Henry Mayo Newhall Hospital and Subsidiaries

Consolidated Financial Statements

September 30, 2020 and 2019

Henry Mayo Newhall Hospital and Subsidiaries

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Independent Auditors' Report

To the Board of Directors of
Henry Mayo Newhall Hospital and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Henry Mayo Newhall Hospital and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of September 30, 2020 and 2019, and the results of their operations, changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis rather than to present the financial position, results of operations, changes in net assets, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Minneapolis, Minnesota
January 21, 2021

Henry Mayo Newhall Hospital and Subsidiaries

Consolidated Statements of Financial Position
September 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 67,504,996	$ 53,317,376
Investments	106,864,859	76,914,826
Patient accounts receivable	55,774,860	63,147,652
Inventories	6,768,080	5,911,973
Prepaid expense and other current assets	7,317,132	6,433,885
Quality assurance program receivable	15,319,122	9,686,455
Total current assets	259,549,049	215,412,167
Pledges Receivable, Net	952,834	1,710,105
Property, Plant and Equipment, Net	317,354,066	334,450,660
Receivables Under Charitable Remainder Trust Agreements	2,579,733	3,000,126
Other Assets	4,189,744	3,656,607
Total assets	$ 584,625,426	$ 558,229,665
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	$ 6,141,534	$ 4,994,704
Accounts payable and accrued liabilities	31,871,509	43,921,835
Accrued payroll and benefits	21,093,467	19,287,992
Accrued interest	3,475,570	5,298,090
Quality assurance fee payable	19,127,904	12,919,793
Quality assurance fee deferred revenue	-	218,610
Contract liability, advance payments	6,555,526	-
Deferred revenue	4,272,008	-
Estimated third-party liabilities	8,601,240	3,985,867
Total current liabilities	101,138,758	90,626,891
Long-term Debt, Net	231,775,803	237,857,749
Contract Liability, Advance Payments	19,666,577	-
Deferred Rent Liability	1,544,931	1,383,439
Deferred Contribution Revenue	2,258,221	2,301,991
Accrued Malpractice Liability	5,933,234	4,798,029
Total liabilities	362,317,524	336,968,099
Net Assets		
Net assets without donor restrictions	214,552,982	212,047,982
Net assets with donor restrictions	7,754,920	9,213,584
Total net assets	222,307,902	221,261,566
Total liabilities and net assets	$ 584,625,426	$ 558,229,665

See notes to consolidated financial statements

Henry Mayo Newhall Hospital and Subsidiaries

Consolidated Statements of Operations
Years Ended September 30, 2020 and 2019

	2020	2019
Operating Revenues		
Net patient service revenue	$ 326,161,540	$ 347,177,607
Other revenue	15,044,875	8,483,953
California Hospital Foundation and Trust grant revenue	2,357,179	3,811,985
Net assets released from restrictions used for operations	-	377,236
Total operating revenues	343,563,594	359,850,781
Operating Expenses		
Salaries and wages	118,458,312	122,225,145
Employee benefits	40,424,403	43,628,535
Registry	3,084,789	1,931,629
Supplies	49,336,569	51,047,100
Purchased services	49,429,418	51,196,369
Repairs and maintenance	9,480,936	8,629,491
Interest	11,584,930	5,383,800
Depreciation	24,981,649	18,104,642
Insurance	1,742,443	2,278,931
Rent	5,217,395	5,442,790
Utilities	3,728,953	3,343,589
Quality assurance fee hospital tax	21,201,499	19,900,954
Other operating expenses	7,700,143	7,653,164
Total operating expenses	346,371,439	340,766,139
Operating (Loss) Income	(2,807,845)	19,084,642
Non-Operating Income (Loss)		
Contributions	316,198	202,491
Interest and dividends	2,973,383	2,561,126
Realized gain on investments, net	875,836	6,111,609
Unrealized gain (loss) on investments, net	71,750	(6,999,348)
Other non-operating income (loss), net	(1,022,214)	(113,892)
Equity in income of joint venture	213,996	579,238
Revenues in Excess of Expenses	621,104	21,425,866
Net Assets Released From Restrictions Used for Purchases of Property, Plant and Equipment	1,883,896	1,500,000
Increase in net assets without donor restrictions	$ 2,505,000	$ 22,925,866

See notes to consolidated financial statements

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

	2020	2019
Change in Net Asset Without Donor Restrictions		
Revenues in excess of expenses	$ 621,104	$ 21,425,866
Net assets released from restrictions used for purchases of property, plant and equipment	1,883,896	1,500,000
Increase in net assets without donor restrictions	2,505,000	22,925,866
Change in Net Assets With Donor Restrictions		
Contributions	845,625	2,075,125
Change in value of receivables under trust agreements	(420,393)	(126,337)
Net assets released from restrictions	(1,883,896)	(1,877,236)
(Decrease) increase in net assets with donor restrictions	(1,458,664)	71,552
Increase in Net Assets	1,046,336	22,997,418
Net Assets, Beginning of Year	221,261,566	194,477,589
Cumulative Effect of Change in Accounting Principal, Net Assets Without Donor Restrictions	-	3,786,559
Net Assets, Beginning of Year, as Adjusted	221,261,566	198,264,148
Net Assets, End of Year	$ 222,307,902	$ 221,261,566

See notes to consolidated financial statements

Henry Mayo Newhall Hospital and Subsidiaries

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

	2020	2019
Cash Flows From Operating Activities		
Increase in net assets	$ 1,046,336	$ 22,997,418
Adjustments to reconcile increase in net assets to to net cash provided by operating activities		
Depreciation	24,981,649	18,104,642
Amortization of deferred financing costs and bond premiums, net	59,588	(59,669)
Net loss on disposal of assets	2,450,923	118,516
Realized gain on investments, net	(875,836)	(6,111,609)
Unrealized (gain) loss on investments, net	(71,750)	6,999,348
Change in value of receivables under trust agreements	420,393	126,337
Change in provision for uncollectible pledges	81,444	86,464
Contributions restricted for capital	(1,883,896)	(1,387,570)
Changes in assets and liabilities		
Patient accounts receivable	7,372,792	(7,597,837)
Pledges receivable	675,827	54,567
Inventories	(856,107)	78,197
Prepaid expenses and other current assets	(883,247)	4,143,453
Quality assurance program receivable	(5,632,667)	(9,686,455)
Other assets	(533,137)	298,703
Accounts payable and accrued liabilities	(6,768,908)	(5,583,193)
Accrued payroll and benefits	1,805,475	1,051,362
Accrued interest	(1,822,520)	(84,896)
Quality assurance fee payable	6,208,111	12,919,793
Quality assurance fee deferred revenue	(218,610)	211,690
Contract liability, advance payments	26,222,103	-
Deferred revenue	4,272,008	-
Estimated third-party liabilities	4,615,373	2,805,084
Deferred rent liability	161,492	222,160
Deferred contribution revenue	(43,770)	(43,119)
Accrued malpractice liability	1,135,205	(106,000)
Net cash provided by operating activities	61,918,271	39,557,386
Cash Flows From Investing Activities		
Acquisition of property, plant and equipment	(15,617,396)	(39,803,564)
Proceeds from sale of investments	38,531,829	71,822,271
Purchases of investments	(67,534,276)	(54,253,085)
Capitalization of financing interest	-	(6,709,719)
Net cash used in investing activities	(44,619,843)	(28,944,097)
Cash Flows From Financing Activities		
Payments on long-term debt	(4,994,704)	(4,759,275)
Cash received restricted for capital	1,883,896	1,452,190
Net cash used in financing activities	(3,110,808)	(3,307,085)
Net increase in cash and cash equivalents	14,187,620	7,306,204
Cash and Cash Equivalents, Beginning of Year	53,317,376	46,011,172
Cash and Cash Equivalents, End of Year	$ 67,504,996	$ 53,317,376
Supplementary Cash Flow Disclosures		
Cash paid for interest	$ 13,467,038	$ 12,118,746
Noncash Investing and Financing Activities		
Acquisition of property and equipment financed through accounts payable	$ 1,665,597	$ 6,947,015

See notes to consolidated financial statements

1. Organization

Henry Mayo Newhall Hospital (the "Hospital") is a California not-for-profit public service benefit acute care hospital providing patient services to individuals in Santa Clarita, California and the surrounding communities.

Henry Mayo Newhall Hospital Foundation, Inc. (the "Foundation") is a California not-for-profit public benefit corporation formed to support and assist the Hospital so long as the Hospital remains tax exempt. The Hospital is the sole member of the Foundation.

The Hospital established the Henry Mayo Management Service Organization ("MSO") for the purposes of offering administrative services for local healthcare facilities and the Clinic. The MSO is a not-for-profit mutual benefit company and the Hospital is the sole member.

Henry Mayo Newhall Care Network, LLC (the "Network") is a California limited liability company. The Hospital is the sole member of the Network. The Hospital and Network work jointly to develop processes necessary to facilitate the evolution to a value based care delivery and contracting model. Furthermore, the Hospital and Network intend to develop a regional physician driven provider network that will enhance patient care by developing, implementing and operating programs designed to create a partnership for the mutual benefit of patients and a network of independent providers based on the principles of clinical integration.

In 2019, the Hospital, as its sole corporate member, formed Henry Mayo Newhall Clinics, LLC (the "Clinic"). The Clinic is a California limited liability company that operates ambulatory clinics within the greater Santa Clarita area. Activity commenced in May 2020.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The net assets and results of operations of the Hospital, the Foundation, the MSO, the Network, and the Clinic (collectively, the "Organization") are included in the consolidated financial statements. All significant intercompany transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less when purchased, that are not held as collateral to be cash equivalents. The Organization's cash balances exceed amounts insured by the Federal Deposit Insurance Corporation.

Receivables Under Charitable Remainder Trust Agreements

The Foundation is the beneficiary under two irrevocable charitable remainder trusts. The charitable remainder trusts are managed by an independent trustee, who was appointed by the donors, and the investment portfolios are comprised of money market mutual funds, fixed income, equity securities, alternative investments and a real asset fund as of September 30, 2020 and 2019.

Changes in value of the receivable under the charitable remainder trust agreements are excluded from revenues in excess of expenses. For the years ended September 30, 2020 and 2019, the changes in value of the receivables under charitable remainder trust agreements were approximately ($420,000) and ($126,000), respectively.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value; these fair values are estimates and are subject to change. Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Investment returns are reflected in the consolidated statements of operations and consolidated statements of changes in net assets without donor restrictions or net assets with donor restrictions, based on the existence and nature of any donor or legally imposed restrictions. Investments that are available for the operations of the Hospital and can be converted to cash within one year are classified as current.

Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. 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 of restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and consolidated statements of changes in net assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as net assets without donor restrictions in the accompanying consolidated financial statements.

Patients Accounts Receivable

Patient accounts receivable are recorded at net realizable value at the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured or underinsured patients in accordance with the Hospital's policies, and/or implicit price concessions provided to uninsured or underinsured patients, and do not bear interest. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient revenue in the period of the change.

Pledges Receivable

Pledges that are expected to be collected within one year are recorded as current assets at net realizable value unless restricted for long-lived assets. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledged amounts are to be received. Amortization of the discounts is included in the contribution, in the accompanying consolidated statements of operations.

At September 30, 2020 and 2019, certain pledges not restricted for long-lived assets were to be received in future periods greater than a year. At September 30, 2020 and 2019, the discounts on such pledges were immaterial. Further, as of September 30, 2020 and 2019, allowances for uncollectible amounts were approximately $205,000 and $124,000, respectively.

Inventories

Inventories consist primarily of pharmaceuticals and medical supplies and are stated at the lower of cost or net realizable value, where cost is determined using the weighted-average method.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost when purchased or at fair value when received by donation. Depreciation is calculated using the straight-line method, which allocates the cost equally over their estimated useful lives.

The Organization uses depreciable lives recommended by the American Hospital Association. Equipment and facilities under capital lease obligations are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment or facilities. Such amortization is included in depreciation in the consolidated statements of operations. The estimated useful lives of the related assets are as follows:

	Years
Land, building and improvements	10 - 40
Equipment and furniture	2 - 15

Maintenance, repairs and investments in minor equipment are charged to operations. Expenditures which materially increase the value of properties or extend the useful lives are capitalized.

Donations of property and equipment are recorded at fair value as an increase in net assets without donor restrictions, unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restriction is reported as an increase in net assets without donor restrictions when the donor restrictions are met.

The Organization capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the period, net of interest earned on investments acquired with the proceeds of the borrowings. Total capitalized interest in construction in progress as of September 30, 2020 and 2019 was approximately $0 and $19,866,000, respectively.

In accordance with the Accounting Standards Codification (ASC) 350-40, Internal-Use Software, the Organization capitalizes certain external direct costs of materials and services consumed in developing or obtaining internal-use computer software. Additionally, the Organization capitalizes certain payroll costs for employees who are directly associated with and who devote time to the internal-use computer software project, to the extent of the time spent directly on the project during the application development stage.

Impairment of Property, Plant and Equipment

Property, plant and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. Impairment losses for writeoff of construction in progress of approximately $1,442,000 were recognized for the year ended September 30, 2020 and is included in other operating expenses. There were no impairment costs recognized for the year ended September 30, 2019.

Deferred Financing Costs

In connection with the issuance of the 2013 Bond Series A, B, 2014 Bonds, 2017 Bonds, and 2018 Bonds, as well as an assumption of a loan in connection with the acquisition of a property adjacent to the Hospital's main campus in Valencia, California, (see Note 6), the Organization capitalized $5,568,000 of issuance costs, which are being amortized over the term of the bonds and loan using the effective interest method. Amortization expenses of approximately $327,000 and $334,000 were recorded for the years ended September 30, 2020 and 2019, respectively, and are included in interest in the accompanying consolidated statements of operations.

Other Operating Revenue and Deferred Revenue

Other operating revenue includes amounts received from federal and state funding sources related to the COVID-19 pandemic. The Organization accounts for this funding in accordance with the Financial Accounting Standards Board (FASB) ASC 958-605 guidance for conditional contributions, and accordingly, revenues are recognized when conditions are substantially met, which occurs when the Organization complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature. The Organization measures the amounts recognized in accordance with FASB ASC 606 for variable consideration, including constraints of variable consideration, and accordingly, revenue is measured at amounts for which it is probable that there will not be a significant reversal in a future period.

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund (PRF) to provide financial support for hospitals and other healthcare providers. The Organization received approximately $12,862,000 in 2020 related to this funding.

Noncompliance with the PRF terms and conditions could result in repayment of some or all of the support, which can be subject to government review and interpretation. The Department of Health and Human Services (HHS) has indicated PRF payments are subject to future reporting and audit requirements. In accordance with the original PRF terms and conditions, the Organization could apply the funding against eligible expenses and lost revenues, whereas the measurement of lost revenues was based on calculated declines in monthly revenues and such calculations were not based on cumulative totals. In September 2020, HHS released updated guidance on the reporting and use of the funds. Under the updated guidance which was in effect at the Organization's year-end, lost revenue is represented as a negative change in year-over-year net patient care operating income, funds must be applied to eligible expenses before lost revenues, and the reporting period for determination of eligible amounts is set at a calendar year keeping the measurement period open until then. Accordingly, there is a possibility these changes could result in claw-back or reversal of amounts previously recognized.

HHS further updated its guidance on the reporting and use of funds in January 2021. The substantive change in the updated guidance is that lost revenue can now be measured as 1) the difference between 2019 and 2020 actual patient care revenue, as measured during the calendar year, 2) the difference between 2020 budgeted and 2020 actual patient care revenue, or 3) calculated by any reasonable method of estimating lost actual patient care revenue. The Organization has assessed the impact of the updated guidance on its consolidated financial statements and whether amounts recognized in 2020 could change or become repayable in subsequent periods; however, an estimate of the possible financial effect cannot be made as of the date these consolidated financial statements were issued.

The Organization has incurred lost revenues and eligible expenses in accordance with the terms and conditions of the PRF that were applicable as of September 30, 2020 of approximately $8,590,000, which were recognized and included in other revenue in the consolidated statements of operations. The remaining portion of the funds of approximately $4,272,000, not recognized as revenue, are shown as deferred revenue on the consolidated statements of financial position until the conditions are substantially met.

Contract Liability, Advance Payments

The CARES Act included provisions to expand the Centers for Medicare and Medicaid Services (CMS) Accelerated and Advance Payment Program in order to improve cash flows for providers impacted by the COVID-19 pandemic. In April 2020, the Organization received approximately $26,222,000 in advance payments under this program, which are classified as contract liability, advance payments in the accompanying consolidated statements of financial position. The corresponding assets are included as cash and cash equivalents in Note 13, and the Organization has no current plans to utilize any of the advance. Repayment of the advances is scheduled to begin one year after receipt of the advances and end 29 months later, at which time the advances are required to be repaid in full. The Organization expects to begin repaying the Medicare advances during the year ended September 30, 2021. The repayments are expected to occur automatically through a partial reduction in Medicare payments due to the Organization for services rendered to Medicare program beneficiaries. The Organization expects services rendered during the recoupment period to be sufficient to offset the payments received.

Net Assets

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions - net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net assets with donor restrictions - net assets subject to donor-imposed restrictions that are temporary in nature, such as those that may be met either by the passage of time or other events specified by the donor. All revenues restricted by donors as to either timing or purpose of the related expenditures are accounted for in net assets with donor restrictions.

Measure of Operations and Performance Indicator

The consolidated statements of operations include the determination of operating (loss) income and revenues in excess of expenses. Operating (loss) income includes only those operating revenues and expenses that are an integral part of the Organization's healthcare services and supporting activities and net assets released from donor restrictions to support operating expenditures. Revenues in excess of expenses includes all operating activities, as well as investment income and other non-operating activities that are used to support the Organization's healthcare services.

Changes in net assets without donor restrictions which are excluded from revenues in excess of expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions restricted by donors for the purposes of acquiring such assets).

California Quality Assurance Fee Program

The California Quality Assurance Fee Program (the "Program") is comprised of certain laws enacted by the state of California to provide supplementary payments to certain medical facilities that serve a disproportionate share of indigent and low-income patients. The Program and all of its statutory provisions were made permanent through the passage of Proposition 52 in November 2016. The program is administered in cycles not to exceed three years with the terms of each cycle requiring approval from the CMS. The program covering the period from January 1, 2014 through December 31, 2016 (the "2016 Program"), was complete as of December 2018. The next program covers the period from January 1, 2017 through June 30, 2019 (the "2019 Program") for which final payments and receipts are still being collected and paid. The program currently being administered covers the period from July 1, 2019 through December 31, 2021 (the “2021 Program”) which was approved by CMS in February 2020.

The Program requires a Quality Assurance Fee ("QA Fee") to be paid by certain hospitals to a State fund established to accumulate the assessed QA Fees and receive matching federal funds. QA Fees and corresponding matching federal funds are then paid to participating hospitals in two supplementary payment methodologies: a fee-for-service methodology and a managed care plan methodology. Over the last six Program cycles, there have been no subsequent adjustments to either the fee-for-service or the managed care portions of the model as a result of CMS review and approval. Supplementary payments met all criteria related to revenue recognition, and the QA Fees are both probable and estimable. Accordingly, all related supplementary payments have been recognized and related QA Fees recognized as expense as of September 30, 2020 and 2019.

Based on estimates provided to the Organization, revenues earned by the Organization under the 2019 and 2021 Programs are expected to approximate the costs the Organization pays into the Program. Due to the fact that CMS approves portions of the program at different times, the Organization's cash flows associated with the program are subject to material variability from year to year.

Based on formulas contained in the legislation as well as modeling done by the California Hospital Association, the Organization recorded amounts related to the program as follows as of September 30 in the consolidated statements of financial position:

	2020	2019
Quality assurance program receivable	$ 15,319,000	$ 9,686,000
Quality assurance fee payable	(19,128,000)	(12,920,000)
Quality assurance fee deferred revenue	-	(219,000)
Net	$ (3,809,000)	$ (3,453,000)

The Organization recognizes amounts related to the program as follows for the years ended September 30 in the consolidated statements of operations:

	2020	2019
California Hospital Foundation and Trust grant revenue	$ 2,357,000	$ 3,812,000
Quality assurance program revenue	18,844,000	16,089,000
Quality assurance hospital tax expense	(21,201,000)	(19,901,000)
Net	$ -	$ -

Revenue Recognition

Net patient service revenues are recognized at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including commercial and governmental programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Hospital bills the patients and third-party payors shortly 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 Hospital. Revenue for performance obligations satisfied over time is recognized based on actual services incurred in relation to total expected (or actual) payments. The Hospital believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Hospital receiving inpatient acute care services. The Hospital measures the performance obligation from admission into the facility 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 are recognized when services are provided and the Hospital does not believe it is required to provide additional services to the patient.

Generally, because all the Hospital's performance obligations relate to contracts with a duration of less than one year, the Hospital has elected to apply the optional exemption provided in ASC 606-10-50-14(a) and, therefore, the Hospital is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Hospital determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policy, and/or implicit price concessions provided to uninsured patients. The Hospital determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Hospital determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Charity Care and Community Benefit (unaudited)

The Organization provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. The Organization's charity care policy includes criteria such as patients with a prior history of bad debt without payments, patients who have expired, homeless patients, incarcerated patients whose services were provided prior to arrest, and patients with a history of unemployment, or a history of ongoing major illness causing multiple hospitalizations. Other types of exceptions to the above categories require management approval on a specific case by case basis. Net patient service revenue is reflected net of the charity care reserves. The actual costs for charity care in accordance with the Organization's charity care policy aggregated approximately $1,007,000 and $614,000 for the years ended September 30, 2020 and 2019, respectively. The Organization has estimated the cost of charity care using its cost accounting system.

In furtherance of their charitable purpose, the Organization provides a wide variety of benefits to the community. A large number of prevention and wellness programs are provided by the Organization including low cost immunizations, wellness fairs, health screening, health education classes and the donation of space for use by community groups. The amount of community benefit provided by the Organization during the year ended September 30, 2019 was $19,451,000. The amount of community benefit provided during the year ended September 30, 2020 has not been determined as of the report date.

Donated Services

Volunteers perform various services. The services donated are not reflected in the accompanying consolidated financial statements as expense and income from donations, as these services do not meet the criteria for recognition.

Interest Expense

Interest expense, which includes amortization of deferred financing costs, during the years ended September 30, 2020 and 2019 was approximately $11,585,000 and $5,384,000, respectively. The Organization capitalized approximately $0 and $6,710,000 of interest expense related to assets under construction during the years ended September 30, 2020 and 2019, respectively.

Income Taxes

The Hospital and the Foundation are exempt from income taxes pursuant to Section 501 (c)(3) of the Internal Revenue Code (IRC) and a similar provision of state law, but are subject to federal and state income tax on any unrelated business taxable income. Accordingly, no provisions for income taxes for these entities has been made in the accompanying consolidated financial statements. The MSO does not qualify for and has not applied for 501(c)(3) exemption; as such, the MSO is a taxable corporation under provisions of the IRC and a similar section of the state income tax law. The Network and the Clinic are limited liability companies and are considered disregarded entities for tax purposes. The Organization is subject to federal income tax on any unrelated business taxable income. The Organization has no uncertain tax positions at September 30, 2020 and 2019.

Accrued Malpractice Liability

The Organization records reserves for claims when they are probable and reasonably estimable. The Organization maintains reserves, which are based on actuarial estimates by an independent third party, for the portion of their professional liability risks, including incurred but not reported claims. The Organization estimates reserves for losses and related expenses using expected loss-reporting patterns. Reserves are discounted at 2.0 percent as of September 30, 2020 and 2019. There can be no assurance that the ultimate liability will not exceed the Organization's estimates. Anticipated insurance recoveries associated with reported claims are reported in the Organization's consolidated statements of financial position at net realizable value, and are included in other assets. Adjustments to the estimated reserves are recorded in the Organization's consolidated statements of operations in the periods when such amounts are determined. These adjustments may be material.

Reclassifications

For comparability, certain amounts for 2019 have been reclassified to conform with classifications adopted in 2020. These reclassifications have no effect on the reported amounts of total net assets, revenues in excess of expenses, or change in total net assets.

Subsequent Events

Subsequent events have been evaluated through January 21, 2021, which is the date the consolidated financial statements were issued.

New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* (*as amended*). ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities in the consolidated statements of financial position and disclosing key information about leasing arrangements. Under the provisions of ASU No. 2016-02, a lessee is required to recognize a right-to-use asset and lease liability, initially measured at the present value of the lease payments, in the consolidated statements of financial position. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Organization's leasing activities. The Organization will be required to adopt the guidance in ASU No. 2016-02 for years beginning after December 15, 2019.

3. Liquidity and Availability of Financial Assets

As of September 30, 2020 and 2019, financial assets available for general expenditure within one year of the consolidated statement of financial position date, consists of the following:

	2020	2019
Cash and cash equivalents	$ 67,505,000	$ 53,317,000
Investments	106,865,000	76,915,000
Patient accounts receivable, net	55,775,000	63,148,000
Other	6,402,000	5,072,000
Less: Net assets with donor restrictions	(5,175,000)	(4,460,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 231,372,000	$ 193,992,000

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors is as follows:

Medicare

Inpatient acute services rendered to Medicare program beneficiaries are paid at prospectively determined diagnosis related groups and case mix groups and prospective per diem rates, depending on the services they receive. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services related to Medicare beneficiaries are paid at prospectively determined rates according to ambulatory payment classifications. Other payments, including disproportionate share and Medicare bad debt expense reimbursement, are based on the Hospital's cost reports, and are estimated using historical trends and current factors. The Hospital is reimbursed for certain services at tentative rates for these other payments, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited and final settled by the Medicare fiscal intermediary through 2014, along with 2016 and 2017. The 2015, 2018, and 2019 cost reports have been filed and tentatively settled as of the date of the consolidated financial statements. The 2020 cost report has not been filed as of the date of the consolidated financial statements. Annual cost reports are generally due five months after the financial year end.

Medi-Cal

Inpatient services rendered to Medi-Cal program beneficiaries are reimbursed at prospectively determined rates based on diagnosis related groups. Outpatient services are paid based on prospectively determined rates per procedure provided.

Trauma Program

The Hospital is a Level II Trauma Center in the County of Los Angeles. Under this program, and through AB99 funding, for the years ended September 30, 2020 and 2019, the Hospital recorded approximately $4,776,000 and $4,604,000, respectively, in revenue included in net patient service revenue in the consolidated statements of operations.

HMO/PPO

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

Other

The other payor category is comprised primarily of indemnity, workers' compensation, and other commercial payors. Payment usually occurs on a negotiated settlement basis at some discount to the Hospital's gross charges.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Hospital. In addition, the contracts the Hospital has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Hospital's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations. Revenue received under third-party arrangements is subject to audit and retroactive adjustments.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Hospital also provides services to uninsured patients, and offers those uninsured or underinsured patients a discount, either by policy or law, from standard charges. The Hospital estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charges, by any contractual adjustment, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustment to net patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the Hospital's mission, care is provided to patients regardless of their ability to pay. Therefore, the Hospital has determined it has provided implicit price concessions to uninsured patients and other patient balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Hospital expects to collect based on its collection history with those patients.

The Hospital disaggregates revenue from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Tables providing details of these factors are presented below.

The composition of the Hospital's net patient care services revenue by major payor sources, are as follows for the years ended September 30:

	2020	2019
Medicare	$ 86,994,000	$ 93,742,000
Medi-Cal	24,352,000	23,011,000
Trauma program	4,776,000	4,604,000
HMO/PPO	181,133,000	198,315,000
Self-Pay and others	10,063,000	11,417,000
Subtotal	307,318,000	331,089,000
Quality assurance program revenue	18,844,000	16,089,000
Total	$ 326,162,000	$ 347,178,000

The composition of patient care service revenue based on the Hospital's lines of business for years ended September 30:

	2020	2019
Inpatient	$ 191,136,000	$ 209,010,000
Outpatient	53,836,000	56,803,000
Emergency	62,346,000	65,276,000
Subtotal	307,318,000	331,089,000
Quality assurance program revenue	18,844,000	16,089,000
Total	$ 326,162,000	$ 347,178,000

The Hospital has not further disaggregated other revenue as the economic factors affecting the nature, timing, amount and uncertainty of revenue and cash flows do not significantly vary within the revenue category.

5. Property, Plant and Equipment, Net

Property, plant and equipment consist of the following as of September 30:

	2020	2019
Land and land improvements	$ 12,782,000	$ 10,726,000
Building and improvements	388,301,000	221,072,000
Equipment and furniture	141,793,000	123,158,000
	542,876,000	354,956,000
Less: accumulated depreciation	(232,081,000)	(208,022,000)
	310,795,000	146,934,000
Construction-in-progress	6,559,000	187,517,000
Property, plant and equipment, net	$ 317,354,000	$ 334,451,000

Construction-in-progress consists primarily of the costs associated with construction projects on campus. The new patient tower was placed into service in October 2019, which reduced construction-in-progress by approximately $176,000,000.

6. Long-Term Debt

Long-term debt consists of the following as of September 30:

	2020	2019
2013 Series A Revenue Bonds (1)	$ 16,300,000	$ 17,850,000
2013 Series B Revenue Bonds (2)	20,600,000	23,200,000
2014 Insured Revenue Bonds (3)	67,780,000	68,225,000
2017 California Public Finance Authority Revenue Bonds (4)	109,625,000	109,625,000
2018 Series Taxable Bond (5)	10,479,000	10,479,000
Mortgage Loan Payable (6)	11,747,000	12,146,000
Total	236,531,000	241,525,000
Deferred financing costs, net of accumulated amortization	(3,850,000)	(4,177,000)
Unamortized bond premium	5,237,000	5,505,000
	237,918,000	242,853,000
Less: current maturities	(6,142,000)	(4,995,000)
	$ 231,776,000	$ 237,858,000

(1) California Statewide Communities Development Authority Series 2013 A Revenue Bonds in the original amount of $25,000,000 dated December 1, 2013, which bear interest at an annual rate of 4.19 percent, payable semi-annually (2013 Bonds Series A). The 2013 Bonds Series A requires annual principal payments ranging from $1,075,000 to $4,500,000 beginning in 2014 through 2028. The 2013 Bonds Series A are secured by a deed of trust on substantially all of the Hospital's property.

(2) California Statewide Communities Development Authority Series 2013 B Revenue Bonds in the original amount of $35,000,000 dated December 1, 2013, which bear interest at an annual rate of 3.82 percent, payable semi-annually (2013 Bonds Series B). The 2013 Bonds Series B requires annual principal payments ranging from $1,750,000 to $3,500,000 beginning in 2014 through 2027. The 2013 Bonds Series B are secured by a deed of trust on substantially all of the Hospital's property.

(3) California Statewide Communities Development Authority Series 2014 Insured Revenue Bonds in the original amount of $70,000,000 dated January 22, 2014, which bear interest at annual rates ranging from 4.0 percent to 5.25 percent, payable semi-annually (2014 Bonds). The 2014 Bonds require annual principal payments ranging from $295,000 to $5,715,000 beginning in 2016 through 2043. The 2014 Bonds are insured by Assured Guarantee Municipal Corp and are secured by a grant of security interest in the gross revenues of the Hospital as well as a deed of trust on substantially all of the Hospital's property. The 2014 Bonds were secured on parity with the 2013 Bonds Series A and B.

(4) California Public Finance Authority Revenue Bonds (Henry Mayo Newhall Hospital), Series 2017 in the original amount of $109,625,000 dated January 30, 2017, which bears interest at an annual rate of 5.00 percent, payable semi-annually (2017 Bonds). The 2017 Bonds require annual principal payments ranging from $780,000 to $12,360,000 beginning in 2021 through 2047. The 2017 Bonds are secured by a grant of security interest in the gross revenues of the Hospital as well as a deed of trust on substantially all of the Hospital's property.

(5) Henry Mayo Newhall Hospital Taxable Bond, Series 2018 in the original amount of $10,500,000, which bears interest at an annual rate of 4.75 percent, payable monthly (2018 Bonds). Interest only payments are required from October 2018 through August 2020 and principal and interest payments are required thereafter through August 2028. Annual payments range from $503,000 to $750,000, with a balloon payment of $8,063,011 due in August 2028. The 2018 Bonds are held by a bank. The 2018 Bonds are secured by a grant of security interest in the gross revenues of the Hospital as well as a deed of trust on substantially all of the Hospital's property.

(6) Mortgage Loan Payable assumed in August 2018 in the amount of $12,519,000 which bears interest at an annual rate of 3.94 percent, payable monthly (Loan Payable). The Loan Payable requires annual principal and interest payments of $850,000, with a balloon payment of $9,683,000 due in September 2025. The Loan Payable is secured by lease payments under a master lease for the acquired property whereby the Foundation is the lessor and the Hospital is the lessee. The Hospital is the guarantor of the Loan Payable, for which the Foundation is the primary obligor.

Maturities of long-term debt at September 30, 2020 above are as follows:

	Principal Maturities
2021	$ 6,142,000
2022	6,410,000
2023	6,704,000
2024	7,005,000
2025	16,920,000
Thereafter	193,350,000
Total	$ 236,531,000

7. Pension Plan

The Organization maintains a deferred compensation annuity plan (defined as an IRC Section 403(b) plan), which covers employees who elect to participate.

The Organization provides matching contributions equal to 5% of participants' eligible annual compensation up to the amount allowed by the Internal Revenue Service for the calendar year. Employer matching contributions are funded annually based on the calendar year. For the years ended September 30, 2020 and 2019, the Organization's matching contributions were approximately $3,788,000 and $3,587,000, respectively, in employee benefits on the consolidated statements of operations.

8. Charitable Remainder Trusts

The Foundation is the beneficiary under two irrevocable charitable remainder trusts. These trusts pay a stipulated annuity to each of the donors and provide the donors with a life income interest in the assets contributed. At a stipulated time (upon death of the donor or donor's designee), the remaining assets are generally available for the Foundation's use. The present value of the estimated future distributions expected to be received by the Foundation over the term of the arrangements of $2,580,000 and $3,000,000 as of September 30, 2020 and 2019, respectively were recorded as receivables under trust agreements. As of September 30, 2020 and 2019, the fair market values of the assets were estimated at $6,757,000 and $6,919,000, respectively. Annually, the amounts payable to annuitants and the contributions receivable are revised based on an actuarial calculation using discount rates, mortality factors, and current fair values of trust assets. The changes in contributions receivable from remainder trusts are reported as change in value of receivables under trust agreements in the consolidated statements of changes in net assets.

9. Net Assets With Donor Restrictions

Contributions received that are restricted for specific Organization programs or capital projects are recorded as net assets with donor restrictions.

Contributions and grants that were recorded as net assets with donor restrictions and funds relating to these net assets were transferred to net assets without donor restrictions when the restriction had lapsed and when used or incurred for their intended purpose.

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

	2020	2019
Charitable remainder trust	$ 2,580,000	$ 3,000,000
Emergency room	2,359,000	2,306,000
New patient tower	1,420,000	2,583,000
Other equipment	274,000	251,000
Diabetes program	399,000	399,000
Breast imaging program	373,000	352,000
Other	350,000	323,000
Total	$ 7,755,000	$ 9,214,000

10. Investments in Joint Ventures

The Organization has a 50 percent joint venture agreement with Tower Imaging Medical Group, Inc., a California professional corporation (TIMG), whereby the Organization and TIMG (together the Partners) own Tower Imaging Valencia, LLC, a California limited liability company (the Joint Venture). The Joint Venture, which provides radiology services outside of the Organization, is a for-profit enterprise. The Organization accounts for the investment in the Joint Venture under the equity method of accounting. Under the equity method, the Organization recognizes its share of the earnings or losses in the Joint Venture.

The Partners share the profits and losses of the Joint Venture in a pre-determined ratio of 50 percent and 50 percent, in accordance with the Joint Venture agreement. Allocation of cash distributions to the LLC members is to be made in proportion to the respective percentage interests of the Organization and TIMG. During the year ended September 30, 2020, the Joint Venture distributed a total of $100,000 or $50,000 for each partner from the Joint Venture. During the year ended September 30, 2019, the Joint Venture distributed a total of $1,200,000 or $600,000 for each partner from the Joint Venture. The term of the Joint Venture agreement is until 2021.

As members of the Joint Venture, TIMG and the Organization have the obligation to guarantee, in the form of credit support, to a third-party credit lender pro rata amounts based on that member's percentage interest. In return, each member making such guarantee is to receive an annual credit enhancement fee equal to a fair market value percentage rate of the amount of the liability guaranteed by each member, and the credit enhancement fee is to be paid prior to any distributions to the members. In the event there is a default of the guaranteed obligation, then such member has all of the rights against the Joint Venture including, without limitation, to receive the credit enhancement fee until such member is exonerated from the underlying liability. At September 30, 2020, the Organization and TIMG have not guaranteed any debt relating to the Joint Venture.

The carrying value of the investment in the Joint Venture at September 30, 2020 and 2019 was approximately $1,466,000 and $1,069,000, respectively.

In November 2019, the Organization entered into a joint venture agreement with Black Rock Medical Group, Inc. (Black Rock), a California professional medical corporation, to own and operate a for-profit urgent care center called Henry Mayo Urgent Care Clinics, LLC. (the Urgent Care Joint Venture). The Organization accounts for the investment in the Urgent Care Joint Venture under the equity method of accounting. Under the equity method, the Organization recognizes its share of the earnings or losses in the Urgent Care Joint Venture.

The Organization and Black Rock share the profits and losses of the Urgent Care Joint Venture in a pre-determined ratio of 51 percent and 49 percent, respectively, in accordance with the Urgent Care Joint Venture agreement. Allocation of cash distributions to the Urgent Care Joint Venture partners is made in proportion to the respective percentage interests of the Organization and Black Rock. During the year ended September 30, 2020, the Urgent Care Joint Venture made no cash distributions to its partners.

In November 2020, the Organization entered into a strategic affiliation with the University of Southern California (USC) for the purpose of enhancing delivery of quality inpatient and outpatient care in the Santa Clarita Valley and surrounding area. Under this arrangement (the Contract), the Organization and USC will jointly develop and collaborate on various projects to establish and expand various service lines at the Hospital.

11. Operating Leases

In November 2012, the Organization (as landlord) entered into a ground lease with an independent third party (as tenant) to lease approximately 53,870 square feet of the Organization's land for the construction of a medical office building (MOB) that the Organization occupied and leased upon completion of the MOB. The ground lease term is for 60 years with annual base rent in the amount of $125,000 payable to the Organization in equal monthly installments. The annual rent increase is 3 percent for the first twenty years followed by increases using the CPI Index with a floor of 2 percent and ceiling of 4 percent compounded as recalculated from the initial base rent assuming the first twenty year period used the CPI Index method.

In connection with the ground lease, the Organization (as tenant) entered into a lease agreement to occupy 38,378 square feet of the MOB. The initial lease term is 20 years with a lessee option to renew for 4 additional 10 year periods with the base rent of $76,000 per month with annual rent increases of 3 percent. After the initial lease term, assuming options to renew are exercised, the base rent increases using the CPI Index with a floor of 2 percent and a ceiling of 4 percent. The lease commenced in March 2014. The Organization determined this to be an operating lease and lease rentals were straightlined over the initial term of the lease.

Operating leases consist primarily of medical and office space, as well as equipment leases. Total facilities rental expense, including month-to-month rentals, for the years ended September 30, 2020 and 2019, was approximately $4,096,000 and $4,559,000, respectively.

The Organization (as landlord) has entered into various operating lease agreements. The lease termination dates range through 2072. Rental income generated from these leases, including month-to-month leases, totaled approximately $1,115,000 and $1,179,000 for the years ended September 30, 2020 and 2019, respectively.

Future minimum annual rental commitments under noncancelable operating leases, principally for medical and office space, are as follows:

2021	$ 3,684,000
2022	3,325,000
2023	2,871,000
2024	2,785,000
2025	2,821,000
Thereafter	17,186,000
Total	$ 32,672,000

Future minimum expected annual rental income under noncancelable operating leases, principally for office space, are as follows:

2021	405,000
2022	416,000
2023	427,000
2024	438,000
2025	449,000
Thereafter	37,010,000
Total	$ 39,145,000

12. Commitments and Contingencies

Golden Valley Pledged Lease Asset

On September 10, 2008, the Organization entered into a lease Agreement with GMS Golden Valley Ranch, LLC for 50 years at a minimum annual rent of $1.00 plus common area costs, taxes and insurance (the Golden Valley Lease) for 2,000 sq. ft. of space in a new shopping center nearby to the Organization, for the purpose of operating a physical therapy facility. The lease of the space is contingent on the continued use by the Organization for public benefit. Accordingly, the Golden Valley Lease was recorded as a conditional pledge for the present value of the fair value of lease payments and an underlying pledged lease asset was recorded in the amount of $2,743,000. Due to the contingent nature of the lease, a liability for $2,743,000 was recorded as deferred contribution revenue in the consolidated statements of financial position. As of September 30, 2020 and 2019, the pledged lease asset and deferred contribution revenue were approximately $2,258,000 and $2,302,000, respectively. The pledged asset and corresponding liability are being amortized using the straight-line method over the life of the lease.

Management Incentive Plan

The Organization has a management incentive plan which provides incentive compensation when certain performance goals are met. For the years ended September 30, 2020 and 2019, the Organization incurred incentive compensation of approximately $702,000 and $1,432,000, respectively, in salaries and wages in the consolidated statements of operations.

Malpractice Insurance

The Organization maintains medical malpractice insurance under a claims-made policy. A claims-made policy covers only claims net of the Organization's self-insured retention (SIR) of $500,000 per claim that occurs and are filed in the period during which the policy is in force. The primary policy provides coverage with an annual aggregate of $15,000,000 with $5,000,000 limited per claim and an additional umbrella policy with a $25,000,000 aggregate. The Organization also purchases excess umbrella liability coverage, which provides additional coverage above the basic policy limits up to the amount specified in the umbrella policy. The Organization has obtained coverage through July 1, 2021.

Based on the Organization's claim experience, an accrual has been made for the Organization's estimated medical malpractice costs, including costs associated with litigating or settling claims, under its malpractice insurance policy, in the amounts of approximately $5,933,000 and $4,798,000, as of September 30, 2020 and 2019, respectively. It is reasonably possible that this estimate could change materially in the near term.

In June and November 2005, the Organization invested a total of $218,000 for the purchase of 27,230 shares (1.7 percent ownership as of September 30, 2020 and 2019) of capital stock in California Healthcare Insurance Company, Inc. (CHI), a risk retention group domiciled in Hawaii. CHI insures its owners and their affiliated entities for general and professional liability risks. The Organization accounts for its investment in CHI under the cost method of accounting. During the years ended September 30, 2020 and 2019, the Organization paid approximately $887,000 and $825,000, respectively, in premiums to CHI.

CHI covers claims through a combination of risk layers that include, assuming the risk, reinsurance treaties with four A+ rated reinsurers and conventional type insurance with an A+ rated commercial carrier. CHI adjusts risk layers periodically in response to market conditions. The Organization believes that CHI will provide the Organization with efficient and cost effective management of its medical malpractice and other risks. As of September 30, 2020 and 2019, AM Best, the worldwide insurance rating and information agency, reported CHI's rating at A-. There is no guarantee that CHI will remain a viable insurance company. Excessive claims could have a material adverse effect on CHI's ability to pay claims.

Self-Insurance Program for Employee Healthcare

The Organization has a self-insured program for employee healthcare for the years ended September 30, 2020 and 2019. An accrual has been made for the estimated liabilities arising from outstanding healthcare claims incurred but not yet reported as of September 30, 2020 and 2019. Management believes that its estimates are sufficient, however, actual amounts may materially differ from those estimates. For the years ended September 30, 2020 and 2019, these liabilities were approximately $2,285,000 and $1,942,000, respectively, and are recorded in accrued payroll and benefits in the accompanying consolidated statements of financial position. The Organization also maintains a stop-loss reinsurance policy for its self-insured healthcare program. The stop-loss policy reimburses the Organization 100 percent of the costs incurred for a patient incident that exceeds $250,000.

Worker's Compensation

The Organization has a guaranteed cost premium policy. Accruals have been made for the liabilities arising from audits of the policy for the plan years ended September 30, 2020 and 2019 for approximately $209,000 and $665,000, respectively, and are included in accrued payroll and benefits in the accompanying consolidated statements of financial position. An estimated accrual had been made for the liabilities arising from the previous policies for the plan years ended September 30, 2019 and prior for approximately $0 and $1,633,000 which is included in accrued payroll and benefits in the accompanying consolidated statements of financial position for the years ended September 30, 2020 and 2019, respectively. Actual amounts may materially differ from those estimates.

Union Contract

The Organization has contracts with the California Nurses Association and the United Electrical, Radio & Machine Workers of America for the period January 2019 through January 2022 and February 2020 through January 2023, respectively. Employee benefits provided by the contracts include paid time off and health and retirement benefits. The contracts also specify compensation rates and hours of work and overtime. These compensation rates and benefits could change materially subject to the outcome of collective bargaining agreements. As of September 30, 2020 and 2019, 75.8 percent and 76.5 percent, respectively, of the Organization's employees were covered by union contracts.

Litigation

The Organization is involved in litigation arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these maters are expected to be resolved without a material adverse effect on the Organization's consolidated statement of financial position. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Regulatory Environment

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations are not limited to matters such as licensure, accreditation, government healthcare program participating requirements, reimbursements for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

In 2018, the Organization submitted a request to be entered into the Centers for Medicare and Medicaid Services voluntary self-disclosure protocol, which is a process for self-disclosing actual or potential violations of the federal physician self-referral statute. The potential violations disclosed involve multiple physician arrangements, and primarily concern possible overpayments by the Organization. At this time the Organization cannot estimate the amount of any repayment, if any, that may result from the voluntary self-disclosure.

COVID-19

The COVID-19 outbreak in the United States in the first quarter of 2020 has caused business disruption through mandatory closings and changes in the execution of certain programs as well as abroad decline in asset values and associated revenues. The extent to which this event may impact the Organization's financial position or results of operation is uncertain.

13. Investments and Fair Value Measurements

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance a three level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities, that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the techniques and inputs used as of September 30, 2020 and 2019.

Fixed income mutual funds, domestic equity mutual funds, international equity mutual funds and balanced funds are valued based on quoted market prices.

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

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial statements could result in a different estimate of fair value at the reporting date.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurement falls at September 30, 2020 and 2019:

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Mutual funds - fixed income	$ 32,523,000	$ -	$ -	$ 32,523,000
Mutual funds - domestic equity	20,313,000	-	-	20,313,000
Mutual funds - international equity	15,891,000	-	-	15,891,000
Balanced funds	11,916,000	-	-	11,916,000
Total investments	$ 80,643,000	$ -	$ -	$ 80,643,000
Assets disclosed at fair value:				
Receivable under charitable remainder trust agreements	$ -	$ -	$ 2,580,000	$ 2,580,000

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Mutual funds - fixed income	$ 30,959,000	$ -	$ -	$ 30,959,000
Mutual funds - domestic equity	19,070,000	-	-	19,070,000
Mutual funds - international equity	15,339,000	-	-	15,339,000
Balanced funds	11,547,000	-	-	11,547,000
Total investments	$ 76,915,000	$ -	$ -	$ 76,915,000
Assets disclosed at fair value:				
Receivable under charitable remainder trust agreements	$ -	$ -	$ 3,000,000	$ 3,000,000

The following provides a reconciliation of the amounts included in fair value hierarchy to the amounts reported in the consolidated statements of financial position at September 30:

	2020	**2019**
Investments:		
Cash and cash equivalents	$ 26,222,000	$ -
Assets measured at fair value	80,643,000	76,915,000
Total	$106,865,000	$ 76,915,000

Significant Unobservable Inputs for Level 3 Investments

The following table provides quantitative information related to the significant unobservable inputs for Level 3 investments, which are carried at fair value as of September 30, 2020 and 2019:

2020

Fair Value of Level 3 Investments	Valuation Technique	Unobservable Input	Rate
$ 2,580,000	Present value approach	Discount Rate	1.06 %
		Mortality Factor (Number of Years)	13.5

2019

Fair Value of Level 3 Investments	Valuation Technique	Unobservable Input	Rate
$ 3,000,000	Present value approach	Discount Rate	1.67 %
		Mortality Factor (Number of Years)	14.1

Under the present value approach, the significant unobservable inputs used in the fair value measurement of the Foundation's receivables under charitable remainder trust agreements are the discount rate and the mortality factor (number of years). Significant increases or decreases in the discount rate in isolation may result in a significantly higher or lower fair value measurement, respectively. Significant increases or decreases in the mortality factor (number of years) may result in a significantly lower or higher fair value measurement, respectively.

14. Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. These expenses include depreciation, interest, administration, communications, information technology, and facilities operations and maintenance. Employee benefits are allocated based on the respective proportion of salaries and wages. Depreciation and interest are allocated based on square footage. Costs of other categories were allocated on estimates of time and effort.

Functional expenses for the years ended September 30, 2020 and 2019:

	2020			
	Healthcare Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 105,774,000	$ 12,259,000	$ 425,000	$ 118,458,000
Employee benefits	35,725,000	4,571,000	128,000	40,424,000
Registry	2,991,000	94,000	-	3,085,000
Supplies	47,905,000	1,431,000	1,000	49,337,000
Purchased services	41,147,000	8,280,000	3,000	49,430,000
Repairs and maintenance	8,301,000	1,180,000	-	9,481,000
Interest	8,722,000	2,863,000	-	11,585,000
Depreciation	21,685,000	3,297,000	-	24,982,000
Insurance	1,669,000	72,000	1,000	1,742,000
Rent	2,733,000	2,484,000	-	5,217,000
Utilities	3,184,000	545,000	-	3,729,000
Quality assurance fee hospital tax	21,201,000	-	-	21,201,000
Other operating expenses	4,509,000	3,106,000	85,000	7,700,000
	$ 305,546,000	$ 40,182,000	$ 643,000	$ 346,371,000

	2019			
	Healthcare Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 108,514,000	$ 13,252,000	$ 459,000	$ 122,225,000
Employee benefits	38,832,000	4,657,000	140,000	43,629,000
Registry	1,828,000	104,000	-	1,932,000
Supplies	50,308,000	739,000	-	51,047,000
Purchased services	42,924,000	8,269,000	3,000	51,196,000
Repairs and maintenance	7,046,000	1,583,000	-	8,629,000
Interest	3,911,000	1,473,000	-	5,384,000
Depreciation	15,188,000	2,917,000	-	18,105,000
Insurance	2,208,000	66,000	5,000	2,279,000
Rent	3,734,000	1,663,000	46,000	5,443,000
Utilities	2,820,000	523,000	-	3,343,000
Quality assurance fee hospital tax	19,901,000	-	-	19,901,000
Other operating expenses	3,229,000	4,229,000	195,000	7,653,000
	$ 300,443,000	$ 39,475,000	$ 848,000	$ 340,766,000

15. Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables was as follows at September 30:

	2020	2019
Patient accounts receivable:		
Medicare	34 %	32 %
Medi-Cal	15	14
HMO/PPO	35	34
Self-Pay and other	16	20
	100 %	100 %

Henry Mayo Newhall Hospital and Subsidiaries

Statement of Financial Position - Consolidating Information
September 30, 2020

	Hospital	Foundation	MSO	Network	Clinics	Total Before Eliminations	Eliminations	Consolidated
Assets								
Current Assets								
Cash and cash equivalents	$ 62,635,014	$ 4,543,520	$ 90,482	$ 192,504	$ 43,476	$ 67,504,996	$ -	$ 67,504,996
Investments	106,864,859	-	-	-	-	106,864,859	-	106,864,859
Patient accounts receivable	55,774,860	-	-	-	-	55,774,860	-	55,774,860
Receivables from affiliates	8,689,300	-	-	562,369	-	9,251,669	(9,251,669)	-
Inventories	6,768,080	-	-	-	-	6,768,080	-	6,768,080
Prepaid expenses and other current assets	6,523,176	13,550	780,406	-	-	7,317,132	-	7,317,132
Quality assurance program receivable	15,319,122	-	-	-	-	15,319,122	-	15,319,122
Total current assets	262,574,411	4,557,070	870,888	754,873	43,476	268,800,718	(9,251,669)	259,549,049
Pledges Receivable, Net	-	952,834	-	-	-	952,834	-	952,834
Property, Plant and Equipment, Net	291,240,373	26,059,291	-	-	54,402	317,354,066	-	317,354,066
Receivable Under Charitable Remainder Trust Agreement	-	2,579,733	-	-	-	2,579,733	-	2,579,733
Other Assets	3,896,226	293,518	-	-	-	4,189,744	-	4,189,744
Total assets	$ 557,711,010	$ 34,442,446	$ 870,888	$ 754,873	$ 97,878	$ 593,877,095	$ (9,251,669)	$ 584,625,426

Henry Mayo Newhall Hospital and Subsidiaries

Statement of Financial Position - Consolidating Information
September 30, 2020

	Hospital	Foundation	MSO	Network	Clinics	Total Before Eliminations	Eliminations	Consolidated
Liabilities and Net Assets								
Current Liabilities								
Current portion of long-term debt	$ 5,747,550	$ 393,984	$ -	$ -	$ -	$ 6,141,534	$ -	$ 6,141,534
Accounts payable and accrued liabilities	31,268,734	17,736	12,231	561,642	11,166	31,871,509	-	31,871,509
Accrued payroll and benefits	21,026,519	51,375	15,573	-	-	21,093,467	-	21,093,467
Accrued interest	3,475,570	-	-	-	-	3,475,570	-	3,475,570
Quality assurance fee payable	19,127,904	-	-	-	-	19,127,904	-	19,127,904
Contract liability, advance payments	6,555,526	-	-	-	-	6,555,526	-	6,555,526
Deferred revenue	4,272,008	-	-	-	-	4,272,008	-	4,272,008
Estimated third-party liabilities	8,601,240	-	-	-	-	8,601,240	-	8,601,240
Payable to affiliate, net	562,369	7,639,178	835,193	52,303	162,626	9,251,669	(9,251,669)	-
Total current liabilities	100,637,420	8,102,273	862,997	613,945	173,792	110,390,427	(9,251,669)	101,138,758
Long-term Debt, Net	220,690,646	11,085,157	-	-	-	231,775,803	-	231,775,803
Contract Liability, Advance Payments	19,666,577	-	-	-	-	19,666,577	-	19,666,577
Deferred Rent Liability	1,544,931	-	-	-	-	1,544,931	-	1,544,931
Deferred Contribution Revenue	2,258,221	-	-	-	-	2,258,221	-	2,258,221
Accrued Malpractice Liability	5,933,234	-	-	-	-	5,933,234	-	5,933,234
Total liabilities	350,731,029	19,187,430	862,997	613,945	173,792	371,569,193	(9,251,669)	362,317,524
Net Assets								
Net assets without donor restrictions	199,225,061	15,255,016	7,891	140,928	(75,914)	214,552,982	-	214,552,982
Net assets with donor restrictions	7,754,920	-	-	-	-	7,754,920	-	7,754,920
Total net assets	206,979,981	15,255,016	7,891	140,928	(75,914)	222,307,902	-	222,307,902
Total liabilities and net assets	$ 557,711,010	$ 34,442,446	$ 870,888	$ 754,873	$ 97,878	$ 593,877,095	$ (9,251,669)	$ 584,625,426

Henry Mayo Newhall Hospital and Subsidiaries

Statement of Operations - Consolidating Information
Year Ended September 30, 2020

	Hospital	Foundation	MSO	Network	Clinics	Total Before Eliminations	Eliminations	Consolidated
Operating Revenues								
Net patient service revenue	$ 326,161,540	$ -	$ -	$ -	$ -	$ 326,161,540	$ -	$ 326,161,540
Other revenue	13,951,475	2,026,464	1,299,123	2,843,929	-	20,120,991	(5,076,116)	15,044,875
California Hospital Foundation grant revenue	2,357,179	-	-	-	-	2,357,179	-	2,357,179
Total operating revenues	342,470,194	2,026,464	1,299,123	2,843,929	-	348,639,710	(5,076,116)	343,563,594
Operating Expenses								
Salaries and wages	117,481,120	568,661	408,531	-	-	118,458,312	-	118,458,312
Employee benefits	40,140,729	166,777	116,897	-	-	40,424,403	-	40,424,403
Registry	3,084,789	-	-	-	-	3,084,789	-	3,084,789
Supplies	49,310,139	557	7	-	25,866	49,336,569	-	49,336,569
Purchased services	49,529,636	6,492	173,598	2,766,842	2,502	52,479,070	(3,049,652)	49,429,418
Repairs and maintenance	9,425,312	-	36,890	-	18,734	9,480,936	-	9,480,936
Interest	11,061,274	523,656	-	-	-	11,584,930	-	11,584,930
Depreciation	23,943,184	1,035,867	-	-	2,598	24,981,649	-	24,981,649
Insurance	1,741,657	786	-	-	-	1,742,443	-	1,742,443
Rent	7,203,794	350	17,602	-	22,113	7,243,859	(2,026,464)	5,217,395
Utilities	3,728,953	-	-	-	-	3,728,953	-	3,728,953
Quality assurance fee hospital tax	21,201,499	-	-	-	-	21,201,499	-	21,201,499
Other operating expenses	7,573,692	102,139	18,913	1,298	4,101	7,700,143	-	7,700,143
Total operating expenses	345,425,778	2,405,285	772,438	2,768,140	75,914	351,447,555	(5,076,116)	346,371,439
Operating (Loss) Income	$ (2,955,584)	$ (378,821)	$ 526,685	$ 75,789	$ (75,914)	$ (2,807,845)	$ -	$ (2,807,845)

Henry Mayo Newhall Hospital and Subsidiaries

Statement of Operations - Consolidating Information
Year Ended September 30, 2020

	Hospital	Foundation	MSO	Network	Clinics	Total Before Eliminations	Eliminations	Consolidated
Non-Operating Income (Loss)								
Contributions	$ 267,185	$ 49,013	$ -	$ -	$ -	$ 316,198	$ -	$ 316,198
Interest and dividends	2,946,460	26,923	-	-	-	2,973,383	-	2,973,383
Realized gain on investments, net	875,836	-	-	-	-	875,836	-	875,836
Unrealized gain on investments, net	71,750	-	-	-	-	71,750	-	71,750
Other non-operating (loss) income, net	(1,022,214)	-	-	-	-	(1,022,214)	-	(1,022,214)
Equity in income of joint venture	213,996	-	-	-	-	213,996	-	213,996
Revenues in Excess (Deficiency) of Expenses	397,429	(302,885)	526,685	75,789	(75,914)	621,104	-	621,104
Net Assets Released From Restrictions Used for Purchases of Property, Plant and Equipment	1,883,896	-	-	-	-	1,883,896	-	1,883,896
Increase (Decrease) in Net Assets Without Donor Restrictions	$ 2,281,325	$ (302,885)	$ 526,685	$ 75,789	$ (75,914)	$ 2,505,000	$ -	$ 2,505,000

Henry Mayo Newhall Hospital and Subsidiaries

Statement of Changes in Net Assets - Consolidating Information
Year Ended September 30, 2020

	Hospital	Foundation	MSO	Network	Clinics	Total Before Eliminations	Eliminations	Consolidated
Change In Net Assets Without Donor Restrictions								
Revenues in excess (deficiency) of expenses	$ 397,429	$ (302,885)	$ 526,685	$ 75,789	$ (75,914)	$ 621,104	$ -	$ 621,104
Net assets released from restrictions used for purchases of property, plant and equipment	1,883,896	-	-	-	-	1,883,896	-	1,883,896
Net increase (decrease) in net assets without donor restrictions	2,281,325	(302,885)	526,685	75,789	(75,914)	2,505,000	-	2,505,000
Change In Net Assets With Donor Restrictions								
Contributions	845,625	-	-	-	-	845,625	-	845,625
Change in value of receivables under trust agreements	-	(420,393)	-	-	-	(420,393)	-	(420,393)
Net assets released from restrictions	(1,883,896)	-	-	-	-	(1,883,896)	-	(1,883,896)
Net decrease in net assets with donor restrictions	(1,038,271)	(420,393)	-	-	-	(1,458,664)	-	(1,458,664)
Increase (Decrease) in Net Assets	1,243,054	(723,278)	526,685	75,789	(75,914)	1,046,336	-	1,046,336
Net Assets, Beginning of Year	205,736,927	15,978,294	(518,794)	65,139	-	221,261,566	-	221,261,566
Net Assets, End of Year	$ 206,979,981	$ 15,255,016	$ 7,891	$ 140,928	$ (75,914)	$ 222,307,902	$ -	$ 222,307,902

Henry Mayo Newhall Hospital and Subsidiaries

Statement of Financial Position - Obligated Group Information
As of September 30, 2020

	Hospital
Assets	
Current Assets	
Cash and cash equivalents	$ 62,635,014
Investments	106,864,859
Patient accounts receivable	55,774,860
Receivables from affiliates	8,689,300
Inventories	6,768,080
Prepaid expenses and other current assets	6,523,176
Quality assurance program receivable	15,319,122
Total current assets	262,574,411
Property, Plant and Equipment, Net	291,240,373
Other Assets	3,896,226
Total assets	$ 557,711,010
Liabilities and Net Assets	
Current Liabilities	
Current portion of long-term debt	$ 5,747,550
Accounts payable and accrued liabilities	31,268,734
Accrued payroll and benefits	21,026,519
Accrued interest	3,475,570
Quality assurance fee payable	19,127,904
Contract liability, advance payments	6,555,526
Deferred revenue	4,272,008
Estimated third-party liabilities	8,601,240
Payable to affiliate, net	562,369
Total current liabilities	100,637,420
Long-term Debt, Net	220,690,646
Contract Liability, Advance Payments	19,666,577
Deferred Rent Liability	1,544,931
Deferred Contribution Revenue	2,258,221
Accrued Malpractice Liability	5,933,234
Total liabilities	350,731,029
Net Assets	
Net assets without donor restrictions	199,225,061
Net assets with donor restrictions	7,754,920
Total net assets	206,979,981
Total liabilities and net assets	$ 557,711,010

Henry Mayo Newhall Hospital and Subsidiaries

Statement of Operations - Obligated Group Information
Year Ended September 30, 2020

	Hospital
Operating Revenues	
Net patient service revenue	$ 326,161,540
Other revenue	13,951,475
California Hospital Foundation grant revenue	2,357,179
Total operating revenues	342,470,194
Operating Expenses	
Salaries and wages	117,481,120
Employee benefits	40,140,729
Registry	3,084,789
Supplies	49,310,139
Purchased services	49,529,636
Repairs and maintenance	9,425,312
Interest	11,061,274
Depreciation	23,943,184
Insurance	1,741,657
Rent	7,203,794
Utilities	3,728,953
Quality assurance fee hospital tax	21,201,499
Other operating expenses	7,573,692
Total operating expenses	345,425,778
Operating Loss	(2,955,584)
Non-operating Income (Loss)	
Contributions	267,185
Interest and dividends	2,946,460
Realized gain on investments, net	875,836
Unrealized gain on investments, net	71,750
Other non-operating loss, net	(1,022,214)
Equity in income of joint venture	213,996
Revenues in Excess of Expenses	397,429
Net assets released from restrictions used for purchases of property, plant and equipment	1,883,896
Increase in Net Assets Without Donor Restrictions	$ 2,281,325

Henry Mayo Newhall Hospital and Subsidiaries

Statement of Changes in Net Assets - Obligated Group Information
Years Ended September 30, 2020

	Hospital
Change In Net Assets Without Donor Restrictions	
Revenues in excess of expenses	$ 397,429
Net assets released from restrictions used for purchases of property, plant and equipment	1,883,896
Increase in net assets without donor restrictions	2,281,325
Change In Net Assets With Donor Restrictions	
Contributions	845,625
Net assets released from restrictions	(1,883,896)
Decrease in net assets with donor restrictions	(1,038,271)
Increase in Net Assets	1,243,054
Net Assets, Beginning of Year	205,736,927
Net Assets, End of year	$ 206,979,981