Geisinger
Consolidated Financial Statements
June 30, 2020 and 2019

Geisinger
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KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditor's Report

The Board of Directors
Geisinger Health:

We have audited the accompanying consolidated financial statements of Geisinger Health and its subsidiaries (collectively referred to as "Geisinger"), which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of operations, consolidated statements of 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 U.S. generally accepted accounting principles; 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Geisinger as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of matter

As discussed in note 2 to the consolidated financial statements, Geisinger has changed its method of accounting for leasing transactions as of July 1, 2019 due to the adoption of Financial Accounting Standards Board's Accounting Standards Update No. 2016-12, *Leases* (Topic 842), as amended. Our opinion is not modified with respect to this matter.

KPMG LLP

Philadelphia, Pennsylvania
September 1, 2020

Geisinger
Consolidated Balance Sheets
June 30, 2020 and 2019

(dollars in thousands)	2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 1,125,636	$ 202,345
Investments	833,841	888,203
Accounts receivable	836,386	708,770
Inventories and other	251,868	201,159
Total current assets	3,047,731	2,000,477
Investments	3,284,802	3,320,716
Property and equipment, net	2,068,495	2,009,952
Right of use assets	102,050	—
Other assets, net	611,408	559,691
Total assets	$ 9,114,486	$ 7,890,836
Liabilities and Net Assets		
Current liabilities		
Current installments of long-term debt	$ 31,233	$ 34,211
Lines of credit	450,000	—
Accounts payable	99,658	107,041
Medical claims payable	170,385	177,453
CMS advances	401,085	—
Accrued expenses and other	798,453	782,846
Total current liabilities	1,950,814	1,101,551
Long-term debt, net of current installments	1,982,942	1,722,360
Operating lease liabilities	77,271	—
Other liabilities and contingencies	888,403	661,553
Total liabilities	4,899,430	3,485,464
Net assets		
Without donor restrictions	4,040,148	4,228,750
With donor restrictions	159,796	169,421
Noncontrolling interest	15,112	7,201
Total net assets	4,215,056	4,405,372
Total liabilities and net assets	$ 9,114,486	$ 7,890,836

See accompanying notes to the consolidated financial statements.

Geisinger
Consolidated Statements of Operations
Years Ended June 30, 2020 and 2019

(dollars in thousands)	2020	2019
Revenues		
Net patient service revenue	$ 3,668,492	$ 3,761,257
Premium revenue	3,079,452	3,120,760
Other revenue	373,717	263,591
	7,121,661	7,145,608
Expenses		
Salaries and benefits	3,163,137	3,013,701
Medical claims	1,620,669	1,726,197
Supplies	1,092,462	1,047,088
Purchased services	589,007	541,316
Depreciation and amortization	264,091	249,935
Other	424,868	437,037
	7,154,234	7,015,274
Operating (loss) income before asset impairment loss	(32,573)	130,334
Asset impairment loss	5,721	11,517
Operating (loss) income	(38,294)	118,817
Investing and financing activities		
Investment earnings, net	25,544	209,574
Interest expense	(58,376)	(61,389)
Unrealized loss on derivatives	(4,708)	(5,128)
Contribution from acquisition	—	51
Gain on extinguishment of debt	2,154	—
(Loss) gain from investing and financing activities	(35,386)	143,108
Non-operating gains, net	13,099	17,154
(Deficiency) excess of revenues over expenses	$ (60,581)	$ 279,079

See accompanying notes to the consolidated financial statements.

Geisinger
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2020 and 2019

(dollars in thousands)	2020	2019
(Deficiency) excess of revenues over expenses	$ (60,581)	$ 279,079
Other changes in net assets without donor restrictions		
Unrealized loss on derivatives	(10,086)	(6,099)
Pension liability adjustments	(124,234)	(85,750)
Net assets released from restriction for capital purchases	6,013	5,416
Net contribution from (distribution to) noncontrolling interest	7,974	(20,576)
Other	223	653
(Decrease) increase in net assets without donor restrictions	(180,691)	172,723
Changes in net assets with donor restrictions		
Donor contributions	8,231	11,359
Investment earnings, net	(591)	4,863
Net assets released from restriction to fund operations	(11,252)	(9,394)
Net assets released from restriction for capital purchases	(6,013)	(5,416)
(Decrease) increase in net assets with donor restrictions	(9,625)	1,412
(Decrease) increase in net assets	(190,316)	174,135
Net assets		
Beginning of year	4,405,372	4,231,237
End of year	$ 4,215,056	$ 4,405,372

See accompanying notes to the consolidated financial statements.

Geisinger
Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

(dollars in thousands)	2020	2019
Cash flows from operating activities		
(Decrease) increase in net assets	$ (190,316)	$ 174,135
(Decrease) increase in net assets attributable to noncontrolling interest	(7,911)	1,898
(Decrease) increase in net assets attributable to Geisinger	(198,227)	176,033
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	261,031	246,783
Unrealized loss on derivatives	14,794	11,226
Investment earnings, net	(25,018)	(214,496)
Restricted contributions	(8,231)	(11,359)
Noncontrolling interest	(63)	18,678
Pension liability adjustments	124,234	85,750
Asset impairment loss	5,721	11,517
Gain on extinguishment of debt	(2,154)	—
Gain on sale of business segments	—	(24,520)
Net change in operating assets and liabilities:		
Accounts receivable	(127,616)	(28,143)
Inventories and other	(50,709)	(24,452)
Accounts payable	(7,383)	(78,607)
Medical claims payable	(7,068)	(212)
CMS advances	401,085	—
Accrued expenses and other	307	(5,181)
Other assets and liabilities	68,858	(48,792)
Net cash provided by operating activities	449,561	114,225
Cash flows from investing activities		
Purchases of property and equipment	(335,254)	(269,717)
Purchases of investments	(1,663,009)	(1,268,105)
Sales of investments	1,778,303	1,310,919
Cash proceeds from sale of business segments	—	24,558
Investment in joint ventures	(34,261)	(40,716)
Net cash used in investing activities	(254,221)	(243,061)
Cash flows from financing activities		
Proceeds from issuance of debt	878,903	—
Repayment of debt	(612,844)	(59,192)
Proceeds from line of credit	450,000	—
Deferred bond issue costs	(4,313)	—
Net proceeds from (distributions to) noncontrolling interest	7,974	(20,576)
Proceeds from restricted contributions	8,231	11,359
Net cash provided by (used in) financing activities	727,951	(68,409)
Increase (decrease) in cash and cash equivalents	923,291	(197,245)
Cash and cash equivalents		
Beginning of year	202,345	399,590
End of year	$ 1,125,636	$ 202,345

See accompanying notes to the consolidated financial statements.

1. Organization

Geisinger Health and its subsidiaries (collectively referred to as "Geisinger") is a physician-led, integrated health services organization that has as its main components: (i) an array of health services providers, including nine acute-care hospitals with multiple campuses and a drug and alcohol treatment facility; (ii) multispecialty physician group practices; (iii) insurance operations, including a licensed health maintenance organization and a non-licensed, risk assuming Preferred Provider Organization; and (iv) a community-based medical college and degree-granting institution. Geisinger operates in 45 of Pennsylvania's 67 counties, with a significant presence in central, south-central and northeastern Pennsylvania and in seven counties in southern New Jersey.

Geisinger Health serves as the corporate parent and exercises control over all of Geisinger's affiliated entities subject to corporate, legal, and/or regulatory limitations. Geisinger Health and all subsidiary corporate entities comprising Geisinger are tax-exempt pursuant to Sections 501(c)(2), 501(c)(3) or 501(c)(4) of the Internal Revenue Code, except for Geisinger Health's for-profit subsidiaries.

The accompanying consolidated financial statements include the accounts of Geisinger Health and its subsidiaries. All significant intercompany transactions have been eliminated.

2. Recently Adopted Accounting Standards

Effective July 1, 2019, Geisinger adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("ASC 842") which establishes a right of use ("ROU") model and requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases are classified as either operating or finance with classification affecting the pattern and classification of expense recognition in the consolidated statements of operations. ASC 842 was adopted using the effective date method. Under the effective date method, the entity's comparative period reporting is unchanged, while periods subsequent to the effective date are presented in accordance with ASC 842. Accordingly, for periods before July 1, 2019, financial information has not been updated and the disclosures required under the new standard have not been provided. The new standard provides a number of optional practical expedients in transition. Geisinger elected the package of practical expedients, which permits Geisinger not to reassess prior conclusions about lease identification, lease classification and initial direct costs. The impact of the adoption on the consolidated financial statements as of July 1, 2019 was the addition of $108.6 million ROU assets and operating lease liabilities to the Consolidated Balance Sheet. Disclosures have been updated to reflect the adoption.

Effective July 1, 2019, Geisinger adopted FASB ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01") which makes targeted improvements to the accounting for, and presentation and disclosure of, financial instruments. ASU 2016-01 requires that most equity investments be measured at fair value, with subsequent changes in fair value recognized in the performance indicator. Geisinger elected to record equity investments without readily determinable fair values at cost, less impairment, plus or minus subsequent adjustments for observable price changes. The adoption of the standard did not have a material effect on Geisinger's consolidated financial statements.

Effective July 1, 2019, Geisinger adopted, using the retrospective transition approach, FASB ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* and ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* which together, provide guidance on the classification of certain cash receipts and payments and inclusion of restricted cash in the statement of cash flows. Adoption did not result in changes to the Consolidated Statements of Cash Flows. Disclosures have been updated to reflect the adoption.

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3. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The following is a summary of the significant accounting and reporting policies used in preparing the consolidated financial statements.

Cash and Cash Equivalents
Cash and cash equivalents include investments in highly liquid debt instruments purchased with an initial maturity of three months or less. Cash equivalents held in investment custody accounts are reported as investments.

Investments and Investment Income
Investments are measured at fair value. Interest income, dividends, and realized and unrealized gains and losses, net of investment-related expenses, on investments without donor restrictions are recorded as investment earnings, net within investing and financing activities in the Consolidated Statements of Operations. Restricted interest income, dividends, and realized and unrealized gains and losses on trusts held as donor restricted endowment funds are recorded as investment earnings, net in changes in net assets with donor restrictions in the Consolidated Statements of Changes in Net Assets.

Geisinger's alternative investments, which include private equity and hedge funds, are reported at fair value, as estimated and reported by general partners, based upon the underlying net asset value ("NAV") of the fund or partnership as a practical expedient. Adjustment from NAV is required when Geisinger expects to sell the investment at a value other than NAV. Interest income, dividends and realized and unrealized gains and losses from these investments are recorded within investment earnings, net in the Consolidated Statements of Operations.

Market risk exists to the extent that the values of Geisinger's financial assets fluctuate as a result of changes in market prices. Changes in market prices can arise from factors specific to individual securities or their respective issuers or factors affecting all securities traded in a particular market. Relevant factors for Geisinger are both volatility and liquidity of specific securities and markets in which Geisinger holds investments. Geisinger employs the services of professional investment managers and has established investment guidelines to ensure that the portfolio is diversified and exposure to market risk is managed. Due to the level of risk associated with investments and the level of uncertainty related to changes in their value, it is at least reasonably possible that changes in market valuations in the near term could materially affect account balances and the amounts reported in the consolidated financial statements.

Amounts necessary to meet current liabilities have been reclassified to current investments in the Consolidated Balance Sheets.

Investments in Joint Ventures
Geisinger has invested in joint ventures primarily for the purpose of promoting health and fulfilling health and wellness needs in the communities it serves. Generally, when ownership exceeds 50 percent, Geisinger consolidates the joint venture's financial statements. When ownership is 50 percent or less and Geisinger exercises substantial influence over the investee's operating and financial policies, the equity method of accounting is applied. Under the equity method of accounting, the investment is recorded at cost and adjusted for changes in the investee's equity. Investments in joint ventures are reported in other assets in the Consolidated Balance Sheets.

Inventories
Inventories are stated at the lower of cost or market. Cost is determined using the average cost method.

Property and Equipment
Property and equipment and construction in progress are recorded at the lower of cost or fair value, if impaired. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the shorter of their useful life or the term of the related lease and renewal periods using the straight-line method. Repairs and maintenance are expensed as incurred. Leased assets and software licenses are amortized over the shorter of their useful life or the term of the lease or license agreement using the straight-line method. The cost of assets and the related accumulated depreciation are removed from the Consolidated Balance Sheets, upon retirement or disposition and any gain or loss is reported in other expenses in the Consolidated Statements of Operations.

Geisinger recognizes an impairment loss if the carrying amount of a long-lived asset is not recoverable from its future undiscounted cash flows and measures any impairment loss as the difference between the carrying amount and the fair value of the asset.

Leases
Effective July 1, 2019, Geisinger accounts for leases in accordance with ASC 842. In accordance with ASC 842, Geisinger determines if an arrangement is or contains a lease at contract inception and recognizes an asset and a lease liability at the lease commencement date.

Contract terms determine whether a lease will be accounted for as an operating or finance lease.

For operating leases, the lease liability is measured at the present value of the unpaid lease payments. The ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense is recognized on a straight-line basis over the lease term.

For finance leases, the lease liability is initially measured in the same manner as operating leases and is subsequently measured at amortized cost using the effective-interest method. The asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or lease term, unless the lease transfers ownership to Geisinger. Amortization of the asset and interest expense of the lease liability are recognized and presented separately.

Geisinger has elected not to recognize ROU assets and lease liabilities for short-term leases that have a term of 12 months or less and recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term.

Geisinger uses the initial lease term to determine the ROU asset and the lease liability at the commencement date and for the amortization period of the ROU asset. Geisinger monitors inputs that require reassessment including the lease term. If needed, an adjustment is made to the ROU asset’s carrying amount unless doing so would reduce the carrying amount of the ROU asset to less than zero. In that case, the adjustment amount would be recorded in profit or loss.

Several key estimates and judgments are used to determine the ROU assets and operating lease liabilities including the discount rate used to discount the unpaid lease payments to present value, lease term and lease payments. ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, Geisinger cannot determine the interest rate implicit in the lease because it does not have access to the lessor’s estimated residual value or the amount of the lessor’s deferred initial direct costs. Therefore, Geisinger uses its incremental borrowing rate for purposes of discounting its leases. The incremental borrowing rate is the rate of interest Geisinger would have to pay to borrow an amount equal to the lease payments under similar terms and conditions.

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Contribution and Grant Revenue, and Pledges Receivable
Unconditional donor promises to give cash, marketable securities, and other assets are reported at fair value and discounted to present value at the date the promise is received to the extent estimated to be collectible. Conditional donor promises to give and indications of intentions to give are not recognized until all donor-imposed conditions are met. Pledges received with donor restrictions that limit the use of the donated assets are reported as donor contributions with donor restrictions in the Consolidated Statements of Changes in Net Assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the Consolidated Statements of Changes in Net Assets as net assets released from restriction and within other revenue reported in the Consolidated Statements of Operations. Donor contributions restricted for the purchase of property and equipment are released from restriction when the asset is placed in service.

Geisinger has elected to report restricted contributions and grants whose restrictions are met in the same reporting period as revenue without donor restrictions in the Consolidated Statements of Operations.

Pledges receivable are reported in other assets in the Consolidated Balance Sheets.

Goodwill
Goodwill represents the excess of the purchase price over the estimated fair value of the net assets of acquired entities. Goodwill is included in other assets in the Consolidated Balance Sheets and was $61.7 million as of June 30, 2020 and 2019.

Geisinger does not amortize goodwill but evaluates the amounts for impairment annually and as events or changes in circumstances indicate that the value of the asset may be impaired. Impairment testing consists of internal qualitative assessments and considers other publicly available market information. If the carrying amount of the goodwill exceeds the estimated fair value, an impairment charge to current operations is recorded to reduce the carrying amount to estimated fair value. As of June 30, 2020 and 2019, there was no indication of impairment of goodwill.

Accrued Medical Claims
Geisinger Health Plan (“GHP”), Geisinger Indemnity Insurance Corporation (“GIIC”), and Geisinger Quality Options (“GQO”) are at risk for certain medical costs of their members up to reinsurance limits. Accrued medical claims and related expenses (hospitalization and other medical services) are recorded in medical claims payable in the Consolidated Balance Sheets. This liability includes amounts billed from third-party medical providers and not yet paid and estimates of costs incurred for obligations to provide services under contracts as of the balance sheet dates.

GHP, GIIC, and GQO record a liability based on management’s estimate for claims, which are expected to be paid after the end of the period for services provided to members during the policy period. The estimate of costs incurred for obligations to provide services is based on historical data, current membership, health service utilization statistics, and other related information. These accruals are continually monitored and reviewed and, as settlements are made or accruals adjusted, differences are reflected in current operations. Changes in assumptions for medical costs as well as changes in actual experience could cause these estimates to change in the near term.

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CMS Advances

During 2020, Geisinger received $401.1 million as part of the expansion of the Center for Medicare and Medicaid Services (“CMS”) Accelerated and Advanced Payment Program (the “Program”) under the CARES Act (Note 4). The Program provided cash flow to acute and critical access hospitals in the form of interest-free advances to ensure providers and suppliers had the resources needed to respond to the COVID-19 Pandemic. These funds will be recouped by CMS over time as claims submitted for services to Medicare beneficiaries are processed. Recoupment is expected to begin in August 2020.

Derivative Instruments

Interest rate swap agreements are used by Geisinger to manage interest rate exposures and to hedge the changes in cash flows on variable rate debt. Derivative financial instruments involve, to a varying degree, elements of market and credit risk. The market risk associated with these instruments resulting from interest rate movements is expected to offset the market risk of the liabilities being hedged. The counterparties to the agreements relating to the interest rate swaps and option are major financial institutions with high credit ratings. Geisinger continually monitors the credit ratings of the counterparties and does not believe that there is significant risk of nonperformance by these counterparties.

All derivatives are reported in the Consolidated Balance Sheets at fair value, including those that are designated and qualify as cash flow hedging instruments. The gain or loss on the effective portion of the derivative is reported as an unrealized gain or loss on derivatives in other changes in net assets without donor restrictions in the Consolidated Statements of Changes in Net Assets. The gain or loss on the ineffective portion of the derivative and changes in value of derivatives not designated as hedging instruments are recognized as an unrealized gain or loss on derivatives under investing and financing activities in the Consolidated Statements of Operations.

Net Asset Classification

Net assets without donor restrictions include net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions include net assets whose use is subject to donor-imposed restrictions to support operations or for capital purchases that will be met either by the actions of Geisinger or the passage of time and net assets that have been restricted by donors to be maintained by Geisinger, or a designated trustee, in perpetuity.

Net assets restricted to be maintained in perpetuity are recorded at the original fair value of gifts donated to Geisinger through endowments. Unless otherwise directed by the donor, gifts received for endowments are invested in accordance with Geisinger’s investment policy. From time to time, the fair value of investments associated with individual donor-restricted endowments may fall below the original gift amount. Deficiencies of this nature, which are referred to as endowments in a deficit position, are reported as investment earnings, net with donor restrictions in the Consolidated Statements of Changes in Net Assets.

Geisinger annually appropriates up to 4.25% of each endowment for spending in accordance with the donor’s intent. In order to preserve the real value of a donor’s gift and to sustain funding consistent with donor intent, the annual appropriation rate is set to strike a reasonable balance between long-term objectives of preserving and growing each endowment for the future and providing stable, annual appropriations. The difference between the endowment original value and the market value of the endowment is recorded as accumulated earnings within net assets with donor restrictions.

Geisinger does not maintain any board designated endowments.

Net Patient Service Revenue and Accounts Receivable
Net patient service revenue is reported at the amount that reflects the consideration to which Geisinger expects to be entitled in exchange for providing healthcare services. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Geisinger. Revenue for performance obligations satisfied at a point in time is recognized when services are provided and completed. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. Geisinger believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation. Geisinger measures the performance obligation from start of services to the point when it has completed services for that patient, which is generally at the time of discharge. This span of services is considered to be a single performance obligation.

Geisinger records net patient service revenue based on standard charges for services provided, reduced by explicit contractual adjustments provided to third-party payors and implicit price concessions provided to patients as reductions from established billing rates. Geisinger determines its estimates of explicit and implicit price concessions based on historical data which considers experience, market conditions, and other factors.

Explicit and implicit price concessions to net patient service revenue are recorded at the time the performance obligations are satisfied. Substantially all changes to these concessions, as a result of subsequent reassessment, are recognized in the period the change is identified as adjustments to net patient service revenue. Amounts recognized due to changes in estimates of explicit and implicit price concessions for the years ended June 30, 2020 and 2019 are not significant. Subsequent changes that are determined to be a result of an adverse change in the patient’s or payor’s ability to pay and are material are recorded as bad debt expense. No bad debt expense was recorded for the years ended June 30, 2020 and 2019 related to net patient service revenue.

Charity Care
Geisinger provides services to all patients regardless of ability to pay. In accordance with Geisinger’s policy, a patient is classified as a charity patient based on income eligibility criteria. Geisinger also provides free care to certain other patients that are determined to be in need. The charges for charity care provided by Geisinger are entirely offset by the related implicit price concessions and therefore, are not recognized as net patient service revenue.

Additionally, Geisinger sponsors other charitable programs that provide substantial benefit to the broader community. Such programs include services to the needy and elderly population requiring special support, various clinical outreach programs, and health education and promotion.

Premium Revenue and Accounts Receivable
Premium revenues are generally received in advance and are recognized as revenue ratably over the period for which the enrolled member is entitled to healthcare services. Premiums billed and collected in advance are recorded as unearned premiums and are included in accrued expenses and other in the Consolidated Balance Sheets. Unearned premiums totaled $24.5 and $19.4 million at June 30, 2020 and 2019, respectively.

Geisinger’s insurance operations are subject to the Affordable Care Act (“ACA”). The ACA creates state health insurance exchanges, which provide individuals and small businesses with access to affordable and quality health insurance. GHP and GQO participate in the Pennsylvania exchange. Risk adjustment is a permanent program under the ACA which aims to transfer funds from qualified individual and small group insurance plans with below average risk scores to plans with above average risk scores in the same market. Risk adjustment is complex and involves significant estimation and uncertainties with respect to both recorded amounts and timing of collections or payments. The Consolidated Balance Sheets include a receivable of $7.0 million and liability of $49.9 million at June 30, 2020 and 2019, respectively, related to this program.

Other Revenue
Geisinger's other revenue consists of contracts that vary in duration and in performance obligations. Revenues are recognized when the performance obligations identified within the individual contracts are satisfied and collections can be reasonably assured. Certain revenue streams such as contributions, federal and state grants and pledges are reported as other revenue in the Consolidated Statements of Operations.

Non-Operating Gains, Net
Non-operating gains, net, consists primarily of other non-service periodic pension costs.

(Deficiency) Excess of Revenues Over Expenses
The (deficiency) excess of revenues over expenses (the performance indicator), consistent with industry practice, includes all revenues, expenses, and net gains and losses for the reporting period classified as without donor restrictions. Net assets released from restriction to fund capital purchases, certain pension liability adjustments, unrealized gains (losses) on the effective portion of derivatives and net contributions from (distributions to) noncontrolling interest are reported outside the performance indicator.

Use of Estimates
The preparation of financial statements in conformity with U.S. 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 include implicit and explicit price concessions for revenue transactions, estimated third-party payor settlements, depreciation, accrued medical claims, medical legal liabilities, workers' compensation liabilities, derivatives, alternative investments, ACA risk adjustment liabilities, asset impairment losses, ROU assets and operating lease liabilities, and expected rate of return on investments used to value defined-benefit pension liabilities.

4. COVID-19 Pandemic

The Coronavirus Disease 19 ("COVID-19") (the "Pandemic") has materially adversely affected the state and national economies and, accordingly, negatively impacted Geisinger's operations and financial results. Decreases in volumes, gubernatorially mandated elimination of non-emergent services and disruption in healthcare delivery generally have had an adverse effect on revenues. Disruption in supply chain, increased costs, including for pharmaceuticals and personal protective equipment, and disruptions in staffing also impacted operations. Temporary reduction in GHP's medical claims expense partially mitigated adverse impacts. Regulatory matters, including the impact on payment, if any, continue to evolve. In addition, there has been significant volatility in the global financial markets attributed to concerns about the Pandemic.

The Pandemic has led to legislation and regulatory changes specifically impacting the healthcare industry. In March and April of 2020, in response to the disruption caused by the Pandemic, CMS announced a number of temporary regulatory waivers and new rules applicable to the healthcare industry. CMS published two interim final rules with comment periods, clarifying rules for hospitals to furnish inpatient services under-arrangement with other providers and when hospitals can furnish outpatient services in the patient's home or other expansion site, establishing processes for hospital outpatient departments to seek exceptions from lower payments when temporarily relocating due to the COVID-19 public health emergency. The rules also expanded physician supervision flexibilities for inpatient or outpatient hospital services, expanded services that may be furnished through telehealth, and increased the types of practitioners eligible to furnish services through telehealth. The rules also expanded coverage of ambulance transportation services to additional sites. CMS also issued national "blanket" Section 1135 waivers for certain hospital conditions of participation, provider-based rules, and the physician self-referral law. These waivers enable, among other outcomes, the rapid expansion of hospital services provided on and off campus clinical and nonclinical space, including through partnerships with other entities; other facility types, such as ambulatory surgical centers, to become hospitals governed by more flexible conditions of participation and streamlined enrollment and cost reporting requirements, among other things. It is not possible to predict the short-term and long-term effects of these and other waivers and rule changes in response to the Pandemic on the healthcare industry and Geisinger specifically.

Congress passed the Coronavirus Aid, Relief, and Economic Security ("CARES") Act on March 27, 2020. The Act provided for more than $2 trillion in economic relief impacting all sectors of the economy, including the healthcare industry. Of the relief funding authorized by the CARES Act, $175 billion in funding is allocated to healthcare providers to help compensate for incremental expenses incurred or revenue losses attributable to the COVID-19 crisis. The U.S. Department of Health and Human Services ("HHS") has established terms and conditions related to the use of these funds. Distributions will not require repayment so long as funds are used for stipulated purposes. To keep funds already received, providers must agree not to seek collection of out-of-pocket payments from COVID-19 patients and certify to a list of detailed terms and conditions, including that the provider billed Medicare in 2019, provides or provided diagnoses, testing or care for individuals with possible or actual cases of COVID-19, is not currently terminated from participation in Medicare, is not currently excluded from participation in Medicare, Medicaid, and other federal healthcare programs, and does not currently have Medicare privileges revoked. The terms and conditions further include a certification that the funds "will only be used to prevent, prepare for, and respond to coronavirus" and that the funding will reimburse the recipient "only for healthcare related to expenses or lost revenues that are attributable to coronavirus."

Other relief provided for acute care hospitals in the CARES Act includes the temporary elimination of the 2% reduction to Medicare payments through sequestration, a temporary 20% increase to the inpatient Prospective Payment System DRG weight for patients diagnosed with COVID-19 during the public health emergency, and an expansion of the CMS accelerated payment program. The receipt of relief funding by Geisinger requires increased compliance efforts to ensure requirements for the relief are met and any statements or certifications made in applications for relief are accurate. Federal grants revenue related to the Pandemic of $152.9 million is included in other revenue in the Consolidated Statements of Operations at June 30, 2020.

Geisinger continues to experience the impacts of the Pandemic on operations and financial results through the date of this report.

5. Organizational Changes

On March 27, 2020, Geisinger and AtlantiCare entered into a restructuring agreement (the "Restructuring Agreement"). Under the terms of the Restructuring Agreement, and subject to regulatory approvals and certain other conditions, Geisinger would no longer serve as the sole member of AtlantiCare. AtlantiCare and all affiliates would cease to be Geisinger affiliates and AtlantiCare would no longer appoint a member to the Geisinger Health board.

The Restructuring Agreement anticipates a segregation of all assets and liabilities of AtlantiCare and Geisinger upon closing. Until closing, AtlantiCare will remain a part of the Geisinger system, and the parties will continue to operate under their current corporate structure, subject to certain limitations. Beyond closing, Geisinger and AtlantiCare will continue to cooperate to facilitate ongoing reporting and audit responsibilities related to the periods prior to realignment and will collaborate on certain agreed upon joint projects and initiatives.

AtlantiCare's total net assets at June 30, 2020 and 2019 included in the Consolidated Balance Sheets were $939.3 million and $1,039.4 million, respectively. Its total revenues for the years ended June 30, 2020 and 2019 were $920.9 million and $969.8 million, respectively, and its excess of revenues over expenses for the years ended June 30, 2020 and 2019 were $9.2 million and $101.6 million, respectively.

On June 26, 2020, Geisinger and Penn State Health ("PSH") announced the signing of a letter of intent to transfer ownership of Geisinger's Holy Spirit Health System ("HSHS") to PSH. After signing the letter of intent, the Federal Trade Commission and the Pennsylvania Attorney General's office began an investigation of the proposed transaction and have expressed preliminary antitrust concerns. The letter of intent provides for the two health organizations to enter into a member substitution agreement for PSH to replace Geisinger Health as the sole corporate member of HSHS. The parties continue to work toward an agreement on the terms of the proposed member substitution agreement.

6. Joint Ventures

Geisinger's investment in joint ventures, included in other assets in the Consolidated Balance Sheets, totaled $145.6 million and $127.6 million at June 30, 2020 and 2019, respectively.

During fiscal year 2019, Geisinger and LHC Group, Inc. ("LHC") entered into a joint venture partnership and formed Keystone Healthcare Partnership, LLC ("KHP"). Geisinger sold its home health and hospice lines of business to KHP. Concurrent with the sale, Geisinger purchased a 25% minority interest in KHP. A gain on sale resulting from this transaction totaling $24.5 million is included in other revenue in the accompanying fiscal year 2019 Consolidated Statement of Operations. An investment in KHP of $6.4 million and $7.2 million is included in other assets at June 30, 2020 and 2019, respectively, in the Consolidated Balance Sheets.

During fiscal year 2019, Geisinger entered into a collaboration agreement with Evangelical Community Hospital and affiliate (collectively "Evan"). Upon closing of the agreement, Evan transferred 30% of its membership interest to Geisinger in consideration for financial, operational and other commitments of Geisinger. An investment of $90.0 million and $92.0 million is included in other assets in the Consolidated Balance Sheets at June 30, 2020 and 2019, respectively. Liabilities totaling $66.0 million and $72.8 million are included in liabilities at June 30, 2020 and 2019, respectively, representing the financial commitments of Geisinger. Geisinger is currently under investigation by the Antitrust Divisions of the Department of Justice ("DOJ"), Federal Trade Commission and Pennsylvania Attorney General's Office regarding Geisinger's collaboration with Evan. Shortly after closing, the DOJ issued a civil investigative demand for documentation and other information related to the collaboration. However, on August 5, 2020, the Department of Justice filed a lawsuit in federal court to stop the collaboration. Geisinger is currently evaluating the lawsuit. This joint venture is currently experiencing COVID-19 operational and financial impacts similar to those outlined in Note 4.

Also during fiscal year 2019, Geisinger entered into a joint venture and operating agreement with Highmark Health. The parties formed Geisinger-HM Joint Venture, LLC ("GHM"), of which Geisinger owns 60%. GHM operates several clinic sites in the region and is constructing a hospital facility in Pennsdale, Pennsylvania that is expected to open in 2021. As of June 30, 2020, Geisinger has contributed cash and clinical assets totaling $8.9 million to the joint venture.

June 30, 2020 and 2019 (dollars in thousands unless otherwise noted)

Geisinger's joint venture with St. Luke's University Health Network ("St. Luke's") is 50% owned by each party to operate a new hospital facility in Orwigsburg, Pennsylvania that opened on November 20, 2019. An investment of $38.1 million and $19.5 million is included in other assets in the Consolidated Balance Sheets at June 30, 2020 and 2019, respectively. This joint venture is currently experiencing COVID-19 operational and financial impacts similar to those outlined in Note 4.

7. Liquidity and Availability of Resources

Liquid financial resources are utilized by Geisinger to meet short-term, one year or less, expenditure needs. Geisinger's investment strategy is to maintain liquid resources sufficient to meet short-term needs and invest the excess. Geisinger's long-term investments without donor restrictions, except for private equity and hedge funds, are intended for long-term uses but are available for short-term needs. The following summarizes Geisinger's financial assets and liquidity resources available within one year to meet the needs of Geisinger as of June 30:

	2020	2019
Financial Assets		
Cash and cash equivalents	$ 1,125,636	$ 202,345
Accounts receivable	836,386	708,770
Investments	4,118,643	4,208,919
Total financial assets	$ 6,080,665	$ 5,120,034
Less restricted investments:		
To meet donor intentions	118,077	116,664
Under debt agreements	206,635	7,828
Under insurance arrangements	21,669	7,338
For research grants	2,421	1,823
Plus liquidity resources:		
Line of credit (Note 21)	—	50,000
	$ 5,731,863	$ 5,036,381

8. Investments

Geisinger's investments, which include assets whose use is limited by the Board of Directors and external parties and those restricted by donors, consists of the following at June 30:

	2020	2019
Cash equivalents	$ 235,444	$ 31,465
Equity funds	2,265,828	2,572,783
Marketable equity securities	72,717	88,828
Corporate obligations	234,588	221,711
Fixed income funds	1,101,882	1,053,275
U.S. Government and agency obligations	118,433	147,614
Alternative investments	89,751	93,243
	$ 4,118,643	$ 4,208,919

9. Fair Value Measurements

Geisinger values certain financial and nonfinancial assets and liabilities by applying fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy is broken down into three levels based on inputs that market participants would use in valuing the asset based on market data obtained from sources independent of Geisinger as follows:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable.

Level 3: Unobservable inputs for the asset or liability.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. Geisinger’s investment strategy is to maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3). Geisinger considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Geisinger’s perceived risk of that instrument.

Assets are disclosed within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. Geisinger’s assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy. The fair value of assets and liabilities using Level 3 inputs are generally determined by using pricing models or discounted cash flow methods, which all require significant management judgment or estimation.

The basis for fair value hierarchy and NAV are established below:

Cash Equivalents
Cash equivalents include short-term investments and fixed income investments with initial maturities of less than three months. Cash equivalents are valued using observable market data and are categorized as Level 1 based on quoted market prices in active markets. The majority of these investments are held in money market accounts. Other cash equivalents are short-term corporate obligations valued based on quoted market prices or dealer or broker quotations and are categorized as Level 2.

Equity Funds
Equity funds consist of commingled trust funds and mutual funds that are valued based upon quoted market prices in active markets obtained from exchange or dealer markets for identical assets. Equity funds are categorized as Level 1 with no valuation adjustments applied.

Marketable Equity Securities
Marketable equity securities consist of individual securities that are generally valued based upon quoted market prices in active markets obtained from exchange or dealer markets and are accordingly categorized as Level 1 with no valuation adjustments applied.

Corporate Obligations
Corporate obligations consist of individual securities that are valued based upon quoted market prices or dealer or broker quotations and are categorized as Level 2.

Fixed Income Funds
Fixed income funds consist of commingled trust funds and mutual funds, which are valued based upon quoted market prices in active markets obtained from exchange or dealer markets for identical assets and categorized as Level 1.

U.S. Government and Agency Obligations
U.S. Government and agency obligations consist of individual securities and are valued based on quoted market prices or dealer/broker quotations. Direct obligations of the U.S. Government are categorized as Level 1 and agency obligations are categorized as Level 2.

Alternative Investments
Alternative investments include private equity and hedge funds.

Private equity investments are in the form of limited partnership interests. The fund managers primarily invest in private investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables, or some other method. These limited partnership investments are valued at NAV and are not categorized in the fair value hierarchy.

Hedge funds are equity and fixed income managed funds consisting of limited partnership interests. The fund managers invest in a variety of securities based on the strategy of the fund, which may or may not be quoted in an active market. The hedge funds are valued at NAV. These investments are not categorized in the fair value hierarchy.

Assets Held in Trust
Assets held in trust represent Geisinger's beneficial interest in perpetual and other trusts that are maintained and administered by independent trustees and are valued based on the fair value of the assets held in trust. Trusts that are perpetual, whereby the original corpus cannot be expended, and trusts that have donor-imposed restrictions are reported as net assets with donor restrictions. Distributions from trusts are recorded as investment earnings, net in net assets without donor restriction or as investment earnings, net in net assets with donor restrictions if their use is restricted by the donor. Assets held in trust are included in other assets, net, in the Consolidated Balance Sheets. These assets are categorized as Level 3.

Derivative Instruments
Derivative instruments are interest rate swap agreements used to manage interest rate exposures related to Geisinger's outstanding variable rate debt. Derivative instruments are categorized as Level 2.

(Continued)

June 30, 2020 and 2019 (dollars in thousands unless otherwise noted)

The following tables set forth Geisinger's assets and liabilities at June 30, 2020 and 2019 by level within the fair value hierarchy and NAV.

	2020				
	Level 1	**Level 2**	**Level 3**	**NAV**	**Total**
Cash equivalents	$ 1,361,080	$ -	$ -	$ -	$ 1,361,080
Equity funds	2,265,828	-	-	-	2,265,828
Marketable equity securities	72,717	-	-	-	72,717
Corporate obligations	-	234,588	-	-	234,588
Fixed income funds	1,101,882	-	-	-	1,101,882
U.S. Government and agency obligations	12,200	106,233	-	-	118,433
Alternative investments	-	-	-	89,751	89,751
Assets held in trust	-	-	34,762	-	34,762
Derivative instruments	-	(56,961)	-	-	(56,961)
	$ 4,813,707	$ 283,860	$ 34,762	$ 89,751	$ 5,222,080

	2019				
	Level 1	**Level 2**	**Level 3**	**NAV**	**Total**
Cash equivalents	$ 233,810	$ -	$ -	$ -	$ 233,810
Equity funds	2,572,783	-	-	-	2,572,783
Marketable equity securities	88,828	-	-	-	88,828
Corporate obligations	-	221,711	-	-	221,711
Fixed income funds	1,053,275	-	-	-	1,053,275
U.S. Government and agency obligations	93,501	54,113	-	-	147,614
Alternative investments	-	-	-	93,243	93,243
Assets held in trust	-	-	36,545	-	36,545
Derivative instruments	-	(42,167)	-	-	(42,167)
	$ 4,042,197	$ 233,657	$ 36,545	$ 93,243	$ 4,405,642

During the years ended June 30, 2020 and 2019, there were no transfers among levels or significant changes in Level 3 investments.

June 30, 2020 and 2019 (dollars in thousands unless otherwise noted)

Details on remaining estimated life, current redemption terms, and restrictions by asset class and type of investment are provided below:

Investment Types	Remaining Life	Redemption Terms	Redemption Restrictions
Cash equivalents	N/A	Daily	None
Equity funds	N/A	Daily	None
Marketable equity securities	N/A	Daily	None
Corporate obligations	N/A	Daily	None
Fixed income funds	N/A	Daily	None
U.S. Government and agency obligations	N/A	Daily	None
Hedge funds	N/A	90% of NAV quarterly with 60 day notice	1 year restriction on new investment
Private equity	1 to 12 years	Redemptions not permitted. Distributions received as underlying investments are liquidated.	N/A

Geisinger has committed to fund certain partnership investments, which were not yet drawn at June 30, 2020. These unfunded commitments totaled $25.6 million at June 30, 2020. Such commitments have terms from 1 to 12 years.

10. Property and Equipment, net

Property, equipment and accumulated depreciation and amortization consist of the following at June 30:

	Estimated useful lives	2020	2019
Land		$ 93,791	$ 89,139
Land improvements	(3–40 years)	86,815	84,126
Buildings and building improvements	(5–40 years)	1,331,421	1,279,084
Equipment	(3–30 years)	1,915,235	1,768,445
Computer software	(3–10 years)	380,539	356,297
		3,807,801	3,577,091
Accumulated depreciation and amortization		(1,952,064)	(1,732,411)
		1,855,737	1,844,680
Construction in progress		212,758	165,272
		$ 2,068,495	$ 2,009,952

June 30, 2020 and 2019 (dollars in thousands unless otherwise noted)

Depreciation expense related to property and equipment for the years ended June 30, 2020 and 2019 was $262.1 million and $247.9 million, respectively. At June 30, 2020 and 2019, respectively, $21.8 million and $31.2 million of construction-related purchases had not been paid and accordingly, were included in accrued expenses and other on the Consolidated Balance Sheets.

Geisinger recorded impairment losses totaling $5.7 million and $11.5 million at June 30, 2020 and 2019, respectively. These losses primarily related to assets held by HSHS.

11. Long-Term Debt

Long-term debt consists of the following:

	Interest Rate Mode	Final Maturity	Average Interest Rate	June 30, 2020	June 30, 2019
Series A of 2020 Bonds	Fixed Rate	04/01/50	3.7%	$ 480,050	$ —
Series B of 2020 Bonds	Fixed Rate	04/01/43	1.5%	139,560	—
Series C of 2020 Bonds	Fixed Rate	04/01/43	1.9%	89,540	—
Series D of 2020 Bonds	Fixed Rate	04/01/41	3.0%	39,080	—
Series A-1 of 2017 Bonds	Fixed Rate	02/15/47	4.1%	350,370	350,370
Series A-2 of 2017 Bonds	Fixed Rate	02/15/39	3.6%	227,130	234,885
Series A of 2015 Bonds	Bank Held Rate	07/01/37	1.7%	89,690	93,130
Series B of 2015 Bonds	Bank Held Rate	12/01/30	1.7%	22,915	25,125
Series C of 2015 Bonds	Fixed Rate	07/01/25	1.8%	19,120	22,010
Series D of 2015 Bonds	Fixed Rate	04/01/42	2.4%	54,512	56,383
Series E of 2015 Bonds	Bank Held Rate	06/01/39	1.5%	—	50,000
Series F of 2015 Bonds	Bank Held Rate	06/01/39	1.5%	—	65,000
Series A of 2014 Bonds	Fixed Rate	06/01/41	4.2%	48,040	48,040
Series B of 2014 Bonds	Bank Held Rate	06/01/28	2.0%	62,700	62,700
Series A of 2013 Bonds	VRDB	10/01/43	1.3%	—	65,000
Series C of 2013 Bonds	Bank Held Rate	10/01/43	1.8%	—	84,700
Series D of 2013 Bonds	Bank Held Rate	10/01/43	1.8%	—	84,700
Series 2011 Bonds HSH	Fixed Rate	01/01/41	6.2%	—	14,010
Series B of 2011 Bonds HSH	Fixed Rate	01/01/41	5.6%	—	25,820
Series A-1 of 2011 Bonds	Fixed Rate	06/01/41	4.8%	90,000	95,000
Series A-2 of 2011 Bonds	Fixed Rate	06/01/28	4.5%	23,580	23,580
Series B of 2011 Bonds	VRDB	06/01/41	1.4%	—	50,000
Series 2007 Bonds	Index Floating Rate	05/01/37	1.3%	68,850	68,850
Series A of 2005 Bonds	VRDB	05/15/35	1.3%	—	65,000
Series B of 2005 Bonds	VRDB	08/01/22	1.4%	—	62,300
Series A of 1998 Bonds	Fixed Rate	08/15/28	5.2%	18,065	21,450
Total tax-exempt revenue bonds				1,823,202	1,668,053
Other long-term debt				26,695	43,445
Total debt				1,849,897	1,711,498
Less: current installments				(31,233)	(34,211)
Net unamortized premium				174,069	46,201
Deferred debt issue costs				(9,791)	(6,320)
Fair market value adjustments				—	5,192
				$ 1,982,942	$ 1,722,360

Average interest rates include the impact of amortizing the discount or premium as well as remarketing and liquidity fees.

June 30, 2020 and 2019 (dollars in thousands unless otherwise noted)

Maturities of long-term debt for the next five years ended June 30 and thereafter are as follows:

2021	$ 31,233
2022	87,519
2023	25,383
2024	29,951
2025	20,465
Thereafter	1,655,346
	$ 1,849,897

Montour County, Pennsylvania, established the Geisinger Authority (the "Authority") for the purpose of financing through tax-exempt bonds certain capital projects of Geisinger and other nonprofit organizations within the Commonwealth of Pennsylvania and, under certain circumstances, contiguous states. All but the Series 2011 Bonds HSH and Series B of 2011 Bonds HSH were issued through the Authority. The Series 2011 Bonds HSH and Series B of 2011 Bonds HSH were defeased with the proceeds of Series D of 2020 Bonds.

During fiscal 2020, Geisinger Health entered into an Amended and Restated Master Trust Indenture ("MTI") with the bond trustee that governs all debt issued thereunder. All of the bonds listed above have been secured by master notes issued under the MTI. Under the terms of the MTI, substantially all indebtedness is a joint and several obligation of the obligated group, whose current members are Geisinger Health and Geisinger Medical Center. Supplemental indentures governed by the MTI were issued with each new bond issuance. The proceeds from the bond issuances were used for the purpose of financing capital projects or to refinance other bonds. Debt issued under the MTI is secured by the Pledged Revenues (as defined in the MTI) of the obligated group.

During fiscal year 2020, the Authority issued Series 2020 Bonds on behalf of Geisinger Health with total proceeds of $878.9 million. Proceeds totaling $578.9 million were used to refund existing debt. The remaining proceeds of $300.0 million were used to fund loan pools to reimburse qualified capital expenditures of Geisinger affiliates. As a result of this transaction Geisinger recognized a gain on extinguishment of debt totaling $2.2 million.

Fixed rate and bank held rate bonds have various installments of principal due prior to maturity. Variable rate demand bonds ("VRDB"), and index floating rate bonds have balloon payments due upon maturity. All VRDB are supported by standby bond purchase agreements. The standby bond purchase agreements provide loans to Geisinger in the amounts necessary to purchase variable rate bonds that are not remarketed. All VRDB obligations were refinanced to fixed rate debt in 2020.

The MTI and various bank obligations require Geisinger to maintain, as of June 30, an annual debt service coverage ratio of 1.1 to 1.0 and to comply with various other covenants. Geisinger is in compliance with its covenants as of June 30, 2020.

Net interest paid, including swap agreements, was $58.3 million and $61.4 million in 2020 and 2019, respectively.

12. Derivative Instruments

During 2007, Geisinger Health entered into two interest rate swap agreements with a total outstanding notional amount of $68.9 million at both June 30, 2020 and 2019 remaining in effect until May 1, 2037. Under the swaps, Geisinger Health pays a fixed rate of 4.40% times the notional amount and receives a floating rate equal to 67% of the London Inter-Bank Offer Rate (“LIBOR”) plus 0.77%. This transaction qualifies as an effective cash flow hedge.

In September 2005, Geisinger Health entered into an interest rate swap agreement with a total outstanding notional amount of $24.5 million at June 30, 2020 and 2019 decreasing incrementally to $0 by August 1, 2028. Under the swap, Geisinger Health pays a fixed rate of 3.40% times the notional amount and receives a floating rate equal to 68% of the LIBOR. Payments under the swap were exchanged beginning September 2008. This transaction does not qualify as an effective cash flow hedge.

During 2001, Geisinger Health entered into an interest rate swap agreement with a total outstanding notional amount of $80.0 million at June 30, 2020 and 2019. The swap has a notional amount of $80.0 million from inception until August 1, 2022 and $40.0 million from August 1, 2022 to August 1, 2028. Under the swap, Geisinger Health pays a fixed rate of 4.86% times the notional amount and receives a rate equal to the Securities Industry and Financial Markets Association (“SIFMA”) rate, an index of high-grade tax-exempt variable rate demand obligations. This transaction does not qualify as an effective cash flow hedge.

During 2001, Geisinger Health also entered into an option that provides Geisinger Health with 0.85% times the same notional amount of the swap. In exchange for the premium, Geisinger Health granted the counterparty the right to create a derivative transaction with the same remaining terms as the swap, but with the counterparty as the fixed-rate payor and Geisinger Health as the floating-rate payor. This derivative would have cash flows exactly opposite to the swap. The counterparty may only exercise this option if SIFMA has averaged more than 7% for six consecutive months. As of June 30, 2020, this option has not been triggered.

Geisinger Commonwealth School of Medicine ("GCSOM") is a party to two interest rate swap agreements with a total outstanding notional amount of $26.3 million at June 30, 2020 remaining in effect until September 1, 2034. Under the first swap, GCSOM pays a fixed rate of 3.54% times the notional amount and receives a floating rate equal to the SIFMA rate. Under the second swap, GCSOM pays a fixed rate of 2.95% times the notional amount and receives a floating rate equal to 68% of the one-month LIBOR rate. Neither transaction qualifies as an effective cash flow hedge.

During the term of the swaps, the swaps effectively convert variable rate debt to a fixed rate. Net interest paid or received under the swap agreements is included in interest expense in the Consolidated Statements of Operations and Changes in Net Assets. The changes in fair value of an effective cash flow hedge are reported as unrealized gain or loss on derivative within other changes in net assets without donor restriction in the Consolidated Statements of Operations and Changes in Net Assets. The changes in fair value of a derivative instrument that does not qualify as a cash flow hedge are recognized as an unrealized gain or loss on derivatives within the investing and financing activities in the Consolidated Statements of Operations and Changes in Net Assets.

(Continued)

June 30, 2020 and 2019 (dollars in thousands unless otherwise noted)

The fair value of the derivative instruments recorded in other liabilities and contingencies in the Consolidated Balance Sheets, is as follows at June 30:

	2020	2019
Derivatives designated as hedging instruments		
Swap (2007)	$ 32,317	$ 22,231
Total derivatives designated as hedging instruments	32,317	22,231
Derivatives not designated as hedging instruments		
Swap (2001)	17,711	16,149
Swap (2005)	4,684	3,612
Swap GCSOM 1	1,767	1,332
Swap GCSOM 2	3,714	2,548
Option (2001)	(3,232)	(3,705)
Total derivatives not designated as hedging instruments	24,644	19,936
Derivative liability balance	$ 56,961	$ 42,167

Management intends to hold the derivative contracts to maturity. The following table shows the change in derivative liability values during fiscal 2020:

	2020	2019
Derivative liability value at beginning of year	$ 42,167	$ 30,940
Unrealized loss recorded in the Consolidated Statements of Operations	4,708	5,128
Unrealized loss recorded as a component of changes in net assets	10,086	6,099
Derivative liability value at end of year	$ 56,961	$ 42,167

Based on provisions contained in the swap agreements regarding the aggregate position of derivative instruments, no collateral was posted as of June 30, 2020.

13. Endowment Net Assets

The composition of and changes in endowment net assets, excluding trusts, is as follows:

Endowment net assets at June 30, 2018	$ 92,842
Net investment earnings	3,608
Contributions received	2,213
Annual appropriations	(3,017)
Endowment net assets at June 30, 2019	95,646
Net investment earnings	(341)
Contributions received	290
Annual appropriations	(2,989)
Endowment net assets at June 30, 2020	$ 92,606

June 30, 2020 and 2019 (dollars in thousands unless otherwise noted)

14. Noncontrolling Interest

Noncontrolling interest represents the proportionate share of Geisinger SCA Holdings, LLC (“GSCA”), AtlantiCare Surgery Center, LLC (“ASC”), GHM and Keystone Accountable Care Organization (“KACO”) that are owned by third parties. GSCA is a Delaware limited liability company and joint venture with SCA Pennsylvania Holdings, LLC that operates an ambulatory surgery center in Dickson City, Pennsylvania and is 51.0% owned by Geisinger at June 30, 2020. ASC is a same-day surgical center with multiple locations in southern New Jersey and is 41.4% owned by Geisinger at June 30, 2020. GHM is 60.0% owned by Geisinger at June 30, 2020. KACO is a group of healthcare providers which collaborate to improve health services. It is 75.0% owned by Geisinger at June 30, 2020. The net income or loss of these ventures is allocated to the noncontrolling interest holders based on their percentage of ownership. Total noncontrolling interest was $15.1 million and $7.2 million as of June 30, 2020 and 2019, respectively.

15. Leases

Geisinger leases medical office buildings, office space, vehicles and equipment, primarily under operating leases. Geisinger has incurred finance lease liabilities totaling $6.1 million at June 30, 2020. Finance lease liabilities and their related assets are omitted from disclosures below. The remaining lease term of all leases ranges from 3–40 years.

At June 30, 2020, operating lease ROU assets and liabilities each totaled $102.1 million. The current portion of operating lease liabilities totaling $24.8 million is included in accrued expenses and other on the Consolidated Balance Sheet at June 30, 2020. The long-term portion, totaling $77.3 million, is included in operating lease liabilities on the Consolidated Balance Sheet at June 30, 2020.

The components of lease cost for the year ended June 30, 2020 were as follows:

Operating lease cost	$	33,568
Finance lease cost		1,904
Short-term lease cost		3,214
Total lease cost	$	38,686

Oher information related to leases as of June 30, 2020 was as follows:

Supplemental cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow for operating leases	$	38,136
Right of use assets obtained in exchange for new operating lease liabilities	$	125,776
Weighted average remaining lease term		9.3 years
Weighted average discount rate		4.99 %

June 30, 2020 and 2019 (dollars in thousands unless otherwise noted)

Future maturities of operating lease liabilities as of June 30, 2020 are as follows:

Year Ending June 30,		
2021	$	24,785
2022		22,005
2023		16,542
2024		12,104
2025		9,309
Thereafter		33,274
Total undiscounted future lease payments		118,019
Less present value discount		(15,969)
Discounted future lease payments	$	102,050

16. Retirement and Deferred Compensation Plans

Defined-Contribution Plans:

Substantially all employees participate in defined-contribution plans in the form of 401(a), 401(k), 403(b), 457(b) and 457(f) plans. Employer contributions to the plans were $107.9 million and $101.7 million for the years ended June 30, 2020 and 2019, respectively.

The 457(b) and 457(f) nonqualified deferred compensation plans are offered to physicians and other highly compensated employees. The investments held in these deferred compensation plans are recorded in other assets with a corresponding liability in other liabilities and contingencies in the Consolidated Balance Sheets.

Defined-Benefit Plans:

Geisinger affiliates sponsor several defined-benefit plans covering various employee groups.

The Geisinger Consolidated Pension Plan (“GCPP”) and the Geisinger Jersey Shore Hospital (“GJSH”) sponsored defined-benefit plan are frozen to new participants and further accumulation of service benefits. AtlantiCare Health System (“AHS”) sponsors a defined-benefit plan and a postretirement welfare plan that are both frozen to new participants. The projected benefit obligation and the fair value of plan assets for all Geisinger defined-benefit plans at June 30, 2020 were $815.7 million and $613.5 million, respectively. The same amounts at June 30, 2019 were $694.5 million and $611.2 million, respectively. Accrued pension cost was $202.2 and $83.4 million at June 30, 2020 and 2019, respectively. Accrued pension cost is recognized in the Consolidated Balance Sheets as other liabilities and contingencies.

June 30, 2020 and 2019 (dollars in thousands unless otherwise noted)

The following summarizes the changes in prepaid (accrued) pension cost:

	2020	2019
(Accrued) prepaid pension cost	$ (83,388)	$ 908
Service cost	(21,378)	(19,187)
Interest cost	(22,616)	(24,404)
Other changes in benefit obligation	(11)	(2)
Return on plan assets, net of expenses	31,155	43,852
Employer contributions	13,728	4,726
Actuarial loss	(119,674)	(89,281)
Accrued pension cost	$ (202,184)	$ (83,388)

Geisinger intends to contribute approximately $17.1 million to the plans in 2021.

The assumptions used in computing the total net periodic pension cost and total benefit obligation for the sponsors of the retirement plans at June 30 are as follows:

	2020			2019		
	GCPP	GJSH	AHS	GCPP	GJSH	AHS
Discount rate:						
Net periodic pension cost	3.40%	3.40%	3.35%	4.22%	4.24%	4.15%
Total benefit obligation	2.50%	2.50%	2.45%	3.40%	3.40%	3.35%
Expected long-term return on plan assets	4.85%	7.00%	6.40%	4.80%	5.17%	6.40%

The following tables set forth the composition of plan assets, inputs used to measure those assets and actual and target asset allocations at June 30:

	2020					
	Level 1	Level 2	Level 3	NAV	Total	Allocation
Equity funds	$ 301,125	$ -	$ -	$ -	$ 301,125	49%
Fixed income funds	303,172	-	-	-	303,172	49%
Private equity	-	-	-	6,382	6,382	1%
Cash and cash equivalents	2,806	-	-	-	2,806	1%
	$ 607,103	$ -	$ -	$ 6,382	$ 613,485	100%

	2019					
	Level 1	Level 2	Level 3	NAV	Total	Allocation
Equity funds	$ 315,683	$ -	$ -	$ -	$ 315,683	52%
Fixed income funds	286,781	-	-	-	286,781	47%
Private equity	-	-	-	7,981	7,981	1%
Cash and cash equivalents	713	-	-	-	713	—%
	$ 603,177	$ -	$ -	$ 7,981	$ 611,158	100%

Current target investment allocations for each plan are as follows:

	GCPP	GJSH	AHS
Equity funds	56-76%	20-40%	60-80%
Fixed income funds	24-44%	60-80%	20-40%
Cash and cash equivalents	0-10%	0-10%	0-10%

The following is a schedule by year of estimated future benefit payments as of June 30, 2020:

Year Ending June 30,	
2021	$ 51,191
2022	51,453
2023	52,408
2024	53,056
2025	52,609
2026-2030	257,817
Total	$ 518,534

17. Hospital and Provider Professional Liability Claims Coverage

In the ordinary course of business, various claimants have asserted professional and general liability claims against Geisinger. These claims are in various stages of processing or, in certain instances, are in litigation. In addition, there are known incidents, and unknown incidents, that may result in the assertion of additional claims. Geisinger has accrued its best estimate of both asserted and unasserted claims based on actuarially determined amounts.

Certain entities insure professional liability insurance coverage through a captive insurance program with Geisinger Insurance Corporation, Risk Retention Group ("RRG"), which is reinsured through Geisinger Assurance Company, Ltd. ("GAC"), each of which are wholly owned subsidiaries of Geisinger. The limits of the professional liability coverage relating to the years ended June 30, 2020 and 2019 are subject to the following sublimits:

	(in Millions)	
Coverage	Per Claim	Annual
Institutional professional	$ 0.5	$ 2.5
Physician professional	0.5	1.5
Non-MCARE Entities' professional	1.0	1.0
Employed Allied Healthcare & Dentists	1.0	3.0
Long-Term Care Facility	0.5	1.5

Certain entities insure hospital and provider professional liability and general liability claims coverage through a captive insurance program with English Creek Assurance, Ltd. ("ECA"), a wholly owned subsidiary of Geisinger. The limits of the professional liability coverage relating to the year ended June 30, 2020 and 2019 were subject to the following sublimits:

	(in Millions)					
Coverage	Per Claim Limit		Annual Aggregate Limit		Captive Aggregate Limit	
Institutional professional	$ 1.0		$		$ 5.5	*
General liability	1.0		1.0	*		*
Physician professional	1.0	**	3.0	**	7.0	
Institutional professional and physician professional excess	3.0				3.0	*/***

* Effective 11/1/2016 per claim limits are shared by hospital and physicians and captive policy aggregate limits are not recognized by excess coverage.

** Limits are per provider.

*** Excess of underlying primary limits

The loss accruals, which were discounted at a rate of 3% for 2020 and 2019, include estimates of known and incurred but not reported losses based on annual actuarial studies and are reported in other liabilities and contingencies in the Consolidated Balance Sheets. Amounts expected to be paid out in the next 12 months are reported as a current liability in accrued expenses and other in the Consolidated Balance Sheets. The total net loss accruals were $272.4 million and $244.2 million at June 30, 2020 and 2019, respectively.

GAC has also issued a direct policy, on a claims-made basis, for miscellaneous professional liability, which is not covered by the Medical Care Availability and Reduction of Error ("MCARE") Fund. The policy provides limits of $1 million per occurrence with no aggregate limit. This policy has a retroactive date of July 1, 1985.

The MCARE Act was enacted by the legislature of the Commonwealth of Pennsylvania ("Commonwealth") in 2002. This act created the MCARE Fund, which replaced The Pennsylvania Medical Professional Liability Catastrophe Loss Fund (the "Medical CAT Fund"), to facilitate the payment of medical malpractice claims exceeding the primary layer of professional liability insurance carried by Geisinger and other healthcare providers practicing in the Commonwealth. The MCARE Fund is funded on a "pay-as-you-go-basis" and assesses healthcare providers, calculated as a percentage of the rates established by the Joint Underwriting Association (also a Commonwealth of Pennsylvania agency), for basic coverage. The MCARE act provides for the gradual phase-out of Medical CAT Fund coverage; however, this has been deferred by the Pennsylvania legislature and will be considered in the future. The MCARE Act does not apply to entities insured by ECA.

June 30, 2020 and 2019 (dollars in thousands unless otherwise noted)

The actuarially computed liability for all healthcare providers (hospital, physicians, and others) participating in the MCARE Fund at December 31, 2018 (the latest date that such information is available) was $1.0 billion. Even though the MCARE Fund coverage will eventually be phased out, the Commonwealth has indicated that the unfunded liability will likely be funded through assessments in future years as MCARE Fund-covered claims are eventually settled and paid. The Commonwealth has agreed to devote the proceeds of the Automobile Catastrophe Fund surcharge, estimated at $40 million per year for 10 years (for a total of $400 million), to help offset the MCARE Fund unfunded liability.

Geisinger’s annual premiums for participation in the MCARE Fund were $10.0 million and $9.5 million for the years ended June 30, 2020 and 2019, respectively. No provision has been made for any future MCARE Fund assessments in the accompanying financial statements.

Certain entities are provided reinsurance and/or excess coverage through captive insurance programs with GAC, ECA and excess commercial policies. The reinsurance and/or excess coverage provides coverage above the primary and MCARE Fund layers where applicable.

18. Revenue, Charity Care, and Accounts Receivable

Major components of revenue consist of the following:

	2020		2019	
	Revenue	**% of Total**	**Revenue**	**% of Total**
Net patient service revenue				
Medicare (MC)	$ 1,162,019	16.3%	$ 1,079,771	15.1%
Medical Assistance (MA)	329,136	4.6%	267,045	3.7%
Other payors	2,177,337	30.6%	2,414,441	33.8%
	3,668,492	51.5%	3,761,257	52.6%
Premium revenue				
MC Advantage	1,095,474	15.4%	1,072,939	15.0%
Commercial	868,345	12.2%	1,014,314	14.2%
MA and other state programs	1,115,633	15.7%	1,033,507	14.5%
	3,079,452	43.3%	3,120,760	43.7%
Other revenue	373,717	5.2%	263,591	3.7%
	$ 7,121,661	100.0%	$ 7,145,608	100.0%

Laws and regulations governing MC and MA are complex and subject to interpretation. Periodically, in the ordinary course of business, situations arise requiring additional scrutiny by management to ensure that no instances of non-compliance with laws and regulations exist. If an instance on non-compliance is identified, governing bodies are alerted and efforts are made to estimate contingencies. If these contingencies are probable and estimable, they are recorded as liabilities in the Consolidated Balance Sheet. Amounts received from MC and MA are subject to review and final determination by program intermediaries or their agents. Tentative settlements of these amounts have been completed through June 30, 2019. Provisions have been made in the accompanying financial statements for anticipated adjustments that are estimable and are included in accrued expenses and other on the Consolidated Balance Sheets.

June 30, 2020 and 2019 (dollars in thousands unless otherwise noted)

The cost of charity service provided was approximately $55.8 million and $50.9 million in 2020 and 2019, respectively. The costs of charity care are derived from both estimated and actual data. The estimated cost of charity includes the direct and indirect cost of providing such services and is estimated utilizing the providers' ratio of cost to gross charges, which is then multiplied by the gross uncompensated charges associated with providing care to charity patients. In addition to charity service, services are provided under the MA program to financially needy patients. The payments received under this program are less than the cost of providing the services. The unpaid cost of this program was approximately $356.7 million and $355.6 million for the years ended June 30, 2020 and 2019, respectively. In addition, price concessions for a patients' inability or unwillingness to pay totaled $154.0 million and $134.2 million for the years ended June 30, 2020 and 2019, respectively.

Premium revenue from MC Advantage products is based on a risk-adjustment model according to health severity that pays more for enrollees with predictably higher costs. Under this model, rates paid to MC Advantage plans are based on actuarially determined bids, which include a process whereby prospective payments are based on a comparison of beneficiaries' risk scores, derived from medical diagnoses, to those enrolled in the government's original MC program. Under the risk-adjustment model, all MC Advantage plans must collect and submit the necessary diagnosis code information from hospital inpatient, hospital outpatient, and physician providers to CMS within prescribed deadlines. The Centers for Medicare and Medicaid Services (CMS) risk-adjustment model uses this diagnosis data to calculate the risk adjusted premium payment to MC Advantage plans.

CMS is continuing to perform audits of various companies' selected MC Advantage contracts related to this risk adjustment diagnosis data. These risk-adjustment data validation audits review medical record documentation in an attempt to validate provider coding practices and the presence of risk adjustment conditions, which influence the calculation of premium payments to MC Advantage plans.

During April 2020, the U.S. Supreme Court ruled that the federal government must pay health insurers $12 billion in payments related to the ACA risk corridor program. It is expected that GHP is owed $64 million as a result of this settlement before consideration of medical expense ratio floor calculations. Geisinger has opted not to record this revenue pending definitive judgement by the courts and eminent cash receipt.

Geisinger grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. There are no significant concentrations, payors comprising 10%, or more of credit risk included in accounts receivable.

Major components of accounts receivable consist of the following:

	2020	2019
Clinical services	$ 346,892	$ 399,154
Insurance operations	410,204	226,500
Other	79,290	83,116
	$ 836,386	$ 708,770

June 30, 2020 and 2019 (dollars in thousands unless otherwise noted)

19. Functional Expenses

Expenses attributed to each program or supporting function of Geisinger are reported in the following table. Expenses attributable to more than one program require allocation, which is consistently applied and based upon reasonable statistics such as revenue, expenses or full-time equivalents. Indirect costs incurred for the benefit of multiple programs are classified as management and general expenses. Expenses related to providing services described in note 1 (including interest expense) are as follows:

Year Ended June 30, 2020	Program Services					
	Clinical enterprise	Insurance operations	Other	Total	Management & general	Total
Salaries and benefits	$ 2,496,142	$ 101,235	$ 141,933	$ 2,739,310	$ 423,827	$ 3,163,137
Medical claims	—	1,620,669	—	1,620,669	—	1,620,669
Supplies	1,057,488	3,233	20,213	1,080,934	11,528	1,092,462
Purchased services	272,926	76,942	29,236	379,104	209,903	589,007
Depreciation and amortization	126,660	23,484	5,322	155,466	108,625	264,091
Asset impairment losses	5,721	—	—	5,721	—	5,721
Other	194,656	15,178	9,978	219,812	205,056	424,868
Interest expense	51,127	(306)	1,146	51,967	6,409	58,376
Other non-service periodic pension costs	(13,099)	—	—	(13,099)	—	(13,099)
Total expenses	$ 4,191,621	$ 1,840,435	$ 207,828	$ 6,239,884	$ 965,348	$ 7,205,232

Year Ended June 30, 2019	Program Services					
	Clinical enterprise	Insurance operations	Other	Total	Management & general	Total
Salaries and benefits	$ 2,433,071	$ 95,673	$ 138,031	$ 2,666,775	$ 346,926	$ 3,013,701
Medical claims	—	1,726,197	—	1,726,197	—	1,726,197
Supplies	1,010,926	3,419	25,022	1,039,367	7,721	1,047,088
Purchased services	245,522	59,190	37,954	342,666	198,650	541,316
Depreciation and amortization	113,043	21,331	5,458	139,832	110,103	249,935
Asset impairment losses	10,981	—	—	10,981	536	11,517
Other	202,245	30,781	15,856	248,882	188,155	437,037
Interest expense	54,134	(1,010)	1,207	54,331	7,058	61,389
Other non-service periodic pension costs	(15,868)	—	—	(15,868)	—	(15,868)
Total expenses	$ 4,054,054	$ 1,935,581	$ 223,528	$ 6,213,163	$ 859,149	$ 7,072,312

20. Net Assets with Donor Restrictions

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

	2020	2019
Time and purpose restrictions:		
Support operations	$ 40,029	$ 47,743
Purchase of equipment	22,078	23,623
	62,107	71,366
Amounts held in perpetuity	97,689	98,055
	$ 159,796	$ 169,421

Net assets were released from donor restriction by incurring expenditures satisfying the restricted purpose to support operations and capital purchases in the amount of $17.3 million and $14.8 million for the years ended June 30, 2020 and 2019, respectively.

21. Contingent Liabilities and Commitments

Geisinger is involved in litigation and compliance reviews arising in the ordinary course of business. After consultation with legal counsel, management believes that the outcomes of litigation and reviews that are estimable at June 30, 2020 will not materially affect the financial statements of Geisinger.

Geisinger Health maintains $50.0 million of credit facilities for the issuance of letters of credit. As of June 30, 2020 and 2019, $35.3 million and $30.5 million of standby letters of credit were outstanding, respectively. Geisinger Health also maintains $450 million of working capital lines of credit under which all $450 million was outstanding at June 30, 2020. In July 2020, $450 million was repaid.

Geisinger has outstanding commitments on construction projects totaling $70.3 million and $62.8 million at June 30, 2020 and 2019, respectively.

22. Subsequent Events

Management has evaluated subsequent events through September 1, 2020, which represents the date the consolidated financial statements were available for issuance, to ensure that the consolidated financial statements include appropriate disclosure of events both recognized in the consolidated financial statements as of June 30, 2020, and events which occurred subsequent to June 30, 2020, but were not recognized in the consolidated financial statements.