-	-	1,330
Accounts payable	-	41,407	1,899	304	567	-	44,177
Accrued payroll and vacation pay	-	49,333	6,622	1,825	102	-	57,882
Accrued interest	-	5,765	1,012	-	-	-	6,777
Other accrued expenses	-	26,267	1,115	220	4	-	27,606
Estimated amounts due to third-party payers	-	5,477	1,953	1,557	-	-	8,987
Due to affiliates	957	16,522	-	-	2,356	(18,124)	1,711
Estimated self-insurance costs – current	-	17,075	939	263	76	-	18,353
Deferred revenue – current	-	4,470	-	-	3,516	-	7,986
Total current liabilities	957	179,287	15,441	4,341	6,621	(18,124)	188,523
Estimated Self-Insurance Costs	-	17,396	-	-	-	-	17,396
Deferred Compensation	-	16,332	-	-	-	-	16,332
Accrued Pension Liability	-	41,208	-	-	-	-	41,208
Other Long-Term Liabilities	-	9	-	-	-	-	9
Long-Term Debt							
Long-term debt	-	441,634	61,346	460	-	-	503,440
Bond premiums and other	-	15,988	2,538	-	-	-	18,526
	-	457,622	63,884	460	-	-	521,966
Total liabilities	957	711,854	79,325	4,801	6,621	(18,124)	785,434
Net Assets							
Without donor restrictions	860,735	866,288	133,545	18,345	3,239	(1,021,417)	860,735
With donor restrictions	43,259	43,259	10,192	-	4,946	(58,397)	43,259
Total net assets	903,994	909,547	143,737	18,345	8,185	(1,079,814)	903,994
Total liabilities and net assets	\$ 904,951	\$ 1,621,401	\$ 223,062	\$ 23,146	\$ 14,806	\$ (1,097,938)	\$ 1,689,428

CoxHealth
Obligated Group Schedule – Statement of Operations Information
Year Ended September 30, 2018
(In Thousands)

	CoxHealth	Medical Centers	Cox- Branson	Cox- Monett Hospital	Cox College	Eliminations	Total
Revenues, Gains and Other Support Without Donor Restrictions							
Patient service revenue (net of contractual discounts and allowances)	\$ 154	\$ 1,174,841	\$ 209,820	\$ 49,407	\$ -	\$ (3,639)	\$ 1,430,583
Provision for uncollectible accounts	-	(97,687)	(22,103)	(5,331)	-	-	(125,121)
Net patient service revenue less provision for uncollectible accounts	154	1,077,154	187,717	44,076	-	(3,639)	1,305,462
Other revenue	5,179	28,004	4,833	662	11,971	-	50,649
Net assets released from restrictions used for operations	-	1,189	-	-	-	-	1,189
Total revenues, gains and other support without donor restrictions	5,333	1,106,347	192,550	44,738	11,971	(3,639)	1,357,300
Expenses							
Salaries and wages	62,262	352,355	66,081	19,765	6,051	-	506,514
Employee benefits	14,553	88,007	13,624	4,231	1,426	-	121,841
Purchased services and professional fees	(81,743)	316,752	44,051	7,660	888	-	287,608
Supplies and other	5,076	222,231	40,413	6,163	1,921	(3,639)	272,165
State provider tax program	-	42,840	7,531	1,533	-	-	51,904
Depreciation	5,204	36,088	7,579	1,454	119	-	50,444
Interest	121	18,645	2,944	15	-	-	21,725
Total expenses	5,473	1,076,918	182,223	40,821	10,405	(3,639)	1,312,201
Operating Income (Loss)	(140)	29,429	10,327	3,917	1,566	-	45,099
Other Income (Expense)							
Contributions	2	22	(239)	16	-	-	(199)
Investment return	-	25,086	2,398	-	-	-	27,484
Loss on extinguishment of debt	-	(21,024)	-	-	-	-	-
Other	-	43	-	-	-	-	43
Change in interest in net assets of subsidiaries	87,894	17,559	-	-	-	(111,682)	(6,229)
Total other income	87,896	21,686	2,159	16	-	(111,682)	21,099
Excess (Deficiency) of Revenues Over Expenses							
Contributed (return of) capital	-	(4)	-	-	-	-	(4)
Investment return – change in unrealized gains and losses on other than trading securities	-	(80)	-	-	-	-	(80)
Net assets released from restriction used for purchase of property and equipment	-	257	-	-	-	-	257
Change in defined benefit pension plan gains and losses	-	42,013	-	-	-	-	42,013
Change in interest in net assets of subsidiary	-	(2,100)	2,100	-	-	-	-
Transfer from (to) affiliates	-	396	-	-	-	-	396
Increase (Decrease) in Net Assets Without Donor Restrictions	\$ 87,756	\$ 91,597	\$ 14,586	\$ 3,933	\$ 1,566	\$ (111,682)	\$ 87,756