Shands Jacksonville HealthCare, Inc. and Subsidiaries

Consolidated Basic Financial Statements, Required Supplementary Information and Supplemental Consolidating Information
June 30, 2020 and 2019

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Index
June 30, 2020 and 2019

Introduction

Below is Shands Jacksonville HealthCare, Inc. and Subsidiaries' ("SJH" or the "Company") analysis of its financial performance for the year ended June 30, 2020, with comparative information as of and for the years ended June 30, 2019 and 2018. This discussion has been prepared by management and should be read in conjunction with the consolidated basic financial statements and related note disclosures.

Organization

The Company, formerly known as Jacksonville Health Group, Inc., is a Florida not-for-profit corporation with direct or indirect legal control over numerous subsidiaries. The Company is an affiliated entity under common control of the University of Florida ("UF") and receives operational services from Shands Teaching Hospital and Clinics, Inc. ("Shands").

Shands Jacksonville Medical Center, Inc. ("SJMC"), formerly known as University Medical Center, Inc. ("UMC"), is a Florida not-for-profit corporation and the principal operating subsidiary of the Company. SJMC operates a teaching hospital located in Jacksonville, Florida, through a lease with the City of Jacksonville (the "City"). During 2013, SJMC began doing business as UF Health Jacksonville.

On September 30, 1999, Methodist Medical Center, Inc., Methodist Health System, Inc. and The Methodist Hospital Foundation, Inc. (now known as Shands Jacksonville Properties, Inc., "SJP"), SJH, UMC and Shands completed an affiliation agreement (the "Affiliation") which allowed for the combination of the hospital operations of UMC and SJP under SJMC. SJH became the sole member of both SJMC and SJP.

Effective September 8, 2010, the Board of Directors of Shands approved a motion to reorganize its corporate structure. Under the reorganization, Shands would no longer be the sole corporate member of the Company, but would continue as an affiliated entity under common control of the University of Florida. Effective September 27, 2010, the Board of Directors of the Company approved the motion for Shands to no longer be the sole corporate member of the Company. The Company continues to receive management and operational services from Shands. As a part of the reorganization, the Company delivered a promissory note to Shands in the amount of approximately $42,276,000, payable over 20 years, in acknowledgement of historical investments in the Company. Effective July 1, 2015, the Shands' Board of Directors reduced the promissory note by approximately $17.7 million.

On February 17, 2015, the Company opened the first of a multi-stage effort to expand to a new location north of downtown Jacksonville, Florida, where it is doing business collectively as UF Health North. This initial effort included the Company offering a ground lease to a developer, Landmark Healthcare Facilities, LLC ("Landmark"), that constructed a new medical office building, Jacksonville Medical Office Building, LLC ("JMOB LLC"), in which the Company leases space that includes a free-standing emergency department, surgical suites and other hospital based operations (commonly referred to as "North Phase I"). On May 23, 2017, the Company completed construction on a new 92-bed tower (commonly referred to as "North Phase II"), which adjoins North Phase I. The Company converted rooms at its original location (known as "Downtown") from semi-private to private, so the new bed tower does not increase the Company's total licensed beds, which remain at 695.

Effective October 1, 2019, a consolidated affiliate of the Company, Shands Jacksonville Community Services, Inc. ("SJCS") became a member of JMOB LLC by acquiring 3,459 Class A membership units, or 34.59% of total Class A units, in exchange for its participation in Landmark's no-cost ownership program. The Company did not provide anything of value to the JMOB LLC or Landmark in exchange for the membership units. Class A membership units have no power to influence the JMOB LLC. As a result, the Company accounted for this transaction as a voluntary non-exchange transaction, recognizing $15.5 million, the fair value of the ownership interest, as voluntary non-exchange revenue in the consolidated basic statement of revenues, expenses and changes in net position for the year ended June 30, 2020 and recognizing a corresponding investment in the statement of net position as of June 30, 2020.

Effective July 2, 2019, a consolidated affiliate became a member of Yulee Medical Office Building, LLC ("YMOB LLC") by acquiring 500 Class A membership units, or 50% of total Class A units, in exchange for its participation in a no-cost ownership program offered by the developer, Landmark, of a medical office building in north Jacksonville, Florida, in which SJCS leases space, effective beginning in the year ending June 30, 2021. Class A membership units have no power to influence the YMOB LLC. Through this agreement, consolidated affiliates of the Company will be the lessor of the land, a tenant in the building as well as a partial owner of the entity that legally owns the building, YMOB LLC. The Company is deemed to be the owner of the building during the construction period under the accounting rules, and accordingly, has recognized the construction in progress and a corresponding financing obligation in other liabilities in the consolidated basic statement of net position as of June 30, 2020, though the Company neither has title to the building nor responsibility for the debt related to the construction of it.

The accompanying consolidated basic financial statements include the accounts of the Company and its subsidiaries as of and for the years ended June 30, 2020 and 2019. The "Company" in these consolidated basic financial statements refers to the consolidated operations of these entities. Significant transactions between these entities have been eliminated.

Overview of the Consolidated Basic Financial Statements

Along with management's discussion and analysis, the annual financial report includes the independent auditors' report and the consolidated basic financial statements of the Company. The consolidated basic financial statements also include notes that explain in more detail some of the information in the consolidated basic financial statements. By referring to the accompanying notes to the consolidated basic financial statements, a broader understanding of issues impacting financial performance can be realized.

Required Financial Statements

The required statements are the consolidated basic statement of net position, the consolidated basic statement of revenues, expenses and changes in net position and the consolidated basic statement of cash flows. These statements offer short and long-term financial information about the Company's activities.

The consolidated basic statements of net position reflect all of the Company's assets, liabilities and deferred inflows and outflows and provide information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). Assets, liabilities and deferred activity are presented in a classified format, which distinguishes between their current and long-term time frame. The difference between the assets plus deferred outflows and liabilities plus deferred inflows is reported as "net position."

The consolidated basic statements of revenues, expenses and changes in net position present the change in net position resulting from revenues earned and expenses incurred. All changes in net position are reported as revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

The consolidated basic statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating, financing (capital and non-capital), and investing activities. The purpose of the statement is to reflect the key sources and uses of cash during the reporting period.

Financial Analysis of the Company

Consolidated Basic Statements of Net Position

The Company's net position is one indicator of the current financial condition of the Company. Changes in net position are an indicator of whether the overall financial condition of the organization has improved or worsened over a period of time. They also provide the basis for evaluating the capital structure, as well as assessing the liquidity and financial flexibility of the Company. However, the financial statement user should consider other nonfinancial factors, such as changes in economic conditions, population changes, regulations and government legislation affecting the health care industry. Assets, liabilities and deferred inflows and outflows are generally measured using current values, with the exception of capital assets, which are stated at historical cost less allowances for depreciation.

A summary of the Company's condensed consolidated basic statements of net position as of June 30 is presented below:

(in thousands of dollars)	2020	2019	2018
Cash and cash equivalents and short-term investments	$ 164,454	$ 104,026	$ 104,092
Other current assets	144,797	151,516	145,824
Capital assets, net	247,717	249,153	265,717
Other noncurrent assets	64,310	44,609	42,603
Total assets	621,278	549,304	558,236
Deferred outflows of resources	6,413	6,033	6,285
Current liabilities	165,186	117,533	112,087
Noncurrent liabilities	245,054	240,934	251,426
Total liabilities	410,240	358,467	363,513
Deferred inflows of resources	7,130	6,942	7,522
Net position			
Net investment in capital assets	20,403	43,600	51,263
Restricted			
Expendable	5,181	4,793	5,153
Unrestricted	184,737	141,535	137,070
Total net position	$ 210,321	$ 189,928	$ 193,486

During 2020, cash and cash equivalents and short-term investments increased by approximately $60.4 million, or 58.1%. Cash generated from operations was approximately $132.9 million. During 2019, cash and cash equivalents and short-term investments decreased by approximately $0.1 million, or 0.1%. Cash generated from operations was approximately $61.6 million. See the "COVID-19 Pandemic" and "Consolidated Basic Statement of Cash Flows" sections below for further information regarding cash activity.

Other current assets decreased by approximately $6.7 million, or 4.4% during 2020. The decrease is mainly due to $15.8 million decrease in net patient accounts receivable and a $1.0 million decrease in prepaid expenses and other current assets, offset by an $8.2 million increase in due from city and state agencies and a $1.8 million increase in supply inventories. During 2019, other current assets increased by approximately $5.7 million, or 3.9%. The increase is mainly due to $3.8 million increase in net patient accounts receivable.

Capital assets, net, decreased approximately $1.4 million, or 0.6%, during 2020, with a $32.0 million increase in assets offset by a $33.4 million increase in accumulated depreciation. The increase in capital assets includes $10.3 million of construction in progress relating to a medical office building being constructed on the Company's land. The Company will be both a tenant in the building as well as a partial owner of the legal entity that holds the building, Yulee Medical Office Building, LLC ("YMOB LLC"). The Company is deemed to be the owner of the building during the construction period under the accounting rules, and accordingly, has recognized the construction in progress and a corresponding financing obligation in other liabilities in the consolidated basic statement of net position as of June 30, 2020, though the Company neither has title to the building nor responsibility for the debt related to the construction of it. During fiscal year 2021, once the Company's space lease is effective, accounting rules related to YMOB LLC will be re-evaluated. During 2019, capital assets, net, decreased approximately $16.6 million, or 6.2%, with a $17.7 million increase in assets offset by $34.3 million of depreciation.

Other noncurrent assets increased $19.7 million, or 44.2% during 2020, primarily due to a $15.5 million increase in JMOB LLC investment as a result of acquiring membership units in this LLC in exchange for its participation in Landmark's no-cost ownership program, as discussed above; a $5.3 million increase in pension asset; a $0.9 million increase of contributed capital in a direct service organization (GatorCare Health Management Corporation) that provides employee health plans; a $1.1 million increase in deposits; offset by and $3.1 million decrease in bond swap fair value. During 2019, other noncurrent assets increased $2.0 million, or 4.7%, primarily due to $0.9 million increase in deposits; $0.8 million increase of contributed capital in a direct service organization (GatorCare Health Management Corporation) that provides employee health plans; a $0.2 million increase in bond swap fair value.

During 2020, deferred outflows of resources increased by approximately $0.4 million, or 6.3%, with a $2.3 million increase related to the market value of bond swaps offset by a decrease of $1.4 million attributed to the pension plan and $0.5 million attributed to the other postemployment benefits. During 2019, deferred outflows of resources decreased by approximately $0.3 million, or 4.0%, with a $0.1 million increase attributed to the pension plan, a $0.2 million increase related to the market value of bond swaps, offset by $0.6 million decrease to other postemployment benefits.

Current liabilities increased approximately $47.7 million, or 40.5%, during 2020. Contributors include a $71.6 million increase for estimated third party liabilities, which primarily relates to funds received under the Medicare Accelerated and Advance Payment Program discussed further below in the "COVID-19 Pandemic" section; offset by a $15.3 million decrease in trade accounts payable and other accrued expenses, primarily related to the timing of payments; a $6.1 million decrease in the current portion due on long-term debt and leases; a $2.5 million decrease for accrued salaries and leave payable. During 2019, current liabilities increased approximately $5.4 million, or 4.9%. Contributors include an increase related to the new $7.3 million short-term note payable to University of Florida Jacksonville Physicians, Inc. ("UFJPI"); a $0.3 million increase in the current portion due on long-term debt and leases; a $2.1 million increase for accrued salaries and leave payable; which were offset by a $2.9 million decrease for estimated third party liabilities; a $0.9 million decrease in trade accounts payable and other accrued expenses; a $0.5 million decrease in patient credit balances.

Noncurrent liabilities increased approximately $4.1 million, or 1.7%, during 2020, primarily related to accounting rules requiring the Company to recognize a $10.3 million financing obligation for the YMOB LLC being built on Company land, as previously discussed above; a $3.5 million increase from deferred employer payroll tax liability associated with the Coronavirus Aid, Relief, and Economic Security ("CARES Act") passed by Congress and signed into law on March 27, 2020, which is discussed further below in the "COVID-19 Pandemic" section; a $2.2 million increase in the market value of bond swaps; and a $0.2 million increase in other miscellaneous liabilities; offset by a $10.8 million decrease for debt and capital lease payments and reclassifications to current portions due and a $1.3 million decrease for other accrued postretirement benefit accruals. During 2019, noncurrent liabilities decreased approximately $10.5 million, or 4.2%, primarily related to a $10.2 million decrease for debt and capital lease payments and reclassifications to current portions due, a $0.4 million decrease for other accrued postretirement benefit accruals, offset by a $0.1 million increase in the market value of bond swaps.

During 2020, deferred inflows of resources increased by approximately $0.2 million, or 2.7%, with a $2.2 million increase attributed to the pension plan and a $1.1 million increase attributed to other postemployment benefits, offset by a $3.1 million decrease attributed to the fair value of hedged derivatives. During 2019, deferred inflows of resources decreased by approximately $0.6 million, or 7.7%, with a $1.1 million decrease attributed to the pension plan, offset by a $0.3 million increase attributed to other postemployment benefits and a $0.2 million increase attributed to the fair value of hedged derivatives.

As of June 30, 2020, the Company has approximately $225.8 million in debt outstanding compared to approximately $243.0 million at June 30, 2019. The decrease is from making payments as scheduled and from repaying the $7.3 million short-term note payable to UFJPI, on July 3, 2019, which was initially effective June 27, 2019. As of June 30, 2020, the Company has approximately $5.7 million of capital leases, which is an increase of $0.3 million since the approximately $5.4 million balance at June 30, 2019. The increase is from $2.7 million of new capital leases offset by making scheduled payments. On December 10, 2015, $85.0 million Healthcare Facilities Revenue Bonds (UF Health – Jacksonville Project), Series 2015, were issued. The proceeds of this debt were used for financing, refinancing or reimbursement for costs of certain capital improvements including the cost of the construction and equipping North Phase II, other miscellaneous improvements and paying costs associated with the issuance of the Bonds. On March 1, 2015, the Company entered into an interest only $20 million Revolving Line of Credit Note, Series 2015A, and was advanced the entire amount, which was initially due and payable in full by March 6, 2020, unless extended. The Company executed an extension of the Revolving Line of Credit Note, Series 2015A on June 28, 2019 making the full amount outstanding due and payable by October 31, 2020. Series 2015A Note proceeds were used primarily for general corporate expenditures. Subsequently, on September 20, 2019, the Company closed on the $20 million tax exempt direct placement Health Facilities Revenue Bonds, Series 2019, and the $10 million Series 2019A Revolving Line of Credit Note. The proceeds of Series 2019 debt were used as reimbursement for costs of certain capital equipment and improvements and refinanced the $20 million Series 2015A Revolving Line of Credit, which terminated. The full $10 million of the Series 2019A Revolving Line of Credit Note was requested on November 18, 2019 and repaid on February 4, 2020. There is no outstanding balance as of June 30, 2020. On June 29, 2015, the Company closed on the $20 million issuance of City of Jacksonville, Florida Healthcare Facilities Revenue Bonds (UF Health Jacksonville Project), Series 2015, which matures on June 30, 2025. The purpose of Series 2015 Bonds was for financing, refinancing and reimbursing the costs of capital improvements and for paying for costs of issuance. On March 2, 2015, the Company borrowed $6.2 million under a master lease agreement. During 2013, SJMC borrowed approximately $123.6 million with the issuance of Healthcare Facilities Revenue Bonds Series 2013A and 2013B, for approximately $64.2 million and $59.4 million, respectively, on November 21, 2013. The proceeds of this issuance refunded the $100 million Series 2013 Shands Jacksonville Medical Center Taxable Notes, paid for the cost of debt issuance, provided for a debt service reserve fund and was used to reimburse or fund capital projects.

The promissory note owed to Shands in an original amount of approximately $42.3 million was recorded by the Company during 2011. In September 2015, the Company's Board of Directors agreed to accept the offer from the Shands Board of Directors to reduce the note due to Shands by approximately $17.7 million, effective July 1, 2015. The promissory note owed to Shands has an outstanding balance of $13.4 million and $14.4 million as of June 30, 2020 and 2019, respectively.

The Company was in compliance with all financial covenants as of June 30, 2020 and 2019.

Consolidated Basic Statements of Revenues, Expenses and Changes in Net Position

The following table presents the Company's condensed consolidated basic statements of revenues, expenses and changes in net position. The table presents the extent to which the Company's overall net position increased (decreased) as a result of operations or other reasons.

(in thousands of dollars)	**2020**	**2019**	**2018**
Net patient service revenue	$ 742,006	$ 739,037	$ 705,617
Other operating revenue	12,361	14,644	13,474
Total operating revenues	754,367	753,681	719,091
Operating expenses	725,639	717,352	684,007
Operating income	28,728	36,329	35,084
Nonoperating revenue (expenses), net	24,184	(7,672)	40
Excess of revenues over expenses before transfers and capital contributions	52,912	28,657	35,124
Other changes in net assets			
Transfers and expenditures in support of the University of Florida and its medical programs	(37,284)	(32,272)	(31,901)
City of Jacksonville captial grant	4,765	-	-
Capital contributions, net	-	57	9
Increase (decrease) in net position	20,393	(3,558)	3,232
Net position			
Beginning of year	189,928	193,486	190,254
End of year	$ 210,321	$ 189,928	$ 193,486

Patient Volumes

The following table reflects the associated volumes on a comparative basis to years ended June 30:

	2020	**2019**	**2018**
Inpatient admissions	25,452	26,775	28,107
Outpatient visits	534,961	564,146	587,462

During 2020, inpatient admissions, excluding observation cases, decreased by 1,323, or 4.9%. Outpatient visits decreased by 29,185, or 5.2%. Volume decreases are discussed further below in the "COVID-19 Pandemic" section.

During 2019, inpatient admissions, excluding observation cases, decreased by 1,332, or 4.7%, as admissions shifted from the inpatient to observation setting. Outpatient visits decreased by 23,316, or 4.0%, primarily because the Company sold outpatient dialysis program assets at the end of fiscal year 2018 and no longer provides outpatient dialysis services.

Operating Revenues

During 2020, patient service revenue, net of allowances for contractual discounts, charity care and bad debt expense, increased approximately $3.0 million, or 0.4%, over 2019, which is largely due to a $25.3 million increase in City and State funding and favorable pre-COVID-19 volume and revenue, which was then largely offset by lost volume and revenue as described further in the "COVID-19 Pandemic" section below. During 2019, patient service revenue, net of allowances for contractual discounts, charity care and bad debt expense, increased approximately $33.4 million, or 4.7% over 2018, which is largely due to increased surgical case volume and case mix index.

Other operating revenue decreased approximately $2.3 million, or 15.6%, during 2020, primarily related to lower operating grant revenue. During 2019, other operating revenue increased approximately $1.2 million, or 8.7%, primarily related to a contract billing for information technology support provided to UFJPI, as discussed further below.

Operating Expenses

During 2020, operating expenses increased approximately $8.3 million, or 1.2%. Salaries and benefits increased approximately $4.2 million, or 1.2%, which largely relates to the scheduled 2% merit increase effective January 2020. Supplies and services increased approximately $5.0 million, or 1.4%, mainly due to a $4.2 million increase in medical supplies related to additional utilization of costly infusion oncology drugs, expanding ambulatory pharmacy to include specialty drugs and the COVID-19 pandemic described further below; a $2.7 million increase in purchased services; and, an offset of $1.4 million for lower charitable contribution expense and a $0.6 million decrease in professional fees. Depreciation expense decreased $0.9 million, or 2.6%.

During 2019, operating expenses increased approximately $33.3 million, or 4.9%. Salaries and benefits increased approximately $12.2 million, or 3.8%, which relates to the scheduled 2% merit increase effective January 2019, the transfer of information technology staff from UFJPI, as well as continued recruiting for North Phase II operations. Supplies and services increased approximately $22.9 million, or 7.1%, mainly due to a $14.0 million increase in medical supplies related to additional utilization of costly infusion oncology drugs and neurosurgical implants; a $3.8 million increase in professional fees related to a one-time consulting project and a contract change for infusion oncology services; the timing of a prior year reduction of OIG penalties of $3.3 million, mentioned below; and, a $1.2 million increase in contribution expense. Depreciation expense decreased $1.8 million, or 4.9%.

Nonoperating Revenues (Expenses), net

Nonoperating revenues, net, for fiscal year 2020, were approximately $24.2 million, which includes $15.6 million of CARES Act grant revenue described further in the "COVID-19 Pandemic" section below; $15.5 million for the voluntary non-exchange transaction related to a membership interest in JMOB LLC, described above, net investment gains of approximately $1.9 million (including the increase in fair value of approximately $1.2 million); other nonoperating gains of $0.1 million for an increase in fair value of the nonhedged derivatives; offset by interest expense of approximately $8.9 million.

Nonoperating expenses, net, for fiscal year 2019, were approximately $7.7 million, predominantly related to interest expense of approximately $9.8 million, offset by net investment gains of approximately $2.0 million (including the increase in fair value of approximately $0.5 million) and an increase in fair value of the nonhedged derivatives in other nonoperating gains of $0.1 million.

Consolidated Basic Statements of Cash Flows

The consolidated basic statements of cash flows provide additional information in regard to the Company's financial results by reporting the major sources and uses of cash.

During 2020, cash and cash equivalents increased by approximately $29.6 million, or 28.9%. Cash inflows were primarily related to net cash received from patients and third-party payors of $824.6 million; proceeds from short-term and long-term debt of $30 million; $15.6 million of CARES Act grant revenue, discussed further below in the "COVID-19 Pandemic" section; other receipts from operations of $13.0 million; $1.4 million from capital grants; and, $1.0 million of investment income. Cash outflows were primarily related to cash used by operating activities paid to employees and vendors of $704.7 million; payments of $45.9 million in support of UF and its medical programs; debt, lease, other borrowing and interest payments of $58.9 million, which were subsequently repaid or the result of refinancing; payments for acquisition of capital assets of $16.8 million; and, purchase of short-term investments and assets limited as to use of $29.7 million.

During 2019, cash and cash equivalents decreased by approximately $1.1 million, or 1.0%. Cash inflows were primarily related to net cash provided in operating activities of $61.6 million, $7.3 million of short-term debt proceeds and $1.0 million of investment income. Cash outflows were primarily payments of $29.3 million in support of UF and its medical programs; payments for acquisition of capital assets of $20.8 million; debt, lease, other borrowing and interest payments of $19.9 million and purchase of short-term investments and assets limited as to use of $1.1 million.

COVID-19 Pandemic

The Company's operations and financial condition have been significantly impacted by the emergence of a novel coronavirus ("COVID-19"), which has evolved into a global pandemic. On March 13, 2020, President Trump declared a national emergency in response to the COVID-19 pandemic. Shortly thereafter, President Trump and the Centers for Medicare and Medicaid Services ("CMS") recommended health care providers limit all "non-essential" elective medical and surgical procedures. On March 20, 2020, Florida Governor DeSantis issued Executive Order 20-72, which prohibited "any medically unnecessary, non-urgent or non-emergency procedure or surgery which, if delayed, does not place a patient's immediate health, safety, or well being at risk…" The Company immediately complied with Executive Order 20-72 by canceling all elective procedures and began preparing for an anticipated surge in COVID-19 patients.

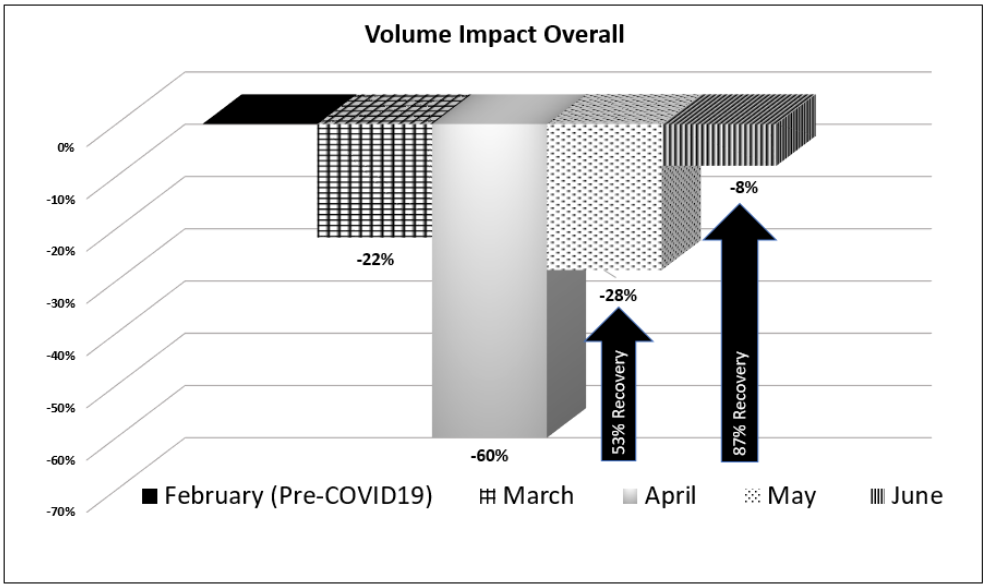
The COVID-19 pandemic resulted in lost revenue, due to sharp declines in patient volume resulting from the Executive Order 20-72, and increased expenses due to an increased need for personal protective equipment for caregivers and visitors, and materials and staffing necessary for COVID-19 testing (i.e. swabs, collection kits, reagents, etc.). Management estimates that net patient service revenue was negatively impacted by over $26.4 million and operating expenses increased by over $3.9 million due to the effects of the COVID-19 pandemic.

In response to COVID-19 and its effects on the U.S. economy and the health care delivery system, Congress passed various stimulus bills, which have provided certain financial benefits to the Company. The following is a summary of the key benefits provided to the Company:

- The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted on March 27, 2020, and authorized $100 billion in direct funding to hospitals and other healthcare providers. This funding (referred to as "Provider Relief Funds") was intended to compensate healthcare providers for lost revenues and incremental expenses incurred in response to the COVID-19 pandemic and is not required to be repaid, provided recipients attest to and comply with certain terms and conditions. In April 2020, the U.S. Department of Health and Human Services ("HHS") made general distributions totaling $50 billion (in two tranches of $30 billion and $20 billion) to health care providers in proportion to providers' share of 2018 net patient service revenue and an additional $4.9 billion to skilled nursing facilities. Between April 2020 and June 2020, the Company received distributions of $15.6 million as part of the general and skilled nursing facility distributions from the Provider Relief Funds and the amounts are recorded as grant revenue in the consolidated basic statement of revenues, expenses and changes in net position. On September 19, 2020, HHS released updated guidance on reporting the appropriate use of Provider Relief Funds received under the CARES Act. Based on this guidance, recipients may use Provider Relief Funds for health care related expenses attributable to COVID-19 that another source has not reimbursed and is not obligated to reimburse, and then for lost operating income related to health care services measured through December 31, 2020, and then if necessary, through June 30, 2021. Management is aware that the Provider Relief Funds received are subject to audit, and certain amounts could be at risk of being paid back in the future. However, based on the estimated financial impact of COVID-19 through June 30, 2020, management does not believe such amounts, if any, would be material to the consolidated basic financial statements.

- The CARES Act also expanded the Medicare Accelerated and Advance Payment Program as a way to increase cash flow to Medicare providers impacted by the COVID-19 pandemic. Acute care hospitals could request accelerated payments of up to 100% of their total Medicare payment amount for a six-month period based on the last six months of 2019. Such accelerated payments are interest free for 12 months, and the program currently requires CMS to recoup the payments beginning 120 days after receipt for most providers, by withholding future Medicare fee-for-service payments for claims until the full accelerated payment has been recouped. In April 2020, the Company received Medicare advances totaling $75.1 million as part of the expanded Accelerated and Advance Payment Program under the CARES Act. These amounts are recorded as liabilities and are included in estimated third-party payor settlements in the consolidated basic statement of net position.

On April 29, 2020, Governor DeSantis issued Executive Order 20-112, with an effective date of May 4, 2020, lifting the prohibition on elective procedures established by Executive Order 20-72. On May 4, 2020, the Company resumed elective surgeries and procedures at its inpatient and outpatient facilities. During May and June 2020, the Company recovered 53% and 87% of its pre-COVID volume levels, respectively.



In addition to resuming elective surgeries and procedures, the Company enhanced a number of measures to safeguard the health of patients, visitors and caregivers. These measures, including conducting COVID-19 testing for all patients admitted, will continue for the foreseeable future as management works with UF epidemiologists and infectious disease experts, considers the Centers for Disease Control and Prevention and Florida Department of Health guidelines, and makes adjustments as indicated by the burden of the disease and the state of the science.

Management anticipates that the extent of COVID-19's adverse impact on the Company's operating results and financial position will be driven by many factors, most of which are beyond management's control and ability to forecast. The ultimate impact on operating results will be a function of the duration and scope of the COVID-19 outbreak in areas served by the Company and its effect on patient volumes. As a result, at this time, management cannot reasonably estimate the future impact on operations of a prolonged continuation of the COVID-19 pandemic, but such impact could be material.

Credit Ratings

The Company's underlying credit rating of BBB- was reaffirmed by Fitch Ratings in May 2020 with a stable outlook. Moody's Investor Service reaffirmed a Baa3 credit rating in February 2019, with a stable outlook.

pwc

Report of Independent Auditors

To the Board of Directors of
Shands Jacksonville HealthCare, Inc. and Subsidiaries

We have audited the accompanying consolidated basic financial statements of Shands Jacksonville HealthCare, Inc. and its subsidiaries (the "Company"), a component unit of the University of Florida, which comprise the consolidated basic statements of net position as of June 30, 2020 and 2019, and the related consolidated basic statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the consolidated basic financial statements.

Management's Responsibility for the Consolidated Basic Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated basic financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated basic financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated basic 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 Company'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 basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Shands Jacksonville HealthCare, Inc. and its subsidiaries as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP, 76 South Laura Street, Suite 2100, Jacksonville, FL 32202
T: (904) 354 0671, F: (904) 366 3678, www.pwc.com/us

Other Matters

Required Supplementary Information

The accompanying *management's discussion and analysis (unaudited)* on pages 1 through 10, the *schedule of changes in the net pension (asset) liability and related ratios (unaudited)* on page 51, and the *schedule of employer contributions (unaudited)* on page 52 are required by accounting principles generally accepted in the United States of America to supplement the consolidated basic financial statements. Such information, although not a part of the consolidated basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the consolidated basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated basic financial statements, and other knowledge we obtained during our audits of the consolidated basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Company's consolidated basic financial statements. The *supplemental consolidating information* on pages 53 through 57 is presented for purposes of additional analysis and is not a required part of the consolidated basic financial statements. The *supplemental consolidating information* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated basic financial statements. The *supplemental consolidating information* has been subjected to the auditing procedures applied in the audit of the consolidated basic 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 basic financial statements or to the consolidated basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *supplemental consolidating information* is fairly stated, in all material respects, in relation to the consolidated basic financial statements taken as a whole.

PricewaterhouseCoopers L.L.P.

Jacksonville, Florida
September 25, 2020

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Consolidated Basic Statements of Net Position
June 30, 2020 and 2019

(in thousands of dollars)

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 132,208	$ 102,597
Short-term investments	32,246	1,429
Patient accounts receivable, net of allowance for uncollectibles of $87,261 and $63,883, respectively	103,148	118,916
Due from city and state agencies	9,032	871
Inventories	18,539	16,691
Prepaid expenses and other current assets	10,641	11,623
Assets whose use is restricted, current portion	3,437	3,415
Total current assets	309,251	255,542
Assets whose use is restricted, less current portion	26,082	26,045
Capital assets, net	247,717	249,153
Investment	15,526	-
Other assets	22,702	18,564
Total assets	621,278	549,304
Deferred outflows of resources		
Accumulated decrease in fair value of hedge derivatives	2,469	176
Deferred other postemployment benefits outflows	1,278	1,829
Deferred pension outflows	2,666	4,028
Total deferred outflows of resources	$ 6,413	$ 6,033
Liabilities		
Current liabilities		
Short-term and long-term debt, current portion	$ 8,767	$ 15,784
Capital lease obligations, current portion	2,764	1,830
Accounts payable and accrued expenses	44,995	60,344
Accrued salaries and leave payable	32,132	34,655
Estimated third-party payor settlements	76,528	4,920
Total current liabilities	165,186	117,533
Long-term liabilities		
Long-term debt, noncurrent portion	217,029	227,245
Capital lease obligations, noncurrent portion	2,969	3,541
Other liabilities	25,056	10,148
Total long-term liabilities	245,054	240,934
Total liabilities	410,240	358,467
Deferred inflows of resources		
Accumulated increase in fair value of hedge derivatives	-	3,101
Deferred other postemployment benefits inflows	1,607	510
Deferred pension inflows	5,523	3,331
Total deferred inflows of resources	7,130	6,942
Commitments and contingencies		
Net position		
Net investment in capital assets	20,403	43,600
Restricted		
Expendable	5,181	4,793
Unrestricted	184,737	141,535
Total net position	$ 210,321	$ 189,928

The accompanying notes are an integral part of these consolidated basic financial statements.

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Consolidated Basic Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

(in thousands of dollars)

	2020	2019
Operating revenues		
Net patient service revenue, net of provision for bad debts of $99,061 and $64,316, respectively	$ 742,006	$ 739,037
Other operating revenue	12,361	14,644
Total operating revenues	754,367	753,681
Operating expenses		
Salaries and benefits	341,545	337,360
Supplies and services	350,680	345,693
Depreciation and amortization	33,414	34,299
Total operating expenses	725,639	717,352
Operating income	28,728	36,329
Nonoperating revenues (expenses)		
Interest expense	(8,917)	(9,821)
Grant revenue	15,642	-
Voluntary non-exchange transaction	15,526	-
Net investment gain, including change in fair value	1,845	2,023
Gain on disposal of capital assets, net	-	20
Other nonoperating gain (loss), net	88	106
Total nonoperating revenue (expense), net	24,184	(7,672)
Excess of revenues over expenses before transfers and capital contributions	52,912	28,657
Transfers and expenditures in support of the University of Florida and its medical programs	(37,284)	(32,272)
City of Jacksonville capital grant	4,765	-
Capital contributions, net	-	57
Increase (decrease) in net position	20,393	(3,558)
Net position		
Beginning of year	189,928	193,486
End of year	$ 210,321	$ 189,928

The accompanying notes are an integral part of these consolidated basic financial statements.

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Consolidated Basic Statements of Cash Flows
Years Ended June 30, 2020 and 2019

(in thousands of dollars)

	2020	2019
Cash flows from operating activities		
Cash received from patients and third-party payors	$ 824,568	$ 731,548
Other receipts from operations	13,045	15,208
Salaries and benefits paid to employees	(342,520)	(336,840)
Payments to suppliers and vendors	(362,222)	(348,268)
Net cash provided by operating activities	132,871	61,648
Cash flows from noncapital financing activities		
Proceeds from short-term debt	10,000	-
Interest paid	(633)	(674)
Proceeds from grant	15,642	-
Payments in support of the University of Florida and its medical programs	(45,944)	(29,291)
Payments of short-term and long-term debt	(38,278)	(935)
Proceeds from disposal of noncapital assets	-	17
Net cash used in noncapital financing activities	(59,213)	(30,883)
Cash flows from capital and related financing activities		
Proceeds from debt	20,000	7,300
Payments for capital assets	(16,831)	(20,800)
Proceeds from sale of capital assets	11	-
Payments of long-term debt and capital lease obligations	(11,273)	(9,242)
Interest paid	(8,761)	(9,019)
City of Jacksonville capital grant	1,418	-
Capital contributions	-	57
Net cash used in capital and related financing activities	(15,436)	(31,704)
Cash flows from investing activities		
Investment income received	1,039	1,022
Purchase of short-term investments and assets whose use is restricted	(29,650)	(1,135)
Net cash used in investing activities	(28,611)	(113)
Net increase (decrease) in cash and cash equivalents	29,611	(1,052)
Cash and cash equivalents		
Beginning of year	102,597	103,649
End of year	$ 132,208	$ 102,597

The accompanying notes are an integral part of these consolidated basic financial statements.

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Consolidated Basic Statements of Cash Flows (continued)
Years Ended June 30, 2020 and 2019

(in thousands of dollars)

	2020	2019
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 28,728	$ 36,329
Adjustments to operating income to net cash provided by operating activities		
Depreciation and amortization	33,414	34,299
Provision for bad debts	99,061	64,316
Changes in		
Patient accounts receivable	(88,108)	(68,939)
Prepaid expenses, inventories and other current assets	(1,286)	47
Other assets	(5,327)	(1,298)
Accounts payable and accrued expenses	(10,908)	912
Estimated third-party payor settlements	71,608	(2,863)
Other liabilities	5,689	(1,155)
Total adjustments	104,143	25,319
Net cash provided by operating activities	$ 132,871	$ 61,648
Disclosure of supplemental cash flow information		
Capital assets purchased through capital lease obligations and other borrowings	$ 2,682	$ 272
Net increase in fair value of investments	1,226	539
Net change in fair value of nonhedged derivatives and other nonoperating gains	88	106
Loss related to undepreciated costs on capital asset disposals	12	4
Accrued purchases of property and equipment	3,980	1,806

The accompanying notes are an integral part of these consolidated basic financial statements.

1. Organization

Shands Jacksonville HealthCare, Inc. ("SJH" or the "Company"), formerly known as Jacksonville Health Group, Inc., is a not-for-profit corporation with direct control over Shands Jacksonville Medical Center, Inc. ("SJMC") and direct or indirect control over numerous other entities, all of which are blended in the accompanying consolidated basic financial statements. During 2013, SJMC began doing business as UF Health Jacksonville. SJMC, formerly known as University Medical Center, Inc. ("UMC"), is a Florida not-for-profit corporation and the principal operating subsidiary of the Company. SJMC is licensed to operate a total of 695 beds at two locations; one in downtown and one in north Jacksonville, Florida. Through a lease with the City of Jacksonville (the "City") under the terms described in Note 11, the downtown campus operates a teaching hospital and provides clinical settings for medical education programs of the University of Florida ("UF"). SJH is a component unit of UF.

SJH, SJMC and Shands Jacksonville Properties Inc. ("SJP") are members of the Obligated Group as defined in the Master Trust Indenture dated June 1, 2013. Shands Jacksonville Foundation, Inc. ("SJF") and Shands Jacksonville Community Services, Inc. ("SJCS") are affiliated with the Company but are not a part of the Obligated Group.

Effective October 1, 2019, SJCS became a member of Jacksonville Medical Office Building, LLC ("JMOB LLC") by acquiring 3,459 Class A membership units, or 34.59% of total Class A units, in exchange for its participation in a no-cost ownership program offered by the developer of a medical office building in north Jacksonville, Florida, Landmark Healthcare Facilities LLC's ("Landmark"), in which SJCS leases space. The Company did not provide anything of value to the JMOB LLC or Landmark in exchange for the membership units. Class A membership units have no power to influence the JMOB LLC. As a result, the Company accounted for this transaction as a voluntary non-exchange transaction, recognizing $15.5 million, the fair value of the ownership interest, as voluntary non-exchange revenue in the consolidated basic statement of revenues, expenses and changes in net position for the year ended June 30, 2020 and recognizing a corresponding investment in the statement of net position as of June 30, 2020.

Effective July 2, 2019, a consolidated affiliate became a member of Yulee Medical Office Building, LLC ("YMOB LLC") by acquiring 500 Class A membership units, or 50% of total Class A units, in exchange for its participation in a no-cost ownership program offered by the developer, Landmark, of a medical office building in north Jacksonville, Florida, in which SJCS leases space, effective beginning in the year ending June 30, 2021. Class A membership units have no power to influence the YMOB LLC. Through this agreement, consolidated affiliates of the Company will be the lessor of the land, a tenant in the building as well as a partial owner of the entity that legally owns the building, YMOB LLC. The Company is deemed to be the owner of the building during the construction period under the accounting rules, and accordingly, has recognized the construction in progress and a corresponding financing obligation in other liabilities in the consolidated basic statement of net position as of June 30, 2020, though the Company neither has title to the building nor responsibility for the debt related to the construction of it.

The President of UF, or his designee, is responsible for the oversight of the Company. The President of UF is appointed by a Board of Trustees that governs UF (the "UF Board"). The members of the UF Board are appointed by the Governor and Board of Governors of the state of Florida.

Under a 2010 reorganization, Shands Teaching Hospital and Clinics, Inc. (“Shands”) is no longer the sole corporate member of the Company, but continues as an affiliated entity under common control of UF. The Company continues to receive management and operational services from Shands.

2. Summary of Significant Accounting Policies

Basis of Presentation
The accompanying consolidated basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, including all applicable effective statements of the Governmental Accounting Standards Board (“GASB”), on the accrual basis of accounting and include the accounts of the Company and its subsidiaries. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Significant intercompany accounts and transactions have been eliminated.

Use of Estimates
The preparation of these consolidated basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated basic financial statements and accompanying notes. Actual results could differ from those estimates.

Tax Status
The Company and its subsidiaries are exempt from federal income taxes pursuant to Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code and from state income taxes pursuant to Chapter 220 of the Florida Statutes.

Cash and Cash Equivalents
Cash and cash equivalents include investments in highly liquid instruments with maturities of three months or less when purchased, except those classified as assets whose use is restricted in the accompanying consolidated basic financial statements.

Investments
Investments are carried at fair value or, in the case of the Florida Treasury Investment Pool Special Purpose Investment Account, net asset value. Interest, dividends, and gains and losses on investments, both realized and unrealized, are included in nonoperating revenues (expenses) when earned.

The estimated fair value of investments is based on quoted market prices. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the accompanying consolidated basic statements of revenues, expenses, and changes in net position in the period such fluctuations occur.

Inventories
Inventories consist principally of medical, surgical, and pharmaceutical supplies that are stated at the lower of cost (average cost method) or market.

Assets Whose Use is Restricted
Assets whose use is restricted are cash and cash equivalents comprised of a debt service reserve fund, swap collateral and internally designated funds for clinical support, education, research, and other health programs and amounts to be used for mandatory redemption of bonds.

Capital Assets
Capital assets are recorded at cost, except for donated items, which are recorded at fair value at the date of receipt as an addition to net position. Buildings and equipment under capital leases are stated at the present value of minimum lease payments at the inception of the lease. Routine maintenance and repairs are expensed when incurred. Depreciation for financial reporting purposes is computed using the straight-line method over the estimated useful lives of the related depreciable assets. Capital assets under capital leases are amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the related assets. Such amortization is included in depreciation and amortization expense in the accompanying consolidated basic statements of revenues, expenses, and changes in net position. Gains and losses on dispositions are recorded in the year of disposal.

Costs of Borrowing
Interest costs incurred on borrowed funds during the period of construction or development of capital assets are expensed as incurred. Bond issue costs are expensed at the time of issuance. There was approximately $1,112,000 and $1,160,000 of net unamortized original premiums for the Series 2015 and 2013A Bonds at June 30, 2020 and 2019, respectively, which will be amortized over the remaining periods of the obligations using the effective interest method.

Deferred Outflows and Inflows of Resources
Deferred outflows of resources represent a consumption of net assets that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net assets that is applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets, and deferred inflows of resources have a negative effect on net position, similar to liabilities. Notwithstanding those similarities, deferred outflows of resources are not assets and deferred inflows of resources are not liabilities and accordingly are not included in those sections of the accompanying consolidated basic statements of net position, but rather, separately reported.

Accrued Personal Leave
The Company provides accrued time off to eligible employees for vacations, holidays, and short-term illness dependent on their years of continuous service and their payroll classification. The Company accrues the estimated expense related to personal leave based on pay rates currently in effect. Upon termination of employment, employees will have their eligible accrued personal leave paid in full. Accrued personal leave was approximately $16,977,000 and $16,335,000 as of June 30, 2020 and 2019, respectively, and is included in accrued salaries and leave payable in the accompanying consolidated basic statements of net position.

Defined Benefit Pension Plan
On June 1, 2018, the Shands HealthCare Pension Plan (the “Predecessor Plan”) was terminated and the Shands HealthCare Pension Plan II (the “Successor Plan”) was established. Terminating the Predecessor Plan facilitated the payment of lump-sum distributions to certain participants and reduced plan administration expenses. All of the Predecessor Plan assets and liabilities as of June 1, 2018 were transferred to the Successor Plan. The provisions in the Successor Plan are essentially identical to the provisions in the Predecessor Plan. The Predecessor Plan and the Successor Plan are hereinafter referred to as the “Plan.”

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to the defined benefit plan, and defined benefit pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported to the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Short-Term and Long-Term Debt
Short-term debt is comprised of a note payable. Long-term debt is comprised of tax exempt bond issues, a note payable and revolving debt.

Net Position
Net position is categorized as "net investment in capital assets," "restricted - expendable," and "unrestricted." Net investment in capital assets is intended to reflect the portion of net position that is associated with nonliquid capital assets, less outstanding balances due on borrowings used to finance the purchase or construction of those assets related to debt. Unspent debt proceeds are excluded from the calculation of net investment in capital assets and are included in unrestricted net position, unless the unspent amounts are externally restricted. Restricted – expendable have restrictions placed on their use through external constraints imposed by contributors. Unrestricted are those that do not meet the definition of net investment in capital assets and have no third-party restrictions on use.

Revenues and Expenses
The Company's consolidated basic statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Company's principal activity. Operating expenses are all expenses incurred to provide health care services. Net investment income, interest expense, non-exchange grants, voluntary non-exchange transactions, and gain (loss) on disposal of assets are reported as nonoperating revenues (expenses). Grants and donations received for the purpose of acquiring or constructing capital assets are recorded below nonoperating revenues (expenses) as City of Jacksonville capital grant or capital contributions, net, respectively.

Net Patient Service Revenue and Patient Accounts Receivable
SJMC has agreements with third-party payors that provide for payments to SJMC at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue and patient accounts receivable are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. For the years ended June 30, 2020 and 2019, net patient service revenue increased by approximately $3,255,000 and $1,284,000, respectively, due to such adjustments.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. It is management's opinion that the estimated amounts, which are recorded as current liabilities in the accompanying consolidated basic statements of net position, represent the best estimate to date of the estimated liability for settlements of outstanding Medicare and Medicaid cost reports.

Medicare
The Company participates in the federal Medicare program. Approximately 29% and 31% of the Company's net patient service revenue for the years ended June 30, 2020 and 2019, respectively, was derived from services to Medicare beneficiaries. Inpatient acute care services rendered to Medicare beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system Diagnostic Related Groups that is based on clinical, diagnostic, and other factors.

Inpatient nonacute services, outpatient services, and defined capital costs related to Medicare beneficiaries are reimbursed based upon a prospective reimbursement methodology.
The Company is paid for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Company and audits by the Medicare fiscal intermediary. The Company's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review. As of June 30, 2020, Medicare cost reports through June 30, 2010, and for fiscal years ended June 30, 2015 and June 30, 2016, were final settled by the Company's Medicare fiscal intermediary.

Medicaid
The Company participates in the State of Florida Medicaid program. The Agency for Health Care Administration is the administrator of the Statewide Medicaid Managed Care Managed Medial Assistance ("MMA") Program in the State of Florida. The MMA program is comprised of several types of managed care plans including Health Maintenance Organizations, Provider Service Networks, and Children's Medical Services Network. The majority of Medicaid beneficiaries are required to enroll in the MMA program. Approximately 12% and 13% of the Company's net patient service revenue for the years ended June 30, 2020 and 2019, respectively, was derived from services to Medicaid beneficiaries. Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge and outpatient services are reimbursed at prospectively determined rates based upon Enhanced Ambulatory Patient Groupings ("EAPGs"). Prior to July 1, 2017, outpatient services were reimbursed based upon a cost reimbursement methodology subject to certain ceilings.

In addition to the prospectively determined rates per discharge and EAPG payments received by the Company for the provision of health care services to Medicaid beneficiaries, the State of Florida provides supplemental Medicaid and disproportionate share payments to reflect the additional costs associated with treating the Medicaid population in Florida. These amounts are reflected in net patient service revenue in the accompanying consolidated basic statements of revenues, expenses and changes in net position. As of June 30, 2020, the Medicaid cost reports have been audited by Medicaid fiscal intermediary through June 30, 2015.

The Company qualified for additional Medicaid reimbursement for quarterly Graduate Medical Education ("GME") and transitional payments.

Other Third-Party Payors
The Company has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates.

Provision for Bad Debts and Allowance for Uncollectible Accounts
The provision for bad debts is based on management's assessment of historical and expected net collections, considering business and economic conditions, trends in federal and state governmental health care coverage, and other collection indicators. Throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon these trends. The results of these reviews are then used to make any modification to the provision for bad debts to establish an appropriate allowance for uncollectible accounts. Patient accounts receivable are written off after collection efforts have been followed under the Company's policies.

Risk Management
The Company is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters in excess of self-insured limits. Settled claims have not exceeded this commercial coverage for the years ended June 30, 2020 and 2019.

The Company was granted sovereign immunity under the provision of Chapter 2011-114, Laws of Florida, and further codified in 768.28(2), Florida Statutes. As such, recovery in tort actions are limited to $200,000 for any one person for one incident and all recovery related to one incident is limited to a total of $300,000.

Derivative Financial Instruments
The Company uses interest rate swaps to manage net exposure to interest rate changes related to its borrowings and to lower its overall borrowing costs. The interest rate swaps are evaluated for hedge effectiveness. If the interest rate swap is determined to be an effective hedge, its fair value is an asset or liability with a corresponding deferred outflow or inflow in the accompanying consolidated basic statements of net position. The Company accounts for changes in fair value of interest rate swaps that do not qualify for hedge accounting within other nonoperating losses in the consolidated basic statements of revenues, expenses, and changes in net position.

Recent Accounting Pronouncements
In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* ("GASB No. 95"). GASB No. 95 provides temporary relief to governments in light of the COVID-19 pandemic by extending the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were effective for reporting periods beginning after June 15, 2018. GASB No. 95 was effective immediately upon its issuance.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities* ("GASB No. 84"). The principal objective of GASB No. 84 is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. The effective date was amended by GASB No. 95 to be for reporting periods beginning after December 15, 2019. The Company is currently evaluating the impact GASB No. 84 will have on its consolidated basic financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases* ("GASB No. 87"). GASB No. 87 establishes standards of accounting and financial reporting by lessees and lessors. GASB No. 87 will require a lessee to recognize a lease liability and an intangible right-to-use lease asset at the commencement of the lease term, with certain exceptions, and will require a lessor to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions. The effective date was amended by GASB No. 95 to be for fiscal years beginning after June 15, 2021 and all reporting periods thereafter. The Company is currently evaluating the impact GASB No. 87 will have on its consolidated basic financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61* ("GASB No. 90"). The primary objective of GASB No. 90 is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The effective date was amended by GASB No. 95 to be for reporting periods beginning after December 15, 2019. The Company is currently evaluating the impact GASB No. 90 will have on its consolidated basic financial statements.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations* ("GASB No. 91"). GASB No. 91 clarifies the existing definition of a conduit debt obligation, establishes that a conduit debt obligation is not a liability of the issuer, and establishes standards for accounting and financial reporting of additional and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations. The effective date was amended by GASB No. 95 to be for reporting periods beginning after December 15, 2021. The Company is currently evaluating the impact GASB No. 91 will have on its consolidated basic financial statements.

In January 2020, the GASB issued GASB Statement No. 92, *Omnibus 2020* ("GASB No. 92"). GASB No. 92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-equity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance related activities of public equity risk pools, fair value measurements, and derivative instruments. The effective date was amended by GASB No.95 to be for reporting periods beginning after June 15, 2021. The Company is currently evaluating the impact GASB No. 92 will have on its consolidated basic financial statements.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates* ("GASB No. 93"). GASB No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates ("IBOR")-most notably, the London Interbank Offered Rate ("LIBOR"), in hedging derivative instruments and leases and identifies appropriate benchmark interest rates for hedging derivative instruments. LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The effective date of certain provisions were amended by GASB No. 95 to be for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The Company is currently evaluating the impact GASB No. 93 will have on its consolidated basic financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* ("GASB No. 94"). A public-private and public-public partnership arrangement ("PPP") is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An availability payment arrangement ("APA") is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period time in an exchange or exchange-like transaction. GASB No. 94 is effective for fiscal years beginning after June 15, 2022. The Company is currently evaluating the impact GASB No. 94 will have on its consolidated basic financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB No. 96"). GASB No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITA") for government end users. A SBITA is defined as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB No. 96 establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and requires additional disclosures regarding a SBITA. GASB No. 96 is effective for fiscal years beginning after June 15, 2022. The Company is currently evaluating the impact GASB No. 96 will have on its consolidated basic financial statements.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* ("GASB No. 97"). The primary objective of GASB No. 97 is to increase the consistency and comparability of reporting fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board would typically perform for certain defined contribution pension plans, defined contribution other postemployment benefit plans, and other employee benefit plans. This Statement also enhances the relevance and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans. Paragraphs 4 and 5 of GASB No. 97 are effective immediately and the remainder of GASB No. 97 is effective for reporting periods beginning after June 15, 2021. The adoption of paragraphs 4 and 5 of GASB No. 97 did not have a material impact on the consolidated basic financial statements, and the Company is currently evaluating the impact the remaining provisions of GASB No. 97 will have on its consolidated basic financial statements.

3. Unsponsored Community Benefit

Community benefit is a planned, managed, organized, and measured approach to a health care organization's participation in meeting identified community health needs. It implies collaboration with a "community" to "benefit" its residents, particularly the poor and other underserved groups, by improving health status and quality of life. Community benefit projects and services are identified by health care organizations in response to findings of a community health assessment, strategic and/or clinical priorities, and partnership areas of attention.

Community benefit categories include financial assistance, community health services, health professions education, research, and donations. The Company has a long history of providing community benefits and has quantified these benefits using national guidelines developed by the Catholic Health Association in collaboration with the Voluntary Hospital Association (“VHA”).

The Company has policies providing financial assistance for patients requiring care but who have limited or no means to pay for that care. These policies provide free or discounted health and health-related services to persons who qualify under certain income and assets criteria. Because the Company does not pursue collection of amounts determined to qualify for financial assistance, they are not reported as net patient service revenue. The Company maintains records to identify and monitor the level of financial assistance it provides. Charges forgone for services provided under the Company’s financial assistance policy for the years ended June 30, 2020 and 2019 were approximately $406,617,000 and $434,808,000, respectively.

In addition to direct financial assistance, the Company provides benefits for the broader community. The cost of providing these community benefits can exceed the revenue sources available. Examples of the benefits provided by the Company and general definitions regarding those benefits are described below:

- Community health services include activities carried out to improve community health. They extend beyond patient care activities and are usually subsidized by the health care organization. Examples include community health education, counseling and support services, and health care screenings.

- Health professional education includes education provided in clinical settings such as internships and programs for physicians, nurses, and allied health professionals. Also included are scholarships for health professional education related to providing community health improvement services and specialty in-service programs to professionals in the community.

- Donations include funds and in-kind services benefiting the community-at-large.

The Company’s valuation of unsponsored community benefits at estimated cost for the years ended June 30, 2020 and 2019 is as follows:

(in thousands of dollars)	**2020**	**2019**
Financial assistance provided	$ 81,671	$ 87,525
Government support applied to charity care	(34,276)	(26,276)
Net unreimbursed financial assistance	47,395	61,249
Benefits for the broader community		
Community health services	435	110
Health professions education	22,549	23,871
Donations	-	26
Total quantifiable benefits for the broader community	22,984	24,007
Total community benefits	$ 70,379	$ 85,256

The estimated cost of financial assistance provided was determined by applying the Company's overall expense to charge ratio to total charges foregone. Cost of benefits for the broader community represents actual expenses incurred.

The Company also plays a leadership role in the communities it serves by providing additional community benefits that have not been quantified. This role includes serving as a state designated Level I trauma center and maintaining air ambulance services to help meet the emergency healthcare needs in Jacksonville.

In addition to the community benefits described above, the Company provides additional benefits to the community through advocacy of community service by employees. The Company's employees serve numerous organizations through board representation, in-kind and direct donations, fund-raising, youth sponsorship, and other related activities.

4. Cash, Cash Equivalents, Investments and Assets Whose Use is Restricted

Cash, cash equivalents, investments and assets whose use is restricted are reported in the accompanying consolidated basic statements of net position as follows at June 30, 2020 and 2019:

(in thousands of dollars)	2020	2019
Current assets		
Cash and cash equivalents	$ 132,208	$ 102,597
Short-term investments	32,246	1,429
Assets whose use is restricted, current portion	3,437	3,415
	167,891	107,441
Long-term assets		
Assets whose use is restricted, less current portion	26,082	26,045
Investment in JMOB LLC	15,526	-
	$ 209,499	$ 133,486

The composition of cash, cash equivalents, investments and assets whose use is restricted at June 30, 2020 and 2019 is as follows:

(in thousands of dollars)		Investment Maturities		
2020	**Market Value**	**Less Than 1 Year**	**1–3 Years**	**N/A**
Certificates of deposit	$ 6,582	$ 6,582	$ -	$ -
Florida Treasury Investment Pool ("SPIA")	51,700	-	51,700	-
Money market funds	2,899	-	-	2,899
Investment in JMOB LLC	15,526	-	-	15,526
Bank deposits	132,792	-	-	132,792
	$ 209,499	$ 6,582	$ 51,700	$ 151,217

(in thousands of dollars)		Investment Maturities		
2019	**Market Value**	**Less Than 1 Year**	**1–3 Years**	**N/A**
Certificates of deposit	$ 6,545	$ 6,545	$ -	$ -
Florida Treasury Investment Pool ("SPIA")	20,860	-	20,860	-
Money market funds	2,884	-	-	2,884
Bank deposits	103,197	-	-	103,197
	$ 133,486	$ 6,545	$ 20,860	$ 106,081

The Florida State Treasury operates a special investment program for public entities and is called the Special Purpose Investment Account ("SPIA"). The Florida Treasury Investment Pool invests in a combination of short-term liquid instruments and intermediate fixed income securities. A maximum of 40% can be redeemed with 5 day notice including less than $20 million with same day notice. The remaining 60% can be redeemed with 6 month notice. The 6 month notice can be waived by SPIA administration upon request.

Assets whose use is restricted include amounts internally designated by the Board of Directors, amounts held by bond trustees, and swap collateral, which is comprised of the following at June 30, 2020 and 2019:

(in thousands of dollars)	**2020**	**2019**
Internally designated by the Board of Directors for clinical support, education, research and other health programs	$ 19,500	$ 19,500
Debt service reserve and project funds	6,582	6,545
Held by bank as collateral for interest rate swaps	3,437	3,415
	29,519	29,460
Less: Current portion	(3,437)	(3,415)
Long-term portion	$ 26,082	$ 26,045

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as concentration of credit risk, custodial credit risk, interest rate risk and foreign currency risk may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities may be sensitive to credit risk and changes in interest rates.

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Company invests either by participating in SPIA or through an investment agent. The agreement with the investment agent has specific objectives and guidelines, which includes issuer credit quality, a list of specific allowable investments and credit ratings.

The credit risk profile of the Company’s investments and assets whose use is restricted as of June 30, 2020 and 2019 is as follows:

(in thousands of dollars)	Fair Value	Ratings AAA	Ratings A-1+/P-1	Ratings AA-f
2020				
Certificates of deposit	$ 6,582	$ -	$ 6,582	$ -
Florida Treasury Investment Pool ("SPIA")	51,700	-	-	51,700
Money market funds	2,899	2,899	-	-
	$ 61,181	$ 2,899	$ 6,582	$ 51,700

(in thousands of dollars)	Fair Value	Ratings AAA	Ratings A-1+/P-1	Ratings A+f
2019				
Certificates of deposit	$ 6,545	$ -	$ 6,545	$ -
Florida Treasury Investment Pool ("SPIA")	20,860	-	-	20,860
Money market funds	2,884	2,884	-	-
	$ 30,289	$ 2,884	$ 6,545	$ 20,860

Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of the Company’s investment portfolio are required to be disclosed. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. As of June 30, 2020 and 2019, the Company did not have any investments that equaled or exceeded this threshold.

Custodial Credit Risk

As of June 30, 2020 and 2019, the Company’s investments were not exposed to custodial credit risk since the full amount of investments were insured, collateralized, or registered in the Company’s name.

Interest Rate Risk

The Company’s investment agent guidelines limit maximum effective maturities to one year as a means of managing its exposure to fair value losses arising from increasing interest rates. While SPIA does hold some longer term maturities, participants have the ability to invest and obtain funds in the same day, subject to certain limitations.

Investment gain, net for fiscal years 2020 and 2019 is as follows:

(in thousands of dollars)	2020	2019
Dividends and interest income	$ 619	$ 1,484
Net increase in the fair value of investments	1,226	539
Investment gain, net	$ 1,845	$ 2,023

5. Fair Value

The Company categorizes its fair value measurements within the fair value hierarchy. The hierarchy is summarized in the three broad levels listed below.

- Level 1 – quoted prices in active markets for identical investments.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, credit risks, etc.).
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

The recurring fair value measurement of investments at June 30, 2020 and 2019:

(in thousands of dollars)	**2020 Fair Value**	**2019 Fair Value**
Investments measured by fair value level	$ 15,526	$ -
Investments measured at the net asset value ("NAV")		
Florida Treasury Investment Pool ("SPIA")	51,700	20,860
Total investments measured at the NAV	67,226	20,860
Other		
Money market funds and certificates of deposit	9,481	9,429
Cash collateral on deposit with swap counterparty	3,437	3,415
	$ 80,144	$ 33,704

JMOB LLC membership interest is recorded at fair value and is classified in Level 2 of the fair value hierarchy.

The SPIA funds are combined with State Funds and are invested as part of the Florida Treasury Investment Pool and are measured at the NAV per share or its equivalent.

The Company's swaps are classified in Level 2 of the fair value hierarchy. The fair value of the nonhedged interest rate swap is estimated using the present value of expected discounted future cash flows based on the maturity date. The fair value of the hedged interest rate and total return swaps are estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps. Fair value of the interest rate swaps are included in Note 8.

6. Capital Assets

A summary of changes in capital assets during fiscal years 2020 and 2019 is as follows:

(in thousands of dollars)	Balance at June 30, 2019	Additions	Deletions	Transfers	Balance at June 30, 2020
Land	$ 23,918	$ 280	$ -	$ -	$ 24,198
Buildings and leasehold improvements	390,938	-	-	5,327	396,265
Equipment	286,318	-	(20)	9,496	295,794
Totals at historical cost	701,174	280	(20)	14,823	716,257
Less accumulated depreciation for:					
Buildings and leasehold improvements	(238,388)	(13,973)	-	-	(252,361)
Equipment	(216,871)	(19,442)	8	-	(236,305)
	245,915	(33,135)	(12)	14,823	227,591
Construction-in-progress	3,238	31,791	(80)	(14,823)	20,126
Capital assets, net	$ 249,153	$ (1,344)	$ (92)	$ -	$ 247,717

(in thousands of dollars)	Balance at June 30, 2018	Additions	Deletions	Transfers	Balance at June 30, 2019
Land	$ 23,918	$ -	$ -	$ -	$ 23,918
Buildings and leasehold improvements	378,213	-	-	12,725	390,938
Equipment	275,713	-	(22)	10,627	286,318
Totals at historical cost	677,844	-	(22)	23,352	701,174
Less accumulated depreciation for:					
Buildings and leasehold improvements	(224,823)	(13,565)	-	-	(238,388)
Equipment	(196,154)	(20,734)	17	-	(216,871)
	256,867	(34,299)	(5)	23,352	245,915
Construction-in-progress	8,850	18,571	(831)	(23,352)	3,238
Capital assets, net	$ 265,717	$ (15,728)	$ (836)	$ -	$ 249,153

Amortization expense on equipment held under capital lease, which is included within depreciation and amortization expense in the consolidated basic statements of revenues, expenses, and changes in net position was approximately $2,473,000 and $1,763,000 for the years ended June 30, 2020 and 2019, respectively.

Effective July 2, 2019, the Company, through its affiliates SJF (the “Ground Lessor”) and SJCS (the “Building Tenant”), entered into arrangements with YMOB LLC (the “Building Landlord”) whereby land was leased to the Building Landlord for the purposes of constructing a building that is to be leased in its entirety by the Building Landlord to the Building Tenant during the year ending June 30, 2021 after the construction of the building is complete. The Building Landlord is an LLC created by the developer, Landmark, for the sole purpose of managing the building, its construction and tenancy.

In September 2019, a developer commenced construction on the approximately 35,000 square foot building located in the Wildlight community and situated on property that is owned by the Ground Lessor. At June 30, 2020, accounting rules required the Company to recognize approximately $10,300,000 in both Capital assets, net and a financing obligation in Other liabilities though the Company neither has title to the building nor responsibility for the debt related to the construction of it.

7. Short-Term and Long-Term Debt

Short-term and Long-term debt is comprised of the following at June 30, 2020 and 2019:

(in thousands of dollars)	**2020**	**2019**
Health Facilities Tax Exempt Revenue Bonds:		
General Obligation Bonds:		
Series 2013A	$ 56,700	$ 58,725
Series 2013B	40,060	43,635
	96,760	102,360
Direct Placement Bonds:		
Series 2019, UF Health Jacksonville Project	18,655	-
Series 2015, UF Health Jacksonville Project	10,862	12,823
Series 2015	85,000	85,000
	114,517	97,823
	211,277	200,183
Taxable Notes:		
Direct Borrowing Notes:		
2011 Shands Note Payable	13,407	14,386
UFJPI Note Payable	-	7,300
	13,407	21,686
Series 2019A, Revolving Line of Credit	-	-
Series 2015A, Revolving Line of Credit	-	20,000
	224,684	241,869
Net unamortized bond premium	1,112	1,160
Total short-term and long-term debt	225,796	243,029
Less: Short-term and long-term, current portion	(8,767)	(15,784)
Long-term portion	$ 217,029	$ 227,245

Changes in the Company's short-term and long-term debt, excluding any unamortized discounts or premiums were as follows:

(in thousands of dollars)	**Balance at June 30, 2019**	**Additions**	**Reductions**	**Balance at June 30, 2020**	**Amounts Due Within One Year**
Health Facilities Tax Exempt Revenue Bonds:					
General Obligation Bonds:					
Series 2013A	$ 58,725	$ -	$ (2,025)	$ 56,700	$ -
Series 2013B	43,635	-	(3,575)	40,060	3,775
	102,360	-	(5,600)	96,760	3,775
Direct Placement Bonds:					
Series 2019, UF Health Jacksonville Project	-	20,000	(1,345)	18,655	2,017
Series 2015, UF Health Jacksonville Project	12,823	-	(1,961)	10,862	2,017
Series 2015	85,000	-	-	85,000	-
	97,823	20,000	(3,306)	114,517	4,034
	200,183	20,000	(8,906)	211,277	7,809
Taxable Notes:					
Direct Borrowing Notes:					
2011 Shands Note Payable	14,386	-	(979)	13,407	1,023
UFJPI Note Payable	7,300	-	(7,300)	-	-
	21,686	-	(8,279)	13,407	1,023
Series 2019A, Revolving Line of Credit	-	10,000	(10,000)	-	-
Series 2015A, Revolving Line of Credit	20,000	-	(20,000)	-	-
	20,000	10,000	(30,000)	-	-
Total short-term and long-term debt	$ 241,869	$ 30,000	$ (47,185)	$ 224,684	$ 8,832

(in thousands of dollars)	**Balance at June 30, 2018**	**Additions**	**Reductions**	**Balance at June 30, 2019**	**Amounts Due Within One Year**
Health Facilities Tax Exempt Revenue Bonds:					
General Obligation Bonds:					
Series 2013A	$ 60,655	$ -	$ (1,930)	$ 58,725	$ 2,025
Series 2013B	47,100	-	(3,465)	43,635	3,575
	107,755	-	(5,395)	102,360	5,600
Direct Placement Bonds:					
Series 2015, UF Health Jacksonville Project	14,732	-	(1,909)	12,823	1,961
Series 2015	85,000	-	-	85,000	-
	99,732	-	(1,909)	97,823	1,961
	207,487	-	(7,304)	200,183	7,561
Taxable Notes:					
Direct Borrowing Notes:					
2011 Shands Note Payable	15,321	-	(935)	14,386	979
UFJPI Note Payable	-	7,300	-	7,300	7,300
	15,321	7,300	(935)	21,686	8,279
Series 2015A, Revolving Line of Credit	20,000	-	-	20,000	-
Total short-term and long-term debt	$ 242,808	$ 7,300	$ (8,239)	$ 241,869	$ 15,840

The current portion of net unamortized bond discount was approximately $65,000 and $56,000 as of June 30, 2020 and 2019, respectively.

Maturities of short-term and long-term debt including corresponding interest, over the next five years and in five-year increments thereafter are as follows:

(in thousands of dollars)

	General Obligation Bonds		Direct Placement/Borrowing Bonds & Notes		Revolving Line Of Credit		Total Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Year Ending June 30,								
2021	$ 3,775	$ 4,114	$ 5,057	$ 5,749	$ -	$ -	$ 8,832	$ 9,863
2022	3,950	4,032	5,161	5,606	-	-	9,111	9,638
2023	4,125	3,947	5,268	5,459	-	-	9,393	9,406
2024	6,455	3,813	5,381	5,309	-	-	11,836	9,122
2025	6,755	3,609	5,684	5,151			12,439	8,760
2026-2030	31,700	14,346	28,282	22,671	-	-	59,982	37,017
2031-2035	40,000	6,200	17,191	17,358	-	-	57,191	23,558
2036-2040	-	-	21,190	12,563	-	-	21,190	12,563
2041-2045	-	-	34,710	6,385	-	-	34,710	6,385
	$ 96,760	$ 40,061	$ 127,924	$ 86,251	$ -	$ -	$ 224,684	$ 126,312

Cash paid for interest was approximately $9,394,000 and $9,693,000 for the years ended June 30, 2020 and 2019, respectively. No amounts were capitalized for the years ended June 30, 2020 and 2019.

The Company entered into a Master Trust Indenture ("MTI") with U.S. Bank, National Association ("U.S. Bank") which serves as the primary financing document for the Company. All of the Company's debt is covered by the MTI with the exception of notes payable to Shands and UFJPI. Under the terms of the MTI, the Company has pledged a security interest in its gross revenues.

See Note 12 for further description of the 2011 Shands Note Payable and the University of Florida Jacksonville Physicians, Inc. ("UFJPI") Note Payable.

Series 2019 Healthcare Facilities Revenue Bonds
On September 20, 2019, the Company closed on the $20 million tax exempt issuance of Florida Development Finance Corporation ("FDFC"), Florida Healthcare Facilities Revenue Bonds (UF Health Jacksonville Project), Series 2019, which matures on September 1, 2029. The proceeds were used for financing, refinancing and as reimbursement for costs of certain capital equipment and improvements and paying for certain costs associated with the issuance of the bonds.

Series 2019A Revolving Line of Credit
On September 20, 2019, the Company entered into an interest only $10 million Revolving Line of Credit, Series 2019A. The full $10 million was requested on November 18, 2019 and repaid on February 4, 2020. At June 30, 2020, the line of credit is unused and no balance is due. Final maturity, unless extended, is September 18, 2020.

Series 2015 Healthcare Facilities Revenue Bonds
On December 10, 2015, the Company issued $85 million of tax exempt Healthcare Facilities Revenue Bonds (UF Health – Jacksonville Project), Series 2015, which matures on February 1, 2045. The proceeds of this debt will be used for financing, refinancing or reimbursement for costs of certain capital improvements including the cost of the construction and equipping of a new 92-bed patient tower on UF Health Jacksonville's North Campus; other miscellaneous improvements and paying costs associated with the issuance of the bonds.

Series 2015 Healthcare Facilities Revenue Bonds
On June 29, 2015, the Company closed on the $20 million tax exempt issuance of City of Jacksonville, Florida Healthcare Facilities Revenue Bonds (UF Health Jacksonville Project), Series 2015, which matures on June 30, 2025. The purpose of Series 2015 is for financing, refinancing and reimbursing the costs of capital improvements and for paying for costs of issuance.

Series 2015A Revolving Line of Credit
On March 1, 2015, the Company entered into an interest only $20 million Revolving Line of Credit, Series 2015A, and was advanced the entire amount, which was initially due and payable in full by March 2020. The Company amended the Revolving Line of Credit on June 28, 2019 to extend the maturity to October 31, 2020. The proceeds of the Revolving Line of Credit, Series 2015A were used primarily for general corporate expenditures. On September 20, 2019, the full balance was repaid and the agreement terminated.

Series 2013A and 2013B Healthcare Facilities Revenue Bonds
On November 21, 2013, FDFC issued Healthcare Facilities Revenue Bonds ("Series 2013 A and B Bonds") on behalf of SJMC. Series 2013A Bonds, for approximately $64.2 million, is comprised of serial and term bonds. Series 2013B Bonds, for approximately $59.4 million, were issued initially in the R-FLOATs mode, with an R-FLOATs weekly period. The proceeds of this issuance were used to finance various capital improvement projects, pay for cost of issuance, provide a debt service reserve fund and refund the $100 million of Series 2013 SJMC Taxable Notes.

Debt Covenants
The Company's Obligated Group is subject to certain restrictive covenants. The Revolving Line of Credit and direct placement bond Series 2015, UF Health Project require certain minimum bond ratings and certain financial ratio covenants in order to avoid an event of default. If the Company fails to pay any principal amounts when due or if an event of default occurs, the lender can accelerate payment of the entire amount of principal due immediately. At June 30, 2020, the Company's most restrictive covenants require cash on hand of at least 50 days, a minimum debt service coverage ratio of 1.0, and a maximum funded debt to total assets ratio of not more than 0.70. The Company was in compliance with covenants as of June 30, 2020 and 2019.

8. Interest Rate Swaps

On June 30, 2020 and 2019, the Company had the following derivative instruments outstanding, which are recorded in other assets (liabilities) in the accompanying consolidated basic statements of net position:

(in thousands of dollars)

Type	Objective	Company Notional Amount	Counterparty Notional Amount	Effective Date	Maturity Date	Terms	2020 Fair Value	2019 Fair Value
Fixed rate payer interest rate swap	Hedge changes in interest rate	$ 3,350	$ 3,350	1/30/2004	2/1/2021	Receive 67% of USD-LIBOR-BBA, Pay Fixed 3.337%	$ (64)	$ (152)
Fixed rate payer interest rate swap	Hedge changes in interest rate	10,862	10,862	6/29/2015	6/30/2025	Receive 65% of USD-LIBOR-BBA + 120 basis point spread, Pay Fixed 2.7350%	(397)	(176)
Fixed rate payer interest rate swap	Hedge changes in interest rate	18,655	18,655	9/20/2019	9/1/2029	Receive 79% of USD-LIBOR-BBA + 133 basis point spread, Pay Fixed 2.705%	(954)	-
Total return interest rate swap	Hedge costs of borrowing	87,268	85,000	12/10/2015	12/10/2020	Receive Fixed 5.25%, Pay 70% of USD-LIBOR-BBA + 195 basis point spread	(1,118)	3,102
							$ (2,533)	$ 2,774

The Company and Counterparty Notional Amounts represent the notional amounts as of June 30, 2020 and 2019 unless otherwise noted. The Company and Counterparty Notional Amount for the 2021 maturity date fixed rate payer swap was $6,575,000 as of June 30, 2019. The Company and Counterparty Notional Amount for the 2025 maturity date fixed rate payer swap was $12,823,000 as of June 30, 2019. The 2029 maturity date fixed rate payer swap was not effective as of June 30, 2019.

The fair value of the nonhedged $3,350,000 interest rate swap is estimated using the present value of expected discounted future cash flows based on the maturity date and is recorded in other nonoperating losses in the accompanying consolidated basic statements of revenues, expenses, and changes in net position. The fair value of the hedged $10,862,000, $18,655,000 and $85,000,000 interest rate swaps are recorded in deferred inflows of resources in the accompanying consolidated basic statements of net position and is estimated using the zero-coupon method.

Credit Risk

The Company has sought to limit its counterparty risk by contracting only with highly rated entities. As of June 30, 2020 and 2019, the credit ratings, from various credit rating agencies, for Merrill Lynch Capital Services, Inc., the swap counterparty for the $3,350,000 and $85,000,000 swaps, are A+/A2/A- at June 30, 2020 and 2019. The credit ratings, from various credit rating agencies, for the $10,862,000 and $18,655,000 swaps, are A-/A3/A- and A/A3/A- at June 30, 2020 and 2019, respectively.

Interest Rate Risk
The Company is not exposed to interest rate risk on its fixed rate payer interest rate swaps which hedge the changes in interest rates on the variable rate positions. The Company receives a fixed rate and pays a variable rate for the Series 2015 total return swap.

Basis Risk
The Company is exposed to basis risk on its fixed rate payer swap agreements because the variable rate payments received by the Company on the derivative instruments are based on a rate or index other than the interest rates the Company pays on its variable rate position.

Termination Risk
The interest rate swap agreements use the International Swap Dealers Association Master Agreement, which includes standard termination events provisions, such as failure to pay and bankruptcy.

Commitments
The Company's fixed rate interest rate swap agreements require collateral to be posted if the fair value of the interest rate swap is negative and meets certain thresholds. The threshold amount depends on the Company's unenhanced credit rating as determined by Fitch Ratings.
The Company's total return swap requires collateral to be posted equal to the bond amount multiplied by the difference between the fair market value price and the base price of the bond. Collateral balances were approximately $3,437,000 and $3,415,000 at June 30, 2020 and 2019, respectively.

9. Employee Benefit Plans

Defined Contribution Plan
SJMC has a defined contribution plan which allows participants to defer up to 6% of their salary, pursuant to Section 401(k) of the Internal Revenue Code and all limitations contained therein. Effective January 1, 2016, SJMC matches up to 6% of the salary of all eligible employees. Contributions to this plan by SJMC were approximately $10,850,000 and $10,421,000 for the years ended June 30, 2020 and 2019, respectively.

Defined Benefit Pension Plan
Plan Description
The Company participates in the Plan, which is an agent employer defined benefit pension plan that covers eligible Company employees who were hired as of June 30, 2010. The Plan was subsequently frozen effective July 1, 2013. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended. The Plan's stand-alone financial statements are filed with the Internal Revenue Service Form 5500, which is available to the public on the Department of Labor's Employee Benefits Security Administration website.

Benefits Provided
On July 1, 2011, participants who were previously receiving benefits under the traditional pension formula began receiving cash balance accruals. Participants continued to accrue cash balance benefits through June 30, 2013, when the Plan was amended to cease accrual of cash balance benefits. This amendment will not cease the accrual of service for vesting or eligibility for early or normal retirement.

Benefit terms provide for annual cost-of-living adjustments to retired participants and beneficiaries of participants. Benefit payments are adjusted each October 1 following benefit commencement to reflect the changes in the Consumer Price Index for the twelve months ending the preceding June 30. The increase or decrease is limited to 3% per year, and may not decrease below the amount of benefit payable at retirement (for retired participants) or at the death of the participant (for beneficiaries of participants).

Employees Covered by Benefit Terms

At June 30, 2019, the measurement date for the pension liability, the following employees were covered by the benefit terms:

Participant data as of July 1, 2018	
Active	5
Retired	504
Terminated vested	86
	595

Contributions

The Plan's funding policy is to make contributions to meet the minimum funding requirements of Internal Revenue Code Sections 412(a) and 430 as determined by an independent actuary. Additionally, the Company may contribute an amount above the required contribution. The Company's contributions of approximately $965,000 and $1,333,000 for the years ended June 30, 2020 and 2019, respectively, meet the minimum funding requirements of ERISA.

Net Pension Liability

The Company's net pension liability as of June 30, 2020 was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability as of June 30, 2019 was determined based on the results of an actuarial valuation as of July 1, 2018 projected forward to June 30, 2019 using standard actuarial techniques.

The total pension liability in the July 1, 2018 actuarial valuation was determined based on census data as of July 1, 2018 and the following actuarial assumptions:

- Investment Rate of Return: 6.75%, net of pension plan investment expense, including inflation.
- Inflation: 2.87% for the period July 1, 2018 through June 30, 2019, 0.31% for the period July 1, 2019 through June 30, 2020, and 2.0% per year thereafter.
- Salary increase: Not applicable
- Retirement Growth Account Interest Crediting Rate: 4.24% for the period July 1, 2018 through June 30, 2019, 4.75% for the period July 1, 2019 through June 30, 2020, and 4.10% per year thereafter. The 4.24% and 4.75% rates represent actual interest rate credited in each respective period.
- Mortality rates were based upon the RP-2014 base mortality rates published in 2014 by the Society of Actuaries, adjusted to remove post-2006 improvement projections with future improvements in mortality from 2006 using the Mercer modified scale MMP-2018 applied on a generational basis.

The actuarial assumptions used in the July 1, 2018 valuation related to retirement and termination rates were based on the results of an actual experience study conducted in 2015 for the period July 1, 2010 through March 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	**Target Allocation**	**Real Rate of Return**
Global equity	52.8 %	5.65 %
Long credit fixed income	37.2	3.45 %
High yield fixed income	8.0	4.20 %
Private equity	2.0	8.35 %
Total	100.0 %	

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in amounts equal to the actuarially determined contributions. Based on that assumption, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension (asset) liability are summarized in the following table:

(in thousands of dollars)	**Increase (Decrease)**		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Asset (a)-(b)**
Balances at June 30, 2019	$ 66,146	$ 66,424	$ (278)
Changes for the year:			
Interest	3,943	-	3,943
Difference between expected and actual experience	216	-	216
Employer contributions	-	1,333	(1,333)
Net investment income	-	6,004	(6,004)
Benefit payments	(6,106)	(6,106)	-
Administrative expense	-	(573)	573
Changes in actuarial assumptions	(2,654)	-	(2,654)
Net changes	(4,601)	658	(5,259)
Balances at June 30, 2020	$ 61,545	$ 67,082	$ (5,537)

A description of significant changes in assumptions is as follows:

The investment return assumption was increased from 6.25% to 6.75% to reflect the updated capital market outlook.

The mortality projection scale was updated from Mercer Modified Projection-2016 to Mercer Modified Projection-2018.

The recurring fair value measurement of the Plan fiduciary net position at June 30, 2020 is as follows:

(in thousands of dollars)	**Fair Value**	**Quoted Prices In Active Markets for Identical Instruments (Level 1)**	**Other Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments by fair value level:				
Interest bearing cash	$ 63	$ 63	$ -	$ -
U.S. government securities	911	911	-	-
Corporate debt instruments-preferred	118	118	-	-
Corporate debt instruments	226	226	-	-
Other fixed income investments	94	-	94	-
Fixed income funds	30,170	-	30,170	-
Equity funds	24,265	-	24,265	-
Common stock	10,349	10,349	-	-
Total investments by fair value level	66,196	$ 11,667	$ 54,529	$ -
Investments measured at the NAV:				
Private equity funds	1,509			
Total investments measured at the NAV	1,509			
Total investments measured at fair value	67,705			
Other				
Other plan net assets, net	(623)			
	$ 67,082			

The recurring fair value measurement of the Plan fiduciary net position at June 30, 2019 is as follows:

(in thousands of dollars)	Fair Value	Quoted Prices In Active Markets for Identical Instruments (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Interest bearing cash	$ 38	$ 38	$ -	$ -
Fixed income funds	30,017	24,324	5,693	-
Equity funds	21,074	-	21,074	-
Common stock	13,245	13,245	-	-
Total investments by fair value level	64,374	$ 37,607	$ 26,767	$ -
Investments measured at the NAV:				
Private equity funds	1,788			
Total investments measured at the NAV	1,788			
Total investments measured at fair value	66,162			
Other				
Other plan net assets, net	262			
	$ 66,424			

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate
The following presents the Company's net pension (asset) liability calculated using the discount rate of 6.75%, as well as the net pension (asset) liability using a discount rate that is 1% lower (5.75%) or 1% higher (7.75%):

(in thousands of dollars)	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ (810)	$ (5,537)	$ (9,666)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Defined Benefit Pension
The Company recognized pension (income) expense of approximately $(740,000) and $51,000 for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020, the Company reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension from the following sources:

(in thousands of dollars)

	Deferred Outflows of Resource	Deferred Inflows of Resource
Differences between expected and actual experience	$ 297	$ 590
Changes of assumptions	1,404	2,235
Net differences between projected and actual earnings on pension plan investments	-	2,698
Contributions made during the year ended June 30, 2020 not yet recognized in net fiduciary position	965	-
Total	$ 2,666	$ 5,523

Amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension will be recognized in pension (income) expense as follows:

(in thousands of dollars)

Years Ending	
2021	$ (943)
2022	(1,776)
2023	(700)
2024	(403)
Thereafter	-

Payable to the Defined Benefit Pension Plan
As of June 30, 2020 and 2019, there are no payables to the Plan.

10. Other Postemployment Benefits

SJMC sponsors the Shands Jacksonville Health Plan (the "Health Plan"), a single employer plan, which provides medical, dental or vision benefits for eligible retired employees and certain dependents.

Eligibility
Eligible retirees for medical benefits include those not yet Medicare eligible who are enrolled in the medical plan at the time of termination from the Company and are either at least 62 years of age with at least 10 years of service on the date of termination, or, they have worked 30 years for the Company and their date of hire was before January 1, 1976.

Eligible retirees for dental and vision benefits include those who are enrolled in a dental or vision plan at the time of termination from the Company and are either are at least 62 years of age with at least 10 years of service on the date of termination, or, they have 35 years of service on the date of termination.

Eligible retirees can cover dependents for either medical, vision or dental benefits if the dependents are any of the following:

- The eligible retiree's lawful spouse
- The eligible retiree's domestic partner
- The eligible retiree's children who meet these criteria:
    - natural child, stepchild, adopted child (including a child legally placed with the retiree for adoption), foster child, domestic partner's child, or child for whom the retiree has been court appointed as the legal guardian or legal custodian, and
    - under age 26
- The eligible retiree's grandchild. This is the child of an eligible retiree's eligible child, to the maximum age of 18 months, and only if the grandchild's parent is also covered on the eligible retiree's medical plan.

Contributions
The Company's annual postemployment benefits expense is actuarially determined in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB No. 75"). Projections of benefits are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided and announced future changes at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Costs of medical and dental benefits are shared between the Company and the retiree. Vision benefit costs are the responsibility of the retirees.

Retiree medical contribution increases are calculated so that the expected Company's cost per capita is capped at $8,845 and increasing 2% annually beginning in 2017 to $9,022. All future contribution increases for medical benefits beyond the cap are passed on to the retiree and not reflected in the liability since it has no impact on the Company's liability, with the exception of 1 grandfathered retirees eligible for post-65 coverage who have no contribution increases.

Retiree dental contribution increases are based on the dental annual rates of increases healthcare cost trends presented below.

Other Postemployment Benefits Liability
The Company's reported liability for postemployment benefits obligations is calculated using the entry age normal level percent of pay method. As allowable under the terms of GASB No. 75, the Company has elected to measure the total postemployment liability one year prior to the fiscal year end reporting date, with a measurement date of July 1, 2019. There are no significant changes known which would impact the total postemployment liability between the measurement date and the reporting date, other than typical plan experience.

For purposes of the July 1, 2019 measurement date, the number of plan participants consisted of the following:

Participant data as of July 1, 2019	**Medical**	**Dental**
Retirees	18	186
Spouses	2	43
Surviving Spouses	-	-
	20	229

As of July 1, 2019, there were 277 fully eligible active employees and 4,495 active but not fully eligible employees.

Changes in the total reported liability for postemployment benefits obligations for the years ended June 30, 2020 and 2019 are summarized as follows:

(in thousands of dollars)	**2020**	**2019**
Balance, beginning of year	$ 6,471	$ 6,825
Changes for the year		
Service cost	256	253
Interest	244	238
Change in benefit terms	-	-
Difference between expected and actual experience	14	(52)
Changes of assumptions	(1,526)	(369)
Benefit payments	(338)	(424)
Net changes	(1,350)	(354)
Balances, end of year	$ 5,121	$ 6,471

The Company does not maintain a separate legal trust to house assets used to fund postemployment benefits, has no obligation to make contributions in advance of when insurance premiums or claims are due for payment and currently pays for postemployment benefits on a pay-as-you-go basis.

Significant actuarial assumptions used at each respective measurement date are as follows:

Discount rate on 20-year General Obligation Municipal Bonds

- 3.50% per annum for the July 1, 2019 measurement date
- 3.87% per annum for the July 1, 2018 measurement date

Medical healthcare cost trend rates

- Initial/ultimate 5.9%/4.5% increases for the July 1, 2019 measurement date
- Initial/ultimate 6.2%/4.5% increases for the July 1, 2018 measurement date

Dental healthcare cost trend rates

- Initial/ultimate 4.7%/4.5% increases for the July 1, 2019 measurement date
- Initial/ultimate 4.9%/4.5% increases for the July 1, 2018 measurement dates

Mortality was based on the RP-2014 Mortality Annuitant/Non-Annuitant no collar adjusted to remove post-2007 mortality improvements. MMP-2018 projection scale applied on a generational basis.

Sensitivity of the net Other Postemployment Benefits Liability to the Changes in the Healthcare Cost Trend Rates

The following shows the total other postemployment liability of the plan using the current healthcare cost trend rate and the effect on the liability of using healthcare cost trend rates that are 1 percentage point higher and 1 percentage point lower.

(in thousands of dollars)

	1% Decrease	Current Trend	1% Increase
Net other postemployment benefit liability	$ 4,712	$ 5,121	$ 5,599

Sensitivity of the net Other Postemployment Benefits Liability to the Changes in the Discount Rate

The following shows the total other postemployment liability of the plan calculated using the discount rate of 3.50% and the effect on the liability of using a discount rate that is 1 percentage point lower (2.50%) and 1 percentage point higher (4.50%).

(in thousands of dollars)

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net other postemployment benefit liability	$ 5,634	$ 5,121	$ 4,691

The components of postemployment benefits expense for the year ended June 30, 2020 are summarized as follows:

(in thousands of dollars)

Service cost	$	256
Interest		244
Change in benefit terms		-
Amortization of differences between expected and actual experience		(31)
Amortization of changes of assumptions		81
Total other postemployment benefits expense	$	550

Deferred outflows of resources and deferred inflows of resources related to postemployment benefits obligations at June 30, 2020 are summarized as follows:

(in thousands of dollars)

		Deferred Outflows of Resource		**Deferred Inflows of Resource**
Differences between expected and actual experience	$	117	$	132
Changes of assumptions		911		1,475
Contributions made during the year ended June 30, 2020 not yet recognized in net fiduciary position		250		-
Total	$	1,278	$	1,607

Deferred outflows related to changes in assumptions and the difference between expected and actual plan experience will be amortized into expense in the following years ended June 30:

(in thousands of dollars)

Years Ending		
2021	$	50
2022		8
2023		(217)
2024		(312)
Thereafter		(108)

11. Commitments and Contingencies

Leases

SJMC entered into an amended lease agreement with the City as of October 1, 1987, further amended as of October 1, 1999, with respect to the former UMC facilities to provide for a lease term expiring in 2067 with an additional 30-year renewal option. The agreement provides for annual rentals of $1 for the lease term. The leased assets are returned to the possession of the City at the termination of the lease. SJMC is responsible for the management, operation, maintenance, and repair of the facilities.

The following is a schedule, by year, of future minimum lease payments under non-cancelable operating leases as of June 30, 2020:

(in thousands of dollars)

Years Ending		
2021	$	14,533
2022		12,328
2023		11,119
2024		10,473
2025		10,100
2026 - 2030		29,765
Thereafter		5,590
Total minimum lease payments	$	93,908

Rent expense related to operating leases for the years ended June 30, 2020 and 2019 was approximately $18,458,000 and $18,801,000, respectively.

Total gross assets under capital leases included in capital assets were approximately $25,830,000 and $23,146,000 at June 30, 2020 and 2019, respectively. Accumulated amortization on capital leases at June 30, 2020 and 2019 was approximately $20,326,000 and $17,890,000, respectively.

Future capital lease payments are as follows:

(in thousands of dollars)

Years Ending		
2021	$	2,895
2022		2,267
2023		334
2024		218
2025		153
Thereafter		84
Total minimum lease payments		5,951
Less: Amount representing interest		(218)
Present value of net minimum lease payments	$	5,733

Construction and Other Commitments
The Company has contracts for construction and remodeling of facilities and for the purchase and maintenance of computer application software for its core operation systems. The remaining commitments relating to these contracts is $3,980,000, which includes retainage of $318,000 at June 30, 2020.

Professional Liability

SJMC participates with other health care providers in the University of Florida J. Hillis Miller Health Center/Jacksonville Self-Insurance Program (“UFJSIP”). UFJSIP is an operating unit of the Board of Governors of the State of Florida (“FBOG”). UFJSIP provides occurrence-based coverage to the Company. Insurance in excess of the coverage provided by UFJSIP is provided by the University of Florida Healthcare Education Insurance Company (“UFHEIC”). UFHEIC is wholly owned by FBOG. UFHEIC provides coverage to the Company on an occurrence basis. UFHEIC obtains reinsurance for a substantial portion of the insurance coverage that it provides to the participants in its insurance program, which is provided on a claims reported basis. The policies between both UFJSIP and UFHEIC and SJMC are not retrospectively rated. The costs incurred by the Company related to these policies are expensed in the period that coverage is provided.

SJMC could be subject to malpractice claims in excess of insurance coverage through UFJSIP or UFHEIC; however, the estimated potential loss, if any, cannot be estimated. Management of the Company is not aware of any potential uninsured losses that could materially affect the financial position of the Company.

Self-Insurance

The Company has a self-insurance plan for health and medical coverage for the employees of the Company. Amounts contributed by the Company and its employees to the plan are determined by the level of benefits coverage selected by each employee. Expenses related to the self-insured health and medical plan for the years ended June 30, 2020 and 2019 were approximately $31,455,000 and $32,135,000, respectively.

SJMC is self-insured for workers’ compensation up to $600,000 per occurrence, and has purchased excess coverage from commercial carriers up to the amount allowed by Florida Statutes. Total workers’ compensation expense for the years ended June 30, 2020 and 2019 was approximately $444,000 and $693,000, respectively.

Litigation

The Company is involved in litigation arising in the normal course of business. After consultation with legal counsel, management believes that these matters will be resolved without material adverse effect on the Company’s future consolidated basic financial position or results of operations.

Other Industry Risks

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services. There have also been numerous lawsuits filed against non-profit hospitals related to charity care. These lawsuits allege various hospital practices related to the uninsured, including, among other things, charging uninsured patients more than what insurers would pay for the same services, rapidly rising prices, and aggressive collection policies. Management believes that the Company is in compliance with current laws and regulations and that the Company’s ultimate exposure from any such matters would not have a material effect on the Company’s consolidated basic financial statements.

In addition, the Affordable Care Act requires organizations who receive overpayments from Medicare and other federal programs whether due to inappropriate billings, lack of required documentation, or other reasons, to report and return such amounts. The Company routinely conducts reviews of the accuracy of the billing system in place, as well investigates any allegations that may indicate inappropriate billings or receipt of overpayments. The Company has made and will continue to make routine refunds of any identified overpayments to the fiscal intermediaries. The Company may also make repayments to the Office of the Inspector General of the Department of Health and Human Services (the "OIG") through the use of the Self-Referral Disclosure Protocol. Such overpayments result from inaccurate or ineligible billings. In some cases, these disclosures may result in the Company refunding the overpayment and paying penalties as they may be assessed.

The Company believes that the liability recorded in estimated third party payor settlements on the consolidated basic statements of net position is the Company's best estimate of amounts due to Medicare, Medicaid and other third party payors for settlements related to outstanding cost reports and any overpayments. These matters, once resolved, could result in settlements that differ from the amounts accrued.

12. Transactions with Related Parties

As of June 30, 2019, SJMC and UFJPI were contingently liable as joint and several co-guarantors for the payment of 100% of both the principal and interest on $8,500,000 of Industrial Revenue Bonds related to the indebtedness of the Faculty Clinic, Inc. The guarantees were issued in connection with the Industrial Revenue Bonds, which were used to build the facility in which SJMC and UFJPI are currently tenants. The bonds were issued on January 11, 1989, bearing variable interest rates. At June 30, 2019, the outstanding amount of the Industrial Revenue Bonds were $800,000. There is no obligation for the Company related to this matter as of June 30, 2020.

Shands, a related party controlled by UF, entered into a Support Services Agreement to support, as needed, the management team of SJMC in the administrative functions of the hospital through the provision of services and personnel. Expenses related to these services were approximately $5,236,000 and $6,003,000 for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the Company owed Shands approximately $380,000 and $696,000, respectively.

SJMC supports UF College of Medicine – Jacksonville's clinical, teaching and research activities and contracts for certain medical services from UFJPI. These expenditures were approximately $74,706,000 and $69,524,000 for the years ended June 30, 2020 and 2019, respectively, of which approximately $37,284,000 and $32,272,000 for the years ended June 30, 2020 and 2019, respectively, are transfers and expenditures in support of UF and its medical programs included under this caption in the accompanying consolidated basic statements of revenue, expenses, and changes in net position. At June 30, 2020 and 2019, payables related to this arrangement amounted to approximately $545,000 and $11,659,000, respectively, and are included in accounts payable and accrued expenses in the accompanying consolidated basic statements of net position.

At June 30, 2020 and 2019, the Company has a note payable (“2011 Shands Note Payable”) of approximately $13,407,000 and $14,386,000, respectively, due to Shands. The 2011 Shands Note Payable is payable in quarterly principal and interest installments of $402,310, with interest at 4.5% annually and matures on October 1, 2030. The current portion of the note payable of approximately $1,023,000 and $978,000 is included within short-term and long-term debt, current portion, and the long-term portion of the note payable of approximately $12,384,000 and $13,407,000 is included within long-term debt, noncurrent portion, at June 30, 2020 and 2019, respectively, in the accompanying consolidated basic statements of net position.

At June 30, 2019, the Company had a short-term note payable of $7,300,000 due to UFJPI in full no later than July 3, 2019, which was paid accordingly. There was no balance outstanding at June 30, 2020.

13. Concentrations of Credit Risk

SJMC grants credit without collateral to its patients, many of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors is as follows:

	2020	2019
Medicare	27 %	24 %
Medicaid	18	19
Managed Care	26	22
Other third-party payors	29	35
	100 %	100 %

Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents, investments and patient accounts receivable. Concentrations of credit risk with respect to patient accounts receivable are limited to Medicare, Medicaid and various commercial payors. The Company places its cash and cash equivalents and investments with what management believes to be high-quality financial institutions and thus limits its credit exposure. The Company has deposits in excess of the federal insured amount of $250,000. Management does not anticipate nonperformance risk by the financial institutions.

14. COVID-19 Pandemic

The Company’s operations and financial condition have been significantly impacted by the emergence of a novel coronavirus (“COVID-19”), which has evolved into a global pandemic. On March 20, 2020, Florida Governor DeSantis issued an Executive Order prohibiting medically unnecessary, non-urgent or non-emergency procedures or surgeries, which, if delayed, would not place a patient’s immediate health, safety, or well being at risk. The Executive Order was subsequently lifted effective May 4, 2020; however, while the Executive Order was in effect, patient volumes and related revenues for most of the Company’s services were significantly and adversely impacted.

In response to COVID-19 and its effects on the U.S. economy and the health care delivery system, Congress passed various stimulus bills that provided certain financial benefits to the Company. Principal among these was the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), enacted on March 27, 2020. The CARES Act authorized $100 billion in direct funding to hospitals and other healthcare providers from the Provider Relief Funds, and provided other financial benefits including the expansion of the Medicare Accelerated and Advance Payment Program. Under the CARES Act, the Company received approximately $15,600,000 as part of the general and skilled nursing facility distributions from the Provider Relief Fund. These amounts are recorded as grant revenue in the consolidated basic statement of revenues, expenses and changes in net position. The Company also received approximately $75,100,000 as part of the expanded Medicare Accelerated and Advance Payment Program under the CARES Act. Any advances received through this program will be repaid to the Medicare program within twelve months through either offsets to future payments from the Medicare program or through direct repayment. As such, these amounts are recorded as liabilities and are included in estimated third-party payor settlements in the consolidated basic statement of net position.

Management anticipates that the extent of COVID-19’s adverse impact on the Company’s operating results and financial position will be driven by many factors, most of which are beyond management’s control and ability to forecast. The ultimate impact on operating results will be a function of the duration and scope of the COVID-19 outbreak in areas served by the Company and its effect on patient volumes. As a result, at this time, management cannot reasonably estimate the future impact on operations of a prolonged continuation of the COVID-19 pandemic, but such impact could be material.

15. Subsequent Events

The Company has assessed the impact of subsequent events through September 25, 2020, the date the audited consolidated basic financial statements were issued, and has concluded that there were no such events requiring adjustment to the consolidated basic financial statements or disclosure in the notes to the consolidated basic financial statements, other than the events described below.

On July 15, 2020, the Company received $45.6 million from the Provider Relief Funds. These funds will be recorded in the year ending June 30, 2021.

On September 19, 2020, the U.S. Department of Health and Human Services released updated guidance on reporting the appropriate use of Provider Relief Funds received under the CARES Act. Based on this guidance, recipients may use Provider Relief Funds for health care related expenses attributable to COVID-19 that another source has not reimbursed and is not obligated to reimburse, and then for lost operating income related to health care services measured through December 31, 2020, and then if necessary, through June 30, 2021. Management is aware that the Provider Relief Funds received are subject to audit, and certain amounts could be at risk of being paid back in the future. However, based on the estimated financial impact of COVID-19 through June 30, 2020, management does not believe such amounts, if any, would be material to the consolidated basic financial statements.

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Schedule of Changes in the Net Pension (Asset) Liability and Related Ratios (Unaudited)
June 30, 2014 Through June 30, 2020

(in thousands of dollars)

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	$ -	$ -	$ -	$ -	$ -	$ -	$ 30
Interest	3,943	4,293	4,494	4,738	4,911	4,940	4,925
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	216	(1,381)	754	(714)	769	44	(519)
Changes of assumptions	(2,654)	3,289	(1,907)	(2,637)	5,873	128	2,390
Benefit payments	(6,106)	(6,916)	(6,113)	(7,942)	(6,196)	(6,050)	(5,986)
Net change in total pension liability	(4,601)	(715)	(2,772)	(6,555)	5,357	(938)	840
Total pension liability – beginning	66,146	66,861	69,633	76,188	70,831	71,769	70,929
Total pension liability – ending (a)	$ 61,545	$ 66,146	$ 66,861	$ 69,633	$ 76,188	$ 70,831	$ 71,769
Plan fiduciary net position							
Employer contributions	$ 1,333	$ 2,016	$ 2,072	$ 1,241	$ 1,408	$ 2,439	$ 3,316
Net investment income	6,004	4,530	8,556	487	2,358	11,156	7,975
Benefit payments	(6,106)	(6,916)	(6,113)	(7,942)	(6,196)	(6,050)	(5,986)
Administrative expense	(573)	(294)	(646)	(663)	(579)	(519)	(452)
Net change in fiduciary net position	658	(664)	3,869	(6,877)	(3,009)	7,026	4,853
Plan fiduciary net position – beginning	66,424	67,088	63,219	70,096	73,105	66,079	61,226
Plan fiduciary net position – ending (b)	$ 67,082	$ 66,424	$ 67,088	$ 63,219	$ 70,096	$ 73,105	$ 66,079
Net pension (asset) liability – ending (a)-(b)	$ (5,537)	$ (278)	$ (227)	$ 6,414	$ 6,092	$ (2,274)	$ 5,690
Plan fiduciary net position as a percentage of total pension liability	109.00%	100.42%	100.34%	90.79%	92.00%	103.21%	92.07%

Notes to Schedule

The Company adopted GASB No. 68, *Accounting and Financial Reporting for Pensions, an Amendment* of GASB No. 27, as of June 30, 2014, the first period the required supplementary information was available.

Covered payroll information is not provided as the plan is frozen and contributions are not determined by current payroll as benefit accruals ceased July 1, 2013.

Changes of assumptions 2020:

The investment return assumption was increased from 6.25% to 6.75% to reflect the current capital market outlook.

The interest credit assumption was updated to 4.75% for 2019/2020 to reflect the actual rate in effect for the year. The ultimate interest credit rate was unchanged.

The cost of living assumption was updated to 2.87% for 2018/2019 and 0.31% for 2019/2020.

The ultimate cost of living rate was unchanged at 2.00%.

The mortality projection scale was updated from MMP-2016 to MMP-2018.

Changes of assumptions 2019:

The investment return assumption was reduced from 6.75% to 6.25% to reflect the updated capital market outlook.

The interest credit assumption was updated to 4.24% for 2018/2019 to reflect the actual rate in effect for the year. The ultimate interest credit rate was unchanged.

The cost of living assumption was updated to 1.63% for 2017/2018 and 1.88% for 2018/2019.

The ultimate cost of living rate was unchanged at 2.00%.

Changes of assumptions 2018:

Mortality was updated from MMP-2007 to MMP 2016 projection scale.

The interest credit assumption was updated from 3.42% to 3.17% for 2017/2018 to reflect the actual rate in effect for the year. The ultimate interest credit rate was unchanged.

The cost of living assumption was updated to 1.01% for 2016/2017 and 1.1% for 2017/2018.

The ultimate cost of living rate was unchanged at 2.00%.

Changes of assumptions 2017:

The investment return assumption was increased from 6.5% to 6.75% to reflect the updated capital market outlook.

Changes of assumptions 2016:

The investment return assumption was decreased from 7.25% to 6.50% to reflect the updated capital market outlook.

The cost of living assumption ultimate rate was decreased from 2.5% to 2.0%.

The mortality assumption was updated to the RP2014 mortality tables adjusted to remove post-2007 improvement projections with future mortality improvement that follows the Mercer Modified MP2016 mortality improvement tables.

Retirement rates and withdrawal rates were updated based on the results of experience study performed in 2015.

Changes of assumptions 2015: The interest credit ultimate rate was changed from 3.83% to 4.10%.

Changes of assumptions 2014: The cost of living assumption ultimate rate was increased from 2.0% to 2.5%.

The interest credit ultimate rate was changed from 4.75% to 3.83%.

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Schedule of Employer Contributions (Unaudited)
July 1, 2013 Through June 30, 2020

(in thousands of dollars)	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	965	1,333	2,017	2,071	1,241	1,408	2,439
Contribution excess	$ (965)	$ (1,333)	$ (2,017)	$ (2,071)	$ (1,241)	$ (1,408)	$ (2,439)

Notes to Schedule

The Company adopted GASB No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB No. 27,* as of June 30, 2014, the first period the required supplementary information was available.

Contributions are based on ERISA minimum funding requirements and shown for the plan year.

Covered payroll information is not provided as the plan is frozen and contributions are not determined by current payroll as benefit accruals ceased July 1, 2013.

Assumptions and methods used to determine those contributions for the years with available information are:

	2020	2019	2018	2017	2016	2015
Valuation date	July 1, 2019	July 1, 2018	July 1, 2017	July 1, 2016	July 1, 2015	July 1, 2014
Actuarial cost method	Unit Credit	Unit Credit	Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Asset valuation method	2-year smoothing	2-year smoothing	2-year smoothing	Market value including receivables	Market value including receivables	Market value including receivables
Inflation	2.00%	2.00%	2.00%	2.00%	2.00%	2.50%
Discount rates	PPA segmented yield curve rate of 3.74% for the first 5 years, 5.35% for the next 15 years, and 6.11% thereafter	PPA segmented yield curve rate of 3.92% for the first 5 years, 5.52% for the next 15 years, and 6.29% thereafter	PPA segmented yield curve rate of 3.92% for the first 5 years, 5.52% for the next 15 years, and 6.29% thereafter	6.50%	6.50%	7.25%
Retirement age	Traditional plan and retirement growth account retirement rates vary by age	Traditional plan and retirement growth account retirement rates vary by age	Traditional plan and retirement growth account retirement rates vary by age	Traditional plan and retirement growth account retirement rates vary by age	Traditional plan and retirement growth account retirement rates vary by age	Traditional plan and retirement growth account retirement rates vary by age
Mortality	IRC Section 430(h)(3) prescribed static annuitant and non-annuitant mortality tables. These tables are based on the RP-2000 mortality tables, with improvements beyond 2006 removed with static mortality improvements based on the IRS methodology and projection scale MP-2017.	The prescribed static annuitant and non-annuitant mortality tables are based on the RP-2000 mortality tables, with improvements beyond 2006 removed with static mortality improvements based on the IRS methodology and projection scale MP-2016.	IRC Section 430(h)(3) prescribed static annuitant and non-annuitant mortality tables. These tables are based on the RP-2000 mortality tables and projected with improvement to the valuation years plus 7 and 15 years based on Scale AA.	RP-2014 mortality tables adjusted to remove post-2007 improvement projections with future mortality improvement that follows the Mercer Modified MP-2016 mortality improvement tables.	RP-2014 mortality tables with future mortality improvement that follows the Mercer Modified MP-2014 mortality improvement scale.	RP-2000 healthy annuitant mortality tables projected with mortality improvement to the valuation year plus 7 and 15 years based on scale AA.

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Consolidating Basic Statement of Net Position
June 30, 2020

(in thousands of dollars)

	Shands Jacksonville Medical Center Obligated Group (1)	Other	Eliminations	Consolidated Total
Assets				
Current assets				
Cash and cash equivalents	$ 130,217	$ 1,991	$ -	$ 132,208
Short-term investments	32,246	-	-	32,246
Patient accounts receivable, net	103,148	-	-	103,148
Due from city and state agencies	9,032	-	-	9,032
Inventories	18,539	-	-	18,539
Prepaid expenses and other current assets	58,122	12,771	(60,252)	10,641
Assets whose use is restricted, current portion	3,437	-	-	3,437
Total current assets	354,741	14,762	(60,252)	309,251
Assets whose use is restricted, less current portion	26,082	-	-	26,082
Capital assets, net	217,428	30,289	-	247,717
Investment	-	15,526	-	15,526
Other assets	20,059	2,643	-	22,702
Total assets	618,310	63,220	(60,252)	621,278
Deferred outflows of resources				
Accumulated decrease in fair value of hedge derivatives	2,469	-	-	2,469
Deferred other postemployment benefits outflows	1,278	-	-	1,278
Deferred pension outflows	2,666	-	-	2,666
Total deferred outflows of resources	$ 6,413	$ -	$ -	$ 6,413
Liabilities				
Current liabilities				
Short-term and long-term debt, current portion	$ 8,767	$ -	$ -	$ 8,767
Capital lease obligations, current portion	2,764	-	-	2,764
Accounts payable and accrued expenses	62,666	42,581	(60,252)	44,995
Accrued salaries and leave payable	32,132	-	-	32,132
Estimated third-party payor settlements	76,528	-	-	76,528
Total current liabilities	182,857	42,581	(60,252)	165,186
Long-term liabilities				
Long-term debt, noncurrent portion	217,029	-	-	217,029
Capital lease obligations, noncurrent portion	2,969	-	-	2,969
Other liabilities	14,751	10,305	-	25,056
Total long-term liabilities	234,749	10,305	-	245,054
Total liabilities	417,606	52,886	(60,252)	410,240
Deferred inflows of resources				
Deferred other postemployment benefits inflows	1,607	-	-	1,607
Deferred pension inflows	5,523	-	-	5,523
Total deferred inflows of resources	7,130	-	-	7,130
Commitments and contingencies				
Net position				
Net investment in capital assets	417	19,986	-	20,403
Restricted				
Expendable	3,819	1,362	-	5,181
Unrestricted	195,751	(11,014)	-	184,737
Total net position	$ 199,987	$ 10,334	$ -	$ 210,321

(1) Per the Master Trust Indenture dated June 1, 2013, the Obligated Group is comprised of Shands Jacksonville HealthCare, Inc., Shands Jacksonville Medical Center, Inc. and Shands Jacksonville Properties, Inc.

The accompanying note is an integral part of these consolidating basic financial statements.

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Consolidating Basic Statement of Net Position
June 30, 2019

(in thousands of dollars)

	Shands Jacksonville Medical Center Obligated Group (1)	Other	Eliminations	Consolidated Total
Assets				
Current assets				
Cash and cash equivalents	$ 100,247	$ 2,350	$ -	$ 102,597
Short-term investments	1,429	-	-	1,429
Patient accounts receivable, net	118,916	-	-	118,916
Due from city and state agencies	871	-	-	871
Inventories	16,691	-	-	16,691
Prepaid expenses and other current assets	57,584	11,771	(57,732)	11,623
Assets whose use is restricted, current portion	3,415	-	-	3,415
Total current assets	299,153	14,121	(57,732)	255,542
Assets whose use is restricted, less current portion	26,045	-	-	26,045
Capital assets, net	228,825	20,328	-	249,153
Other assets	16,366	2,198	-	18,564
Total assets	570,389	36,647	(57,732)	549,304
Deferred outflows of resources				
Accumulated decrease in fair value of hedge derivatives	176	-	-	176
Deferred other postemployment benefits outflows	1,829	-	-	1,829
Deferred pension outflows	4,028	-	-	4,028
Total deferred outflows of resources	$ 6,033	$ -	$ -	$ 6,033
Liabilities				
Current liabilities				
Short-term and long-term debt, current portion	$ 15,784	$ -	$ -	$ 15,784
Capital lease obligations, current portion	1,830	-	-	1,830
Accounts payable and accrued expenses	76,070	42,006	(57,732)	60,344
Accrued salaries and leave payable	34,655	-	-	34,655
Estimated third-party payor settlements	4,920	-	-	4,920
Total current liabilities	133,259	42,006	(57,732)	117,533
Long-term liabilities				
Long-term debt, noncurrent portion	227,245	-	-	227,245
Capital lease obligations, noncurrent portion	3,541	-	-	3,541
Other liabilities	10,146	2	-	10,148
Total long-term liabilities	240,932	2	-	240,934
Total liabilities	374,191	42,008	(57,732)	358,467
Deferred inflows of resources				
Accumulated increase in fair value of hedge derivatives	3,101	-	-	3,101
Deferred other postemployment benefits inflows	510	-	-	510
Deferred pension inflows	3,331	-	-	3,331
Total deferred inflows of resources	6,942	-	-	6,942
Commitments and contingencies				
Net position				
Net investment in capital assets	23,272	20,328	-	43,600
Restricted				
Expendable	3,869	924	-	4,793
Unrestricted	168,148	(26,613)	-	141,535
Total net position	$ 195,289	$ (5,361)	$ -	$ 189,928

(1) Per the Master Trust Indenture dated June 1, 2013, the Obligated Group is comprised of Shands Jacksonville HealthCare, Inc., Shands Jacksonville Medical Center, Inc. and Shands Jacksonville Properties, Inc.

The accompanying note is an integral part of these consolidating basic financial statements.

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Consolidating Basic Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2020

(in thousands of dollars)

	Shands Jacksonville Medical Center Obligated Group (1)	Other	Eliminations	Consolidated Total
Operating revenues				
Net patient service revenue, net of provision for bad debts of $99,061	$ 742,006	$ -	$ -	$ 742,006
Other operating revenue	10,385	2,275	(299)	12,361
Total operating revenues	752,391	2,275	(299)	754,367
Operating expenses				
Salaries and benefits	341,388	157	-	341,545
Supplies and services	349,652	1,327	(299)	350,680
Depreciation and amortization	32,792	622	-	33,414
Total operating expenses	723,832	2,106	(299)	725,639
Operating income	28,559	169	-	28,728
Nonoperating revenues (expenses)				
Interest expense	(8,917)	-	-	(8,917)
Grant revenue	15,642	-	-	15,642
Voluntary non-exchange transaction	-	15,526	-	15,526
Net investment gain, including change in fair value	1,845	-	-	1,845
Gain on disposal of capital assets, net	-	-	-	-
Other nonoperating gain (loss), net	88	-	-	88
Total nonoperating revenue, net	8,658	15,526	-	24,184
Excess of revenues over expenses before transfers and capital contributions	37,217	15,695	-	52,912
Transfers and expenditures in support of the University of Florida and its medical programs	(37,284)	-	-	(37,284)
City of jacksonville capital grant	4,765	-	-	4,765
Capital contributions, net	-	-	-	-
Increase in net position	4,698	15,695	-	20,393
Net position				
Beginning of year	195,289	(5,361)	-	189,928
End of year	$ 199,987	$ 10,334	$ -	$ 210,321

(1) Per the Master Trust Indenture dated June 1, 2013, the Obligated Group is comprised of Shands Jacksonville HealthCare, Inc., Shands Jacksonville Medical Center, Inc. and Shands Jacksonville Properties, Inc.

The accompanying note is an integral part of these consolidating basic financial statements.

Shands Jacksonville HealthCare, Inc. and Subsidiaries
Consolidating Basic Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2019

(in thousands of dollars)

	Shands Jacksonville Medical Center Obligated Group (1)	Other	Eliminations	Consolidated Total
Operating revenues				
Net patient service revenue, net of provision for bad debts of $64,316	$ 739,037	$ -	$ -	$ 739,037
Other operating revenue	12,342	2,601	(299)	14,644
Total operating revenues	751,379	2,601	(299)	753,681
Operating expenses				
Salaries and benefits	337,156	204	-	337,360
Supplies and services	343,294	2,698	(299)	345,693
Depreciation and amortization	33,677	622	-	34,299
Total operating expenses	714,127	3,524	(299)	717,352
Operating income (deficit)	37,252	(923)	-	36,329
Nonoperating revenues (expenses)				
Interest expense	(9,821)	-	-	(9,821)
Net investment gain, including change in fair value	1,962	61	-	2,023
Gain on disposal of capital assets, net	20	-	-	20
Other nonoperating gain (loss), net	106	-	-	106
Total nonoperating (expenses) revenue, net	(7,733)	61	-	(7,672)
Excess (deficit) of revenues over expenses before transfers and capital contributions	29,519	(862)	-	28,657
Transfers and expenditures in support of the University of Florida and its medical programs	(32,272)	-	-	(32,272)
Capital contributions, net	1,538	(1,481)	-	57
Decrease in net position	(1,215)	(2,343)	-	(3,558)
Net position				
Beginning of year	196,504	(3,018)	-	193,486
End of year	$ 195,289	$ (5,361)	$ -	$ 189,928

(1) Per the Master Trust Indenture dated June 1, 2013, the Obligated Group is comprised of Shands Jacksonville HealthCare, Inc., Shands Jacksonville Medical Center, Inc. and Shands Jacksonville Properties, Inc.

The accompanying note is an integral part of these consolidating basic financial statements.

Note to Supplemental Consolidating Information

The accompanying consolidating information presents the financial position and results of operations of each of the significant component operating units and affiliates of the Company as of June 30, 2020 and 2019 and for the years then ended, in conformity with accounting principles generally accepted in the United States of America, including applicable statements of the GASB, on the accrual basis of accounting. The accompanying consolidating information presents adjustments necessary to eliminate significant intercompany accounts and transactions. The accompanying consolidating information is presented for purposes of additional analysis of the consolidated basic financial statements rather than to present the financial position and results of operations of the individual companies and is not a required part of the consolidated basic financial statements.