CAMC Health System, Inc. and Subsidiaries

Consolidated Financial Statements and
Other Additional Financial Information as of and for
the Years Ended December 31, 2019 and 2018, and
Independent Auditors' Report

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CAMC Health System, Inc.:

We have audited the accompanying consolidated financial statements of CAMC Health System, Inc. and its subsidiaries (the "System"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 System'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 System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CAMC Health System, Inc. and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Additional Financial Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The other additional financial information listed in the table of contents on pages 42–49 are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. This other additional financial information is the responsibility of the System's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

April 10, 2020

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2019 AND 2018
(In thousands)

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 35,791	$ 39,932
Short-term investments	92,771	121,816
Current portion of assets limited as to use	10,000	5,700
Patient receivables	227,352	162,878
Other receivables	28,258	11,662
Estimated amounts due from third-party payors	24,534	35,493
Inventories	21,207	20,889
Prepaid expenses and other	25,708	24,725
Total current assets	465,621	423,095
ASSETS LIMITED AS TO USE	418,983	333,236
PROPERTY, EQUIPMENT, AND INFORMATION SYSTEMS—Net	393,162	398,055
RIGHT OF USE ASSETS—Operating leases	13,873	-
OTHER ASSETS	4,098	4,552
TOTAL	$1,295,737	$1,158,938

(Continued)

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2019 AND 2018
(In thousands)

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 97,939	$ 71,226
Self-insurance reserves	10,000	5,700
Derivative obligation	28,178	21,556
Accrued payroll and payroll-related expenses	65,526	66,870
Estimated amounts due to third-party payors	14,141	13,736
Operating lease liabilities	2,777	-
Current maturities of long-term debt and finance lease obligations	9,429	13,818
Total current liabilities	227,990	192,906
LONG-TERM LIABILITIES:		
Long-term debt and finance lease obligations—less current maturities	345,575	339,263
Long-term operating lease liabilities	10,893	-
Retirement obligations	9,480	7,886
Self-insurance reserves	10,368	25,662
Other	9,622	9,367
Total long-term liabilities	385,938	382,178
Total liabilities	613,928	575,084
NET ASSETS:		
Without donor restrictions	602,244	514,830
Noncontrolling interest in joint ventures	301	461
Without donor restrictions—total	602,545	515,291
With donor restrictions	79,264	68,563
Total net assets	681,809	583,854
TOTAL	$1,295,737	$1,158,938

See notes to consolidated financial statements. (Concluded)

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	2019	2018
UNRESTRICTED REVENUE AND OTHER SUPPORT:		
Net patient service revenues	$1,150,234	$1,067,181
Other revenue	73,116	56,907
Investment income (loss)—net	63,313	(14,231)
Net assets released from restrictions	2,580	3,364
Total unrestricted revenue and other support	1,289,243	1,113,221
EXPENSES:		
Salaries and wages	479,929	459,055
Employee benefits	138,734	120,480
Professional compensation and fees	25,393	24,640
Supplies and other	461,446	419,455
Depreciation and amortization	44,141	43,205
Medicaid provider tax	31,203	30,324
Interest and debt expense	16,714	16,159
Change in fair value of derivatives	5,561	(3,979)
Total expenses	1,203,121	1,109,339
EXCESS OF REVENUES OVER EXPENSES—Controlling and noncontrolling interest	86,122	3,882
(EXCESS) DEFICIENCY OF REVENUES OVER EXPENSES—Noncontrolling interest	(128)	111
EXCESS OF REVENUES OVER EXPENSES—Net of noncontrolling interest	$ 85,994	$ 3,993

See notes to consolidated financial statements.

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	2019	2018
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Excess of revenue over expenses—controlling and noncontrolling interest	$ 86,122	$ 3,882
Change in retirement obligations actuarial loss and prior service cost	(95)	(436)
Contributions for capital expenditures	1,597	516
Endowment fund reclass	128	-
Assets released from restrictions for capital expenditures	36	2,000
Equity transactions with noncontrolling interest	(534)	(168)
Increase in net assets without donor restrictions	87,254	5,794
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	3,656	5,456
Investment income (loss)—net	12,144	(2,739)
Fund transfer	(2,483)	-
Net assets released from restrictions for capital expenditures	(36)	(2,000)
Net assets released from restrictions for programs	(2,580)	(3,364)
Increase (decrease) in net assets with donor restrictions	10,701	(2,647)
INCREASE IN NET ASSETS	97,955	3,147
NET ASSETS—Beginning of year	583,854	580,707
NET ASSETS—End of year	$ 681,809	$ 583,854

See notes to consolidated financial statements.

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands)

	2019	2018
OPERATING ACTIVITIES:		
Increase in net assets	$ 97,955	$ 3,147
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Change in fair value of derivatives	5,561	(3,979)
Gain on disposal of fixed assets	(782)	(36)
Change in retirement obligations actuarial loss and prior service cost	95	436
Depreciation and amortization	44,141	43,205
Realized and unrealized (gain) loss on investments	(52,538)	24,551
Net restricted contributions and investment income	(15,800)	(2,717)
Equity transactions with noncontrolling interest	534	168
Loss on refinancing	1,998	-
Other	(1,678)	-
Changes in assets and liabilities:		
Patient receivables	(64,474)	17,756
Other receivables	(16,596)	7,502
Short-term investments	44,420	(43,681)
Inventories, prepaid expenses, and other	214	(1,625)
Estimated amounts due to (from) third-party payors	11,364	6,561
Accounts payable and accrued expenses	31,155	(15,556)
Accrued payroll and payroll-related expenses	(1,344)	14,324
Other liabilities	(13,540)	(1,216)
Net cash provided by operating activities	70,685	48,840
INVESTING ACTIVITIES:		
Capital expenditures	(38,608)	(30,283)
Purchases of limited as to use investments	(174,778)	(137,719)
Proceeds from sales of limited as to use investments	155,234	124,906
Net cash used in investing activities	(58,152)	(43,096)
FINANCING ACTIVITIES:		
Principal payments on debt obligations and finance lease obligations	(117,183)	(14,501)
Proceeds from debt issuance	119,869	-
Debt issuance costs	(1,286)	-
Repayments under lines of credit	(3,731)	(3,430)
Borrowings under lines of credit	3,731	3,430
Equity transactions with noncontrolling interest	(534)	(168)
Net restricted contributions and investment income	15,800	2,717
Net cash provided by (used in) financing activities	16,666	(11,952)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS	29,199	(6,208)
CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS—Beginning of year	51,392	57,600
CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS—End of year	$ 80,591	$ 51,392
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 14,108	$ 14,469
Capital expenditures remaining in accounts payable at year-end	$ 945	$ 1,087

See notes to consolidated financial statements.

1. ORGANIZATION

CAMC Health System, Inc. (the "Parent") is a West Virginia nonprofit corporation that the Internal Revenue Service (IRS) has determined is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). As the parent holding company, the Parent provides general guidance and strategic direction and is the sole corporate member for the following subsidiaries (collectively, the "System"):

Charleston Area Medical Center, Inc. (CAMC)—A West Virginia nonprofit corporation that owns and operates the General, Memorial, and Women and Children's Hospitals, located in Kanawha County, West Virginia and Teays Valley Hospital ("CAMC Teays") located in Putnam County, West Virginia. CAMC is a member in two medical office building limited liability companies ("LLCs"), each organized as limited liability corporations. CAMC owns a 79.9% interest in the General Division Medical Office Building LLC and a 96.1% interest in the Women and Children's Medical Office Building LLC at December 31, 2019, which increased from a 90.4% interest at December 31, 2018. The residual interest is reflected as noncontrolling interest in the consolidated financial statements.

CAMC Health Network, LLC (the "Health Network") d/b/a West Virginia Health Network—In 2018, the Health Network was formed as a sole member LLC, with CAMC as its sole member. It is a disregarded entity for federal income tax purposes and takes on the tax characteristics of its sole member, which is a Section 501(c)(3) organization. The Health Network began operating in 2019.

CAMC Foundation, Inc. (the "Foundation")—A West Virginia nonprofit corporation established for the purpose of raising funds for CAMC.

CAMC Health Education and Research Institute, Inc. (the "Institute")—A West Virginia nonprofit corporation established for the purpose of managing, promoting, and conducting medical education and research programs.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The accompanying consolidated financial statements include the accounts of the Parent and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

Investments in companies in which the System owns 20% to 50% of the voting interest and has the ability to exercise significant influence over operating and financial policies of the investee are accounted for using the equity method of accounting. As a result, the System's share of the earnings or losses of such equity affiliates is included in the accompanying consolidated statements of operations and the System's share of these companies' shareholders' equity is included in investments in the accompanying consolidated balance sheets. The investment balances and equity earnings were not material in 2019 or 2018.

Cash and Cash Equivalents and Short-Term Investments—Cash and cash equivalents represent cash and temporary investments with original maturities of three months or less. Cash and cash equivalents exclude cash maintained in board-designated, restricted, self-insurance, and trustee-held funds. Short-term investments represent investments that management has identified as available to meet current operating needs. Short-term investments are stated at fair value.

The Parent and its subsidiaries maintain certain cash balances with banks that exceed the amounts insured by the Federal Deposit Insurance Corporation.

Net Patient Service Revenues—Net patient service revenues are derived primarily from patients who reside in West Virginia and surrounding states, principally covered by Medicare, Medicaid, managed care, and other health plans, as well as uninsured patients and other uninsured discount and charity programs. We report net patient service revenues at the amounts that reflect the consideration to which we expect to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including managed care payors and government programs) and others, and they include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, we bill our patients and third-party payors several days after the services are performed or shortly after discharge. Revenues are recognized as performance obligations are satisfied by transferring our services to our customers.

We determine performance obligations based on the nature of the services we provide. We recognize revenues for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. We believe that this method provides a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving inpatient acute care services. We measure performance obligations from admission to the point where there are no further services required for the patient, which is generally the time of discharge. We recognize revenues for performance obligations satisfied at a point in time, which generally relate to patients receiving outpatient services, when: (1) services are provided and (2) we do not believe the patient requires additional services.

Because our patient service performance obligations relate to contracts with a duration of less than one year, we have elected to apply the optional practical expedient method and, therefore, we are 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.

Gross patient service revenue is recognized based on the System's standard billing rates. Gross patient service billings are reduced to "net patient service revenues" through (1) a provision for contractual adjustments for patients who have third-party coverage with contracted rates less than standard billed charges for the services rendered, including federal and state indemnity and managed care programs and commercial insurance and (2) a provision for patients who meet the charity care criteria and are provided services at amounts less than the established rates. We determine our estimates of contractual adjustments and discounts based on contractual agreements, our discount policies, and historical experience. We determine our estimate of implicit price concessions based on our historical collection experience with these classes of patients using a portfolio approach as a practical expedient method to account for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient method are not materially different from an individual contract approach.

The System has agreements with third-party payors that provide for payments at amounts that differ from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare—Payment for inpatient acute care services rendered to Medicare program beneficiaries and associated medical education, disproportionate share hospital (DSH), and capital cost reimbursement are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed at prospectively determined rates per visit based primarily on an ambulatory payment classification. Some inpatient nonacute services, certain outpatient services, and a percentage of bad debt costs related to Medicare beneficiaries are substantially paid based on a cost reimbursement methodology. Other amounts related to interns and residents and DSH are paid based on formulas as defined in the Medicare regulations. The System is paid for cost reimbursable items, interns, and residents and DSH at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. Classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Medicare program.

The Medicare cost reports for CAMC have been audited by the Medicare fiscal intermediary through December 31, 2013, and for CAMC Teays through February 28, 2014.

Medicaid—Payments for inpatient services rendered to Medicaid program beneficiaries are primarily reimbursed on a prospective payment system per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed primarily at prospectively determined rates per visit based on a fee schedule with no retrospective adjustment.

Public Employees' Insurance Agency (PEIA)—Inpatient services rendered to PEIA subscribers are reimbursed on a prospective payment system. Outpatient services rendered to PEIA subscribers are reimbursed based on a fee schedule with no retroactive adjustment.

Other—The System has also entered into payment agreements with certain commercial insurance carriers, preferred provider organizations (PPO), and health maintenance organizations (HMO). Payment under the commercial, HMO, and PPO arrangements are primarily based on a percentage of charges.

Medicaid-Directed Payment Program (DPP)-Expanded Medicaid Population—The Patient Protection and Affordable Care Act allowed states to expand eligibility for Medicaid medical benefits effective January 1, 2014. West Virginia expanded Medicaid eligibility effective January 1, 2014, in a Medicaid fee-for-service environment through August 31, 2015. Effective September 1, 2015, beneficiaries of the expanded Medicaid population were transitioned to Medicaid managed care. These beneficiaries of the expanded population can be eligible for supplemental DPP reimbursement. West Virginia began working with the Centers for Medicare & Medicaid Services (CMS) to secure supplemental DPP reimbursement effective January 1, 2014.

The System recognized as a component of net patient service revenue for the years ended December 31, 2019 and 2018, $30,296 and $40,620, respectively, related to the DPP program. Supplemental payments for the Medicaid population have been extended for the West Virginia fiscal year ending June 30, 2021.

Medicaid-Enhanced Payment Programs—Under the West Virginia Medicaid-Enhanced Payment Programs, the methodology utilized in determining payments is based on the West Virginia State Plans approved on May 15, 2006. The methodology utilizes the following four payment groups: Urban, rural, tertiary safety net, and rural safety net, and the amounts are currently assigned and approved by CMS.

Allowance for Contractual Adjustments—Payments received under the reimbursement arrangements with Medicare and Medicaid are subject to retroactive audit and adjustment. Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care using the most likely outcome method. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and our 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 (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Settlement of prior-year cost reports and revisions to other prior-year settlement estimates decreased net patient service revenue by $310 and $46 in 2019 and 2018, respectively.

Laws and regulations governing these programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimated settlements will change by a material amount in the near term. Management believes that adequate provisions have been made for reasonable adjustments that may result from such final settlements. Management believes it is in substantial compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Generally, patients who are covered by third-party payors are responsible for related co-pays, coinsurance, and deductibles, which vary in amount. We also provide services to uninsured patients and offer uninsured patients a discount from standard charges. We estimate the transaction price for patients with co-pays, coinsurance, and deductibles and for those who are uninsured based on historical collection experience and current market conditions. Under our charity care program, the discount offered to certain uninsured patients is recognized as a charity allowance, which reduces net patient service revenues at the time the self-pay accounts are recorded. The uninsured patient accounts, net of contractual allowances recorded, are further reduced to their net realizable value at the time they are recorded through implicit price concessions based on historical collection trends for self-pay accounts. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenues in the period of the change.

Patient Receivables—When we have an unconditional right to payment, subject only to the passage of time, the right is treated as a receivable. Patient receivables, including billed accounts and unbilled accounts for which we have the unconditional right to payment, and estimated amounts due from third-party payors for retroactive adjustments, are receivables if our right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. The estimated uncollectible amounts are generally considered implicit price concessions that are a direct reduction to patient accounts receivable. For changes in credit issues not assessed at the date of service, the System will prospectively recognize those amounts in operating expenses in the consolidated statements of operations. The provision for doubtful accounts was immaterial as of December 31, 2019 and 2018.

Contract Assets—Amounts related to services provided to patients for which we have not billed and that do not meet the conditions of unconditional right to payment at the end of the reporting period are contract assets. Our contract assets consist primarily of services that we have provided to patients who are still receiving inpatient care in our facilities at the end of the reporting period. Contract assets are included in prepaids and other in the accompanying consolidated balance sheets.

Inventories—Inventories represent supplies that are valued at the lower of cost or net realizable value on a first-in, first-out basis.

Assets Limited as to Use and Investments—Assets limited as to use primarily include assets held by trustees under indenture and other agreements, designated assets set aside by the board of trustees, self-insurance funds, and donor-restricted assets. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk and market uncertainty associated with certain investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying consolidated financial statements.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and are classified as trading securities. Investment income or loss (including realized gains and losses, interest, dividends, and unrealized gains and losses) is included in unrestricted investment income or loss, unless the income or loss is restricted by donor or law.

The System invests in alternative investments that primarily represent ownership in limited partnerships that invest in hedge funds, real asset funds, and private equity/venture capital funds. In order to liquidate such investments, management is required to provide notice ranging from 45 to 90 days to withdraw from the partnerships and in certain cases may only withdraw from the partnership quarterly or annually. There are no unfunded commitments. Substantially, all of the System’s alternative investments are redeemable at net asset value per ownership unit or its equivalent. Fair value for alternative investments is based on the net asset value per ownership unit, as published and determined by the fund manager at least quarterly using the estimated fair value of the underlying investments.

The System’s alternative investments are accounted for utilizing the cost or equity method as the System’s actual or effective ownership percentage is less than 5%, and the System has virtually no influence over the partnership’s operating and financial policies. Alternative investments consist of the following at December 31, 2019 and 2018:

	2019		2018	
	Recorded Value	**Fair Value**	**Recorded Value**	**Fair Value**
Included within assets limited as to use	$9,027	$10,434	$1,848	$2,974

The System’s investment policy establishes reasonable expectations, objectives, and guidelines; sets forth an investment structure detailing permitted asset classes and expected allocation among asset classes; encourages effective communication; and creates a framework for a well-diversified asset mix, which can be expected to generate acceptable long-term returns at a level of risk suitable to the investment committee. The System’s investments are pooled to obtain maximum use of funds and higher interest rates. Investment income from this pool is allocated to net assets without donor restrictions and net assets with donor restrictions based on the percentage of total investments.

Derivatives—CAMC has entered into interest rate swap agreements in connection with its debt management program. CAMC records its derivative instruments as either assets or liabilities in the accompanying consolidated balance sheets at fair value. None of CAMC’s current derivatives are designated as an accounting hedge and the asset or liability is presented as current as CAMC has the right to settle the agreements prior to expiration and periodically evaluates the interest rate environment to determine if the agreements are consistent with its debt management program.

Property, Equipment, and Information Systems—Amounts capitalized as part of property, equipment, and information systems, including additions and improvements to existing facilities, are recorded at acquisition cost. Property, equipment, and information systems consisted of the following:

	2019	**2018**
Land	$ 51,997	$ 51,479
Buildings and improvements	545,864	538,146
Equipment and information systems	586,456	605,721
Construction in progress	11,471	6,617
Total property, equipment, and information systems	1,195,788	1,201,963
Less accumulated depreciation and amortization	(802,626)	(803,908)
Property, equipment, and information systems—net	$ 393,162	$ 398,055

Finance lease right-of-use (ROU) assets included in property, equipment, and information systems in the accompanying consolidated balance sheets are $12,977 and $12,977, net of $9,027 and $7,620 of accumulated amortization, as of December 31, 2019 and 2018, respectively.

During 2019 and 2018, approximately $702 and $483, respectively, of internal labor costs were capitalized. There was no interest capitalized during 2019 or 2018.

Depreciation, including amortization of ROU assets recorded under finance leases, is recorded using the straight-line method over the estimated useful lives of the aggregate building components and improvements (generally 10 to 45 years). Upon retirement or disposal, the asset and accumulated depreciation accounts are adjusted, and any gain or loss is recorded in the consolidated statements of operations. Maintenance costs and repairs are expensed as incurred. Depreciation expense was $44,141 and $43,205 for the years ended December 31, 2019 and 2018, respectively.

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Any write-downs due to impairment are charged to operations at the time impairment is identified.

Intangible Assets—Intangible assets are reviewed for impairment if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of comparison of the undiscounted cash flows of the intangible asset with its carrying amount. If such undiscounted cash flows are less than the carrying amount, the fair value of the intangible asset is determined and the carrying value is adjusted through an impairment charge to such fair value.

Deferred Financing Costs—Costs related to long-term financing, presented within the consolidated balance sheets as a direct reduction to the related debt liability, are being amortized over the life of the bonds. The carrying value of deferred financing costs was $3,246 and $3,203 as of December 31, 2019 and 2018, respectively.

Net Assets Without Donor Restrictions—Net assets without donor restrictions represent net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the System. These net assets may be used at the discretion of the System's management and the board of directors (the "Board"). Quasi endowments are primarily for buildings and equipment ($128,141 and $107,722 for 2019 and 2018, respectively), scholarships and education ($47,039 and $41,590 for 2019 and 2018, respectively), patient-related programs ($5,439 and $4,365 for 2019 and 2018, respectively), and various other health care-related programs ($1,249 and $832 for 2019 and 2018, respectively).

Net assets without donor restrictions as of December 31, 2019 and 2018, are as follows:

	2019	**2018**
Undesignated	$420,677	$360,782
Quasi endowment	181,868	154,509
Total	$602,545	$515,291

Net Assets with Donor Restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the System or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions can primarily be used by specified purpose, for example, attendance at a qualified school for scholarships. Funds of a perpetual duration are $25,789 and $25,055 for 2019 and 2018, respectively.

Net assets with donor restrictions as of December 31, 2019 and 2018, are restricted to the following:

	2019	**2018**
Patient-related projects	$47,156	$40,540
Scholarships and education	16,700	13,819
Various other health care-related activities	15,408	14,204
Total	$79,264	$68,563

Contributions—Contributions are recognized at fair value in the period cash or an unconditional promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. Gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations.

Donor-restricted contributions whose restrictions are met within the same year as received are reported as net assets released from restrictions in the accompanying consolidated financial statements.

Self-Insurance Programs—The System has self-insurance programs for professional malpractice, general liability, unemployment compensation, disability, and employee health insurance, although we maintain a stop-loss coverage with third-party insurers to limit our liability exposure. The estimated self-insurance obligations include a provision for incurred but not reported claims.

Excess of Revenues over Expenses—The consolidated statements of operations 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 contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), equity transactions with noncontrolling interest, and change in retirement obligations actuarial loss and prior-service cost.

Income Taxes—The IRS has determined that CAMC, the Foundation, the Institute, and the Health Network are exempt from income taxes under Section 501(c)(3) of the Code and applicable state statutes. The System does not have any material uncertain tax positions as of December 31, 2019 and 2018. Tax years from 2015 remain open.

Use of Estimates—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the System to make assumptions, estimates, and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The more significant judgments and estimates include the following: recognition of net patient service revenue, which includes contractual allowances; provisions for bad debts and charity care; recorded values of investments; and reserves for losses and expenses related to health care professional and general liability. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates and are recorded in the period in which they are determined.

Recently Issued Accounting Pronouncements—In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* This guidance introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. Financial instruments impacted include accounts receivable, trade receivables, other financial assets measured at amortized cost, and other off-balance-sheet credit exposures. This guidance is effective for the System beginning January 1, 2023, with earlier adoption permitted. The System is currently evaluating the impact that this guidance may have on the consolidated financial statements.

In July 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.* Designed to improve the effectiveness of fair value measurement disclosures, this update modifies existing disclosure requirements on fair value measurements. Current guidance is reflected in *Topic 820, Fair Value Measurement, based on the concepts in FASB Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements, including the consideration of costs and benefits*. This guidance is effective for the System as of January 1, 2020. The adoption of ASU No. 2018-13 is not expected to have a material impact on the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)—Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*. ASU No. 2018-14 updates disclosure requirements to reflect most relevant information and applies to all employers that sponsor defined benefit pension or other postretirement plans. This guidance is effective for the System as of January 1, 2021. The System is evaluating the impact this guidance may have on the consolidated financial statements.

Newly Adopted Accounting Pronouncements—In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. Effective January 1, 2019, we adopted ASU No. 2016-02 using the optional transition method, which allows entities to apply the new standard on the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.

The System's accounting for finance leases remained substantially unchanged from its prior accounting for capital leases. The System elected the package of practical expedients permitted under the transition guidance within the new standard, which allows us to not reassess whether any expired or existing contracts are or contain leases, not reassess the lease classification for any expired or existing leases, and not reassess initial direct costs for any existing leases. The System has not elected the practical expedient to use hindsight to determine the lease term for its leases at transition. Certain of the System's lease agreements have lease and nonlease components. Nonlease components are recorded separately from the lease and not included in the total lease liability. We also elected to exclude leases with an initial term of 12 months or less (the "short-term leases") from the consolidated balance sheet.

The adoption of ASU No. 2016-02 resulted in recognition of operating lease liabilities and related ROU assets in the consolidated balance sheet for leases in effect at January 1, 2019, but the adoption did not have a material impact on the System's consolidated statement of operations or consolidated statement of cash flows. The System recorded approximately $16,077 of operating lease liabilities and related ROU assets on January 1, 2019, upon adoption of ASU No. 2016-02, with no impact on opening net assets.

In February 2016, the FASB issued ASU No. 2016-18, *Restricted Cash*. ASU No. 2016-18 adds and clarifies guidance in the presentation of changes in restricted cash in the statement of cash flows requiring restricted cash to be included with cash and cash equivalents in the consolidated statements of cash flows. This guidance does not provide a definition of restricted cash. The System has retrospectively adopted ASU No. 2016-18 as of January 1, 2019 and applied the provisions to all periods presented. The adoption of ASU No. 2016-18 resulted in an increase to net cash used in investing activities of $5,200 for the year ended December 31, 2018. The following provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents and their classifications reported within the consolidated balance sheets that sum to the total of the same amounts shown in the consolidated statements of cash flows:

	2019	**2018**
Cash and cash equivalents	$35,791	$39,932
Assets limited as to use	44,800	11,460
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	$80,591	$51,392

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,* which provides clarifying guidance on the classification of certain cash receipts and cash payments in order to establish consistent application of principles. The System has retrospectively adopted ASU No. 2016-15 as of January 1, 2019. The adoption of ASU No. 2016-15 did not have a significant impact on the consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The amendments in ASU No. 2017-07 require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the statement of operations separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the statement of operations to present the other components of net benefit cost must be disclosed. The amendments in ASU No. 2017-07 must be applied retrospectively for the presentation of the service cost component and the other components of net periodic benefit cost in the consolidated statements of operations. The System has retrospectively adopted ASU No. 2017-07 as of January 1, 2019 and applied the provisions to all periods presented. As a result of adoption of this ASU, we reclassified $476 and $511 of service cost from employee benefits to salaries and wages in the consolidated statements of operations for the years ended December 31, 2019 and 2018, respectively.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU No. 2018-18 is designed to clarify the scope and accounting guidance for contributions received and contributions made. This update clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The System has prospectively adopted ASU No. 2018-08 as of January 1, 2019. The adoption of ASU No. 2018-08 did not have a significant impact on the consolidated financial statements.

3. REVENUE RECOGNITION

Net Patient Service Revenues—Net patient service revenue for the years ended December 31, 2019 and 2018, by major primary payor sources, is as follows:

	Net Patient Service Revenue			
	2019		2018	
Medicare	$ 371,838	32 %	$ 360,773	34 %
Medicaid	148,364	13	160,397	15
Other government third-party payors	64,028	6	59,805	6
Blue Cross	349,384	30	293,901	27
Commercial and other third-party payors	159,035	14	130,948	12
Self-pay	57,585	5	61,357	6
Total	$1,150,234	100 %	$1,067,181	100 %

Net patient service revenue includes implicit price concessions.

Net patient service revenue for the years ended December 31, 2019 and 2018, consists of the following:

	2019	2018
Gross patient service billings	$ 3,921,380	$ 3,510,216
Charity care allowances	(77,681)	(64,624)
Contractual allowances	(2,735,988)	(2,435,322)
Medicaid-DPP	30,296	40,620
Medicaid-enhanced payment program revenue	11,567	13,950
Medicaid-DSH payment program revenue	660	2,341
Net patient service revenue	$ 1,150,234	$ 1,067,181

Patient Receivables—The approximate percentage of patient receivables, net of allowances for contractual adjustments, charity care, and implicit price concessions, by type of payor, as of December 31, 2019 and 2018, is as follows:

	2019	2018
Blue Cross	28 %	28 %
Medicare	27	29
Commercial and other third-party payors	21	23
Medicaid	11	12
Other government third-party payors	9	4
PEIA	4	4
Total	100 %	100 %

Contract Assets—The opening and closing balances of contract assets are as follows:

	2019	2018
Opening balance—January 1	$11,488	$11,207
Ending balance—December 31	12,283	11,488
Increase	$ 795	$ 281

The increase in the contract asset balances of the year ended December 31, 2019, compared to the year ended December 31, 2018, is due to an increase in patients not discharged. Approximately 95% of our contract assets meet the conditions for unconditional right to payment and are reclassified as patient receivables within 90 days.

Medicaid Provider Tax—During 2019 and 2018, the System recorded $31,203 and $30,324, respectively, related to Medicaid Provider Taxes within the line item Medicaid provider tax in the accompanying consolidated statements of operations. Such taxes include the following:

Medicaid-DPP Program Tax—The West Virginia Department of Tax and Revenue imposes a tax on licensed general acute care hospitals to generate revenue that is used as the state contribution toward drawing down additional federal-matching dollars for Medicaid to enhance current hospital payment rates under the DPP programs. The tax rate increased in 2019 to 0.75% of net patient service revenue from 0.74% of net patient service revenue in 2018.

Broad-Based Health Care-Related Tax—The West Virginia Broad-Based Health Care-Related Tax of 1993 assesses a tax on net patient service revenue at rates varying from 0.35% to 5.00%, depending on the type of services provided.

Other Revenue—Other revenue is derived from ancillary services, which are an integral part of the operations of the System other than providing health care services to patients. Such revenue is recognized when the related service is performed, drugs are dispensed, or in the case of grant revenue, when the System incurs the cost related to the grant's purpose.

4. CHARITY CARE AND COMMUNITY SERVICE BENEFIT

The System provides care to patients who meet certain criteria under the approved charity care policy without charge or at amounts less than the established rates. Because the System does not pursue collection of amounts that are determined to qualify as charity care, they are not reported as net patient service revenue. The System maintains records to identify and monitor the level of charity care it provides. These records include the amount of gross charges forgone for direct patient care, which were $77,681 and $64,624 for the years ended December 31, 2019 and 2018, respectively. The cost associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the patients receiving charity care and amounted to $20,562 and $18,465 for the years ended December 31, 2019 and 2018, respectively.

In addition to the charity care provided for direct patient care, the System provides free and below-cost service and programs for the community. The costs of these services and programs are included in compensation and employee benefits and various other expense line items of the System's consolidated statements of operations.

5. SHORT-TERM INVESTMENTS AND ASSETS LIMITED AS TO USE

Short-term investments and assets limited as to use as of December 31, 2019 and 2018, consist of the following:

	2019	2018
Short-term investments:		
Cash and cash equivalents	$15,157	$ 17,173
Corporate stocks and equity mutual funds	46,602	59,970
Fixed-income securities and mutual funds	31,012	44,673
Total short-term investments	$92,771	$121,816

	2019	2018
Assets limited as to use:		
Self-insurance:		
Cash and cash equivalents	$ 1,093	$ 1,997
US Treasury and US government agency obligations	558	925
Corporate stocks	16,166	18,150
Alternative investments	4,248	1,348
Equity mutual funds	16,857	17,594
Fixed-income securities and mutual funds	7,649	8,299
Total self-insurance	46,571	48,313
Board-designated and restricted funds:		
Cash and cash equivalents	21,152	21,054
US Treasury and US government agency obligations	22,439	15,097
Corporate stocks and equity mutual funds	164,589	148,197
Corporate bonds and fixed-income mutual funds	77,889	65,665
Alternative investments	4,780	500
Total board-designated and restricted funds	290,849	250,513
Trustee-held funds:		
Debt-service reserve fund—cash equivalents and US government agency obligations	-	12,818
Capital improvement fund—cash equivalents	30,249	-
Collateral on derivatives—cash equivalents	21,700	11,460
Other assets:		
Cash equivalents	31,936	7,070
Other fixed income	7,678	8,762
Total trustee-held funds	91,563	40,110
Total assets limited as to use	428,983	338,936
Less current portion	(10,000)	(5,700)
Assets limited as to use—net of current portion	$418,983	$333,236

Board-designated and trustee-held funds consist of the Foundation’s and CAMC’s investments set aside for capital, settlements, debt, and other similar expenditures. Self-insurance assets relate primarily to the malpractice and general liability self-insurance. The Board has also designated the majority of proceeds received from two taxable notes in 2013, as well as proceeds received from the 2019 Bond funds, for use toward future capital projects. Trustee-held investments also include funds set aside for certain obligated group debt-service requirements (see Note 8).

6. LIQUIDITY AND AVAILABILITY

As of December 31, 2019, the System has working capital of $237,631 and average days' (based on normal expenditures divided by total cash and cash equivalent) cash on hand of 109 days.

The table below represents financial assets available for general expenditures within one year as of December 31, 2019:

Financial assets at year-end:	
Cash and cash equivalents	$ 35,791
Patient receivable—net	227,352
Short-term investments	92,771
Assets limited to use:	
Board-designated	211,107
Funds held by trustees	91,563
Donor-restricted	79,742
Pledges receivable—net	604
Total financial assets	738,930
Less amounts not available to be used within one year:	
Board-designated with liquidity horizons greater than one year	(7,521)
Funds held by trustees	(51,809)
Donor-restricted with liquidity horizons greater than one year	(79,742)
Pledges receivable—net	(162)
Financial assets not available to be used within one year	(139,234)
Financial assets available to meet general expenditures within one year	$ 599,696

The System has certain board-designated and donor-restricted assets limited to use, which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. The System has other assets limited to use for donor-restricted purposes, capital improvements, and for the professional and general liability captive insurance program. Additionally, certain other board-designated assets are designated for future capital expenditures and an operating reserve. These assets limited to use, which are more fully described in Note 5, are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

As part of the System's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to an operating reserve, which was $211,107 as of December 31, 2019. This fund established by the board of directors may be drawn upon, if necessary, to meet unexpected liquidity needs.

Additionally, the System maintains a $10,000 line of credit, as discussed in more detail in Note 8. As of December 31, 2019, $10,000 remained available on the System's line of credit.

7. INVESTMENT INCOME (LOSS)

Investment income and unrealized and realized gains and losses on investments for the years ended December 31, 2019 and 2018, are composed of the following:

	2019	2018
Without donor restrictions:		
Interest and dividends	$10,755	$ 10,320
Realized gain on investments—net	3,844	16,239
Net unrealized gain (loss)	48,714	(40,790)
Total without donor restrictions investment income (loss)—net	63,313	(14,231)
With donor restrictions:		
Interest and dividends	2,196	1,842
Realized gain on investments—net	795	2,890
Net unrealized gain (loss)	9,153	(7,471)
Total with donor restrictions investment income (loss)—net	12,144	(2,739)
Net investment income (loss) and realized and unrealized gains and losses on investments	$75,457	$(16,970)

8. LONG-TERM DEBT, FINANCE LEASE OBLIGATIONS, AND DERIVATIVES

Obligations under long-term debt and finance lease obligations as of December 31, 2019 and 2018, consist of the following:

	2019	2018
2019 Series A Bonds	$ 87,985	$ -
2019 Series B Bonds	15,472	-
2014 Series A Bonds	45,625	45,625
2013 Taxable Debt Notes	70,300	72,110
2010 Bank Loan	3,667	4,278
2009 Series A Bonds	-	91,045
2008 Series A Bonds	114,930	117,065
2008 CAMC Teays Bonds	-	16,591
2006 Promissory Note	-	4,124
Finance lease obligations	1,741	3,032
Total	339,720	353,870
Plus unamortized bond premium	18,530	3,434
Less unamortized bond discount	-	(1,020)
Less unamortized issuance costs	(3,246)	(3,203)
Total—net of unamortized discount and premium and debt issuance costs	355,004	353,081
Less current maturities	(9,429)	(13,818)
Total long-term debt and finance lease obligations	$ 345,575	$ 339,263

The fair value of the System's debt obligations was $353,180 and $345,082 as of December 31, 2019 and 2018, respectively, and falls within Level 2 in the fair value hierarchy. In determining the fair value of debt, the System considers its credit standing and does not take into account the credit standing of the financial institution that participated in the issuance of the debt instruments. Additional considerations for valuing the debt include the maturity date and the coupon and yield of the debt instrument.

Obligated Group—CAMC and the Foundation are members of the obligated group (the "Obligated Group") in accordance with the provisions of the 2019 Amended and Restated Master Trust Indenture (the "Indenture") and are jointly and severally liable for the performance of all covenants and obligations contained in the Indenture and in the related notes and guarantees. The 2013 taxable debt notes; 2008 Series A Bonds; 2008 CAMC Teays Bonds; 2009 Series A Bonds; 2014 Series A Bonds; 2019 Series A Bonds; 2019 Series B Bonds; and various notes, lines, and letters of credit are obligations under the Indenture. The Foundation's restricted net assets are not available to satisfy obligations of the Obligated Group. The obligations of the Obligated Group are evidenced and secured by promissory notes issued pursuant to the Indenture dated June 1, 2019, as supplemented from time to time. All notes issued under the Indenture are secured primarily by a security interest in revenue and a deed of trust on the primary hospital facilities.

The Obligated Group is subject to certain restrictive covenants that require, among other items, the Obligated Group to maintain certain financial ratios as defined in the debt agreements and to make certain informational filings with its creditors. The System is currently in compliance with all restrictive covenants.

2019 Series A Bonds—In June 2019, CAMC entered into a loan agreement with the West Virginia Hospital Finance Authority (the "Authority") pursuant to which CAMC borrowed the proceeds of the Authority's $87,985 fixed-rate hospital revenue refunding bonds 2019 Series A. The bonds were issued at a premium of $15,918, which will be amortized to interest and debt expense over the 20-year life of the issue. Interest on the bonds is payable semiannually and principal is payable annually beginning September 2029. The coupon rates of the bonds range from 3.25% to 5.00% depending on maturity.

The proceeds of the 2019 Series A Bonds were used to refund and extinguish the balance of the 2009 Series A Bonds in the principal amount of $86,101 and pay issuance cost of $1,286. As a result of the refunding, CAMC recognized a loss on debt refunding of $1,998, which is reported in interest and debt expense in the consolidated statement of operations for the year ended December 31, 2019.

2019 Series B Bonds—In June 2019, CAMC entered into a loan agreement with the Authority pursuant to which CAMC borrowed the proceeds of the Authority's $16,032 variable-rate revenue bonds. The bonds require the payment of principal and interest monthly through June 19, 2024, to refund the 2008 CAMC Teays Bonds. Principal is amortizing as if the debt is repaying over 14 years in equal monthly installments. On June 19, 2024, a balloon payment is due for the remaining principal and accrued interest. Interest is accrued on a monthly basis. The associated note carries a variable monthly interest rate equal to the adjusted non-bank-qualified London InterBank Offered Rate (LIBOR). As of December 31, 2019, the interest rate was 2.54%.

2014 Series A Bonds—In June 2014, CAMC entered into a loan agreement with the Authority pursuant to which CAMC borrowed the proceeds of the Authority's $45,625 fixed-rate hospital revenue refunding bonds 2014 Series A. The bonds were issued at a premium of $5,046, which will be amortized to interest and debt expense over the 14-year life of the issue. Interest on the bonds is payable semiannually and principal is payable annually beginning September 2024. The coupon rates of the bonds range from 3.5% to 5.0% depending on maturity.

2013 Taxable Debt Notes—On March 22, 2013, CAMC issued and sold $60,000 4.5% taxable Master Note 2013-1 with final maturity on March 14, 2043, utilizing level-debt amortization over 30 years. On May 21, 2013, CAMC issued and sold $20,000 4.02% taxable Master Note 2013-2 with final maturity on March 15, 2038, utilizing level-debt amortization over 25 years. These notes are issued and secured under the Indenture and secured primarily by a security interest in revenue and a deed of trust on the primary hospital facilities.

2010 Bank Loan—In December 2010, CAMC entered into a bank loan agreement for $9,000. Principal and interest are payable in equal monthly installments sufficient to fully amortize the debt in 15 years with the outstanding balance of the note being due and payable in full on December 10, 2015. CAMC refinanced this note on December 10, 2015, with outstanding balance now due in full on December 10, 2020. Interest accrues at a variable rate equal to 30-day LIBOR, plus 1.25%. The rate aggregated to 3.06% as of December 31, 2019.

2009 Series A Bonds—In September 2009, CAMC entered into a loan agreement with the Authority pursuant to which CAMC borrowed the proceeds of the Authority's $179,925 fixed-rate hospital revenue refunding and improvement bonds 2009 Series A. The coupon rates of the bonds range from 3.00% to 5.62% depending on maturity. In aggregate, the bonds sold at a net discount of $2,406, which was being amortized to interest and debt expense over the 23-year life of the issue. Interest on the bonds was payable semiannually and principal was payable annually. Under the terms of the loan agreement, CAMC made monthly loan repayments sufficient in time and amount to enable the Authority to pay the principal of, and the interest on, the Series 2009 bonds. In June 2019, the aggregate outstanding balance of $86,101 of these bonds were called at 100% par and refunded using proceeds from the 2019 Series A Bonds.

2008 Series A Bonds—In June 2008, CAMC entered into a loan agreement with the Authority pursuant to which CAMC borrowed the proceeds of the Authority's $127,355 variable-rate revenue bonds 2008 Series A. The bonds require the payment of principal and interest through September 1, 2037. The bonds are multimodal variable-rate demand obligations supported by a credit enhancement and liquidity facility.

The timely payment of principal and interest on the 2008 Series A Bonds and the purchase price of tendered bonds are secured by an irrevocable, transferable direct pay letter of credit issued by a bank. The letter of credit will expire on June 19, 2024, unless renewed, and may be replaced by a substitute letter of credit. Should any portion of the bonds not remarket, the holders of said bonds may tender them to the bank holding the direct pay letter of credit. Draws on the letter of credit, which cannot be remarketed after 90 days, will begin repayment over 10 years with a balloon payment at the end of five years. There were no draws on the letter of credit in 2019. Interest on the 2008 bonds is variable and can bear interest at a daily rate or a weekly rate as determined by a remarketing agent. Interest accrues at the stated interest rate, which, in the judgment of the remarketing agent under then-existing market conditions, would result in the sale of the 2008 bonds on such rate determination date at a price equal to the principal amount thereof, plus interest accrued through the rate period. As of December 31, 2019, the interest rate was 1.70%.

2008 CAMC Teays Bonds—On September 30, 2008, CAMC Teays entered into a loan agreement with the Authority pursuant to which CAMC Teays borrowed the proceeds of the Authority's $26,000 variable-rate revenue bonds. CAMC Teays was merged with and into CAMC on March 1, 2014, and this indebtedness was assumed by CAMC by operation of law. In June 2019, the bonds were refunded in total using proceeds from the 2019 Series B Bonds.

2006 Promissory Note—This note, evidencing a taxable bank loan made to CAMC Teays, was also assumed by CAMC upon the effective date of its merger with CAMC Teays on March 1, 2014. The 2006 Promissory Note carries a variable monthly interest rate equal to the LIBOR, plus 100 basis points (1%), which aggregated to 2.86% as of December 31, 2019. The 2006 Promissory Note was paid in full in December 2019.

Other—CAMC maintains a $10,000 working capital line of credit with a local bank, which expires on December 31, 2020. As of December 31, 2019 and 2018, there was no outstanding balance. A note securing the line of credit has been issued under the Indenture.

As of December 31, 2019 and 2018, there was $2,907 and $2,945, respectively, committed to four undrawn recurring letters of credit related to workers' compensation. These letters of credit are renewed annually and currently expire on December 31, 2020.

CAMC is one of three charter members of HealthNet Aeromedical Services, Inc. (HNET), a West Virginia nonprofit corporation that provides air medical transportation service to CAMC's primary patient population. HNET is not a consolidated entity of the Parent. CAMC has issued guarantees in the aggregate amount of $8,908 to support the acquisition, renovation, and replacement of two medical helicopters. The guarantees reduce as HNET's lease liability for each of the helicopters is repaid. As of December 31, 2019, CAMC had not been called upon to make payments under the guarantee agreement.

CAMC has recorded $1,588 and $2,571 as of December 31, 2019 and 2018, respectively, as a finance lease obligation for these helicopters as a result of the lease guarantees and the helicopters being primarily used by CAMC. The related ROU assets are included in property, equipment, and information systems in the accompanying consolidated balance sheets.

Debt-Service Requirements—The System is required to make principal payments under long-term debt and finance lease obligations. The required principal payments are as follows:

	2020	2021	2022	2023	2024	Thereafter	Total
2019 Series A Bonds	$ -	$ -	$ -	$ -	$ -	$ 87,985	$ 87,985
2019 Series B Bonds	1,118	1,118	1,118	1,118	11,000	-	15,472
2014 Series A Bonds	-	-	-	-	8,115	37,510	45,625
2013 Taxable Debt Notes	1,890	1,975	2,060	2,145	2,245	59,985	70,300
2010 Bank Loan	3,667	-	-	-	-	-	3,667
2008 Series A Bonds	2,200	2,330	2,405	2,525	2,640	102,830	114,930
Finance lease obligations	640	392	402	307	-	-	1,741
Total principal	9,515	5,815	5,985	6,095	24,000	288,310	339,720
Plus unamortized bond premium	-	-	-	-	359	18,171	18,530
Less debt issuance costs	(86)	(86)	(86)	(86)	(135)	(2,767)	(3,246)
Principal—net	$9,429	$5,729	$5,899	$6,009	$24,224	$303,714	$355,004

Advanced Refundings—The outstanding balance of advanced refunded bonds excluded from the consolidated balance sheets was $0 as of December 31, 2019, and $12,818 as of December 31, 2018. The System advance refunded the bonds by depositing funds in trustee-held escrow accounts exclusively for the payment of principal and interest. The trustee is solely responsible for the subsequent extinguishment of the bonds. The trustee-held escrow accounts are invested in US government securities.

Derivatives—CAMC has entered into floating-to-fixed and floating-to-floating interest rate swap agreements in connection with its debt management program. The objective is to reduce the amount of interest related to outstanding debt obligations. Such agreements are not designated as hedging instruments. Net interest paid or received under the swap agreements is included in the consolidated statements of operations as a component of interest and debt expense, while the change in the fair value of the derivative is reported separately in the consolidated statements of operations.

CAMC's interest rate swap agreements as of December 31, 2019 and 2018, are as follows:

Swap Type	Expiration Date	System Pays	Notional Amount 2019	Notional Amount 2018
Floating	September 1, 2032	BMA municipal bond index rate	$ -	$ 118,175
Floating	September 4, 2027	USD-securities industry and financial markets association municipal bond index	50,000	50,000
Fixed	September 1, 2037	4.22%	94,420	96,155
			$ 144,420	$ 264,330

Net interest paid and received on CAMC's interest rate swap transactions was an expense of $1,592 and $1,570 for the years ended December 31, 2019 and 2018, respectively. This is included in interest and debt expense in the accompanying consolidated statements of operations.

Under the terms of certain derivative contracts, the Obligated Group is required to maintain collateral posted with the counterparty to secure a portion of the estimated value of the derivative instruments when said instruments are valued in favor of the counterparty, as periodically determined by the counterparty. Collateral must be posted when the applicable aggregate derivative values exceed $5,000 in favor of the counterparty. As of December 31, 2019 and 2018, $21,700 and $11,460, respectively, of collateral had been posted. The System's accounting policy is not to offset collateral amounts against amounts recognized for derivative obligations. Accordingly, the posted collateral is included in assets limited as to use in the accompanying consolidated balance sheets.

Generally, the counterparties to the transactions could force an early termination if the Obligated Group's underlying credit rating declines from Baa1 to Baa3 or below as determined by Moody's Investors Service if the Obligated Group fails to post collateral or if the Obligated Group fails to make swap payments. Aggregate termination payments would approximate the fair market value of the outstanding instruments as reported above.

To evidence its obligations under the derivatives, promissory notes were negotiated by CAMC and the swap counterparty to give the swap counterparty security for the Obligated Group's obligations under the derivative agreements. The actual obligation of the Obligated Group on these notes may vary significantly from the nominal amounts of each note. No amounts are outstanding under these notes.

The following table summarizes the estimated fair value of CAMC's derivative financial instruments at December 31, 2019 and 2018:

Derivatives not Designated as Hedging Instruments	Consolidated Balance Sheet Location	2019	2018
Asset derivatives—interest rate swaps	Prepaid expenses and other	$ 6,155	$ 5,094
Liability derivatives—interest rate swaps	Derivative obligation	28,178	21,556
Net amount		$22,023	$16,462

9. LEASES

The System leases various land, computer, office, and movable equipment under noncancelable operating lease agreements expiring at various dates through 2030. Initial lease terms are typically 3 to 10 years. We do not record short-term leases in our consolidated balance sheets.

We determine if an arrangement is a lease at inception of the contract. Our ROU assets represent our right to use the underlying assets for the lease term and our lease liabilities represent our obligation to make lease payments arising from the leases. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the rate implicit in the lease is not readily determinable in most of our leases, we use our incremental borrowing rate based on the information available at commencement date to determine the present value of lease payments. The System's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Operating lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise those options. Additionally, our leases do not contain any material residual guarantees or material restrictive covenants.

The components of lease cost for the year ended December 31, 2019, were as follows:

Operating lease cost:	
Operating lease cost	$ 2,723
Short-term lease cost	474
Variable lease cost	65
Total operating lease cost	$ 3,262

Operating lease cost and amortization of the operating lease ROU assets are included in supplies and other in the accompanying consolidated statement of operations.

The weighted-average lease terms and discount rates for operating leases for the year ended December 31, 2019, were as follows:

Weighted-average remaining lease term (years)	
Operating leases	4.9
Weighted-average discount rate	
Operating leases	4.5 %

Cash flow and other information related to leases for the year ended December 31, 2019, was as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows from operating leases	$ 2,929
Non-cash ROU assets obtained in exchange for lease obligations:	
Operating leases	$ 286

Future maturities of operating lease liabilities as of December 31, 2019, are as follows:

Years Ending December 31	
2020	$ 2,798
2021	2,284
2022	1,836
2023	1,754
2024	1,562
Thereafter	6,057
Total undiscounted lease payments	16,291
Less imputed interest	2,621
Total operating lease liabilities	$ 13,670

Future maturities of lease obligations at December 31, 2018, prior to our adoption of ASU No. 2016-02, are presented in the following table:

Years Ending December 31	**Operating**	**Capital**
2019	$ 2,789	$ 1,290
2020	1,928	640
2021	907	393
2022	504	402
2023	253	307
Thereafter	-	-
Total	$ 6,381	$ 3,032

Total expense for operating leases, which is included in supplies and other in the accompanying consolidated statement of operations, was $3,740 for the year ended December 31, 2018.

10. LIABILITIES FOR SELF-INSURANCE RESERVES

Certain of the System's subsidiaries are self-insured for professional malpractice and general liability claims through the CAMC Health System Inc. and Affiliates Malpractice Self-Insurance Trust (the "Trust"). This is a revocable trust. Participating affiliates have proportionate rights to the Trust's account balance held under the custodial management of a bank trust department and can withdraw from the Trust, subject to certain actuarially determined thresholds. The Trust's account may be used for payment of any professional malpractice and general liability losses, expenses relating thereto, costs of administering the Trust, and insurance premiums for coverage in excess of the self-insured limits.

Obligations of the Trust are determined using statistical analysis by an independent actuarial valuation of occurrence-based risks, which includes consideration of incurred but not reported claims exposure. The System's methodology for estimating this self-insured obligation is a simulation modeling approach largely dependent on the System's actual loss history and certain national, regional, and state-specific claim statistics. As of December 31, 2019 and 2018, the System has recorded $19,560 and $30,612, respectively, as the liability for self-insured asserted and unasserted professional malpractice and general liability claims. The estimated current portion of $10,000 in 2019 and $5,700 in 2018 is recorded in current liabilities in the accompanying consolidated balance sheets. The estimated liability for such malpractice and general liability claims has been discounted using a discount rate of 1.5% and 2.5% in 2019 and 2018, respectively. While the ultimate amount of costs incurred under the System's self-insured programs is dependent on future developments, in management's opinion, recorded reserves are adequate to cover the future settlement value of claims. However, it is reasonably possible that recorded reserves may not be adequate to cover the future settlement of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in operations in the periods in which such adjustments are known.

In 2019, CAMC entered into a professional malpractice settlement agreement which required CAMC to establish an escrow account in the amount of $23,100, which was funded through insurance recoveries. At December 31, 2019, this restricted cash was included in assets limited as to use with an offsetting liability included in accounts payable and accrued expenses in the consolidated balance sheet. These funds were subsequently remitted to the appointed custodian in 2020. CAMC also settled a separate professional malpractice claim in 2019 for $13,925. As of December 31, 2019, CAMC recorded additional insurance recoveries of $17,800, which includes amounts related to cases above, as well as additional claims, within other receivables in the consolidated balance sheet at December 31, 2019.

The malpractice self-insurance limits are a maximum $3,000 per occurrence and a maximum annual aggregate limit of $12,000 for May 1, 2001, through April 30, 2002; $5,000 per occurrence and a maximum annual aggregate limit of $20,000 for May 1, 2002, through April 30, 2003; $7,000 per occurrence and a maximum annual aggregate limit of $25,000 for May 1, 2003, through April 30, 2004; $10,000 per occurrence and a maximum annual aggregate limit of $30,000 for May 1, 2004, through April 30, 2011; $10,000 per reported claim and a maximum annual aggregate limit of $25,000 for May 1, 2011, through April 30, 2018; and $10,000 per occurrence and maximum annual aggregate limit of $30,000 for May 1, 2018, through April 30, 2020.

Prior to 2012, certain members of the System were also self-insured for workers' compensation, unemployment compensation, disability, and employee health insurance. The workers' compensation long-term portion of the obligation recorded in self-insurance reserves in the accompanying consolidated balance sheets for these programs is $808 and $750 as of December 31, 2019 and 2018, respectively. The current portion of the obligation recorded in accrued expenses for workers' compensation was $614 and $705 as of December 31, 2019 and 2018, respectively. Beginning, January 1, 2012, all System members became insured for workers' compensation. Self-insured workers' compensation obligations are reserved for claims prior to the effective date of January 1, 2012, including incurred but not reported claims. Claims, beginning on January 1, 2012, are administered under a deductible insured program with limits of $1,000 per occurrence and $3,000 annual aggregate.

Prior to 2012, the System was subject to risk pools (security and guaranty) for the benefit of self-insured employers in West Virginia. The risk pools were utilized to fund the claims payments of default and bankrupt self-insured employers. The System maintains a required $750 letter of credit in favor of the West Virginia Insurance Commission to secure claims with dates of injury on or prior to June 30, 2004. The System and other pool participants are required to pay annual guaranty pool assessments until the guaranty pool contains the sum of $30,000 or 5% of the estimated total claims liability of all self-insured employers. In the event that actual claim defaults exceed the amounts of defaulted claim reserves, additional amounts may be assessed to the self-insured employers to fund the guaranty pool. The System made no contributions to the guaranty pool in either 2019 or 2018. The amount of the System's liability in respect to potential assessments cannot be estimated. Accordingly, no accrual for such liability has been reflected in the consolidated financial statements.

11. RETIREMENT OBLIGATIONS

Supplemental Executive Retirement Program (SERP)—The System has adopted a SERP for the benefit of select corporate officers. The SERP, when combined with the retirement savings plan, is intended to provide corporate officers with a retirement benefit from all System sources (including 50% of social security benefits) of approximately 55% of the officer's average compensation during his or her final five years of employment with an assumed normal retirement age of 60. Generally, an officer may become fully vested in SERP benefits at age 60 with at least 30 years of service. Partial vesting in these benefits begins at age 55 with at least five years of service. Benefit payments under these plans generally do not commence until 24 months after termination of employment. The SERP is a nonqualified plan.

The table below sets forth the change in the benefit obligation of the SERP for the years ended December 31, 2019 and 2018, using a December 31 valuation date:

Change in Projected Benefit Obligation	**2019**	**2018**
Benefit obligation at beginning of year	$ 8,787	$ 8,335
Service cost	476	511
Interest cost	298	292
Actuarial loss (gain)	801	(187)
Benefits paid	(2,700)	(1,144)
Plan amendments	-	980
Projected benefit obligation (underfunded status) at end of year	$ 7,662	$ 8,787

The accumulated benefit obligation for the SERP was $5,532 and $7,225 as of December 31, 2019 and 2018, respectively.

Included in net assets without donor restrictions as of December 31, 2019 and 2018, are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized actuarial loss of $1,297 and $964, respectively, and unrecognized net prior service cost of $2,018 and $2,255, respectively.

The benefit payments, which reflect expected future service, as appropriate, expected to be paid by the SERP during the years ending December 31 are as follows:

Years Ending December 31	
2020	$ -
2021	-
2022	1,071
2023	-
2024	-
Thereafter	5,841

The components of net periodic benefit cost for the SERP plan for the years ended December 31, 2019 and 2018, are as follows:

	2019	**2018**
Service cost	$ 476	$ 511
Interest cost	298	292
Settlement charge	457	126
Actuarial loss	11	71
Amortization of prior service cost	238	161
Net periodic benefit cost	$ 1,480	$ 1,161

Service cost is recorded in salaries and wages and the remainder of net periodic benefit cost is recorded in employee benefits in the consolidated statements of operations.

Actuarial plan assumptions for the years ended December 31, 2019 and 2018, are as follows:

	2019	2018
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:		
Discount rate	2.90 %	4.00 %
Expected rate of compensation increase	3.00	3.00
Weighted-average assumptions used to determine benefit obligations as of December 31:		
Discount rate	2.90 %	4.00 %
Expected rate of compensation increase	3.00	3.00
Lump-sum interest rate	2.00	1.75

Retirement Savings Plan—Employees of the System are eligible to participate in a retirement savings plan. Employees may contribute from 1% to 100% of their salary to the plan, subject to certain limitations, and the employers will match from 1% to 4% of salary based on the employees' salary deferrals made during the plan year; 100% match on the first 3% deferred, and 50% match on the next 2% with 4% being the maximum. Total employer contributions to the retirement savings plan were $13,618 and $12,969 during 2019 and 2018, respectively.

12. RELATED-PARTY TRANSACTIONS

West Virginia University (WVU) employs physicians who provide medical education and supervision to the resident physicians employed by CAMC. In 2019 and 2018, CAMC provided $18,035 and $16,559, respectively, to WVU for the physicians who teach and supervise the resident physicians for call pay, income guarantees, fees for services, and other expenses. The fees paid are included in either professional compensation and fees or supplies and other, depending on the nature of the transaction. CAMC has committed $21,131 to further support WVU during 2020 for the use of the teaching and supervising physicians.

CAMC, Cabell Huntington Hospital, and WVU Hospital are members of HNET. Each member's legally controlled percentage is 33.3%. HNET is recognized as exempt from federal income tax under Section 501(c)(3) of the Code. Members are required to support HNET to the extent that expenses exceed revenues. For the years ended December 31, 2019 and 2018, HNET expenses exceeded revenues by $1,852 and $2,600, respectively. Amounts due to HNET included in accounts payable and accrued expenses were $221 and $563 as of December 31, 2019 and 2018, respectively.

CAMC has purchased an interest in Charleston Area Radiation Therapy Centers, LLC, which manages the technical component of radiation therapy services offered by CAMC. Alliance Oncology, LLC owns a 50% interest; CAMC owns a 20% interest; and Charleston Radiation Therapy Consultants, PLLC owns a 30% interest in Charleston Area Radiation Therapy Centers, LLC. For the years ended December 31, 2019 and 2018, Charleston Area Radiation Therapy Centers, LLC's revenues exceeded expenses by $3,085 and $3,154, respectively. Amounts due to Charleston Area Radiation Therapy Centers, LLC included in accounts payable and accrued expenses were $269 and $92 as of December 31, 2019 and 2018, respectively.

13. FUNCTIONAL EXPENSES

The functional expenses related to the System's operations as of December 31, 2019 and 2018, are as follows:

	For the Year Ended December 31, 2019					
	Health Care Services				Support Services	
	Acute	Ambulatory	Physician	Research	Administrative	Fundraising
Nonphysician salaries and wages	$175,088	68,419	22,795	6,683	116,245	251
Physician salaries and wages	29,247	5,282	51,363	126	4,905	-
Employee benefits	14,040	5,418	2,753	706	115,292	52
Professional compensation and fees	11,032	2,707	6,105	88	5,461	-
Supplies and other	127,104	127,056	8,943	2,667	195,272	403
Depreciation and amortization	9,251	8,398	921	272	25,298	-
Medicaid provider tax	-	-	-	-	31,203	-
Interest and debt expense	-	-	-	-	16,714	-
Change in fair value of derivatives	-	-	-	-	5,561	-
Total	$365,762	$217,280	$92,880	$10,542	$515,951	$706

	For the Year Ended December 31, 2018					
	Health Care Services				Support Services	
	Acute	Ambulatory	Physician	Research	Administrative	Fundraising
Nonphysician salaries and wages	$168,389	$ 64,396	$19,381	$ 6,829	$113,626	$235
Physician salaries and wages	25,873	5,782	49,885	127	4,532	-
Employee benefits	12,892	4,677	3,047	950	98,847	67
Professional compensation and fees	11,676	2,644	5,635	108	4,577	-
Supplies and other	114,259	117,487	6,607	(2,416)	183,165	353
Depreciation and amortization	9,045	8,307	961	199	24,693	-
Medicaid provider tax	-	-	-	-	30,324	-
Interest and debt expense	-	-	-	-	16,159	-
Change in fair value of derivatives	-	-	-	-	(3,979)	-
Total	$342,134	$203,293	$85,516	$ 5,797	$471,944	$655

14. COMMITMENTS, CONTINGENCIES, AND LITIGATION

Entities of the System are party to a number of lawsuits. It is not possible at the present time to estimate the ultimate legal and financial liability, if any, with respect to certain lawsuits. In the opinion of management, after consultation with counsel, adequate insurance and self-insurance reserves exist in the event of any significant financial exposure. Accordingly, in the opinion of management, resolution of those matters is not expected to have a material adverse effect on the System's consolidated financial position. However, depending on the amount and timing of such resolution, an unfavorable resolution of some or all of these matters could materially affect the future consolidated results of operations or cash flows in a particular period.

Asset Retirement Obligations—Management, based on its consideration of asset retirement activities, such as asbestos removal on existing properties, does not believe that remediation of such items will have a material effect on the consolidated financial statements.

Information Technology (IT) Outsourcing—On April 3, 2015, CAMC signed an agreement (the "Cerner Agreement") with Cerner Corporation to replace the then-existing clinical and revenue cycle software and deliver functionality to meet regulatory requirements. The annual provisions of the Cerner Agreement begin April 1 of each year. Under the Cerner Agreement, CAMC pays $6,611 per year through 2023 with an optional three-year renewal for the perpetual license of the underlying software, implementation, and related maintenance and support. Annual payments are recorded in supplies and other in the consolidated statements of operations.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The System uses a three-level valuation hierarchy for disclosure of fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1—Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments.

Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement related to notice requirements in order to withdraw from the investment.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The financial instruments carried at fair value as of December 31, 2019, by caption, in the consolidated balance sheets by the three-level valuation hierarchy defined above are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	$ 81,210	$ -	$ -	$ 81,210
Equity securities	135,370	-	-	135,370
Equity mutual funds	129,897	-	-	129,897
Debt securities issued by US Treasury and other US government corporations and agencies	-	24,572	-	24,572
Debt securities issued by states of the United States and political subdivisions of the states	-	9,443	-	9,443
Corporate debt securities	-	50,997	-	50,997
Fixed-income mutual funds	71,167	-	-	71,167
Total investments at fair value	$ 417,644	$ 85,012	$ -	$ 502,656
Assets—derivative asset	$ -	$ 6,155	$ -	$ 6,155
Liabilities—derivative obligation	$ -	$ 28,178	$ -	$ 28,178

The financial instruments carried at fair value as of December 31, 2018, by caption, in the consolidated balance sheets by the three-level valuation hierarchy defined above are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	$ 63,309	$ -	$ -	$ 63,309
Equity securities	94,244	-	-	94,244
Equity mutual funds	149,666	-	-	149,666
Debt securities issued by US Treasury and other US government corporations and agencies	-	18,097	-	18,097
Debt securities issued by states of the United States and political subdivisions of the states	-	3,599	-	3,599
Corporate debt securities	-	50,174	-	50,174
Fixed-income mutual funds	71,379	-	-	71,379
Total investments at fair value	$ 378,598	$ 71,870	$ -	$ 450,468
Assets—derivative asset	$ -	$ 5,094	$ -	$ 5,094
Liabilities—derivative obligation	$ -	$ 21,556	$ -	$ 21,556

Following is a description of the System's valuation methodologies for assets and liabilities measured at fair value.

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

Cash Equivalents—The carrying amounts reported in the accompanying consolidated balance sheets for cash equivalents approximate their fair value.

Equity Securities—Equity securities are valued at the closing price reported on the applicable exchange on which the security is traded and are classified as Level 1 within the fair value hierarchy.

Equity Mutual Funds and Fixed-Income Mutual Funds—Mutual funds are valued using the net asset value based on the value of the underlying assets owned by the fund, minus liabilities, divided by the number of shares outstanding, and multiplied by the number of shares owned and are classified as Level 1 within the fair value hierarchy.

Debt Securities Issued by US Treasury and Other US Government Corporations and Agencies, Debt Securities Issued by States of the United States and Political Subdivisions of the States, and Corporate Debt Securities—Debt securities are valued using quoted market prices and/or other market data for the same or comparable securities and transactions in establishing the prices, discounted cash flow models, and other pricing methods. These models are primarily industry standard models that consider various assumptions, including the time value and yield curve, as well as other relevant economic measures. Due to the nature of pricing methods utilized, debt securities are classified as Level 2 within the fair value hierarchy.

Derivatives—The fair value of the derivative obligation is based on observable inputs from market sources that aggregate data based upon market transactions (see Note 8). In determining the fair value of the System's derivative instruments, quoted price can be obtained from a number of dealer counterparties and other independent market sources based on observable interest rates and yield curves for the full term of the asset or liability. In order to determine the risk of nonperformance for derivative instruments, the System determines the credit spread for debt issues by entities with similar credit characteristics to the System. The fair value of the System's derivative instruments will adjust based on the nonperformance risk of the System when the derivative instrument is a liability position or by each counterparty when the derivative instrument is an asset to the System.

The System is required to assess its credit risk versus its counterparties; this assessment resulted in an increase in the asset and decrease in the liability of $2,089, which increased the System's excess of revenues over expenses; and a decrease in the liability of $665, which increased the System's excess of revenues over expenses for the years ended December 31, 2019 and 2018, respectively.

16. ENDOWMENT—WITH DONOR RESTRICTION

The System's endowment is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and consists of approximately 144 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of trustees of the System has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment and accumulations to the permanent endowment required by the donor gift instrument, if applicable. The remaining portion of the donor-restricted endowment fund that is not classified as a fund restricted in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure. In accordance with UPMIFA, the System considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

a. The duration and preservation of the fund
b. The purposes of the System and the donor-restricted endowment fund
c. General economic conditions
d. The possible effect of inflation and deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of the System
g. The investment policies of the System

The System's investment and spending policies for endowment assets are structured to provide a predictable stream of funding to programs supported by the endowment and maintain purchasing power of the endowment assets. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation, and investment management costs, of at least 5% over the long term. Therefore, the desired minimum rate of return is equal to the consumer price index, plus 600 basis points (6%) on an annualized basis. Actual returns in any given year will vary.

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

The System computes a 12-quarter trailing average market value of each portfolio as of the prior June 30 and makes 5% of that amount available for expenditure. The computed value may be adjusted for large contributions, withdrawals, or market value swings as necessary to produce the desired level of cash. With this policy, the annual dollar amount available for spending will be known at the beginning of the year. If necessary, quarterly transfers of approximately 1.25% are scheduled for transfer to the Foundation's main cash account.

Changes in endowment funds for the years ended December 31, 2019 and 2018, consisted of the following:

	2019	2018
Net assets—beginning of year	$ 63,643	$ 65,734
Investment return—net	11,243	(2,558)
Contributions	386	794
Fund transfer	(40)	-
Appropriation of endowment assets for expenditure	(464)	(327)
Net assets—end of year	$ 74,768	$ 63,643

From time to time, the fair value of assets associated with individual donor-restricted endowments funds may fall below the level that the donor or UPMIFA requires the System to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur shortly after the investment of new net assets with donor restrictions contributions and continued appropriation for certain programs that was deemed prudent by the board of trustees. There were no significant deficiencies of this nature that are reported in net assets without donor restrictions as of December 31, 2019 and 2018.

17. INTANGIBLE ASSETS

The System's identifiable intangible assets with finite lives are being amortized over their estimated useful lives and are as follows:

	December 31, 2019			
	Gross Carrying Amount	Accumulated Amortization	Net	Amortization Period
Noncontract relationships—recorded in other assets	$ 4,131	$ (1,859)	$ 2,272	20 years
Intangibles—software—recorded in property, equipment, and information systems	$ 82,808	$ (65,256)	$ 17,552	7 years

	December 31, 2018			
	Gross Carrying Amount	Accumulated Amortization	Net	Amortization Period
Noncontract relationships—recorded in other assets	$ 4,131	$ (1,652)	$ 2,479	20 years
Intangibles—software—recorded in property, equipment, and information systems	$ 80,600	$ (58,214)	$ 22,386	7 years

Amortization expense for finite-lived intangible assets was $7,236 and $7,128 for the years ended December 31, 2019 and 2018, respectively. The following is a schedule of estimated future amortization of finite-lived intangible assets as of December 31, 2019:

Years Ending December 31	
2020	$ 7,103
2021	5,948
2022	3,171
2023	2,160
2024	203
Thereafter	1,239
Total	$19,824

18. SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The impact of the COVID-19 on the results of operations, financial position, and cash flows cannot be reasonably estimated at this time.

Subsequent events have been evaluated through April 10, 2020, the date the consolidated financial statements were available to be issued.

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OTHER ADDITIONAL FINANCIAL INFORMATION

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET SCHEDULE
AS OF DECEMBER 31, 2019
(In thousands)

ASSETS	CAMC	Health Network	Reclassifications and Eliminations	CAMC Consolidated	Foundation	Reclassifications and Eliminations	Combined Obligated Group	CAMC Health System	Institute	Reclassifications and Eliminations	Total
CURRENT ASSETS:											
Cash and cash equivalents	$ 35,572	$ -	$ -	$ 35,572	$ 219	$ -	$ 35,791	$ -	$ -	$ -	$ 35,791
Short-term investments	78,172	-	-	78,172	14,599	-	92,771	-	-	-	92,771
Current portion of assets limited as to use	10,000	-	-	10,000	-	-	10,000	-	-	-	10,000
Patient receivables	227,352	-	-	227,352	-	-	227,352	-	-	-	227,352
Other receivables	27,613	84	-	27,697	94	-	27,791	-	467	-	28,258
Estimated amounts due from third-party payors	24,534	-	-	24,534	-	-	24,534	-	-	-	24,534
Affiliate accounts receivable	2,883	158	(499)	2,542	49	(1,047)	1,544	2	1,322	(2,868)	-
Inventories	21,207	-	-	21,207	-	-	21,207	-	-	-	21,207
Prepaid expenses and other	25,698	-	-	25,698	10	-	25,708	-	-	-	25,708
Total current assets	453,031	242	(499)	452,774	14,971	(1,047)	466,698	2	1,789	(2,868)	465,621
ASSETS LIMITED AS TO USE	220,503	-	-	220,503	251,207	(52,836)	418,874	109	4,369	(4,369)	418,983
OTHER INVESTMENTS	-	-	-	-	-	-	-	-	-	-	-
PROPERTY, EQUIPMENT, AND INFORMATION SYSTEMS—Net	385,568	-	-	385,568	6,762	-	392,330	-	832	-	393,162
RIGHT OF USE ASSETS—Operating leases	12,496	-	-	12,496	-	-	12,496	-	1,377	-	13,873
OTHER ASSETS:											
Other assets	3,946	-	-	3,946	152	-	4,098	-	-	-	4,098
Investments in subsidiaries:											
CAMC	-	-	-	-	-	-	-	478,902	-	(478,902)	-
Health Network	-	-	-	-	-	-	-	(255)	-	255	-
Foundation	-	-	-	-	-	-	-	214,568	-	(214,568)	-
Institute	-	-	-	-	-	-	-	3,719	-	(3,719)	-
Total other assets	3,946	-	-	3,946	152	-	4,098	696,934	-	(696,934)	4,098
TOTAL	$ 1,075,544	$ 242	$ (499)	$ 1,075,287	$ 273,092	$ (53,883)	$ 1,294,496	$ 697,045	$ 8,367	$ (704,171)	$ 1,295,737

(Continued)

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET SCHEDULE
AS OF DECEMBER 31, 2019
(In thousands)

LIABILITIES AND NET ASSETS	CAMC	Health Network	Reclassifications and Eliminations	CAMC Consolidated	Foundation	Reclassifications and Eliminations	Combined Obligated Group	CAMC Health System	Institute	Reclassifications and Eliminations	Total
CURRENT LIABILITIES:											
Accounts payable and accrued expenses	$ 96,041	$ 155	$ -	$ 96,196	$ 33	$ -	$ 96,229	$ 5	$ 1,703	$ 2	$ 97,939
Self-insurance reserves	10,000	-	-	10,000	-	-	10,000	-	-	-	10,000
Derivative obligation	28,178	-	-	28,178	-	-	28,178	-	-	-	28,178
Accrued payroll and payroll-related expenses	65,526	-	-	65,526	-	-	65,526	-	-	-	65,526
Estimated amounts due to third-party payors	14,141	-	-	14,141	-	-	14,141	-	-	-	14,141
Operating lease liabilities	2,630	-	-	2,630	-	-	2,630	-	147	-	2,777
Affiliate payables	1,243	342	(499)	1,086	1,284	(1,047)	1,323	2	1,544	(2,869)	-
Current maturities of long-term debt and finance lease obligations	9,429	-	-	9,429	-	-	9,429	-	-	-	9,429
Total current liabilities	227,188	497	(499)	227,186	1,317	(1,047)	227,456	7	3,394	(2,867)	227,990
LONG-TERM LIABILITIES:											
Long-term debt and finance lease obligations—less current maturities	345,575	-	-	345,575	-	-	345,575	-	-	-	345,575
Long-term operating lease liabilities	9,639	-	-	9,639	-	-	9,639	-	1,254	-	10,893
Retirement obligations	9,480	-	-	9,480	-	-	9,480	-	-	-	9,480
Self-insurance reserves	10,368	-	-	10,368	-	-	10,368	-	-	-	10,368
Affiliate long-term payables	-	-	-	-	-	-	-	15,229	-	(15,229)	-
Other	9,620	-	-	9,620	2	-	9,622	-	-	-	9,622
Total long-term liabilities	384,682	-	-	384,682	2	-	384,684	15,229	1,254	(15,229)	385,938
Total liabilities	611,870	497	(499)	611,868	1,319	(1,047)	612,140	15,236	4,648	(18,096)	613,928
NET ASSETS:											
Without donor restrictions	425,765	(255)	-	425,510	189,828	-	615,338	602,219	(1,391)	(613,922)	602,244
Noncontrolling interest in joint ventures	301	-	-	301	-	-	301	-	-	-	301
Without donor restrictions—total	426,066	(255)	-	425,811	189,828	-	615,639	602,219	(1,391)	(613,922)	602,545
Receivable from affiliate	(15,228)	-	-	(15,228)	-	-	(15,228)	-	-	15,228	-
With donor restrictions	52,836	-	-	52,836	81,945	(52,836)	81,945	79,590	5,110	(87,381)	79,264
Total net assets	463,674	(255)	-	463,419	271,773	(52,836)	682,356	681,809	3,719	(686,075)	681,809
TOTAL	$ 1,075,544	$ 242	$ (499)	$ 1,075,287	$ 273,092	$(53,883)	$1,294,496	$ 697,045	$ 8,367	$(704,171)	$1,295,737

See notes to other additional financial information.

(Concluded)

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET SCHEDULE
AS OF DECEMBER 31, 2018
(In thousands)

	CAMC	Foundation	Reclassifications and Eliminations	Combined Obligated Group	CAMC Health System	Institute	Integrated	Reclassifications and Eliminations	Total
ASSETS									
CURRENT ASSETS:									
Cash and cash equivalents	$ 39,241	$ 691	$ -	$ 39,932	$ -	$ -	$ -	$ -	$ 39,932
Short-term investments	110,209	11,607	-	121,816	-	-	-	-	121,816
Current portion of assets limited as to use	5,700	-	-	5,700	-	-	-	-	5,700
Patient receivables	162,878	-	-	162,878	-	-	-	-	162,878
Other receivables	11,182	266	-	11,448	-	214	-	-	11,662
Estimated amounts due from third-party payors	35,493	-	-	35,493	-	-	-	-	35,493
Affiliate accounts receivable	597	49	(284)	362	5	3,231	-	(3,598)	-
Inventories	20,889	-	-	20,889	-	-	-	-	20,889
Prepaid expenses and other	24,711	14	-	24,725	-	-	-	-	24,725
Total current assets	410,900	12,627	(284)	423,243	5	3,445	-	(3,598)	423,095
ASSETS LIMITED AS TO USE	165,295	212,231	(44,399)	333,127	109	3,599	-	(3,599)	333,236
OTHER INVESTMENTS	-	-	-	-	-	-	-	-	-
PROPERTY, EQUIPMENT, AND INFORMATION SYSTEMS—Net	390,360	6,841	-	397,201	-	854	-	-	398,055
OTHER ASSETS:									
Other assets	4,294	258	-	4,552	-	-	-	-	4,552
Investments in subsidiaries:									
CAMC	-	-	-	-	411,761	-	-	(411,761)	-
Foundation	-	-	-	-	183,394	-	-	(183,394)	-
Institute	-	-	-	-	4,815	-	-	(4,815)	-
Integrated	-	-	-	-	-	-	-	-	-
Total other assets	4,294	258	-	4,552	599,970	-	-	(599,970)	4,552
TOTAL	$970,849	$231,957	$(44,683)	$1,158,123	$600,084	$ 7,898	$ -	$(607,167)	$1,158,938

(Continued)

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET SCHEDULE
AS OF DECEMBER 31, 2018
(In thousands)

LIABILITIES AND NET ASSETS	CAMC	Foundation	Reclassifications and Eliminations	Combined Obligated Group	CAMC Health System	Institute	Integrated	Reclassifications and Eliminations	Total
CURRENT LIABILITIES:									
Accounts payable and accrued expenses	$ 69,636	$ 27	$ -	$ 69,663	$ 2	$ 1,561	$ -	$ -	$ 71,226
Self-insurance reserves	5,700	-	-	5,700	-	-	-	-	5,700
Derivative obligation	21,556	-	-	21,556	-	-	-	-	21,556
Accrued payroll and payroll-related expenses	65,670	40	-	65,710	-	1,160	-	-	66,870
Estimated amounts due to third-party payors	13,736	-	-	13,736	-	-	-	-	13,736
Affiliate payables	3,022	493	(284)	3,231	5	362	-	(3,598)	-
Current maturities of long-term debt and capital lease obligations	13,818	-	-	13,818	-	-	-	-	13,818
Total current liabilities	193,138	560	(284)	193,414	7	3,083	-	(3,598)	192,906
LONG-TERM LIABILITIES:									
Long-term debt and lease obligations—less current maturities	339,263	-	-	339,263	-	-	-	-	339,263
Retirement obligations	7,886	-	-	7,886	-	-	-	-	7,886
Self-insurance reserves	25,662	-	-	25,662	-	-	-	-	25,662
Affiliate long-term payables	-	-	-	-	16,223	-	-	(16,223)	-
Other	9,362	5	-	9,367	-	-	-	-	9,367
Total long-term liabilities	382,173	5	-	382,178	16,223	-	-	(16,223)	382,178
Total liabilities	575,311	565	(284)	575,592	16,230	3,083	-	(19,821)	575,084
NET ASSETS:									
Without donor restrictions	366,901	161,741	-	528,642	514,965	(1,119)	-	(527,658)	514,830
Noncontrolling interest in joint ventures	461	-	-	461	-	-	-	-	461
Without donor restrictions—total	367,362	161,741	-	529,103	514,965	(1,119)	-	(527,658)	515,291
Receivable from affiliate	(16,223)	-	-	(16,223)	-	-	-	16,223	-
With donor restrictions	44,399	69,651	(44,399)	69,651	68,889	5,934	-	(75,911)	68,563
Total net assets	395,538	231,392	(44,399)	582,531	583,854	4,815	-	(587,346)	583,854
TOTAL	$970,849	$231,957	$(44,683)	$1,158,123	$600,084	$ 7,898	$ -	$(607,167)	$1,158,938

See notes to other additional financial information.

(Concluded)

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In thousands)

	CAMC	Health Network	Reclassifications and Eliminations	CAMC Consolidated	Foundation	Reclassifications and Eliminations	Combined Obligated Group	CAMC Health System	Institute	Reclassifications and Eliminations	Total
UNRESTRICTED REVENUE AND OTHER SUPPORT:											
Net patient service revenues	$ 1,150,234	$ -	$ -	$ 1,150,234	$ -	$ -	$ 1,150,234	$ -	$ -	$ -	$ 1,150,234
Other revenue	72,620	1,295	(3,111)	70,804	607	(3,831)	67,580	-	6,648	(1,112)	73,116
Support from CAMC	-	-	-	-	-	-	-	500	5,088	(5,588)	-
Investment income—net	32,478	-	-	32,478	30,835	-	63,313	-	-	-	63,313
Increase in net assets of subsidiaries	-	-	-	-	-	-	-	86,263	-	(86,263)	-
Net assets released from restrictions	-	-	-	-	1,165	-	1,165	-	1,415	-	2,580
Total unrestricted revenue and other support	1,255,332	1,295	(3,111)	1,253,516	32,607	(3,831)	1,282,292	86,763	13,151	(92,963)	1,289,243
EXPENSES:											
Salaries and wages	471,548	620	-	472,168	251	-	472,419	-	7,510	-	479,929
Employee benefits	136,799	79	-	136,878	39	-	136,917	-	1,640	177	138,734
Professional compensation and fees	25,305	-	-	25,305	-	-	25,305	-	88	-	25,393
Supplies and other	465,930	807	(3,111)	463,626	4,280	(3,831)	464,075	500	3,949	(7,078)	461,446
Depreciation and amortization	43,746	44	-	43,790	79	-	43,869	-	272	-	44,141
Medicaid provider tax	31,203	-	-	31,203	-	-	31,203	-	-	-	31,203
Interest and debt expense	16,714	-	-	16,714	-	-	16,714	-	-	-	16,714
Change in fair value of derivatives	5,561	-	-	5,561	-	-	5,561	-	-	-	5,561
Total expenses	1,196,806	1,550	(3,111)	1,195,245	4,649	(3,831)	1,196,063	500	13,459	(6,901)	1,203,121
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	58,526	(255)	-	58,271	27,958	-	86,229	86,263	(308)	(86,062)	86,122
EXCESS OF REVENUES OVER EXPENSES—Noncontrolling interest	(128)	-	-	(128)	-	-	(128)	-	-	-	(128)
TOTAL EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ 58,398	$ (255)	$ -	$ 58,143	$ 27,958	$ -	$ 86,101	$86,263	$ (308)	$(86,062)	$ 85,994

See notes to other additional financial information.

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In thousands)

	CAMC	Foundation	Reclassifications and Eliminations	Combined Obligated Group	CAMC Health System	Institute	Integrated	Reclassifications and Eliminations	Total
UNRESTRICTED REVENUE AND OTHER SUPPORT:									
Net patient service revenues	$1,067,181	$ -	$ -	$1,067,181	$ -	$ -	$ -	$ -	$1,067,181
Other revenue	57,178	616	(5,331)	52,463	-	5,630	-	(1,186)	56,907
Support from CAMC	-	-	-	-	485	6,288	-	(6,773)	-
Investment income—net	(6,316)	(8,011)	-	(14,327)	96	-	-	-	(14,231)
Increase in net assets of subsidiaries	-	-	-	-	7,768	-	-	(7,768)	-
Net assets released from restrictions	-	2,856	(2,000)	856	-	2,508	-	-	3,364
Total unrestricted revenue and other support	1,118,043	(4,539)	(7,331)	1,106,173	8,349	14,426	-	(15,727)	1,113,221
EXPENSES:									
Salaries and wages	451,150	236	-	451,386	-	7,654	-	15	459,055
Employee benefits	118,551	68	-	118,619	-	1,708	-	153	120,480
Professional compensation and fees	24,532	-	-	24,532	-	108	-	-	24,640
Supplies and other	424,376	4,830	(7,331)	421,875	581	5,126	-	(8,127)	419,455
Depreciation and amortization	42,917	89	-	43,006	-	199	-	-	43,205
Medicaid provider tax	30,324	-	-	30,324	-	-	-	-	30,324
Interest and debt expense	16,159	-	-	16,159	-	-	-	-	16,159
Change in fair value of derivatives	(3,979)	-	-	(3,979)	-	-	-	-	(3,979)
Total expenses	1,104,030	5,223	(7,331)	1,101,922	581	14,795	-	(7,959)	1,109,339
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	14,013	(9,762)	-	4,251	7,768	(369)	-	(7,768)	3,882
DEFICIENCY OF REVENUES OVER EXPENSES—Noncontrolling interest	111	-	-	111	-	-	-	-	111
TOTAL EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ 14,124	$(9,762)	$ -	$ 4,362	$7,768	$ (369)	$ -	$ (7,768)	$ 3,993

See notes to other additional financial information.

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO OTHER ADDITIONAL FINANCIAL INFORMATION AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1. The other additional financial information is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. This other additional financial information is the responsibility of the System's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Accounting policies applicable to the consolidated financial statements are consistent with those used to prepare the other additional financial information.

2. CAMC Health System, Inc. records as an investment in subsidiary its direct share of the net assets of CAMC, Foundation, and Institute. Certain Foundation assets are held by the Foundation on behalf of CAMC and the Institute. CAMC and the Institute record their direct share of such assets as interest in the Foundation's net assets in the other additional financial information. CAMC Health System, Inc. records the remaining Foundation net assets as an investment in subsidiary to reflect its direct share of the residual assets of the Foundation.

3. CAMC and the Foundation are members of the Obligated Group in accordance with the provisions of the Indenture and are jointly and severally liable for the performance of all covenants and obligations contained in the Indenture and in the related notes and guarantees. The 2013 taxable notes; 2008 Series A Bonds; 2008 CAMC Teays Bonds; 2009 Series A Bonds; 2014 Series A Bonds; 2019 Series A Bonds; 2019 Series B Bonds; and various notes, lines, and letters of credit are obligations under the Indenture. The Foundation's restricted net assets are not available to satisfy obligations of the Obligated Group.

4. Support from CAMC, other revenue, salaries and wages, professional compensation, and supplies include transactions between each of the consolidated entities for affiliate services and support provided, including administrative and physician support. Such amounts are recorded at the estimated cost of the entity providing such support (for example, for shared services) or the amount charged by the providing entity pursuant to contracts between the entities. Such amounts are eliminated on consolidation.