BAKER
NEWMAN
NOYES

MaineGeneral Health and Subsidiaries

Audited Consolidated Financial Statements and Other Financial Information

Years Ended June 30, 2019 and 2018
With Independent Auditors' Report

Baker Newman & Noyes LLC
MAINE | MASSACHUSETTS | NEW HAMPSHIRE
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MAINEGENERAL HEALTH AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
MaineGeneral Health and Subsidiaries

We have audited the accompanying consolidated financial statements of MaineGeneral Health and Subsidiaries, which comprise the consolidated balance sheets as of June 30, 2019 and 2018, the related consolidated statements of operations, changes in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

The Board of Trustees
MaineGeneral Health and Subsidiaries

Opinion

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

Emphasis of Matters

As discussed in Note 2 to the consolidated financial statements, in 2019, MaineGeneral Health and Subsidiaries adopted the provisions of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, ASU 2017-07, *Compensation – Retirement Benefits* and ASU No. 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. Our opinion is not modified with respect to these matters.

Portland, Maine
September 27, 2019

MAINEGENERAL HEALTH AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2019 and 2018

ASSETS

	2019	2018
Current assets:		
Cash and cash equivalents	$ 31,101,322	$ 28,119,259
Investments	5,184,532	3,214,250
Patient accounts receivable	80,010,568	79,948,408
Supplies	6,465,824	5,955,760
Pledges receivable, net of allowance	240,612	245,271
Prepaid expenses and other current assets	16,542,686	15,141,594
Estimated third-party payor settlements	9,399,185	10,954,063
Current portion of assets held in trust under debt and other agreements	16,034,494	13,364,197
Total current assets	164,979,223	156,942,802
Investments:		
Board designated	77,716,823	70,263,650
Assets whose use is limited or restricted:		
Board-designated:		
Funded depreciation	1,253,758	2,196,103
Other	16,641,499	15,784,373
Assets held in trust under debt and other agreements	11,016,303	11,016,303
Beneficial interest in perpetual trusts	12,035,886	12,011,221
With donor restrictions	14,424,259	14,273,426
	133,088,528	125,545,076
Beneficial interest in workers' compensation trust	2,239,060	2,306,449
Total investments and assets whose use is limited or restricted	135,327,588	127,851,525
Pledges receivable, net of current portion	201,874	335,438
Property and equipment, net	386,992,371	389,487,111
Other assets, net	2,386,655	2,132,518
Total assets	$689,887,711	$676,749,394

LIABILITIES AND NET ASSETS

	2019	2018
Current liabilities:		
Accounts payable and accrued expenses	$ 19,032,205	$ 14,581,588
Accrued employee compensation and compensated absences	30,993,038	28,647,039
Other current liabilities	24,976,850	23,771,062
Current portion of long-term debt	7,435,171	4,701,471
Total current liabilities	82,437,264	71,701,160
Long-term debt, less current portion	288,866,322	296,506,723
Accrued pension cost	35,271,168	29,015,144
Deferred refundable and nonrefundable advance fees	19,381,948	19,125,161
Other long-term liabilities	18,189,851	14,591,715
Total liabilities	444,146,553	430,939,903
Commitments and contingencies		
Net assets:		
Without donor restrictions	218,838,527	218,944,135
With donor restrictions	26,902,631	26,865,356
Total net assets	245,741,158	245,809,491
Total liabilities and net assets	$ 689,887,711	$ 676,749,394

See accompanying notes.

MAINEGENERAL HEALTH AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended June 30, 2019 and 2018

	2019	2018
Operating revenue:		
Patient service revenue	$ 511,605,759	$ 482,621,154
Other revenue	44,000,523	37,286,409
Net assets released from restrictions used for operations	1,168,629	1,442,664
Total operating revenue	556,774,911	521,350,227
Operating expenses:		
Salaries and wages	245,980,902	237,675,193
Employee benefits	59,918,548	53,346,230
Supplies and other	203,997,641	185,770,352
Depreciation and amortization	22,545,141	23,728,096
Interest	20,134,960	20,044,793
Total operating expenses	552,577,192	520,564,664
Income from operations	4,197,719	785,563
Nonoperating gains (losses):		
Investment income, net	1,578,728	1,243,711
Realized gains on investments, net	258,473	446,381
Unrealized gains – equity	3,062,289	–
Other	(577,472)	(588,393)
Contributions	542,996	626,809
Total nonoperating gains, net	4,865,014	1,728,508
Excess of revenue over expenses	$ 9,062,733	$ 2,514,071

See accompanying notes.

MAINEGENERAL HEALTH AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years Ended June 30, 2019 and 2018

	2019	2018
Net assets without donor restrictions:		
Excess of revenue over expenses	$ 9,062,733	$ 2,514,071
Change in net unrealized gains on investments	94,812	2,230,401
Pension-related changes other than net periodic pension cost	(10,014,189)	7,823,146
Net assets released from restrictions used for capital acquisitions	751,036	316,646
(Decrease) increase in net assets without donor restrictions	(105,608)	12,884,264
Net assets with donor restrictions:		
Contributions	1,083,590	1,768,750
Investment income, net	304,414	257,207
Realized gains on investments, net	45,126	151,475
Change in net unrealized gains on investments	499,145	191,113
Net assets released from restrictions	(1,919,665)	(1,759,310)
Change in market value of perpetual trusts	24,665	346,120
Increase in net assets with donor restrictions	37,275	955,355
(Decrease) increase in net assets	(68,333)	13,839,619
Net assets, beginning of year	245,809,491	231,969,872
Net assets, end of year	$245,741,158	$ 245,809,491

See accompanying notes.

MAINEGENERAL HEALTH AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
(Decrease) increase in net assets	$ (68,333)	$ 13,839,619
Adjustments to reconcile (decrease) increase in net assets to cash provided by operating activities:		
Amortization of bond premium	(351,232)	(347,595)
Depreciation and amortization	22,545,141	23,685,837
Amortization of nonrefundable advance fees	(349,540)	(307,285)
Pension related changes other than net periodic pension cost	10,014,189	(7,823,146)
Change in market value of perpetual trusts	(24,665)	(346,120)
Net change in unrealized gains on investments	(3,656,246)	(2,421,514)
Realized gains on sale of investments, net	(303,599)	(598,856)
Loss on disposal of property and equipment, net	251,766	54,176
Restricted contributions	(1,083,590)	(1,768,750)
Increase (decrease) in cash resulting from a change in:		
Patient accounts receivable	(62,160)	4,905,462
Supplies	(510,064)	(680,329)
Prepaid expenses and other assets	(1,401,092)	(2,975,063)
Accounts payable and accrued expenses	4,450,617	(1,053,389)
Other current liabilities	3,551,787	5,445,957
Estimated third-party payor settlements	1,554,878	(3,134,969)
Other liabilities and accrued pension cost	(160,029)	2,160,328
Net cash provided by operating activities	34,397,828	28,634,363
Cash flows from investing activities:		
Proceeds from sale of investments	36,351,300	33,499,984
Purchases of investments	(44,278,284)	(41,537,073)
Purchases of property and equipment	(20,302,167)	(13,041,027)
Proceeds from sale of property and equipment	–	529,989
Other assets	(254,137)	46
Net cash used by investing activities	(28,483,288)	(20,548,081)
Cash flows from financing activities:		
Payments on long-term debt and line of credit, net	(4,555,469)	(6,786,950)
Advance fees received	2,069,790	1,899,678
Refunds of advance fees	(1,463,463)	(1,962,470)
Restricted contributions	1,016,665	173,441
Net cash used by financing activities	(2,932,477)	(6,676,301)
Increase in cash and cash equivalents	2,982,063	1,409,981
Cash and cash equivalents, beginning of year	28,119,259	26,709,278
Cash and cash equivalents, end of year	$ 31,101,322	$ 28,119,259

MAINEGENERAL HEALTH AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended June 30, 2019 and 2018

	2019	2018
Supplemental disclosure:		
Cash paid for interest	$ 20,142,445	$ 20,218,923
Supplemental disclosure of noncash activities:		
Contributed securities	$ 205,148	$ 902,391

See accompanying notes.

1. Corporate Organization

MaineGeneral Health (MGH) is a nonprofit corporation which operates an acute care hospital, home care and community mental health services, long-term care facilities, physician practices, and senior housing through its subsidiaries. Significant subsidiaries include MaineGeneral Medical Center and its subsidiary, Kennebec Risk, LLC (collectively, the Medical Center or MGMC), MaineGeneral Community Care (MGCC), MaineGeneral Rehabilitation & Long Term Care (MGRLTC), and MaineGeneral Retirement Community (MGRC).

On July 1, 2012, Kennebec Risk, LLC (the Captive) began operations as a subsidiary of the Medical Center. The purpose of the Captive is to engage in the business of insuring various types of risks as a captive insurance company licensed in the State of Vermont. MGH also secured a standby letter of credit with an approved amount of $1,250,000 for additional capitalization of the Captive.

2. Summary of Significant Accounting Policies

General

The accompanying consolidated financial statements include the accounts of MGH and its subsidiaries (collectively, the Company).

Principles of Consolidation

Upon consolidation, significant intercompany accounts and transactions have been eliminated.

Basis of Presentation

The consolidated financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (GAAP). For purposes of display, transactions deemed by management to be ongoing and central to the provision of health care services are reported as operating revenue and operating expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are made in the areas of collectability of accounts receivable, estimated settlements with third-party payors and underlying assumptions used for the actuarial computations for the defined benefit pension plan.

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Patient service revenue is recorded in the period the health services are provided based upon the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Under the terms of various agreements, regulations and statutes, certain elements of third-party reimbursements are subject to negotiation, audit and/or final determination by the third-party payor. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Changes between preliminary estimates of net patient service revenue and final third-party settlements are included in patient service revenue in the year in which the settlement or change in estimate occurs. The differences between amounts previously estimated and amounts subsequently determined to be receivable or payable to third-party payors (decreased) and increased patient service revenue by approximately $(85,000) and $2,256,000 for the years ended June 30, 2019 and 2018, respectively.

Revenues from the Medicare and Medicaid programs accounted for approximately 34% and 13%, respectively, of the Company's patient service revenue for the year ended June 30, 2019, and 36% and 13%, respectively, for the year ending June 30, 2018. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Company believes that it is in substantial compliance with all applicable laws and regulations.

Compliance with such laws and regulations may be subject to future government review and interpretation, as well as significant regulatory action including repayment of previously billed and collected revenue, fines, penalties and exclusion from the Medicare and Medicaid programs.

Charity Care

The Company provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Since the Company does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments that are readily convertible into cash and purchased with original maturities of three months or less. Cash and cash equivalents held in the investment portfolio are excluded from the cash and cash equivalents line item on the balance sheet.

2. Summary of Significant Accounting Policies (Continued)

Investments and Investment Income

Investments in equity securities with readily determinable market values and all investments in debt securities are recorded at fair market value. At June 30, 2019 and 2018, MGH held interests in private equity funds, also known as alternative investments. Interests in private equity funds are generally recorded at fair value. Securities for which no quotations or valuations are readily available are carried at fair value as estimated by management using values provided by external investment managers. MGH believes that these valuations are a reasonable estimate of fair value as of June 30, 2019 and 2018, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the excess of revenue over expenses, unless the income or loss is restricted by donor or law.

Interest and dividend income and realized gains and losses on proceeds of borrowings that are held by a trustee, to the extent not capitalized, and investment income on short-term investments, certain workers' compensation trust assets, and cash and cash equivalents, are reported as other revenue. Investment income (including realized gains and losses on investments, interest and dividends) from all other investments, unless donor-restricted, is reported as nonoperating gains.

On a periodic basis, MGH reviews declines in the value of securities below historical cost and records an impairment charge (included in the performance indicator) for those declines deemed to be other-than-temporary. There were no impairment charges recorded for the years ended June 30, 2019 and 2018.

Investments within current assets are those that management intends to use for current operations.

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets, statements of operations, and changes in net assets.

Supplies

Supplies are stated at the lower of weighted average cost or market (net realizable value).

Deferred Costs

Financing costs incurred in conjunction with the issuance of MGH's long-term debt have been capitalized and are being amortized to interest expense over the respective terms of the debt using the straight-line method, which approximates the effective interest method. These are included in long-term debt.

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost or, if received by gift or donation, at fair value at the date of the gift. The costs of repairs and maintenance are charged to expense as incurred. Significant improvements which increase the useful life of the asset by greater than one year are capitalized. Depreciation is computed under the straight-line method based upon management's assessment of estimated useful lives (see Note 7).

Upon disposition of assets, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss on disposition is reported as nonoperating activity.

Interest costs incurred on borrowed funds during the period of construction of capital assets, net of the related interest income, are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support and are excluded from the excess of revenue over expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as an increase in net assets with donor restrictions. Absent explicit donor stipulations about how those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Accrued Insurance Reserves

The Company established the Captive on July 1, 2012 as a limited liability company with the Medical Center as the sole member to self-fund the Company's and its employed physicians' malpractice losses. The Captive insures the first $2 million per medical incident/$6 million in the aggregate of the hospital professional liability, employed physician medical professional liability, and general liability risks of the Company. Claims exceeding $2 million are covered under a separate policy with an insurance company. The Captive assesses monthly premiums to the Company, based on actuarial analyses of anticipated losses and projected operating costs of the Captive. The Company establishes reserves for anticipated claims and determines malpractice insurance expense based on actual experience, physician census, and estimates of incurred but not reported claims.

The Company manages a self-insured irrevocable trust fund for workers' compensation claims, which covers MGH and all subsidiaries. The self-insurance program is managed with the assistance of a professional insurance consultant and is funded according to actuarial projections approved by the State of Maine Bureau of Insurance (the Bureau). Reinsurance has been purchased with limits which conform to the requirements of the Bureau. The Company establishes reserves for each claim and determines workers' compensation expense based on actual claims experience, employee census, and historical trends as evaluated by a professional actuary. The expense is allocated among the relevant consolidated entities based on a weighted premium calculated by employee job classification.

2. Summary of Significant Accounting Policies (Continued)

MGH maintains a self-insured health benefit arrangement for MGH and all subsidiaries. Employee Benefit Plan Administration, Inc. serves as the third-party administrator of the plan. The Captive provides specific stop loss coverage with a deductible per individual of $250,000; individual claims exceeding $500,000 are covered by a separate policy with an insurance company. Annual aggregate claims exposure by the Captive is limited to $970,000 with amounts above that covered by a separate policy. MGH establishes reserves for anticipated claims and determines health insurance expense based on actual claims experience, employee census, and estimates of incurred but not reported claims.

Deferred Refundable and Nonrefundable Advance Fees

In July 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-01, which addresses the accounting for retirement communities' refundable advance fees. This update clarifies that an entity should classify an advance fee paid by a resident upon entering into a residency agreement as deferred revenue when the contract provides for payment of the refundable advance fee upon reoccupancy by a subsequent resident, which is limited to the proceeds of reoccupancy. Refundable advance fees that are contingent upon reoccupancy by a subsequent resident but are not limited to the proceeds of reoccupancy should be accounted for and reported as a liability. Refundable advance fees at June 30, 2019 and 2018 were approximately $17,598,000 and $17,370,000, respectively.

Nonrefundable advance fees paid by a resident upon entering into a residency agreement are recorded as deferred revenue and are amortized to income over future periods based on the estimated life of each resident or contract term if shorter. Nonrefundable advance fees at June 30, 2019 and 2018 were approximately $1,784,000 and $1,755,000, respectively.

Assets Whose Use is Limited or Restricted

Assets whose use is limited include assets set aside by the Board of Trustees (the Board) for future capital investments or program development over which the Board retains control and may, at its discretion, subsequently use for other purposes; assets held by trustees under bond indenture agreements; assets held in trust for funding workers' compensation costs; and assets whose use is restricted including assets contributed by donors for specific purposes (net assets without donor restrictions), and perpetual trusts and permanent endowment funds (net assets with donor restrictions).

Other Revenue

Unrestricted investment income on short-term investments, assets held in trust under debt agreements, certain insurance reserve assets, and interest income on operating cash, bond reserve funds, and temporary investments are included in other revenue in the amount of $657,861 and $551,269 in 2019 and 2018, respectively. Rental revenue, grant revenue, senior housing revenue, cafeteria sales, cooperative rebates, joint venture income, practice management revenue and other miscellaneous revenue are also included in other revenue.

2. Summary of Significant Accounting Policies (Continued)

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Company are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is actually received or the conditions are met. Gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of operations as net assets released from restrictions.

Beneficial Interest in Perpetual Trusts

The Company is the beneficiary of several trust funds administered by trustees or other third parties. Trusts, wherein the Company has an irrevocable right to receive the income earned on the trust assets in perpetuity, are recorded as net assets with donor restrictions at the fair value of the trust at the date of receipt and are included in donor-restricted funds in the consolidated balance sheet. Income distributions from the trusts are reported as investment income that increase net assets without donor restrictions, unless restricted by the donor. Annual changes in market value of the trusts are recorded as increases or decreases to net assets with donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Company or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Retirement Plans

The Company sponsors a noncontributory, defined benefit plan established for the purpose of providing employees of MGH and certain of its affiliates with certain retirement benefits. The Company elected to freeze the plan as of December 31, 2004. Consequently, benefits shall be no greater than the monthly retirement benefit accrued as of December 31, 2004. The Company's funding policy is to make cash contributions to the plan in amounts sufficient to comply with the requirements of ERISA as computed by the plan's actuary.

The Company also sponsors defined contribution retirement plans which cover substantially all employees who have met certain eligibility requirements of the respective plans. See Note 11 for further information on the retirement plans.

2. Summary of Significant Accounting Policies (Continued)

Excess of Revenue Over Expenses

The consolidated statements of operations include excess of revenue over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenue over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purpose of acquiring such assets), unrealized gains and losses on investments in 2018, and pension related changes other than net periodic pension cost.

Tax Status

The Company and its affiliates have been determined to be tax-exempt organizations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and, accordingly, are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes has been recorded in the accompanying consolidated financial statements for these tax-exempt organizations.

The Captive is a limited liability company (LLC) under the Federal Income Tax Code and as an LLC passes its income or loss for federal and state tax purposes to its members.

Tax-exempt organizations could be required to record an obligation for income taxes as the result of a tax position they have historically taken on various tax exposure items including unrelated business income or tax status. Under guidance issued by the Financial Accounting Standards Board (FASB), assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based upon the technical merits of the position. Estimated interest and penalties, if applicable, related to uncertain tax positions are included as a component of income tax expense. The Company has evaluated the tax positions taken on its filed tax returns. The Company has concluded no uncertain income tax positions exist at June 30, 2019.

Functional Expenses

The Company provides general health services to area residents. Expenses incurred by the Company for the years ended June 30, 2019 and 2018 were predominantly related to this mission.

New Accounting Pronouncements

In 2019, the Company adopted the provisions of the following accounting pronouncements:

ASU No. 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, addresses the accounting treatment and classifications of retirement benefits expense. The accounting update requires that employer disaggregate the service component from the other components of benefit costs. As a result of implementing the standard, the Company has classified the expense related to the defined benefit plans of $469,737 and $642,569, respectively, for 2019 and 2018 separate from operating expenses. There is no service cost related to the defined benefit plan as the Company's plan is frozen.

2. Summary of Significant Accounting Policies (Continued)

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)* (ASU 2016-14). Under ASU 2016-14, the existing three-category classification of net assets (i.e., unrestricted, temporarily restricted and permanently restricted) will be replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions". ASU 2016-14 also enhances certain disclosures regarding board designations, donor restrictions and qualitative information regarding management of liquid resources. In addition to reporting expenses by functional classifications, ASU 2016-14 will also require the financial statements to provide information about expenses by their nature, along with enhanced disclosures about the methods used to allocate costs among program and support functions. MGH has included the applicable reclassification of net assets and disclosures. The 2018 amounts were reclassified and, as a result, there were no significant changes to amounts previously reported other than the reclassifications.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which MGH expects to be entitled in exchange for those goods and services. In accordance with the new requirements, MGH no longer recognizes gross revenue, net of contractual adjustment and allowance for doubtful accounts, but recognizes revenue based upon expected payment amounts under contracts or historical collection experience. The 2018 financial information has been adjusted to comply with the standard. There was no significant impact to 2018 as a result of the changes.

In January 2016, FASB issued ASU 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 requires equity investments to be measured at fair value with changes in fair value recognized in net income. ASU 2016-01 was adopted prospectively in 2019 and the 2018 treatment remains based upon its historic treatment. Previously, the change in fair value of equity securities was recorded as part of the change in net assets, and the 2018 consolidated financial statements include the change in fair value as part of the change in net assets. The 2019 change in fair value is reflected as part of net income.

Prospective Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. ASU 2016-02 is effective for MGH on July 1, 2019. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. MGH is currently evaluating the impact of the pending adoption of ASU 2016-02 on its consolidated financial statements.

2. Summary of Significant Accounting Policies (Continued)

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). Due to diversity in practice, ASU 2018-08 clarifies the definition of an exchange transaction as well as the criteria for evaluating whether contributions are unconditional or conditional. ASU 2018-08 is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. MGH is currently evaluating the impact that ASU 2018-08 will have on the consolidated financial statements.

Subsequent Events

Events occurring after the balance sheet date are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through September 27, 2019 which is the date the consolidated financial statements were available to be issued.

On September 24, 2019, MGH entered into a purchase and sale agreement to sell the operations, including assets and liabilities, of MGRC for approximately $28,000,000. At June 30, 2019, MGRC had assets of approximately $17,470,000 and revenues of approximately $4,800,000 for the year ended June 30, 2019.

3. Patient Service Revenue

In May 2014, the FASB issued a new standard related to revenue recognition. MGH adopted the new standard effective July 1, 2018, using the full retrospective method. The adoption of the new standard did not have an impact on the recognition of revenues for any periods prior to adoption. The most significant impact of adopting the new standard is the presentation of the consolidated statements of operations, where the "provision for bad debt" is no longer presented as a separate line item and "net patient service revenue" is presented net of estimated implicit price concession revenue deductions. The related presentation of "allowances for doubtful accounts" has also been eliminated from the consolidated balance sheets as a result of the adoption of the new standard.

Revenues generally relate to contracts with patients in which MGH's performance obligations are to provide health care services to patients. Revenues are recorded during the period obligations to provide health care services are satisfied. Performance obligations for inpatient services are generally satisfied over a period of days. Performance obligations for outpatient services are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payor (Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) and the transaction prices for the services provided are dependent upon the terms provided by Medicare and Medicaid or negotiated with managed care health plans and commercial insurance companies, the third-party payors. The payment arrangements with third-party payors for the services provided to related patients typically specifies payments at amounts less than standard charges. Medicare generally pays for inpatient and outpatient services at prospectively determined rates based on clinical, diagnostic and other factors. Services provided to patients having Medicaid coverage are generally paid at prospectively determined rates per discharge, per identified service or per covered member. Agreements with commercial insurance carriers, managed care and preferred provider organizations generally provide for payments based upon predetermined rates per diagnosis, per diem rates or discounted fee-for-service rates. Management continually reviews the revenue recognition process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals.

3. Patient Service Revenue (Continued)

Revenues are based upon estimated amounts that MGH expects to be entitled to receive from patients and third-party payors. Revenues under managed care and commercial insurance plans are based upon the payment terms specified in the related contractual agreements. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts) and the recorded revenue is based primarily on historical collection experience.

Revenues from third-party payors and the uninsured are summarized as follows at June 30:

	2019	2018
Medicare	$ 175,831,619	$ 172,077,162
Medicaid	67,372,176	61,217,355
Commercial	256,028,140	231,260,434
Patients (private pay/self pay)	12,373,824	18,066,203
	$ 511,605,759	$ 482,621,154

The collection of outstanding receivables for Medicare, Medicaid, managed care payors, other third-party payors and patients is MGH's primary source of operating cash and is critical to operating performance. The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the aging of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed. The estimates for implicit price concessions are based upon management's assessment of historical writeoffs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical writeoffs and collections at facilities that represent a majority of MGH's revenues and accounts receivable as a primary source of information in estimating the collectability of accounts receivable.

The consolidated balance sheets include amounts due from the State of Maine under the MaineCare program. The amounts recorded from the State have been determined based upon applicable regulations and MGH expects that these amounts will ultimately be paid in full. The amount represents payment based on interim cost reports and is an estimate pending final settlement. Due to the complex nature of such regulations, there is at least a reasonable possibility that recorded estimates will change by a material amount.

The State of Maine also assesses a provider tax with disproportionate share funding partially offsetting the tax.

3. Patient Service Revenue (Continued)

MGH has entered into payment agreements with Medicare, MaineCare and various commercial insurance carriers. The basis for payment under these agreements includes prospectively determined rates per discharge, episode of care, per day or per visit, prospectively determined rates for outpatient episodes of care, discounts from established charges, cost (subject to limits) and fee tables.

The estimated third-party payor settlements reflected on the balance sheet represent the estimated net amounts to be received or paid under reimbursement contracts with CMS, Medicaid and any commercial payors with settlement provisions. Settlements have been issued through 2015 for Medicare and Medicaid.

Laws and regulations governing the Medicare and Medicaid programs are 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. MGH believes that it is substantially in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing specific to MGH. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in patient service revenue in the year that such amounts become known.

4. Community Benefit and Charity Care

MGH provides comprehensive healthcare services to the community regardless of a patient's ability to pay.

- The CarePartners program has been in place since 1998 and, to date, has served approximately 800 uninsured individuals in the region, providing primary care, preventive services, hospital services, pharmaceuticals, care management and specialty care by participating providers.

- For children and families, MGH offers several health promotion programs throughout the year, including breast feeding support, nutrition education, and parenting education.

- Last year, the Company provided 419 community health events – free education sessions, support meetings, training and screenings – to 9,312 participants. It provided 2,094 flu vaccinations at 48 area schools.

- For adults and seniors, MGH provides classes and support groups aimed at health and wellness, including cancer prevention, diabetes care, and Alzheimer's, along with support groups for area individuals and families with a variety of health problems, including cancer, bariatric surgery, brain injury, stroke and hospice.

4. Community Benefit and Charity Care (Continued)

- The Medical Center's Physician Hospital Organization is part of an employer healthcare collaborative designed to help improve employees' health, concentrating on high risk behaviors and chronic disease. Overall, the goals are to help stabilize rising healthcare costs and enhance individuals' quality of life.

MGH accepts patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies, which define charity services as those services for which no payment is anticipated. In assessing a patient's eligibility for charity care, the Medical Center and MGRLTC use federally established poverty guidelines. Free care eligibility has been established at 150% of federal poverty levels with a sliding scale up to 225%. MGCC provides certain community alcohol rehabilitation services under sliding fee arrangements. In addition, the Medical Center, MGRLTC and MGRC will, at times, accept reduced payments when management identifies cases of financial hardship which do not conform to MGH's formal guidelines.

Charity care is measured based on services provided at established rates but is not included in patient service revenue. Costs and expenses incurred in providing these services are included in operating expenses. MGH determines the costs associated with providing charity care by calculating a ratio of cost to gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for free care. Under this methodology, the estimated costs of caring for charity care patients for the years ended June 30, 2019 and 2018 were approximately $4,815,000 and $5,510,000, respectively.

5. Pledges Receivable

Pledges receivable represent unconditional promises to give. Pledges expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured utilizing risk-free rates of return adjusted for market and credit risk established at the time a contribution is received.

Pledges are expected to be collected as follows at June 30:

	2019	2018
Within one year	$ 268,053	$ 294,067
One to five years	230,667	427,874
Pledges receivable	498,720	721,941
Less allowance for uncollectible pledges	(34,362)	(104,784)
Present value discount	(21,872)	(36,448)
Pledges receivable, net	$ 442,486	$ 580,709

6. Investments

The cost and fair value of investments held at June 30 are as follows:

	2019		2018	
	Cost	Market	Cost	Market
Short-term investments:				
Cash and cash equivalents	$ 773,477	$ 773,477	$ 1,197,965	$ 1,197,965
Fixed income mutual funds	4,204,602	4,411,055	1,801,232	2,016,285
Total short-term investments	4,978,079	5,184,532	2,999,197	3,214,250
Long-term investments:				
Cash and cash equivalents	5,085,714	5,085,714	2,064,339	2,064,339
Accrued interest	18,806	18,806	13,349	13,349
Guaranteed income contracts	11,016,303	11,016,303	11,016,303	11,016,303
U.S. Government securities	2,201,853	2,193,086	2,841,226	2,805,419
Common stock mutual funds	28,314,966	30,631,419	27,268,934	29,075,410
Private equity funds	37,104,893	43,208,761	30,638,426	34,895,173
Global asset allocation mutual funds	5,660,554	5,591,657	16,206,666	15,674,059
Fixed income mutual funds	11,848,644	12,311,606	9,000,032	8,608,202
Corporate debt securities	771,246	753,097	703,640	692,033
Employee benefit plans	11,165,000	11,874,376	10,044,473	10,357,254
Beneficial interest in charitable remainder trusts	560,833	606,877	602,187	638,763
Beneficial interest in perpetual trusts	11,048,368	12,035,886	11,041,180	12,011,221
Total long-term investments	124,797,180	135,327,588	121,440,755	127,851,525
Total investments	$129,775,259	$140,512,120	$124,439,952	$131,065,775

Private equity funds include investments with a fair value of $43,208,761 and $34,895,173 at June 30, 2019 and 2018, respectively, whose holdings are in U.S. and international equities, bonds and real assets.

The Medical Center has a beneficial interest in certain perpetual trusts established by donors for the benefit of the Medical Center. The Medical Center receives the investment income from the perpetual trusts; however, the principal and gains of the trusts are to be maintained perpetually in the trusts and will not become available to the Medical Center. The perpetual trusts are included in net assets with donor restrictions.

The underlying fair value of investments, which are traded on national exchanges (except for managed funds), is based on the final reported sales price on the last business day of the year. The fair value of investments traded in over-the-counter markets is based on the average of the last recorded bid and asked price.

6. Investments (Continued)

Investment return, net is comprised of the following for the years ended June 30:

	2019	2018
Without donor restrictions:		
Investment income	$1,578,728	$ 1,243,711
Investment income included in other revenue	657,861	551,269
Change in net unrealized gains on investments	3,157,101	2,230,401
Realized gains on investments, net	258,473	446,381
Total without donor restrictions	5,652,163	4,471,762
With donor restrictions:		
Investment income	304,414	257,207
Realized gains on investments, net	45,126	151,475
Change in net unrealized gains on investments	499,145	191,113
Change in market value of perpetual trusts	24,665	346,120
Total with donor restrictions	873,350	945,915
	$6,525,513	$ 5,417,677

The Company has adopted ASC 820-10 which establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities' own assumptions about how market participants would value an asset based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

Following is a description of the Company's valuation methodologies for assets measured at fair value:

Level 1 – Assets classified as Level 1 represent items that are traded in active exchange markets and for which valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities. Assets classified as Level 1 include cash and cash equivalents, accrued interest, U.S. Government securities, mutual funds and corporate equity securities. Employee benefit plan assets consist primarily of mutual funds.

Level 2 – Valuations for assets traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities. Assets classified as Level 2 include guaranteed income contracts and corporate debt securities.

Level 3 – Valuations for assets that are derived from other valuation methodologies not based on direct market exchange, dealer or broker traded transactions. Assets classified as Level 3 include beneficial interests in perpetual trusts and charitable remainder trusts.

The Medical Center is a beneficiary of irrevocable perpetual trusts. The amounts reflected as an asset on the balance sheet are valued at the fair value of the Medical Center's interest in the perpetual trust. At June 30, 2019 and 2018, the Medical Center has recorded the beneficial interest in the perpetual trusts of $12,035,886 and $12,011,221, respectively.

6. Investments (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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

The financial instruments carried at fair value by caption on the consolidated balance sheets by the ASC 820-10 valuation hierarchy defined previously are as follows at June 30:

	Level 1	Level 2	Level 3	Total
2019				
Short-term investments:				
Cash and cash equivalents	$ 773,477	$ –	$ –	$ 773,477
Fixed income mutual funds	4,411,055	–	–	4,411,055
Total short-term investments	5,184,532	–	–	5,184,532
Long-term investments:				
Cash and cash equivalents	5,085,714	–	–	5,085,714
Accrued interest	18,806	–	–	18,806
Guaranteed income contracts		11,016,303	–	11,016,303
U.S. Government securities	2,193,086	–	–	2,193,086
Common stock mutual funds	30,631,419	–	–	30,631,419
Global asset allocation mutual funds	5,591,657	–	–	5,591,657
Fixed income mutual funds	12,311,606	–	–	12,311,606
Corporate debt securities		753,097	–	753,097
Employee benefit plans	11,874,376	–	–	11,874,376
Total long-term investments	67,706,664	11,769,400	–	79,476,064
Beneficial interest in charitable remainder trusts	–	–	606,877	606,877
Beneficial interest in perpetual trusts	–	–	12,035,886	12,035,886
	$72,891,196	$11,769,400	$12,642,763	97,303,359
Private equity funds				43,208,761
Total investments				$140,512,120

6. Investments (Continued)

	Level 1	Level 2	Level 3	Total
2018				
Short-term investments:				
Cash and cash equivalents	$ 1,197,965	$ –	$ –	$ 1,197,965
Fixed income mutual funds	2,016,285	–	–	2,016,285
Total short-term investments	3,214,250	–	–	3,214,250
Long-term investments:				
Cash and cash equivalents	2,064,339	–	–	2,064,339
Accrued interest	13,349	–	–	13,349
Guaranteed income contracts	–	11,016,303	–	11,016,303
U.S. Government securities	2,805,419	–	–	2,805,419
Common stock mutual funds	29,075,410	–	–	29,075,410
Global asset allocation mutual funds	15,674,059	–	–	15,674,059
Fixed income mutual funds	8,608,202	–	–	8,608,202
Corporate debt securities	–	692,033	–	692,033
Employee benefit plans	10,357,254	–	–	10,357,254
Total long-term investments	68,598,032	11,708,336	–	80,306,368
Beneficial interest in charitable remainder trusts	–	–	638,763	638,763
Beneficial interest in perpetual trusts	–	–	12,011,221	12,011,221
	$71,812,282	$11,708,336	$12,649,984	96,170,602
Private equity funds				34,895,173
Total investments				$131,065,775

The above schedules do not include current portion of assets held in trust under debt and other agreements of $16,034,494 and $13,364,197 at June 30, 2019 and 2018, respectively. Such amounts are not required to be included on the above table but if so would be classified as Level 1.

The private equity funds are subject to certain redemption terms based upon net asset value. Amounts may be redeemed with notification periods ranging from 5 to 30 days. There are no commitments to purchase additional units.

6. Investments (Continued)

The following are a rollforward of the balance sheet amounts for financial instruments classified by the Company within Level 3 of the fair value hierarchy defined above for the years ended June 30:

	Charitable Remainder Trusts	Perpetual Trusts	Total Level 3 Assets
2019			
Fair value, July 1, 2018	$638,763	$12,011,221	$12,649,984
Change in value of charitable reminder trusts and perpetual trusts	(31,886)	24,665	(7,221)
Fair value, June 30, 2019	$606,877	$12,035,886	$12,642,763
2018			
Fair value, July 1, 2017	$631,221	$11,665,101	$12,296,322
Change in value of charitable reminder trusts and perpetual trusts	7,542	346,120	353,662
Fair value, June 30, 2018	$638,763	$12,011,221	$12,649,984

7. Property and Equipment

Property and equipment consisted of the following at June 30:

	2019	2018
Land and improvements	$ 19,416,644	$ 19,255,933
Buildings	445,197,719	438,568,178
Equipment	203,178,387	196,531,608
Construction in progress	3,320,499	596,028
	671,113,249	654,951,747
Less accumulated depreciation	(284,120,878)	(265,464,636)
	$ 386,992,371	$ 389,487,111

Depreciation expense for the years ended June 30, 2019 and 2018 was approximately $22,499,000 and $23,456,000, respectively. The Company retired approximately $4,141,000 and $7,819,000 of assets in fiscal 2019 and 2018, respectively, which consisted largely of fully depreciated, obsolete equipment.

8. Long-Term Obligations

Long-term debt consisted of the following at June 30:

	2019	2018
2015A Series Revenue Bonds, interest at fixed rates ranging from 3.0% to 5.0%, maturing in various amounts through 2025	$ 12,666,190	$ 14,496,191
2011 Series Revenue Bonds, interest at fixed rates ranging from 4.0% to 7.5%, maturing in various amounts through 2041	278,890,000	280,080,000
Bangor Savings Bank term loan, interest at a fixed rate of 4.65%	5,749,321	7,250,000
Other notes payable	–	3,765
Capital lease obligation, payments in various amounts through 2030	2,189,137	2,448,781
	299,494,648	304,278,737
Net unamortized original issue premium	1,192,034	1,543,266
Net unamortized debt issuance costs	(4,385,189)	(4,613,809)
	296,301,493	301,208,194
Less current portion	(7,435,171)	(4,701,471)
	$288,866,322	$296,506,723

In 2016, the Medical Center and MGRC participated in a pooled financing of MHHEFA Series 2015A Revenue Bonds in the amount of $18,126,191, plus original issue premium of $2,774,624 for the purpose of refinancing the Medical Center and MGRC 2006A Revenue Bonds. Under the Master Indenture, the debt is collateralized by gross receipts of the Obligated Group (the Medical Center, MGH, MGCC, MGRLTC and MGRC) and a security interest in the Medical Center and MGRC's equipment and a mortgage lien on the facilities. In accordance with the terms of the bond indenture, the Obligated Group is required to maintain certain financial covenants, including a minimum aggregate debt service coverage ratio of 1.20.

In August 2011, the Medical Center entered into a Loan Agreement (the Agreement) with MHHEFA, under which MHHEFA loaned the proceeds of the sale of Series 2011 Revenue Bonds in the amount of $280,750,000 to the Medical Center. The proceeds of the Series 2011 Bonds, together with other available funds, were used to finance the construction and equipping of a new 192-bed replacement hospital (the Alfond Center for Health) located in Augusta, Maine. The Medical Center has granted MHHEFA a security interest in its equipment, a mortgage lien on the Alfond Center for Health and the Medical Center's Harold Alfond Cancer Center, and on the gross receipts of the Obligated Group. In connection with the Series 2011 Revenue Bonds, the Obligated Group must maintain a minimum aggregate debt service coverage ratio of 1.20. In addition to the debt service reserve fund, the Company also has obtained a $15,000,000 surety bond.

8. Long-Term Obligations (Continued)

In April 2013, the Medical Center entered into a term loan agreement with Bangor Savings Bank which was renewed in 2018. Under the terms of the loan agreement, the Medical Center is required to remit fixed monthly principal payments of $125,000, plus accrued interest at a fixed rate of 4.65% on the outstanding principal balance, until the maturity date of April 2023. The Medical Center may prepay the term loan agreement in whole or in part at any time with a prepayment premium ranging from 1% to 5% of the then outstanding principal balance. Under the loan agreement, the Medical Center has granted Bangor Savings Bank a first mortgage lien on its Waterville real estate. In accordance with the terms of the loan agreement, the Medical Center is required to maintain certain financial covenants, including a minimum debt service coverage ratio of 1.20, a maximum debt to capitalization ratio of 75%, and a minimum days cash on hand of 50 days.

MGMC also has a $7,500,000 line of credit with KeyBank National entered into on October 26, 2018 which is subject to renewal on November 30, 2019. The interest is accrued at LIBOR rate plus two and one half percent (4.7% at June 30, 2019). The line is secured by substantially all assets of MGMC. There was no balance outstanding at June 30, 2019.

Scheduled principal payments of long-term debt are as follows for the years ended June 30:

2020	$ 7,435,171
2021	7,714,680
2022	8,019,992
2023	8,096,002
2024	7,242,125
Thereafter	260,986,678
	$299,494,648

In July 2012, MGH was issued a standby letter of credit by Wells Fargo Bank, N.A. through Bangor Savings Bank for the purpose of capitalizing the Captive. The maximum amount available under this agreement is $1,250,000. The interest rate (5.5% at June 30, 2019), according to the agreement, is based on the Prime rate, and outstanding principal and interest payments are due upon demand. The letter of credit was renewed on July 5, 2019, with the same terms and is effective until July 6, 2020. No amounts were drawn under the letter of credit in 2019 or 2018.

As part of the bond and note agreements the Company has with MHHEFA and the note payable with Bangor Savings, the Medical Center is required to fund and maintain certain bond funds. The total amounts held in these funds by a trustee are as follows at June 30:

	2019	2018
2015A MHHEFA Bond Debt Service Fund	$ 2,292,396	$ 2,249,712
2011 MHHEFA Bond:		
Debt Service Fund	13,576,303	10,946,836
Debt Service Reserve Fund	11,182,098	11,183,952
	$27,050,797	$24,380,500

The above amounts are not included as part of cash and cash equivalents on the consolidated statements of cash flows as the net changes in these amounts are not significant.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30:

	2019	2018
Purpose restriction:		
Charity care	$ 461,181	$ 577,601
Equipment and capital improvements	256,786	173,420
Education and scholarships	457,177	489,759
Other	3,852,513	3,967,053
	5,027,657	5,207,833
Perpetual in nature:		
Investments, gains and income from which is donor restricted	3,805,441	3,736,456
Investments, gains and income from which is released to net assets without donor restrictions	6,033,647	5,909,846
Beneficial interest in perpetual trust	12,035,886	12,011,221
	21,874,974	21,657,523
Total net assets with donor restrictions	$26,902,631	$26,865,356

Net assets with donor restrictions are managed in accordance with donor intent and are invested in various portfolios.

Net assets with donor restrictions are restricted for the purchase of specific equipment, for building construction, or for specified uses by various departments as follows at June 30:

	2019	2018
Pledges receivable for construction and other purposes	$ 442,486	$ 580,709
Equipment purchase	256,786	173,420
Amounts receivable from charitable remainder trusts	541,531	571,354
Education programs	457,177	489,759
Cancer care	–	1,046
Charity care	461,181	577,601
Accumulated realized/unrealized gains on investments for support of the Company	2,440,876	2,121,124
Other	427,620	692,820
	$5,027,657	$5,207,833

During 2019 and 2018, net assets were released from donor restrictions by making expenditures satisfying the restricted purposes of construction, charity care, acquisition of equipment, and other departmental operating costs of approximately $1,920,000 and $1,759,000, respectively.

9. Net Assets With Donor Restrictions (Continued)

Net assets with donor restrictions, which include beneficial interests in perpetual trusts and certain endowment funds of the Company, are as follows at June 30:

	2019	2018
Scholarships	$ 359,689	$ 261,075
Education programs	373,737	373,636
Amounts receivable from charitable remainder trusts	65,346	67,410
Community health programs	235,286	235,286
Alzheimers care center	1,333,928	1,306,852
Medical Center support	1,622,813	1,526,088
Perpetual trusts	12,035,886	12,011,221
Equipment purchases	130,203	130,203
Charity care	2,000,765	2,031,327
Grounds maintenance	501,812	501,812
Healthy Living Resource Center	3,076,906	3,076,906
Other	138,603	135,707
	$21,874,974	$21,657,523

Net gains or losses on the sale of investments held by perpetual trusts are required to be added to or deducted from the principal of the trusts. Interest and dividend income from the perpetual trusts is unrestricted, and investment income (including net gains or losses on the sale of investments) related to the majority of the remaining donor restrictions subject to use based on the Company's spending policy.

The Company's endowment funds consist of approximately 50 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds are classified, in accordance with relevant state law as interpreted by the Board of Trustees, as with and without donor restrictions based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions include board-designated funds, and any accumulated income and appreciation thereon. Net assets with donor restrictions include accumulated appreciation on donor-restricted funds. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Company has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Company must hold in perpetuity or for a donor-specific period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a return of 7.5% over the long term. Actual returns in any given year may vary from this amount.

9. Net Assets With Donor Restrictions (Continued)

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

The Company has a policy of appropriating for distribution each year 4.5% of its endowment fund's moving average fair value over the prior 36 months as of June 30 of the preceding fiscal year in which the distribution is planned. In establishing this policy, the Company considered the long-term expected return on its endowment. Accordingly, over the long term, the Company expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation. This is consistent with the Company's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return.

The endowment net asset composition by type of fund consisted of the following at June 30:

	Without Donor Restrictions	With Donor Restrictions	Total
2019			
Donor-restricted funds	$ –	$25,346,384	$25,346,384
Board-designated funds	16,641,499	–	16,641,499
Total endowment funds	$16,641,499	$25,346,384	$41,987,883
2018			
Donor-restricted funds	$ –	$25,169,867	$25,169,867
Board-designated funds	15,784,373	–	15,784,373
Total endowment funds	$15,784,373	$25,169,867	$40,954,240

Changes in endowment net assets consisted of the following for the years ended June 30:

	Without Donor Restrictions	With Donor Restrictions	Total
2019			
Endowment net assets, beginning of year	$15,784,373	$25,169,867	$40,954,240
Investment return:			
Investment income	312,730	232,162	544,892
Net appreciation (realized and unrealized)	621,403	453,924	1,075,327
Total investment return	934,133	686,086	1,620,219
Contributions	162,962	328,007	490,969
Appropriation of endowment assets for expenditure	(239,969)	(837,576)	(1,077,545)
Endowment net assets, end of year	$16,641,499	$25,346,384	$41,987,883

9. Net Assets With Donor Restrictions (Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
2018			
Endowment net assets, beginning of year	$14,909,891	$23,893,846	$38,803,737
Investment return:			
Investment income	238,709	198,235	436,944
Net appreciation (realized and unrealized)	697,488	769,138	1,466,626
Total investment return	936,197	967,373	1,903,570
Contributions	174,467	1,084,227	1,258,694
Appropriation of endowment assets for expenditure	(236,182)	(775,579)	(1,011,761)
Endowment net assets, end of year	$15,784,373	$25,169,867	$40,954,240

10. Financial Assets and Liquidity Resources

As of June 30, 2019 and 2018, respectively, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, consisted of the following:

	2019	2018
Cash and cash equivalents	$ 31,101,322	$ 28,119,258
Investments	100,796,612	91,458,376
Patient accounts receivable	80,010,568	79,948,408
	$211,908,502	$199,526,042

To manage liquidity, MGH maintains sufficient cash and cash equivalent balances to support daily operations throughout the year. Cash and cash equivalents include bank deposits, money market funds, and other similar vehicles that generate a return on cash and provide daily liquidity to MGH. Short-term investments without donor restrictions are also utilized to generate a higher yield on balances versus cash and cash equivalents, and to provide MGH with an additional layer of liquidity for daily operations if needed. As of June 30, 2019 and 2018, the balances held in cash and cash equivalents and short-term investments were $36,286,000 and $31,334,000, respectively. MGH also maintains lines of credit in the amount of $7,500,000. As of June 30, 2019 and 2018, there were no outstanding balances under the lines of credit. These lines of credit can be used to support short-term cash and/or working capital needs. In addition, MGH has board-designated assets without donor restrictions that can be utilized at the discretion of management to help fund both operational needs and/or capital projects. As of June 30, 2019 and 2018, the balance in board-designated assets were $17,895,000 and $17,980,000, respectively.

11. Retirement Plans

Effective December 31, 2004, MGH's Board of Directors approved the curtailment of MGH's noncontributory defined benefit plan which covers substantially all employees except employees of MGRLTC, MGCC and MGRC. Participation and benefit accruals were frozen under the Plan effective December 31, 2004. As a result, the projected benefit obligation equals the accumulated benefit obligation.

Funded Status

The changes in benefit obligation and fair value of plan assets based on the measurement date and the amounts recognized in the consolidated financial statements consist of the following at June 30:

	2019	2018
Change in benefit obligation:		
Benefit obligation, beginning of year	$138,539,824	$151,315,293
Interest cost	5,513,697	5,455,723
Actuarial loss (gain)	11,834,757	(8,056,714)
Gross benefits paid	(6,890,309)	(10,174,478)
Accumulated benefit obligation, end of year	$148,997,969	$138,539,824
Change in plan assets:		
Fair value of plan assets, beginning of year	$109,524,680	$114,626,848
Actual return on plan assets	6,864,528	4,579,586
Contribution to plan	4,227,902	492,724
Gross benefits paid	(6,890,309)	(10,174,478)
Fair value of plan assets, end of year	$113,726,801	$109,524,680
Funded status:		
Fair value of plan assets	$113,726,801	$109,524,680
Projected benefit obligation	148,997,969	138,539,824
Funded status, amount recognized end of year (noncurrent liability)	$(35,271,168)	$(29,015,144)
Amounts recognized in net assets without donor restrictions:		
Net actuarial loss	$52,813,298	$42,799,109

The components of periodic benefit cost for the plan is as follows for the years ended June 30:

	2019	2018
Components of net periodic benefit cost:		
Interest cost	$ 5,513,697	$ 5,455,723
Expected return on plan assets	(7,798,016)	(8,039,584)
Amortization of net loss	2,754,056	3,226,430
Net periodic benefit cost	$ 469,737	$ 642,569

11. Retirement Plans (Continued)

The net actuarial loss that will be amortized from net assets without donor restrictions into net periodic benefit cost in 2020 is $3,757,500.

The other changes in plan assets and benefit obligations recognized on the consolidated statements of changes in net assets are as follows at June 30:

	2019	2018
Change in net gain	$12,768,245	$4,596,716
Amortization of net loss	(2,754,056)	3,226,430
Total recognized	$10,014,189	$7,823,146

The assumptions used to determine the benefit obligation and periodic benefit cost are as follows at June 30:

	2019	2018
Benefit obligation:		
Weighted average discount rate	3.35%	4.10%
Periodic benefit cost:		
Weighted average discount rate	4.10%	3.70%
Weighted average expected long-term rate of return on plan assets	7.25%	7.25%

Investment Policy and Asset Allocations

The expected long-term rate of return assumption represents the expected average rate of earnings on the funds invested or to be invested to provide for the benefits included in the benefit obligations. The long-term rate of return assumption is determined based on a number of factors, including historical market index returns, the anticipated long-term asset allocation of the plans, historical plan return data, plan expenses, and the potential to outperform market index returns.

The investment objectives for the assets of the plan are to minimize expected funding contributions and to meet or exceed the rate of return assumed for plan funding purposes over the long term. The nature and duration of benefit obligations, along with assumptions concerning asset class returns and return correlations, are considered when determining an appropriate asset allocation to achieve the investment objectives. Active and indexed investment managers are incorporated in the investment portfolio as deemed prudent.

Investment policies and strategies governing the assets of the plans are designed to achieve investment objectives within prudent risk parameters. Risk management practices include the use of external investment managers and the maintenance of a portfolio diversified by asset class, investment approach and security holdings, and the maintenance of sufficient liquidity to meet benefit obligations as they come due.

11. Retirement Plans (Continued)

The weighted average asset allocations for the plan and the target allocation by asset category are as follows at June 30:

	2019 Target Allocation	2019 Actual	2018 Target Allocation	2018 Actual
Asset category:				
Large cap equity securities	23.0%	22.9%	18.0%	19.2%
Small cap equity securities	4.0	4.0	5.0	4.9
International equity securities	23.0	22.9	24.0	14.8
Fixed income securities	32.0	26.5	30.0	25.5
Global asset allocation fund	18.0	17.6	15.0	15.0
Hedge fund of funds	0.0	0.0	8.0	8.6
Other	0.0	6.1	0.0	12.0
	100.0%	100.0%	100.0%	100.0%

The plan's investments measured at fair value using the fair value hierarchy defined in Note 6 are as follows as of June 30:

	Level 1	Level 2	Level 3	Total
2019				
Small cap equity securities	$ 4,581,288	$ –	$ –	$ 4,581,288
International equity securities	14,005,861	–	–	14,005,861
Fixed income securities	18,598,352	–	–	18,598,352
Global asset allocation fund	6,577,397	–	–	6,577,397
Cash and cash equivalents	6,999,376	–	–	6,999,376
Guaranteed investment contract	–	–	1,827,505	1,827,505
	$50,762,274	$ –	$1,827,505	52,589,779
Private equity funds				61,137,022
Total pension investment				$113,726,801
2018				
Small cap equity securities	$ 5,417,450	$ –	$ –	$ 5,417,450
International equity securities	14,585,255	–	–	14,585,255
Fixed income securities	16,896,405	–	–	16,896,405
Global asset allocation fund	16,373,049	–	–	16,373,049
Cash and cash equivalents	4,088,869	–	–	4,088,869
Guaranteed investment contract	–	–	1,924,162	1,924,162
	$57,361,028	$ –	$1,924,162	59,285,190
Private equity funds				50,239,490
Total pension investment				$109,524,680

11. Retirement Plans (Continued)

The following summarizes changes in the fair value of the defined benefit plan's Level 3 assets:

	Guaranteed Investment Contract
Fair value, July 1, 2018	$1,924,162
Purchases	108,266
Sales	(204,923)
Fair value, June 30, 2019	$1,827,505
Fair value, July 1, 2017	$2,034,743
Purchases	106,861
Sales	(217,442)
Fair value, June 30, 2018	$1,924,162

Contributions

Contributions of approximately $3,219,000 are expected to be made to the plan in 2020.

Estimated Future Benefit Payments

Benefit payments are expected to be paid as follows:

2020	$ 8,813,000
2021	8,368,000
2022	8,537,000
2023	8,573,000
2024	8,714,000
2025 – 2028	44,711,000

Defined Contribution Plan

The Company sponsors a 403(b) defined contribution plan which covers substantially all employees of the Company. Under this plan, the Company makes a matching contribution of 50% of any employee's voluntary pretax contributions up to 4% of eligible compensation.

The Company also sponsors a 401(a) defined contribution plan. The 401(a) plan is available to all employees who work 1,000 or more hours per year. Under this plan, the Company makes a core contribution equal to 2.0% of eligible compensation earned during the plan year.

MGH incurred approximately $7,109,000 and $7,061,000 of expenses in 2019 and 2018, respectively, for the 403(b) and 401(a) defined contribution plans.

11. Retirement Plans (Continued)

Deferred Compensation Plan

MGH maintains a 457(b) deferred compensation plan which covers certain key employees of MGH. Under this plan, key employees may elect to supplement their retirement savings through the deferral of a portion of their compensation. This plan is maintained primarily for the purpose of providing deferred compensation for key employees under Section 201 of the Employee Retirement Income Security Act. MGH did not make any contributions during June 30, 2019 and 2018.

The asset and liability are classified under unrestricted investments and other long-term liabilities, respectively, in the MGH financial statements both of which total $11,874,376 and $10,357,254 at June 30, 2019 and 2018, respectively. The assets of $11,874,376 and $10,357,254 are considered to be Level 1 assets (as defined in Note 6).

12. Malpractice Insurance

The Company insures its medical malpractice risks on a claims-made basis. In accordance with ASU No. 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries*, at June 30, 2019 and 2018, the Company recorded a liability of $8,714,081 and $8,424,943, respectively, related to estimated professional liability losses relating to reported cases as well as potential incurred but not reported claims. There was no receivable for estimated recoveries at June 30, 2019 or 2018. At June 30, 2019, there were no known malpractice claims outstanding which, in the opinion of management, will be settled for amounts in excess of insurance coverage.

On July 1, 2012, the Company formed Kennebec Risk, LLC, a wholly-owned captive insurance entity to set aside dedicated funding for professional and general liability losses for the Company's subsidiaries and employed physicians limited to $2,000,000 for each incident and an annual aggregate of $6,000,000. Claims exceeding the captive's limits are covered under a separate policy with a commercial insurance company carried by the Medical Center.

13. Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are patient accounts receivable, cash equivalents and investments. The Company invests its cash, cash equivalents and marketable securities in debt instruments and interest bearing accounts at major financial institutions in excess of insured limits. The Company mitigates credit risk by limiting the investment type and maturity to securities that preserve capital, maintain liquidity and have a high credit quality.

13. Concentration of Credit Risk (Continued)

The Company grants credit without collateral to its patients, many of whom are local residents and are insured under third-party payor agreements. The Company's accounts receivable from patients and third-party payors, exclusive of estimated settlements, were as follows at June 30:

	2019	2018
Medicare and Medicaid	52%	49%
Managed care	2	1
Commercial insurance	20	21
Anthem	9	7
Patients	17	22
	100%	100%

14. Commitments and Contingencies

Various legal claims, generally incidental to the conduct of normal business, are pending or have been threatened against the Company. The Company intends to defend vigorously against these claims. While ultimate liability, if any, arising from any such claim is presently indeterminable, it is management's opinion that the ultimate resolution of these claims will not have a material adverse effect on the financial condition of the Company.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Compliance with such laws and regulations is subject to government review and interpretations as well as regulatory actions unknown or unasserted at this time.

Operating Leases

The Company is committed under long-term operating leases for the rental of certain property. The leases expire at various dates through 2030. Property rental expenses for the years ended June 30, 2019 and 2018 were approximately $5,500,000 and $5,334,000, respectively. At June 30, 2019, the minimum commitments for property leases for the next five years are as follows:

2020	$6,398,000
2021	6,563,000
2022	5,857,000
2023	5,868,000
2024	5,927,000

15. Fair Value of Financial Instruments

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

Cash and Cash Equivalents, Accounts Receivable, Accounts Payable and Accrued Expenses

The recorded amounts reported in the consolidated balance sheets for these accounts approximate their fair values based on their short-term nature.

Investments and Assets Whose Use is Limited or Restricted

These assets consist primarily of interest receivable, investments in money market funds, government securities, mutual funds, limited partnerships, corporate equity and debt securities, hedge funds and beneficial interest in perpetual trusts. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial position and operations. Determination of fair value is discussed in Notes 2 and 6.

16. Functional Expenses

The Company provides acute and long-term health care services. Expenses related to providing these services are as follows for the year ended June 30, 2019:

	Health Services	General and Administrative	Total
Salaries and wages	$212,438,837	$33,542,065	$245,980,902
Employee benefits	51,748,028	8,170,520	59,918,548
Supplies and other	176,180,431	27,817,210	203,997,641
Interest	17,389,348	2,745,612	20,134,960
Depreciation	19,470,876	3,074,265	22,545,141
	$477,227,520	$75,349,672	$552,577,192

The consolidated financial statements report certain expense categories that are attributable to more than one healthcare service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, such as, depreciation and interest, are allocated to a function based on square footage. Supporting activities that are not directly identifiable with one or more healthcare programs are classified as general and administrative. If it is impossible or impractical to make a direct identification, allocation of the expenses were made according to management's estimates. Employee benefits were allocated in accordance with the ratio of salaries and wages of the functional classes. Specifically identifiable costs are assigned to the function which they are identified to.

16. Functional Expenses (Continued)

The Company provides health and related services to residents in a primary service area consisting of forty-eight contiguous communities in central Maine. Expenses related to providing these services are as follows for the years ended June 30:

	2019	2018
Health care services	$477,227,520	$451,190,404
General and administrative	75,349,672	69,374,260
	$552,577,192	$520,564,664

Baker Newman & Noyes LLC
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**INDEPENDENT AUDITORS' REPORT
ON OTHER FINANCIAL INFORMATION**

Board of Trustees
MaineGeneral Health and Subsidiaries

We have audited the consolidated financial statements of MaineGeneral Health and Subsidiaries (the Company) as of and for the years ended June 30, 2019 and 2018, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Newman & Noyes LLC

Portland, Maine
September 27, 2019

MAINEGENERAL HEALTH AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET

June 30, 2019

ASSETS

	MGH	MGMC	MGCC	MGRLTC	MGRC	Total	Eliminations	Consolidated
Current assets:								
Cash and cash equivalents	$ 3,884,700	$ 23,352,727	$ 1,251,814	$ 1,367,105	$ 1,244,976	$ 31,101,322	$ –	$ 31,101,322
Investments	143,362	3,608,396	68,217	112,133	1,252,424	5,184,532	–	5,184,532
Patient accounts receivable	–	75,004,088	2,734,660	2,271,820	–	80,010,568	–	80,010,568
Amounts due from affiliates	10,223,117	1,773,915	95,882	9,111	375	12,102,400	(12,102,400)	–
Supplies	–	6,465,824	–	–	–	6,465,824	–	6,465,824
Pledges receivable, net	12,747	181,154	29,121	17,590	–	240,612	–	240,612
Prepaid expenses and other current assets	1,218,188	15,224,278	16,021	46,273	37,926	16,542,686	–	16,542,686
Estimated third-party payor settlements	–	9,981,316	(168,844)	(413,287)	–	9,399,185	–	9,399,185
Current portion of assets held in trust under debt and other agreements	–	15,372,849	–	–	661,645	16,034,494	–	16,034,494
Total current assets	15,482,114	150,964,547	4,026,871	3,410,745	3,197,346	177,081,623	(12,102,400)	164,979,223
Investments:								
Board designated	12,049,672	60,873,988	3,161,770	921,439	709,954	77,716,823	–	77,716,823
Assets whose use is limited or restricted:								
Board-designated:								
Funded depreciation	–	–	–	1,253,758	–	1,253,758	–	1,253,758
Other	5,603,533	11,016,943	–	21,023	–	16,641,499	–	16,641,499
Assets held in trust under debt and other agreements	–	11,016,303	–	–	–	11,016,303	–	11,016,303
Beneficial interest in perpetual trusts	–	12,035,886	–	–	–	12,035,886	–	12,035,886
With donor restrictions	991,478	11,605,352	165,811	1,661,491	127	14,424,259		14,424,259
	18,644,683	106,548,472	3,327,581	3,857,711	710,081	133,088,528	–	133,088,528
Beneficial interest in workers' compensation trust	102,771	1,612,864	221,505	282,396	19,524	2,239,060	–	2,239,060
Total investments and assets whose use is limited or restricted	18,747,454	108,161,336	3,549,086	4,140,107	729,605	135,327,588	–	135,327,588
Pledges receivable, net of current portion	–	201,874	–	–	–	201,874	–	201,874
Property and equipment, net	99,502	367,748,034	279,974	5,318,988	13,545,873	386,992,371	–	386,992,371
Other assets, net	–	2,386,655	–	–	–	2,386,655	–	2,386,655
Total assets	$ 34,329,070	$ 629,462,446	$ 7,855,931	$ 12,869,840	$ 17,472,824	$ 701,990,111	$(12,102,400)	$ 689,887,711

LIABILITIES AND NET ASSETS

	MGH	MGMC	MGCC	MGRLTC	MGRC	Total	Eliminations	Consolidated
Current liabilities:								
Accounts payable and accrued expenses	$ 996,692	$ 15,156,759	$ 635,303	$ 1,601,210	$ 642,241	$ 19,032,205	$ –	$ 19,032,205
Accrued employee compensation and compensated absences	7,899,169	20,780,649	1,176,496	1,008,896	127,828	30,993,038	–	30,993,038
Amounts due to affiliates	147,287	4,593,317	358,099	6,957,222	46,475	12,102,400	(12,102,400)	–
Other current liabilities	2,994,535	20,245,244	1,337,275	263,736	136,060	24,976,850	–	24,976,850
Current portion of long-term debt	–	6,885,171	–	–	550,000	7,435,171	–	7,435,171
Total current liabilities	12,037,683	67,661,140	3,507,173	9,831,064	1,502,604	94,539,664	(12,102,400)	82,437,264
Long-term debt, less current portion	–	285,494,232	–	–	3,372,090	288,866,322	–	288,866,322
Accrued pension cost	2,659,444	32,611,724	–	–	–	35,271,168	–	35,271,168
Deferred refundable and nonrefundable advance fees	–	–	–	–	19,381,948	19,381,948	–	19,381,948
Other long-term liabilities	11,904,068	6,019,208	–	–	266,575	18,189,851	–	18,189,851
Total liabilities	26,601,195	391,786,304	3,507,173	9,831,064	24,523,217	456,248,953	(12,102,400)	444,146,553
Net assets (deficit):								
Without donor restriction	6,723,649	213,651,876	4,153,827	1,359,695	(7,050,520)	218,838,527	–	218,838,527
With donor restriction	1,004,226	24,024,266	194,931	1,679,081	127	26,902,631	–	26,902,631
Total net assets (deficit)	7,727,875	237,676,142	4,348,758	3,038,776	(7,050,393)	245,741,158	–	245,741,158
Total liabilities and net assets	$ 34,329,070	$ 629,462,446	$ 7,855,931	$ 12,869,840	$ 17,472,824	$ 701,990,111	$(12,102,400)	$ 689,887,711

MAINEGENERAL HEALTH AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS

Year Ended June 30, 2019

	MGH	MGMC	MGCC	MGRLTC	MGRC	Total	Eliminations	Consolidated
Operating revenue:								
Patient service revenue	$ –	$ 470,457,633	$ 19,633,223	$ 21,514,903	$ –	$ 511,605,759	$ –	$ 511,605,759
Other revenue	10,698,713	40,848,838	1,467,440	1,022,491	4,803,138	58,840,620	(14,840,097)	44,000,523
Net assets released from restrictions used for operations	144,828	911,347	6,027	105,558	869	1,168,629	–	1,168,629
Total operating revenue	10,843,541	512,217,818	21,106,690	22,642,952	4,804,007	571,615,008	(14,840,097)	556,774,911
Operating expenses:								
Salaries and wages	6,967,394	211,623,929	12,907,382	13,064,470	1,417,727	245,980,902	–	245,980,902
Employee benefits	1,547,155	50,782,859	3,657,224	4,212,436	418,874	60,618,548	(700,000)	59,918,548
Supplies and other	2,307,900	202,861,094	3,937,599	6,938,509	2,092,636	218,137,738	(14,140,097)	203,997,641
Depreciation and amortization	21,092	20,629,555	53,667	590,393	1,250,434	22,545,141	–	22,545,141
Interest	–	20,009,372	(107)	–	125,695	20,134,960	–	20,134,960
Total operating expenses	10,843,541	505,906,809	20,555,765	24,805,808	5,305,366	567,417,289	(14,840,097)	552,577,192
Income (loss) from operations	–	6,311,009	550,925	(2,162,856)	(501,359)	4,197,719	–	4,197,719
Nonoperating gains (losses):								
Investment income	108,852	1,364,933	45,145	42,894	16,904	1,578,728	–	1,578,728
Realized gains (losses) on investments, net	(44,932)	195,008	8,495	8,662	91,240	258,473	–	258,473
Unrealized gains - equity	261,364	2,633,747	100,441	66,737	–	3,062,289	–	3,062,289
Other	(34,090)	(527,648)	2,200	(17,829)	(105)	(577,472)	–	(577,472)
Contributions	–	542,996	–	–	–	542,996	–	542,996
Total nonoperating gains (losses), net	291,194	4,209,036	156,281	100,464	108,039	4,865,014	–	4,865,014
Excess (deficiency) of revenue over expenses	291,194	10,520,045	707,206	(2,062,392)	(393,320)	9,062,733	–	9,062,733
Change in net unrealized gains on investments	5,269	76,979	5,712	5,650	1,202	94,812	–	94,812
Pension-related changes other than net periodic pension cost	(726,761)	(9,287,428)	–	–	–	(10,014,189)	–	(10,014,189)
Net assets released from restrictions used for capital acquisitions	–	294,812	53,303	402,921	–	751,036	–	751,036
Transfers (to) from affiliates	–	(1,300,000)	–	1,300,000	–	–	–	–
Increase (decrease) in net assets without donor restrictions	$ (430,298)	$ 304,408	$ 766,221	$ (353,821)	$ (392,118)	$ (105,608)	$ –	$ (105,608)

MAINEGENERAL HEALTH AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET

June 30, 2018

ASSETS

	MGH	MGMC	MGCC	MGRLTC	MGRC	Total	Eliminations	Consolidated
Current assets:								
Cash and cash equivalents	$ 5,580,077	$ 20,147,595	$ 967,454	$ 722,630	$ 701,503	$ 28,119,259	$ –	$ 28,119,259
Investments	4,885	1,998,894	6,671	56,251	1,147,549	3,214,250	–	3,214,250
Patient accounts receivable, net	–	75,012,710	2,912,170	2,023,528	–	79,948,408	–	79,948,408
Amounts due from affiliates	7,738,883	728,151	77,553	17,991	3,117	8,565,695	(8,565,695)	–
Supplies	–	5,955,760	–	–	–	5,955,760	–	5,955,760
Pledges receivable, net	5,808	202,973	4,253	32,073	164	245,271	–	245,271
Prepaid expenses and other current assets	1,643,582	13,442,564	17,393	25,978	12,077	15,141,594	–	15,141,594
Estimated third-party payor settlements	–	11,081,861	(109,844)	(17,954)	–	10,954,063	–	10,954,063
Current portion of assets held in trust under debt and other agreements	–	12,712,115	–	–	652,082	13,364,197	–	13,364,197
Total current assets	14,973,235	141,282,623	3,875,650	2,860,497	2,516,492	165,508,497	(8,565,695)	156,942,802
Investments:								
Board designated	10,509,001	56,685,530	2,211,767	(8,921)	866,273	70,263,650	–	70,263,650
Assets whose use is limited or restricted:								
Board-designated:								
Funded depreciation	–	–	–	2,196,103	–	2,196,103	–	2,196,103
Other	5,526,292	10,237,744	–	20,337	–	15,784,373	–	15,784,373
Assets held in trust under debt and other agreements	–	11,016,303	–	–	–	11,016,303	–	11,016,303
Beneficial interest in perpetual trusts	–	12,011,221	–	–	–	12,011,221	–	12,011,221
With donor restrictions	931,389	11,410,992	169,250	1,760,901	894	14,273,426	–	14,273,426
	16,966,682	101,361,790	2,381,017	3,968,420	867,167	125,545,076	–	125,545,076
Beneficial interest in workers' compensation trust	115,255	1,664,755	229,631	276,954	19,854	2,306,449	–	2,306,449
Total investments and assets whose use is limited or restricted	17,081,937	103,026,545	2,610,648	4,245,374	887,021	127,851,525	–	127,851,525
Pledges receivable, net of current portion	–	335,438	–	–	–	335,438	–	335,438
Property and equipment, net	102,843	370,696,337	267,454	4,150,395	14,270,082	389,487,111	–	389,487,111
Other assets, net	–	2,132,518	–	–	–	2,132,518	–	2,132,518
Total assets	$ 32,158,015	$ 617,473,461	$ 6,753,752	$ 11,256,266	$ 17,673,595	$ 685,315,089	$ (8,565,695)	$ 676,749,394

LIABILITIES AND NET ASSETS

	MGH	MGMC	MGCC	MGRLTC	MGRC	Total	Eliminations	Consolidated
Current liabilities:								
Accounts payable and accrued expenses	$ 1,051,820	$ 11,721,025	$ 617,537	$ 1,015,776	$ 175,430	$ 14,581,588	$ –	$ 14,581,588
Accrued employee compensation and compensated absences	7,474,782	19,035,209	1,163,137	887,446	86,465	28,647,039	–	28,647,039
Amounts due to affiliates	287,258	2,362,650	286,721	5,587,661	41,405	8,565,695	(8,565,695)	–
Other current liabilities	2,548,812	19,704,826	1,121,483	258,892	137,049	23,771,062	–	23,771,062
Current portion of long-term debt	–	4,167,706	3,765	–	530,000	4,701,471	–	4,701,471
Total current liabilities	11,362,672	56,991,416	3,192,643	7,749,775	970,349	80,266,855	(8,565,695)	71,701,160
Long-term debt, less current portion	–	292,493,166	–	–	4,013,557	296,506,723	–	296,506,723
Accrued pension cost	2,205,425	26,809,719	–	–	–	29,015,144	–	29,015,144
Deferred refundable and nonrefundable advance fees	–	–	–	–	19,125,161	19,125,161	–	19,125,161
Other long-term liabilities	10,498,775	3,871,068	–	–	221,872	14,591,715	–	14,591,715
Total liabilities	24,066,872	380,165,369	3,192,643	7,749,775	24,330,939	439,505,598	(8,565,695)	430,939,903
Net assets (deficit):								
Without donor restrictions	7,153,947	213,347,468	3,387,606	1,713,516	(6,658,402)	218,944,135	–	218,944,135
With donor restrictions	937,196	23,960,624	173,503	1,792,975	1,058	26,865,356	–	26,865,356
Total net assets (deficit)	8,091,143	237,308,092	3,561,109	3,506,491	(6,657,344)	245,809,491	–	245,809,491
Total liabilities and net assets	$ 32,158,015	$ 617,473,461	$ 6,753,752	$ 11,256,266	$ 17,673,595	$ 685,315,089	$ (8,565,695)	$ 676,749,394

MAINEGENERAL HEALTH AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF OPERATIONS

Year Ended June 30, 2018

	MGH	MGMC	MGCC	MGRLTC	MGRC	Total	Eliminations	Consolidated
Operating revenue:								
Patient service revenue	$ –	$ 441,711,160	$ 20,409,458	$ 20,500,536	$ –	$ 482,621,154	$ –	$ 482,621,154
Other revenue	10,391,988	33,635,153	1,931,955	909,124	4,656,153	51,524,373	(14,237,964)	37,286,409
Net assets released from restrictions used for operations	67,960	1,280,668	6,244	87,792	–	1,442,664	–	1,442,664
Total operating revenue	10,459,948	476,626,981	22,347,657	21,497,452	4,656,153	535,588,191	(14,237,964)	521,350,227
Operating expenses:								
Salaries and wages	6,760,882	203,462,643	13,492,923	12,613,564	1,345,181	237,675,193	–	237,675,193
Employee benefits	1,377,639	45,074,705	3,506,140	3,694,556	393,190	54,046,230	(700,000)	53,346,230
Supplies and other	2,295,991	183,723,720	4,327,892	7,157,931	1,802,782	199,308,316	(13,537,964)	185,770,352
Depreciation and amortization	25,436	21,828,942	33,695	624,803	1,215,220	23,728,096	–	23,728,096
Interest	–	19,916,003	(70)	(944)	129,804	20,044,793	–	20,044,793
Total operating expenses	10,459,948	474,006,013	21,360,580	24,089,910	4,886,177	534,802,628	(14,237,964)	520,564,664
Income (loss) from operations	–	2,620,968	987,077	(2,592,458)	(230,024)	785,563	–	785,563
Nonoperating gains (losses):								
Investment income	87,059	1,076,464	34,948	34,784	10,456	1,243,711	–	1,243,711
Realized gains (losses) on investments, net	47,556	514,003	17,913	(159,031)	25,940	446,381	–	446,381
Other	–	(552,475)	–	(35,918)	–	(588,393)	–	(588,393)
Contributions	240	626,569	–	–	–	626,809	–	626,809
Total nonoperating gains (losses), net	134,855	1,664,561	52,861	(160,165)	36,396	1,728,508	–	1,728,508
Excess (deficiency) of revenue over expenses	134,855	4,285,529	1,039,938	(2,752,623)	(193,628)	2,514,071	–	2,514,071
Change in net unrealized gains (losses) on investments	205,788	1,761,365	42,320	256,415	(35,487)	2,230,401	–	2,230,401
Pension-related changes other than net periodic pension cost	567,750	7,255,396	–	–	–	7,823,146	–	7,823,146
Net assets released from restrictions used for capital acquisitions	–	253,231	–	63,415	–	316,646	–	316,646
Increase (decrease) in net assets without donor restrictions	$ 908,393	$ 13,555,521	$ 1,082,258	$ (2,432,793)	$ (229,115)	$ 12,884,264	$ –	$ 12,884,264