

# **Jennie Stuart Medical Center, Inc.**

Independent Auditor's Report and  
Consolidated Financial Statements

December 31, 2019 and 2018



**Jennie Stuart Medical Center, Inc.**  
**December 31, 2019 and 2018**

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## Independent Auditor's Report

Board of Trustees  
Jennie Stuart Medical Center, Inc.  
Hopkinsville, Kentucky

We have audited the accompanying consolidated financial statements of Jennie Stuart Medical Center, Inc., which comprise the consolidated balance sheets as of December 31, 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 Jennie Stuart Medical Center, Inc. as of December 31, 2019 and 2018, and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As discussed in Note 19 to the consolidated financial statements, the 2018 consolidated financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

As discussed in Notes 13 and 18 to the consolidated financial statements, in 2019, Jennie Stuart Medical Center, Inc. adopted new accounting guidance for accounting for leases and the statement of cash flows. Our opinion is not modified with respect to these matters.

*BKD, LLP*

Louisville, Kentucky  
March 19, 2020

**Jennie Stuart Medical Center, Inc.**  
**Consolidated Balance Sheets**  
**December 31, 2019 and 2018**

**Assets**

	<b>2019</b>	<b>2018 (Restated – Note 19)</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 18,491,618	\$ 11,541,510
Short-term investments	51,291,456	45,133,074
Assets limited as to use – current	2,112,594	1,957,022
Patient accounts receivable	15,682,341	11,951,052
Supplies	2,023,640	1,712,538
Prepaid expenses and other	1,619,728	1,217,806
Total current assets	91,221,377	73,513,002
<b>Assets Limited as to Use</b>		
Internally designated for self-funded malpractice claims	13,122,460	11,111,472
Held by trustee	7,455,198	17,356,966
Externally restricted by donors	2,058,278	1,208,948
	22,635,936	29,677,386
Less amount required to meet current obligations	2,112,594	1,957,022
	20,523,342	27,720,364
<b>Property and Equipment, at Cost</b>		
Land and land improvements	8,156,688	8,301,688
Buildings and improvements	107,320,758	101,673,733
Equipment	66,158,539	61,284,360
Construction in progress	577,895	660,135
	182,213,880	171,919,916
Less accumulated depreciation	113,057,988	108,035,714
	69,155,892	63,884,202
<b>Other Assets</b>		
Right-of-use assets – operating leases	1,849,508	-
Right-of-use assets – financing leases	2,012,133	-
Physician receivables	118,750	193,750
Other	4,001,000	3,714,471
	7,981,391	3,908,221
Total assets	\$ 188,882,002	\$ 169,025,789

## Liabilities and Net Assets

	<b>2019</b>	<b>2018 (Restated – Note 19)</b>
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 1,363,043	\$ 1,582,469
Current maturities of operating lease liabilities	767,523	-
Current maturities of financing lease liabilities	549,743	-
Accounts payable	3,860,872	5,719,790
Refund liabilities	281,783	1,022,933
Accrued expenses	8,558,987	7,538,493
Deferred revenue	340,341	1,806,075
Estimated settlement due to third-party payors	<u>3,832,573</u>	<u>1,791,057</u>
Total current liabilities	19,554,865	19,460,817
<b>Other Liabilities</b>		
Long-term debt, net	65,278,867	67,411,653
Operating lease liabilities	1,090,797	-
Financing lease liabilities	1,618,831	-
Other	<u>7,920,903</u>	<u>8,022,610</u>
Total liabilities	<u>95,464,263</u>	<u>94,895,080</u>
<b>Net Assets</b>		
Without donor restrictions		
Jennie Stuart Medical Center, Inc.	90,016,749	71,578,931
Noncontrolling interest	<u>1,222,202</u>	<u>1,188,934</u>
Total net assets without donor restrictions	91,238,951	72,767,865
With donor restrictions	<u>2,178,788</u>	<u>1,362,844</u>
Total net assets	<u>93,417,739</u>	<u>74,130,709</u>
Total liabilities and net assets	<u>\$ 188,882,002</u>	<u>\$ 169,025,789</u>

**Jennie Stuart Medical Center, Inc.**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018 (Restated – Note 19)</b>
<b>Revenues, Gains and Other Support Without Donor Restrictions</b>		
Patient care service revenue	\$ 141,808,751	\$ 126,034,761
Other	1,557,443	1,084,005
Total revenues, gains and other support without donor restrictions	143,366,194	127,118,766
<b>Expenses</b>		
Salaries and wages	54,827,965	50,165,714
Employee benefits	10,675,339	9,144,200
Purchased services and professional fees	17,111,291	15,371,516
Supplies and drugs	26,920,912	22,648,679
Utilities	2,566,334	2,551,547
Repairs and maintenance	5,830,458	5,770,060
Leases and rentals	1,459,323	2,309,690
Provider tax	1,974,070	1,896,578
Depreciation and amortization	6,471,257	6,132,789
Interest	3,902,905	3,944,659
Other	4,098,550	6,176,047
Total expenses	135,838,404	126,111,479
<b>Operating Income</b>	7,527,790	1,007,287
<b>Other Income (Expense)</b>		
Investment return	11,081,543	(1,576,495)
Other	-	347,075
Total other income (expense)	11,081,543	(1,229,420)
<b>Excess (Deficiency) of Revenues over Expenses</b>	18,609,333	(222,133)
Distribution to noncontrolling interest	(138,247)	(100,190)
<b>Increase (Decrease) in Net Assets Without Donor Restrictions</b>	18,471,086	(322,323)
<b>Net Assets with Donor Restrictions</b>		
Contributions received	654,112	-
Investment return	161,832	(64,626)
<b>Increase (Decrease) in Net Assets with Donor Restrictions</b>	815,944	(64,626)
<b>Change in Net Assets</b>	19,287,030	(386,949)
<b>Net Assets, Beginning of Year, as Previously Reported</b>	74,130,709	73,394,228
<b>Restatement (Note 19)</b>	-	1,123,430
<b>Net Assets, Beginning of Year, as Restated</b>	74,130,709	74,517,658
<b>Net Assets, End of Year</b>	\$ 93,417,739	\$ 74,130,709

**Jennie Stuart Medical Center, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018 (Restated – Note 19)</b>
<b>Operating Activities</b>		
Change in net assets	\$ 19,287,030	\$ (386,949)
Items not requiring (providing) cash		
Depreciation	5,754,221	6,132,789
Amortization	717,036	-
Amortization of deferred issuance costs and bond discount	109,920	110,515
Noncash lease expense	742,815	-
Net (gain) loss on investments	(9,257,376)	3,519,953
Distribution to noncontrolling interest	138,247	100,190
Loss on sale of property and equipment	246,225	771,104
Changes in		
Patient accounts receivable	(3,731,289)	(231,549)
Other current assets	(713,024)	(412,000)
Other assets	732,258	2,039,111
Estimated settlements due to third-party payors	2,041,516	(254,416)
Accounts payable, accrued expenses, deferred revenue and other current and noncurrent liabilities	(3,152,494)	2,085,520
Operating lease liability	(734,003)	-
Net cash provided by operating activities	12,181,082	13,474,268
<b>Investing Activities</b>		
Purchase of investments	(10,180,398)	(19,651,219)
Proceeds from disposition of investments	10,946,394	17,538,322
Purchase of property and equipment	(13,105,180)	(5,814,996)
Proceeds from sale of property and equipment	1,600	1,200
Net cash used in investing activities	(12,337,584)	(7,926,693)
<b>Financing Activities</b>		
Principal payments on long-term debt	(1,408,587)	(1,551,345)
Principal payments on financing lease liabilities	(721,004)	-
Distribution to noncontrolling interest	(138,247)	(100,190)
Net cash used in financing activities	(2,267,838)	(1,651,535)
<b>Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents</b>	(2,424,340)	3,896,040
<b>Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, Beginning of Year</b>	24,818,291	20,922,251
<b>Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, End of Year</b>	\$ 22,393,951	\$ 24,818,291

**Jennie Stuart Medical Center, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018 (Restated – Note 19)</b>
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 3,914,155	\$ 3,955,284
Property and equipment included in accounts payable	\$ 164,326	\$ 158,847
Capital lease obligation incurred for property and equipment	\$ -	\$ 281,213
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 57,288	\$ -
Property and equipment transferred to joint-venture	\$ 822,684	\$ -
Cash and cash equivalents	\$ 18,491,618	\$ 11,541,510
Cash held in assets limited as to use	3,902,333	13,276,781
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	\$ 22,393,951	\$ 24,818,291

**Jennie Stuart Medical Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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

***Nature of Operations***

The accompanying consolidated financial statements include the operations of Jennie Stuart Medical Center, Inc.; Fairview Physicians Network, LLC d/b/a Jennie Stuart Medical Group (Medical Group); Jennie Stuart Health Foundation, Inc.; Physician's Holdings, LLC; and Western Kentucky Medical Development, LLC (collectively, Medical Center). The Medical Center is located in Hopkinsville, Kentucky, and primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in Western Kentucky. The Medical Group primarily earns revenue as a multi-specialty physician group providing primary care and other clinical services to patients in Western Kentucky. The Medical Center also operates a home health agency in the same geographic area.

***Principles of Consolidation***

The consolidated financial statements include the accounts of Jennie Stuart Medical Center, Inc.; Medical Group; Jennie Stuart Health Foundation, Inc.; Physician's Holdings, LLC; and Western Kentucky Medical Development, LLC. 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.

***Noncontrolling Interest (2018, Restated – Note 19)***

Noncontrolling interest represents the 43% interest in Physician's Holdings, LLC that the Medical Center does not own. Losses attributable to the noncontrolling interest are allocated to the noncontrolling interest even if the carrying amount of the noncontrolling interest is reduced below zero.

**Jennie Stuart Medical Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2019 and 2018**

For the years ended December 31, 2019 and 2018, changes in consolidated net assets without donor restrictions attributable to the controlling financial interest of the Medical Center and the noncontrolling interest are:

	<b>Total</b>	<b>Controlling Interest</b>	<b>Non-Controlling Interest</b>
Balance at January 1, 2018	\$ 73,090,188	\$ 71,966,758	\$ 1,123,430
Excess (deficiency) of revenues over expenses	(222,133)	(387,827)	165,694
Distribution to noncontrolling interest	(100,190)	-	(100,190)
Increase (decrease) in net assets without donor restrictions	(322,323)	(387,827)	65,504
Balance at December 31, 2018	72,767,865	71,578,931	1,188,934
Excess of revenues over expenses	18,609,333	18,437,818	171,515
Distribution to noncontrolling interest	(138,247)	-	(138,247)
Increase in net assets without donor restrictions	18,471,086	18,437,818	33,268
Balance at December 31, 2019	<u>\$ 91,238,951</u>	<u>\$ 90,016,749</u>	<u>\$ 1,222,202</u>

The change in net assets with donor restrictions is attributable solely to the controlling interest.

**Cash and Cash Equivalents**

The Medical Center considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At December 31, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

At December 31, 2019, the Medical Center's cash accounts exceeded federally insured limits by approximately \$5,276,000.

Included in cash and cash equivalents at December 31, 2019, are approximately \$13,324,000 of money market mutual funds that are not insured by the Federal Deposit Insurance Corporation.

**Investments and Investment Return**

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. The investment in equity investee is reported on the equity method of accounting. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Negotiable certificates of deposit are stated at fair value.

**Jennie Stuart Medical Center, Inc.**  
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Guaranteed investment contracts are stated at amortized cost. Investment return includes dividends, 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.

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 based upon the existence and nature of any donor or legally imposed restrictions.

***Assets Limited as to Use***

Assets limited as to use include: (1) assets held by trustees relating to tax exempt revenue bond obligations, (2) assets restricted by donors and (3) assets set aside by the board of trustees (board) for self-funded portions of medical malpractice claims. Amounts required to meet current liabilities of the Medical Center are included in current assets.

Included within assets limited as to use are cash and cash equivalents held by trustees relating to tax exempt revenue bond obligations, restricted by donors and designated by the board for self-funded portions of medical malpractice claims.

***Patient Accounts Receivable***

Patient accounts receivable reflects the outstanding amount of consideration to which the Medical Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others. As a service to the patient, the Medical Center bills third-party payors 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.

***Supplies***

The Medical Center states supply inventories at the lower of cost, determined using the first-in, first-out method (FIFO), or net realizable value.

***Property and Equipment***

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	5–40 years
Leasehold improvements	5–20 years
Equipment	3–20 years

**Jennie Stuart Medical Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2019 and 2018**

***Long-Lived Asset Impairment***

The Medical Center 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 asset impairment was recognized during the years ended December 31, 2019 and 2018.

***Debt Issuance 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.

***Net Assets with Donor Restrictions***

Net assets with donor restrictions are those whose use by the Medical Center has been limited by donors to a specific time period or purpose or restricted by donors to be maintained by the Medical Center in perpetuity.

***Patient Care Service Revenue***

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

The Medical Center determines its estimates of explicit price concessions, which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. The Medical Center 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 payors.

***Contract Liabilities***

Amounts received related to health care services that have not yet been provided to patients are contract liabilities. Contract liabilities consist of payments made by patients and third-party payors for services not yet performed. Contract liabilities are included in deferred revenue on the consolidated balance sheets as of December 31, 2019 and 2018.

**Jennie Stuart Medical Center, Inc.**  
**Notes to Consolidated Financial Statements**  
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***Charity Care***

The Medical Center provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as patient care service revenue. The Medical Center's direct and indirect costs for services furnished under its charity care policy aggregated approximately \$558,000 and \$421,000 for the years ended December 31, 2019 and 2018, respectively. The Medical Center has received approximately \$419,300 and \$1,293,000 in 2019 and 2018, respectively, from an uncompensated care fund to subsidize charity services provided under its charity policy.

***Contributions***

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Gifts received with donor stipulations are reported as changes in net assets with donor restrictions. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified and reported as an increase in net assets without donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Conditional contributions are reported as liabilities until the condition is eliminated or the contributed assets are returned to the donor.

***Estimated Malpractice Costs***

An annual estimated provision is accrued for the self-insured portion of medical malpractice claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported.

***Self-Insurance***

The Medical Center maintains a partially self-insured health insurance program covering substantially all full-time employees. Contributions are made to a third-party administrator as health care claims are incurred. The Medical Center has purchased insurance that limits its exposure for individual claims and limits its aggregate exposure to \$150,000. The Medical Center has a provision recorded for incurred but not reported claims.

**Jennie Stuart Medical Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2019 and 2018**

***Income Taxes***

The Medical Center has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Medical Center is subject to federal income tax on any unrelated business taxable income. The Medical Center files tax returns in the U.S. federal jurisdictions. With a few exceptions, the Medical Center is no longer subject to U.S. federal examinations by tax authorities for years before 2013.

**Note 2: Patient Care Service Revenue**

Patient care service revenue is reported at the amount that reflects the consideration to which the Medical Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Medical Center bills the patients and third-party payors 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 Medical Center. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. The Medical Center 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 Medical Center receiving inpatient acute care services or patients receiving services in its outpatient centers. The Medical Center 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, *e.g.*, pharmaceuticals and medical equipment, and the Medical Center 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 Medical Center has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (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.

**Jennie Stuart Medical Center, Inc.**  
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***Transaction Price***

The Medical Center 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 payors, discounts provided to uninsured patients in accordance with the Medical Center's policy and implicit price concessions provided to uninsured patients. The Medical Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Medical Center determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

***Third-Party Payors***

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

*Medicare.* Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare administrative contractor.

*Medicaid.* Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service or per covered member. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid administrative contractor.

*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.

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 Medical Center'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 Medical Center. In addition, the contracts the Medical Center has with commercial payors also provide for retroactive audit and review of claims.

**Jennie Stuart Medical Center, Inc.**  
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Settlements with third-party payors 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 payor, correspondence from the payor and the Medical Center'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 or 2018.

***Patient and Uninsured Payors***

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Medical Center also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Medical Center 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 care service revenue in the period of the change. For the years ended December 31, 2019 and 2018, no significant additional revenues were 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 Medical Center's mission, care is provided to patients regardless of their ability to pay. Therefore, the Medical Center 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 Medical Center expects to collect based on its collection history with those patients. For the years ended December 31, 2019 and 2018, implicit price concessions were approximately \$4,677,000 and \$3,103,000, respectively.

Patients who meet the Medical Center'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.

**Jennie Stuart Medical Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2019 and 2018**

**Refund Liabilities**

From time to time the Medical Center will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of December 31, 2019 and 2018, the Medical Center has a liability for refunds to third-party payors and patients recorded of approximately \$282,000 and \$1,023,000, respectively.

**Revenue Composition**

The Medical Center has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors and hospital services and physician practices and timing of when revenue is recognized. Tables providing details of these factors are presented below.

The composition of patient care service revenue by primary payor for the years ended December 31 is as follows:

	<b>2019</b>	<b>2018</b>
Medicare	\$ 42,520,575	\$ 43,999,309
Medicaid	22,569,382	20,663,044
Blue Cross	49,030,686	39,755,520
Other third-party payors	17,883,594	13,110,925
Patient	9,804,514	8,505,963
Total	<u>\$141,808,751</u>	<u>\$126,034,761</u>

Revenue from patients' deductibles and coinsurance are included in the categories presented above based on the primary payor.

The composition of patient care service revenue by hospital services and physician practices for the years ended December 31, 2019 and 2018, is as follows:

	<b>December 31, 2019</b>		
	<b>Hospital Services</b>	<b>Physician Practices</b>	<b>Totals</b>
Medicare	\$ 39,238,048	\$ 3,282,527	\$ 42,520,575
Medicaid	22,529,980	39,402	22,569,382
Blue Cross	45,005,329	4,025,357	49,030,686
Other third-party payors	12,792,100	5,091,494	17,883,594
Patient	9,412,466	392,048	9,804,514
Total	<u>\$128,977,923</u>	<u>\$ 12,830,828</u>	<u>\$141,808,751</u>

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	<b>December 31, 2018</b>		
	<b>Hospital Services</b>	<b>Physician Practices</b>	<b>Totals</b>
Medicare	\$ 40,985,248	\$ 3,014,061	\$ 43,999,309
Medicaid	17,053,880	3,609,164	20,663,044
Blue Cross	35,952,739	3,802,781	39,755,520
Other third-party payors	11,336,923	1,774,002	13,110,925
Patient	8,422,327	83,636	8,505,963
Total	<u>\$ 113,751,117</u>	<u>\$ 12,283,644</u>	<u>\$ 126,034,761</u>

The composition of patient care service revenue by timing of revenue recognition for the years ended December 31, 2019 and 2018, is as follows:

	<b>2019</b>	<b>2018</b>
Health care services transferred over time	\$140,118,171	\$124,405,727
Specialty retail pharmacy sales at point in time	1,690,580	1,629,034
Total	<u>\$141,808,751</u>	<u>\$126,034,761</u>

**Contract Liabilities**

Contract liabilities represent the Medical Center's obligation to provide services to patients when consideration has already been received from the patient or a third-party payor.

Significant changes in contract liabilities balances during the period are as follows:

	<b>2019</b>	<b>2018</b>
Balance, beginning of year	\$ 1,806,075	\$ 518,925
Effects of		
Revenue recognized that was included in the contract liability balance at the beginning of the period	(269,602)	(518,925)
Changes in reserves for probable repayment amounts to Medicaid	(1,536,473)	-
Increases due to cash received, excluding amounts recognized as revenue during the period	340,341	1,806,075
Balance, end of year	<u>\$ 340,341</u>	<u>\$ 1,806,075</u>

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***Financing Component***

The Medical Center has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Medical Center's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Medical Center 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.

***Contract Costs***

The Medical Center has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the Medical Center otherwise would have recognized is one year or less in duration.

**Note 3: Concentrations of Credit Risk**

***Accounts Receivable***

The Medical Center grants credit without collateral to its patients, most of who are area residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at December 31, 2019 and 2018, was:

	<b>2019</b>	<b>2018</b>
Medicare	22%	24%
Medicaid	13%	10%
Blue Cross	29%	28%
Other third-party payors	27%	22%
Patients	9%	16%
	100%	100%

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**Note 4: Functional Expenses**

The Medical Center 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 and general and administrative functional expense classifications based on the actual department in which the expense was incurred and is consistently applied. The following schedule presents the natural classification of expenses by function as follows:

	<b>2019</b>			
	<b>Health Care Services</b>		<b>Support Services</b>	
	<b>Acute</b>	<b>Physician Services</b>	<b>General and Administrative</b>	<b>Total</b>
Salaries and wages	\$ 33,782,322	\$ 12,726,637	\$ 8,319,006	\$ 54,827,965
Employee benefits	7,551,177	1,127,404	1,996,758	10,675,339
Purchased services and professional fees	9,677,739	1,146,900	6,286,652	17,111,291
Supplies and drugs	24,197,463	1,390,336	1,333,113	26,920,912
Utilities	2,364,772	94,845	106,717	2,566,334
Repairs and maintenance	2,975,058	93,824	2,761,576	5,830,458
Leases and rentals	931,349	388,053	139,921	1,459,323
Provider tax	-	-	1,974,070	1,974,070
Depreciation and amortization	6,228,717	26,151	216,389	6,471,257
Interest	3,902,905	-	-	3,902,905
Other	421,953	256,681	3,419,916	4,098,550
<b>Total expenses</b>	<b>\$ 92,033,455</b>	<b>\$ 17,250,831</b>	<b>\$ 26,554,118</b>	<b>\$ 135,838,404</b>
	<b>2018 (Restated – Note 19)</b>			
	<b>Health Care Services</b>		<b>Support Services</b>	
	<b>Acute</b>	<b>Physician Services</b>	<b>General and Administrative</b>	<b>Total</b>
Salaries and wages	\$ 30,716,297	\$ 13,090,643	\$ 6,358,774	\$ 50,165,714
Employee benefits	6,517,034	1,360,171	1,266,995	9,144,200
Purchased services and professional fees	9,114,515	656,722	5,600,279	15,371,516
Supplies and drugs	20,467,929	878,306	1,302,444	22,648,679
Utilities	2,256,374	219,671	75,502	2,551,547
Repairs and maintenance	2,395,897	120,967	3,253,196	5,770,060
Leases and rentals	1,441,060	746,036	122,594	2,309,690
Provider tax	-	-	1,896,578	1,896,578
Depreciation and amortization	5,966,277	33,624	132,888	6,132,789
Interest	3,944,659	-	-	3,944,659
Other	328,831	991,115	4,856,101	6,176,047
<b>Total expenses</b>	<b>\$ 83,148,873</b>	<b>\$ 18,097,255</b>	<b>\$ 24,865,351</b>	<b>\$ 126,111,479</b>

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**Note 5: Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Health care services		
Purchase of equipment	\$ 73,186	\$ 61,173
Cancer center	120,510	120,510
Detection and treatment of cancer	680,432	-
	<u>874,128</u>	<u>181,683</u>
Investments to be held in perpetuity, the income of which is restricted for operations of the Medical Center	<u>1,304,660</u>	<u>1,181,161</u>
	<u><u>\$ 2,178,788</u></u>	<u><u>\$ 1,362,844</u></u>

**Note 6: Net Assets Without Donor Restrictions**

The Medical Center's governing board has designated, from net assets without donor restrictions for the following purposes as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Board-designated for self-funded malpractice claims	<u><u>\$ 13,122,460</u></u>	<u><u>\$ 11,111,472</u></u>

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**Note 7: Investments and Investment Return**

***Assets Limited as to Use***

Assets limited as to use include:

	<u>2019</u>	<u>2018</u>
Internally designated for self-funded malpractice claims		
Cash and cash equivalents	\$ 1,176,519	\$ 801,479
Negotiable certificates of deposit	1,160,991	836,537
U.S. Treasury and Government agency obligations	2,810,979	3,719,152
Corporate bonds	110,303	91,802
Marketable equity securities	2,519,832	1,246,080
Mutual funds – large cap U.S. companies	329,398	174,784
Mutual funds – mid and small cap U.S. companies	378,612	386,466
Mutual funds – emerging markets and international equities	309,396	237,886
Mutual funds – exchange traded funds	4,276,030	3,575,186
Mutual funds – fixed income	50,400	42,100
	<u>\$ 13,122,460</u>	<u>\$ 11,111,472</u>
Held by trustee		
Cash and cash equivalents	\$ 2,460,485	\$ 12,362,253
Guaranteed investment contract	4,994,713	4,994,713
	<u>\$ 7,455,198</u>	<u>\$ 17,356,966</u>
Externally restricted by donors		
Cash and cash equivalents	\$ 265,329	\$ 113,049
Negotiable certificates of deposit	417,778	156,368
Guaranteed investment contract	25,000	-
U.S. Treasury and Government agency obligations	268,205	284,648
Marketable equity securities	463,073	309,307
Mutual funds – large cap U.S. companies	56,586	9,096
Mutual funds – mid and small cap U.S. companies	21,564	12,787
Mutual funds – emerging markets and international equities	38,655	51,340
Mutual funds – exchange traded funds	502,088	272,353
	<u>\$ 2,058,278</u>	<u>\$ 1,208,948</u>

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**Short-Term Investments**

Short-term investments, stated at fair value, include:

	<b>2019</b>	<b>2018</b>
Negotiable certificates of deposit	\$ 4,203,851	\$ 2,536,231
U.S. Treasury and Government agency obligations	11,029,888	14,917,854
Corporate bonds	1,305,761	999,035
Marketable equity securities	29,749,846	22,684,925
Mutual funds – large cap U.S. companies	958,495	415,597
Mutual funds – mid and small cap U.S. companies	815,031	840,777
Mutual funds – emerging markets and international equities	454,897	603,195
Mutual funds – exchange traded funds	2,617,287	2,014,381
Mutual funds – fixed income	156,400	121,079
	<u>\$ 51,291,456</u>	<u>\$ 45,133,074</u>

Total investment return is comprised of the following for the years ended December 31, 2019 and 2018:

	<b>2019</b>	<b>2018 (Restated – Note 19)</b>
Interest and dividend income	\$ 1,985,999	\$ 1,878,832
Unrealized gains (losses) on trading securities	8,208,201	(5,729,788)
Realized gains on trading securities	1,049,175	2,209,835
	<u>\$ 11,243,375</u>	<u>\$ (1,641,121)</u>

Total investment return is reflected in the consolidated statements of operations and changes in net assets as follows for the years ended December 31, 2019 and 2018:

	<b>2019</b>	<b>2018 (Restated – Note 19)</b>
Net assets without donor restrictions		
Other nonoperating income (expense)	\$ 11,081,543	\$ (1,576,495)
Net assets with donor restrictions	161,832	(64,626)
	<u>\$ 11,243,375</u>	<u>\$ (1,641,121)</u>

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The Medical Center's investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in these risks in the near term could materially affect the amounts reported in the consolidated balance sheets and consolidated statements of operations and changes in net assets. While the Medical Center does not directly invest in derivative securities, it may through investment holdings with a manager of hedge funds, indirectly hold these securities.

**Note 8: Liquidity and Availability**

The Medical Center's financial assets available within one year of the balance sheet date for general expenditure are:

	<b>2019</b>	<b>2018 (Restated – Note 19)</b>
Financial assets at year-end		
Cash and cash equivalents	\$ 18,491,618	\$ 11,541,510
Short-term investments	51,291,456	45,133,074
Assets limited as to use	22,635,936	29,677,386
Patient accounts receivable	15,682,341	11,951,052
Total financial assets	108,101,351	98,303,022
Less amounts not available to be used within one year		
Board designated with liquidity horizons greater than one year	13,122,460	11,111,472
Funds held by trustees	5,342,604	15,399,944
Donor restricted with liquidity horizons greater than one year	2,058,278	1,208,948
Financial assets not available to be used within one year	20,523,342	27,720,364
Financial assets available to meet general expenditures within one year	\$ 87,578,009	\$ 70,582,658

The Medical Center has assets limited to use for donor-restricted purposes, debt service and board-designated amounts for professional and general liability insurance program. These assets limited to use, which are more fully described in Note 7, are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

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As part of the Medical Center'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. In addition, the Medical Center invests cash in excess of daily requirements in short-term investments.

**Note 9: Investment in and Advances to Equity Investee**

The Medical Center is the sole member of Western Kentucky Medical Development, LLC (WKMD) which entered into a joint venture, Kentucky Healthcare Holdings I, LLC, to lease and operating a medical office building. WKMD has a 50% ownership percentage in the joint venture as of December 31, 2019 and 2018. The Medical Center is accounting for this joint venture under the equity method of accounting.

**Note 10: Management Agreement**

The Medical Center contracts with Quorum Health Resources, LLC (Quorum) to provide management services, recruit or provide a hospital administrator and a chief financial officer who are Quorum employees, provide discounts through preferred vendor contacts and provide various other consulting services, including operational and strategic advice, under an agreement which expires October 29, 2021. The Medical Center's expense for these services, including the salaries and benefits for the hospital administrator and chief financial officer, approximated \$1,391,000 and \$1,296,000 for the years ended December 31, 2019 and 2018, respectively.

**Note 11: Medical Malpractice Claims**

The Medical Center is self-insured for the first \$1,000,000 per occurrence and \$5,000,000 in aggregate of medical malpractice risks for claims occurring after June 1, 2008, and at various limits for claims occurring prior to June 1, 2008. The Medical Center purchases commercial insurance coverage above the self-insurance limits. Losses from asserted and unasserted claims identified under the Medical Center's incident reporting system are accrued based on estimates that incorporate the Medical Center's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. In connection with the retention amounts, the board established a trust account to fund potential losses. The Medical Center engages an actuary to project the medical malpractice liability. Based upon the Medical Center's claim experience, an accrual of approximately \$7,921,000 and \$8,023,000 was established as of December 31, 2019 and 2018, respectively, which is included in other long-term liabilities in the consolidated balance sheets. The Medical Center has recorded receivables for insurance recoveries of approximately \$1,849,000 and \$2,450,000, which are included in other assets in the consolidated balance sheets at December 31, 2019 and 2018, respectively.

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**Note 12: Long-Term Debt**

	<b>2019</b>	<b>2018 (Restated – Note 19)</b>
Series 2016 County of Christian, Kentucky Hospital Revenue and Refunding Bonds (A)	\$ 61,850,000	\$ 62,390,000
Installment note payable (B)	1,162,452	1,607,323
Installment note payable (C)	5,358,678	5,674,914
Capital lease obligation (D)	-	1,053,545
Other note payable	-	107,229
	68,371,130	70,833,011
Less unamortized bond discount	711,453	756,107
Less unamortized deferred debt issuance costs	1,017,767	1,082,782
Less current maturities	1,363,043	1,582,469
	<u>\$ 65,278,867</u>	<u>\$ 67,411,653</u>

(A) In December 2016, the Medical Center issued \$62,900,000 of County of Christian, Kentucky, Hospital Revenue Bonds (2016 Bonds). The 2016 Bonds incur interest at a fixed rate ranging from 5.00% to 5.50% and are subject to retirement in varying annual principal payments of \$510,000 to \$4,860,000 through 2044. The 2016 Bonds are secured by substantially all of the property and gross revenues of the Medical Center. The 2016 Bonds were used to finance the costs of refunding the 2006 Bonds and for certain capital projects and acquisition of equipment.

Unamortized debt issuance costs were \$962,607 and \$1,023,026 at December 31, 2019 and 2018, respectively. The effective interest rate was 5.50% for the years ended December 31, 2019 and 2018, respectively.

Under the terms of the 2016 Bonds master trust indenture, the Medical Center is required to maintain certain deposits with the trustee. These deposits are included with assets limited as to use in the consolidated financial statements. The master trust indenture also places limits on the incurrence of additional borrowings and require that certain measures of financial performance be maintained so long as the debt is outstanding.

(B) In 2012, the Medical Center entered into a note payable with monthly principal and interest payments of \$42,108 (interest at 4.25%), due through the note's maturity of April 27, 2022. The note is secured by certain real property.

(C) In 2016, the Medical Center entered into a note payable with monthly principal and interest payments of \$49,814 (interest at 5.02%) due through the note's maturity of December 1, 2031. The note is secured by certain real property. Unamortized debt issuance costs were \$55,160 and \$59,756 at December 31, 2019 and 2018, respectively. The effective interest

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rate was 5.09% for the years ended December 31, 2019 and 2018. The loan agreement also requires that certain measures of financial performance be maintained so long as the debt is outstanding.

- (D) Capital lease obligations at an imputed interest 3.90% due in 2025; collateralized by certain property and equipment. The net book value of property and equipment under capital lease obligation at December 31, 2018 was \$1,014,239. The capital lease liability at January 1, 2019, was transferred to financing lease liabilities, see Note 13.

Aggregate annual maturities of long-term debt at December 31, 2019, are:

2020	\$ 1,363,043
2021	1,431,720
2022	1,547,963
2023	1,582,458
2024	1,662,087
Thereafter	<u>60,783,859</u>
	<u><u>\$ 68,371,130</u></u>

**Note 13: Leases**

***Change in Accounting Principle***

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, FASB issued ASU 2018-11, *Leases (Topic 842): Targeted improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.* the comparatives under ASC 840 option.

The Medical Center adopted Topic 842 on January 1, 2019 (the effective date) using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Medical Center elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Medical Center has lease agreements with nonlease components that relate to the lease components. The Medical Center elected the practical expedient to account for nonlease components and the lease components to which they relate, as a single lease component for all classes of underlying assets.

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Also, the Medical Center elected to keep short-term leases with an initial term of 12 months or less off the balance sheet. The Medical Center did elect the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2019.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$2,535,035, while the accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. The standard did not significantly affect the consolidated statements of operations and changes in net assets or cash flows.

The cumulative effect of the changes made to the consolidated balance sheet for the adoption of this standard was as follows:

	<b>ASC 842</b>		
	<b>December 31 2018 as Restated Note 19</b>	<b>Adjustment on January 1 2019</b>	<b>January 1 2019 as Adjusted</b>
<b>Assets</b>			
Net property and equipment (A)	\$ 63,884,202	\$ (1,023,404)	\$ 62,860,798
Right-of-use assets – operating leases (B)	\$ -	\$ 2,535,035	\$ 2,535,035
Right-of-use assets – financing leases (A)	\$ -	\$ 2,730,413	\$ 2,730,413
<b>Liabilities</b>			
Current portion of long-term debt (A)	\$ 1,582,469	\$ (174,175)	\$ 1,408,294
Current portion of operating lease liabilities (C)	\$ -	\$ 734,003	\$ 734,003
Current portion of financing lease liabilities (A)	\$ -	\$ 721,004	\$ 721,004
Long-term debt, net (A)	\$ 67,411,653	\$ (879,370)	\$ 66,532,283
Long-term operating lease liabilities (C)	\$ -	\$ 1,801,032	\$ 1,801,032
Long-term financing lease liabilities (A)	\$ -	\$ 2,168,647	\$ 2,168,647

(A) The adjustment represents the derecognition of financing obligations and reclassification to ROU – finance leases, including previously unrecognized net property and equipment of \$1,707,009, which combined with previously recognized net property and equipment of \$1,023,404 totaled \$2,730,413 of ROU assets – financing leases; and previously unrecognized long-term debt of \$1,836,106 combined with previously recognized long-term debt of \$1,053,545 totaled \$2,889,651 of financing lease liabilities.

(B) The adjustment represents the capitalization of ROU assets – operating leases.

(C) The adjustment represents the recognition of operating lease liabilities.

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***Accounting Policies***

The Medical Center determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the consolidated balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Medical Center determines lease classification as operating or finance at the lease commencement date.

The Medical Center combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office space leasing and equipment.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent and lease incentives. The Medical Center has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Medical Center is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Medical Center has elected not to record leases with an initial term of 12 months or less on the consolidated balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

***Nature of Leases***

The Medical Center has entered into the following lease arrangements:

*Finance Leases*

These leases mainly consist of equipment, etc. for the use of the Medical Center. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

*Operating Leases*

The Medical Center leases physician office space for various physician practices that expire in various years through 2025. These leases generally contain renewal options for periods ranging from one to five years and requires the Medical Center to pay all executory costs (property taxes, maintenance and insurance). Certain lease agreements have an escalating fee schedule for lease payments based upon the greater of 2% or the consumer price index each year. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

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The Medical Center leases warehouse space that expires in 2021. The lease contains a renewal options for an additional five years and requires the Medical Center to pay all executory costs (property taxes, maintenance and insurance). Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

The Medical Center utilizes equipment through leases that expire in various years through 2023.

*All Leases*

The Medical Center has no material related-party leases.

As of December 31, 2019, the Medical Center has entered into an additional operating lease with Kentucky Healthcare Holdings I, LLC, primarily for physician offices space, that has not yet commenced. Estimated annual lease payments are approximately \$1,032,000 plus additional rent for the Medical Center's proportionate share of the lessor's additional construction costs. The lease includes an escalating fee schedule for lease payments at 2.5% each year. The operating lease will commence between fiscal year 2020 and fiscal year 2022 with a lease term of 15 years with two five-year renewal options.

**Quantitative Disclosures**

The lease cost and other required information for the year ended December 31, 2019, are:

	<b>2019</b>
Lease cost	
Finance lease cost	
Amortization of right-of-use assets	\$ 717,036
Interest on lease liabilities	688,042
Operating lease cost	742,815
Total lease cost	\$ 2,147,893
	<b>2019</b>
Other information	
Weighted-average remaining lease term	
Finance leases	4.4 years
Operating leases	3.0 years
Weighted-average discount rate	
Finance leases	4.5%
Operating leases	2.5%

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Future minimum lease payments and reconciliation to the consolidated balance sheet at December 31, 2019, are as follows:

	<b>Finance Leases</b>	<b>Operating Leases</b>
2020	\$ 635,426	\$ 805,075
2021	548,637	593,482
2022	493,762	238,301
2023	313,124	158,627
2024	313,124	114,860
Thereafter	88,840	22,404
Total lease payments to be paid	<u>2,392,913</u>	<u>1,932,749</u>
Less future interest expense	<u>224,339</u>	<u>74,429</u>
Lease liabilities	<u><u>\$ 2,168,574</u></u>	<u><u>\$ 1,858,320</u></u>

**Note 14: 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. There is a hierarchy of 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
- 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

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**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 December 31, 2019 and 2018:

	<b>2019</b>			
	<b>Fair Value</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Money market mutual funds	\$ 17,226,082	\$ 17,226,082	\$ -	\$ -
Negotiable certificates of deposit	\$ 5,782,620	\$ -	\$ 5,782,620	\$ -
Marketable equity securities	\$ 32,732,751	\$ 32,732,751	\$ -	\$ -
Mutual funds – large cap				
U.S. companies	\$ 1,344,479	\$ 1,344,479	\$ -	\$ -
Mutual funds – mid and small cap U.S. companies	\$ 1,215,207	\$ 1,215,207	\$ -	\$ -
Mutual funds – emerging markets and international equities	\$ 802,948	\$ 802,948	\$ -	\$ -
Mutual funds – exchange traded funds	\$ 7,395,405	\$ 7,395,405	\$ -	\$ -
Mutual funds – fixed income	\$ 206,800	\$ 206,800	\$ -	\$ -
Corporate bonds	\$ 1,416,064	\$ -	\$ 1,416,064	\$ -
U.S. Treasury and Government agency obligations	\$ 14,109,072	\$ -	\$ 14,109,072	\$ -

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	2018			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market mutual funds	\$ 14,652,270	\$ 14,652,270	\$ -	\$ -
Negotiable certificates of deposit	\$ 3,529,136	\$ -	\$ 3,529,136	\$ -
Marketable equity securities	\$ 24,240,312	\$ 24,240,312	\$ -	\$ -
Mutual funds – large cap				
U.S. companies	\$ 599,477	\$ 599,477	\$ -	\$ -
Mutual funds – mid and small cap U.S. companies	\$ 1,240,030	\$ 1,240,030	\$ -	\$ -
Mutual funds – emerging markets and international equities	\$ 892,421	\$ 892,421	\$ -	\$ -
Mutual funds – exchange traded funds	\$ 5,861,920	\$ 5,861,920	\$ -	\$ -
Mutual funds – fixed income	\$ 163,179	\$ 163,179	\$ -	\$ -
Corporate bonds	\$ 1,090,837	\$ -	\$ 1,090,837	\$ -
U.S. Treasury and Government agency obligations	\$ 18,921,654	\$ -	\$ 18,921,654	\$ -

Following is a description of the valuation methodologies and inputs used for assets and liabilities 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 and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2019.

**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.

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**Note 15: Endowments (2018, Restated – Note 19)**

The Medical Center’s endowment consists of donor restricted investments to be held in perpetuity, the income of which is restricted for operations of the Medical Center. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Medical Center is subject to the *State of Kentucky Prudent Management of Institutional Funds Act* (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Medical Center’s governing body has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Medical Center considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Medical Center has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. In addition, in accordance with SPMIFA, the Medical Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Medical Center and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Medical Center
7. Investment policies of the Medical Center

The composition of net assets by type of endowment fund at December 31, 2019 and 2018, were:

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds to be maintained in perpetuity	\$ -	\$ 1,304,660	\$ 1,304,660

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	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds to be maintained in perpetuity	\$ -	\$ 1,181,161	\$ 1,181,161
Changes in endowment net assets for the years ended December 31, 2019 and 2018, were:			
	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 1,181,161	\$ 1,181,161
Investment return, net	-	197,048	197,048
Appropriation of endowment assets for expenditure	-	(73,549)	(73,549)
Endowment net assets, end of year	\$ -	\$ 1,304,660	\$ 1,304,660
	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 1,245,729	\$ 1,245,729
Investment return, net	-	(59,845)	(59,845)
Appropriation of endowment assets for expenditure	-	(4,723)	(4,723)
Endowment net assets, end of year	\$ -	\$ 1,181,161	\$ 1,181,161

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level the Medical Center is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA (underwater endowments). At December 31, 2019 and 2018, there were no deficiencies in the donor-restricted endowment fund.

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***Investment Policies***

The Medical Center has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Medical Center must hold in perpetuity. Under the Medical Center's policies, endowment assets are invested in a manner that is intended to adequately support the Medical Center's financial needs while preserving assets for future operations and providing long-term growth of income and principal.

To satisfy its long-term rate of return objectives, the Medical Center relies on a total return strategy in which investment returns are achieved through both current yield (investment income, such as dividends and interest) and capital appreciation (both realized and unrealized). The Medical Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Note 16: Pension Plan**

The Medical Center has a defined contribution pension plan covering substantially all employees. The board annually determines the amount, if any, of the Medical Center's contributions to the plan. Pension expense associated with the plan was approximately \$572,000 and \$413,000 for December 31, 2019 and 2018, respectively.

**Note 17: Significant Estimates and Concentrations**

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

***Variable Consideration***

Estimates of variable consideration in determining the transaction price for patient care service revenue are described in Notes 1 and 2.

***Litigation***

In the normal course of business, the Medical Center 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 Medical Center's commercial insurance, *e.g.*, allegations regarding breach of contracts. The Medical Center 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 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.

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**Medical Malpractice Claims**

Estimates related to the accrual for medical malpractice claims are described in Notes 1 and 11.

**Incurred but Not Reported Employee Health Insurance Claims**

Estimates of incurred but not reported health insurance claims are described in Note 1.

**Note 18: Changes in Accounting Principles – Statement of Cash Flows**

**Restricted Cash**

In 2019, the Medical Center changed its method of accounting for restricted cash and restricted cash equivalents by adopting the provisions of Accounting Standards Update No. 2016-18 (ASU 2016-18), *Statement of Cash Flows (Topic 230): Restricted Cash*. The new accounting guidance in ASU 2016-18 requires balances generally described as restricted cash or restricted cash equivalents to be included with cash and cash equivalents when reconciling beginning and end of the period balances on the statement of cash flows.

The changes for restricted cash was applied retrospectively to all periods presented which resulted in the following changes within the consolidated statement of cash flows:

	<b>December 31, 2018</b>		
	<b>As Restated Note 19</b>	<b>Adoption Impact</b>	<b>As Adjusted</b>
<b>Investing Activities</b>			
Purchase of investments	\$ (20,306,889)	\$ 655,670	\$ (19,651,219)
Net cash used in investing activities	\$ (8,582,363)	\$ 655,670	\$ (7,926,693)
<b>Increase in Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents</b>			
	\$ 3,240,370	\$ 655,670	\$ 3,896,040
<b>Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, Beginning of Year</b>			
	\$ 8,301,140	\$ 12,621,111	\$ 20,922,251
<b>Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, End of Year</b>			
	\$ 11,541,510	\$ 13,276,871	\$ 24,818,381
<b>Supplemental Cash Flows Information</b>			
Cash and cash equivalents	\$ -	\$ 11,541,510	\$ 11,541,510
Cash held in assets limited as to use	\$ -	\$ 13,276,871	\$ 13,276,871
Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	\$ -	\$ 24,818,381	\$ 24,818,381

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***Classification of Certain Cash Receipts and Cash Payments***

In 2019, the Company changed its method of presentation and classification for certain cash flow transactions by adopting the provisions of ASU No. 2016-15 (ASU 2016-05), *Classification of Certain Cash Receipts and Cash Payments*. The new accounting guidance in ASU 2016-15 provides clarification on presentation and classification requirements on certain cash flow transactions where previous accounting guidance is either unclear or does not provide specific guidance. There was no impact to the consolidated statements of cash flows related to the adoption of ASU 2016-05.

**Note 19: Restatements of Prior Year's Consolidated Financial Statements**

The Medical Center's prior year's consolidated financial statements have been restated to consolidate Physician's Holdings, LLC in accordance with ASC 958-810-25-8, add required endowed asset disclosures and to correct the allocation of employee benefit expenses within the functional expense footnote.

Physician's Holdings, LLC was previously accounted for under the equity method of accounting in the consolidated financial statements of the Medical Center. The restatement related to the consolidation of Physician's Holdings, LLC also required the addition of disclosures related to the noncontrolling interest as a result of consolidation, see Note 1.

The Medical Center's consolidated financial statements have also been revised for an error correction relating to required disclosure of its endowed assets. The 2018 consolidated financial statements did not have required disclosures pertaining to these endowed investments. Note 15 has been included in 2019 to disclose the comparable 2018 information. These restated disclosures had no impact on the consolidated financial statements as previously reported.

The functional expense note as previously reported contained an error with respect to the allocation of employee benefit expenses between the acute health care services program and general and administrative expenses. This revised allocation did not impact the total expenses reported.

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The following consolidated financial statement line items and note disclosures were affected by the consolidation of Physician's Holdings, LLC and the allocation of employee benefit expenses within the functional expense note.

	<b>December 31, 2018</b>		
	<b>Consolidated Balance Sheet</b>		
	<b>As Restated</b>	<b>As Previously Reported</b>	<b>Effect of Change</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 11,541,510	\$ 11,393,221	\$ 148,289
Total current assets	\$ 73,513,002	\$ 73,364,713	\$ 148,289
Property and equipment, at cost – buildings and improvements	\$ 101,673,733	\$ 97,985,240	\$ 3,688,493
Property and equipment, at cost – less accumulated depreciation	\$ 108,035,714	\$ 107,075,017	\$ 960,697
Property and equipment, at cost	\$ 63,884,202	\$ 61,156,406	\$ 2,727,796
Other assets – other	\$ 3,714,471	\$ 5,290,499	\$ (1,576,028)
Total other assets	\$ 3,908,221	\$ 5,484,249	\$ (1,576,028)
Total assets	\$ 169,025,789	\$ 167,725,732	\$ 1,300,057
<b>Liabilities and Net Assets</b>			
Current maturities of long-term debt	\$ 1,582,469	\$ 1,475,240	\$ 107,229
Accrued expenses	\$ 7,538,493	\$ 7,534,599	\$ 3,894
Total current liabilities	\$ 19,460,817	\$ 19,349,694	\$ 111,123
Total liabilities	\$ 94,895,080	\$ 94,783,957	\$ 111,123
Net assets without donor restrictions – Noncontrolling interest	\$ 1,188,934	\$ -	\$ 1,188,934
Total net assets	\$ 74,130,709	\$ 72,941,775	\$ 1,188,934
Total liabilities and net assets	\$ 169,025,789	\$ 167,725,732	\$ 1,300,057

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	<b>Year Ended December 31, 2018</b>		
	<b>Consolidated Statement of Operations and Changes in Net Assets</b>		
	<b>As Restated</b>	<b>As Previously Reported</b>	<b>Effect of Change</b>
<b>Revenues, Gains and Other Support Without Donor Support</b>			
Other	\$ 1,084,005	\$ 1,111,277	\$ (27,272)
Total unrestricted revenues, gains and other support	\$ 127,118,766	\$ 127,146,038	\$ (27,272)
<b>Expenses</b>			
Purchased services and professional fees	\$ 15,371,516	\$ 15,368,176	\$ 3,340
Leases and rentals	\$ 2,309,690	\$ 2,868,766	\$ (559,076)
Depreciation and amortization	\$ 6,132,789	\$ 6,038,213	\$ 94,576
Interest	\$ 3,944,659	\$ 3,932,364	\$ 12,295
Other	\$ 6,176,047	\$ 6,137,182	\$ 38,865
Total expenses	\$ 126,111,479	\$ 126,521,479	\$ (410,000)
<b>Operating Income</b>	\$ 1,007,287	\$ 624,559	\$ 382,728
Investment return	\$ (1,576,495)	\$ (1,579,102)	\$ 2,607
Other income (expense) – other	\$ 347,075	\$ -	\$ 347,075
Other income (expense) – gain on investment in equity investee	\$ -	\$ 566,716	\$ (566,716)
Total other income (expense)	\$ (1,229,420)	\$ (1,012,386)	\$ (217,034)
<b>Excess (Deficiency) of Revenues over Expenses</b>	\$ (222,133)	\$ (387,827)	\$ 165,694
Distribution to noncontrolling interest	\$ (100,190)	\$ -	\$ (100,190)
<b>Increase (Decrease) in Net Assets Without Donor Restrictions</b>	\$ (322,323)	\$ (387,827)	\$ 65,504
<b>Change in Net Assets</b>	\$ (386,949)	\$ (452,453)	\$ 65,504
<b>Net Assets, Beginning of Year</b>	\$ 74,517,658	\$ 73,394,228	\$ 1,123,430
<b>Net Assets, End of Year</b>	\$ 74,130,709	\$ 72,941,775	\$ 1,188,934

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	<b>Year Ended December 31, 2018</b>		
	<b>Consolidated Statement of Cash Flows</b>		
	<b>As Restated</b>	<b>As Previously Reported</b>	<b>Effect of Change</b>
<b>Operating Activities</b>			
Change in net assets	\$ (386,949)	\$ (452,453)	\$ 65,504
Depreciation	\$ 6,132,789	\$ 6,038,213	\$ 94,576
Gain on investment in equity investee	\$ -	\$ (566,716)	\$ 566,716
Distribution to noncontrolling interest	\$ 100,190	\$ -	\$ 100,190
Changes in other assets	\$ 2,039,111	\$ 2,385,046	\$ (345,935)
Accounts payable, accrued expenses, deferred revenue and other current and noncurrent liabilities	\$ 2,085,520	\$ 2,083,763	\$ 1,757
Net cash provided by operating activities	\$ 13,474,268	\$ 12,991,460	\$ 482,808
<b>Investing Activities</b>			
Distribution from investment in equity investees	\$ -	\$ 133,950	\$ (133,950)
Net cash used in financing activities	\$ (8,582,363)	\$ (8,448,413)	\$ (133,950)
<b>Financing Activities</b>			
Principal payments on long-term debt	\$ (1,551,345)	\$ (1,304,117)	\$ (247,228)
Distribution to noncontrolling interest	\$ (100,190)	\$ -	\$ (100,190)
Net cash used in financing activities	\$ (1,651,535)	\$ (1,304,117)	\$ (347,418)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 3,240,370</b>	<b>\$ 3,238,930</b>	<b>\$ 1,440</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>\$ 8,301,140</b>	<b>\$ 8,154,291</b>	<b>\$ 146,849</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 11,541,510</b>	<b>\$ 11,393,221</b>	<b>\$ 148,289</b>
<b>Supplemental Cash Flows Information</b>			
Interest paid	\$ 3,955,284	\$ 3,942,989	\$ 12,295
Property and equipment included in accounts payable	\$ 158,847	\$ (227,350)	\$ 386,197

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	<b>Year Ended December 31, 2018</b>		
	<b>Note 4 – Functional Expenses</b>		
	<b>As Restated</b>	<b>As Previously Reported</b>	<b>Effect of Change</b>
<b>Health Care Services – Acute</b>			
Employee benefits	\$ 6,517,034	\$ 1,326,656	\$ 5,190,378
Purchased services and professional fees	\$ 9,114,515	\$ 9,111,175	\$ 3,340
Leases and rentals	\$ 1,441,060	\$ 2,000,136	\$ (559,076)
Depreciation and amortization	\$ 5,966,277	\$ 5,871,701	\$ 94,576
Interest	\$ 3,944,659	\$ 3,932,364	\$ 12,295
Other	\$ 328,831	\$ 289,966	\$ 38,865
Total expenses	\$ 83,148,873	\$ 78,368,495	\$ 4,780,378
<b>Support Services – General and Administrative</b>			
Employee benefits	\$ 1,266,995	\$ 6,457,373	\$ (5,190,378)
Total expenses	\$ 24,865,351	\$ 30,055,729	\$ (5,190,378)
<b>Total</b>			
Purchased services and professional fees	\$ 15,371,516	\$ 15,368,176	\$ 3,340
Leases and rentals	\$ 2,309,690	\$ 2,868,766	\$ (559,076)
Depreciation and amortization	\$ 6,132,789	\$ 6,038,213	\$ 94,576
Interest	\$ 3,944,659	\$ 3,932,364	\$ 12,295
Other	\$ 6,176,047	\$ 6,137,182	\$ 38,865
Total expenses	\$ 126,111,479	\$ 126,521,479	\$ (410,000)

	<b>Year Ended December 31, 2018</b>		
	<b>Note 7 – Investments and Investment Return</b>		
	<b>As Restated</b>	<b>As Previously Reported</b>	<b>Effect of Change</b>
<b>Investment Return Composition</b>			
Interest and dividend income	\$ 1,878,832	\$ 1,876,225	\$ 2,607
Total investment return	\$ (1,641,121)	\$ (1,643,728)	\$ 2,607
<b>Investment Return in the Consolidated Statement of Operations and Changes in Net Assets</b>			
Net assets without donor restrictions			
Other nonoperating income (expenses)	\$ (1,576,495)	\$ (1,579,102)	\$ 2,607
Total investment return	\$ (1,641,121)	\$ (1,643,728)	\$ 2,607

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<b>December 31, 2018</b>			
<b>Note 8 – Liquidity and Availability</b>			
	<b>As Restated</b>	<b>As Previously Reported</b>	<b>Effect of Change</b>
Cash and cash equivalents	\$ 11,541,510	\$ 11,393,221	\$ 148,289
Total financial assets	\$ 98,303,022	\$ 98,154,733	\$ 148,289
Financial assets available to meet general expenditures within one year	\$ 70,582,658	\$ 70,434,369	\$ 148,289

<b>December 31, 2018</b>			
<b>Note 12 – Long-Term Debt</b>			
	<b>As Restated</b>	<b>As Previously Reported</b>	<b>Effect of Change</b>
Other note payable	\$ 107,229	\$ -	\$ 107,229
Total long-term debt	\$ 70,833,011	\$ 70,725,782	\$ 107,229
Less current maturities	\$ 1,582,469	\$ 1,475,240	\$ 107,229

**Note 20: Subsequent Events**

There has been significant volatility in the investment markets both nationally and globally since December 31, 2019, resulting in an overall market decline ,which has resulted in a substantial decline in the value of our investment portfolio.

Subsequent events have been evaluated through March 19, 2020, which is the date the consolidated financial statements were issued.