

**New Hanover Regional Medical Center  
Wilmington, North Carolina**  
(A Component Unit of New Hanover County, North Carolina)

**Annual Financial Statements  
and Supplementary Information  
With Independent Auditor's Report Thereon**

**Years Ended September 30, 2020 and 2019 (As  
Restated)**

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RSM US LLP

## Independent Auditor's Report

To the Audit & Compliance Committee  
New Hanover Regional Medical Center

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund of New Hanover Regional Medical Center (NHRMC), a component unit of New Hanover County, North Carolina, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the NHRMC's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the fiduciary fund of New Hanover Regional Medical Center as of September 30, 2020 and 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 16 to the basic financial statements, Lower Cape Fear Hospice (LCFH) restated their articles of incorporation and amended its bylaws effective September 30, 2020. As a result of the amendments made, NHRMC determined LCFH no longer met the requirements to be a discretely presented component unit of NHRMC. As a result of this change the balances of the aggregate discretely presented component unit have been restated to remove LCFH from all periods presented. Our opinion is not modified with respect to this matter.

As discussed in Note 17 to the basic financial statements, these financial statements have been restated to correct an error in the presentation of a component unit. Our opinion is not modified with respect to this matter. In our opinion, such adjustments are appropriate and have been properly applied.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5-10, the Pension Plan of NHRMC's Changes in Net Pension Liability and Related Ratios and Schedule of Contributions on pages 77-78, and the Pension Plan of PMH's Changes in Net Pension Liability and Related Ratios and Schedule of Contributions on pages 79-80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise NHRMC's basic financial statements. The supplementary information listed in the contents under supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the contents under supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 audits, the procedures performed as described above, and the reports of the other auditor, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*RSM US LLP*

Wilmington, North Carolina  
December 14, 2020

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**New Hanover Regional Medical Center  
(A Component Unit of New Hanover County, North Carolina)**

**Management's Discussion and Analysis  
For the Fiscal Years Ended September 30, 2020 and 2019**

Management's discussion and analysis of New Hanover Regional Medical Center's (NHRMC) financial performance provides an overview of the Medical Center's activities for the fiscal years ended September 30, 2020 and 2019. Except as otherwise noted, the financial highlights in this analysis refer exclusively to New Hanover Regional Medical Center and its blended component units (NHRMC).

**FINANCIAL HIGHLIGHTS**

**For the year ended September 30, 2020**

NHRMC's net position increased over the prior year by \$134.6 million (12.3%).

NHRMC reported operating income of \$74.8 million or \$36.1 million less than prior year.

Total non-operating activity resulted in net revenue of \$59.8 million representing a net increase of \$63.1 million over the prior year's net non-operating expense of \$3.3 million.

**For the year ended September 30, 2019**

NHRMC's net position increased over the prior year by \$108.4 million (11.0%).

NHRMC reported operating income of \$111.0 million or \$29.0 million more than prior year.

Total non-operating activity resulted in net expenses of \$3.3 million representing a net expense increase of \$2.1 million over the prior year's net non-operating expense of \$1.2 million.

**SUMMARY OF NEW HANOVER REGIONAL MEDICAL CENTER**

The reporting entity includes New Hanover Regional Medical Center, as well as Pender Memorial Hospital, Incorporated (PMH) and New Hanover Regional Medical Center Foundation, Inc., blended component units (collectively, NHRMC), Carolina Healthcare Associates, Inc. (CHA), New Hanover Health, LLC (NHH) and Physician Quality Partners, LLC (PQP). CHA, NHH, and PQP are discretely presented component units. The Pension Plan of New Hanover Regional Medical Center is a fiduciary component unit.

**USING THIS ANNUAL REPORT**

The Annual Financial Report includes the basic financial statements and notes to the financial statements. In using the statements, please refer to Note 1 of the basic financial statements for additional information regarding the definition of the reporting entity, blended component units, fiduciary component unit, and discretely presented component units.

The financial statements report information about NHRMC using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a statement of net position; a statement of revenues, expenses and changes in net position; a statement of cash flows; fiduciary component unit information; and notes to the financial statements. The statements of net position present the financial position of NHRMC on a full accrual, historical cost basis. While the statements of net position provide information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the fiscal year and information as to how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The statements of cash flows present changes in cash and cash equivalents, resulting from operating, financing and investing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event, when an obligation arises, or the depreciation of capital assets.

Fiduciary component unit information is included as a result of NHRMC's fiduciary responsibility for a defined benefit plan it sponsors.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of the material data provided in the financial statements. The notes present information about NHRMC's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. Supplementary information presents the financial data of each entity blended to form NHRMC as reported in the financial statements, as well as the financial data for each of the discretely presented component units. The activity of the blended component unit is not considered to be materially significant as compared to the activity of NHRMC (the Primary Government).

The financial statements were prepared by NHRMC's staff from the detailed books and records of NHRMC.

## NHRMC'S OPERATING RESULTS AND CHANGES IN NET POSITION

	Years Ended		
	September 30, 2020	September 30, 2019	September 30, 2018
	(In Thousands)		
Net patient service revenue	\$ 1,143,188	\$ 1,137,318	\$ 1,028,295
Other revenue	68,305	52,197	44,531
<b>Total operating revenue</b>	<b>1,211,493</b>	<b>1,189,515</b>	<b>1,072,826</b>
Expenses:			
Health care services:			
Salaries, wages and benefits	545,859	517,165	484,417
Medical supplies	277,012	260,915	222,585
Professional fees	53,998	51,960	47,487
Purchased services	142,358	124,917	125,499
Depreciation and amortization	58,999	54,717	54,227
Other	58,427	68,861	56,618
<b>Total operating expenses</b>	<b>1,136,653</b>	<b>1,078,535</b>	<b>990,833</b>
<b>Operating income</b>	<b>74,840</b>	<b>110,980</b>	<b>81,993</b>
Nonoperating revenues (expenses), net	59,781	(3,339)	(1,150)
<b>Excess of revenues over expenses before special items, capital and permanent endowment contributions and transfers to component units</b>	<b>134,621</b>	<b>107,641</b>	<b>80,843</b>
Special items, capital and permanent endowment contributions and transfers to component units	(29)	746	(76)
<b>Increase in net position</b>	<b>134,592</b>	<b>108,387</b>	<b>80,767</b>
Net position, beginning	1,092,166	983,779	903,012
Net position, ending	\$ 1,226,758	\$ 1,092,166	\$ 983,779

**For the year ended September 30, 2020**

Total operating revenue increased \$22.0 million (1.8%). The increase in operating revenue is largely due to increased utilization of outpatient services, and a 3.0% charge rate increase. However, due to COVID-19, growth in both inpatient and outpatient services were lower than anticipated.

Total operating expenses increased \$58.1 million (5.4%). The increased utilization of services as described above contributed to the increase in operating expense, along with the additional costs incurred by NHRMC in response to COVID-19. Costs for personnel, medical supplies, professional fees, purchased services, depreciation, and other expenses all rose above the rate of increase in revenues. Personnel costs increased as a result of higher wages due to market pressures combined with increases in the Hospital's benefit costs. NHRMC continues to ensure that wage and benefit costs remain competitive while managing productivity through staffing targets along with increased focus on employee health and wellness. These activities continue to ensure personnel costs trend in line with revenue growth. Increases in medical supplies expenses were due to technological advancements designed to improve patient outcomes and increased utilization, and to respond to COVID-19. Purchased services costs increased as a result of increases in funding for affiliates. Professional fees increased due to increased physician fees.

Operating income reflects income earned from operations before consideration of any interest income from investments, interest expense or other non-operating income. Operating income decreased approximately \$36.1 million as a result of the impact of COVID-19 on operations.

Income before capital contributions and transfers increased \$27 million from 2019 reflecting income from operations along with interest earned on investments, increases and decreases in the fair value of investments, interest expense, and other non-operating items. Nonoperating revenues increased primarily due to increases in the fair value of investments and CARES Act Provider Relief Funds. This activity, when added to the decrease in operating income, accounted for the change from the prior year.

**For the year ended September 30, 2019**

Total operating revenue increased \$116.7 million (10.9%). The increase in operating revenue is largely due to increased utilization of both inpatient and outpatient services, and a 4.1% charge rate increase.

Total operating expenses increased \$87.7 million (8.9%). The increased utilization of services as described above contributed to the increase in operating expense. Costs for medical supplies and other expenses rose above the rate of increase in revenues, while costs for personnel, professional fees, depreciation, purchased services, and depreciation rose at a rate below revenue growth. Increases in medical supplies expenses were due to technological advancements designed to improve patient outcomes and increased utilization. Purchased services costs increased as a result of increases in other contracted purchased services. Personnel costs increased as a result of higher wages due to market pressures combined with increases in the Hospital's benefit costs. NHRMC continues to ensure that wage and benefit costs remain competitive while managing productivity through staffing targets along with increased focus on employee health and wellness. These activities continue to ensure personnel costs trend in line with revenue growth. Professional fees increased due to increased physician fees. Other expenses increased due to provisions for professional liability claims.

Operating income reflects income earned from operations before consideration of any interest income from investments, interest expense or other non-operating income. Operating income increased approximately \$29.0 million as a result of increased patient volumes as well as implemented strategies to increase operational efficiency.

Income before capital contributions and transfers increased \$26.8 million reflecting income from operations along with interest earned on investments, increases and decreases in the fair value of investments, interest expense, and other non-operating items. Nonoperating revenues decreased primarily due to decreases in the fair value of investments. This activity, when added to the decrease in operating income, accounted for the change from the prior year.

## SUMMARY OF NHRMC NET POSITION

	Years Ended		
	September 30, 2020	September 30, 2019	September 30, 2018
	(In Thousands)		
Assets:			
Current assets	\$ 484,649	\$ 435,019	\$ 382,619
Capital assets – tangible, net	590,986	563,971	550,510
Other noncurrent assets	691,244	638,961	604,601
<b>Total assets</b>	<b>1,766,879</b>	<b>1,637,951</b>	<b>1,537,730</b>
Deferred outflows of resources	52,577	56,682	60,996
<b>Total assets and deferred outflows         of resources</b>	<b>\$ 1,819,456</b>	<b>\$ 1,694,633</b>	<b>\$ 1,598,726</b>
Liabilities:			
Current liabilities	\$ 183,976	\$ 173,617	\$ 164,787
Long-term obligations	404,220	416,525	438,798
<b>Total liabilities</b>	<b>588,196</b>	<b>590,142</b>	<b>603,585</b>
Deferred inflows of resources	4,502	12,325	11,362
<b>Total liabilities and deferred         inflows of resources</b>	<b>\$ 592,698</b>	<b>\$ 602,467</b>	<b>\$ 614,947</b>
Net position:			
Net investment in capital assets	\$ 236,693	\$ 189,334	\$ 157,729
Unrestricted	971,224	885,216	809,029
Restricted	18,841	17,616	17,021
<b>Total net position</b>	<b>1,226,758</b>	<b>1,092,166</b>	<b>983,779</b>
<b>Total liabilities, deferred inflows of         resources and net position</b>	<b>\$ 1,819,456</b>	<b>\$ 1,694,633</b>	<b>\$ 1,598,726</b>

### **September 30, 2020**

Total assets and deferred outflows of resources have increased by \$124.8 million over the past fiscal year end.

The increase in current assets is primarily due to an increase in cash and cash equivalents as a result of operations. Increases in noncurrent assets are the result of additional excess funds invested from operations and construction of capital assets with bond proceeds.

Total liabilities and deferred inflows of resources have decreased by \$9.8 million over the past fiscal year end. An increase in current liabilities resulted from an increase in deferred revenue from unexpended CARES Act Provider Relief Funds. Long-term liabilities decreased as a result of scheduled debt payments.

Net position increased by \$134.6 million during the past year reflecting the overall performance during the past fiscal year.

### **September 30, 2019**

Total assets and deferred outflows of resources have increased by \$95.9 million over the past fiscal year end.

The increase in current assets is primarily due to an increase in cash and cash equivalents as a result of operations. Increases in noncurrent assets are the result of additional excess funds invested from operations and construction of capital assets with bond proceeds.

Total liabilities and deferred inflows of resources have decreased by \$12.5 million over the past fiscal year end. An increase in current liabilities resulted primarily from an increase in accounts payable and other liabilities. Long-term liabilities decreased as a result of scheduled debt payments.

Net position increased \$108.4 million during the past year reflecting the overall performance during the past fiscal year.

## **LONG-TERM DEBT DISCUSSION**

### **For the year ended September 30, 2020**

Long-term debt (noncurrent portion) is approximately \$345.6 million as of September 30, 2020, and includes Hospital Revenue Bonds issued in 2008, 2011, 2013 and 2017 as well as approximately \$3.1 million in interest rate swaps related to the 2008 series Revenue bonds.

NHRMC continues to make annual debt service and semi-annual interest payments on these bonds in compliance with bond documents. There have been no changes in the credit rating for New Hanover Regional Medical Center over the past year. Changes in long-term liabilities are summarized in Note 7 of the basic financial statements.

### **For the year ended September 30, 2019**

Long-term debt (noncurrent portion) is approximately \$365.2 million as of September 30, 2019, and includes Hospital Revenue Bonds issued in 2006, 2008, 2011, 2013 and 2017 as well as approximately \$3.0 million in interest rate swaps related to the 2008 series Revenue bonds.

NHRMC continues to make annual debt service and semi-annual interest payments on these bonds in compliance with bond documents. There have been no changes in the credit rating for New Hanover Regional Medical Center over the past year. Changes in long-term liabilities are summarized in Note 7 of the basic financial statements.

## **CAPITAL ASSETS DISCUSSION**

### **For the year ended September 30, 2020**

NHRMC completed construction of a new patient tower with three 36-bed patient floors on top of the existing Surgical Pavilion at the 17<sup>th</sup> St campus (Note 7).

### **For the year ended September 30, 2019**

NHRMC completed construction of the expansion and renovation of the Intensive Care Unit to include refurbishing 40 existing ICU patient rooms and installing new nursing stations and renovating staff support spaces and continued work on bond-funded capital projects (Note 7), including the construction and equipping of a new Medical Tower with three 36-bed patient floors on top of the existing Surgical Pavilion at the 17<sup>th</sup> St campus.

## **NEXT YEAR'S FORECAST AND RATES**

The operational environment for the health care industry continues to be challenging. Demands for new technology and services, increases in costs for medical supplies and personnel, as well as increasing challenges for cost containment, because of reductions in reimbursement for services provided, continue to impact the industry.

Additionally, on March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Patient volumes and the related revenues for many of NHRMC's services were significantly impacted during 2020 and have continued to be impacted as various policies were implemented by federal, state and local governments in response to the COVID-19 pandemic that have caused many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective surgical procedures by health care facilities. While many of these restrictions have been eased, some restrictions remain in place, and management is unable to predict the future impact of the pandemic on our operations. See Note 19.

For the fiscal year beginning October 1, 2020, the Board of Trustees has approved an Obligated Unit (New Hanover Regional Medical Center, CHA, PQP, and NHH) forecast to include an increase of \$43.2 million in salaries and benefits for employees, as well as full year bad debt and charity care provision of \$227.7 million, and capital investments and debt service of \$118.0 million.

To offset increases in operating costs, the forecast reflects an increase in volumes in both inpatient and outpatient services along with anticipated cost savings in supplies and labor costs, and improved focus on the hospital's revenue cycle. A price increase of 3.0% was approved for NHRMC to also offset additional operating costs.

## **NHRMC PARTNERSHIP**

On October 5, 2020, the New Hanover County Commissioners approved an agreement to sell substantially all of the assets of New Hanover Regional Medical Center, CHA, PQP, and NHH to Novant Health, a North Carolina non-for-profit health system. Subject to final approval by the State Attorney General, the close process is expected to take several months with a closing expected in the first half of 2021.

## **OTHER ECONOMIC FACTORS**

NHRMC continues to compensate for federal and state reimbursement below the rate of expense growth in the healthcare industry. The governmental programs Medicare and Medicaid, as well as Blue Cross, each have a significant presence in New Hanover County. NHRMC continues to manage expense growth in an environment of lower reimbursement from governmental payers and an increasing burden on the patient to pay a higher portion of their medical care costs as seen through an increase in individual co-pays, deductibles and uninsured.

NHRMC, like hospitals across the state, continues to serve as an economic engine in the community. New Hanover County and the surrounding primary service area of NHRMC, including Brunswick and Pender Counties, continue to see growth resulting in additional demand for services provided by NHRMC. It is expected however, given the current job market, economic climate and other economic factors affecting healthcare, that NHRMC will be faced with absorbing more uninsured patients and more uncompensated care in the upcoming year. NHRMC receives no local taxpayer support to assist with this care.

## **CONTACTING THE FINANCIAL MANAGER**

This financial report is designed to provide our customers and creditors with a general overview of the finances of New Hanover Regional Medical Center and to demonstrate the accountability for the monies received for services provided. If you have any questions or concerns about this report or need additional financial information contact Ed Ollie, CFO, PO Box 9000, Wilmington, North Carolina 28402.

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**New Hanover Regional Medical Center  
(A Component Unit of New Hanover County, North Carolina)**

**Statements of Net Position – Proprietary Fund  
(Dollars in Thousands)**

	September 30, 2020			September 30, 2019		
	NHRMC	Aggregate Component Units	Total (Memorandum Only)	NHRMC	Aggregate Component Units	Total (Memorandum Only)
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents (Note 3)	\$ 206,854	\$ 10,049	\$ 216,903	\$ 176,883	\$ 6,786	\$ 183,669
Assets limited as to use (Note 3):						
Cash equivalents held by bond paying agent	23,569	-	23,569	35,796	-	35,796
Cash for debt service-not held by bond paying agent	1,146	-	1,146	1,125	-	1,125
Cash equivalents and investments for the future payment of claims liabilities	23,313	-	23,313	22,822	-	22,822
Receivables:						
Patient accounts, less allowance for bad debts (Note 2)	146,487	12,312	158,799	134,859	12,373	147,232
Estimated third-party payor settlements (Note 2)	2,571	-	2,571	876	-	876
Due from component units	2,286	-	2,286	1,497	-	1,497
Other receivables	17,819	2,144	19,963	9,803	3,170	12,973
Inventories	39,055	1,373	40,428	32,268	1,464	33,732
Prepaid expenses	21,549	589	22,138	19,090	702	19,792
<b>Total current assets</b>	<b>484,649</b>	<b>26,467</b>	<b>511,116</b>	<b>435,019</b>	<b>24,495</b>	<b>459,514</b>
Noncurrent cash, investments and donor receivables:						
Noncurrent cash and investments (Note 3):						
Designated by Board for capital improvements	664,915	-	664,915	612,980	-	612,980
Designated by Board for supplemental retirement plans (Note 10)	2,257	-	2,257	2,201	-	2,201
Restricted by donors for specific purpose	15,865	-	15,865	14,906	-	14,906
Restricted by donors for endowments	2,580	-	2,580	2,578	-	2,578
	<b>685,617</b>	<b>-</b>	<b>685,617</b>	<b>632,665</b>	<b>-</b>	<b>632,665</b>
Pledges and grants receivable	1,131	-	1,131	1,005	-	1,005
<b>Total noncurrent cash, investments and donor receivables</b>	<b>686,748</b>	<b>-</b>	<b>686,748</b>	<b>633,670</b>	<b>-</b>	<b>633,670</b>
Other assets:						
Investment in affiliates (Note 12)	4,496	-	4,496	5,222	-	5,222
Interest rate swap agreement	-	-	-	69	-	69
<b>Total other assets</b>	<b>4,496</b>	<b>-</b>	<b>4,496</b>	<b>5,291</b>	<b>-</b>	<b>5,291</b>
Capital assets (Note 5):						
Land	26,680	-	26,680	16,961	-	16,961
Depreciable capital assets, net of accumulated depreciation	558,628	6,573	565,201	441,746	6,189	447,935
Construction in progress	5,678	28	5,706	105,264	553	105,817
<b>Total capital assets – tangible</b>	<b>590,986</b>	<b>6,601</b>	<b>597,587</b>	<b>563,971</b>	<b>6,742</b>	<b>570,713</b>
<b>Total assets</b>	<b>1,766,879</b>	<b>33,068</b>	<b>1,799,947</b>	<b>1,637,951</b>	<b>31,237</b>	<b>1,669,188</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension deferrals (Note 10)	21,018	-	21,018	22,613	-	22,613
Goodwill	26,138	-	26,138	27,812	-	27,812
Deferred charges on bond refundings, net of amortization (Note 7)	5,421	-	5,421	6,257	-	6,257
<b>Total deferred outflows of resources</b>	<b>52,577</b>	<b>-</b>	<b>52,577</b>	<b>56,682</b>	<b>-</b>	<b>56,682</b>
<b>Total assets and deferred outflows     of resources</b>	<b>\$ 1,819,456</b>	<b>\$ 33,068</b>	<b>\$ 1,852,524</b>	<b>\$ 1,694,633</b>	<b>\$ 31,237</b>	<b>\$ 1,725,870</b>

See notes to financial statements.

	September 30, 2020			September 30, 2019		
	NHRMC	Aggregate	Total	NHRMC	Aggregate	Total
		Component	(Memorandum		Component	(Memorandum
	Units	Only)	Units	Only)		
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and other liabilities	\$ 74,995	\$ 5,874	\$ 80,869	\$ 65,136	\$ 16,250	\$ 81,386
Professional liability claims (Note 9)	21,233	451	21,684	21,437	654	22,091
Accrued salaries and wages	48,346	4,963	53,309	46,503	4,236	50,739
Estimated third-party payor settlements (Note 2)	4,831	10	4,841	3,673	-	3,673
Due to primary government	-	2,286	2,286	-	1,497	1,497
Accrued interest payable	7,332	-	7,332	7,669	-	7,669
Other self-funded liabilities (Note 9)	10,019	-	10,019	12,419	-	12,419
Bonds payable, current portion (Notes 7)	17,220	-	17,220	16,780	-	16,780
<b>Total current liabilities</b>	<b>183,976</b>	<b>13,584</b>	<b>197,560</b>	<b>173,617</b>	<b>22,637</b>	<b>196,254</b>
Long-term obligations:						
Net pension liability (Note 10)	56,613	-	56,613	49,090	-	49,090
Supplemental retirement plans (Notes 7 and 10)	2,006	-	2,006	2,201	-	2,201
Interest rate swap agreements (Note 8)	3,107	-	3,107	3,020	-	3,020
Bonds payable, less current portion (Note 7)	342,494	-	342,494	362,214	-	362,214
<b>Total long-term obligations</b>	<b>404,220</b>	<b>-</b>	<b>404,220</b>	<b>416,525</b>	<b>-</b>	<b>416,525</b>
<b>Total liabilities</b>	<b>588,196</b>	<b>13,584</b>	<b>601,780</b>	<b>590,142</b>	<b>22,637</b>	<b>612,779</b>
Commitments and contingencies (Notes 2, 5, 6, 7, 8, 9, 10, 13, 14 and 15)						
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension deferrals (Note 10)	4,502	-	4,502	12,325	-	12,325
<b>Total liabilities and deferred inflows of resources</b>	<b>592,698</b>	<b>13,584</b>	<b>606,282</b>	<b>602,467</b>	<b>22,637</b>	<b>625,104</b>
<b>NET POSITION</b>						
Net investment in capital assets	236,693	6,601	243,294	189,334	6,742	196,076
Unrestricted	971,224	12,883	984,107	885,216	1,858	887,074
Restricted	18,841	-	18,841	17,616	-	17,616
<b>Total net position</b>	<b>1,226,758</b>	<b>19,484</b>	<b>1,246,242</b>	<b>1,092,166</b>	<b>8,600</b>	<b>1,100,766</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 1,819,456</b>	<b>\$ 33,068</b>	<b>\$ 1,852,524</b>	<b>\$ 1,694,633</b>	<b>\$ 31,237</b>	<b>\$ 1,725,870</b>

**New Hanover Regional Medical Center**  
**(A Component Unit of New Hanover County, North Carolina)**

**Statements of Revenues, Expenses and Changes in Net Position – Proprietary Fund**  
**(Dollars in Thousands)**

	Year Ended September 30, 2020			Year Ended September 30, 2019		
	NHRMC	Aggregate	Total	NHRMC	Aggregate	Total
		Component	(Memorandum		Component	(Memorandum
	Units	Only)	Units	Only)		
Operating revenues:						
Net patient service revenue (Notes 2 and 7)	\$ 1,143,188	\$ 146,716	\$ 1,289,904	\$ 1,137,318	\$ 149,121	\$ 1,286,439
Other revenue	68,305	81,586	149,891	52,197	64,518	116,715
<b>Total operating revenue</b>	<b>1,211,493</b>	<b>228,302</b>	<b>1,439,795</b>	<b>1,189,515</b>	<b>213,639</b>	<b>1,403,154</b>
Operating expenses:						
Salaries, wages and benefits	545,859	152,052	697,911	517,165	144,092	661,257
Medical supplies	277,012	27,916	304,928	260,915	31,460	292,375
Professional fees	53,998	5,843	59,841	51,960	3,900	55,860
Purchased services	142,358	20,806	163,164	124,917	20,759	145,676
Depreciation and amortization (Note 5)	58,999	2,227	61,226	54,717	1,486	56,203
Other	58,427	12,681	71,108	68,861	13,866	82,727
<b>Total operating expenses</b>	<b>1,136,653</b>	<b>221,525</b>	<b>1,358,178</b>	<b>1,078,535</b>	<b>215,563</b>	<b>1,294,098</b>
<b>Operating income (loss)</b>	<b>74,840</b>	<b>6,777</b>	<b>81,617</b>	<b>110,980</b>	<b>(1,924)</b>	<b>109,056</b>
Nonoperating revenues (expenses):						
Interest expense (Note 7)	(14,226)	-	(14,226)	(14,599)	-	(14,599)
CARES funding (Note 19)	26,740	3,795	30,535	-	-	-
Other nonoperating income (expense)	7,097	-	7,097	(5,372)	-	(5,372)
Interest earned and net realized gain on investments	7,055	-	7,055	10,271	-	10,271
Net increase in fair value of investments	42,291	-	42,291	10,672	-	10,672
Loss on sale of capital assets (Note 5)	(6,410)	(39)	(6,449)	(2,929)	(90)	(3,019)
Equity in net loss of joint ventures (Note 12)	(2,766)	-	(2,766)	(1,382)	-	(1,382)
<b>Nonoperating revenues (expenses), net</b>	<b>59,781</b>	<b>3,756</b>	<b>63,537</b>	<b>(3,339)</b>	<b>(90)</b>	<b>(3,429)</b>
<b>Excess (deficiency) of revenues over expenses before special items, capital and permanent endowment contributions and capital transfers to/from component units</b>	<b>134,621</b>	<b>10,533</b>	<b>145,154</b>	<b>107,641</b>	<b>(2,014)</b>	<b>105,627</b>
Special items, capital and permanent endowment contributions and capital transfers to/from component units	(29)	351	322	746	-	746
<b>Increase (decrease) in net position</b>	<b>134,592</b>	<b>10,884</b>	<b>145,476</b>	<b>108,387</b>	<b>(2,014)</b>	<b>106,373</b>
Net position, beginning, as restated	1,092,166	8,600	1,100,766	983,779	10,614	994,393
<b>Net position, ending</b>	<b>\$ 1,226,758</b>	<b>\$ 19,484</b>	<b>\$ 1,246,242</b>	<b>\$ 1,092,166</b>	<b>\$ 8,600</b>	<b>\$ 1,100,766</b>

See notes to financial statements.

**New Hanover Regional Medical Center  
(A Component Unit of New Hanover County, North Carolina)**

**Statements of Cash Flows – Proprietary Fund  
(Dollars in Thousands)**

	Year Ended September 30, 2020			Year Ended September 30, 2019		
		Aggregate	Total		Aggregate	Total
	NHRMC	Component	(Memorandum	NHRMC	Component	(Memorandum
	Units	Only)	Only)	Units	Only)	Only)
Cash flows from operating activities:						
Cash received from and on behalf of patients	\$ 1,130,921	\$ 146,777	\$ 1,277,698	\$ 1,117,509	\$ 147,164	\$ 1,264,673
Cash payments to suppliers for services and goods	(532,405)	(78,810)	(611,215)	(507,387)	(63,268)	(570,655)
Cash payments to employees for services	(540,684)	(152,691)	(693,375)	(513,471)	(143,340)	(656,811)
Other operating cash receipts	64,564	86,003	150,567	67,423	64,693	132,116
<b>Net cash provided by operating activities</b>	<b>122,396</b>	<b>1,279</b>	<b>123,675</b>	<b>164,074</b>	<b>5,249</b>	<b>169,323</b>
Cash flows from noncapital financing activities:						
Contributions and operating grants	28,257	3,795	32,052	1,544	-	1,544
Payments (to) from primary government	1,023	351	1,374	149	-	149
Payments (to) from component unit	(4,505)	-	(4,505)	(3,884)	-	(3,884)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>24,775</b>	<b>4,146</b>	<b>28,921</b>	<b>(2,191)</b>	<b>-</b>	<b>(2,191)</b>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(95,845)	(2,178)	(98,023)	(67,819)	(2,934)	(70,753)
Proceeds from disposed assets	60	16	76	74	3	77
Capital contributions	644	-	644	838	-	838
Principal payments on revenue bonds and other outstanding debt	(16,780)	-	(16,780)	(18,912)	-	(18,912)
Interest paid on capital financing	(14,226)	-	(14,226)	(14,599)	-	(14,599)
Transfers (to) from component unit	(673)	-	(673)	(241)	-	(241)
<b>Net cash used in capital and related financing activities</b>	<b>(126,820)</b>	<b>(2,162)</b>	<b>(128,982)</b>	<b>(100,659)</b>	<b>(2,931)</b>	<b>(103,590)</b>
Cash flows from investing activities:						
Purchases of investments, net of maturities	38,593	-	38,593	(11,696)	-	(11,696)
Interest earned on investments	6,645	-	6,645	9,437	-	9,437
Contributions to partnerships	(3,160)	-	(3,160)	(2,600)	-	(2,600)
Distributions from partnerships	1,120	-	1,120	1,206	-	1,206
Other interest earned	8,064	-	8,064	386	-	386
<b>Net cash provided by (used in) investing activities</b>	<b>51,262</b>	<b>-</b>	<b>51,262</b>	<b>(3,267)</b>	<b>-</b>	<b>(3,267)</b>
<b>Net increase in cash and cash equivalents</b>	<b>71,613</b>	<b>3,263</b>	<b>74,876</b>	<b>57,957</b>	<b>2,318</b>	<b>60,275</b>
Cash and cash equivalents:						
Beginning of year	255,149	6,786	261,935	197,192	4,468	201,660
End of year	\$ 326,762	\$ 10,049	\$ 336,811	\$ 255,149	\$ 6,786	\$ 261,935

(Continued)

**New Hanover Regional Medical Center  
(A Component Unit of New Hanover County, North Carolina)**

**Statements of Cash Flows – Proprietary Fund (Continued)  
(Dollars in Thousands)**

	Year Ended September 30, 2020			Year Ended September 30, 2019		
	NHRMC	Combined	Total	NHRMC	Combined	Total
		Component	(Memorandum		Component	(Memorandum
	Units	Only)	Units	Units	Only)	
Reconciliation of cash and cash equivalents to the statements of net position:						
Unrestricted cash and cash equivalents	\$ 206,854	\$ 10,049	\$ 216,903	\$ 176,883	\$ 6,786	\$ 183,669
Cash and cash equivalents in noncurrent cash and investments:						
Reserved for debt service – held by bond paying agent	23,569	-	23,569	35,796	-	35,796
Reserved for debt service – not held by bond paying agent	1,146	-	1,146	1,125	-	1,125
Designated by Board for claims liabilities	-	-	-	1,408	-	1,408
Designated by Board for capital improvements	95,193	-	95,193	39,937	-	39,937
<b>Cash and cash equivalents at end of year</b>	<b>\$ 326,762</b>	<b>\$ 10,049</b>	<b>\$ 336,811</b>	<b>\$ 255,149</b>	<b>\$ 6,786</b>	<b>\$ 261,935</b>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Cash flows from operating activities:						
Operating income (loss)	\$ 74,840	\$ 6,777	\$ 81,617	\$ 110,980	\$ (1,924)	\$ 109,056
Employee services in nonoperating revenue	1,466	-	1,466	(5,776)	-	(5,776)
Operating grants in other revenue	(1,517)	-	(1,517)	(1,544)	-	(1,544)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization	58,999	2,227	61,226	54,717	1,486	56,203
Loss on disposal of assets	-	(31)	-	-	-	-
Pension expense (benefit)	16,123	-	16,123	15,001	-	15,001
Changes in:						
Patient receivables and programs	(20,084)	61	(20,023)	(5,387)	(4,074)	(9,461)
Other receivables	3,133	(138)	2,995	-	(872)	(872)
Inventories	(6,787)	91	(6,696)	(3,081)	(265)	(3,346)
Prepaid expenses and other current assets	(2,660)	114	(2,546)	(1,952)	(249)	(2,201)
Accounts payable and other liabilities	11,297	(8,549)	2,748	6,824	10,395	17,219
Accrued salaries and wages	1,843	727	2,570	9,766	752	10,518
Deferred outflows of resources for pensions	(14,257)	-	(14,257)	(15,297)	-	(15,297)
Other long term assets	-	-	-	(177)	-	(177)
<b>Net cash provided by operating activities</b>	<b>\$ 122,396</b>	<b>\$ 1,279</b>	<b>\$ 123,675</b>	<b>\$ 164,074</b>	<b>\$ 5,249</b>	<b>\$ 169,323</b>
Noncash capital and related financing activities:						
Unrealized gain on investments, net	\$ 42,448	\$ -	\$ 42,448	\$ 10,672	\$ -	\$ 10,672
Capital assets acquired via accounts payable	\$ 4,883	\$ -	\$ 4,883	\$ 167	\$ -	\$ 167

See notes to financial statements.

**New Hanover Regional Medical Center**  
**(A Component Unit of New Hanover County, North Carolina)**

**Statements of Fiduciary Net Position – Pension Plan**  
**December 31, 2019 and 2018**  
**(Dollars in Thousands)**

	<b>The Pension Plan of New Hanover Regional Medical Center</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Investments at fair value (Note 3):		
Money market mutual funds	\$ 3,806	\$ 2,209
Mutual funds, registered investment companies	<u>290,568</u>	<u>243,587</u>
	<b>294,374</b>	<b>245,796</b>
Accrued investment income	<u>103</u>	<u>174</u>
	<b>\$ 294,477</b>	<b>\$ 245,970</b>
<b>Net position restricted for pensions</b>	<b>\$ 294,477</b>	<b>\$ 245,970</b>

See notes to financial statements.

**New Hanover Regional Medical Center**  
**(A Component Unit of New Hanover County, North Carolina)**

**Statements of Changes in Fiduciary Net Position – Pension Plan**  
**Years Ended December 31, 2019 and 2018**  
**(Dollars in Thousands)**

	<b>The Pension Plan of New Hanover Regional Medical Center</b>	
	<b>2019</b>	<b>2018</b>
<b>Additions</b>		
Employer’s contributions	\$ 14,335	\$ 14,530
Investment (loss) income:		
Net (depreciation) appreciation in fair value of investments	44,313	(18,390)
Dividends and interest	6,043	5,791
	<b>50,356</b>	<b>(12,599)</b>
Less investment expense	482	343
<b>Net investment income (loss)</b>	<b>49,874</b>	<b>(12,942)</b>
<b>Total additions</b>	<b>64,209</b>	<b>1,588</b>
<b>Deductions</b>		
Benefit payments to participants	15,384	14,342
Administrative expenses	318	260
<b>Total deductions</b>	<b>15,702</b>	<b>14,602</b>
<b>Net increase (decrease) in net position</b>	<b>48,507</b>	<b>(13,014)</b>
Net position restricted for pensions:		
Beginning of year	245,970	258,984
End of year	<b>\$ 294,477</b>	<b>\$ 245,970</b>

See notes to financial statements.

**New Hanover Regional Medical Center  
(A Component Unit of New Hanover County, North Carolina)**

**Notes to Financial Statements  
(Dollars in Thousands)**

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**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies**

**Reporting Entity**

New Hanover Regional Medical Center (NHRMC) is a public, nonprofit corporation providing health care to residents of Southeastern North Carolina. NHRMC is a component unit of New Hanover County (the County), North Carolina for financial reporting purposes and is included in the basic financial statements of the County together with its component units, which are described below. As required by accounting principles generally accepted in the United States of America, these financial statements present NHRMC and its component units. All dollars presented in these Notes to Financial Statements are in thousands.

**NHRMC**

The New Hanover Regional Medical Center Foundation, Inc. (the Foundation) is a 501(c)(3) nonprofit organization, which was founded by NHRMC in 1991 to serve solely NHRMC as a fundraising entity. As such, the Foundation is included in NHRMC's financial statements as a blended component unit; the balances and transactions of this entity are blended with those of New Hanover Regional Medical Center in the accompanying financial statements, and referred to as NHRMC. Intercompany balances and transactions are eliminated in the process.

PMH consists of Pender Memorial Hospital (the Hospital), a nonprofit acute care hospital, and NHRMC Homecare, formed in 2008 as a nonprofit home health care service. The Hospital provides inpatient, outpatient and emergency care services to the residents of Pender County and the vicinity. NHRMC Homecare provides homecare services in Pender County and other surrounding counties. PMH is an affiliated organization of NHRMC through a 20-year operating agreement commencing in fiscal year 1999. In 2019, this agreement was extended for 2 years, expiring in July 2021. NHRMC is required by the operating agreement to fund any operating deficit of PMH during any fiscal year the agreement is in effect. All operating income generated by PMH operations shall be returned to NHRMC on an annual basis. During the years ended September 30, 2020 and 2019, NHRMC recorded an operating expense and PMH recorded other operating revenue in the amount of approximately \$6,225 and \$9,362 to fund PMH's fiscal year operating deficits. Additionally, under the operating agreement, beginning in fiscal year 2009, NHRMC committed to infuse capital into PMH as part of the NHRMC annual capital budget process. Upon termination of the operating agreement, PMH is required to reimburse NHRMC for the unamortized value of capital acquired under this commitment. During 2020 and 2019, NHRMC funded capital acquisitions of approximately \$1,108 and \$859, respectively, of capital into PMH. Along with the Foundation, PMH is included in NHRMC's financial statements as a blended component unit as NHRMC is sole corporate member of PMH; the balances and transactions of this entity are blended with those of New Hanover Regional Medical Center in the accompanying financial statements, and referred to as NHRMC.

**New Hanover Regional Medical Center  
(A Component Unit of New Hanover County, North Carolina)**

**Notes to Financial Statements  
(Dollars in Thousands)**

**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies (Continued)**

**New Hanover Regional Medical Center**

**Combining Statements of Net Position  
(Dollars in Thousands)**

	September 30, 2020					September 30, 2019				
	New Hanover Regional Medical Center	New Hanover Regional Medical Center Foundation	Pender Memorial Hospital	Eliminating Entries	NHRMC	New Hanover Regional Medical Center	New Hanover Regional Medical Center Foundation	Pender Memorial Hospital	Eliminating Entries	NHRMC
<b>ASSETS</b>										
Current assets:										
Cash and cash equivalents	\$ 182,167	\$ 2,268	\$ 22,419	\$ -	\$ 206,854	\$ 162,254	\$ 1,953	\$ 12,676	\$ -	\$ 176,883
Assets limited as to use:										
Cash equivalents held by bond paying agent	23,569	-	-	-	23,569	35,796	-	-	-	35,796
Cash for debt service-not held by bond paying agent	1,146	-	-	-	1,146	1,125	-	-	-	1,125
Cash equivalents and investments for the future payment of claims liabilities	23,313	-	-	-	23,313	22,822	-	-	-	22,822
Receivables:										
Patient accounts, less allowance for bad debts	141,426	-	5,061	-	146,487	130,637	-	4,222	-	134,859
Estimated third-party payor settlements	2,571	-	-	-	2,571	876	-	-	-	876
Due from component units	3,309	-	-	(1,023)	2,286	2,101	-	-	(604)	1,497
Due from primary government	-	-	544	(544)	-	-	-	3,811	(3,811)	-
Other receivables	18,197	121	218	(717)	17,819	9,560	332	84	(173)	9,803
Inventories	38,401	-	654	-	39,055	31,800	-	468	-	32,268
Prepaid expenses	20,942	150	457	-	21,549	18,611	107	372	-	19,090
<b>Total current assets</b>	<b>455,041</b>	<b>2,539</b>	<b>29,353</b>	<b>(2,284)</b>	<b>484,649</b>	<b>415,582</b>	<b>2,392</b>	<b>21,633</b>	<b>(4,588)</b>	<b>435,019</b>
Noncurrent cash and investments:										
Cash and investments:										
Designated by Board for capital improvements	664,915	-	-	-	664,915	612,980	-	-	-	612,980
Designated by Board for supplemental retirement plans	2,257	-	-	-	2,257	2,201	-	-	-	2,201
Restricted by donors for specific purpose	-	15,865	-	-	15,865	-	14,906	-	-	14,906
Restricted by donors for endowments	-	2,580	-	-	2,580	-	2,578	-	-	2,578
	667,172	18,445	-	-	685,617	615,181	17,484	-	-	632,665
Pledges and grants receivable	-	1,131	-	-	1,131	-	1,005	-	-	1,005
<b>Total assets limited as to use</b>	<b>667,172</b>	<b>19,576</b>	<b>-</b>	<b>-</b>	<b>686,748</b>	<b>615,181</b>	<b>18,489</b>	<b>-</b>	<b>-</b>	<b>633,670</b>
Other assets:										
Investment in affiliates	4,496	-	-	-	4,496	5,222	-	-	-	5,222
Interest rate swap agreement	-	-	-	-	-	69	-	-	-	69
<b>Total other assets</b>	<b>4,496</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,496</b>	<b>5,291</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,291</b>
Capital assets – tangible:										
Land	26,638	-	42	-	26,680	16,919	-	42	-	16,961
Depreciable capital assets, net of accumulated depreciation	549,645	-	8,983	-	558,628	432,456	-	9,290	-	441,746
Construction in progress	5,610	-	68	-	5,678	105,112	-	152	-	105,264
<b>Total capital assets – tangible</b>	<b>581,893</b>	<b>-</b>	<b>9,093</b>	<b>-</b>	<b>590,986</b>	<b>554,487</b>	<b>-</b>	<b>9,484</b>	<b>-</b>	<b>563,971</b>
<b>Total assets</b>	<b>1,708,602</b>	<b>22,115</b>	<b>38,446</b>	<b>(2,284)</b>	<b>1,766,879</b>	<b>1,590,541</b>	<b>20,881</b>	<b>31,117</b>	<b>(4,588)</b>	<b>1,637,951</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>										
Pension deferrals	20,197	-	821	-	21,018	21,906	-	707	-	22,613
Excess consideration provided for acquisition, net of amortization	26,138	-	-	-	26,138	27,812	-	-	-	27,812
Deferred charges on bond refundings	5,421	-	-	-	5,421	6,257	-	-	-	6,257
<b>Total deferred outflows of resources</b>	<b>51,756</b>	<b>-</b>	<b>821</b>	<b>-</b>	<b>52,577</b>	<b>55,975</b>	<b>-</b>	<b>707</b>	<b>-</b>	<b>56,682</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 1,760,358</b>	<b>\$ 22,115</b>	<b>\$ 39,267</b>	<b>\$ (2,284)</b>	<b>\$ 1,819,456</b>	<b>\$ 1,646,516</b>	<b>\$ 20,881</b>	<b>\$ 31,824</b>	<b>\$ (4,588)</b>	<b>\$ 1,694,633</b>

(Continued)

**New Hanover Regional Medical Center  
(A Component Unit of New Hanover County, North Carolina)**

**Notes to Financial Statements  
(Dollars in Thousands)**

**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies (Continued)**

**New Hanover Regional Medical Center**

**Combining Statements of Net Position (Continued)  
(Dollars in Thousands)**

	September 30, 2020					September 30, 2019				
	New Hanover Regional Medical Center	New Hanover Regional Medical Center Foundation	Pender Memorial Hospital	Eliminating Entries	NHRMC	New Hanover Regional Medical Center	New Hanover Regional Medical Center Foundation	Pender Memorial Hospital	Eliminating Entries	NHRMC
<b>LIABILITIES</b>										
Current liabilities:										
Accounts payable and other liabilities	\$ 68,283	\$ 737	\$ 6,692	\$ (717)	\$ 74,995	\$ 63,399	\$ 364	\$ 1,546	\$ (173)	\$ 65,136
Professional liability claims	20,904	-	329	-	21,233	21,104	-	333	-	21,437
Accrued salaries and wages	46,831	-	1,515	-	48,346	45,096	-	1,407	-	46,503
Estimated third-party payor settlements	3,638	-	1,193	-	4,831	2,576	-	1,097	-	3,673
Due to component units	544	-	-	(544)	-	3,811	-	-	(3,811)	-
Due to primary government	-	-	1,023	(1,023)	-	-	-	604	(604)	-
Accrued interest payable	7,332	-	-	-	7,332	7,669	-	-	-	7,669
Other self-funded liabilities	10,019	-	-	-	10,019	12,419	-	-	-	12,419
Bonds payable, current portion	17,220	-	-	-	17,220	16,780	-	-	-	16,780
<b>Total current liabilities</b>	<b>174,771</b>	<b>737</b>	<b>10,752</b>	<b>(2,284)</b>	<b>183,976</b>	<b>172,854</b>	<b>364</b>	<b>4,987</b>	<b>(4,588)</b>	<b>173,617</b>
Long-term obligations:										
Net pension liability	53,122	-	3,491	-	56,613	45,843	-	3,247	-	49,090
Supplemental retirement plans	2,006	-	-	-	2,006	2,201	-	-	-	2,201
Interest rate swap agreements	3,107	-	-	-	3,107	3,020	-	-	-	3,020
Bonds payable, less current portion	342,494	-	-	-	342,494	362,214	-	-	-	362,214
<b>Total long-term obligations</b>	<b>400,729</b>	<b>-</b>	<b>3,491</b>	<b>-</b>	<b>404,220</b>	<b>413,278</b>	<b>-</b>	<b>3,247</b>	<b>-</b>	<b>416,525</b>
<b>Total liabilities</b>	<b>575,500</b>	<b>737</b>	<b>14,243</b>	<b>(2,284)</b>	<b>588,196</b>	<b>586,132</b>	<b>364</b>	<b>8,234</b>	<b>(4,588)</b>	<b>590,142</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Pension deferrals	4,441	-	61	-	4,502	12,234	-	91	-	12,325
<b>Total liabilities and deferred inflows of resources</b>	<b>579,941</b>	<b>737</b>	<b>14,304</b>	<b>(2,284)</b>	<b>592,698</b>	<b>598,366</b>	<b>364</b>	<b>8,325</b>	<b>(4,588)</b>	<b>602,467</b>
<b>NET POSITION</b>										
Net investment in capital assets	227,600	-	9,093	-	236,693	179,850	-	9,484	-	189,334
Unrestricted	952,817	2,537	15,870	-	971,224	868,300	2,901	14,015	-	885,216
Restricted	-	18,841	-	-	18,841	-	17,616	-	-	17,616
<b>Total net position</b>	<b>1,180,417</b>	<b>21,378</b>	<b>24,963</b>	<b>-</b>	<b>1,226,758</b>	<b>1,048,150</b>	<b>20,517</b>	<b>23,499</b>	<b>-</b>	<b>1,092,166</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 1,760,358</b>	<b>\$ 22,115</b>	<b>\$ 39,267</b>	<b>\$ (2,284)</b>	<b>\$ 1,819,456</b>	<b>\$ 1,646,516</b>	<b>\$ 20,881</b>	<b>\$ 31,824</b>	<b>\$ (4,588)</b>	<b>\$ 1,694,633</b>

**New Hanover Regional Medical Center  
(A Component Unit of New Hanover County, North Carolina)**

**Notes to Financial Statements  
(Dollars in Thousands)**

**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies (Continued)**

**New Hanover Regional Medical Center**

**Combining Statements of Revenues, Expenses, and Changes in Net Position  
(Dollars in Thousands)**

	Year Ended September 30, 2020					Year Ended September 30, 2019				
	New Hanover Regional Medical Center	New Hanover Regional Medical Center Foundation	Pender Memorial Hospital	Eliminating Entries	NHRMC	New Hanover Regional Medical Center	New Hanover Regional Medical Center Foundation	Pender Memorial Hospital	Eliminating Entries	NHRMC
<b>Operating revenues:</b>										
Net patient service revenue	\$ 1,113,080	\$ -	\$ 30,108	\$ -	\$ 1,143,188	\$ 1,112,644	\$ -	\$ 24,674	\$ -	\$ 1,137,318
Other revenue	65,921	1,517	7,092	(6,225)	68,305	50,201	1,544	9,814	(9,362)	52,197
<b>Total operating revenue</b>	<b>1,179,001</b>	<b>1,517</b>	<b>37,200</b>	<b>(6,225)</b>	<b>1,211,493</b>	<b>1,162,845</b>	<b>1,544</b>	<b>34,488</b>	<b>(9,362)</b>	<b>1,189,515</b>
<b>Operating expenses:</b>										
Salaries, wages and benefits	523,740	796	21,323	-	545,859	494,873	778	21,514	-	517,165
Medical supplies	273,209	-	3,803	-	277,012	259,291	-	1,624	-	260,915
Professional fees	52,834	24	1,140	-	53,998	50,830	26	1,104	-	51,960
Purchased services	142,099	-	6,484	(6,225)	142,358	128,834	-	5,445	(9,362)	124,917
Depreciation and amortization	57,150	-	1,849	-	58,999	52,916	-	1,801	-	54,717
Other	55,648	251	2,528	-	58,427	65,548	456	2,857	-	68,861
<b>Total operating expenses</b>	<b>1,104,680</b>	<b>1,071</b>	<b>37,127</b>	<b>(6,225)</b>	<b>1,136,653</b>	<b>1,052,292</b>	<b>1,260</b>	<b>34,345</b>	<b>(9,362)</b>	<b>1,078,535</b>
<b>Operating income</b>	<b>74,321</b>	<b>446</b>	<b>73</b>	<b>-</b>	<b>74,840</b>	<b>110,553</b>	<b>284</b>	<b>143</b>	<b>-</b>	<b>110,980</b>
<b>Nonoperating revenues (expenses):</b>										
Interest expense	(14,172)	-	(54)	-	(14,226)	(14,600)	-	1	-	(14,599)
CARES funding	26,740	-	-	-	26,740	-	-	-	-	-
Other nonoperating income (expense), net	6,752	8	337	-	7,097	(5,244)	19	(147)	-	(5,372)
Interest earned and net realized gain on investments	6,570	485	-	-	7,055	9,677	594	-	-	10,271
Net increase in fair value of investments	41,748	543	-	-	42,291	10,398	274	-	-	10,672
Loss on sale of capital assets	(6,410)	-	-	-	(6,410)	(2,929)	-	-	-	(2,929)
Equity in net income of joint ventures	(2,766)	-	-	-	(2,766)	(1,382)	-	-	-	(1,382)
<b>Nonoperating revenues (expenses), net</b>	<b>58,462</b>	<b>1,036</b>	<b>283</b>	<b>-</b>	<b>59,781</b>	<b>(4,080)</b>	<b>887</b>	<b>(146)</b>	<b>-</b>	<b>(3,339)</b>
<b>Excess of revenues over expenses before special items, capital contributions and capital transfers</b>	<b>132,783</b>	<b>1,482</b>	<b>356</b>	<b>-</b>	<b>134,621</b>	<b>106,473</b>	<b>1,171</b>	<b>(3)</b>	<b>-</b>	<b>107,641</b>
<b>Special items, capital contributions and transfers:</b>										
Transfer from primary government	-	-	-	-	-	149	-	-	-	149
Capital and permanent endowment contributions	641	3	1,108	(1,108)	644	337	501	859	(859)	838
Capital transfers to component units	(1,157)	(624)	-	1,108	(673)	(575)	(525)	-	859	(241)
<b>Total special items, capital contributions and capital transfers</b>	<b>(516)</b>	<b>(621)</b>	<b>1,108</b>	<b>-</b>	<b>(29)</b>	<b>(89)</b>	<b>(24)</b>	<b>859</b>	<b>-</b>	<b>746</b>
<b>Change in net position</b>	<b>132,267</b>	<b>861</b>	<b>1,464</b>	<b>-</b>	<b>134,592</b>	<b>106,384</b>	<b>1,147</b>	<b>856</b>	<b>-</b>	<b>108,387</b>
Net position, beginning	1,048,150	20,517	23,499	-	1,092,166	941,766	19,370	22,643	-	983,779
Net position, ending	\$ 1,180,417	\$ 21,378	\$ 24,963	\$ -	\$ 1,226,758	\$ 1,048,150	\$ 20,517	\$ 23,499	\$ -	\$ 1,092,166

**New Hanover Regional Medical Center  
(A Component Unit of New Hanover County, North Carolina)**

**Notes to Financial Statements  
(Dollars in Thousands)**

**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies (Continued)**

**New Hanover Regional Medical Center**

**Combining Statements of Cash Flows  
(Dollars in Thousands)**

	Year Ended September 30, 2020				Year Ended September 30, 2019			
	New Hanover Regional Medical Center		New Hanover Regional Medical Center		New Hanover Regional Medical Center		New Hanover Regional Medical Center	
	Medical Center	Foundation	PMH	NHRMC	Medical Center	Foundation	PMH	NHRMC
<b>Cash flows from operating activities:</b>								
Cash received from and on behalf of patients	\$ 1,101,556	\$ -	\$ 29,365	\$ 1,130,921	\$ 1,091,280	\$ -	\$ 26,229	\$ 1,117,509
Cash payments to suppliers for goods and services	(526,099)	55	(6,361)	(532,405)	(498,596)	(644)	(8,147)	(507,387)
Cash payments to employees for services	(519,110)	(796)	(20,778)	(540,684)	(491,185)	(778)	(21,508)	(513,471)
Other operating cash receipts	57,387	85	7,092	64,564	57,469	140	9,814	67,423
<b>Net cash provided by (used in) operating activities</b>	<b>113,734</b>	<b>(656)</b>	<b>9,318</b>	<b>122,396</b>	<b>158,968</b>	<b>(1,282)</b>	<b>6,388</b>	<b>164,074</b>
<b>Cash flows from noncapital financing activities:</b>								
Contributions and operating grants	26,740	1,517	-	28,257	-	1,544	-	1,544
Payments (to) from component unit	(4,505)	-	-	(4,505)	(3,884)	-	-	(3,884)
Payments (to) from primary government	-	-	1,023	1,023	149	-	-	149
Advances between affiliates	302	(302)	-	-	265	(265)	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>22,537</b>	<b>1,215</b>	<b>1,023</b>	<b>24,775</b>	<b>(3,470)</b>	<b>1,279</b>	<b>-</b>	<b>(2,191)</b>
<b>Cash flows from capital and related financing activities:</b>								
Acquisition and construction of property and equipment	(94,193)	-	(1,652)	(95,845)	(66,535)	-	(1,284)	(67,819)
Proceeds from disposed assets	60	-	-	60	74	-	-	74
Capital contributions	641	3	-	644	337	501	-	838
Principal payments on revenue bonds and other outstanding debt	(16,780)	-	-	(16,780)	(18,912)	-	-	(18,912)
Interest paid on capital financing	(14,172)	-	(54)	(14,226)	(14,600)	-	1	(14,599)
Transfers (to) from component unit	(1,459)	(322)	1,108	(673)	(840)	(260)	859	(241)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(125,903)</b>	<b>(319)</b>	<b>(598)</b>	<b>(126,820)</b>	<b>(100,476)</b>	<b>241</b>	<b>(424)</b>	<b>(100,659)</b>
<b>Cash flows from investing activities:</b>								
Sales (purchases) of investments, net of maturities	38,593	-	-	38,593	(11,696)	-	-	(11,696)
Interest earned on investments	6,570	75	-	6,645	9,677	(240)	-	9,437
Contributions to partnerships	(3,160)	-	-	(3,160)	(2,600)	-	-	(2,600)
Distributions from partnerships	1,120	-	-	1,120	1,206	-	-	1,206
Other interest earned	8,064	-	-	8,064	386	-	-	386
<b>Net cash provided by (used in) investing activities</b>	<b>51,187</b>	<b>75</b>	<b>-</b>	<b>51,262</b>	<b>(3,027)</b>	<b>(240)</b>	<b>-</b>	<b>(3,267)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>61,555</b>	<b>315</b>	<b>9,743</b>	<b>71,613</b>	<b>51,995</b>	<b>(2)</b>	<b>5,964</b>	<b>57,957</b>
Cash and cash equivalents at beginning of year	240,520	1,953	12,676	255,149	188,525	1,955	6,712	197,192
Cash and cash equivalents at end of year	\$ 302,075	\$ 2,268	\$ 22,419	\$ 326,762	\$ 240,520	\$ 1,953	\$ 12,676	\$ 255,149

(Continued)

**New Hanover Regional Medical Center  
(A Component Unit of New Hanover County, North Carolina)**

**Notes to Financial Statements  
(Dollars in Thousands)**

**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies (Continued)**

**New Hanover Regional Medical Center**

**Combining Statements of Cash Flows (Continued)  
(Dollars in Thousands)**

	Year Ended September 30, 2020				Year Ended September 30, 2019			
	New Hanover Regional Medical Center	New Hanover Regional Medical Center Foundation	PMH	NHRMC	New Hanover Regional Medical Center	New Hanover Regional Medical Center Foundation	PMH	NHRMC
Reconciliation of cash and cash equivalents to the statement of net position:								
Unrestricted cash and cash equivalents	\$ 182,167	\$ 2,268	\$ 22,419	\$ 206,854	\$ 162,254	\$ 1,953	\$ 12,676	\$ 176,883
Cash and cash equivalents in noncurrent cash and investments:								
Reserved for debt service-held by bond paying agent	23,569	-	-	23,569	35,796	-	-	35,796
Reserved for debt service-not held by bond paying agent	1,146	-	-	1,146	1,125	-	-	1,125
Designated by Board for payment of claims liabilities	-	-	-	-	1,408	-	-	1,408
Designated by Board for capital improvements	95,193	-	-	95,193	39,937	-	-	39,937
<b>Cash and cash equivalents at end of year</b>	<b>\$ 302,075</b>	<b>\$ 2,268</b>	<b>\$ 22,419</b>	<b>\$ 326,762</b>	<b>\$ 240,520</b>	<b>\$ 1,953</b>	<b>\$ 12,676</b>	<b>\$ 255,149</b>
Reconciliation of operating income to net cash provided by (used in) operating activities:								
Cash flows from operating activities:								
Operating income	\$ 74,321	\$ 446	\$ 73	\$ 74,840	\$ 110,553	\$ 284	\$ 143	\$ 110,980
Employee services included in nonoperating income	1,129	-	337	1,466	(5,629)	-	(147)	(5,776)
Operating grants and contributions	-	(1,517)	-	(1,517)	-	(1,544)	-	(1,544)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:								
Depreciation and amortization	57,150	-	1,849	58,999	52,916	-	1,801	54,717
Pension expense	15,543	-	580	16,123	14,421	-	580	15,001
Changes in:								
Receivables	(19,426)	85	(743)	(20,084)	(9,583)	140	4,056	(5,387)
Other receivables	-	-	3,133	3,133	-	-	-	-
Inventories	(6,601)	-	(186)	(6,787)	(3,092)	-	11	(3,081)
Prepaid expenses	(2,532)	(43)	(85)	(2,660)	(2,103)	142	9	(1,952)
Accounts payable and other liabilities	6,192	373	4,732	11,297	6,766	(304)	362	6,824
Accrued salaries and wages	1,735	-	108	1,843	9,612	-	154	9,766
Deferred outflows of resources for pensions	(13,777)	-	(480)	(14,257)	(14,716)	-	(581)	(15,297)
Other long-term assets	-	-	-	-	(177)	-	-	(177)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 113,734</b>	<b>\$ (656)</b>	<b>\$ 9,318</b>	<b>\$ 122,396</b>	<b>\$ 158,968</b>	<b>\$ (1,282)</b>	<b>\$ 6,388</b>	<b>\$ 164,074</b>
Noncash capital and related financing activities:								
Unrealized gain on investments, net	\$ 41,905	\$ 543	\$ -	\$ 42,448	\$ 10,398	\$ 274	\$ -	\$ 10,672
Capital assets acquired via accounts payable	\$ 4,883	\$ -	\$ -	\$ 4,883	\$ 167	\$ -	\$ -	\$ 167

**New Hanover Regional Medical Center  
(A Component Unit of New Hanover County, North Carolina)**

**Notes to Financial Statements  
(Dollars in Thousands)**

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**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies  
(Continued)**

**Aggregate Component Units**

The aggregate component units consist of the following discretely presented component units: Carolina Healthcare Associates, Inc. (CHA), Physician Quality Partners, LLC (PQP), and New Hanover Health, LLC (NHH).

**Carolina Healthcare Associates (CHA).** CHA (doing business as NHRMC Physicians Group) is a 501(c)(3) nonprofit corporation governed by NHRMC. The Executive Committee of the NHRMC Board of Trustees, which includes 8 of the 17 voting members of NHRMC's full Board of Trustees, serves as the CHA Board, thereby constituting 100% of CHA's Board members. CHA provides an integrated primary and specialty care physician practice network to NHRMC in the form of physician and nurse practitioner services within NHRMC clinical areas and independent office locations in the NHRMC service area. Through contractual agreement, Carolinas Physician Network (CPN) operates and manages most of the medical practices owned by CHA and provides certain professional medical services for the majority of those practices. At the end of fiscal year 2020, CHA consisted of 218 physicians and 107 mid-level providers. CHA's operating revenue was \$219,748 in fiscal year 2020 and \$208,044 in fiscal year 2019. During the years ended September 30, 2020 and 2019, NHRMC recorded an operating expense and CHA recorded other operating revenue in the amount of approximately \$63,124 and \$50,933, respectively, for funding and fees for services. Balances are recorded in professional fees and purchased services for NHRMC and as other revenue for CHA.

**Physician Quality Partners.** On May 24, 2013, Articles of Organization were filed with the NC Department of the Secretary of State for Physician Quality Partners, LLC (PQP). PQP is a Clinically Integrated Network (CIN)/Accountable Care Organization (ACO) formed to actively develop clinical initiatives that will improve the quality of health care services and control costs. PQP is included in NHRMC's financial statements as a discretely presented component unit. During the years ended September 30, 2020 and 2019, NHRMC transferred \$2,500 and \$2,400, respectively, to fund PQP's operations. NHRMC carries an equity interest equal to PQP's net position, which is included in investment in affiliates.

**New Hanover Health.** On June 24, 2019, Articles of Organization were filed with the NC Department of the Secretary of State for New Hanover Health, LLC (NHH). NHH was formed to provide insurance plans to residents of Southeastern North Carolina. In 2020, NHH began offering Medicare Advantage and Prescription Drug plans to eligible residents in New Hanover County. NHH is included in NHRMC's financial statements as a discretely presented component unit. During the year ended September 30, 2020, NHRMC transferred \$660 to fund NHH's operations. NHRMC carries an equity interest equal to NHH's net position, which is included in investment in affiliates.

Complete separate financial statements are issued by the following individual component units and may be obtained at their administrative offices:

New Hanover Regional Medical Center Foundation, Inc.  
2259 South 17th Street  
Wilmington, North Carolina 28401

**New Hanover Regional Medical Center  
(A Component Unit of New Hanover County, North Carolina)**

**Notes to Financial Statements  
(Dollars in Thousands)**

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**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies  
(Continued)**

**Fiduciary Component Units**

**Pension Plan.** NHRMC maintains a defined benefit pension plan covering substantially all of its employees in addition to a few CHA employees grandfathered into the plan. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary component unit net position of the Pension Plan of NHRMC and additions to/deductions from the Pension Plan fiduciary net position have been determined on the same basis as they are reported by the Pension Plan of NHRMC.

For this purpose, plan contributions are recognized in the period in which the contributions are due. NHRMC employer contributions are recognized when due and NHRMC has a legal requirement to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Pension Plan of NHRMC. Investments are reported at fair value. Management has determined that the NHRMC Pension Plan meets the requirements to be treated as a fiduciary component unit. The Pension Plan has historically reported its activity on a calendar year basis.

Complete separate financial statements are issued by the following individual component units and may be obtained at their administrative offices:

New Hanover Regional Medical Center Pension Plan  
PO Box 9000,  
Wilmington, North Carolina 28402

**Basis of Presentation**

The statements of net position (presented in a balance sheet format), statements of revenues, expenses and changes in net position, and statements of cash flows present information about the primary entity (NHRMC) and its component units. These statements include the financial activities of the overall entity, except for the fiduciary activities. The statements of fiduciary net position and statements of changes in fiduciary net position present information about The Pension Plan of New Hanover Regional Medical Center (NHRMC Pension Plan) (see Note 10).

**Basis of Accounting**

NHRMC uses enterprise fund accounting. Revenues and expenses of enterprise funds are recognized on the economic resources measurement focus and the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

**Use of Estimates**

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

**New Hanover Regional Medical Center  
(A Component Unit of New Hanover County, North Carolina)**

**Notes to Financial Statements  
(Dollars in Thousands)**

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**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies  
(Continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments maturing in three months or less from the date of purchase. All investments are carried at fair value (see Note 3).

**Inventories**

Inventories of supplies are valued at the lower of cost (first-in, first-out method) or market.

**Designated Assets and Restricted Assets**

Designated assets are set aside by the Board of Trustees for future capital or other long-term needs and the Board of Trustees may, at its discretion, subsequently use them for other purposes. As of September 30, 2020 and 2019, NHRMC also had funds restricted by donors.

Gifts, bequests and grants restricted by the donor for specific operating purposes are recorded as restricted revenue in the period received. Gifts, bequests and grants received with conditions as to their use or funding are recorded as liability when received and included as other operating revenue in the financial statements of the period in which expenses are made for the purpose intended by the donor. Resources restricted by donors for additions to capital assets are included in the statements of revenues, expenses and changes in net position as capital contributions.

**Investments**

Investments are reported at fair value or amortized cost. Fair value of investments in equity securities and mutual funds is determined by quoted market prices. Fair value of fixed income investments is recorded at the amount reported by the financial institution, which approximates a value determined by a discounted cash flow model. Amounts in the North Carolina Capital Management Trust (NCCMT) – Cash Portfolio, an SEC registered (2a-7) money market fund, are measured at their amortized cost, which is the NCCMT's share price. The NCCMT – Term Portfolio's securities are valued at fair value.

**Capital Assets**

Purchased or constructed tangible capital assets are recorded at cost. Donated capital assets received prior to June 15, 2015, are recorded at estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. NHRMC's, CHA's and PMH's policies are to generally capitalize assets with a cost of \$2.5 or greater and a useful life of at least one year.

Depreciation is calculated using the straight-line method over the estimated useful lives of the depreciable assets as recommended by the American Hospital Association. Core Information Technology Software is depreciated over 10 years, and Other Information Technology Software is depreciated over 5 years, which may be different than the AHA's recommendation. Amounts in construction-in-progress are not yet subject to depreciation.

**New Hanover Regional Medical Center  
(A Component Unit of New Hanover County, North Carolina)**

**Notes to Financial Statements  
(Dollars in Thousands)**

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**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies  
(Continued)**

Legal title to NHRMC's capital assets is in the name of either New Hanover County or New Hanover Regional Medical Center. Substantially all facilities, equipment and future improvements are leased from New Hanover County (see Note 6). Legal title to CHA's capital assets is in CHA's name. Legal title to PQP's capital assets is in PQP's name. Legal title to PMH's capital assets is in the name of either Pender County or Pender Memorial Hospital, Incorporated. Substantially all of PMH's facilities are leased from Pender County (see Note 6).

**Self-Funded Liabilities**

NHRMC is self-insured for employee medical claims and contracts with a third party to administer the program. NHRMC's losses are limited under the contract by specific and aggregate stop-loss insurance coverage for claims above specified amounts. NHRMC is also self-insured for a portion of professional liabilities, workers' compensation and unemployment benefits. Provisions for estimated unpaid claims outstanding at September 30, 2020 and 2019, have been made.

CHA employees are covered under the NHRMC medical and professional liability plans. CHA is self-insured for unemployment benefits. Provisions for estimated unpaid claims outstanding at September 30, 2020 and 2019, have been made.

**Unamortized Premiums**

Bonds payable are recorded net of unamortized premiums (discounts) on bonds. Premiums and discounts are amortized over the life of the related debt using the effective interest method (see Note 7).

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. NHRMC has three items that meet this criterion: contributions made to the pension plan in the 2020 fiscal year, excess consideration provided for acquisition, net of amortization, and unamortized charges on bond refundings. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. NHRMC has one item that meets this criterion: deferrals of pension expense.

**Interest Rate Swap Agreements**

NHRMC has entered into interest rate swap agreements to modify interest rates on certain outstanding debt. Net interest expenses resulting from these agreements and the resulting accrued receivable or payable under the swap agreements are reflected in the financial statements as assets or liabilities at fair value. The fair value of interest rate swaps is recorded at the values reported by the counterparties, which approximates a value determined by the discounted cash flow model. For all swap instruments determined to be ineffective, the change in fair value is recorded in the statements of revenues, expenses and changes in net position as a component of the net increase (decrease) in fair value of investments. For all hedged swap instruments determined to be effective, any change in fair value is deferred and recorded on the statements of net position as a deferred outflow of resources.

**New Hanover Regional Medical Center  
(A Component Unit of New Hanover County, North Carolina)**

**Notes to Financial Statements  
(Dollars in Thousands)**

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**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies  
(Continued)**

**Unamortized Deferral on Refundings**

Losses on bond refundings are deferred and amortized over the shorter of the lives of the refunded debt or the refunding debt using the effective interest method for fixed rate bonds and the straight-line method for variable rate bonds recorded net of accumulated amortization. The deferrals are included in deferred outflows of resources.

**Compensated Absences**

NHRMC's employees earn vacation days at varying rates depending on years of service. The maximum amount of vacation that can carry over from one fiscal year to the next varies based on years of service. Annually, NHRMC buys back excess accrued vacation over 480 hours. The liabilities recorded for compensated absences are included in accrued expenses in the statements of net position.

**Net Position**

Net position classifications are defined as follows:

- *Net investment in capital assets* consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- *Restricted* at NHRMC consists of net position generated from revenues that have constraints on their use imposed by third parties, creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. As of September 30, 2020 and 2019, restricted net position consists of: nonexpendable endowments of approximately \$2,600 and \$2,600, respectively; and other expendable net position resulting from specific purpose donations and grants.
- *Unrestricted* consists of net position that has no third party restrictions on use and is not invested in capital assets.

**Operating Income**

Transactions resulting from the primary purpose of NHRMC, which is to provide medical services to the region, are reported as operating revenues and expenses. Revenues and expenses not meeting these criteria are reported as non-operating. Expenses incurred to provide care and maintain the facilities in the normal course of business are classified as operating expenses, including the cost of regularly scheduled labor, supplies and materials used in normal operations. Expenses incurred specifically for uncontrollable environmental events, such as named storms, including preparation of a pending event, ensuring continued care throughout the event, and post-event cleanup and repair efforts, are classified as non-operating expense. Transfers from NHRMC to CHA and PMH to fund operating deficits are included in operating income.

**New Hanover Regional Medical Center  
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**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies  
(Continued)**

**Charity Care**

Management has estimated the direct and indirect costs of providing charity care under NHRMC charity care policy. In order to estimate the cost of providing such care, management calculated a cost-to-charge ratio by comparing the per-diem rate from the most recently filed cost report to the System's gross bill rate. The cost to charge ratio is applied to the charity care charges forgone to calculate the estimated direct and indirect cost of providing charity care.

Using the methodology noted above, management has estimated the costs of providing patient services classified as charity care to be \$14,457 and \$21,379 for the years ended September 30, 2020 and 2019, respectively. NHRMC did not receive any funds to subsidize the costs of providing charity care under its charity care policy for the years ended September 30, 2020 and 2019.

Charity care provided by component units is not considered significant to the financial statements.

**Net Patient Service Revenue and Net Patient Receivables**

Net patient service revenue and net patient receivables are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered. Net patient service revenue includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Estimated third-party payor settlements are accrued in the period the related services are rendered and adjusted in future periods, as final settlements are determined, and it is possible that the amounts of final settlements could be materially different than those initially estimated by management.

**Sales and Income Taxes**

NHRMC, CHA, NHH, PQP and PMH are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, they receive reimbursement from the state of North Carolina for sales taxes paid during the year.

**Total (Memorandum Only) Columns**

Total "Memorandum Only" columns do not represent financial information of the reporting entity, and do not present information that reflects financial position, changes in financial position or cash flows in conformity with accounting principles generally accepted in the United States of America. These columns are presented only to facilitate financial analysis.

**Reclassification**

Certain amounts presented in the statements of net position – proprietary fund and revenues, expenses, and changes in net position – proprietary fund and cash flows – proprietary fund for the year ended September 30, 2019 have been reclassified, as necessary, to be consistent with the 2020 presentation. The reclassification had no effect on net position or operating income.

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
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**Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies  
(Continued)**

**Impact of Recently Adopted Accounting Standards**

In May 2020, the GASB issued Statement Number 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which deferred the implementation of various standards by 12 to 18 months. NHRMC adopted the provisions of GASB 95 at September 30, 2020 which resulted in NHRMC deferring the implementation of certain standards. See Note 20.

**Note 2. Net Patient Service Revenue and Allowance and Provision for Bad Debts**

NHRMC, CHA and PMH have agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of payment arrangements with major third-party payors are as follows:

**Medicare**

As of April 14, 2012, NHRMC was recognized by the Centers for Medicare and Medicaid Services (CMS) as a Sole Community Hospital (SCH). CMS generally reimburses SCH hospitals at a higher rate than Prospective Payment System hospitals.

NHRMC's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2014.

PMH is a "Critical Access Hospital." This enables PMH to receive cost based reimbursement from Medicare for its hospital based services. PMH's skilled nursing and home health services are reimbursed at prospectively determined rates. PMH's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2013.

Medicare services represent:

	Percentage of Net Patient Services Revenue for the Years Ended September 30,		Percentage of Net Patient Accounts Receivable as of September 30,	
	2020	2019	2020	2019
NHRMC	33%	35%	21%	21%
CHA	64%	66%	36%	37%
PMH	44%	47%	51%	57%

**New Hanover Regional Medical Center  
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**Note 2. Net Patient Service Revenue and Allowance and Provision for Bad Debts (Continued)  
Medicaid**

Inpatient services rendered to NHRMC Medicaid patients are reimbursed at a prospectively determined rate. Services to outpatients are reimbursed at a percentage of cost as defined in the Medicaid regulations. Effective October 1, 2005, PMH is reimbursed at cost by Medicaid for both inpatient and outpatient critical access hospital services. NHRMC and PMH Medicaid cost reimbursement is based on tentative interim rates with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary. NHRMC's Medicaid cost reports have been audited through September 30, 2017. PMH's Medicaid cost reports have been audited through September 30, 2018. PMH's skilled nursing and home health services are reimbursed on prospective rates.

Medicaid services represent:

	Percentage of Net Patient Services Revenue for the Years Ended September 30,		Percentage of Net Patient Accounts Receivable as of September 30,	
	2020	2019	2020	2019
NHRMC	10%	10%	6%	4%
CHA	10%	5%	3%	2%
PMH	18%	20%	11%	13%

NHRMC qualifies for reimbursement under the Medicaid Reimbursement Initiative (MRI also known as Medicaid Disproportionate Share or DSH). During 2011, the state of North Carolina enacted legislation (the GAP Program) intended to supplement existing Medicaid Disproportionate Share payments with federal matching funds drawn down via provider assessments. During fiscal year ended September 30, 2020, NHRMC received approximately \$55,239 from the state of North Carolina under the MRI program, of which \$5,674 was from the GAP Program. During fiscal year ended September 30, 2019, NHRMC received approximately \$46,636 from the state of North Carolina under the MRI program, of which \$3,355 was from the GAP Program. The MRI Program balances are recorded net of assessments in net patient service revenue.

For the fiscal year ended September 30, 2020, PMH received approximately \$205 of which \$55 was for the GAP program. For the fiscal year ended September 30, 2019, PMH received approximately \$228 of which \$73 was for the GAP program. The MRI Program balances are recorded net of assessments in net patient service revenue.

Audits of MRI program reports are performed annually. Fiscal year 2011 is the first year since 2003 where MRI audits can potentially have a financial impact and NHRMC has determined that payments received in the years since 2010 are not at risk. For prior years, the MRI was audited and settled through September 30, 2003. Amounts of supplemental payments received by NHRMC for years 2004 through 2010 were not subject to settlement. In the fiscal years since 2011, audits have been completed through September 30, 2013.

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
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**Note 2. Net Patient Service Revenue and Allowance and Provision for Bad Debts (Continued)**

**Allowances for Bad Debts**

Allowance for bad debts are maintained for receivables which historically experience uncollectible accounts. The allowance for bad debts is as follows:

	September 30	
	2020	2019
NHRMC	\$ 95,889	\$ 107,565
CHA	6,868	8,975
PMH	3,716	3,472
	<u>\$ 106,473</u>	<u>\$ 120,012</u>

For the years ended September 30, 2020 and 2019, net patient service revenue is reported net of a provision for bad debts of:

	Years Ended September 30	
	2020	2019
NHRMC	\$ 110,590	\$ 119,456
CHA	13,094	14,508
PMH	5,852	5,139
	<u>\$ 129,536</u>	<u>\$ 139,103</u>

**Note 3. Cash and Cash Equivalents and Investments**

**Deposits**

As of September 30, 2020 and 2019, the carrying values and bank balances of deposits were as follows (in thousands):

	2020		2019	
	Carrying Value	Bank Balance	Carrying Value	Bank Balance
NHRMC	\$ 64,762	\$ 65,949	\$ 42,470	\$ 49,911
CHA	4,114	4,128	6,079	6,104
PMH	7,135	7,169	3,468	3,573
PQP	5,807	5,807	701	701

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
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**Note 3. Cash and Cash Equivalents and Investments (Continued)**

Custodial credit risk for deposits is the risk that in the event of bank failure, a government's deposits may not be returned to it. NHRMC and PMH have no policy on custodial credit risk, but all deposits of NHRMC and PMH were with depositories covered under statewide single financial institution collateral pools (known as the Pooling Method) whereby collateral is maintained for all the depository's governmental units in the State. The North Carolina State Treasurer (the State Treasurer) monitors Pooling Method depositories for adequate collateralization.

Under the Pooling Method, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with NHRMC or PMH. Because of the inability to measure the exact amount of collateral pledged for NHRMC and PMH under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each Pooling Method depository.

As of September 30, 2020, financial institutions are each insured by the Federal Deposit Insurance Corporation (FDIC) for deposits up to \$250,000. The Foundation has cash balances in a financial institution that from time to time have exceeded federal depository insurance limits. Bank balances in excess of federal depository insurance limits are uninsured and uncollateralized and amounted to \$621 and \$614 for the Foundation as of September 30, 2020 and 2019, respectively. NHRMC and PMH have cash balances in financial institutions that exceed federal depository limits, but the excess is collateralized under the Pooling Method described above.

CHA, NHH and PQP are not subject to the above described statutes. CHA, NHH and PQP have cash balances in a financial institution that from time to time have exceeded federal depository insurance limits. Bank balances in excess of federal depository insurance limits are uninsured and uncollateralized and amounted to \$3,625 and \$5,598 for CHA, \$0 and \$0 for NHH and \$5,557 and \$451 for PQP, as of September 30, 2020 and 2019, respectively.

**Investments**

North Carolina General Statute 159-30 authorizes NHRMC and PMH to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of specific U.S. government agencies; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; certain high quality issues of commercial paper and bankers' acceptances; a commingled investment pool established and administered by the North Carolina State Treasurer pursuant to North Carolina General Statute 147-69.3; certain repurchase agreements with respect to direct obligations of the United States or obligations which are guaranteed by the United States as to principal and interest; and the NCCMT. Additionally, North Carolina General Statute 159-30 also requires NHRMC and PMH to limit custodial credit risk as governed by the Statute. State statutes do not govern the Foundation's investment policies or those of CHA.

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
(Dollars in Thousands)**

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**Note 3. Cash and Cash Equivalents and Investments (Continued)**

NHRMC's investment policy consists of strategies for the short-term and the long-term. The intent of the short-term fund investment strategy is to provide short-term liquidity and working capital for operations and other strategic purposes. Assets invested in the short-term fund are primarily in the NCCMT. The intent of the long-term fund investment strategy is to generate current income and maintain stability of principal. The long-term fund divides investments into three investment strategies: short/intermediate fixed income, broad duration fixed income, and domestic and international equity securities. NHRMC invests in domestic and international equity securities through a commingled investment pool administered by the North Carolina State Treasurer in preferred or common stocks allowable under North Carolina General Statute. NHRMC's participation in the commingled investment pool is voluntary, and generally only 2 withdrawals are allowed within any 12-month period and are only permitted on the first business day of each calendar month.

The Foundation's investment policy allows investments to be allocated among fixed income securities, equity securities and cash equivalents, with specific minimum target allocations and maximums by investment type.

CHA does not have a formal investment policy and generally does not retain funds for investments.

**New Hanover Regional Medical Center  
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**Note 3. Cash and Cash Equivalents and Investments (Continued)**

As of September 30, 2020 and 2019, NHRMC had the following investments, concentrations and maturities, excluding fiduciary investments:

Investment Type	Weighted Average Maturity in Years	Fair Value 2020	Weighted Average Maturity in Years	Fair Value 2019
U.S. Government Treasury Notes	1.8	\$ 43,455	1.8	\$ 34,350
U.S. Government Treasury Bonds	12.9	4,908	13.5	4,600
U.S. Government Agencies:				
Federal Nat'l Mortgage Association	1.5	8,126	2.0	9,406
Mortgage Backed Securities:				
Federal Home Loan Mtg Corp Pool	16.6	19,855	17.4	23,691
Federal Nat'l Mortgage Assoc Pool	18.6	46,572	19.5	55,481
Gov't Nat'l Mortgage Assoc Pool	17.8	22,236	18.8	24,750
Asset Backed CMO's:				
Gov't Nat'l Mortgage Assoc	21.8	36,486	22.2	31,498
Vendee Mortgage Trust Series 1993-1	2.4	73	3.4	131
Vendee Mortgage Trust Ser 1992-1 CL 2Z	1.6	59	2.6	118
Vendee Mortgage Trust Ser 1994-3B CL 2F	2.0	94	3.0	133
Vendee Mortgage Trust Ser 1995-1 CL 3ZB	4.4	138	5.4	200
Vendee Mortgage Trust Ser 1997-1 CL 2Z	6.4	105	7.4	131
Vendee Mortgage Trust Ser 1996-1 CL 1Z	5.4	219	11.6	1,179
Vendee Mortgage Trust Series 2001-3 CL Z	10.6	1,016	6.4	277
NC Capital Management Trust – Cash Portfolio	N/A	239,175	N/A	199,067
Department of State Treasurer Trust Funds				
Investment Program – Equity Investment Fund	N/A	399,237	N/A	355,678
Department of State Treasurer Short-Term				
Investment Fund (STIF)	N/A	131	N/A	125
Mutual Funds and Other	N/A	35,215	N/A	2,201
Commercial Paper	N/A	9,996	N/A	49,883
		\$ 867,096		\$ 792,899

N/A = Not applicable.

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
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**Note 3. Cash and Cash Equivalents and Investments (Continued)**

**Interest Rate Risk.** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its value to changes in market interest rates. NHRMC's investment policy mitigates interest rate risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. NHRMC also invests in collateralized mortgage obligations and mortgage backed securities. The value of the securities is based on the cash flows from principal and interest payments due on the underlying mortgages. When interest rates decline, prepayments by mortgagees may increase. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.

**Credit Risk.** Generally, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State Statutes limit NHRMC's investments to obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of specific U.S. government agencies; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; certain high quality issues of commercial paper and bankers' acceptances; investment in a commingled investment pool established and administered by the North Carolina State Treasurer; certain repurchase agreements with respect to direct obligations of the United States or obligations which are guaranteed by the United States as to principal and interest; and the NCCMT. NHRMC's investments in the NCCMT Cash Portfolio carried a rating of AAAm by Standard & Poor's as of September 30, 2020.

NHRMC's investment portfolio includes debentures and mortgage backed securities (MBS) issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corp., Vendee Mortgage Trust and the Government National Mortgage Association; debentures issued by Federal Home Loan Bank and Federal Farm Credit Bank; and certain mutual funds. All are rated Aaa by Moody's Investors Service.

With respect to NHRMC's investments in mortgage backed securities, NHRMC's investment portfolio consists of both traditional mortgage backed securities (MBS's) and asset backed collateralized mortgage obligations (CMO's). An MBS is an asset backed security whose cash flows are backed by the principal and interest payments of a pool of mortgage loans. Payments are typically made monthly over the lifetime of the underlying loans. CMO's, a type of mortgage backed security, are bonds that represent claims to specific cash flows from large pools of mortgages. The streams of principal and interest payments on the mortgages are distributed to the different classes of CMO interests. Credit risk associated with MBS's and CMO's is affected by homeowners or borrowers defaulting on their loans. NHRMC's investments in CMO's are explicitly guaranteed by the U.S. Government (Government National Mortgage Association and Vendee Mortgage Trust securities).

In addition to minimizing credit risk by limiting investments to those allowed by State Statute, it is NHRMC's policy to diversify the investment portfolio so that the impact of potential losses from any one type of security and/or issuer will be minimized.

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
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**Note 3. Cash and Cash Equivalents and Investments (Continued)**

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of government's investment in a single issuer. NHRMC's investment policy requires a balance between short/intermediate fixed income securities, broad duration fixed income securities, and investment in a commingled investment pool established and administered by the North Carolina State Treasurer as allowable under State Statute; however it places no limit on the amount NHRMC may invest in any one issuer. As of September 30, 2020, securities issued/backed by Fannie Mae, Freddie Mac and Ginnie Mae represent 6.6%, 2.4% and 7.0% of the Hospital's investment portfolio, respectively. As of September 30, 2019, securities issued/backed by Fannie Mae, Freddie Mac and Ginnie Mae represent 8.2%, 3.0% and 7.1% of the Hospital's investment portfolio, respectively.

**Foreign Currency Risk.** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. NHRMC's investment in the State Treasurer's Trust Funds Investment Program-Equity Investment Fund exposes NHRMC to foreign currency risk as a result of its positions in foreign currency-denominated equity securities. NHRMC does not have an investment policy that limits its exposure to foreign currency risk, however NHRMC's investment policy provides for the maintenance of a balance between three investment strategies, one of which is the State Treasurer's Trust Funds Investment Program-Equity Investment Fund. At September 30, 2020 and 2019, NHRMC had approximately \$174,919 and \$167,733, respectively, exposed to foreign currency risk, of which 19% and 25%, respectively, represent investments denominated in the Euro; 9% and 10%, respectively, represent investments denominated in the British Pound; and 16% and 15%, respectively, represent investments denominated in the Japanese Yen.

Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and those such changes could materially affect the amounts reported by NHRMC in the statements of net position.

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
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**Note 3. Cash and Cash Equivalents and Investments (Continued)**

Deposits and investments of NHRMC as of September 30, 2020 and 2019, are summarized as follows:

	2020	2019
Cash and cash equivalents:		
Cash on hand	\$ 18	\$ 16
Deposits	71,897	42,265
Short-term mutual fund (1)	134,939	119,112
	<u>\$ 206,854</u>	<u>\$ 161,393</u>
Assets limited as to use:		
Held by bond paying agent:		
Short-term mutual fund (1)	\$ 23,569	\$ 35,796
By Board for debt service:		
Deposits	1,146	1,125
By Board for claims liabilities:		
Cash	342	
U.S. Treasury securities	22,971	20,156
U.S. Agency securities	-	1,258
Short-term mutual fund (1)	-	1,408
	<u>\$ 48,028</u>	<u>\$ 59,743</u>
Designated by Board for capital improvements:		
Cash	\$ -	\$ 11
U.S. Treasury securities	25,379	18,795
U.S. Agency securities	8,126	8,148
Other securities backed by		
U.S. Government/Government Agencies	126,853	137,589
Dept. of State Treasurer Trust Funds		
Investment Program –		
Equity Investment Fund	399,237	355,678
Dept. of State Treasurer Short-Term		
Investment Fund (STIF)	131	125
Commercial paper	9,996	49,883
Short-term mutual fund (1)	95,193	42,751
	<u>\$ 664,915</u>	<u>\$ 612,980</u>
Designated by Board for employee benefit plans:		
Mutual funds	<u>\$ 2,257</u>	<u>\$ 2,201</u>
	<u>\$ 2,257</u>	<u>\$ 2,201</u>
Restricted for specific purposes:		
Mutual funds	<u>\$ 15,865</u>	<u>\$ 14,906</u>
	<u>\$ 15,865</u>	<u>\$ 14,906</u>
Restricted for endowments:		
Mutual funds	<u>\$ 2,580</u>	<u>\$ 2,578</u>
	<u>\$ 2,580</u>	<u>\$ 2,578</u>

(1) – North Carolina Capital Management Trust, a cash equivalent.

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
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**Note 3. Cash and Cash Equivalents and Investments (Continued)**

Deposits of CHA as of September 30, 2020 and 2019, are summarized as follows:

	2020	2019
Cash and cash equivalents:		
Cash on hand	\$ 7	\$ 7
Deposits	4,114	6,078
	<u>\$ 4,121</u>	<u>\$ 6,085</u>

Deposits of PQP as of September 30, 2020 and 2019, are as follows:

	2020	2019
Cash and cash equivalents:		
Deposits	\$ 5,807	\$ 701

**Pension Trust Investments**

Investments of The Pension Plan of New Hanover Regional Medical Center (Plan) are governed by North Carolina State Statutes, which generally provide for any type of investment subject to the prudent person rule.

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
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**Note 3. Cash and Cash Equivalents and Investments (Continued)**

The following table presents investments as of December 31, 2019 and 2018:

	2019	2018
Money market funds:		
Federated Government Obligations Fund	\$ 3,806	\$ 2,209
Mutual funds:		
Columbia Acorn Fund	-	5,729
Columbia Small Cap Index Fund Intl	2,425	-
Federated Mdt Small Cap Core Fund	1,759	-
Pimco Stockplus Small Fund - Inst	2,356	-
Victory Integrity Discovery Fund Class Y	1,561	-
DFA Emerging Mkts Core Equity	-	8,718
Harbor Fund	-	23,924
American Beacon Bridgeway Large Cap Value Fund Class N	15,778	-
Carillon Clarivest Capital Appreciation Fund Class I	19,841	-
Fidelity Large Cap Growth Index Fund	22,728	-
Fidelity Large Cap Value Index Fund	18,651	-
JPMorgan Value Advantage Fund Class R6	12,163	-
Morgan Stanley Inst Growth Ir	13,852	-
PIMCO Stockplus International (USD-Hedged) Fund	4,484	6,051
Artisan International Small-Mid Fund Instl	1,101	-
Ashmore Emerging Markets Active Equity Fund	3,238	-
Ballie Gifford Emerging Markets Equities Fund	2,967	-
Goldman Sachs Emerging Markets Equity Insights Fund Class	2,437	-
Goldman Sachs International Small Cap Insights Fund Class	1,896	-
Ishares Msci EAFE International Index Fund Class K	12,613	-
Lazard International Equity Inst	6,534	-
Pear Tree Polaris Foreign Value Fund Class R6	7,813	-
Pear Tree Polaris Fgn Val Sm Cap R6	1,261	-
T Rowe Price Emerging Markets Stock Fund Class I	2,738	-
TIAA-CREF Emerging Markets Equity Index Fund Inst	3,792	-
Wcm Focused International Growth Fund	6,992	-
Ishares Msci Acwi ETF	4,080	-
Vanguard Strategic Equity Fund	-	5,707
Baird Aggregate Bond Fund	26,786	26,118
American Beacon Garcia Hamilton Quality Bond Fund	17,909	-
Goldman Sachs Enhanced Income Fund	12,254	-
Tortoise MLP & Pipeline FD - Inst	-	5,800
Oppenheimer Steelpath MLP Select 40 Fund	-	6,061
SPDR Dow Jones International Real Estate ETF	-	2,395
Vanguard REIT Index Fund - ADM	-	2,364
AQR Managed Futures Strategy Fund	-	5,155
Diamond Hill Long-Short Fund	-	4,756
Litman Gregory Masters Alternative Strategies Fund	-	4,379
MFS Global Alternative Strategy Fund	-	4,416
Mackay High Yield Corporate Bond	-	6,262
Oppenheimer International Growth Fund Y	-	6,013
Oppenheimer Developing Markets Fund	-	9,899
PIMCO Emerging Local Bond Fund	-	6,475
PIMCO Total Return Institutional Fund	-	19,529
SEI Institutionally Managed Mid Cap Fund	-	5,812
Ishares Russell Mid-Cap Growth ETF	6,889	-
Ishares Russell Mid-Cap Value ETF	6,547	-
Jackson Square Mid-Cap Growth Fund - IS Class	4,682	-
Mfs Mid Cap Value R6	5,445	-
T Rowe Price Mid-Cap Growth Fund Class I	8,153	-
Wells Fargo Special Mid Cap Value Fund Class R6	4,441	-
T. Rowe Price Inst US Str Research Fund	-	46,370
Vanguard High Yield Corporate Fund	-	6,274
Wells Fargo Core Bond Fund Class R6	24,402	-
Wisdomtree Large Cap Dividend Fund	-	18,855
Wisdomtree Emerging Markets Corporate Bond Fund	-	6,525
Accrued income	103	174
	<u>\$ 294,477</u>	<u>\$ 245,970</u>

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
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**Note 3. Cash and Cash Equivalents and Investments (Continued)**

**Interest Rate Risk.** The Plan does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates. The Plan may invest in domestic fixed income securities; however, the Plan's investment policy does not allow these securities to exceed 40% of the Plan's portfolio. The average maturity of the Federated Government Obligations Fund is approximately 25 days. All of the Plan's bond funds have average duration between five and eight years.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan's investment policy limits the Plan's portfolio in domestic fixed income securities rated less than BBB to no more than 10% of the total plan portfolio. The Plan's bond funds are not rated by credit rating agencies.

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments and other assets that are in possession of an outside third party. Mutual funds are not subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Money market funds and registered investment companies (mutual funds) are excluded from this disclosure requirement. The Plan's policies restrict investment by type of investment, geographic location and percentage of total portfolio.

Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and such changes could materially affect the amounts reported in the statements of fiduciary net position.

**Note 4. Fair Value Measurements**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described below:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

**Level 2:** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
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**Note 4. Fair Value Measurements (Continued)**

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table sets forth, NHRMC's investments as of September 30, 2020 and 2019.

Investment Type	Valuation Measurement Method	Book Value 2020	Book Value 2019
U.S. Government Treasury Notes	Fair Value Level 1	\$ 43,455	\$ 34,350
U.S. Government Treasury Bonds	Fair Value Level 1	4,908	4,600
U.S. Government Agencies	Fair Value Level 1	8,126	9,406
Mortgage Backed Securities	Fair Value Level 2	88,663	103,922
Asset Backed CMO's	Fair Value Level 2	38,190	33,667
NC Capital Management Trust – Cash Portfolio	Amortized Cost	239,175	199,067
Department of State Treasurer Trust Funds Investment Program – Equity Investment Fund	Fair Value Level 1	399,237	355,678
Department of State Treasurer Short-Term Investment Fund (STIF)	Fair Value Level 1	131	125
Mutual Funds	Fair Value Level 1	35,215	2,201
Commercial Paper	Fair Value Level 1	9,996	49,883
Interest Rate Swaps	Fair Value Level 2	(3,107)	(2,951)
		\$ 863,989	\$ 789,948

The following table sets forth, PMH's investments as of September 30, 2020 and 2019.

Investment Type	Valuation Measurement Method	Book Value 2020	Book Value 2019
NC Capital Management Trust – Cash Portfolio	Amortized Cost	\$ 15,283	\$ 9,208

**New Hanover Regional Medical Center  
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**Note 5. Capital Asset Activity**

Capital asset activity was as follows:

NHRMC – Year Ended September 30, 2020

	Beginning Balance	Additions	Retirements	Ending Balance
NHRMC Activity				
Capital assets, not being depreciated:				
Land	\$ 16,919	\$ 9,719	\$ -	\$ 26,638
Construction in progress	105,112	83,160	(182,662)	5,610
Total capital assets, not being depreciated	122,031	92,879	(182,662)	32,248
Capital assets, being depreciated/amortized:				
Buildings and leasehold improvements	601,418	130,071	(13,730)	717,759
Equipment	393,294	52,591	(27,231)	418,654
Total capital assets being depreciated/amortized	994,712	182,662	(40,961)	1,136,413
Less accumulated depreciation/amortization for:				
Buildings, leasehold improvements and equipment	(564,156)	(59,710)	37,098	(586,768)
Total accumulated depreciation/amortization	(564,156)	(59,710)	37,098	(586,768)
Total capital assets being depreciated/amortized, net	430,556	122,952	(3,863)	549,645
NHRMC activities, capital assets, net	\$ 552,587	\$ 215,831	\$ (186,525)	\$ 581,893

NHRMC – Year Ended September 30, 2019

	Beginning Balance	Additions	Retirements	Ending Balance
NHRMC Activity				
Capital assets, not being depreciated:				
Land	\$ 16,919	\$ -	\$ -	\$ 16,919
Construction in progress	89,319	72,680	(56,887)	105,112
Total capital assets, not being depreciated	106,238	72,680	(56,887)	122,031
Capital assets, being depreciated/amortized:				
Buildings and leasehold improvements	589,823	23,345	(11,750)	601,418
Equipment	377,186	33,542	(17,434)	393,294
Total capital assets being depreciated/amortized	967,009	56,887	(29,184)	994,712
Less accumulated depreciation/amortization for:				
Buildings, leasehold improvements and equipment	(532,544)	(51,481)	19,869	(564,156)
Total accumulated depreciation/amortization	(532,544)	(51,481)	19,869	(564,156)
Total capital assets being depreciated/amortized, net	434,465	5,406	(9,315)	430,556
NHRMC activities, capital assets, net	\$ 540,703	\$ 78,086	\$ (66,202)	\$ 552,587

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**Notes to Financial Statements  
(Dollars in Thousands)**

**Note 5. Capital Asset Activity (Continued)**

<u>CHA – Year Ended September 30, 2020</u>	Beginning Balance	Additions	Retirements	Ending Balance
CHA Activity				
Capital assets, not being depreciated:				
Construction in progress	\$ 553	\$ 2,127	\$ (2,652)	\$ 28
Total capital assets, not being depreciated	553	2,127	(2,652)	28
Capital assets, being depreciated/amortized:				
Buildings and leasehold improvements	3,636	-	(225)	3,411
Equipment	13,929	2,652	(1,097)	15,484
Total capital assets being depreciated/amortized	17,565	2,652	(1,322)	18,895
Less accumulated depreciation/amortization for:				
Buildings, leasehold improvements and equipment	(11,486)	(2,195)	1,232	(12,449)
Total accumulated depreciation/amortization	(11,486)	(2,195)	1,232	(12,449)
Total capital assets being depreciated/amortized, net	6,079	457	(90)	6,446
CHA activities, capital assets, net	\$ 6,632	\$ 2,584	\$ (2,742)	\$ 6,474

<u>CHA – Year Ended September 30, 2019</u>	Beginning Balance	Additions	Retirements	Ending Balance
CHA Activity				
Capital assets, not being depreciated:				
Construction in progress	\$ 231	\$ 2,813	\$ (2,491)	\$ 553
Total capital assets, not being depreciated	231	2,813	(2,491)	553
Capital assets, being depreciated/amortized:				
Buildings and leasehold improvements	2,860	786	(10)	3,636
Equipment	12,873	1,705	(649)	13,929
Total capital assets being depreciated/amortized	15,733	2,491	(659)	17,565
Less accumulated depreciation/amortization for:				
Buildings, leasehold improvements and equipment	(10,574)	(1,478)	566	(11,486)
Total accumulated depreciation/amortization	(10,574)	(1,478)	566	(11,486)
Total capital assets being depreciated/amortized, net	5,159	1,013	(93)	6,079
CHA activities, capital assets, net	\$ 5,390	\$ 3,826	\$ (2,584)	\$ 6,632

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
(Dollars in Thousands)**

**Note 5. Capital Asset Activity (Continued)**

PMH – Year Ended September 30, 2020

	Beginning Balance	Additions	Retirements	Ending Balance
PMH Activity				
Capital assets, not being depreciated:				
Land	\$ 42	\$ -	\$ -	\$ 42
Construction in progress	152	1,666	(1,750)	68
Total capital assets, not being depreciated	194	1,666	(1,750)	110
Capital assets, being depreciated/amortized:				
Buildings and leasehold improvements	16,307	509	(9)	16,807
Equipment	12,522	1,241	(857)	12,906
Total capital assets being depreciated/amortized	28,829	1,750	(866)	29,713
Less accumulated depreciation/amortization for:				
Buildings, leasehold improvements and equipment	(19,539)	(1,849)	658	(20,730)
Total accumulated depreciation/amortization	(19,539)	(1,849)	658	(20,730)
Total capital assets being depreciated/amortized, net	9,290	(99)	(208)	8,983
PMH activities, capital assets, net	\$ 9,484	\$ 1,567	\$ (1,958)	\$ 9,093

PMH – Year Ended September 30, 2019

	Beginning Balance	Additions	Retirements	Ending Balance
PMH Activity				
Capital assets, not being depreciated:				
Land	\$ 42	\$ -	\$ -	\$ 42
Construction in progress	4	1,279	(1,131)	152
Total capital assets, not being depreciated	46	1,279	(1,131)	194
Capital assets, being depreciated/amortized:				
Buildings and leasehold improvements	15,678	654	(25)	16,307
Equipment	12,318	477	(273)	12,522
Total capital assets being depreciated/amortized	27,996	1,131	(298)	28,829
Less accumulated depreciation/amortization for:				
Buildings, leasehold improvements and equipment	(18,235)	(1,801)	497	(19,539)
Total accumulated depreciation/amortization	(18,235)	(1,801)	497	(19,539)
Total capital assets being depreciated/amortized, net	9,761	(670)	199	9,290
PMH activities, capital assets, net	\$ 9,807	\$ 609	\$ (932)	\$ 9,484

All depreciation is directly or indirectly related to the provision of healthcare services. NHRMC and PMH have active projects for building construction and leasehold improvements as of September 30, 2020 and 2019. As of September 30, 2020, NHRMC and PMH have remaining committed amounts to be paid of approximately \$12,825 on projects.

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
(Dollars in Thousands)**

**Note 6. Lease Obligations and Commitments**

Under a lease agreement dated October 1, 1993, and most recently amended June 1, 2017, NHRMC leases its existing facilities and equipment and all future improvements from New Hanover County through October 2047, all of which have been recorded as capital assets in the accompanying statements of net position. Covenants under the lease agreement correspond to those in the Series 2006, 2008, 2011, 2013 and 2017 Revenue Bond Indentures. The County maintains a limited right under the bond order to terminate the lease with 90 days' notice (after public hearing). In addition, under the lease agreement, NHRMC has agreed to maintain certain debt service coverage and cushion ratios as discussed further in Note 7.

NHRMC also leases capital assets under operating leases that have initial or remaining noncancelable terms in excess of one year.

Scheduled payments on NHRMC's operating lease commitments are as follows:

	<u>Amount</u>
Years ending September 30:	
2021	\$ 4,902
2022	3,715
2023	3,550
2024	3,449
2025	2,762
2026-2030	<u>6,275</u>
Total minimum payments	<u><u>\$ 24,653</u></u>

Rent expense on operating leases for NHRMC totaled approximately \$11,785 and \$11,069 in 2020 and 2019, respectively. Rent expense is included in other operating expenses on the statements of revenues, expenses and changes in net position.

CHA leases office space and equipment under various noncancelable operating lease agreements that expire between 2020 and 2027. Scheduled payments on CHA's operating lease commitments are as follows:

	<u>Amount</u>
Years ending September 30:	
2021	\$ 6,160
2022	5,257
2023	4,834
2024	3,796
2025	1,460
2026-2027	<u>809</u>
Total minimum payments	<u><u>\$ 22,316</u></u>

Included in these commitments is \$9,533 of minimum payments to NHRMC.

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
(Dollars in Thousands)**

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**Note 6. Lease Obligations and Commitments (Continued)**

Rent expense on operating leases for CHA totaled approximately \$6,701 and \$6,837 in 2020 and 2019, including payments of \$2,278 and \$2,319 to NHRMC, respectively. Rent expense is included in other operating expenses on the statements of revenues, expenses and changes in net position.

PMH, under an amended and restated lease agreement dated November 15, 2004, leases its main facilities and equipment and all future improvements from Pender County through 2019, with an option (at NHRMC's direction) to renew for ten additional years. The lease was renewed in 2019 for an additional ten years. Pender County and PMH maintain a limited right under the lease agreement to terminate the lease if specified provisions cannot be cured within 180 days, provided that NHRMC shall be permitted to cure any breach on behalf of PMH within established time frames.

PMH leases additional space under a noncancelable operating lease, which expires in fiscal year 2028. In addition, PMH leases certain medical equipment under operating leases that expire between 2021 and 2023. Scheduled payments on PMH's operating lease commitments are as follows:

	<u>Amount</u>
Years ending September 30:	
2021	\$ 299
2022	273
2023	209
2024	157
2025	157
2026-2028	170
Total minimum payments	<u>\$ 1,265</u>

Rent expense on operating leases for PMH totaled approximately \$350 and \$355 in 2020 and 2019, respectively. Rent expense is included in other operating expenses on the statements of revenues, expenses and changes in net position.

**New Hanover Regional Medical Center  
(A Component Unit of New Hanover County, North Carolina)**

**Notes to Financial Statements  
(Dollars in Thousands)**

**Note 7. Bonds Payable and Other Long-Term Liabilities**

**Changes in Long-Term Liabilities**

Long-term obligation activity for the years ended September 30, 2020 and 2019, was as follows:

NHRMC – Year Ended September 30, 2020

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 350,245	\$ -	\$ (16,780)	\$ 333,465	\$ 17,220
Less deferred amounts:					
Issuance discounts (premiums), net	(28,749)	-	2,500	(26,249)	-
Total bonds payable	378,994	-	(19,280)	359,714	17,220
Supplemental retirement plans	2,201	1,321	(1,516)	2,006	-
Long-term obligations	\$ 381,195	\$ 1,321	\$ (20,796)	\$ 361,720	\$ 17,220

NHRMC – Year Ended September 30, 2019

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 366,495	\$ -	\$ (16,250)	\$ 350,245	\$ 16,780
Less deferred amounts:					
Issuance discounts (premiums), net	(31,347)	-	2,598	(28,749)	-
Total bonds payable	397,842	-	(18,848)	378,994	16,780
Note payable to primary government	2,132	-	(2,132)	-	-
Supplemental retirement plans	1,736	866	(401)	2,201	-
Long-term obligations	\$ 401,710	\$ 866	\$ (21,381)	\$ 381,195	\$ 16,780

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
(Dollars in Thousands)**

**Note 7. Bonds Payable and Other Long-Term Liabilities (Continued)**

**NHRMC Bonds Payable**

Series 2006, 2008, 2011, 2013 and 2017 bonds outstanding at September 30, 2020 and 2019, are as follows:

Revenue Bonds	Principal Amount	
	2020	2019
Series 2006A Hospital Revenue Bonds:		
Serial revenue bonds with interest rates ranging from 4.0% to 4.13%, maturing annually through 2019	\$ -	\$ 5,120
Series 2008A Variable Rate Hospital Revenue Bonds, demand obligations with mandatory redemptions annually through 2038	15,230	15,755
Series 2008B Variable Rate Hospital Revenue Bonds, demand obligations with mandatory redemptions annually through 2038	15,230	15,755
Series 2011 Revenue Bonds:		
Serial revenue bonds with interest rates ranging from 3.0% to 5.0%, maturing annually through 2025	32,280	36,385
Term revenue bonds maturing in October 2026, with stated interest rates of 4.63% and 5.0%	7,535	7,535
Term revenue bonds maturing in October 2027, with stated interest rates of 4.63% and 5.0%	12,375	12,375
Term revenue bonds maturing in October 2028, with stated interest rates of 4.63% and 5.0%	12,980	12,980
Series 2013 Revenue Bonds:		
Serial revenue bonds with interest rates ranging from 2.0% to 5.0%, maturing annually through 2026	29,520	33,785
Series 2017 Revenue Bonds:		
Serial revenue bonds with interest rates ranging from 3.0% to 5.0%, maturing annually through 2048	208,315	210,555
Revenue bonds payable	333,465	350,245
Unamortized premiums, net	26,249	28,749
Current portion	(17,220)	(16,780)
Total revenue bonds payable, long-term	<u>\$ 342,494</u>	<u>\$ 362,214</u>

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
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**Note 7. Bonds Payable and Other Long-Term Liabilities (Continued)**

**Series 2006 Hospital Revenue Bonds (Fixed Rates)**

On September 13, 2006, NHRMC issued \$60,000 of Series 2006A Variable Rate Hospital Revenue Bonds, and \$60,000 of Series 2006B Variable Rate Hospital Revenue Bonds (collectively, the 2006 Bonds) through New Hanover County for use by NHRMC. The bonds initially bore interest at an auction rate, established weekly. The bonds were issued for the purpose of providing funding, together with other available funds, to pay the costs of various construction projects including, but not limited to, the construction and equipping of a new 186,804 square foot surgical pavilion, construction and equipping of a new 194,995 square foot Women's and Children's Center, expansion and upgrading of the central energy plant, and related site work including reconfiguration of existing parking lots.

In 2009, the Series 2006A Bonds were converted from auction rate securities to fixed rate mode for a discount of approximately \$168, and the Series 2006B Bonds were converted for a premium of \$358, both of which are being amortized under the effective interest method over the life of the bonds. There was no significant economic gain or loss resulting from this transaction.

In connection with the 2017 Series Bond issuance, the 2006A bonds were partially refunded and the 2006B bonds were fully refunded.

**Series 2008 Variable Rate Hospital Revenue Bonds**

On November 6, 2008, NHRMC issued Variable Rate Hospital Revenue Bonds (demand bonds) through New Hanover County, Series 2008A and Series 2008B (collectively, the 2008 Bonds), in the amounts of \$20,000 and \$20,000, respectively, for use by NHRMC. The bonds bear interest at a variable rate, established weekly by the applicable remarketing agents. The bonds were issued to reimburse NHRMC for certain costs associated with construction and equipping of the surgical pavilion, Women's and Children's Center, and certain facilities improvements; acquisition of certain information system equipment; and acquisition of certain operating equipment. As of September 30, 2020 and 2019, the rates on these bonds were .13% and 1.63%, respectively.

The 2008 Bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the remarketing agent and tender agent. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to the principal amount plus accrued and unpaid interest thereon, if any, to the purchase date.

NHRMC and the County have entered into a Reimbursement Agreement and an Irrevocable Letter of Credit with a bank under which NHRMC can draw down the funds to purchase any 2008 bonds that are tendered for purchase, to the extent that remarketing proceeds are not sufficient or available. The letter of credit expires on November 20, 2021. All unpaid drawings become due and payable upon expiration of the letter of credit in 2021. There were no unpaid drawings at September 30, 2020 or 2019. The agreement carries a variable interest rate based on the bank's prime rate or a maximum of 18%.

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
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**Note 7. Bonds Payable and Other Long-Term Liabilities (Continued)**

**Series 2011 Hospital Revenue Bonds (Fixed Rates)**

On September 28, 2011, NHRMC issued \$93,965 of Series 2011 Fixed Rate Hospital Revenue Refunding Bonds through New Hanover County for use by NHRMC. The net proceeds (net of issuance costs) from the sale of the 2011 Series Bonds were used to redeem outstanding Series 1999 Bonds maturing on October 1, 2012 and thereafter. The Series 1999 Bonds had an outstanding balance of \$95,320 as of October 1, 2011. The net proceeds of the Series 2011 bonds were held in escrow as of September 30, 2011, and then used to redeem all of the Refunded 1999 Bonds on October 1, 2011.

Interest on the Series 2011 bonds is paid at fixed rates established at the time of bond issuance. The Series 2011 bonds were originally issued at a premium of approximately \$2,651, which is being amortized under the effective interest method over the life of the bonds.

**Series 2013 Hospital Revenue Bonds (Fixed Rates)**

On December 14, 2005, NHRMC issued Variable Rate Hospital Revenue Refunding Bonds (demand bonds) through New Hanover County, Series 2005A-1, Series 2005A-2, Series 2005B-1 and Series 2005B-2 (collectively, the 2005 Bonds), in the amounts of \$11,435, \$11,435, \$28,100 and \$28,100, respectively, for use by NHRMC. Interest on the Series 2005 bonds is set weekly at rates established by the applicable remarketing agents, not to exceed 12% per annum.

On July 18, 2013, NHRMC issued \$56,745 of Series 2013 Fixed Rate Hospital Revenue Refunding Bonds through New Hanover County. The net proceeds (net of issuance costs) from the sale of the 2013 Series Bonds were used to redeem Series 2005 Bonds totaling \$58,560 and partially terminate swaps held in connection with the Series 2005 Bonds. With the issuance of the 2013 Bonds and resulting redemption of the Series 2005 Bonds, the Standby Bond Purchase Agreement, under which the bank agreed to purchase any 2005 bonds that were tendered for purchase to the extent that remarketing proceeds were not sufficient or available, was also terminated.

Interest on the Series 2013 bonds is paid at fixed rates, established at the time of bond issuance. The Series 2013 bonds were originally issued at a premium of \$4,630, which is being amortized under the effective interest method over the life of the bonds. Additionally, NHRMC recorded a deferred outflow of resources of \$1,976 related to the refunding.

**Series 2017 Hospital Revenue Bonds (Fixed Rates)**

On June 1, 2017, NHRMC issued \$212,710 of Series 2017 Fixed Rate Hospital Revenue Bonds through New Hanover County. Some of the net proceeds (net of issuance costs) from the sale of the 2017 Series Bonds were used to refund Series 2006B Bonds totaling \$60,000 and partially refund Series 2006A Bonds totaling \$23,955.

The bonds were issued for the purpose of providing funds, together with other available funds, to pay the costs of various construction projects including the construction of a five level parking deck and sky bridge; construction and equipping of a new patient tower with the addition of three floors on top of the existing surgical pavilion on NHRMC's main campus; expansion and renovation of the intensive care unit; renovation of the Zimmer Cancer Center; and construction and renovation of the main campus's emergency department; and to refund a portion of the outstanding Series 2006 Bonds.

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**Note 7. Bonds Payable and Other Long-Term Liabilities (Continued)**

Interest on the Series 2017 bonds is paid at fixed rates, established at the time of bond issuance. The Series 2017 bonds were originally issued at a premium of \$30,858, which is being amortized under the effective interest method over the life of the bonds. Additionally, NHRMC recorded a deferred outflow of resources of \$6,515 related to the refunding.

**Debt Service and Covenants**

Under the terms of the Bond indentures and related lease agreement with the County, the Obligated Unit (New Hanover Regional Medical Center, CHA, NHH and PQP) is required to make semiannual debt service payments on unpaid fixed rate debt (2006, 2011, 2013 and 2017 bonds), monthly debt service payments on variable rate demand bonds (2008 bonds) and is also required to comply with certain restrictive covenants, including limitations on incurrence of additional debt, limitations on transfer of assets and maintenance of certain measures of financial performance, including a minimum long-term debt service ratio of 1.75 and a cushion ratio of 1.75, for as long as the bonds are outstanding.

For the years ended September 30, 2020 and 2019, the Obligated Unit was in compliance with these covenants.

The Series 2006, 2008, 2011, 2013 and 2017 Revenue Bonds are secured by and payable from the net revenue of the Obligated Unit, the money and securities held by the trustee pursuant to the bonds, as well as the income from the temporary investment of these trustee-held funds. Substantially all of the Obligated Unit's revenues, which were \$1,340,255 and \$1,322,409 for the years ended September 30, 2020 and 2019, respectively, are security for the revenue bonds.

Total funds held by the trustee (including amounts as bond paying agent) at September 30, 2020 and 2019, were approximately \$23,569 and \$35,796, respectively.

Scheduled payments of principal and interest on total debt are as follows. (Interest on any variable rate bonds is included at the rates in effect as of September 30, 2020; payments are shown assuming the letter of credit for the 2008 Bonds are renewed throughout the life of the bonds.)

Fiscal Year	Principal	Interest	Total Debt Service
2021	\$ 17,220	\$ 14,263	\$ 31,483
2022	17,890	13,475	31,365
2023	18,685	12,635	31,320
2024	19,585	11,744	31,329
2025-2029	112,925	44,173	157,098
2030-2034	52,230	24,280	76,510
2035-2039	34,630	17,643	52,273
2040-2044	30,310	11,257	41,567
2045-2048	29,990	3,091	33,081
	\$ 333,465	\$ 152,561	\$ 486,026

**New Hanover Regional Medical Center  
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**Note 7. Bonds Payable and Other Long-Term Liabilities (Continued)**

Interest paid related to the above debt was \$14,237 and \$14,672 during fiscal years ended September 30, 2020 and 2019, respectively.

**Other NHRMC Long-Term Liabilities**

In connection with the purchase of the New Hanover County Health Department complex in 2017, NHRMC agreed to pay up to \$19,350 to New Hanover County (the County). The note was paid in full during the year ended September 30, 2019.

**Note 8. Derivative Investments**

NHRMC has the following interest rate swap agreements:

As of September 30, 2020							
Associated Bond Issues	Notional Amount	Start Date	End Date	NHRMC Pays	NHRMC Receives	Fair Value as of 9/30/20	Change in Fair Value for the Year Ended 9/30/20
Series 2008A-1	\$ 3,225	December 14, 2005	October 1, 2023	3.593%	70% of LIBOR	\$ (184)	\$ 30
Series 2008A-2	3,220	December 14, 2005	October 1, 2023	3.593%	70% of LIBOR	(183)	31
Series 2008B-1	12,160	December 14, 2005	October 1, 2026	3.618%	70% of LIBOR	(1,356)	(57)
Series 2008B-2	11,855	December 14, 2005	October 1, 2026	3.618%	70% of LIBOR	(1,359)	(66)
				Wtd avg BMA Muni Bond Swap	73.87% of Wtd Avg LIBOR	(25)	(94)
Basis Swap	50,000	January 25, 2002	October 21, 2021	Index		<u>\$ (3,107)</u>	

As of September 30, 2019							
Associated Bond Issues	Notional Amount	Start Date	End Date	NHRMC Pays	NHRMC Receives	Fair Value as of 9/30/19	Change in Fair Value for the Year Ended 9/30/19
Series 2008A-1	\$ 4,665	December 14, 2005	October 1, 2023	3.593%	70% of LIBOR	\$ (214)	\$ (26)
Series 2008A-2	4,665	December 14, 2005	October 1, 2023	3.593%	70% of LIBOR	(214)	(27)
Series 2008B-1	15,080	December 14, 2005	October 1, 2026	3.618%	70% of LIBOR	(1,299)	(357)
Series 2008B-2	8,120	December 14, 2005	October 1, 2026	3.618%	70% of LIBOR	(1,293)	(432)
				Wtd avg BMA Muni Bond Swap	73.87% of Wtd Avg LIBOR	69	(107)
Basis Swap	50,000	January 25, 2002	October 21, 2021	Index		<u>\$ (2,951)</u>	

**New Hanover Regional Medical Center  
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**Note 8. Derivative Investments (Continued)**

Swaps associated with 2005 and 2008 bonds

As a means to lower its borrowing costs when compared against fixed-rate bonds at the time of the issuance of the Series 2005 Variable Rate Hospital Revenue Refunding Bonds, NHRMC entered into two separate interest rate swaps in connection with the bonds.

With the issuance of the 2013 Bonds to redeem the Series 2005 Bonds, NHRMC partially terminated swaps held in connection with the Series 2005 Bonds. The remaining swaps totaling \$37,000 were restructured to hedge the Series 2008 Bonds until 2026.

The terms, fair values and underlying bond issues of the outstanding swaps as of September 30, 2020 and 2019, are shown in the table above (in thousands). The notional amounts of the swaps approximate the principal amounts of the associated debt.

During the year ended September 30, 2013, the swaps were restructured in conjunction with the issuance of the 2013 Bonds, the remaining swaps held to hedge the Series 2008 Bonds were determined to be ineffective hedging derivative instruments under the provisions of GASB 53. Therefore, the entire fair value of the ineffective swaps in the amount of \$5,404 as of September 30, 2013, was recorded as a component (a decrease) of net increase in fair value of investments in the statements of revenues, expenses, and changes in net position. For the years ended September 30, 2020 and 2019, the net change in fair value of (\$62) and (\$842), respectively, has been recorded as a component of net (decrease) increase in fair value of investments in the statements of revenues, expenses and changes in net position.

As a result of the negative position, NHRMC is not exposed to credit risk at September 30, 2020. However, should interest rates change and the fair value of the swap become positive, NHRMC would be exposed to credit risk in the amount of the swap's fair value.

NHRMC or the counterparties may terminate the swap if the other party fails to perform under the terms of the contract or there is a termination event, as defined in the contract. If the swaps are terminated, the variable rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swaps have negative fair values, NHRMC would be liable to the counterparties for payments equal to the swaps' fair values.

Basis Swap

During fiscal year 2002, NHRMC entered into a 19-year interest rate swap (basis swap) agreement, with a notional amount of \$50 million related to its Series 1999 Hospital Revenue Bonds. NHRMC's objective was to have a mixture of fixed- and variable-rate debt to take advantage of market fluctuations. Because NHRMC anticipated that interest rates might decline, NHRMC decided to synthetically create variable-rate debt by entering into a derivative. Terms of the rate swap agreement is described below.

Based on the swap agreement, NHRMC owes the counterparty interest calculated at a variable rate of the weighted-average BMA Municipal Bond Swap Index to the counterparty to the swap. In return, the counterparty owes NHRMC interest based on 73.875% of weighted-average one month US LIBOR. Under the swap agreement, only the net difference in the interest payments is actually exchanged with the counterparty. Settlement payments under the swap agreement are exchanged semi-annually. The notional amounts are not exchanged; they are only the basis on which the interest payments are calculated.

**New Hanover Regional Medical Center  
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**Note 8. Derivative Investments (Continued)**

As of September 30, 2020, the basis swap has an estimated fair value of approximately (\$25) which is recorded as a liability for interest rate swap agreements in the statement of net position. As of September 30, 2019, the basis swap has an estimated fair value of approximately \$69 which is recorded as an asset for interest rate swap agreements in the statement of net position. Under the provisions of GASB 53, the basis swap qualifies as an investment derivative instrument and therefore, changes in fair value of (\$94) and (\$107) for the years ended September 30, 2020 and 2019, respectively, have been recorded as a component of net (decrease) increase in fair value of investments in the statements of revenues, expenses and changes in net position.

As a result of the positive position in the prior year, NHRMC can be exposed to credit risk in the amount of the swap's fair value. NHRMC's objective for holding the basis swap was to preserve short-term cash resources in a market that was not favorable to the performance of the basis swap. NHRMC or the counter-party may terminate the swap if the other party fails to perform under the terms of the contract. If, at the time of the termination, the swap has a negative fair value, NHRMC would be liable to the counterparty for a payment equal to the swap's fair value.

**Note 9. Risk Management**

NHRMC, CHA and PMH are exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of medical malpractice (hospital professional liability), natural disasters, employee and officer errors and omissions, and employee workers' compensation and medical claims.

NHRMC purchases commercial insurance coverage against risk of loss due to errors and omissions, fiduciary liability, property damage and theft, pollution liability and various other insurable risks. NHRMC carries property insurance in the amount of \$750,000 for 2020 and 2019 with a deductible of \$100 for all perils except named windstorm. For 2020 and 2019, the minimum deductible for named storm is \$5,000 per location. For 2020 and 2019, NHRMC was self-insured for workers' compensation and employer's liability up to \$350 per claim. Statutory limits apply to worker's compensation. For 2020 and 2019, NHRMC was also self-insured for professional liability and general liability claims up to \$5,000. There was a \$30,000 annual aggregate retention in 2020 and 2019. In both 2020 and 2019, hospital professional liability and general liability stop loss coverage is on a claims made basis; general liability is written on an occurrence basis. Excess commercial insurance is purchased to provide coverage above the self-insured retention levels for hospital professional liability and general liability. NHRMC is fully self-insured for hospital professional liability claims incurred prior to June 25, 2002, but not reported as of that date. No payments have exceeded insurance coverage in the past three fiscal years where insurance coverage applies, subject to the deductibles and retentions noted above. NHRMC is self-insured for employee medical claims up to \$350 per individual, excluding costs associated with domestic claims (claims for services provided at NHRMC).

NHRMC records an estimated liability for unpaid medical claims based upon reserve amounts and/or historical trends calculated by the third party administrators of the plans. The liabilities for workers' compensation, hospital professional liability and general liability claims are accrued at estimated amounts as determined by a third party actuary.

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**Note 9. Risk Management (Continued)**

Following is a reconciliation of changes in NHRMC's recorded aggregate liability for claims, which is included in professional liability claims and other self-funded liabilities. Provisions for claims are primarily included in salaries, wages and benefits, and other expense on the statements of revenues, expenses and changes in net position.

	Years Ended September 30		
	2020	2019	2018
Beginning liability	\$ 33,523	\$ 26,794	\$ 22,243
Provisions for claims	79,807	92,420	84,481
Payments for claims	(83,439)	(83,330)	(75,724)
Other	1,032	(2,361)	(4,206)
Ending liability	<u>\$ 30,923</u>	<u>\$ 33,523</u>	<u>\$ 26,794</u>

The aggregate component units' risk management disclosures are not considered significant to the reporting entity.

**Note 10. Pension and Supplemental Retirement Plan Obligations**

NHRMC and PMH provide defined benefit pension plans, which are summarized as follows:

**NHRMC Plan Description:** NHRMC sponsors and has fiduciary responsibility for The Pension Plan of New Hanover Regional Medical Center (the NHRMC Plan). The NHRMC Plan was originally effective June 14, 1967, and was most recently amended in December 2012 to comply with the Heroes Earnings Assistance and Relief Tax Act of 2008. The NHRMC Plan is a single employer plan, covering all employees of NHRMC (including Foundation) and certain employees of CHA who meet eligibility requirements. The NHRMC Plan was created by act of the Trustees of New Hanover Regional Medical Center, who have the authority to amend or terminate the NHRMC Plan.

**Benefits Provided:** An employee is eligible to participate in the plan upon completion of 1,000 hours of service in a plan year. Employees may retire with unreduced retirement benefits upon attainment of the age of 65 (if participation in the plan was prior to January 1, 1988) or the later of age 65 or completion of five years of participation (if participation in the plan was on or after January 1, 1988). Employees hired prior to January 1, 2001 who retire under the above conditions are entitled to annual retirement benefits equal to 1.25% of their average compensation times the years of service up to 30 years and .65% of the excess, if any, of the average compensation over Social Security covered compensation, times the years of service up to 30 years. Employees hired on or after January 1, 2001, who retire under the above conditions are entitled to annual retirement benefits equal to .75% of their average compensation times the years of service up to 30 years and .65% of the excess, if any, of the average compensation over Social Security covered compensations, times the years of service up to 30 years. The average compensation is the average salary of the employee during the five highest paid consecutive calendar years of creditable service during the ten calendar years preceding the employee's retirement date.

**New Hanover Regional Medical Center  
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**Note 10. Pension and Supplemental Retirement Plan Obligations (Continued)**

Employees may retire with reduced retirement benefits after reaching age 55 and completing five years of creditable service. Plan provisions also include death and disability retirement benefits, whereby the disabled employee is entitled to receive their normal retirement benefit accrued up to the date of disability retirement. Upon death of an employee before retirement, benefit payments will be paid to the surviving spouse, if any. If there is no surviving spouse, the death benefit will be split among surviving children or paid to a designated beneficiary. Upon the death of an employee after retirement, benefit payments will be distributed in accordance with the method elected by the employee.

**Contributions:** The contribution requirements of the contributing employers to the NHRMC plan are established by the NHRMC Plan document and determined annually by NHRMC based on actuarial recommendations. Contributions to the pension plan from NHRMC were \$14,335 and \$14,530 for the years ended September 30, 2020 and 2019, respectively.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2020 and 2019, NHRMC reported a net pension obligation of \$53,122 and \$45,843, respectively. The net pension obligation was measured as of September 30, 2018 and 2017, respectively. The total pension liability used to calculate the net pension obligation was determined by an actuarial valuation as of January 1, 2019 and 2018, respectively. The total pension liability was then rolled forward to the measurement date of September 30, 2020 and 2019, respectively, utilizing update procedures incorporating the actuarial assumptions.

For the years ended September 30, 2020 and 2019, NHRMC recognized pension expense of \$15,543 and \$14,421, respectively. At September 30, 2020, NHRMC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,862	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,948
Assumption changes	-	2,493
Contributions made in fiscal year ending September 30, 2020	14,335	-
Total	<u>\$ 20,197</u>	<u>\$ 4,441</u>

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**Note 10. Pension and Supplemental Retirement Plan Obligations (Continued)**

At September 30, 2019, NHRMC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,376	\$ -
Net difference between projected and actual earnings on pension plan investments	-	8,621
Assumption changes	-	3,613
Contributions made in fiscal year ending September 30, 2019	14,530	-
Total	<u>\$ 21,906</u>	<u>\$ 12,234</u>

Deferred outflows of resources of \$14,335 related to pensions resulting from NHRMC's contributions subsequent to the measurement date will be recognized as a decrease of the net pension obligation in the year ended September 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Years ending September 30:

2021	\$ (1,714)
2022	(350)
2023	1,424
2024	1,985
2025	76
	<u>\$ 1,421</u>

Actuarial Assumptions – The total pension liability in the January 1, 2019 and 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.00%
Investment rate of return	7.0%, net of pension plan investment

Mortality rates were based on the RP-2014 with generational MP-2018 projection.

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**Note 10. Pension and Supplemental Retirement Plan Obligations (Continued)**

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of September 30, 2020 and 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	42.00%	4.60%
Small Cap U.S. Equity	3.00%	5.10%
International Equity	20.00%	5.30%
Emerging Markets Equity	5.00%	5.90%
Core U.S. Fixed Income	29.00%	1.00%
Cash	1.00%	0.20%
Total	100.00%	

Discount rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**Notes to Financial Statements  
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**Note 10. Pension and Supplemental Retirement Plan Obligations (Continued)**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Balances at September 30, 2018</b>	\$ 287,239	\$ 237,126	\$ 50,113
Service cost	9,794	-	9,794
Interest	20,440	-	20,440
Differences between expected and actual experience	1,722	-	1,722
Changes of assumptions	(349)	-	(349)
Contributions – employer	-	15,551	(15,551)
Net investment income	-	20,569	(20,569)
Benefit payments, including refunds of employee contributions	(13,714)	(13,715)	1
Administrative expense	-	(242)	242
<b>Net changes</b>	<b>17,893</b>	<b>22,163</b>	<b>(4,270)</b>
<b>Balances at September 30, 2019</b>	<b>305,132</b>	<b>259,289</b>	<b>45,843</b>
Service cost	9,001	-	9,001
Interest	21,498	-	21,498
Differences between expected and actual experience	1,552	-	1,552
Changes of assumptions	(506)	-	(506)
Contributions – employer	-	14,530	(14,530)
Net investment income	-	10,056	(10,056)
Benefit payments, including refunds of employee contributions	(14,286)	(14,286)	-
Administrative expense	-	(320)	320
<b>Net changes</b>	<b>17,259</b>	<b>9,980</b>	<b>7,279</b>
<b>Balances at September 30, 2020</b>	<b>\$ 322,391</b>	<b>\$ 269,269</b>	<b>\$ 53,122</b>

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**Notes to Financial Statements  
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**Note 10. Pension and Supplemental Retirement Plan Obligations (Continued)**

Sensitivity of the net pension liability to changes in the discount rate – The following presents NHRMC's net pension liability calculated using the discount rate of 7.00%, as well as what the NHRMC's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Total pension liability	\$ 358,555	\$ 322,391	\$ 295,776
Plan fiduciary net position	269,269	269,269	269,269
Net pension liability	<u>\$ 89,286</u>	<u>\$ 53,122</u>	<u>\$ 26,507</u>

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued, stand-alone financial report that can be obtained by contacting the office of the CFO, P.O. Box 9000, Wilmington, North Carolina 28402.

**PMH Plan Description:** PMH sponsors a single-employer, non-contributory defined benefit pension plan covering substantially all employees. The Plan was originally effective January 1, 1970, and was most recently amended and restated effective January 1, 2009.

**Benefits Provided:** All employees having completed two years of service who are at least 21 years old and work a minimum of 1,000 hours annually are eligible to participate in the Plan. Retirement benefits under the Plan are based upon earnings and number of years of service of Plan participants. Employer benefits vest to 100% after five years of service. Employees hired prior to January 1, 1992, who retire under the above conditions are entitled to annual retirement benefits equal to 1% of their 1991 annual benefit compensation as defined by the Plan times the years of service prior to January 1, 1992, and .5% of their 1991 annual benefit compensation in excess of \$9 times the years of service after January 1, 1992. Personnel employed on or after January 1, 1992, who retire at or after age 65 with five years of credited service are entitled to an annual retirement benefit, payable monthly for a maximum of 35 years based on service to normal retirement date, in an amount equal to .75% of their average compensation as defined by the Plan and .65% of average compensation in excess of the applicable covered compensation for Social Security purposes for each year of credited service after December 31, 1991. Credited service for the .5% and .65% portions is limited to a maximum of 35 years. Employees may retire with reduced retirement benefits after reaching age 60 and completing ten years of creditable service. The Plan also provides a death benefit for surviving spouses of vested employees.

**Contributions:** The contribution requirements of the contributing employer to the Plan are established by the Plan document and determined annually by PMH based on actuarial recommendations. Employee contributions were required prior to January 1, 1992, based on 3% of their annual salary up to \$9 and 4.5% of annual salary over \$9. No employee contributions are required or permitted after 1991. Contributions to the pension plan from PMH were \$597 and \$583 for the years ended September 30, 2020 and 2019, respectively.

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**Note 10. Pension and Supplemental Retirement Plan Obligations (Continued)**

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2020 and 2019, PMH reported a net pension liability of \$3,491 and \$3,247. The net pension liability was measured as of September 30, 2019 and 2018, respectively. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 and 2018, respectively. The total pension liability was then rolled forward to the measurement date of September 30, 2019 and 2018, respectively, utilizing update procedures incorporating the actuarial assumptions.

For the year ended September 30, 2020 and 2019, PMH recognized pension expense of \$697 and \$580, respectively. At September 30, 2020, PMH reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 79	\$ -
Net difference between projected and actual earnings on pension plan investments	145	-
Assumption changes	-	61
Contributions made in fiscal year ending September 30, 2020	597	-
Total	<u>\$ 821</u>	<u>\$ 61</u>

At September 30, 2019, PMH reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 113	\$ -
Net difference between projected and actual earnings on pension plan investments	11	-
Assumption changes	-	91
Contributions made in fiscal year ending September 30, 2019	583	-
Total	<u>\$ 707</u>	<u>\$ 91</u>

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**Note 10. Pension and Supplemental Retirement Plan Obligations (Continued)**

Deferred outflows of resources of \$597 related to pensions resulting from PMH's contributions subsequent to the measurement date will be recognized as a decrease of the net pension obligation in the year ended September 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending September 30:		
2021	\$	29
2022		37
2023		55
2024		42
	<u>\$</u>	<u>163</u>

Actuarial assumptions – The total pension liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.1%
Salary increases	3.0%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 with generational MP-2018 projection.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of September 30, 2020 and 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity (Large Cap)	43.00%	4.60%
Domestic Equity (Small Cap)	3.00%	5.10%
International Equity	20.00%	5.30%
Emerging Markets Equity	4.00%	5.90%
Core U.S. Fixed Income	29.00%	1.00%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

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**Note 10. Pension and Supplemental Retirement Plan Obligations (Continued)**

Discount rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2018	\$ 8,897	\$ 5,718	\$ 3,179
Changes for the year:			
Service cost	261	-	261
Interest	632	-	632
Differences between expected and actual experience	56	-	56
Changes in assumptions	(55)	-	(55)
Contributions – employer	-	567	(567)
Net investment income	-	338	(338)
Benefit payments, including refunds of employee contributions	(341)	(341)	-
Administrative expense	-	(79)	79
Net changes	553	485	68
Balances at September 30, 2019	\$ 9,450	\$ 6,203	\$ 3,247
Changes for the year:			
Service cost	\$ 259	\$ -	\$ 259
Interest	667	-	667
Differences between expected and actual experience	52	-	52
Changes in assumptions	(24)	-	(24)
Contributions – employer	-	581	(581)
Net investment income	-	228	(228)
Benefit payments, including refunds of employee contributions	(375)	(375)	-
Administrative expense	-	(99)	99
Net changes	579	335	244
Balances at September 30, 2020	\$ 10,029	\$ 6,538	\$ 3,491

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**Note 10. Pension and Supplemental Retirement Plan Obligations (Continued)**

Sensitivity of the net pension liability to changes in the discount rate – The following presents PMH's net pension liability calculated using the discount rate of 7.00 %, as well as what the PMH's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 %) or one percentage point higher (8.00 %) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Total pension liability	\$ 11,394	\$ 10,029	\$ 8,910
Plan fiduciary net position	6,538	6,538	6,538
Net pension liability	<u>\$ 4,856</u>	<u>\$ 3,491</u>	<u>\$ 2,372</u>

**Supplemental Retirement Plans**

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued, stand-alone financial report that can be obtained by contacting Ed Ollie, CFO, PO Box 9000, Wilmington, North Carolina 28402.

In addition, NHRMC offers two supplemental retirement plans under IRC Section 457(f) to certain eligible employees. NHRMC has recorded a liability of approximately \$1,771 and \$1,966 as of September 30, 2020 and 2019, respectively, in accordance with the provisions of these plans.

NHRMC has assumed assets and liabilities of the former Cape Fear Memorial Hospital, Inc. deferred compensation plan. The assets are valued at fair value as of the statement of net position date. There are no additional deferrals being made to the plan and no active employees participating. NHRMC has recorded a liability of approximately \$235 as of September 30, 2020 and 2019, in accordance with the provision of this plan.

**Note 11. Defined Contribution Retirement Plans**

NHRMC offers a defined contribution plan under IRS code section 403(b) which is available to all employees and administered by AIGValic. Under provisions of the Plan document, NHRMC matches employee contributions according to a Plan formula, which is weighted for years of service. This match was suspended in January 2010. Employee contributions vest when made, employer contributions vest after three calendar years of service with 1,000 hours worked in each year.

Employee optional contributions totaled approximately \$16,670 and \$14,404 for the years ended September 30, 2020 and 2019, respectively. Employee contribution percentages were 4.3% and 3.9% of total payroll for the years ended September 30, 2020 and 2019, respectively. There were no employer matching contributions by NHRMC for the years ended September 30, 2020 and 2019.

NHRMC also offers all employees a retirement plan created in accordance with the Internal Revenue Code, Section 457(b). NHRMC is not required to match employee contributions or make employer contributions to the plan. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in NHRMC's financial statements.

**New Hanover Regional Medical Center  
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**Note 11. Defined Contribution Retirement Plans (Continued)**

CHA offers a defined contribution plan under IRS code section 403(b) which is available to all employees and administered by AIGValic. Under provisions of the Plan document, CHA matches employee contributions according to a Plan formula, which is weighted for years of service. Employee contributions vest when made, employer contributions vest after three calendar years of service with 1,000 hours worked in each year.

CHA employer required and actual matching contributions totaled approximately \$1,057 and \$951, and employee optional contributions totaled approximately \$2,138 and \$1,951 for the years ended September 30, 2020 and 2019, respectively. Employer matching contribution percentages were 2.37% and 2.28%, and employee contribution percentages were 4.79% and 4.67% of total payroll for the years ended September 30, 2020 and 2019, respectively.

PMH offers a defined contribution plan under IRS code section 403(b), which is available to all employees and is administered by AIGValic. There is no match made by PMH; all contributions are made by employees only. Employee contributions vest when made.

**Note 12. Investment in Affiliates**

South Atlantic Radiology Oncology, LLC

In February 2005, NHRMC entered into a joint venture agreement to form South Atlantic Radiation Oncology, LLC (SARO). NHRMC has committed to contribute capital for 50% ownership in the joint venture. South Atlantic Radiation Oncology, LLC was formed to provide essential radiation oncology services for patients in Southeastern North Carolina.

Porters Neck Imaging, LLC

Also in 2005, NHRMC entered into a joint venture agreement to form Porters Neck Imaging, LLC (PNI), committing to contribute capital for a 50% ownership in the joint venture. PNI was formed to provide mobile MRI services to New Hanover and surrounding counties.

Dosher/NHRMC, LLC

In April 2007, NHRMC entered into a joint venture agreement to form Dosher/NHRMC, LLC. NHRMC has committed to contribute capital for a 50% ownership in the joint venture. The purpose of the joint venture is to operate healthcare related facilities and provide healthcare services in Brunswick County, North Carolina in a manner that furthers the charitable and tax-exempt purposes of the members.

Assuring Affordable, Quality Healthcare in North Carolina, LLC

In March 2012, NHRMC entered into a joint venture agreement to acquire and maintain a 10% ownership in the newly formed company, Assuring Affordable, Quality Healthcare in North Carolina, LLC (AAQHNC). This company conducts advocacy activities in support of North Carolina state laws that are designed to ensure access to safe, affordable, quality healthcare.

**New Hanover Regional Medical Center  
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**Note 12. Investment in Affiliates (Continued)**

Provider-Led, Patient-Centered Care of North Carolina, LLC

In April 2015, NHRMC entered into a joint venture agreement to acquire and maintain a 9% ownership in the newly formed company, Provider-Led, Patient-Centered Care of North Carolina, LLC (PLPCC). This entity was formed to develop and plan for the creation of a statewide Medicaid health maintenance organization in anticipation of action by the North Carolina General Assembly to convert the North Carolina Medicaid Program to a managed care system.

Diagnostic Imaging Partners, LLC

Effective March 1, 2017, NHRMC entered into a joint venture with Delaney Members as a 50% member. This entity was formed to provide diagnostic imaging services to the Onslow county area.

**New Hanover Regional Medical Center  
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(Dollars in Thousands)**

**Note 12. Investment in Affiliates (Continued)**

A summary of NHRMC's joint venture and other affiliate investment activity as of and for the years ended September 30, 2020 and 2019, is as follows:

	Ownership Percentage	Method of Accounting	2020				Cumulative Contributions (Net of Distributions Received)
			Net Income (Loss)	Investment as of September 30	2020 Capital Contributions	2020 Distributions Received	
SARO	50%	Equity	\$ 945	\$ 553	\$ -	\$ 936	\$ (7,363)
PNI	50%	Equity	172	160	-	184	(5,692)
Dosher/ NHRMC	50%	Equity	(21)	27	-	-	181
AAQHNC	10%	Equity	4	21	-	-	18
PQP	100%	Equity	(1,892)	1,600	2,500	-	10,850
NHH	100%	Equity	(547)	113	660	-	660
PLPCC	8%	Equity	(1,185)	1,725	-	-	2,918
DIP	50%	Equity	(242)	297	-	-	1,494
<b>Total</b>			<b>\$ (2,766)</b>	<b>\$ 4,496</b>	<b>\$ 3,160</b>	<b>\$ 1,120</b>	<b>\$ 3,066</b>

  

	Ownership Percentage	Method of Accounting	2019				Cumulative Contributions (Net of Distributions Received)
			Net Income (Loss)	Investment as of September 30	2019 Capital Contributions	2019 Distributions Received	
SARO	50%	Equity	\$ 877	\$ 544	\$ -	\$ 1,038	\$ (6,427)
PNI	50%	Equity	175	172	-	168	(5,508)
Dosher/ NHRMC	50%	Equity	(13)	48	-	-	181
AAQHNC	10%	Equity	14	17	-	-	18
PQP	100%	Equity	(2,284)	992	2,400	-	8,350
PLPCC	9%	Equity	116	2,910	-	-	2,918
DIP	50%	Equity	(267)	539	200	-	1,494
<b>Total</b>			<b>\$ (1,382)</b>	<b>\$ 5,222</b>	<b>\$ 2,600</b>	<b>\$ 1,206</b>	<b>\$ 1,026</b>

All investments noted above are included in the Investment in affiliates in the statements of net position. The net income (loss) of all equity investments is included in equity in net income of joint ventures in the statements of revenues, expenses and changes in net position.

All investments noted above are included in the Investment in affiliates in the statements of net position. The net income (loss) of all equity investments is included in equity in net income of joint ventures in the statements of revenues, expenses and changes in net position.

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
(Dollars in Thousands)**

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**Note 13. Contingencies**

NHRMC is aware of various asserted and unasserted claims. Management has been unable to reasonably estimate the amount of the loss, if any, relative to these claims, since the ultimate resolution of these matters will be dependent upon future events. Management believes that these claims can be successfully defended and intends to challenge the allegations of these matters in every way and does not plan to seek out-of-court settlements. In the event that judgments adverse to their interests should be rendered, management feels any liability will be fully covered by existing insurance or not be material to the financial statements.

NHRMC strives to be paid appropriately for services it provides, but third-party payors continue to provide lower rates of payments. In recent years, there have been numerous federal legislative and administrative actions, including the Health Care Reform Act, that have reduced the rate of increase in Medicare payments to hospitals and other health care providers. The federal government has also reduced the share of federal matching payments made to the states to subsidize the cost of Medicaid. Accordingly, NHRMC funding from Medicare and Medicaid is likely to be reduced prospectively.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. NHRMC believes that they are in compliance with all applicable laws and regulations and are not aware of any significant pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs.

**Note 14. Physician Practice Management Commitments**

CHA has engaged Carolinas Physician Network (CPN), a physician practice network within the nonprofit corporation of Atrium Health, through contractual agreements, to operate and manage most of the medical practices owned by CHA and provide certain professional medical services for each of those practices. CPN provides physicians and mid-level providers to operate most of the medical practices owned by CHA and provides certain professional medical services for each of those practices. In exchange, CHA pays a flat annual fee adjusted annually to equal the estimated compensation of the Practice Providers. In its role as manager, CPN provides management and billing services, practice acquisition services, provider recruiting, and access to its practice management system. Fees under the management agreement are based on the number and specialties of the practices. The Management Services and Professional Services Agreements, amended in 2017, expires September 30, 2022, and may be renewed for successive one-year terms. During the years ended September 30, 2020 and 2019, CHA paid \$116,735 and \$94,947, respectively, to CPN under these agreements, including \$102,958 and \$81,677, respectively, for physician fees, and \$13,776 and \$13,270, respectively, for all other administrative services. CHA had \$1,351 of physician fees receivable and \$10,819 of physician fees payable to CPN as of September 30, 2020 and 2019, respectively, recorded in other receivables and accounts payable and other liabilities, respectively.

**Note 15. Storm Related Losses**

During September 2018, NHRMC incurred storm related losses due to the impact of Hurricane Florence, including additional personnel costs, inventory write-offs, and associated expenses related to preparation and recovery efforts. NHRMC also incurred losses due to Hurricanes Dorian and Isaias. Insurance recoveries revenue at September 30, 2020 totaled \$7,963. Losses of \$1,493 and \$6,637 recorded due to Hurricane Florence were included in other non-operating expense for 2020 and 2019, respectively.

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**Note 16. Lower Cape Fear Hospice**

During the year ended September 30, 2020, Lower Cape Fear Hospice (LCFH) and NHRMC amended the LCFH articles of incorporation and its bylaws to remove NHRMC's right to appoint the majority of the LCFH board of directors. This amendment removed the criterion that led to LCFH being considered a discretely presented component unit of NHRMC. As this constitutes a change in the financial reporting entity, NHRMC has restated its September 30, 2019 financial statements to remove LCFH. The impact on the September 30, 2019 financial statements is summarized below.

	2019 Aggregate Discretely Presented Component Units As Reported	2019 Aggregate Discretely Presented Component Units As Restated*	\$ Impact
	(In Thousands)		
<b>ASSETS</b>			
Current assets	\$ 61,505	\$ 46,128	\$ (15,377)
Capital assets	38,300	16,226	(22,074)
Other assets	21,084	-	(21,084)
Total assets	120,889	62,354	(58,535)
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals, deferred charges on bond refundings, interest rate swaps, excess consideration paid	707	707	-
<b>LIABILITIES</b>			
Current liabilities	34,450	27,624	(6,826)
Noncurrent liabilities	8,216	3,247	(4,969)
Total liabilities	42,666	30,871	(11,795)
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	91	91	-
<b>NET POSITION</b>			
Net investment in capital assets	32,988	16,226	(16,762)
Unrestricted	44,026	15,873	(28,153)
Restricted	1,825	-	(1,825)
Total net position	\$ 78,839	\$ 32,099	\$ (46,740)

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
(Dollars in Thousands)**

**Note 16. Lower Cape Fear Hospice (Continued)**

	Aggregate Component Units As Reported	Aggregate Component Units As Restated*	\$ Impact
	(In Thousands)		
<b>REVENUES</b>			
Net patient service revenue	\$ 204,953	\$ 173,795	\$ (31,158)
Other revenue	78,085	74,332	(3,753)
Total operating revenue	<u>283,038</u>	<u>248,127</u>	<u>(34,911)</u>
<b>EXPENSES</b>			
Salaries, wages and benefits	193,131	165,606	(27,525)
Medical supplies	37,868	33,084	(4,784)
Professional fees	5,404	5,004	(400)
Purchased services	26,988	26,204	(784)
Depreciation and amortization	4,374	3,287	(1,087)
Other	19,761	16,723	(3,038)
Total operating expenses	<u>287,526</u>	<u>249,908</u>	<u>(37,618)</u>
Operating income	(4,488)	(1,781)	2,707
Nonoperating Revenues (Expenses), net	(150)	(236)	(86)
Capital and Permanent Endowment Contributions and Transfers to Component Units	993	859	(134)
Increase in net position	(3,645)	(1,158)	2,487
Net Position, beginning, previously reported	82,484	82,484	
Restatement		(49,227)	
Net Position, beginning, restated		33,257	
Net Position, ending	<u>\$ 78,839</u>	<u>\$ 32,099</u>	

\*Restated figures above do not take into account the restatement related to Pender Memorial Hospital. Refer to Note 17.

**Note 17. Restatement**

As NHRMC disclosed in Note 1 to the financial statements, PMH is a component unit of NHRMC. The Medical Center previously considered PMH to be a discretely presented component unit and reported it as such. During 2020, the Medical Center determined that its previous presentation of the component unit was incorrect. PMH was previously presented as a discretely presented component unit, and accordingly, has restated its previously issued financial statements to reflect PMH as a blended component unit. The 2019 financial statements have been adjusted retrospectively to reflect these restatements.

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**Note 17. Restatement (Continued)**

	Business Type Activities			Discretely Presented Component Units		
	2019 As Reported	2019 As Restated	Impact	2019 As Reported*	2019 As Restated	\$ Impact
	(In Thousands)			(In Thousands)		
Total assets	\$ 1,611,663	\$ 1,637,951	\$ 26,288	\$ 62,354	\$ 31,237	\$ (31,117)
Total liabilities	586,311	590,142	3,831	30,871	22,637	(8,234)
Total net position	\$ 1,068,667	\$ 1,092,166	\$ 23,499	\$ 32,099	\$ 8,600	\$ (23,499)
	Blended			Discrete		
	As Reported	As Restated	Impact	As Reported*	As Restated	Impact
	(In Thousands)			(In Thousands)		
Total operating revenue	\$ 1,164,389	\$ 1,189,515	\$ 25,126	\$ 248,127	\$ 213,639	\$ (34,488)
Total operating expenses	1,053,552	1,078,535	24,983	249,908	215,563	(34,345)
Operating income (loss)	110,837	110,980	143	(1,781)	(1,924)	(143)
Nonoperating Revenues (Expenses), net	(3,193)	(3,339)	(146)	(236)	(90)	146
Capital and Permanent Endowment Contributions and Transfers to Component Units	(113)	746	859	859	-	(859)
Increase in net position	107,531	108,387	856	(1,158)	(2,014)	(856)
Net Position, beginning, previously reported	961,136			33,257		
Restatement		22,643			(22,643)	
Net Position, beginning, restated		983,779			10,614	
Net Position, ending	\$ 1,068,667	\$ 1,092,166		\$ 32,099	\$ 8,600	

\*As reported figures reflect restatement due to LCFH. Refer to Note 16.

**Note 18. Subsequent Events**

The New Hanover County Board of Commissioners voted on October 5, 2020 to execute the Asset Purchase Agreement approving the sale of NHRMC to Novant Health, a North Carolina not-for-profit health system. The vote also established the use of net proceeds from the sale, including the creation of the New Hanover Community Endowment, and terminates the county's lease with NHRMC upon closing.

Through the executed agreement, Novant Health will purchase NHRMC from New Hanover County for \$1.5 billion, invest more than \$3 billion in growing and advancing NHRMC's services in the area, and expand the hospital's relationship with University of North Carolina (UNC) Health and UNC School of Medicine – which will enhance medical education already in place, expand a children's clinical service-line partnership with UNC Children's Hospital, and develop research clinical trials and population health studies programs.

The majority of net proceeds, an estimated \$1.25 billion, will be invested in the New Hanover Community Endowment.

The community endowment will be overseen by an 11-member board made up of New Hanover County residents, with five members appointed by Commissioners and six appointed by the community members on the hospital's new Local Board.

New Hanover County, NHRMC and Novant Health have begun the closing process which includes presenting the approved, final executed agreement to the North Carolina Attorney General's Office for review. The closing process is expected to take several months, with a closing expected in the first half of 2021.

**New Hanover Regional Medical Center  
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**Note 19. COVID-19 Pandemic and CARES Act Funding**

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. Patient volumes and the related revenues for many services were significantly impacted during 2020 and have continued to be impacted as various policies were implemented by federal, state and local governments in response to the COVID-19 pandemic that have caused many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective surgical procedures by health care facilities. While many of these restrictions have been eased, some restrictions remain in place, and NHRMC is unable to predict the future impact of the pandemic on operations.

During the year ended September 30, 2020, the Medical Center, PMH, and CHA received \$37,600 in general and targeted distributions from the Provider Relief Fund, both as provided for and established under the Coronavirus Aid, Relief and Economic Security (CARES) Act. The Provider Relief Fund distributions were recognized as other nonoperating income. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the impact of the pandemic on operating results from the beginning of the pandemic in March through September 30, 2020, \$26,900 was recognized by NHRMC and \$3,800 was recognized by CHA, related to the Provider Relief Fund during the year ended September 30, 2020. The remaining unexpended \$6,900 in general and targeted distributions is included in accounts payable and other liabilities at September 30, 2020.

Management has identified certain costs related to COVID-19 for the year ended September 30, 2020 totaling \$10,600, excluding lost revenues (as defined by the Health and Human Services), which have been included in operating expense.

**Note 20. Pending GASB Statements**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to September 30, 2020, that have effective dates that may impact future financial presentations.

In January 2016, GASB issued GASB Statement Number 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This standard was delayed one year with the issuance of GASB Statement Number 95. The provisions of this Statement are effective for NHRMC and its component units beginning with its year ending September 30, 2021.

In June 2017, GASB issued GASB Statement Number 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for agreements that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This standard was delayed 18 months with the issuance of GASB Statement Number 95. The provisions of this Statement will be effective for NHRMC and its component units beginning with its year ending September 30, 2022.

In August 2018, GASB issued GASB Statement Number 90, *Majority Equity Interests*, which clarifies the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. This standard was delayed one year with the issuance of GASB Statement Number 95. The provisions of this Statement will be effective for NHRMC and its component units beginning with its year ending September 30, 2021.

**New Hanover Regional Medical Center  
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**Notes to Financial Statements  
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**Note 20. Pending GASB Statements (Continued)**

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This standard was delayed one year with the issuance of GASB Statement Number 95. The provisions of this Statement will be effective for NHRMC and its component units beginning with its year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The provisions of this Statement will be effective for NHRMC and its component units beginning with its year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates. The provisions of this Statement will be effective for NHRMC and its component units beginning with its year ending September 30, 2021.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions of this Statement will be effective for NHRMC and its component units beginning with its year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans are effective immediately (June 2020), and did not have a material impact on NHRMC's financial position, overall cash flow or balances or results of operations. The provisions of this Statement will be effective for NHRMC and its component units beginning with its year ending September 30, 2022.

## **Required Supplementary Information**

## New Hanover Regional Medical Center

### Changes in the Net Pension Liability and Related Ratios – Pension Plan of NHRMC (Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service cost	\$ 9,001	\$ 9,794	\$ 9,818	\$ 9,036	\$ 8,334	\$ 7,974	\$ -
Interest cost	21,498	20,440	18,848	17,899	16,998	16,423	-
Differences between expected and actual experiences	1,552	1,722	8,756	776	3,196	(3,228)	-
Changes in assumptions	(506)	(349)	(4,858)	-	(2,304)	-	-
Benefit payments, including refunds of member contributions	(14,286)	(13,714)	(12,121)	(14,336)	(14,349)	(12,512)	-
<b>Net change in total pension liability</b>	<b>17,259</b>	<b>17,893</b>	<b>20,443</b>	<b>13,375</b>	<b>11,875</b>	<b>8,657</b>	
Total pension liability (beginning)	305,132	287,239	266,796	253,421	241,546	232,889	-
<b>Total pension liability (ending)</b>	<b>\$ 322,391</b>	<b>\$ 305,132</b>	<b>\$ 287,239</b>	<b>\$ 266,796</b>	<b>\$ 253,421</b>	<b>\$ 241,546</b>	<b>\$ 232,889</b>
<b>Plan Fiduciary Net Position</b>							
Contributions – employer	\$ 14,530	\$ 15,551	\$ 14,506	\$ 12,613	\$ 12,125	\$ 8,422	\$ -
Net investment income	10,056	20,569	27,112	21,788	(10,407)	16,615	-
Benefit payments, including refunds of member contributions	(14,286)	(13,715)	(12,121)	(14,336)	(14,349)	(12,512)	-
Administrative expense	(320)	(242)	(240)	(254)	(249)	(233)	-
<b>Net change in plan fiduciary net position</b>	<b>9,980</b>	<b>22,163</b>	<b>29,257</b>	<b>19,811</b>	<b>(12,880)</b>	<b>12,292</b>	<b>-</b>
Plan fiduciary net position (beginning)	259,289	237,126	207,869	188,058	200,938	188,646	-
<b>Plan fiduciary net position (ending)</b>	<b>\$ 269,269</b>	<b>\$ 259,289</b>	<b>\$ 237,126</b>	<b>\$ 207,869</b>	<b>\$ 188,058</b>	<b>\$ 200,938</b>	<b>\$ 188,646</b>
Net pension liability (ending)	\$ 53,122	\$ 45,843	\$ 50,113	\$ 58,927	\$ 65,363	\$ 40,608	\$ 44,243
Net position as a % of pension liability	83.52%	84.98%	82.55%	77.91%	74.21%	83.19%	81.00%
Covered-employee payroll*	\$ 317,768	\$ 301,653	\$ 280,034	\$ 261,390	\$ 251,816	\$ 241,422	\$ 234,391
Net pension liability as a % of payroll	16.72%	15.20%	17.90%	22.54%	25.96%	16.13%	18.33%

\* The amounts presented for each fiscal year were determined as of the prior calendar year ending December 31. Certain information prior to 2014 was unavailable.

**New Hanover Regional Medical Center**

**Schedule of NHRMC Contributions  
(Dollars in Thousands)**

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 14,335	\$ 14,530	\$ 15,551	\$ 14,506	\$ 12,613	\$ 11,917	\$ 8,422
Contributions made in relation to the actuarially determined contribution	14,335	14,530	15,551	14,506	12,613	12,125	8,422
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (208)	\$ -
Covered-employee payroll	\$ 337,366	\$ 317,768	\$ 301,653	\$ 280,034	\$ 261,390	\$ 251,816	\$ 241,422
Contributions as a % of payroll	4.25%	4.57%	5.16%	5.18%	4.83%	4.82%	3.49%

**Notes to Schedule**

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry Age Normal with 20-year closed amortization period for initial unfunded and subsequent actuarial gains/losses
Asset Valuation Method:	5-year smoothing of investment gains and losses
IRS Limit Increases:	2.50%
Salary Increases:	3.00%
Investment Rate of Return:	7.00%, net of pension plan investment expense, including inflation
Retirement Age:	Varies by age, same as GASB 68

Certain information prior to 2014 was unavailable.

**New Hanover Regional Medical Center**

**Changes in the Net Pension Liability and Related Ratios – Pension Plan of PMH  
(Dollars in Thousands)**

	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service cost	\$ 259	\$ 261	\$ 243	\$ 254	\$ 250	\$ 217	\$ -
Interest cost	667	632	597	553	531	503	-
Changes in benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experiences	52	56	107	126	(49)	(58)	-
Changes in assumptions	(24)	(55)	(111)	-	(115)	-	-
Benefit payments, including refunds of member contributions	(375)	(341)	(376)	(298)	(298)	(281)	-
<b>Net change in total pension liability</b>	<b>579</b>	<b>553</b>	<b>460</b>	<b>635</b>	<b>319</b>	<b>381</b>	<b>-</b>
Total pension liability (beginning)	9,450	8,897	8,437	7,802	7,483	7,102	7,102
<b>Total pension liability (ending)</b>	<b>\$ 10,029</b>	<b>\$ 9,450</b>	<b>\$ 8,897</b>	<b>\$ 8,437</b>	<b>\$ 7,802</b>	<b>\$ 7,483</b>	<b>\$ 7,102</b>
<b>Plan Fiduciary Net Position</b>							
Contributions – employer	\$ 581	\$ 567	\$ 535	\$ 521	\$ 545	\$ 336	\$ -
Net investment income	228	338	517	379	35	415	-
Benefit payments, including refunds of member contributions	(375)	(341)	(376)	(298)	(298)	(281)	-
Administrative expense	(99)	(79)	(95)	(88)	(56)	(61)	-
<b>Net change in plan fiduciary net position</b>	<b>335</b>	<b>485</b>	<b>581</b>	<b>514</b>	<b>226</b>	<b>409</b>	<b>-</b>
Plan fiduciary net position (beginning)	6,203	5,718	5,137	4,623	4,397	3,988	-
<b>Plan fiduciary net position (ending)</b>	<b>\$ 6,538</b>	<b>\$ 6,203</b>	<b>\$ 5,718</b>	<b>\$ 5,137</b>	<b>\$ 4,623</b>	<b>\$ 4,397</b>	<b>\$ 3,988</b>
Net pension liability (ending)	\$ 3,491	\$ 3,247	\$ 3,179	\$ 3,300	\$ 3,179	\$ 3,086	\$ 3,114
Net position as a % of pension liability	65.19%	65.64%	64.27%	60.89%	58.76%	56.15%	56.15%
Covered-employee payroll*	\$ 11,287	\$ 11,287	\$ 10,244	\$ 10,514	\$ 10,110	\$ 9,515	\$ 8,736
Net pension liability as a % of payroll	30.93%	28.77%	31.03%	31.39%	31.44%	32.43%	35.65%

\* The amounts presented for each fiscal year were determined as of the prior calendar year ending December 31. Certain information prior to 2014 was unavailable.

**New Hanover Regional Medical Center**

**Schedule of PMH Contributions  
(Dollars in Thousands)**

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 597	\$ 582	\$ 567	\$ 535	\$ 521	\$ 522	\$ 336
Contributions made in relation to the actuarially determined contribution	597	583	567	535	521	545	336
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ (1)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (23)</b>	<b>\$ -</b>
Covered-employee payroll	\$ 11,294	\$ 11,530	\$ 11,287	\$ 10,244	\$ 10,514	\$ 10,110	\$ 9,515
Contributions as a % of payroll	5.29%	5.06%	5.02%	5.22%	4.96%	5.39%	3.53%

**Notes to Schedule**

Valuation date:

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry Age Normal with 20-year closed amortization period for initial unfunded and subsequent actuarial gains/losses
Asset Valuation Method:	5-year smoothing of investment gains and losses
IRS Limit Increases:	2.50%
Salary Increases:	3.00%
Investment Rate of Return:	7.00%, net of pension plan investment expense, including inflation

Certain information prior to 2014 was unavailable.

## **Supplementary Information**

New Hanover Regional Medical Center

Combining Statements of Net Position – Discretely Presented Component Units  
(Dollars in Thousands)

	September 30, 2020					September 30, 2019			
	CHA	NHH	PQP	Eliminating Entries	Total Combined Units	CHA	PQP	Eliminating Entries	Total Combined Units
<b>ASSETS</b>									
Current assets:									
Cash and cash equivalents	\$ 4,121	\$ 121	\$ 5,807	\$ -	\$ 10,049	\$ 6,085	\$ 701	\$ -	\$ 6,786
Patient accounts, less allowance for bad debts	12,312	-	-	-	12,312	12,373	-	-	12,373
Due from component units	1,959	-	-	(1,959)	-	795	-	(795)	-
Other receivables	2,047	-	97	-	2,144	609	2,561	-	3,170
Inventories	1,373	-	-	-	1,373	1,464	-	-	1,464
Prepaid expenses	582	7	-	-	589	650	52	-	702
<b>Total current assets</b>	<b>22,394</b>	<b>128</b>	<b>5,904</b>	<b>(1,959)</b>	<b>26,467</b>	<b>21,976</b>	<b>3,314</b>	<b>(795)</b>	<b>24,495</b>
Capital assets – tangible:									
Depreciable capital assets, net of accumulated depreciation	6,446	-	127	-	6,573	6,079	110	-	6,189
Construction in progress	28	-	-	-	28	553	-	-	553
<b>Total capital assets – tangible</b>	<b>6,474</b>	<b>-</b>	<b>127</b>	<b>-</b>	<b>6,601</b>	<b>6,632</b>	<b>110</b>	<b>-</b>	<b>6,742</b>
<b>Total assets</b>	<b>\$ 28,868</b>	<b>\$ 128</b>	<b>\$ 6,031</b>	<b>\$ (1,959)</b>	<b>\$ 33,068</b>	<b>\$ 28,608</b>	<b>\$ 3,424</b>	<b>\$ (795)</b>	<b>\$ 31,237</b>

(Continued)

**New Hanover Regional Medical Center**

**Combining Statements of Net Position – Discretely Presented Component Units (Continued)**

(Dollars in Thousands)

	September 30, 2020					September 30, 2019				
	CHA	NHH	PQP	Eliminating Entries	Total Combined Units	CHA	PQP	Eliminating Entries	Total Combined Units	
<b>LIABILITIES</b>										
Current liabilities:										
Accounts payable and other liabilities	\$ 5,684	\$ 5	\$ 185	\$ -	\$ 5,874	\$ 16,111	\$ 139	\$ -	\$ 16,250	
Professional liability claims	451	-	-	-	451	654	-	-	654	
Accrued salaries and wages	4,963	-	-	-	4,963	4,236	-	-	4,236	
Estimated third-party payor settlements	-	10	-	-	10	-	-	-	-	
Due to primary government	-	-	2,286	-	2,286	-	1,497	-	1,497	
Due to component units	-	-	1,959	(1,959)	-	-	795	(795)	-	
<b>Total current liabilities</b>	<b>11,098</b>	<b>15</b>	<b>4,430</b>	<b>(1,959)</b>	<b>13,584</b>	<b>21,001</b>	<b>2,431</b>	<b>(795)</b>	<b>22,637</b>	
Commitments and contingencies										
<b>NET POSITION</b>										
Net investment in capital assets	6,474	-	127	-	6,601	6,632	110	-	6,742	
Unrestricted	11,296	113	1,474	-	12,883	975	883	-	1,858	
<b>Total net position</b>	<b>17,770</b>	<b>113</b>	<b>1,601</b>	<b>-</b>	<b>19,484</b>	<b>7,607</b>	<b>993</b>	<b>-</b>	<b>8,600</b>	
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 28,868</b>	<b>\$ 128</b>	<b>\$ 6,031</b>	<b>\$ (1,959)</b>	<b>\$ 33,068</b>	<b>\$ 28,608</b>	<b>\$ 3,424</b>	<b>\$ (795)</b>	<b>\$ 31,237</b>	

## New Hanover Regional Medical Center

### Combining Statements of Revenues, Expenses, and Changes in Net Position – Discretely Presented Component Units (Dollars in Thousands)

	Year Ended September 30, 2020				Year Ended September 30, 2019		
	CHA	NHH	PQP	Total Combined Units	CHA	PQP	Total Combined Units
Operating revenues:							
Net patient service revenue	\$ 146,716	\$ -	\$ -	\$ 146,716	\$ 149,121	\$ -	\$ 149,121
Other revenue	73,032	671	7,883	81,586	58,923	5,595	64,518
<b>Total operating revenue</b>	<b>219,748</b>	<b>671</b>	<b>7,883</b>	<b>228,302</b>	<b>208,044</b>	<b>5,595</b>	<b>213,639</b>
Operating expenses:							
Salaries, wages and benefits	149,123	786	2,143	152,052	141,866	2,226	144,092
Medical supplies	27,916	-	-	27,916	31,460	-	31,460
Professional fees	1,366	3	4,474	5,843	1,384	2,516	3,900
Purchased services	20,632	(335)	509	20,806	20,159	600	20,759
Depreciation and amortization	2,195	-	32	2,227	1,478	8	1,486
Other	12,460	104	117	12,681	13,738	128	13,866
<b>Total operating expenses</b>	<b>213,692</b>	<b>558</b>	<b>7,275</b>	<b>221,525</b>	<b>210,085</b>	<b>5,478</b>	<b>215,563</b>
<b>Operating (loss) income</b>	<b>6,056</b>	<b>113</b>	<b>608</b>	<b>6,777</b>	<b>(2,041)</b>	<b>117</b>	<b>(1,924)</b>
Nonoperating revenues (expenses):							
CARES funding	3,795	-	-	3,795	-	-	-
(Loss) gain on sale of capital assets	(39)	-	-	(39)	(90)	-	(90)
<b>Nonoperating revenues (expenses)</b>	<b>3,756</b>	<b>-</b>	<b>-</b>	<b>3,756</b>	<b>(90)</b>	<b>-</b>	<b>(90)</b>
<b>Excess (deficiency) of revenues over expenses before capital contributions and capital transfers</b>	<b>9,812</b>	<b>113</b>	<b>608</b>	<b>10,533</b>	<b>(2,131)</b>	<b>117</b>	<b>(2,014)</b>
Capital and permanent endowment contributions and capital transfers from component units	351	-	-	351	-	-	-
<b>Change in net position</b>	<b>10,163</b>	<b>113</b>	<b>608</b>	<b>10,884</b>	<b>(2,131)</b>	<b>117</b>	<b>(2,014)</b>
Net position, beginning	7,607	-	993	8,600	9,738	876	10,614
Net position, ending	\$ 17,770	\$ 113	\$ 1,601	\$ 19,484	\$ 7,607	\$ 993	\$ 8,600

## New Hanover Regional Medical Center

### Combining Statements of Cash Flows – Discretely Presented Component Units (Dollars in Thousands)

	Year Ended September 30, 2020				Year Ended September 30, 2019		
	CHA	NHH	PQP	Total Combined Units	CHA	PQP	Total Combined Units
Cash flows from operating activities:							
Cash received from and on behalf of patients	\$ 146,777	\$ -	\$ -	\$ 146,777	\$ 147,164	\$ -	\$ 147,164
Cash payments to suppliers for services and goods	(74,112)	236	(4,934)	(78,810)	(60,080)	(3,188)	(63,268)
Cash payments to employees for services	(149,762)	(786)	(2,143)	(152,691)	(141,114)	(2,226)	(143,340)
Other operating cash receipts	73,032	671	12,300	86,003	58,923	5,770	64,693
<b>Net cash provided by (used in) operating activities</b>	<b>(4,065)</b>	<b>121</b>	<b>5,223</b>	<b>1,279</b>	<b>4,893</b>	<b>356</b>	<b>5,249</b>
Cash flows from non-capital financing activities:							
Contributions and operating grants	3,795	-	-	3,795	-	-	-
Payments (to) from primary government	351	-	-	351	-	-	-
<b>Net cash provided by noncapital financing activities</b>	<b>4,146</b>	<b>-</b>	<b>-</b>	<b>4,146</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash flows from capital and related financing activities:							
Acquisition of capital assets	(2,061)	-	(117)	(2,178)	(2,901)	(33)	(2,934)
Proceeds from disposed assets	16	-	-	16	3	-	3
<b>Net cash used in capital and related financing activities</b>	<b>(2,045)</b>	<b>-</b>	<b>(117)</b>	<b>(2,162)</b>	<b>(2,898)</b>	<b>(33)</b>	<b>(2,931)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,964)</b>	<b>121</b>	<b>5,106</b>	<b>3,263</b>	<b>1,995</b>	<b>323</b>	<b>2,318</b>
Cash and cash equivalents:							
Beginning of year	6,085	-	701	6,786	4,090	378	4,468
End of year	\$ 4,121	\$ 121	\$ 5,807	\$ 10,049	\$ 6,085	\$ 701	\$ 6,786

(Continued)

## New Hanover Regional Medical Center

### Combining Statements of Cash Flows – Discretely Presented Component Units (Continued) (Dollars in Thousands)

	Year Ended September 30, 2020				Year Ended September 30, 2019		
	CHA	NHH	PQP	Total Combined Units	CHA	PQP	Total Combined Units
Reconciliation of cash and cash equivalents to the statement of net position:							
Unrestricted cash and cash equivalents	\$ 4,121	\$ 121	\$ 5,807	\$ 10,049	\$ 6,085	\$ 701	\$ 6,786
<b>Cash and cash equivalents at end of year</b>	<b>\$ 4,121</b>	<b>\$ 121</b>	<b>\$ 5,807</b>	<b>\$ 10,049</b>	<b>\$ 6,085</b>	<b>\$ 701</b>	<b>\$ 6,786</b>
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Cash flows from operating activities:							
Operating income (loss)	\$ 6,056	\$ 113	\$ 608	\$ 6,777	\$ (2,041)	\$ 117	\$ (1,924)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	2,195	-	32	2,227	1,478	8	1,486
Loss on disposal of assets	(31)	-	-	(31)			
Changes in:							
Patient receivables and programs	61	-	-	61	(1,957)	(2,117)	(4,074)
Other receivables	(2,602)	-	2,464	(138)	(872)	-	(872)
Inventories	91	-	-	91	(265)	-	(265)
Prepaid expenses and other current assets	68	(6)	52	114	(257)	8	(249)
Accounts payable and other liabilities	(10,630)	14	2,067	(8,549)	8,055	2,340	10,395
Accrued salaries and wages	727	-	-	727	752	-	752
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (4,065)</b>	<b>\$ 121</b>	<b>\$ 5,223</b>	<b>\$ 1,279</b>	<b>\$ 4,893</b>	<b>\$ 356</b>	<b>\$ 5,249</b>

## New Hanover Regional Medical Center

### Combining Statements of Net Position – Obligated Unit (Dollars in Thousands)

	September 30, 2020						September 30, 2019																	
	New Hanover Regional Medical Center *		CHA	PQP	NHH	Eliminating Entries	Combined	New Hanover Regional Medical Center *		CHA	PQP	Eliminating Entries	Combined											
<b>ASSETS</b>																								
Current assets:																								
Cash and cash equivalents	\$	182,167	\$	4,121	\$	5,807	\$	121	\$	-	\$	192,216	\$	162,254	\$	6,085	\$	701	\$	-	\$	169,040		
Assets limited as to use:																								
Cash equivalents held by bond paying agent		23,569		-		-		-		-		23,569		35,796		-		-		-		-	35,796	
Cash for debt service-not held by bond paying agent		1,146		-		-		-		-		1,146		1,125		-		-		-		-	1,125	
Cash equivalents and investments for the future payment of claims liabilities		23,313		-		-		-		-		23,313		22,822		-		-		-		-	22,822	
Receivables:																								
Patient accounts, less allowance for bad debts		141,426		12,312		-		-		-		153,738		130,637		12,373		-		-		-	143,010	
Estimated third-party payor settlements		2,571		-		-		-		-		2,571		876		-		-		-		-	876	
Due from component units		3,309		1,959		-		-		(4,245)		1,023		2,101		795		-		(2,292)		-	604	
Other receivables		18,197		2,047		97		-		(71)		20,270		9,560		609		2,561		(49)		-	12,681	
Inventories		38,401		1,373		-		-		-		39,774		31,800		1,464		-		-		-	33,264	
Prepaid expenses		20,942		582		-		7		-		21,531		18,611		650		52		-		-	19,313	
<b>Total current assets</b>		<b>455,041</b>		<b>22,394</b>		<b>5,904</b>		<b>128</b>		<b>(4,316)</b>		<b>479,151</b>		<b>415,582</b>		<b>21,976</b>		<b>3,314</b>		<b>(2,341)</b>		<b>-</b>	<b>438,531</b>	
Noncurrent cash and investments:																								
Cash and investments:																								
Designated by Board for capital improvements		664,915		-		-		-		-		664,915		612,980		-		-		-		-	612,980	
Designated by Board for supplemental retirement plans		2,257		-		-		-		-		2,257		2,201		-		-		-		-	2,201	
<b>Total assets limited as to use</b>		<b>667,172</b>		<b>-</b>		<b>-</b>		<b>-</b>		<b>-</b>		<b>667,172</b>		<b>615,181</b>		<b>-</b>		<b>-</b>		<b>-</b>		<b>-</b>	<b>615,181</b>	
Other assets:																								
Investment in affiliates		4,496		-		-		-		(1,714)		2,782		5,222		-		-		(993)		-	4,229	
Interest rate swap agreement		-		-		-		-		-		-		69		-		-		-		-	69	
<b>Total other assets</b>		<b>4,496</b>		<b>-</b>		<b>-</b>		<b>-</b>		<b>(1,714)</b>		<b>2,782</b>		<b>5,291</b>		<b>-</b>		<b>-</b>		<b>(993)</b>		<b>-</b>	<b>4,298</b>	
Capital assets – tangible:																								
Land		26,638		-		-		-		-		26,638		16,919		-		-		-		-	16,919	
Depreciable capital assets, net of accumulated depreciation		549,645		6,446		127		-		-		556,218		432,456		6,079		110		-		-	438,645	
Construction in progress		5,610		28		-		-		-		5,638		105,112		553		-		-		-	105,665	
<b>Total capital assets – tangible</b>		<b>581,893</b>		<b>6,474</b>		<b>127</b>		<b>-</b>		<b>-</b>		<b>588,494</b>		<b>554,487</b>		<b>6,632</b>		<b>110</b>		<b>-</b>		<b>-</b>	<b>561,229</b>	
<b>Total assets</b>		<b>1,708,602</b>		<b>28,868</b>		<b>6,031</b>		<b>128</b>		<b>(6,030)</b>		<b>1,737,599</b>		<b>1,590,541</b>		<b>28,608</b>		<b>3,424</b>		<b>(3,334)</b>		<b>-</b>	<b>1,619,239</b>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>																								
Pension deferrals		20,197		-		-		-		-		20,197		21,906		-		-		-		-	21,906	
Excess consideration provided for acquisition, net of amortization		26,138		-		-		-		-		26,138		27,812		-		-		-		-	27,812	
Deferred charges on bond refundings		5,421		-		-		-		-		5,421		6,257		-		-		-		-	6,257	
<b>Total deferred outflows of resources</b>		<b>51,756</b>		<b>-</b>		<b>-</b>		<b>-</b>		<b>-</b>		<b>51,756</b>		<b>55,975</b>		<b>-</b>		<b>-</b>		<b>-</b>		<b>-</b>	<b>55,975</b>	
<b>Total assets and deferred outflows of resources</b>	<b>\$</b>	<b>1,760,358</b>	<b>\$</b>	<b>28,868</b>	<b>\$</b>	<b>6,031</b>	<b>\$</b>	<b>128</b>	<b>\$</b>	<b>(6,030)</b>	<b>\$</b>	<b>1,789,355</b>	<b>\$</b>	<b>1,646,516</b>	<b>\$</b>	<b>28,608</b>	<b>\$</b>	<b>3,424</b>	<b>\$</b>	<b>(3,334)</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>1,675,214</b>

(Continued)

\*Excludes Blended Component Units

## New Hanover Regional Medical Center

### Combining Statements of Net Position – Obligated Unit (Continued) (Dollars in Thousands)

	September 30, 2020						September 30, 2019				
	New Hanover Regional Medical Center *	CHA	PQP	NHH	Eliminating Entries	Combined	New Hanover Regional Medical Center *	CHA	PQP	Eliminating Entries	Combined
<b>LIABILITIES</b>											
Current liabilities:											
Accounts payable and other liabilities	\$ 68,283	\$ 5,684	\$ 185	\$ 5	\$ (71)	\$ 74,086	\$ 63,399	\$ 16,111	\$ 139	\$ (49)	\$ 79,600
Professional liability claims	20,904	451	-	-	-	21,355	21,104	654	-	-	21,758
Accrued salaries and wages	46,831	4,963	-	-	-	51,794	45,096	4,236	-	-	49,332
Estimated third-party payor settlements	3,638	-	-	10	-	3,648	2,576	-	-	-	2,576
Due to primary government	-	-	2,286	-	(2,286)	-	-	-	1,497	(1,497)	-
Due to component units	544	-	1,959	-	(1,959)	544	3,811	-	795	(795)	3,811
Accrued interest payable	7,332	-	-	-	-	7,332	7,669	-	-	-	7,669
Other self-funded liabilities	10,019	-	-	-	-	10,019	12,419	-	-	-	12,419
Bonds payable, current portion	17,220	-	-	-	-	17,220	16,780	-	-	-	16,780
<b>Total current liabilities</b>	<b>174,771</b>	<b>11,098</b>	<b>4,430</b>	<b>15</b>	<b>(4,316)</b>	<b>185,998</b>	<b>172,854</b>	<b>21,001</b>	<b>2,431</b>	<b>(2,341)</b>	<b>193,945</b>
Long-term obligations:											
Net pension liability	53,122	-	-	-	-	53,122	45,843	-	-	-	45,843
Supplemental retirement plans	2,006	-	-	-	-	2,006	2,201	-	-	-	2,201
Interest rate swap agreements	3,107	-	-	-	-	3,107	3,020	-	-	-	3,020
Notes and bonds payable, less current portion	342,494	-	-	-	-	342,494	362,214	-	-	-	362,214
<b>Total long-term obligations</b>	<b>400,729</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>400,729</b>	<b>413,278</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>413,278</b>
<b>Total liabilities</b>	<b>575,500</b>	<b>11,098</b>	<b>4,430</b>	<b>15</b>	<b>(4,316)</b>	<b>586,727</b>	<b>586,132</b>	<b>21,001</b>	<b>2,431</b>	<b>(2,341)</b>	<b>607,223</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>											
Pension deferrals	4,441	-	-	-	-	4,441	12,234	-	-	-	12,234
<b>Total liabilities and deferred inflows of resources</b>	<b>579,941</b>	<b>11,098</b>	<b>4,430</b>	<b>15</b>	<b>(4,316)</b>	<b>591,168</b>	<b>598,366</b>	<b>21,001</b>	<b>2,431</b>	<b>(2,341)</b>	<b>619,457</b>
<b>NET POSITION</b>											
Net investment in capital assets	227,600	6,474	127	-	-	234,201	179,850	6,632	110	-	186,592
Unrestricted	952,817	11,296	1,474	113	(1,714)	963,986	868,300	975	883	(993)	869,165
<b>Total net position</b>	<b>1,180,417</b>	<b>17,770</b>	<b>1,601</b>	<b>113</b>	<b>(1,714)</b>	<b>1,198,187</b>	<b>1,048,150</b>	<b>7,607</b>	<b>993</b>	<b>(993)</b>	<b>1,055,757</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 1,760,358</b>	<b>\$ 28,868</b>	<b>\$ 6,031</b>	<b>\$ 128</b>	<b>\$ (6,030)</b>	<b>\$ 1,789,355</b>	<b>\$ 1,646,516</b>	<b>\$ 28,608</b>	<b>\$ 3,424</b>	<b>\$ (3,334)</b>	<b>\$ 1,675,214</b>

\*Excludes Blended Component Units

## New Hanover Regional Medical Center

### Combining Statements of Revenues, Expenses, and Changes in Net Position – Obligated Unit (Dollars in Thousands)

	Year Ended September 30, 2020						Year Ended September 30, 2019					
	New Hanover Regional Medical Center *	CHA	PQP	NHH	Eliminating Entries	Combined	New Hanover Regional Medical Center *	CHA	PQP	Eliminating Entries	Combined	
Operating revenues:												
Net patient service revenue	\$ 1,113,080	\$ 146,716	\$ -	\$ -	\$ -	\$ 1,259,796	\$ 1,112,644	\$ 149,121	\$ -	\$ -	\$ 1,261,765	
Other revenue	65,921	73,032	7,883	671	(73,078)	74,429	50,201	58,923	5,595	(54,075)	60,644	
<b>Total operating revenue</b>	<b>1,179,001</b>	<b>219,748</b>	<b>7,883</b>	<b>671</b>	<b>(73,078)</b>	<b>1,334,225</b>	<b>1,162,845</b>	<b>208,044</b>	<b>5,595</b>	<b>(54,075)</b>	<b>1,322,409</b>	
Operating expenses:												
Salaries, wages and benefits	523,740	149,123	2,143	786	335	676,127	494,873	141,866	2,226	-	638,965	
Medical supplies	273,209	27,916	-	-	-	301,125	259,291	31,460	-	-	290,751	
Professional fees	52,834	1,366	4,474	3	(22,366)	36,311	50,830	1,384	2,516	(14,905)	39,825	
Purchased services	142,099	20,632	509	(335)	(47,100)	115,805	128,834	20,159	600	(36,028)	113,565	
Depreciation and amortization	57,150	2,195	32	-	-	59,377	52,916	1,478	8	-	54,402	
Other	55,648	12,460	117	104	(787)	67,542	65,548	13,738	128	(742)	78,672	
<b>Total operating expenses</b>	<b>1,104,680</b>	<b>213,692</b>	<b>7,275</b>	<b>558</b>	<b>(69,918)</b>	<b>1,256,287</b>	<b>1,052,292</b>	<b>210,085</b>	<b>5,478</b>	<b>(51,675)</b>	<b>1,216,180</b>	
<b>Operating income (loss)</b>	<b>74,321</b>	<b>6,056</b>	<b>608</b>	<b>113</b>	<b>(3,160)</b>	<b>77,938</b>	<b>110,553</b>	<b>(2,041)</b>	<b>117</b>	<b>(2,400)</b>	<b>106,229</b>	
Nonoperating revenues (expenses):												
Interest expense	(14,172)	-	-	-	-	(14,172)	(14,600)	-	-	-	(14,600)	
CARES funding	26,740	3,795	-	-	-	30,535	-	-	-	-	-	
Other nonoperating income (loss), net	6,752	-	-	-	-	6,752	(5,244)	-	-	-	(5,244)	
Interest earned and net realized gain on investments	6,570	-	-	-	-	6,570	9,677	-	-	-	9,677	
Net increase in fair value of investments	41,748	-	-	-	-	41,748	10,398	-	-	-	10,398	
Gain (loss) on sale of capital assets	(6,410)	(39)	-	-	-	(6,449)	(2,929)	(90)	-	-	(3,019)	
Equity in net income of joint ventures	(2,766)	-	-	-	2,439	(327)	(1,382)	-	-	2,283	901	
<b>Nonoperating revenues (expenses), net</b>	<b>58,462</b>	<b>3,756</b>	<b>-</b>	<b>-</b>	<b>2,439</b>	<b>64,657</b>	<b>(4,080)</b>	<b>(90)</b>	<b>-</b>	<b>2,283</b>	<b>(1,887)</b>	
<b>Excess (deficiency) of revenues over expenses before special items, capital contributions and capital transfers</b>	<b>132,783</b>	<b>9,812</b>	<b>608</b>	<b>113</b>	<b>(721)</b>	<b>142,595</b>	<b>106,473</b>	<b>(2,131)</b>	<b>117</b>	<b>(117)</b>	<b>104,342</b>	
Special items, capital contributions and transfers:												
Special item: excess consideration on purchase of assets	-	-	-	-	-	-	149	-	-	-	149	
Capital and permanent endowment contributions	641	-	-	-	-	641	337	-	-	-	337	
Capital transfers (to) from component units	(1,157)	351	-	-	-	(806)	(575)	-	-	-	(575)	
<b>Total special items, capital contributions and capital transfers</b>	<b>(516)</b>	<b>351</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(165)</b>	<b>(89)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(89)</b>	
<b>Change in net position</b>	<b>132,267</b>	<b>10,163</b>	<b>608</b>	<b>113</b>	<b>(721)</b>	<b>142,430</b>	<b>106,384</b>	<b>(2,131)</b>	<b>117</b>	<b>(117)</b>	<b>104,253</b>	
Net position, beginning	1,048,150	7,607	993	-	(993)	1,055,757	941,766	9,738	876	(876)	951,504	
Net position, ending	\$ 1,180,417	\$ 17,770	\$ 1,601	\$ 113	\$ (1,714)	\$ 1,198,187	\$ 1,048,150	\$ 7,607	\$ 993	\$ (993)	\$ 1,055,757	

\*Excludes Blended Component Units

## New Hanover Regional Medical Center

### Combining Statements of Cash Flows – Obligated Unit (Dollars in Thousands)

	Year Ended September 30, 2020						Year Ended September 30, 2019				
	Regional Medical Center *	CHA	PQP	NHH	Eliminating Entries	Combined	New Hanover Regional Medical Center *	CHA	PQP	Eliminating Entries	Combined
Cash flows from operating activities:											
Cash received from and on behalf of patients	\$ 1,101,556	\$ 146,777	\$ -	\$ -	\$ -	\$ 1,248,333	\$ 1,091,280	\$ 147,164	\$ -	\$ -	\$ 1,238,444
Cash payments to suppliers for goods and services	(526,099)	(74,112)	(4,934)	236	69,918	(534,991)	(498,596)	(60,080)	(3,188)	51,675	(510,189)
Cash payments to employees for services	(519,110)	(149,762)	(2,143)	(786)	-	(671,801)	(491,185)	(141,114)	(2,226)	-	(634,525)
Other operating cash receipts (payments)	57,387	73,032	12,300	671	(73,078)	70,312	57,469	58,923	5,770	(54,075)	68,087
<b>Net cash provided by (used in) operating activities</b>	<b>113,734</b>	<b>(4,065)</b>	<b>5,223</b>	<b>121</b>	<b>(3,160)</b>	<b>111,853</b>	<b>158,968</b>	<b>4,893</b>	<b>356</b>	<b>(2,400)</b>	<b>161,817</b>
Cash flows from noncapital financing activities:											
Contributions and operating grants	26,740	3,795	-	-	-	30,535	-	-	-	-	-
Payments to component unit	(4,505)	-	-	-	-	(4,505)	(3,884)	-	-	-	(3,884)
Payments from primary government	-	351	-	-	-	351	149	-	-	-	149
Advances between affiliates	302	-	-	-	-	302	265	-	-	-	265
<b>Net cash used in noncapital financing activities</b>	<b>22,537</b>	<b>4,146</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,683</b>	<b>(3,470)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,470)</b>
Cash flows from capital and related financing activities:											
Acquisition and construction of property and equipment	(94,193)	(2,061)	(117)	-	-	(96,371)	(66,535)	(2,901)	(33)	-	(69,469)
Proceeds from disposed assets	60	16	-	-	-	76	74	3	-	-	77
Capital contributions	641	-	-	-	-	641	337	-	-	-	337
Principal payments on revenue bonds and other outstanding debt	(16,780)	-	-	-	-	(16,780)	(18,912)	-	-	-	(18,912)
Interest paid on capital financing	(14,172)	-	-	-	-	(14,172)	(14,600)	-	-	-	(14,600)
Transfers (to) from component unit	(1,459)	-	-	-	-	(1,459)	(840)	-	-	-	(840)
<b>Net cash used in capital and related financing activities</b>	<b>(125,903)</b>	<b>(2,045)</b>	<b>(117)</b>	<b>-</b>	<b>-</b>	<b>(128,065)</b>	<b>(100,476)</b>	<b>(2,898)</b>	<b>(33)</b>	<b>-</b>	<b>(103,407)</b>
Cash flows from investing activities:											
(Purchases) sales of investments, net of maturities	38,593	-	-	-	-	38,593	(11,696)	-	-	-	(11,696)
Interest earned on investments	6,570	-	-	-	-	6,570	9,677	-	-	-	9,677
Contributions to partnerships	(3,160)	-	-	-	3,160	-	(2,600)	-	-	2,400	(200)
Distributions from partnerships	1,120	-	-	-	-	1,120	1,206	-	-	-	1,206
Other interest earned	8,064	-	-	-	-	8,064	386	-	-	-	386
<b>Net cash used in investing activities</b>	<b>51,187</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,160</b>	<b>54,347</b>	<b>(3,027)</b>	<b>-</b>	<b>-</b>	<b>2,400</b>	<b>(627)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>61,555</b>	<b>(1,964)</b>	<b>5,106</b>	<b>121</b>	<b>-</b>	<b>64,818</b>	<b>51,995</b>	<b>1,995</b>	<b>323</b>	<b>-</b>	<b>54,313</b>
Cash and cash equivalents:											
Beginning of year	240,520	6,085	701	-	-	247,306	188,525	4,090	378	-	192,993
End of year	\$ 302,075	\$ 4,121	\$ 5,807	\$ 121	\$ -	\$ 312,124	\$ 240,520	\$ 6,085	\$ 701	\$ -	\$ 247,306

(Continued)

\*Excludes Blended Component Units

## New Hanover Regional Medical Center

### Combining Statements of Cash Flows – Obligated Unit (Continued) (Dollars in Thousands)

	Year Ended September 30, 2020						Year Ended September 30, 2019					
	New Hanover Regional Medical Center *	CHA	PQP	NHH	Eliminating Entries	Combined	New Hanover Regional Medical Center *	CHA	PQP	Eliminating Entries	Combined	
Reconciliation of cash and cash equivalents to the statement of net position:												
Unrestricted cash and cash equivalents	\$ 182,167	\$ 4,121	\$ 5,807	\$ 121	\$ -	\$ 192,216	\$ 159,440	\$ 6,085	\$ 701	\$ -	\$ 166,226	
Cash and cash equivalents in noncurrent cash and investments:												
Reserved for debt service-held by bond paying agent	23,569	-	-	-	-	23,569	35,796	-	-	-	35,796	
Reserved for debt service-not held by bond paying agent	1,146	-	-	-	-	1,146	1,125	-	-	-	1,125	
Designated by Board for payment of claims liabilities	-	-	-	-	-	-	1,408	-	-	-	1,408	
Designated by Board for capital improvements	95,193	-	-	-	-	95,193	42,751	-	-	-	42,751	
<b>Cash and cash equivalents at end of year</b>	<b>\$ 302,075</b>	<b>\$ 4,121</b>	<b>\$ 5,807</b>	<b>\$ 121</b>	<b>\$ -</b>	<b>\$ 312,124</b>	<b>\$ 240,520</b>	<b>\$ 6,085</b>	<b>\$ 701</b>	<b>\$ -</b>	<b>\$ 247,306</b>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:												
Cash flows from operating activities:												
Operating income (loss)	\$ 74,321	\$ 6,056	\$ 608	\$ 113	\$ (3,160)	\$ 77,938	\$ 110,553	\$ (2,041)	\$ 117	\$ (2,400)	\$ 106,229	
Employee services included in nonoperating income	1,129	-	-	-	-	1,129	(5,629)	-	-	-	(5,629)	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:												
Depreciation and amortization	57,150	2,195	32	-	-	59,377	52,916	1,478	8	-	54,402	
Loss on disposal of assets	-	(31)	-	-	-	(31)	-	-	-	-	-	
Pension expense	15,543	-	-	-	-	15,543	14,421	-	-	-	14,421	
Changes in:												
Patient receivables	(19,426)	61	-	-	-	(19,365)	(9,583)	(1,957)	(2,117)	-	(13,657)	
Other receivables	-	(2,602)	2,464	-	-	(138)	-	(872)	-	-	(872)	
Inventories	(6,601)	91	-	-	-	(6,510)	(3,092)	(265)	-	-	(3,357)	
Prepaid expenses and other current assets	(2,532)	68	52	(6)	-	(2,418)	(2,103)	(257)	8	-	(2,352)	
Accounts payable and other liabilities	6,192	(10,630)	2,067	14	-	(2,357)	6,766	8,055	2,340	-	17,161	
Accrued salaries and wages	1,735	727	-	-	-	2,462	9,612	752	-	-	10,364	
Deferred outflows of resources for pensions	(13,777)	-	-	-	-	(13,777)	(14,716)	-	-	-	(14,716)	
Other long-term assets	-	-	-	-	-	-	(177)	-	-	-	(177)	
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 113,734</b>	<b>\$ (4,065)</b>	<b>\$ 5,223</b>	<b>\$ 121</b>	<b>\$ (3,160)</b>	<b>\$ 111,853</b>	<b>\$ 158,968</b>	<b>\$ 4,893</b>	<b>\$ 356</b>	<b>\$ (2,400)</b>	<b>\$ 161,817</b>	
Noncash capital and related financing activities:												
Unrealized gain on investments, net	\$ 41,905	\$ -	\$ -	\$ -	\$ -	\$ 41,905	\$ 10,398	\$ -	\$ -	\$ -	\$ 10,398	
Capital assets acquired via accounts payable	\$ 4,883	\$ -	\$ -	\$ -	\$ -	\$ 4,883	\$ 167	\$ -	\$ -	\$ -	\$ 167	

\*Excludes Blended Component Units