MAINEHEALTH SYSTEM
(MaineHealth Services and Subsidiaries)

Consolidated Financial Statements
and Supplemental Information

For the Years Ended September 30, 2020 and 2019
With Independent Auditors' Report

MAINEHEALTH SYSTEM
(MaineHealth Services and Subsidiaries)

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL FINANCIAL INFORMATION

For the Years Ended September 30, 2020 and 2019

CONTENTS

Baker Newman & Noyes LLC
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INDEPENDENT AUDITORS' REPORT

Board of Directors
MaineHealth Services and Subsidiaries

We have audited the accompanying consolidated financial statements of MaineHealth Services and Subsidiaries, which comprise the consolidated balance sheet as of September 30, 2020, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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.

Board of Directors
MaineHealth Services and Subsidiaries

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MaineHealth Services and Subsidiaries as of September 30, 2020, and the results of their operations, changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, in 2020, MaineHealth Services and Subsidiaries adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-02, *Leases*. Our opinion is not modified with respect to these matter.

Other Matter – September 30, 2019 Consolidated Financial Statements

The consolidated financial statements of MaineHealth Services and Subsidiaries as of and for the year ended September 30, 2019 were audited by other auditors whose report, dated February 14, 2020, expressed an unmodified opinion on those consolidated financial statements.

Other Matter - Report on Supplemental Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2020 supplemental consolidating information is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such supplemental consolidating information is the responsibility of MaineHealth Service's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. This information has been subjected to the auditing procedures applied in our audit 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, based on our audit, such supplemental consolidating information is fairly stated in all material respects in relation to the consolidated financial statement as a whole.

Baker Newman + Noyes LLC

Portland, Maine
February 4, 2021

MAINEHEALTH SYSTEM
(MaineHealth Services and Subsidiaries)

CONSOLIDATED BALANCE SHEETS

September 30, 2020 and 2019
(In thousands)

Assets	2020	2019
Current assets:		
Cash and cash equivalents	$ 547,872	$ 292,618
Investments	868,416	781,005
Accounts receivable	286,156	259,807
Current portion of investments whose use is limited	256,272	72,989
Inventories, prepaid expenses and other current assets	120,312	96,834
Total current assets	2,079,028	1,503,253
Investments whose use is limited by:		
Debt agreements	253,844	72,403
Board designation	139,138	54,777
Self-insurance trust agreements	49,904	49,581
Specially designated specific purpose funds	77,077	51,059
Plant replacement funds	961	2,793
Funds functioning as endowment funds	133,328	109,500
Pooled life income funds	2,417	2,480
Beneficial interest in perpetual and charitable remainder trusts	48,302	46,572
	704,971	389,165
Less current portion	(256,272)	(72,989)
	448,699	316,176
Property, plant and equipment - net	1,396,118	1,250,506
Right of use assets	176,780	–
Other assets	171,549	131,866
Total assets	$ 4,272,174	$ 3,201,801

Liabilities and Net Assets	2020	2019
Current liabilities:		
Current portion of long-term debt	$ 42,842	$ 36,621
Current portion of lease obligation	21,079	–
Accounts payable and other current liabilities	210,735	123,026
Accrued payroll, payroll taxes and amounts withheld	62,500	49,473
Accrued earned time	90,149	66,893
Accrued interest payable	5,737	6,005
Estimated amounts payable under reimbursement regulations	52,265	55,711
Self-insurance reserves	33,877	27,717
Deferred revenue	16,202	10,674
Total current liabilities	535,386	376,120
Accrued retirement benefits	411,113	398,266
Self-insurance reserves – less current portion	46,209	43,968
Estimated amounts payable under reimbursement regulations	4,984	6,946
Long-term debt, less current portion	797,595	567,287
Long-term lease obligation – less current portion	157,633	–
Other liabilities	270,629	43,711
Total liabilities	2,223,549	1,436,298
Net assets:		
Without donor restrictions	1,774,871	1,542,445
With donor restrictions	273,754	223,058
Total net assets	2,048,625	1,765,503
Total liabilities and net assets	$ 4,272,174	$ 3,201,801

See accompanying notes to consolidated financial statements.

MAINEHEALTH SYSTEM
(MaineHealth Services and Subsidiaries)

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended September 30, 2020 and 2019
(In thousands)

	2020	2019
Revenue:		
Patient service revenue	$2,474,304	$2,465,108
Direct research revenue	17,832	19,789
Indirect research revenue	4,676	4,544
Other revenue	388,047	227,896
Total revenue and other support	2,884,859	2,717,337
Expenses:		
Salaries	1,469,471	1,304,999
Employee benefits	370,734	348,845
Supplies	462,461	422,193
Professional fees and purchased services	261,541	260,761
Facility and other costs	119,133	107,138
State taxes	50,431	41,604
Interest	17,720	13,981
Depreciation and amortization	153,600	134,993
Total expenses	2,905,091	2,634,514
(Loss) income from operations	(20,232)	82,823
Nonoperating gains (losses):		
Gifts and donations – net of related expenses	2,860	1,686
Interest and dividends	15,794	22,199
Recognized loss on cash flow hedge instruments	(2,499)	(6,483)
Nonservice periodic pension costs	(19,639)	–
Equity in earnings of joint ventures	6,983	5,362
Increase in fair value of investments	63,655	15,288
Contribution of net assets from acquired affiliates	157,646	–
Other	(728)	(1,758)
Total nonoperating gains - net	224,072	36,294
Excess of revenue over expenses	203,840	119,117
Net assets released from restrictions for property, plant and equipment	11,494	9,834
Retirement benefit plan adjustments	17,092	(132,636)
Increase (decrease) in net assets without donor restriction	$ 232,426	$ (3,685)

See accompanying notes to consolidated financial statements.

MAINEHEALTH SYSTEM
(MaineHealth Services and Subsidiaries)

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years Ended September 30, 2020 and 2019
(In thousands)

	2020	2019
Net assets without donor restrictions:		
Excess of revenue over expenses	$ 203,840	$ 119,117
Net assets released from restrictions for property, plant and equipment	11,494	9,834
Retirement benefit plan adjustments	17,092	(132,636)
Increase (decrease) in net assets without donor restriction	232,426	(3,685)
Net assets with donor restrictions:		
Gifts and donations	24,297	30,788
Interest and dividends	1,301	1,159
Change in value of perpetual and beneficial interest trusts	861	(1,064)
Realized and unrealized gains (losses) on investments	16,177	(1,041)
Change in present value of pooled life and charitable remainder trusts	59	17
Net assets released for operations	(10,795)	(10,723)
Net assets released for property, plant and equipment	(11,494)	(9,834)
Contribution of net assets from acquired affiliates	30,290	–
Other	–	4
Increase in net assets with donor restrictions	50,696	9,306
Increase in net assets	283,122	5,621
Net assets – beginning of year	1,765,503	1,759,882
Net assets – end of year	$2,048,625	$1,765,503

See accompanying notes to consolidated financial statements.

MAINEHEALTH SYSTEM
(MaineHealth Services and Subsidiaries)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2020 and 2019
(In thousands)

	2020	2019
Cash flows from operating activities:		
Increase in net assets	$ 283,122	$ 5,621
Adjustment to reconcile increase in net assets		
to net cash provided by operating activities:		
Depreciation and amortization	153,600	135,085
Accretion of bond issuance cost and premium, net	(1,590)	(1,453)
Equity in earnings of joint ventures	(6,983)	(5,362)
Net realized and change in unrealized gains on investments	(79,832)	(14,247)
Net gain on cash flow hedge instruments	2,499	6,483
Net (loss) gain on charitable remainder and perpetual trusts	(2,010)	492
Loss on disposal of fixed assets	94	2,252
Noncash lease expense	(24,795)	–
Restricted contributions and investments income	(25,657)	(31,964)
Retirement benefit plan adjustments	(17,092)	132,636
Net assets of acquired affiliates	(187,936)	–
Increase (decrease) in cash resulting from a change in:		
Patient accounts receivable	16,905	(21,002)
Inventories, prepaid expenses and other current assets	(2,460)	(15,731)
Other assets	(18,942)	2,036
Accounts payable and other current liabilities	87,761	(3,747)
Operating lease liability	26,727	–
Amounts (receivable) payable under reimbursement regulations	(5,408)	(9,617)
Self-insurance reserves	8,401	12,644
Accrued retirement benefits	29,939	(4,729)
Other liabilities	203,141	(4,248)
Net cash provided by operating activities	439,484	185,149
Cash flows from investing activities:		
Purchase of investments	(1,049,527)	(870,862)
Proceeds from sale of investments	833,282	866,329
Increase (decrease) in other assets	6,586	(1,446)
Distributions from joint ventures	5,736	6,582
Purchases of property, plant and equipment	(226,195)	(257,652)
Proceeds from sale of fixed assets	531	744
Cash and cash equivalents of acquired affiliates	7,561	–
Net cash used by investing activities	(422,026)	(256,305)
Cash flows from financing activities:		
Payments of long-term debt	(33,008)	(35,488)
Payments of finance lease obligations	(2,637)	–
Proceeds from issuance of long-term debt	282,812	13,998
Amounts paid to refinance	(33,915)	–
Restricted contributions and investment income	24,544	31,964
Net cash provided by financing activities	237,796	10,474
Net increase (decrease) in cash and cash equivalents	255,254	(60,682)
Cash and cash equivalents – beginning of year	292,618	353,300
Cash and cash equivalents – end of year	$ 547,872	$ 292,618

MAINEHEALTH SYSTEM
(MaineHealth Services and Subsidiaries)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended September 30, 2020 and 2019
(In thousands)

	2020	2019
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 17,988	$ 13,934
Supplemental disclosure of noncash activities:		
Purchases of property, plant and equipment in accounts payable and other current liabilities	$ 16,368	$ 10,995

See accompanying notes to consolidated financial statements.

1. Reporting Entity

Organization

The MaineHealth System (the System) is comprised of MaineHealth Services, the parent organization, and its subsidiaries. The subsidiaries of MaineHealth Services include MaineHealth, Mid Coast-Parkview Health, NorDx, MaineHealth Care at Home, and The Memorial Hospital at North Conway, N.H. The subsidiary MaineHealth includes eight acute care hospitals that were formerly individual entities until the execution of a unification merger effective January 1, 2019. These hospitals are now local health systems within the subsidiary named MaineHealth utilizing d/b/a's of Maine Medical Center, Southern Maine Health Care, LincolnHealth, Western Maine Healthcare (Stephens Memorial Hospital), Franklin Community Health Network (Franklin Memorial Hospital), Maine Behavioral Healthcare, and Coastal Healthcare Alliance (Waldo County General Hospital and Pen Bay Medical Center). The merger enables the combined resources of the merging entities to be allocated in a manner that is consistent with the System's mission of helping make the communities it serves the healthiest in America.

MaineHealth Services, together with its controlled subsidiaries, MaineHealth and The Memorial Hospital at North Conway, N.H., maintained a controlling interest in MaineHealth Accountable Care Organization, LLC (MaineHealth ACO), a value based contracting entity.

Since all the merged entities had been under the common control of the parent organization, formerly known as MaineHealth, and were already included in the System's consolidated financial statements, there was no impact on the financial reporting resulting from unification.

The purpose of the System is to lead the development of a premier community care network that provides a broad range of integrated health care services for populations in Maine and northern New England. Through the System's member organizations, the network provides services along the full continuum of care as necessary to improve the health status of the populations it serves. As such, revenue includes those generated from direct patient care services, amounts earned from incentive and risk arrangements, the provision of medical education and training services, federal and state grants and contracts, sundry revenue generated from the operations of the subsidiaries, fund-raising conducted to support the activities of the System and its subsidiaries, and investment earnings.

Acquisitions

On March 1, 2020, MaineHealth became the sole corporate member of Mid Coast–Parkview Health (MCPH). Membership in the MaineHealth System will provide MCPH with opportunities to improve the health of the communities in the Mid Coast region and strengthen the ability to provide high quality, safe patient care to local communities, while striving to increase access to tertiary services and lowering health care costs. No consideration was transferred in connection with the MCPH acquisition.

The consolidated statement of operations for 2020 includes seven months of operations of MCPH. In 2020, the consolidated statement of operations includes unrestricted revenue and other support of approximately $117,725,000, and a deficit of revenues over expense of approximately $9,427,000.

1. Reporting Entity (Continued)

The amounts assigned to major assets and liabilities at the acquisition date are as follows (in thousands):

Current assets	$ 61,745
Property and equipment	72,728
Other noncurrent assets	86,178
Current liabilities	(35,784)
Long-term liabilities	(27,221)
Contribution of net assets from acquired affiliates	$157,646

As a result of the acquisition, the System's net assets without donor restrictions were increased by $157,646,000 as a contribution of net assets from acquired affiliates and net assets with donor restrictions were increased by $30,290,000.

The MCPH transaction was accounted for as an acquisition in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-805, *Not-for-profit Mergers and Acquisitions*, which required the assets and liabilities to be accounted for at fair value, as of the date of the acquisition. The fair value of the net assets at the date of the acquisition was recognized as a contribution of net assets from acquired affiliates as part of nonoperating gains, and net assets with donor restrictions.

COVID-19 Pandemic and CARES Act and Other Relief Funding

In February 2020, the Center for Disease Control (CDC) confirmed the spread of the COVID-19 disease to the United States. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The State of Maine confirmed its first case on March 12, 2020. In an effort to slow the spread of the disease, the Governor of the State of Maine declared a state of emergency on March 15, 2020, followed by orders requiring schools and nonessential businesses to close, limiting gatherings, and ordering people to stay at home. On March 18, 2020, the Centers for Medicare and Medicaid Services (CMS) issued guidance that all elective surgeries and procedures, including medical and dental, should be postponed nationwide to mitigate the burden on health systems of increasing COVID-19 incidence and to make necessary facilities, equipment, supplies (including personal protective equipment, or "PPE") and personnel available to treat patients presenting COVID-19 symptoms. In response to the pandemic, MaineHealth began delaying or cancelling all nonemergent or elective procedures on March 16, 2020 and followed subsequent guidance issued by CMS.

During the year ended September 30, 2020, the System received $243,707,000 of accelerated Medicare payments. Payments under the Medicare Accelerated and Advanced Payment program are advances that must be repaid. At year end, no repayments had been made and based on repayment guidelines, $60,927,000 was recorded as a short-term liability and $182,780,000 as a long-term liability. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) also authorized the deferral of employment tax payment. At year end, $36,553,000 in deferred payroll taxes was recorded as a long-term liability.

1. Reporting Entity (Continued)

In addition, during the year ended September 30, 2020, the System received $138,117,000 in relief funds and grants from federal and state sources that is not required to be repaid, subject to use towards eligible expenses and lost revenues incurred as a result of the COVID-19 pandemic. This included $123,173,000 in CARES Act Provider Relief Funds (PRF payments), $3,848,000 in Maine and New Hampshire state Medicaid relief grants, $9,791,000 in employee retention payroll tax credits and $1,305,000 of additional funding. As of September 30, 2020, the System has recognized $134,816,000 of the total $138,117,000 in relief funding as revenue. MaineHealth's assessment of meeting the terms and conditions of each grant was based on incurrence of eligible uses under the terms and conditions of each grant. MaineHealth's assessment of whether the terms and conditions have been met for amounts received in CARES Act PRF payments were based on the Post-Payment Notice of Reporting Requirements issued by Health and Human Services (HHS) on September 19, 2020. Under such guidance, PRF payments were applied to healthcare related expenses attributable to the coronavirus that another source was not obligated to reimburse. PRF payment amounts not fully expended on healthcare related expenses attributable to the coronavirus were then applied to lost revenues, represented as a negative change in year-over-year net patient care income up to the amount of the entity's 2019 net gain or up to a net zero gain/loss in 2020 for entities that reported negative operating income in 2019.

Subsequently, HHS issued new Post-Payment Notice of Reporting Requirements on October 22, 2020 and again on November 2, 2020. Under the November 2, 2020 guidance, the representation of lost revenues differs from the September 19, 2020 guidance. The November 2, 2020 guidance states PRF payment amounts not fully expended on healthcare related expenses attributable to coronavirus are then applied to patient care lost revenues, up to the amount of the difference between their 2019 and 2020 actual patient care revenue. Based on the lost revenues incurred throughout the System as a result of cancellations of nonemergent activity, PRF relief funding recognized through September 30, 2020 would not be materially different. Finally, the Post-Payment Notice of Reporting Requirements states PRF payments not expended fully by the end of calendar year 2020 will be provided an additional six months in which to be used. At this time, MaineHealth does not anticipate repaying PRF funds received through September 30, 2020.

2. Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the System. The consolidated financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (GAAP) consistent with the FASB ASC Topic 954, *Health Care Entities*, and other pronouncements applicable to health care organizations. The assets of any member of the consolidated group may not be available to meet the obligations of other members in the group, except as disclosed in Note 10. Upon consolidation, intercompany transactions and balances have been eliminated.

2. Significant Accounting Policies (Continued)

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 consolidated financial statements. Estimates also affect 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 patient accounts receivable, the fair value of financial instruments, amounts receivable and payable under reimbursement regulations, asset retirement obligations (AROs), retirement benefits and self-insurance reserves.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt securities purchased with a maturity at the date of purchase of three months or less, excluding amounts classified as investments whose use is limited.

Investments

Investments are stated at fair value. The recorded value of investments in hedge funds and limited partnerships is based on fair value as estimated by management using information provided by external investment managers. The System has applied the provisions of Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities that Calculate Net Asset Value (NAV) per Share (or its Equivalent)*. This standard allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using NAV per share or its equivalent as a practical expedient. The System has utilized the NAV reported by each of the underlying funds as a practical expedient to estimate the value of the investment for each of these funds. The System believes that these valuations are a reasonable estimate of fair value as of September 30, 2020 and 2019, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a market for the investments existed. Such differences could be material. Certain of the hedge fund and limited partnership investments have restrictions on the withdrawal of the funds (see Note 8). Investments are classified as current assets based on the availability of funds for current operations. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the excess of revenues and nonoperating gains – net over expenses, unless the income or loss is restricted by donor or law. The accounting for the pension plan assets is disclosed in Note 8.

As provided for under ASC Topic 825, *Financial Instruments*, the System made the irrevocable election to report investments and investments whose use is limited at fair value with changes in value reported in the excess of revenues and nonoperating gains – net over expenses. As a result of this election, the System reflects changes in the fair value, including both increases and decreases in value whether realized or unrealized, in its excess of revenues and nonoperating gains – net over expenses.

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 consolidated financial statements.

2. Significant Accounting Policies (Continued)

Investments Whose Use is Limited

Investments whose use is limited primarily include investments held by trustees under debt agreements, self-insurance trust agreements, and designated investments set aside by the Board of Trustees (of member Boards) for purposes over which those Boards retain control and may at their discretion subsequently use for other purposes. In addition, investments whose use is limited include investments restricted by donors for specific purposes or periods, as well as investments restricted by donors to be held in perpetuity by the System, and the related appreciation on those investments. Amounts required to meet current liabilities of the System have been classified as current assets.

Property, Plant and Equipment

Property, plant, and equipment are recorded at cost, or at fair value at the date of acquisition, if acquired in a business combination accounted for using the acquisition method of accounting. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. MaineHealth recorded capitalized interest of approximately $3,610,000 and $8,997,000 for the years ended September 30, 2020 and 2019, respectively.

Gifts of long-lived assets, such as land, building, or equipment, are reported as increases in net assets without restrictions and are excluded from the excess of revenues and nonoperating gains – net 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 restricted support. Absent explicit donor stipulations about how long 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.

Impairment of Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less cost to sell.

Asset Retirement Obligations

AROs, which are included in other liabilities in the accompanying consolidated balance sheets, are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the System records period-to-period changes in the ARO liability resulting from the passage of time, increases or decreases in interest expense, and revisions to either the timing or the amount of the original expected cash flows to the related assets.

2. Significant Accounting Policies (Continued)

Accounting for Defined Benefit Pension and Other Postretirement Plans

The System recognizes the overfunded or underfunded status of its defined benefit and postretirement plans as an asset or liability in its consolidated balance sheets. Changes in the funded status of the plans are reported as a change in net assets without restrictions presented below the excess of revenues and nonoperating gains – net over expenses in its consolidated statements of operations and changes in net assets in the year in which the changes occur.

The measurement of benefit obligations and net periodic benefit cost is provided by third-party actuaries based on estimates and assumptions approved by the System's management. These valuations reflect the terms of the plans and use participant-specific information, such as compensation, age, and years of service, as well as certain assumptions, including estimates of discount rates, expected long-term rate of return on plan assets, rate of compensation increases, interest-crediting rates, and mortality rates.

Assets Limited or Restricted as to Use

Assets limited or restricted as to use include assets held by trustees under bond indenture agreements, assets restricted for self-insurance, assets held for supplemental retirement benefits, and assets restricted by donors for specific purposes or endowment. Amounts required to meet current liabilities of the System are classified as current assets.

Beneficial Interests in Perpetual Trusts

Beneficial interests in perpetual trusts consist of the System's proportionate share of the fair value of assets held by trustees in trust for the benefit of the System in perpetuity, the income from which is available for distribution to the System periodically. The assets held in trust consist primarily of cash equivalents and marketable securities. The fair values of perpetual trusts are measured using the net asset value as a practical expedient. Such amounts are included in assets whose use is limited in the accompanying consolidated balance sheets. Distribution from beneficial interests in perpetual trusts is included in nonoperating gains, unless restricted by donors.

Excess of Revenues and Nonoperating Gains – Net Over Expenses

The consolidated statements of operations include excess of revenues and nonoperating gains – net over expenses as the performance indicator. Changes in net assets without donor restrictions, which are excluded from excess of revenues and nonoperating gains – net over expenses, consistent with industry practice, include retirement benefit plan adjustments, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and capital grants.

2. Significant Accounting Policies (Continued)

Consolidated Statements of Operations

For purpose of display, transactions deemed by management to be ongoing, major, or central to the provision of health care and related services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

Patient Service Revenue

The System's patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors, and others and include consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the System bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The System believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation over time related to inpatient services. The System measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the System does not believe it is required to provide additional goods or services to the patient. Contracts, 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.

Free Care

The System provides care without charge to patients who meet certain criteria under its Board-established free care policies. Because the System does not pursue collection of amounts determined to qualify as free care, they are not reported as patient service revenue.

Direct and Indirect Research Revenue and Related Expenses

Revenue related to research grants and contracts is recognized as the related costs are incurred. Indirect costs relating to certain government grants and contracts are reimbursed at fixed rates negotiated with the government agencies. Research grants and contracts are accounted for as exchange transactions or contributions. Amounts received in advance of incurring the related expenditures are recorded as unexpended research grants and are included in deferred revenue.

Other Revenue

Revenue which is not related to patient medical care but is central to the day-to-day operations of the System is included in other revenue. This revenue includes pharmacy sales, cafeteria sales, medical school revenue, grant revenue, rental revenue, net assets released from restrictions for operations, COVID-19 relief revenue and other support services revenue.

2. Significant Accounting Policies (Continued)

Gifts and Donations

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized when the conditions are substantially met. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from donor restrictions, which is included in other revenue. Donor-restricted contributions whose restrictions are met within the same year received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Self-Insurance Reserves

The liabilities for outstanding losses and loss-related expenses and the related provision for losses and loss-related expenses include estimates for losses incurred but not reported as well as losses pending settlement. Such liabilities are based on estimates and, while management believes the amounts provided are adequate, the ultimate liability may be greater than or less than the amounts provided. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The methods for making the workers compensation and malpractice estimates and the resulting liability are actuarially reviewed on an annual basis, and any necessary adjustments are reflected in current operations.

Income Tax Status

The Internal Revenue Service has previously determined that the System and its subsidiaries (except Maine Medical Partners (MMP) (a subsidiary of MaineHealth) are organizations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. MMP had significant net operating loss carryovers as of September 30, 2020 and 2019. A valuation allowance has been provided for the entire deferred tax benefit for the net operating losses, due to uncertainty of realization. MMP did not have material taxable income in 2020 and 2019. Accordingly, a provision for income taxes has not been made in the accompanying consolidated financial statements.

The System recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount of benefit that is greater than fifty percent likely to be realized upon settlement. Changes in measurement are reflected in the period in which the change in judgment occurs. The System did not recognize the effect of any income tax positions in either 2020 or 2019.

2. Significant Accounting Policies (Continued)

New Accounting Pronouncements

In February 2016, the 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 was effective for the System on October 1, 2019. The System applied 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 did not require any transition accounting for leases that expired before the earliest comparative period presented. In addition, the System elected the following practical expedients available under Topic 842: 1) the package of practical expedients whereby the System is not required to reassess upon adoption of Topic 842 a) whether a contract is or contains a lease, b) lease classification and c) initial direct costs; and 2) short-term, the short-term lease measurement and recognition exemption. The impact of the adoption of Topic 2016-02 on the consolidated financial statements was to increase the right of use assets and lease obligation by $203,075,000 as of October 1, 2019. Topic 842 also requires significant new disclosures about leasing activity.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU 2017-07). ASU 2017-07 requires that an employer report the service cost component of net periodic pension cost in the same line item as other compensation costs arising from services rendered by employees during the period. The other components of net periodic pension cost are required to be presented in the statement of operations separately and outside a subtotal of income from operations, if one is presented. ASU 2017-07 is effective for the System on October 1, 2019.

Subsequent Events

Events occurring after the consolidated balance sheet date are evaluated by management to determine whether such events should be recognized or disclosed in the consolidated financial statements. Management has evaluated subsequent events through February 4, 2021, which is the date the consolidated financial statements were available to be issued.

3. Liquidity and Availability of Financial Assets

The System's working capital and cash flows are subject to variability during the year attributable to changes in volume and cash receipts. The System maintains investments portfolios without donor restrictions to manage fluctuations in cash flow.

The following table (in thousands) reflects the System's financial assets for the period ending September 30, 2020, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations. Investment amounts would be available, subject to liquidity of the underlying investments.

3. Liquidity and Availability of Financial Assets (Continued)

Cash and cash equivalents	$ 547,872
Investments	868,416
Patient accounts receivable	286,156
Financial assets available to meet cash needs for general expenditures within one year	$1,702,444

Cash and cash equivalents includes $243,707,000 of accelerated Medicare payments received under the Medicare Accelerated and Advanced Payment program. A liability of $60,927,000 has been recorded as a current liability in accounts payable and other current liabilities and $182,780,000 has been recorded as a long-term liability in other long-term liabilities.

In addition to the amounts listed above, the System has available to it lines of credit in the amount of $150,000,000 which it could draw upon to meet the current needs of the System.

4. Community Benefit Programs

As a nonprofit organization dedicated to community health improvement, the System provides many services for the community in addition to its range of health care services and programs. The System supports improvement in community health by implementing best practice interventions ranging from prevention and wellness to disease management. These services include evidence-based programs to improve care and outcomes for people suffering from chronic diseases such as diabetes, asthma, chronic obstructive pulmonary disease and behavioral health issues. The System also provides training and education opportunities for physicians and other providers that focus on achieving patient-centered healthcare. In addition, the System works to ensure patients receive excellent coordination of care through transitions of care programs. The System also offers, through its Access to Care program, donated healthcare services and free or low-cost medications to low-income and uninsured patients.

A wide range of community health improvement and prevention programs support the efforts to promote healthy lifestyles. The System's healthy lifestyle programs include initiatives that target both children and adults. Engaging community health professionals and provider organizations, community partners, family members and local and state government is a key component to the successful implementation and continued effectiveness of these programs. The System's tobacco cessation program, through highly trained Tobacco Treatment Educators, provides ongoing support to the community healthcare providers with the goal of reducing tobacco use. This program also offers a free confidential coaching service in support of Maine residents who seek to quit the use of tobacco. Over the past four years, the System has also invested significant resources in implementing a multi-faceted approach to addressing the opioid crises experienced by Maine and New Hampshire. Other community health improvement programs include healthy lifestyle, oral health, healthy weight, and childhood immunization initiatives.

5. Patient Service Revenue

The System records patient service revenue at the amount that reflects the consideration to which the System expects to be entitled to in exchange for providing patient care. Patient service revenue consists of amounts charged for services rendered less estimated discounts for contractual and other allowances for patients covered under Medicare, Medicaid and other health plans and discounts offered to patients under the System's uninsured discount program.

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

Medicare and State Medicaid Programs

Maine Medical Center, Southern Maine Health Care, Pen Bay Medical Center, Mid Coast—Parkview Health and Franklin Memorial Hospital are paid at prospectively determined rates for inpatient and outpatient services rendered to Medicare and Medicaid beneficiaries. Inpatient rates vary according to a patient classification system that is based on clinical diagnosis and other factors. Outpatient services are paid based on a prospective rate per ambulatory visit or procedure. LincolnHealth, Waldo County General Hospital, Stephens Memorial Hospital and The Memorial Hospital are Critical Access Hospitals reimbursed at cost for services provided to Medicare and Medicaid beneficiaries for certain services. Cost reimbursable services are paid at an interim rate with final settlement determined after submission, review and audit of annual cost reports by the System and audit thereof by the Medicare administrative contractor, the State of Maine and the State of New Hampshire.

Several System hospitals receive Disproportionate Share Hospital (DSH) payments. These payments are made to qualifying hospitals to cover the costs of providing care to low income patients. These payments are subject to audit by CMS and are, therefore, subject to change. These amounts are recorded as patient service revenue.

In 2004, the State of Maine established several health care provider taxes (State taxes). The enactment of the State taxes allowed the State of Maine to add revenues to the State of Maine General Fund while minimizing the potential of lost federal matching funds in the MaineCare program. The hospital-specific portion of the State taxes, on Maine hospitals is based on a percentage of Patient service revenue. Taxes on nursing homes are based on 6.0% of patient service revenue.

The State of New Hampshire established a Medicaid Enhancement Tax program in 1991. This program taxes hospital services at approximately 2.3% of Patient service revenues. The State of New Hampshire also levies a tax on intermediate care facilities at approximately 5.5%.

For the years ended September 30, 2020 and 2019, the System recorded State taxes of approximately $50,431,000 and $41,604,000, respectively.

Nongovernmental Payors

The System also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

5. Patient Service Revenue (Continued)

Uninsured Patients

For uninsured patients who do not qualify for free care, the System recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). Based on historical experience, a significant portion of uninsured patients will be unable or unwilling to pay for the services provided.

Consistent with the System's mission, care is provided to patients regardless of their ability to pay. The System has determined it has provided self-pay allowances to uninsured patients and patients with other uninsured balances (e.g. copays and deductibles). The self-pay allowances included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients.

The System provides care without charge to patients who meet certain criteria under its Board-established free care policy. Because the System does not pursue collection of amounts determined to qualify as free care, they are not reported as patient service revenue. The System estimates the costs associated with providing charity care by calculating a ratio of total cost to total gross charges, and then multiplying that ratio by the gross charges associated with providing care to patients eligible for free care. The estimated cost of caring for free care patients for the years ended September 30, 2020 and 2019, was $43,757,000 and $34,375,000, respectively. Funds received from gifts and grants to subsidize charity services provided for the years ended September 30, 2020 and 2019, were $434,000 and $569,000, respectively.

Patient service revenue from these major payor sources recognized during the years ended September 30, 2020 and 2019 is as follows (in thousands):

	2020	2019
Medicare	$ 860,547	$ 808,514
State Medicaid Programs	340,418	297,550
Anthem Blue Cross and Blue Shield	545,416	560,205
Other third-party payors	684,372	763,547
Patients	43,551	35,292
Total patient service revenue	$2,474,304	$2,465,108

Patient service revenue in 2020 and 2019 included approximately $493,000 and $569,000, respectively, of favorable settlements with third-party payors regarding prior year activities.

6. Concentration of Credit Risk

Financial instruments, which potentially subject the System to concentration of credit risk, consist of patient accounts receivable, estimated amounts receivable under reimbursement regulations, and certain investments. Investments, which include government and agency securities, stocks, and corporate bonds, are not concentrated in any corporation or industry. The System grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2020 and 2019, was as follows:

	2020	2019
Medicare	34%	35%
State Medicaid Programs	15	14
Anthem Blue Cross and Blue Shield	12	11
Other third-party payors	24	20
Patients	15	20
Total Patient service revenue	100%	100%

The System maintains its cash accounts at various financial institutions. As of September 30, 2020 and 2019, the System had cash balances of approximately $37,512,000 and $46,481,000, respectively, in uninsured accounts. The System has not experienced any losses in such accounts and evaluates the credit worthiness of the financial institutions with which it conducts business. Management believes the System is not exposed to any significant credit risk with respect to its cash balances.

7. Investments and Investments Whose Use is Limited

The composition of investments and investments whose use is limited at September 30, 2020 and 2019, is set forth as follows (in thousands):

	2020	2019
Investments (current assets)	$ 868,416	$ 781,005
Investments whose use is limited	704,971	389,165
	$1,573,387	$1,170,170
Cash equivalents	$ 312,366	$ 121,932
Fixed income securities – bonds	511,013	429,750
Equity investments	485,034	402,538
Investment in real property	2,125	2,123
Limited partnerships	91,856	77,816
Hedge funds	122,691	89,439
Beneficial interest in perpetual and charitable remainder trusts	48,302	46,572
	$1,573,387	$1,170,170

7. Investments and Investments Whose Use is Limited (Continued)

Investments whose use is limited include amounts required by debt agreements, amounts restricted by donors, assets designated by the Board for future capital improvements, assets to fund self-insured professional and general liability and workers' compensation risks, and to provide for other specific purposes.

Investments whose use is limited by debt agreements include debt service funds, which are composed of semiannual deposits to fund principal and interest payments, and construction funds. These investments are held pursuant to the requirements of the outstanding Revenue Bonds and Revenue Refunding Bonds.

The September 30, 2020 amounts reported as trusteed under debt agreements consisted of construction funds from the 2020 and 2018A Series bond issues, capitalized interest funds that will be used to pay future payments on the 2018A and 2018B Series bond issues, and funds accumulated for future principal and interest payments on the 2014A, 2018A and 2018B, and the 2020 Series bond issues.

The September 30, 2019 amounts reported as trusteed under debt agreements consisted of construction funds from the 2018A and 2018B Series bond issues, capitalized interest funds that will be used to pay future payments on the 2018A and 2018B Series bond issues, and funds accumulated for future principal and interest payments on the 2018A, 2011A and 2014A Series bond issues.

The current portion of investments whose use is limited at September 30, 2020 and 2019, is composed of the following (in thousands):

	2020	2019
Investments (current assets)	$250,008	$68,844
Investments whose use is limited	6,264	4,145
	$256,272	$72,989

8. Fair Value of Financial Instruments

Fair Value Measurements

The System classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets, Level 2, which refers to securities not traded on an active market, but for which observable market inputs are readily available, and Level 3, which refers to securities with unobservable inputs that are used when little or no market data is available. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Asset Valuation Techniques

Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value:

Cash equivalents – The investments strategy for these are low-risk, low-return, highly liquid investments, typically with a maturity of three months or less, including U.S. Government, T-bills, bank certificates, corporate commercial paper or other money market instruments that are based on quoted prices and are actively traded.

Fixed income securities-bonds – These securities are investments in corporate or sovereign bonds and notes, certificates of deposit, or other loans providing a periodic payment and eventual return of principal at maturity. Certain corporate bonds and notes are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds and notes are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flow approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

*Equity investments-stock*s – These investments include marketable equity securities, mutual funds, exchange traded, and closed-end funds. The fair value of marketable equity securities are principally based on quoted market prices. Exchange-traded funds and closed-end funds are valued at the last sale price or official closing price on the exchange or system on which they are principally traded. Investments in mutual funds are valued at their NAV at year end. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held are deemed to be actively traded.

Investment in real property – Investments in real property are valued yearly at fair value, using the market approach, as determined by comparable sales data beginning on the date of acquisition.

Common/collective trusts – These include diverse investments in securities issued by the U.S. Treasury and global bond funds using the Common Collective Trust vehicle to obtain lower expense ratios. These investments are designed to generate attractive risk-adjusted returns. The fair value of common collective trusts are based on the NAV of the fund, representing the fair value of the underlying investments, which are generally securities traded on an active market. The NAV as provided by the trustee, is used as a practical expedient to estimate fair value.

8. Fair Value of Financial Instruments (Continued)

Limited partnerships – These include investments in offshore and private equity funds. They have objectives of capital appreciation with absolute returns over the medium and long term. These investments are designed to generate attractive risk-adjusted returns. The estimated fair values of limited partnerships for which quoted market prices are not readily available, are determined based upon information provided by the fund managers. Such information is generally based on NAV of the fund, which is used as a practical expedient to estimate fair values. The limited partnerships invest primarily in readily available marketable equity securities. The limited partnerships allocate gains, losses, and expenses to the partners based on ownership percentage as described in the respective partnership agreements.

Hedge funds – The investments are inclusive of a variety of types of equity, debt, and derivative investments, designed to mitigate volatility while generating equity like returns. The estimated fair values of limited partnerships and hedge funds, for which quoted market prices are not readily available, are determined based upon information provided by the fund managers. Such information is generally based on NAV of the fund, which is used as a practical expedient to estimate fair value. The hedge funds invest primarily in readily marketable equity securities. The hedge funds allocate gains, losses, and expenses to the partners based on ownership percentage as described in the respective hedge fund agreements.

The following methods and assumptions were used by the System in estimating the fair value of the System's financial instruments that are not measured at fair value on a recurring basis for disclosures in the consolidated financial statements:

Interest rate swaps – The System uses inputs other than quoted prices that are observable to value the interest rate swaps. The System considers these inputs to be Level 2 inputs in the context of the fair value hierarchy. The fair value of the net interest rate swap liabilities was approximately $15,342,000 and $12,753,000 at September 30, 2020 and 2019, respectively. These values represent the estimated amounts the System would receive or pay to terminate agreements, taking into consideration current interest rates and the current creditworthiness of the counterparty. The fair value of the interest rate swap agreements are reported in other long-term liabilities.

Pledges receivable – The current yields for 1 to 10-year U.S. Treasury notes are used to discount pledges receivable. The System considers these yields to be a Level 2 input in the context of the fair value hierarchy. Pledges received were discounted at rates ranging from 0.12% to 3.50% in fiscal year 2020 and from 1.55% to 1.75% in fiscal year 2019. Outstanding pledges receivable in 2020 and 2019, which have been recorded within other long-term assets at fair value, totaled approximately $25,830,000 and $27,766,000, respectively.

Receivables and payables – The carrying value of the System's receivables and payables approximate fair value, as maturities are very short term.

8. Fair Value of Financial Instruments (Continued)

The System's investments at fair value set forth by level within the fair value hierarchy as of September 30, 2020 and 2019 are as follows (in thousands):

	Investments Measured at NAV	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
September 30, 2020					
Cash equivalents	$ –	$312,366	$ –	$ –	$ 312,366
Investments:					
Fixed income securities – bonds	315	158,921	351,777	–	511,013
Equity investments – stocks	–	437,464	47,570	–	485,034
Investment in real property	2,125	–	–	–	2,125
Limited partnerships	91,856	–	–	–	91,856
Hedge funds	122,691	–	–	–	122,691
Beneficial and charitable remainder trusts	–	–	–	48,302	48,302
Total investments	216,987	596,385	399,347	48,302	1,261,021
Total cash equivalents and investments	$216,987	$908,751	$399,347	$48,302	$1,573,387
September 30, 2019					
Cash equivalents	$ –	$121,932	$ –	$ –	$ 121,932
Investments:					
Fixed income securities – bonds	1,143	170,620	257,987	–	429,750
Equity investments – stocks	3,176	358,475	40,887	–	402,538
Investment in real property	2,123	–	–	–	2,123
Limited partnerships	77,816	–	–	–	77,816
Hedge funds	89,439	–	–	–	89,439
Beneficial and charitable remainder trusts	–	–	–	46,572	46,572
Total investments	173,697	529,095	298,874	46,572	1,048,238
Total cash equivalents and investments	$173,697	$651,027	$298,874	$46,572	$1,170,170

The net change in the beneficial interest in perpetual and charitable remainder trusts of $1,730,000 and $1,226,000, in 2020 and 2019 respectively, represents the change in the fair value of the trusts, net of distributions.

8. Fair Value of Financial Instruments (Continued)

The information regarding the fair value measurements of the assets held by the System's defined benefit pension plan (see Note 13) at September 30, 2020 and 2019, is as follows (in thousands):

	Investments Measured at NAV	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
September 30, 2020					
Cash equivalents	$ –	$ 23,384	$ –	$ –	$ 23,384
Investments:					
Fixed income securities – bonds	–	27,445	40,762	–	68,207
Equity investments – stocks	–	293,555	38,534	–	332,089
Common/collective trust	29,206	–	–	–	29,206
Limited partnerships	87,358	–	–	–	87,358
Hedge funds	205,971	–	–	–	205,971
Total investments	322,535	321,000	79,296	–	722,831
Total cash equivalents and investments	$322,535	$344,384	$ 79,296	$ –	$ 746,215
September 30, 2019					
Cash equivalents	$ –	$ 18,979	$ –	$ –	$ 18,979
Investments:					
Fixed income securities – bonds	–	29,435	37,705	–	67,140
Equity investments – stocks	–	302,461	19,620	–	322,081
Common/collective trust	27,154	–	–	–	27,154
Limited partnerships	76,035	–	–	–	76,035
Hedge funds	141,520	–	–	–	141,520
Total investments	244,709	331,896	57,325	–	633,930
Total cash equivalents and investments	$244,709	$350,875	$ 57,325	$ –	$ 652,909

Liquidity

Equity investments, fixed income investments, investments in real property, common collective trusts, limited partnerships and hedge funds are redeemable at NAV under the terms of the subscription and/or partnership agreements. Investments, including short-term investments, with daily liquidity generally do not require any notice prior to withdrawal. Investments with monthly, quarterly or annual redemption frequency typically require notice periods ranging from 30 to 180 days. The long term investments fair value are broken out below by their redemption frequency as of September 30, 2020 and 2019 for both the investments and the System's defined benefit pension plan (in thousands):

8. Fair Value of Financial Instruments (Continued)

	Investments						
Liquidity – NAV Measured Investments	Daily	Bi-Monthly	Monthly	Quarterly	Illiquid	Annually	Total
September 30, 2020							
Fixed income securities – bonds	$ –	$ –	$ –	$ –	$ 315	$ –	$ 315
Investment in real property	–	–	–	–	2,125	–	2,125
Limited partnerships	–	46,985	9,756	24,420	10,695	–	91,856
Hedge funds	2,259	–	29,902	89,170	1,360	–	122,691
	$ 2,259	$ 46,985	$ 39,658	$113,590	$ 14,495	$ –	$216,987
September 30, 2019							
Fixed income securities – bonds	$ –	$ –	$ 342	$ –	$ 801	$ –	$ 1,143
Equity investments – stocks	–	–	–	3,149	27	–	3,176
Investment in real property	–	–	–	–	2,123	–	2,123
Limited partnerships	–	41,578	9,071	17,889	9,278	–	77,816
Hedge funds	33,414	–	17,364	37,324	1,337	–	89,439
	$ 33,414	$ 41,578	$ 26,777	$ 58,362	$ 13,566	$ –	$173,697

	Defined Benefit Pension Investments						
Liquidity – NAV Measured Investments	Daily	Bi-Monthly	Monthly	Quarterly	Illiquid	Annually	Total
September 30, 2020							
Common/collective trusts	$ –	$ –	$ 29,206	$ –	$ –	$ –	$ 29,206
Limited partnerships	–	52,577	–	33,907	–	874	87,358
Hedge funds	48,057	–	40,701	117,213	–	–	205,971
	$ 48,057	$ 52,577	$ 69,907	$151,120	$ –	$ 874	$322,535
September 30, 2019							
Common/collective trusts	$ –	$ –	$ 27,154	$ –	$ –	$ –	$ 27,154
Limited partnerships	–	43,319	–	25,204	7,512	–	76,035
Hedge funds	56,746	28,966	22,052	33,756	–	–	141,520
	$ 56,746	$ 72,285	$ 49,206	$ 58,960	$ 7,512	$ –	$244,709

8. Fair Value of Financial Instruments (Continued)

Investments with a redemption frequency of illiquid may include lock-ups with definite expiration dates, restricted shares and side pockets, as well as private equity and real assets funds where the System has no liquidity terms until the investments are sold by the fund manager. The System has total capital commitments for alternative investments outstanding of $6,491,000 and $3,896,000 as of September 30, 2020 and 2019 respectively. Specific short-term investments within the System's portfolio will be used to fund this commitment. Investments associated with beneficial interests in perpetual trust agreements have been categorized as illiquid because they are not available to support operations.

Transfers Between Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. There were no transfers between Level 1 and Level 2 for the years ended September 30, 2020 and 2019.

The valuation methods as described above may produce a fair value calculation that may not be indicative of what the management would realize upon disposition or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with methods employed by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

9. Property, Plant and Equipment

Property, plant, and equipment at September 30, 2020 and 2019, consist of the following (in thousands):

	2020	2019
Land and land improvements	$ 116,781	$ 104,106
Buildings	1,646,066	1,363,334
Equipment	1,339,290	1,219,571
Construction in progress	134,478	182,713
	3,236,615	2,869,724
Less accumulated depreciation	(1,840,497)	(1,619,218)
Total property, plant and equipment, net	$ 1,396,118	$ 1,250,506

9. Property, Plant and Equipment (Continued)

As of September 30, 2020 and 2019, the remaining commitment on construction contracts was approximately $242,191,000 and $27,079,000, respectively. The value of property, plant, and equipment acquisitions in accounts payable at September 30, 2020 and 2019, was approximately $16,368,000 and $10,995,000, respectively.

Information Technology Investment

The System has made and continues to make a significant investment in its information technology systems. A significant project to acquire and implement an ambulatory electronic health record began in 2007, was expanded in 2010 to include the inpatient electronic health record system and other financial systems and then was expanded again in 2016 to include Maine Behavioral Healthcare and System members who joined the System since 2010. The project scope and budget were increased in 2018 to approximately $340,800,000 and is expected to be completed in 2021. Approximately $319,900,000 had been expended as of September 30, 2020.

10. Long-Term Debt and Revolving Lines of Credit

Long-term debt at September 30, 2020 and 2019 consists of the following (in thousands):

Name of Issue	Interest Rate	Type of Rate	Final Maturity	2020	2019
Revenue bonds:					
Maine Health and Higher Educational Facilities Authority (MHHEFA):					
Franklin Memorial Hospital – Series 2016A	3.0%-5.0%	Fixed	2034	$ 8,274	$ 8,739
Maine Medical Center – MaineHealth – Series 2020	4.0%-5.0%	Fixes	2050	205,213	–
Maine Medical Center – Series 2018A	5.0%	Fixed	2048	164,330	164,330
Maine Medical Center – Series 2018B	3.84%-3.94%	Fixed	2028	10,930	10,930
Maine Medical Center – Series 2018C	(81.5%* 1 Month Libor)+0.652%	Variable	2036	36,735	36,735
Maine Medical Center – Series 2014	3.0%-5.0%	Fixed	2044	79,675	79,675
Quarry Hill – Series 2017A	4.0%-5.0%	Fixed	2030	6,589	7,199
Pen Bay Medical Center – Series 2017B	3.0%-5.0%	Fixed	2038	6,113	6,543
Waldo County General Hospital – Series 2014A	3.0%-5.0%	Fixed	2028	3,412	3,817
Southern Maine Health Care – Maine Health – Series 2020	4.0%-5.0%	Fixed	2050	7,487	–
Southern Maine Health Care – Series 2016A	4.0%-5.0%	Fixed	2026	5,665	7,284
Stephens Memorial Hospital – Series 2014	2.0%-5.0%	Fixed	2039	3,735	4,070
Finance Authority of Maine:					
MaineHealth – Series 2017	2.11%	Fixed	2027	45,252	51,781
MaineHealth – Series 2014	2.36%	Fixed	2025	60,045	71,037
Southern Maine Health Care – Series 2013	2.91%	Fixed	2033	11,796	12,540
New Hampshire Health and Education Facilities Authority:					
The Memorial Hospital at North Conway (sub. of TMH) – Series 2016	4.0%-5.5%	Fixed	2036	12,990	13,500
Note payable:					
MaineHealth – Series 2020A	1.5%	Fixed	2030	21,115	–
MaineHealth – Series 2020B	1.7%	Fixed	2031	15,260	–
MaineHealth	3.0%	Fixed	2025	4,258	5,024
MaineHealth	Adj Libor + 95 basis pts	Variable	2031	8,962	9,644
MaineHealth	Adj Libor + 95 basis pts	Variable	2031	8,612	9,267
Mid Coast-Parkview Health	3.2%	Fixed	2027	23,042	–
Other, including finance leases				31,316	76,168
Total bonds, loans, notes payable and finance leases before bond issuance costs and premiums				780,806	578,283
Less unamortized bond issuance costs				(7,860)	(6,017)
Unamortized premiums net of discounts				67,491	31,642
Total bonds, loans, notes payable and finance leases				840,437	603,908
Less portion classified as current liabilities				(42,842)	(36,621)
				$797,595	$567,287

10. Long-Term Debt and Revolving Lines of Credit (Continued)

Annual principal maturities of long-term debt for the five fiscal years after September 30, 2020, and the years thereafter, are as follows (in thousands):

	Bonds and Notes	Finance Lease Obligation
2021	$ 38,435	$ 2,812
2022	36,493	2,352
2023	36,972	1,260
2024	35,612	1,246
2025	36,221	1,233
Years thereafter	587,481	2,578
	$771,214	11,481
Less amounts representing interest under finance lease obligations		(1,889)
		$ 9,592

In 1999, the Board of Trustees of MaineHealth adopted a Parent Model Master Trust Indenture (the Indenture), and the Boards of Trustees of MaineHealth, MMC and certain other MaineHealth subsidiaries adopted a System Funding Agreement. The legal name of the corporation then known as MaineHealth is currently known as MaineHealth Services. For ease of reference, the corporation will be referred to as "MaineHealth Services" in this note. Adoption of the Indenture and the System Funding Agreement resulted in the creation of an Obligated Group for the MaineHealth System (the Obligated Group), with certain MaineHealth subsidiaries established as Designated Affiliates of the Obligated Group (the Designated Affiliates). Designated Affiliates have access to lower cost capital and less restrictive debt covenants. MaineHealth Services is the only member of the Obligated Group. Effective with the unification merger described in Note 1, the following Designated Affiliates merged into MMC (renamed MaineHealth as part of the unification merger): Stephens Memorial Hospital Association, Maine Behavioral Healthcare, LincolnHealth and Southern Maine Health Care. Quarry Hill was approved as a new Designated Affiliate. As a result, the Designated Affiliates under the Indenture and the System Funding Agreement as of January 1, 2019 are MaineHealth Services, MaineHealth, LincolnHealth Cove's Edge, Inc., and Quarry Hill. The Designated Affiliates under the Indenture and the System Funding Agreement are indirectly liable for the debt service on the obligations issued under the Indenture for the benefit of any Designated Affiliate. MaineHealth must remain a Designated Affiliate under the Indenture and the System Funding Agreement and has approval authority over any additional MaineHealth subsidiary requesting designation as a Designated Affiliate under the System Funding Agreement. As of September 30, 2020 and 2019, debt issued under the System Funding Agreement was $594,025,000 and $388,874,000, respectively. Debt issued under the Indenture as of September 30, 2020 and 2019 was $582,229,000 and $376,334,000, respectively. In 2019, the Indenture was revised to include a pledge of gross revenues from MaineHealth and MaineHealth Services. As of September 30, 2020 and 2019, $728,225,000 and $544,827,000, respectively, of debt obligations were covered by the pledge of gross revenues.

10. Long-Term Debt and Revolving Lines of Credit (Continued)

MaineHealth Services subsidiaries that were not Designated Affiliates prior to the unification merger had outstanding debt related to MHHEFA Revenue Bonds and Revenue Refunding Bonds that was not issued under the terms of the Indenture. Under the terms of this debt, these MaineHealth Services subsidiaries were required to maintain deposits with the related bond trustee. Such deposits are included with investments whose use is limited in the consolidated balance sheets. In addition, the terms of this debt also required that these MaineHealth Services subsidiaries satisfy certain measures of financial performance (including a minimum debt service coverage ratio) and other financial covenants as long as the bonds were outstanding. For the year ended September 30, 2020, these measures of financial performance have been suspended. Upon the January 1, 2019 unification merger of these subsidiaries into MaineHealth, which is a Designated Affiliate, the various loan agreements for these outstanding obligations were amended to bring them under the terms of the Indenture and the System Funding Agreement. Mid Coast Hospital, which was not a member of the Obligated Group as of September 30, 2020, was required in accordance with its separate loan agreement with Key Bank to maintain a minimum debt service coverage ratio. Due to the unfavorable financial impact of the COVID-19 pandemic, Mid Coast Hospital did not meet this ratio at September 30, 2020. Mid Coast Hospital received a waiver regarding this ratio from Key Bank.

In July 2020, MHHEFA issued Series 2020 bonds for the amount of $212,700,000, with the proceeds being used to fund a portion of the MMC master facilities project and the construction of an inpatient behavior health unit at Southern Maine Health Care. Of the Series 2020 bonds, $205,213,000 will be used to fund MMC's master facilities project that includes a seven story patient tower consisting of 128 single patient rooms that are both private and universal allowing standard, intermediate and critical care in addition to updated clinical procedure rooms and a 108,000 square foot ambulatory care building at its Scarborough campus. Of the Series 2020 bonds, $7,487,000 will be used to fund the renovation and construction of 42 inpatient behavioral health beds at Southern Maine Health Care's Sanford campus. This debt is secured by the Master Trust Indenture, the System Funding Agreement and the MaineHealth Gross Revenue Pledge.

In September 2020, MaineHealth advanced the defeasement of the 2011A, 2011C and 2012A MHHEFA tax-exempt bonds with two taxable loans payable to TD Bank. The two TD Bank loans are forward purchase agreements with principal amounts paid to TD Bank by MaineHealth to be held until the MHHEFA bonds can be called, at which time MHHEFA will issue new tax exempt bonds to be purchased by TD Bank at a lower interest cost than the prior bonds. The defeasement of the 2011A and 2011C MHHEFA bonds was financed with a $21,115,000 TD Bank loan with a forward purchase agreement date of July 1, 2021. The defeasement of the 2012A MHHEFA bonds was financed with a $15,260,000 TD Bank loan with a forward purchase agreement date of July 1, 2022. Both TD Bank loans are secured by the Master Trust Indenture, the System Funding Agreement and MaineHealth Gross Revenue Pledge.

In July 2018, MHHEFA issued its Series 2018A and 2018B bonds totaling $175,260,000, the proceeds of which are being used to fund a portion of the MMC master facilities project. The project includes the financing, construction, renovation and equipment of 64 new patient rooms, additional visitor parking, a new employee parking garage, and the acquisition and renovation of an office building. This debt was issued under the Indenture and the System Funding Agreement.

10. Long-Term Debt and Revolving Lines of Credit (Continued)

In August 2018, MHHEFA issued its Series 2018C term bonds totaling $36,735,000 for private placement with TD Bank, N.A., the proceeds of which were used to refinance MMC's outstanding MHHEFA Series 2008A Revenue Bonds. This debt was issued under the Indenture and the System Funding Agreement.

MHHEFA Revenue Bonds, including the Series 2018A, 2018B and 2018C Bonds, are generally secured under a Bond Indenture. These Bond Indentures are contracts among MHHEFA, the Bond Trustee and the bondholders of that series of bonds, and the respective pledges and covenants made therein are for the equal and ratable benefit and security of the bondholders. The Bond Indentures for the Series 2018A, 2018B and 2018C Bonds provide that such bonds shall be special obligations of MHHEFA, payable solely from and secured solely by the payments made by MMC under the respective Bond Indenture, and the funds available in the Bond Fund established under such Bond Indenture.

In January 2015, MHHEFA issued its Series 2014 bonds totaling $85,105,000 for the benefit of MMC and Stephens Memorial Hospital Association. The MMC portion, $79,675,000, was used to finance renovations and equipment for the Bean Building and to refinance a portion of MHHEFA's, Series 2008A bonds totaling $42,760,000. The Stephens Memorial Hospital Association portion, $5,430,000, was used to finance construction of and equipment for a new medical office building. Stephens Memorial Hospital Association, a subsidiary at the time of Western Maine Health Care Corporation, has since been merged into MMC as part of the unification merger. This debt was issued under the Indenture and the System Funding Agreement.

MaineHealth Services financed an information systems project, known as the SeHR (Shared electronic Health Record) Project, with loans entered into in 2014 and 2017. The SeHR Project will implement a system wide integrated electronic health record system and financial system and consists of an integrated suite of technology solutions to support the healthcare delivery for MaineHealth Services members, providers and the communities MaineHealth serves. In 2014, MaineHealth Services borrowed up to $101,500,000 in both tax exempt and taxable loans. The tax-exempt loan was for up to $94,800,000 and financed through a revenue bond issued by the Finance Authority of Maine (FAME) and purchased by TD Bank, N.A. The taxable loan was a term loan with TD Bank, N.A. for $6,700,000. In 2017, MaineHealth Services secured additional borrowings of $59,200,000 million in both tax exempt and taxable loans to finance implementation of the SeHR Project with additional subsidiaries and to complete the project. The 2017 tax-exempt loan was for $55,500,000 and financed through a revenue bond again issued by FAME and purchased by TD Bank, N.A. The taxable loan was a term loan with TD Bank, N.A. for up to $3,700,000.

Deferred financing costs of $7,860,000 in 2020 and $5,918,000 in 2019 are reported as a component of long term debt and represent the costs incurred in connection with the issuance of the bonds. These costs are being amortized over the term of the bonds. Amortization expense for the years ended September 30, 2020 and 2019 was approximately $637,000 and $531,000, respectively. The original issue discount/premium is amortized/accreted over the term of the related bonds using the effective interest method.

10. Long-Term Debt and Revolving Lines of Credit (Continued)

Effective January 1, 2019, following the unification merger, all existing lines of credit for the merged subsidiaries were terminated and replaced with a single System line of credit in the amount of up to $50,000,000 which expired on June 30, 2020 and renewed to expire on August 31, 2022. In May 2020, an additional $100,000,000 System line of credit was established which expires in May 2021.

Both lines of credit are secured by a MaineHealth gross revenue pledgee. There were no amounts outstanding on either line of credit as of September 30, 2020.

11. Leases

The System utilizes operating and finance leases for the use of certain hospitals, medical office buildings, and medical equipment. All lease agreements generally require the System to pay maintenance, repairs, property taxes and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the right of use (ROU) asset or lease liability. Variable lease cost also includes escalating rent payments that are not fixed at commencement but are based on an index that is determined in future periods over the lease term based on changes in the Consumer Price Index or other measure of cost inflation. Most leases include one or more options to renew the lease at the end of the initial term, with renewal terms that generally extend the lease at the then market rate of rental payment. Certain leases also include an option to buy the underlying asset at or a short time prior to the termination of the lease. All such options are at the System's discretion and are evaluated at the commencement of the lease, with only those that are reasonably certain of exercise included in determining the appropriate lease term. The components of lease cost and rent expense for the year ended September 30, 2020 are as follows (in thousands):

Lease Cost

Operating lease cost:	
Operating lease cost	$ 28,508
Short-term lease cost	4,956
Total operating lease cost	$ 33,464
Finance lease cost:	
Amortization of ROU assets	$ 2,247
Interest on finance lease liabilities	607
Total finance lease cost	$ 2,854

11. Leases (Continued)

Supplemental balance sheet information related to leases was as follows at September 30, 2020 (in thousands):

	Balance Sheet Classification	
Operating lease cost:		
ROU assets	Right of use asset	$176,780
Finance lease cost:		
Financing lease ROU assets	Property and equipment:	
	Building and improvements	$ 11,211
	Equipment and fixtures	6,716
		17,927
	Less accumulated depreciation and amortization	(10,776)
	Property and equipment, net	$ 7,151
Current:		
Operating lease liabilities	Current portion of lease obligation	$ 21,079
Finance lease liabilities	Current portion of long-term debt	2,270
Long-term:		
Operating lease liabilities	Long-term lease obligation	157,633
Finance lease liabilities	Long-term debt	7,322
Total lease liabilities		$188,304

Supplemental cash flow and other information related to leases as of and for the year ended September 30, 2020 is as follows (in thousands):

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases (liability reduction)	$ 26,727
Operating cash flows from finance leases (fixed payments)	21,687
Operating cash flows from finance leases (interest payments)	789
Financing cash flows from finance leases (liability reduction)	2,637
Right-of-use assets obtained in exchange for new finance lease liabilities	94
Right-of-use assets obtained in exchange for new operating lease liabilities	205,755
Weighted-average remaining lease term:	
Operating leases	19.84 year
Finance leases	5.51 years
Weighted-average discount rate:	
Operating leases	3.3%
Financing leases	5.8%

11. Leases (Continued)

Commitments relating to noncancellable operating and finance leases and financing obligations for each of the next five fiscal years after September 30, 2020, and the years thereafter, are as follows (in thousands):

	Operating Leases	Finance Leases
2021	$ 26,377	$ 2,812
2022	20,915	2,352
2023	18,335	1,260
2024	16,315	1,246
2025	14,132	1,233
Thereafter	168,691	2,578
Total minimum future payments	264,765	11,481
Less imputed interest	(86,053)	(1,889)
Total liabilities	178,712	9,592
Less current portion	(21,079)	(2,270)
Long-term liabilities	$157,633	$ 7,322

12. Self-Insurance Trusts and Reserves

Prior to unification, certain System members were partially self-insured for professional and general liability risks. These entities shared risk above certain amounts with an insurance company for all claims related to the partially self-insured plans. Post-unification, the professional and general liability policy has excess coverage whereby the System is responsible for the first $200,000 of a professional general liability claim; 50% of amounts between $200,000 and $2,000,000; and 25% of amounts over $2,000,000 and up to $7,000,000.

The professional and general liability trust funds of the unified entities have been combined and will be used to pay claims from anywhere in the System. The System maintains separate trust funds for both the professional and general liability insurance. The System funds these trusts based upon actuarial valuations and historical experience. Self-insurance reserves for self-insured unpaid claims and incidents are estimated using actuarial valuations, historical payment patterns, and current trends. Self-insurance reserves are recorded in the period the claim or incident occurs and adjusted in future periods as additional data becomes known.

As of September 30, 2020 and 2019, there are no known claims outstanding, which, in the opinion of management, will be settled for amounts in excess of insurance coverage. As of September 30, 2020 and 2019, an accrual for estimated claims incurred but not reported was recorded. An estimated recovery related to such claims is included in the consolidated financial statements as of September 30, 2020 and 2019.

12. Self-Insurance Trusts and Reserves (Continued)

The System provides health and dental insurance for its employees through a self-insured plan administered by the System. Self-insurance reserves for unpaid claims and incidents are carried at MaineHealth.

With the exception of The Memorial Hospital at North Conway, N.H., the System provides workers compensation insurance for its employees through a self-insured plan administered by MaineHealth. Self-insurance reserves are carried at MaineHealth for unpaid claims and settlements are estimated using actuarial valuations. Self-insurance reserves are recorded in the period the incident occurs and adjusted in future periods as additional data becomes known. The Memorial Hospital at North Conway, N.H. is fully insured through New Hampshire Employers Insurance Company.

13. Retirement Benefits

Defined Benefit Pension Plan

The System sponsors a defined benefit pension plan (the Plan), which was previously sponsored by Maine Medical Center, covering all grandfathered employees that work 750 or more hours in a plan year. Effective January 1, 2014, the Plan was amended to exclude from participation all employees hired on or after January 1, 2014. Such employees are eligible to participate in the defined contribution plan (the MaineHealth 403(b) Retirement Plan). The Plan was also amended effective January 1, 2011, to change the basis of a participant's accrued benefit. Prior to January 1, 2011, accrued benefits were based on the highest five years of final average pay. Effective January 1, 2011, for participants hired on or before December 31, 2009, there is a benefit based on the participant's final average pay through December 31, 2020, and years of service through December 31, 2010. This final average pay benefit is frozen as of December 31, 2020.

For participants currently employed or hired on or after January 1, 2010, but before January 1, 2014, accrued benefits are based on a cash balance formula that became effective January 1, 2011. A participant's cash balance account is increased by an annual cash balance contribution for participants with 750 hours of service, and interest credits in accordance with the terms of the amended Plan Document. The annual cash balance contribution is determined by applying a rate based on age and years of service to the participant's annual compensation. Interest credits are equal to a percentage of the participant's cash balance account on the first day of the Plan year and are credited on the last day of the Plan year prior to payment of the annual cash balance contribution. Except for certain instances, the rate of interest used to determine the interest credit for a Plan year is 5%. Retiring or terminating employees have the option to receive a lump-sum payment, annuity, or transfer to another qualified plan in accordance with the terms of the amended Plan Document.

The System's funding policy is to contribute amounts to fund current service cost and to fund over 30 years the estimated accrued benefit cost arising from qualifying service prior to the establishment of the Plan. The assets of the Plan are held in trust and are invested in a diversified portfolio that includes temporary cash investments, marketable equity securities, mutual funds, U.S. Treasury notes, corporate bonds and notes, hedge funds, and other funds.

13. Retirement Benefits (Continued)

Defined Benefit Postretirement Medical Plan

As of May 1, 2015, eligible retirees who were enrolled in the Over 65 Retiree Group Companion Plan have transitioned to supplemental retiree health insurance options offered through a private Medicare Exchange engaged by the System and the Companion Plan was curtailed. Transitioned retirees, and certain future retirees, are eligible for an employer contribution to a Health Reimbursement Account (HRA) if they meet certain eligibility requirements. All other eligible System retirees who become Medicare eligible are also eligible to obtain supplemental coverage through the private Medicare Exchange but are not eligible for the employer contribution to the HRA.

Effective January 1, 2016, under age 65 retirees no longer have the option to enroll in the Under 65 Retiree Medical Plan. Retirees enrolled in the plan on or before December 1, 2015 are grandfathered until such time as they age into Medicare coverage at age 65. Grandfathered retirees continue to pay 100% of the cost (with the exception of those retirees enrolled as a result of the Voluntary Early Retirement Window in 2013). These retirees by a special arrangement pay the active employee rate for either three years or until they turn 65 whichever is sooner.

The activity in the Plan and Postretirement Medical Plan using valuation dates of September 30, 2020 and 2019, consists of the following (in thousands):

	Defined Benefit Pension Plan		Postretirement Medical Plan	
	2020	2019	2020	2019
Net periodic benefit cost:				
Service cost	$ 33,318	$ 30,526	$ –	$ –
Interest cost	31,486	35,447	134	185
Expected return on plan assets	(46,688)	(50,500)	–	–
Amortization of actuarial loss	36,304	20,444	28	15
Prior service credit	(1,462)	(1,462)	(193)	(193)
Net periodic benefit cost	$ 52,958	$ 34,455	$ (31)	$ 7
Change in benefit obligation:				
Benefit obligation, beginning of year	$ 971,081	$ 815,869	$ 4,238	$ 4,369
Service cost	33,318	30,526	–	–
Interest cost	31,486	35,447	134	185
Actuarial loss	61,502	137,101	(91)	130
Benefits paid	(49,851)	(41,456)	(398)	(446)
Expenses paid	(6,659)	(6,406)	–	–
Benefit obligation, end of year	1,040,877	971,081	3,883	4,238

13. Retirement Benefits (Continued)

	Defined Benefit Pension Plan		Postretirement Medical Plan	
	2020	2019	2020	2019
Change in plan assets:				
Net assets of plan, beginning of year	$ 652,909	$ 618,281	$ –	$ –
Actual return on plan assets	90,516	36,290	–	–
Employer contribution	59,300	46,200	398	446
Benefits paid	(49,851)	(41,456)	(398)	(446)
Expenses paid	(6,659)	(6,406)	–	–
Net assets of plan, end of year	746,215	652,909	–	–
Net amount recognized	$ (294,662)	$ (318,172)	$ (3,883)	$ (4,238)

The additional defined benefit pension plan and Postretirement Medical Plan disclosure information for the years ended September 30, 2020 and 2019, is as follows (in thousands):

	Defined Benefit Pension Plan		Postretirement Medical Plan	
	2020	2019	2020	2019
Amounts recognized in the consolidated balance sheets – accrued retirement benefits	$ (294,662)	$ (318,172)	$ (3,883)	$ (4,238)
Additional information – accumulated benefit obligation	(1,011,047)	(939,046)	–	–

Net assets without donor restrictions at September 30, 2020 and 2019, include unrecognized losses of $401,699,000 and $420,328,000, respectively, related to the Plan. Of this amount, $38,173,000 is expected to be recognized in net periodic pension cost in 2021. The aggregate loss in both 2020 and 2019 was due to the significant drop in the long-term interest rates underlying the discount rate.

The assumptions of the Plan as of September 30, 2020 and 2019 are as follows:

	2020	2019
Measurement date	September 30	September 30
Census date	January 1	January 1
Used to determine net periodic pension cost:		
Discount rate	3.35%	4.49%
Rate of compensation increase	3.50%	3.50%
Expected long-term rate of return on plan assets	7.00%	8.00%
Used to determine benefit obligation:		
Discount rate	2.86%	3.35%
Rate of compensation increase	3.50%	3.50%

13. Retirement Benefits (Continued)

The expected long-term rate of return on plan assets for the Plan reflects the System's estimate of future investment returns (expressed as an annual percentage) taking into account the allocation of plan assets among different investment classes and long-term expectations of future returns on each class.

The targeted allocation for the Plan investments are: debt securities – 30%, U.S. equity securities – 22.5%, international equity securities – 17.5%, emerging market equity securities – 5%, natural resources – 5%, and alternative investments – 20%. The Plan's investments as of September 30, 2020 and 2019 are disclosed in Note 8.

The Plan's overall financial objective is to provide sufficient assets to satisfy the retirement benefit requirements of the Plan's participants. This objective is to be met through a combination of contributions to the Plan and investment returns. The long-term investment objective for the Plan is to attain a total return (net of investment management fees) of at least 5% per year in excess of the rate of inflation measured by the Consumer Price Index. 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.

Investment policies and strategies governing the assets of the Plan are designed to achieve the financial objectives within prudent risk parameters. Risk management practices include the use of external investment managers, 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.

The medical inflation assumption used for measurement purposes in the per capita cost of covered health care benefits for the Postretirement Medical Plan was 6.5% annual rate of increase respectively, for the years ended September 30, 2020 and 2019. This rate was assumed to gradually decrease to 4.5% by 2023 and remain at that level thereafter.

Future benefits are expected to be paid as follows at September 30, 2020 (in thousands):

	Defined Benefit Pension Plan	Postretirement Medical Plan (net of Retiree Contributions)
Years ended September 30:		
2021	$ 67,338	$ 427
2022	66,837	410
2023	68,114	386
2024	71,748	361
2025	70,261	337
2026 – 2030	354,289	1,342

The estimated expected contribution to be made during the year ending September 30, 2021 is $61,170,000.

13. Retirement Benefits (Continued)

Defined Contribution Pension Plans

The System sponsors the MaineHealth 403(b) Retirement Plan, which benefits substantially all of their employees. This plan assumed the Maine Medical Center 403(b) Retirement Plan and subsequently over the course of several years merged in the various 403(b) plans of the various subsidiaries. Amounts expensed under these plans were approximately $39,970,000 and $34,750,000 in 2020 and 2019, respectively. The Plan is a MaineHealth sponsored plan but each local health system contributes its own employer contribution level for its local employees.

Nonqualified Deferred Compensation Plan

The System offers a 457(b) nonqualified deferred compensation plan to certain eligible employees. Eligible employees may elect up to the maximum dollar amount as defined by Section 402(g) of the Internal Revenue Service code. The plan is funded solely by employee contributions that are invested in various marketable securities at the direction of the employees. These investments are classified as Level 1 and Level 2 investments which are valued using quoted prices for active markets of identical assets. The assets of the plan are the legal assets of the System until they are distributed to participants, and therefore the plan assets and corresponding liability are reported as other assets and accrued retirement benefits in the accompanying consolidated balance sheet. As of September 30, 2020 and 2019 the balances of the plan were $113,328,000 and $76,075,000, respectively.

14. Net Assets

Resources are classified for reporting purposes as net assets without donor restrictions and net assets with donor restrictions, according to the absence or existence of donor-imposed restrictions. Resources arising from the results of operations or assets set aside by the Board of Trustees are not considered to be donor restricted. Net assets with donor restrictions represent funds including contributions and accumulated investment returns, whose use has been restricted by donors to a specific period or purpose or that have been restricted by donors to be maintained in perpetuity to provide a permanent source of income. Generally, the donors of these donor restricted assets permit the use of part of the income earned on related investments for specific purposes. Net assets are as follows at September 30 (In thousands):

	2020	2019
Without donor restrictions	$1,774,871	$1,542,445
With donor restrictions:		
Perpetual in nature	106,292	89,038
Purpose restricted	165,089	131,540
Time restricted	2,373	2,480
Net assets	$2,048,625	$1,765,503

14. Net Assets (Continued)

Endowment Funds

The System's endowment consists of funds established for a variety of purposes. For the purposes of this disclosure, endowment funds include donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The System has interpreted state law as requiring realized and unrealized gains on net assets with donor restrictions to be retained in a net assets with donor restrictions classification until appropriated by the Board and expended. State law allows the Board to appropriate so much of the net appreciation of net assets with donor restrictions as is prudent considering the System's long-and short-term needs, present and anticipated financial requirements, and expected total return on its investments, price level trends, and general economic conditions.

As a result of this interpretation, the System classifies as net assets with donor restrictions (a) the original value of the gifts donated to the endowment when explicit donor stipulations requiring permanent maintenance of the historical fair value are present and (b) the original value of the subsequent gifts to the endowment when explicit donor stipulations requiring maintenance of the historical fair value are present. The remaining portion of the donor-restricted endowment fund composed of accumulated gains not required to be maintained in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the donor's stipulations. The System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: duration and preservation of fund, purposes of the donor-restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the System, and the investment policies of the System.

Endowment Investment Return Objectives

The System has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the System must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, the endowment assets are invested in a manner to attain a total return (net of investment management fees) of at least 5.0% per year in excess of inflation, measured by the Consumer Price Index. To satisfy its long-term rate of return objectives, the System targets a diversified asset allocation that places a greater emphasis on equity-based investments within prudent risk constraints.

14. Net Assets (Continued)

Endowment Investment Asset Composition

The following is a summary of the endowment asset composition by type of fund at September 30, 2020 and 2019, and the changes therein for the years then ended (in thousands):

	With Donor Restrictions
Endowment investment, end of year, September 30, 2018	$114,192
Investment return, net	(1,611)
Contributions	2,438
Changes in interest in perpetual trust	20
Net assets transferred	37
Appropriation of endowment assets for expenditure	(5,576)
Endowment investment, end of year, September 30, 2019	109,500
Investment return, net	15,232
Contributions	533
Contribution of net assets from acquired affiliates	15,073
Changes in interest in perpetual trust	72
Net assets transferred	174
Appropriation of endowment assets for expenditure	(7,256)
Endowment investment, end of year, September 30, 2020	$133,328

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the System to retain as a fund of perpetual duration.

15. Functional Expenses

The System provides health care services through its acute care, specialty care, and ambulatory care facilities. Expenses relating to providing these services for the years ended September 30, 2020 and 2019, are as follows (in thousands):

	Program Services		Supporting Activities	
	Healthcare Services	Research	Management and General	Total Expenses
September 30, 2020				
Salaries, wages and fringe benefits	$1,227,977	$17,157	$595,071	$1,840,205
Patient care supplies	443,745	1,500	17,216	462,461
Professional fees and purchased services	146,334	8,322	106,885	261,541
Depreciation and amortization	114,975	1,324	37,301	153,600
Other operating expenses	101,394	636	67,534	169,564
Interest expense	10,034	–	7,686	17,720
	$2,044,459	$28,939	$831,693	$2,905,091
September 30, 2019				
Salaries, wages and fringe benefits	$1,109,122	$15,764	$528,958	$1,653,844
Patient care supplies	402,200	1,936	18,057	422,193
Professional fees and purchased services	148,293	10,598	101,870	260,761
Depreciation and amortization	101,293	1,273	32,427	134,993
Other operating expenses	93,760	226	54,756	148,742
Interest expense	10,591	–	3,390	13,981
	$1,865,259	$29,797	$739,458	$2,634,514

16. Contingencies

The System is subject to complaints, claims, and litigation, which have risen in the normal course of business. In addition, the System is subject to compliance with laws and regulations of various governmental agencies. Recently, governmental review of compliance with these laws and regulations has increased resulting in fines and penalties for noncompliance by individual health care providers. Compliance with these laws and regulations is subject to future government review, interpretation, or actions, which are unknown and un-asserted at this time.

SUPPLEMENTAL CONSOLIDATING INFORMATION

MaineHealth and Subsidiaries
Consolidating Balance Sheet
September 30, 2020
(In thousands)

	Maine Health	Maine Medical Center	Southern Maine Health Care	Mid Coast-Parkview Health	Coastal Healthcare Alliance	Franklin Community Health Network	Lincoln Health Group	The Memorial Hospital North Conway, NH	Western Maine Health Care Corporation	Maine Behavioral Healthcare	NorDx	Maine Health Care at Home	Maine Health ACO	Eliminations	Consolidated
Assets															
Current assets:															
Cash and cash equivalents	$ 458,811	$ 1,821	$ 526	$ 28,431	$ 3,247	$ 272	$ 15,687	$ 27,588	$ 135	$ 27	$ 6,068	$ 1,360	$ 3,899	$ –	$ 547,872
Investments	742,661	64,770	–	1,388	3	–	–	16,459	–	–	36,727	1,405	5,003	–	868,416
Investments held for members	333,742	–	–	–	–	–	–	–	–	–	–	–	–	(333,742)	–
Patient accounts receivable	–	159,002	25,016	34,189	23,229	9,951	9,247	9,139	5,058	5,888	1,209	4,228	–	–	286,156
Current portion of investments whose use is limited	6,264	239,496	9,320	–	826	214	152	–	–	–	–	–	–	–	256,272
Inventories, prepaid expenses and other current assets	13,480	72,905	6,219	8,110	5,244	3,234	3,908	3,180	1,798	1,608	3,143	302	8,711	(11,530)	120,312
Estimated amounts receivable under reimbursement regulations	–	33,417	3,186	–	22,250	9,864	12,433	–	2,227	–	–	(758)	–	(82,619)	–
Current portion of notes and amounts receivable from affiliated entities	37,592	2,034	1,201	34	636	20	204	518	37	369	7,381	–	21	(50,047)	–
Total current assets	1,592,550	573,445	45,468	72,152	55,435	23,555	41,631	56,884	9,255	7,892	54,528	6,537	17,634	(477,938)	2,079,028
Assets whose use is limited by:															
Debt agreements	3,706	239,496	9,320	–	826	214	152	–	130	–	–	–	–	–	253,844
Board designation	–	–	–	85,907	26,943	–	5,663	16,581	640	–	–	3,404	–	–	139,138
Self-insurance trust agreements	49,799	–	–	105	–	–	–	–	–	–	–	–	–	–	49,904
Specially designated specific purpose funds	2,192	24,156	13,418	11,238	15,833	913	1,524	587	2,617	3,680	401	518	–	–	77,077
Plant replacement funds	–	814	–	–	–	–	–	–	–	147	–	–	–	–	961
Funds functioning as endowment funds	44	104,062	1,891	16,839	3,914	1,695	2,407	664	608	884	–	320	–	–	133,328
Pooled life income funds	–	2,417	–	–	–	–	–	–	–	–	–	–	–	–	2,417
Beneficial interest in perpetual and charitable remainder trusts	–	804	13,168	–	28,648	307	3,753	–	–	141	–	1,481	–	–	48,302
	55,741	371,749	37,797	114,089	76,164	3,129	13,499	17,832	3,995	4,852	401	5,723	–	–	704,971
Less current portion	(6,264)	(239,496)	(9,320)	–	(826)	(214)	(152)	–	–	–	–	–	–	–	(256,272)
	49,477	132,253	28,477	114,089	75,338	2,915	13,347	17,832	3,995	4,852	401	5,723	–	–	448,699
Property, plant and equipment - net:	224,385	706,814	84,226	72,178	111,167	25,982	50,147	30,623	30,372	26,850	5,004	869	5	27,496	1,396,118
Right of use assets	176,597	–	–	–	–	–	–	183	–	–	–	–	–	–	176,780
Other assets	102,771	80,340	31,888	28,517	26,255	9,516	8,782	6,857	5,145	2,494	2,222	742	–	(133,980)	171,549
Notes and amounts receivable from affiliates – less current portion	112,000	–	–	–	71	–	–	–	–	–	–	–	–	(112,071)	–
Total assets	$2,257,780	$ 1,492,852	$ 190,059	$ 286,936	$ 268,266	$ 61,968	$ 113,907	$ 112,379	$ 48,767	$ 42,088	$ 62,155	$ 13,871	$ 17,639	$ (696,493)	$ 4,272,174

MaineHealth and Subsidiaries
Consolidating Balance Sheet
September 30, 2020
(In thousands)

	Maine Health	Maine Medical Center	Southern Maine Health Care	Mid Coast-Parkview Health	Coastal Healthcare Alliance	Franklin Community Health Network	Lincoln Health Group	The Memorial Hospital North Conway, NH	Western Maine Health Care Corporation	Maine Behavioral Healthcare	NorDx	Maine Health Care at Home	Maine Health ACO	Eliminations	Consolidated
Liabilities and net assets															
Current liabilities:															
Current portion of long-term debt	$ 24,229	$ 4,168	$ 5,120	$ 3,291	$ 3,300	$ 485	$ 910	$ 778	$ 389	$ 183	$ –	$ –	$ –	$ (11)	$ 42,842
Current portion of SeHR purchased services	–	9,247	3,752	–	2,470	1,273	562	–	420	–	395	110	–	(18,229)	–
Current portion of lease obligation	20,917	–	–	–	–	–	–	162	–	–	–	–	–	–	21,079
Accounts payable and other current liabilities	83,930	68,457	7,662	15,079	7,844	2,342	2,248	4,290	3,156	1,363	5,753	601	8,170	(160)	210,735
Accrued payroll, payroll taxes and amounts withheld	3,021	30,533	8,623	5,474	4,212	1,794	1,930	1,188	1,316	2,557	1,122	730	–	–	62,500
Accrued earned time	13,232	34,541	7,269	6,805	10,723	2,618	3,373	1,715	2,391	3,092	2,156	1,601	633	–	90,149
Accrued interest payable	217	4,533	138	208	249	91	24	235	42	–	–	–	–	–	5,737
Estimated amounts payable under reimbursement regulations	10,643	65,793	10,985	1,184	6,414	3,487	5,830	18,903	7,221	4,325	–	99	–	(82,619)	52,265
Self-insurance reserves	33,877	–	–	–	–	–	–	–	–	–	–	–	–	–	33,877
Deferred revenue	–	9,611	56	–	279	181	90	2,117	2,513	321	401	106	527	–	16,202
Investments held for members	333,742	–	–	–	–	–	–	–	–	–	–	–	–	(333,742)	–
Amounts payable to affiliated entities	100	6,169	2,915	1,598	1,669	608	29,742	1,408	590	50	1,820	2,646	863	(50,178)	–
Total current liabilities	523,908	233,052	46,520	33,639	37,160	12,879	44,709	30,796	18,038	11,891	11,647	5,893	10,193	(484,939)	535,386
Accrued retirement benefits	89,703	297,786	–	23,624	–	–	–	–	–	–	–	–	–	–	411,113
Self-insurance reserves – less current portion	46,209	–	–	–	–	–	–	–	–	–	–	–	–	–	46,209
Estimated amounts payable under reimbursement regulations	–	–	–	–	–	–	–	–	–	4,984	–	–	–	–	4,984
Long-term debt, less current portion	141,492	551,497	34,005	19,880	20,049	8,854	2,961	13,405	3,801	1,712	–	–	–	(61)	797,595
Long-term lease obligation – less current portion	157,588	–	–	–	–	–	–	45	–	–	–	–	–	–	157,633
Other liabilities	342,244	30,637	–	22,000	640	–	2,556	10,081	69	176	–	–	125	(137,899)	270,629
Amounts payable to affiliates – long-term	–	42,105	18,181	6,971	12,143	7,167	2,566	–	1,911	–	1,584	850	–	(93,478)	–
Total liabilities	1,301,144	1,155,077	98,706	106,114	69,992	28,900	52,792	54,327	23,819	18,763	13,231	6,743	10,318	(716,377)	2,223,549
Net assets:															
Without donor restrictions	954,381	189,937	71,669	152,009	148,672	30,153	52,779	56,801	21,723	15,778	48,924	4,840	7,321	19,884	1,774,871
With donor restrictions	2,255	147,838	19,684	28,813	49,602	2,915	8,336	1,251	3,225	7,547	–	2,288	–	–	273,754
Total net assets	956,636	337,775	91,353	180,822	198,274	33,068	61,115	58,052	24,948	23,325	48,924	7,128	7,321	19,884	2,048,625
Total liabilities and net assets	$2,257,780	$ 1,492,852	$ 190,059	$ 286,936	$ 268,266	$ 61,968	$ 113,907	$ 112,379	$ 48,767	$ 42,088	$ 62,155	$ 13,871	$ 17,639	$ (696,493)	$ 4,272,174

MaineHealth and Subsidiaries
Consolidating Statement of Operations
September 30, 2020
(In thousands)

	Maine Health	Maine Medical Center	Southern Maine Health Care	Mid Coast-Parkview Health	Coastal Healthcare Alliance	Franklin Community Health Network	Lincoln Health Group	The Memorial Hospital North Conway, NH	Western Maine Health Care Corporation	Maine Behavioral Healthcare	NorDx	Maine Health Care at Home	Maine Health ACO	Eliminations	Consolidated
Operating revenue:															
Patient service revenue	$ (2,343)	$ 1,409,065	$ 271,119	$ 101,954	$ 245,848	$ 77,957	$ 91,858	$ 72,323	$ 72,657	$ 81,022	$ 26,311	$ 28,407	$ –	$ (1,874)	$ 2,474,304
Direct research revenue	–	17,832	–	–	–	–	–	–	–	–	–	–	–	–	17,832
Indirect research revenue	–	4,676	–	–	–	–	–	–	–	–	–	–	–	–	4,676
Other revenue	316,023	239,508	18,025	15,771	44,335	16,950	13,343	7,717	10,279	15,354	60,608	2,723	12,712	(385,301)	388,047
Total operating revenue	313,680	1,671,081	289,144	117,725	290,183	94,907	105,201	80,040	82,936	96,376	86,919	31,130	12,712	(387,175)	2,884,859
Expenses:															
Salaries	145,208	705,606	147,442	68,171	130,277	41,309	51,882	32,152	33,967	59,290	29,867	19,369	6,081	(1,150)	1,469,471
Employee benefits	44,381	180,001	32,798	14,365	31,570	10,459	13,554	7,970	9,288	14,695	8,958	4,887	1,663	(3,855)	370,734
Supplies	2,038	315,837	30,383	20,845	35,956	10,318	8,095	10,449	9,517	2,260	15,105	1,474	184	–	462,461
Professional fees and purchased services	75,550	292,750	62,022	15,724	49,408	22,345	20,926	16,680	16,761	12,941	17,279	4,915	2,469	(348,229)	261,541
Facilities and other costs	15,486	46,959	13,423	8,335	12,582	2,651	4,057	3,357	2,986	4,676	3,127	2,166	948	(1,620)	119,133
State taxes	–	25,788	6,284	2,748	5,442	1,722	2,381	3,368	1,402	1,296	–	–	–	–	50,431
Interest	3,870	10,030	1,797	622	1,043	878	632	817	129	652	52	25	–	(2,827)	17,720
Depreciation and amortization	33,675	89,750	15,433	4,436	14,274	5,196	6,002	5,048	3,734	2,569	1,449	550	14	(28,530)	153,600
Total expenses	320,208	1,666,721	309,582	135,246	280,552	94,878	107,529	79,841	77,784	98,379	75,837	33,386	11,359	(386,211)	2,905,091
Income (loss) from operations	(6,528)	4,360	(20,438)	(17,521)	9,631	29	(2,328)	199	5,152	(2,003)	11,082	(2,256)	1,353	(964)	(20,232)
Nonoperating gains (losses), net:															
Gifts and donations – net of related expenses	–	2,190	108	195	247	4	–	–	–	–	–	116	–	–	2,860
Interest and dividends	9,494	891	739	1,444	1,894	24	134	337	15	6	726	82	8	–	15,794
Recognized gain (loss) on cash flow hedge instruments	(809)	(1,723)	–	–	–	–	–	–	–	33	–	–	–	–	(2,499)
Nonservice periodic pension costs	–	(19,639)	–	–	–	–	–	–	–	–	–	–	–	–	(19,639)
Equity in earnings of joint ventures	2,863	5,375	288	–	–	–	49	–	43	–	–	–	–	(1,635)	6,983
Increase in fair value of investments	49,732	3,019	63	6,457	915	–	206	1,311	13	1	1,612	419	(5)	(88)	63,655
Contribution of net assets from acquired affiliates	–	–	–	–	–	–	–	–	–	–	–	–	–	157,646	157,646
Other	1,373	(253)	(360)	(2)	213	(351)	(200)	(45)	(181)	(725)	–	–	–	(197)	(728)
Total nonoperating gains (losses), net	62,653	(10,140)	838	8,094	3,269	(323)	189	1,603	(110)	(685)	2,338	617	3	155,726	224,072
Excess (deficiency) of revenue over expenses	56,125	(5,780)	(19,600)	(9,427)	12,900	(294)	(2,139)	1,802	5,042	(2,688)	13,420	(1,639)	1,356	154,762	203,840
Net assets released from restrictions for property, plant and equipment	–	6,642	10	3,790	226	31	482	90	223	–	–	–	–	–	11,494
Retirement benefit plan adjustments	–	17,092	–	–	–	–	–	–	–	–	–	–	–	–	17,092
Equity transfer from (to) affiliates	(25,492)	10,459	6,550	–	(9,009)	6,319	(2,480)	–	881	15,284	(2,500)	–	–	(12)	–
Increase (decrease) in net assets without donor restriction	$ 30,633	$ 28,413	$ (13,040)	$ (5,637)	$ 4,117	$ 6,056	$ (4,137)	$ 1,892	$ 6,146	$ 12,596	$ 10,920	$ (1,639)	$ 1,356	$ 154,750	$ 232,426