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THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY

(d/b/a Atrium Health)

Basic Financial Statements and
Other Financial Information

December 31, 2020

(With Independent Auditors' Report Thereon)

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY

(d/b/a Atrium Health)

Table of Contents

	Page(s)
Independent Auditors' Report	1–2
Management's Discussion and Analysis – Unaudited	3–21
Basic Financial Statements as of and for the year ended December 31, 2020:	
Balance Sheet	22
Statement of Revenues, Expenses and Changes in Net Position	23
Statement of Cash Flows	24
Statement of Fiduciary Net Position – Pension Trust Funds	25
Statement of Changes in Fiduciary Net Position – Pension Trust Funds	26
Notes to Basic Financial Statements	27–88
Required Supplementary Information	
As of July 1	
Schedule of Changes in Net Pension Liability and Related Ratios – Atrium Health Defined Benefit Plan (unaudited)	89
Schedule of Pension Contributions – Atrium Health Defined Benefit Plan (unaudited)	90
Schedule of Pension Plan Investment Returns – Atrium Health Defined Benefit Plan (unaudited)	91
Schedule of Changes in Net Pension Liability and Related Ratios – Navicent Health Defined Benefit Plan (unaudited)	92
Schedule of Pension Contributions – Navicent Health Defined Benefit Plan (unaudited)	93
Schedule of Pension Plan Investment Returns – Navicent Health Defined Benefit Plan (unaudited)	94
As of December 31	
Schedule of Changes in Net Pension Liability and Related Ratios – Atrium Health Defined Benefit Plan (unaudited)	95
Schedule of Pension Contributions – Atrium Health Defined Benefit Plan (unaudited)	96

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY

(d/b/a Atrium Health)

Table of Contents (continued)

Schedule of Pension Plan Investment Returns – Atrium Health Defined Benefit Plan (unaudited)	97
Schedule of Changes in Net Pension Liability and Related Ratios – Navicent Health Defined Benefit Plan (unaudited)	98
Schedule of Pension Contributions – Navicent Health Defined Benefit Plan (unaudited)	99
Schedule of Pension Plan Investment Returns – Navicent Health Defined Benefit Plan (unaudited)	100
Other Financial Information as of and for the year ended December 31, 2020	
Combining Balance Sheet – Atrium Health Combined Group	101–102
Combining Schedule of Revenues, Expenses and Changes in Net Position – Atrium Health Combined Group	103
Combining Schedule of Cash Flows – Atrium Health Combined Group	104
Combining Balance Sheet – Navicent Health	105
Combining Schedule of Revenues, Expenses and Changes in Net Position – Navicent Health	106
Combining Schedule of Cash Flows – Navicent Health	107
Combining Balance Sheet – Discrete Component Units	108
Combining Schedule of Revenues, Expenses and Changes in Net Position – Discrete Component Units	109
Combining Schedule of Cash Flows – Discrete Component Units	110

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Independent Auditors' Report

The Board of Commissioners
The Charlotte-Mecklenburg Hospital Authority:

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the pension trust funds of The Charlotte-Mecklenburg Hospital Authority (d/b/a Atrium Health) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Atrium Health'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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 pension trust funds of The Charlotte-Mecklenburg Hospital Authority (d/b/a Atrium Health) as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with U.S. generally accepted accounting principles.

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Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3 through 21, the schedules of changes in the net pension liability and related ratios – Atrium Health Defined Benefit Plan, the schedules of pension contributions – Atrium Health Defined Benefit Plan, the schedules of pension plan investment returns – Atrium Health Defined Benefit Plan, the schedules of changes in the net pension liability and related ratios – Navicent Health Defined Benefit Plan, the schedules of pension contributions – Navicent Health Defined Benefit Plan, and the schedules of pension plan investment returns – Navicent Health Defined Benefit Plan as of July 1 and December 31 on pages 89-100 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 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 audit 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Atrium Health's basic financial statements. The combining balance sheet – Atrium Health combined group, the combining schedule of revenues, expenses and changes in net position – Atrium Health combined group, the combining schedule of cash flows – Atrium Health combined group, the combining balance sheet – Navicent Health, the combining schedule of revenues, expenses and changes in net position – Navicent Health, the combining schedule of cash flows – Navicent Health, the combining balance sheet – discrete component units, the combining schedule of revenues, expenses, and changes in net position – discrete component units, and the combining schedule of cash flows – discrete component units as of and for the year ended December 31, 2020 (collectively the Combining Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining 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 audit 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, the Combining Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Charlotte, North Carolina
April 29, 2021

This Management's Discussion and Analysis provides an overview of the financial position and results of activities of Atrium Health for the years ended December 31, 2020 and 2019. It has been prepared by management and is required supplemental information to the basic financial statements and the notes that follow this section. Except as otherwise noted, the financial highlights in this analysis refer exclusively to the Primary Enterprise as described in note 1 of the notes to basic financial statements.

Certain information set forth in the following discussion contains "forward-looking statements" regarding the future oriented financial information, business plans and the future performance of Atrium Health and the health care industry that are based on the beliefs and assumptions of the management of Atrium Health and the information available to management at the time that these disclosures were prepared. Words such as "expects," "plans," "believes," "will" and other similar expressions are intended to identify these forward-looking statements. Such statements are subject to factors that could cause actual results to differ materially from anticipated results. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Actual results may differ materially from those expressed in or implied by any forward-looking statements. Atrium Health undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

Atrium Health Overview

- In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and world. In response to the pandemic, in late March Atrium Health began postponing or canceling non-essential patient care services and patient-directed visits also declined with the implementation of local and state "stay at home" orders. Throughout 2020, Atrium Health continued to make financial commitments to ensure the safety of its patients and the well-being of its teammates. As a result, the financial impact of the pandemic to Atrium Health from mid-March through the end of the year was a decrease in volumes and revenues from non-COVID patients while simultaneously increasing the cost of care for all patients. Revenue losses from the pandemic were partially, but not completely, offset by Federal stimulus funding recorded as nonoperating income. For more information on the impact of COVID-19, see note 1 of the notes to basic financial statements.
- In October 2020, Atrium Health and Wake Forest Baptist Health (WFBH), including the Wake Forest University School of Medicine, became part of a single enterprise (the Enterprise or the Atrium Health Enterprise) pursuant to a Health System Integration Agreement and related agreements to create a single, integrated healthcare delivery and academic system. Governance for the Enterprise is provided by an Enterprise board of directors (the "Enterprise Board of Directors") of a newly formed North Carolina nonprofit corporation named Atrium Health, Inc. (AHI). Because Atrium Health does not have financial accountability for AHI or any WFBH entity, neither AHI nor WFBH is included in the Atrium Health basic financial statements. For more information on the arrangement, see note 1 of the notes to basic financial statements.
- Effective January 2021, Navicent Health, a blended component unit of Atrium Health, is known as Atrium Health Navicent (Navicent), reflecting the strategic partners' shared mission to improve health, elevate hope and advance healing for all.

- In 2019, Atrium Health signed a Letter of Intent to combine with Floyd Health System (Floyd), a Georgia nonprofit corporation headquartered in Rome, Georgia, with the goal of bringing enhanced capabilities and new investments in skills and talent, facilities and technology to the communities served by Floyd. For more information on the arrangement, see note 1 of the notes to basic financial statements.

Atrium Health Financial Highlights

- For the year ended December 31, 2020, bedded discharges (inpatient discharges and observation stays) of 204,639 were 11.1% below 2019 at the acute and tertiary care hospitals. Additionally, outpatient procedures, including emergency room visits, radiology, and endoscopies experienced a decline from 2019 driven by the COVID-19 pandemic.
- For the year ended December 31, 2020, Medical Group patient visits were 5,199,356, 7.4% fewer than 2019.
- For the year ended December 31, 2020, net patient service revenue of $6,520,536 decreased from 2019 by $230,120 or 3.4%. Total operating revenue in 2020 was $7,290,964. Total operating revenue consists of net patient service revenue, grant revenue, pharmacy sales revenue, reimbursed services to affiliates and other revenue.
- For the year ended December 31, 2020, operating loss was $167,975, a 143.5% decrease over 2019 operating income of $386,433.
- For the year ended December 31, 2020, nonoperating income, net was $739,316, a $35,477 decrease from 2019. The decrease was driven by a $220 million accrued expense related to Atrium Health's commitment to academic endowment and enrichment funds in connection with the strategic combination with Wake Forest Baptist Health (see Note 10). In addition, favorable changes in the market value of investments in 2020 were less than the prior year. These decreases were offset somewhat by the recognition of more than $300 million of Federal stimulus funds in 2020.
- In 2020, Atrium Health approved the project to implement IAS One Cloud. This project was approved to modernize technical infrastructure to support Atrium Health's continued growth, digital strategy, and the replacement of outdated infrastructure. This project has a total budgeted cost of $29,000 and is expected to be complete in year 2021. $16,350 was incurred on this project during the year ended December 31, 2020.
- In 2020 and 2018, Atrium Health approved multiple phases of a project to construct a new Carolinas Rehabilitation-Charlotte facility, which includes a 78-bed inpatient hospital and outpatient rehabilitation clinics, to align rehabilitation with our world class service line approach as well as accommodate greater expected demand as acute care inpatient severity of illness rises with an aging population. This project has a total budgeted cost of $100,000 and is expected to be complete in year 2022. $8,718 was incurred on this project during the year ended December 31, 2020.
- In 2020, Atrium Health approved the project to acquire five adjacent properties, totaling 7.6 acres located in Charlotte's center city market. This project was approved to allow Atrium Health to develop a medical school and related facilities. This project had a total budgeted cost of $44,000 and was completed in year 2020. $44,647 was incurred on this project during the year ended December 31, 2020.

(Continued)

- In 2019, Atrium Health approved the project to implement Oracle Cloud Enterprise Resource Planning (ERP). The project has a total budgeted cost of $37,700 and is expected to be complete in year 2021. $23,391 was incurred on this project during the year ended December 31, 2020.
- In 2019, Atrium Health approved the project to implement Epic Clinical Electronic Health Record (EHR) and Revenue Cycle at Navicent in Macon, GA. The project has a total budgeted cost of $86,400 and is expected to be complete in year 2021. $27,357 was incurred on this project during the year ended December 31, 2020.
- In 2019, Atrium Health approved the project to implement Epic Clinical EHR across the Atrium Health Greater Charlotte region. The project has a total budgeted cost of $237,000 and is expected to be complete in year 2023. $41,684 was incurred on this project during the year ended December 31, 2020.
- In 2019, Atrium Health approved the project to construct a new 30-bed hospital on the new Lake Norman campus in the North Charlotte market. This project was approved to better serve the Lake Norman area and other high-growth communities in the North Charlotte market. This project has a total budgeted cost of $147,100 and is expected to be complete in year 2025. $1,710 was incurred on this project during the year ended December 31, 2020.
- In 2019, Atrium Health approved the project to construct a new 12,500 square foot Freestanding Emergency Department in Charlotte's Central market. This project was approved to serve communities in the Mountain Island Lake area. The project has a total budgeted cost of $13,800 and is expected to be complete in year 2021. $1,023 was incurred on this project during the year ended December 31, 2020.
- In 2019, Atrium Health approved the project to construct a new 40-bed hospital and 65,000 square foot medical office building on the Union West campus in Charlotte's South market. The project will allow Atrium Health to better serve western Union County and the communities of Matthews, Waxhaw, Indian Trail and Mint Hill. This project has a total budgeted cost of $171,500 and is expected to be complete in year 2022. $34,163 was incurred on this project during the year ended December 31, 2020.
- In 2019, Atrium Health approved the project to construct a new 25,000 square foot Medical Office Building in Fort Mill, South Carolina. This project was approved to serve communities in Charlotte's South market. The project has a total budgeted cost of $11,300 and is expected to be complete in year 2022. $16 was incurred on this project during the year ended December 31, 2020.
- In 2019, Atrium Health approved the project to construct a new 25,000 square foot Medical Office Building in Harrisburg adjacent to Atrium Health's Harrisburg Freestanding Emergency Department. This project was approved to serve communities in the Central Charlotte market. The project has a total budgeted cost of $11,300 and is expected to be complete in year 2022. $158 was incurred on this project during the year ended December 31, 2020.
- In 2019, Atrium Health approved the project to construct a new 25,000 square foot Medical Office Building at the intersection of Providence Road and Ardrey Kell Road to serve communities in Charlotte's South market. The project has a total budgeted cost of $11,300 and is expected to be complete in year 2021. $5,730 was incurred on this project during the year ended December 31, 2020.

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- In 2019, Atrium Health approved the project to construct a new 12,500 square foot Freestanding Emergency Department at the intersection of Providence Road and Ardrey Kell Road to serve communities in Charlotte's South market. The project had a total budgeted cost of $11,700 and was completed in year 2020. $9,916 was incurred on this project during the year ended December 31, 2020.
- In 2019, Atrium Health approved the project to purchase proton beam equipment and construct a three-story underground concrete vault to house the cyclotron at Carolinas Medical Center (CMC). This project was approved to support world class growth for Levine Cancer Institute's adult and pediatric oncology programs. The project has a total budgeted coast of $45,000 and is expected to be complete in year 2022. $4,944 was incurred on this project during the year ended December 31, 2020.
- In 2019, Atrium Health approved the project to construct a new Musculoskeletal Institute within Atrium Health Mercy, including the expansion of surgical capacity through the addition of four operating rooms (three relocated and one new), renovations and reconfigurations of dated patient units, and patient facing investments such as a new lobby, retail and vertical transportation upgrades. The investments will establish Mercy as a state-of-the-art facility for the Musculoskeletal Program. This project has a total budgeted cost of $121,700 and is expected to be complete in year 2023. $17,259 was incurred on this project during the year ended December 31, 2020.
- In 2018, Atrium Health approved the project to prepare the CMC campus with necessary infrastructure and enabling upgrades to construct a new 12-story inpatient, surgical services and emergency services facility and to develop both a new Children's ambulatory destination center and pediatric ED/OR components of the bed tower. This project has a total budgeted cost of $756,900 and is expected to be complete in the year 2026. $60,983 was incurred on this project during the year ended December 31, 2020.
- In 2018 and 2017, Atrium Health approved components of a project to lease two new Medical Office Buildings in Central Charlotte. The office buildings will consolidate 13 medical groups, will create a flagship location for Sanger Heart and Vascular Institute's cardiovascular programs and will decompress CMC's campus. The project also supports provider growth in Central Charlotte. The project has a total budgeted cost of $75,000 and is expected to be complete in year 2021. $56,797 was incurred on this project during the year ended December 31, 2020.
- In 2018, Atrium Health approved the project to construct a new 8-story inpatient and surgical facility on Atrium Health Pineville's campus. The new acute care tower will include 108 inpatient beds and expand surgical services to accommodate current and future need for inpatient services. The project has a total budgeted cost of $160,100 and is expected to be complete in year 2022. $31,308 was incurred on this project during the year ended December 31, 2020.
- In 2018, Atrium Health approved the project to acquire multiple land tracts in several sub-markets in the Charlotte region that are of significant strategic value. This project has a total budgeted cost of $40,000 and was completed in year 2020. $14,494 was incurred on this project during the year ended December 31, 2020.
- In 2017, Atrium Health approved the project to construct a new Medical Office Building on the campus of Atrium Health Pineville. This project was approved to support market growth for key service lines. The project had a total budgeted cost of $100,000 and was completed in year 2020. $29,075 was incurred on this project during the year ended December 31, 2020.

- In 2014, Atrium Health approved the project to provide upgrades, renovations to existing areas within Atrium Health Cabarrus and new construction surrounding the cardiovascular service line. This project was divided into two phases. Phase I included renovation of Women's Service and was completed in year 2016. Phase II includes new construction of the tower for cardiology and the modernization of G, H and J wings. This project has a total budgeted cost of $130,100 and is expected to be complete in year 2021. $5,605 was incurred on this project during the year ended December 31, 2020.
- In 2013, Atrium Health approved the project to replace Revenue Cycle technology to consolidate to one common system for both the Acute and Ambulatory environments. The project had a total budgeted cost of $92,600 and was completed in year 2020. $1,617 was incurred on this project during the year ended December 31, 2020.
- Atrium Health utilizes interest rate swaps to manage interest rate risk exposure on certain series of bonds. Interest rate swaps necessarily involve counterparty credit risk and Atrium Health seeks to control this risk by entering into transactions with high quality counterparties and through the monitoring of exposure to each counterparty. Atrium Health is a party to 15 floating-to-fixed rate payer swap agreements tied to its Series 2005 B, C and D Refunding Revenue Bonds, Series 2007 B and C Refunding Revenue Bonds and Series 2007 D, E, F, G and H Revenue Bonds. Navicent is a party to two floating-to-fixed rate payer swap agreements tied to its Series 2017 B Revenue Anticipation Certificates. These agreements are used to create synthetic fixed rate bonds by converting the variable rates on those series to fixed rates. Therefore, cash flows on these agreements are recorded as interest expense. In January 2019, Atrium Health entered into a forward starting floating-to-fixed interest rate swap in connection with the planned synthetic fixed rate refunding of its Series 2011 A Refunding Revenue Bonds that are callable on January 15, 2021. The related refunding revenue bonds are expected to be issued in 2021. For more information on these agreements, see note 5 of the notes to basic financial statements.
- In May 2020, Atrium Health secured liquidity in the aggregate amount of $500,000 from five financial institutions in the form of LIBOR-based taxable revolving bank lines of credit to support the negative cash impact of COVID-19 (collectively, the "Line of Credit"). The 364 day Line of Credit expires on May 6, 2021 and is secured on a parity basis by and payable from Atrium Health's revenues as defined in its bond order and in the case of the Combined Group, amounts payable by the other members of the Combined Group under their respective Member Guaranty Agreement or Member Security Agreement. There are no amounts outstanding as of December 31, 2020.
- In November 2020, Atrium Health completed updates with Moody's Investors Service (Moody's) and S&P Global Ratings (S&P), respectively. Moody's assigned a rating of Aa3 Stable on the planned issuance of up to $600 million of new money Series 2021 Revenue Bonds and affirmed its Aa3 Stable rating on previously issued Atrium Health bonds. S&P assigned a rating of AA- Stable on the planned issuance of up to $600 million of new money Series 2021 Revenue Bonds and affirmed its AA- Stable rating on previously issued Atrium Health bonds. In January 2021, Moody's assigned ratings of Aa1 / VMIG1 and S&P assigned ratings of AA- / A-1+ to the planned issuance of Series 2021 Refunding Revenue Bonds, to be supported by a direct pay letter of credit, related to outstanding Series 2011 A Bonds. Both the new money bonds and the refunding bonds are expected to be issued in 2021.

- In November 2019 and in connection with Atrium Health and WFBH, including the Wake Forest University School of Medicine, becoming part of a single enterprise in October 2020, S&P affirmed its AA- Stable rating on previously issued Atrium Health bonds. In September and October 2018, Atrium Health completed updates with Moody's and S&P, respectively. Moody's assigned a rating of Aa3 Stable on newly issued Series 2018 Revenue and Refunding Bonds and affirmed its Aa3 Stable rating on previously issued Atrium Health bonds. S&P assigned a rating of AA- Stable on newly issued Series 2018 Revenue and Refunding Revenue Bonds and affirmed its AA- Stable rating on previously issued Atrium Health bonds.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to Atrium Health's basic financial statements and the notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

The Governmental Accounting Standards Board (GASB) requires three financial statements: the statement of net position (balance sheet); the statement of revenues, expenses and changes in net position; and the statement of cash flows.

The balance sheet; statement of revenue, expenses and changes in net position; and statement of cash flows are presented on an accrual basis, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). This information provides an indication of Atrium Health's financial health. The balance sheet includes all of Atrium Health's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as well as an indication about which assets can be utilized for general purposes and which are restricted as a result of bond covenants or other agreements. The statement of revenue, expenses, and changes in net position reports the revenue and expenses during the periods indicated. The statement of cash flows reports the cash provided and used by operating activities, as well as other cash sources, such as investment income, and other cash uses, such as repayment of debt and purchase of capital.

Atrium Health applies the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and how those activities should be reported. As a result, the Statement of Fiduciary Net Position, and the Statement of Changes in Fiduciary Net Position for all Atrium and Navicent defined benefit plans have been presented with the basic financial statements. Notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the basic financial statements. Required supplementary information relates to Atrium Health's progress in funding its obligation to provide pension benefits to its employees.

(Continued)

(Dollars in thousands)

Financial Analysis and Results of Operations

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at December 31 are summarized in Table 1 and are discussed below:

Table 1 – Summary Balance Sheet

	2020	2019
Current assets	$ 2,238,086	$ 1,618,103
Capital assets – net	4,132,332	3,795,948
Other noncurrent assets	7,166,528	6,453,434
Total assets	13,536,946	11,867,485
Deferred outflows of resources	464,512	337,592
Total assets and deferred outflows of resources	$ 14,001,458	$ 12,205,077

	2020	2019
Current liabilities	$ 2,534,034	$ 1,531,820
Long-term liabilities	3,547,226	3,308,451
Total liabilities	6,081,260	4,840,271
Deferred inflows of resources	39,114	68,888
Net investment in capital assets	1,471,247	1,453,649
Restricted – by donor	76,861	78,658
Unrestricted	6,332,976	5,763,611
Total net position	7,881,084	7,295,918
Total liabilities, deferred inflows of resources and net position	$ 14,001,458	$ 12,205,077

(Continued)

Atrium Health classifies net position as net investment in capital assets, restricted – by donor, and unrestricted. The change in net investment in capital assets over the prior year were driven by debt principal payments and additional capital expenditures. The unrestricted net position increase for the year ended December 31, 2020 was driven primarily by operating performance, favorable investment returns, and Federal stimulus funding.

The net position of Atrium Health at December 31, 2020 increased $585,166 from December 31, 2019. The increase in net position was due to negative results of operations of $167,975, nonoperating income, net of 739,316 and capital and other contributions of $13,825.

Atrium Health's cash and investment position at December 31, 2020 and 2019 was $7,616,480 and $6,308,424, respectively. Excluding the impact of advanced payments received from Medicare under the Accelerated and Advance Payment Programs (Medicare advanced payments) in 2020, Atrium Health's cash and investment position at December 31, 2020 was $7,181,458.

Days cash on hand for the Atrium Health Combined Group, which consists of all entities that have either a direct obligation (Obligated Group) or indirect obligation (Designated Affiliates, of which there are currently none) to pay amounts due on Atrium Health's bonds, was 409 and 362 at December 31, 2020 and 2019, respectively. Excluding the impact of Medicare advanced payments, days cash on hand for the Atrium Health Combined Group was 388 at December 31, 2020.

More detailed information about Atrium Health's cash, investments and other financial instruments is presented in notes 2 and 3 of the notes to basic financial statements.

(Dollars in thousands)

Revenue and Expenses

Revenue, expenses and changes in net position are summarized in Table 2 and are discussed below:

Table 2 – Statement of Revenues, Expenses, and Changes in Net Position

	2020	2019
Operating revenues:		
Net patient service revenue	$ 6,520,536	$ 6,750,656
Other revenue	770,428	729,696
Total operating revenue	7,290,964	7,480,352
Operating expenses:		
Personnel costs	4,402,343	4,197,447
Supplies	1,524,408	1,407,008
Purchased services	602,437	563,320
Other expenses	566,584	558,850
Depreciation and amortization	363,167	367,294
Total operating expenses	7,458,939	7,093,919
Operating (loss) income	(167,975)	386,433
Nonoperating (loss) income:		
Interest expense	(81,315)	(87,368)
Interest and dividend income	69,188	113,151
Net change in the fair value of investments	688,050	790,940
Stimulus grants	305,526	—
WFBH academic endowment and enrichment funds	(220,000)	—
Other, net	(22,133)	(41,930)
Total nonoperating income – net	739,316	774,793
Revenue over expenses before contributions	571,341	1,161,226
Capital contributions	19,419	24,385
Other contributions	(5,594)	384
Increase in net position	585,166	1,185,995
Beginning net position	7,295,918	6,109,923
Ending net position	$ 7,881,084	$ 7,295,918

Operating Revenue

Operating revenues in 2020 decreased from 2019 largely due to decreases in net patient service revenue due to COVID-related declines in hospital and Medical Group patient volumes. Other operating revenues increased, primarily as a result of retail pharmacy sales. More detail of operating revenue can be found in notes 6 and 7 of the notes to basic financial statements.

Operating Expenses

Operating expenses in 2020 increased 5.1% from the prior year. Personnel costs, comprising 59.0% of the total Atrium Health operating expenses in 2020, increased due to COVID-related salaries and benefits and annual market adjustments across Atrium Health. Other operating expenses, consisting primarily of pharmaceutical and supply costs, professional fees, rent and purchased services, increased 6.5%, primarily due to COVID-related expenses and inflationary cost increases, including the cost of new technologies.

Nonoperating Income and Losses

Nonoperating income and losses, which consists primarily of realized and unrealized investment results, was impacted favorably in 2020 by the market value appreciation of Atrium Health's investments. As a governmental entity, Atrium Health is required to record all investment market value changes as a component of nonoperating (loss) income.

Nonoperating activity from Atrium Health's investment return on equity, fixed income, and cash investments was a $757,238 gain in 2020 and a $904,091 gain in 2019.

Interest and dividend income on Atrium Health's investment portfolio in 2020 was $69,188 and net realized and unrealized gains on the portfolio were $688,050. The net realized/unrealized gains were due to positive performance of investments throughout 2020.

Management presents portfolio performance to the Investment Oversight Committee of Atrium Health as well as the Board of Commissioners, on a quarterly basis. Management meets regularly with Atrium Health's investment consultant to review portfolio and investment manager performance and to identify and recommend changes to the investment strategy for consideration by the Investment Oversight Committee. Investment expenses consist of fees paid to Atrium Health's investment managers, investment consultant, and custodian.

Nonoperating income and losses in 2020 also included $305,526 in grant revenues related to Federal stimulus legislation and $220,000 of expenses related to Atrium Health's commitment to fund an academic endowment and an academic enrichment fund at WFBH. Other net nonoperating expenses were $22,133 and $41,930 for the years ended December 31, 2020 and 2019, respectively, due primarily to contract termination and settlement expenses that were not related to ongoing operations.

(Continued)

(Dollars in thousands)

Capital Assets and Debt Administration

Capital Assets

Capital assets, net of depreciation and impairment at December 31, 2020 and 2019 are summarized in Table 3 and are discussed below.

Table 3 – Capital Assets, Net of Depreciation and Impairment

	2020	2019
Land	$ 312,050	$ 259,443
Buildings and land improvements	4,562,857	4,396,503
Equipment	2,892,756	2,776,806
Construction in progress	699,300	411,822
Subtotal	8,466,963	7,844,574
Accumulated depreciation	(4,334,631)	(4,048,626)
Total	$ 4,132,332	$ 3,795,948

During the current fiscal year, significant additions to capital assets in excess of $10,000 included the following:

Kenilworth Medical Office Buildings I & II	$ 56,797
Land Acquisition in Center City Charlotte Market	44,647
Greater Charlotte Epic Electronic Health Record	41,684
Union West New Hospital and MOB	34,163
Atrium Health Pineville New Bed Tower	31,308
Atrium Health Pineville Medical Office Building	29,075
Navicent Epic Electronic Health Record and Revenue Cycle	27,357
CMC Tower and Infrastructure Upgrades	60,983
Oracle Enterprise Resource Planning	23,391
Musculoskeletal Institute	17,259
IAS One Cloud	16,350
Strategic Land Acquisitions	14,494

(Dollars in thousands)

During the prior fiscal year, significant additions to capital assets in excess of $10,000 included the following:

Levine Cancer Institute	$	36,242
Atrium Health Cabarrus Modernization		35,119
Navicent Children's Hospital		20,833
Strategic Land Investments		25,365
Atrium Health Pineville Medical Office Building		21,171
Lake Norman Area Land		19,785
CMC Campus Plan		17,319
Atrium Health Pineville New Tower		15,116

Ongoing capital requirements are funded from a combination of operating cash, debt proceeds, and contributions. Atrium Health's annual capital budget for 2020 and 2019 was $922,561 and $715,289, respectively. Cash outflows related to capital additions, net of retirements, for 2020 and 2019 totaled $665,767and $ 513,301, respectively. Total depreciation expense on capital assets was $361,718 and $371,085 for 2020 and 2019, respectively. At December 31, 2020, Atrium Health had planned future capital spending of approximately $3,435,233 for 2021-2025 for ongoing routine and significant strategic IT and facility expansion projects. More detailed information about Atrium Health's capital assets is presented in note 4 of the notes to the basic financial statements.

Long-Term Debt

Atrium Health can issue debt on behalf of its Combined Group members as established under its Second Amended and Restated Bond Order, as further amended (the Bond Order). Likewise, Navicent can borrow on behalf of its Obligated Group members as established under its Amended and Restated Master Trust Indenture, as further amended (the Master Trust Indenture).

Debt service for the Atrium Health Combined Group (scheduled principal and interest payments and net interest rate swap payments, excluding refinancing activity) for 2020 and 2019 totaled $158,881 and $121,608, respectively.

The actual annual debt service coverage ratio for the Atrium Health Combined Group, as defined in the Bond Order (and excluding net interest rate swap payments), for 2020 and 2019 was 5.33 and 9.55, respectively. The Bond Order requires an actual annual debt service coverage ratio of not less than 1.1.

In January 2021, Navicent extended the holding periods of its Series 2017 A and Series 2017 B Revenue Anticipation Certificates aggregating $230,590 and its $60,000 taxable Variable Term Loan to January 2022. In December 2019, Navicent utilized a mandatory tender process for these same financial obligations to change the holder to another financial institution. As a result of this mandatory tender process, these certificates and loan were deemed extinguished and the remarketed debt was treated as a new issuance.

In November and December of 2018, Atrium Health issued $564,030 of Revenue and Refunding Revenue Bonds, a portion of which currently refunded $178,425 of the outstanding Series 2009A Revenue Bonds. The remainder of the funds have been used to pay certain expenses of issuing the bonds and to fund capital investments in 2019 and 2020.

More detailed information about Atrium Health's and Navicent's outstanding debt is presented in note 5 of the notes to the basic financial statements.

Events and Factors Expected to Impact Future Periods

Healthcare continues to be a capital-intensive industry that requires significant reinvestment to keep pace with patient care advancements and technology transformations occurring in the marketplace. An entity's ability to reinvest to meet its longer-term capital and program needs hinges largely on its ability to perform well financially. Healthcare providers in 2020, given the COVID-19 pandemic, experienced significant disruption to financial performance and capital reinvestment plans. We believe that Atrium Health, with its geographic dispersion; world-class providers and services; focus on growth, value, and affordability; balanced with its mission *to provide health, hope and healing for all* is well positioned to meet the demands of our fast-changing industry as well as to navigate the disruptions of the on-going COVID-19 pandemic.

Financial performance disruption due to the COVID-19 pandemic primarily occurred as result of patient volume decreases coupled with increased costs of care for both patients and healthcare workers. As healthcare facilities have planned and continue to plan for surges of COVID-19 patients, they have had to postpone or cancel non-essential patient care services. The rapid spread of COVID-19 has impacted consumer confidence, such that when providers did reinstate non-essential patient care services, many patients chose to, and still choose to, forgo preventative care, elective procedures, and other traditional outpatient services due to concerns of contracting the virus. Lower, primary care, urgent care and lower acuity emergency department patient volumes due to the pandemic have further accelerated the transition to virtual care and telehealth platforms. These changes in mix of patient services have and will continue to negatively impact financial performance for healthcare providers.

While some providers chose to lay-off or furlough staff during periods of non-essential services shut-downs, others took the opposite stance, anticipating high staffing needs for impending COVID-19 patient surges. Staffing costs across almost all providers increased during the pandemic due to higher overtime rates and premium pay practices, utilization of more expensive contract staff, wages paid to employees unable to work due to quarantine, wages for additional staff for screening and testing centers, increased disability claims, and training for employees to function in different areas. Longer term effects on staffing costs due to turnover and employee fatigue are also expected. Additionally, given the anticipated surges in COVID-19, healthcare providers needed to rapidly increase the personal protective equipment, supplies, and pharmaceuticals for all healthcare workers as well as for patients (both COVID-19 and non-COVID-19 alike) and visitors. The sudden rise in demand drove up the pricing for these supplies as well, resulting in increased supply costs. In addition to the changes in patient mix, the increased cost structure for providers has and will continue to negatively impact financial performance.

Providers will be dealing with the impact of COVID-19 for years to come as they will be challenged to anticipate capital spending and appropriate cost structures considering these shifting patient volumes. Waxing and waning consumer confidence and the level of permanency with respect to changes in the mix of virtual and telehealth services could also result in volatile financial performance as well as capital spending delays. Likewise, providers will be challenged to find cost reduction opportunities to offset the higher utilization costs of personal protective equipment and the therapeutic costs of supplies and pharmaceuticals to care for COVID-19 patients.

Aside from the COVID-19 pandemic, industry pressures continue to be numerous. Payor mix shifts to Medicare and increasing Medicaid enrollees could negatively affect operating margins and cash flow. Unemployment, while expected to improve from 2020 levels, but not to pre-pandemic levels, could result in higher uninsured and unreimbursed services. The shifts to lower cost settings, including telehealth, from inpatient to outpatient services, homecare and retail services, which began before the pandemic, will likely continue at increasingly higher rates in the future.

Healthcare consumers are more informed than ever before, and, as a result, the industry has continued to transform to improve pricing transparency, access, convenience, patient experience and value. Delivering near term value to individual patients, and increasingly, to the population as a whole will be required for health systems in the future. Non-traditional and for-profit competitors continue to enter the market. Many of these market entrants are already consumer-focused and are already providing value to the patient through alternatives to traditional primary care and low acuity outpatient experiences. We believe traditional healthcare providers who continue to accelerate transformation are in the best position to connect care over the whole continuum, thereby meeting consumers' demands, but also significantly improving health for the population at large. We believe Atrium Health is poised to succeed in the value arena by transforming and delivering superior patient care in financially sustainable ways. External pressures on revenue streams are not new to the industry as governmental payers have long tried to bend the growth curve in healthcare spending. Both Moody's Investor Services and S&P Global Ratings in their industry outlooks cite continuing stress on healthcare reimbursement in the future. At the Federal level, among these pressures are 340B cuts, federal Medicaid DSH cuts, and price transparency rules beginning in 2021. Additionally, the fate of the Affordable Care Act (ACA) for which the Supreme Court has yet to issue a final ruling is looming. Although not expected, a full repeal would mean the loss of coverage for over 20 million people.

Pressure continues at the state levels on certificate of need regulations. Additionally, North Carolina lawmakers in 2015 approved a Medicaid reform plan in which provider-led entities and commercial insurers will co-exist in a fully capitated system. The conversion date, after years of postponements, is July 1, 2021. It is further expected that the State will be working with North Carolina healthcare providers to restructure payment rates associated with the State Health Plan for Teachers and State Employees. We believe healthcare providers like Atrium Health who are leveraging technology, transforming care delivery and reducing the total cost of care will be more apt to withstand the future revenue pressures, such as a fully capitated Medicaid environment as well as provide affordable, high quality care to all that we serve.

Atrium Health remains committed to its mission *to provide health, hope and healing for all*. As a financially viable entity with a strong governing board; an experienced management team; a broad, growing and connected continuum of highly specialized world-class clinical services; and a commitment to superior levels of quality and safety, differentiated patient experience, operational and population health excellence, and teammate engagement; Atrium Health is positioned to meet the demands of the fast-changing industry in which we operate.

Community Benefit

The mission of Atrium Health is to improve Health, elevate Hope and advance Healing – for all. Our commitment to this mission requires both "investments in" and "partnerships with" the community spanning the entire geographic region within which Atrium Health operates.

Atrium Health defines and measures Community Benefit consistent with the American Hospital Association guidelines and includes costs associated with:

- patient care provided to uninsured and underinsured patients, and those who are unable to pay their bills,
- patient care provided to Medicare and Medicaid patients where reimbursement is less than the cost to provide services,
- medical education provided to the next generation of healthcare professionals,
- medical research to stay on the "cutting edge" for new treatments and cost-effective care, volunteerism of Atrium Health teammates and contributions to community groups and local nonprofit organizations, and
- vital healthcare and community health improvement services as well as community building activities.

The community's uninsured and underinsured care constitutes both a challenge and an opportunity for Atrium Health. It is a challenge to ensure that the necessary clinical programs and facility infrastructures are in place to meet the demand for all patients. It is also an opportunity to provide access to needed healthcare services for the large uninsured and underinsured population. The cornerstone of Atrium Health's overall Community Benefit program is its commitment to provide hospital and other healthcare services to all patients regardless of their ability to pay. Medicaid programs, while providing healthcare coverage for many of the poor, disabled, and elderly residents, do not cover all who are unable to pay for healthcare. Also, Medicaid reimburses healthcare providers at substantially less than actual cost and has not kept pace in recent years with the industry's rapidly rising cost of technology and enrollment. Within Mecklenburg, Cabarrus, Cleveland, Union, Lincoln, Stanly, and Anson counties, Atrium Health provides approximately 85% of the hospital services to the Medicaid and uninsured patient populations. Similarly, in the Georgia service area, Atrium Health provides approximately 79% of the hospital services to the Medicaid and uninsured populations in Baldwin, Bibb and Peach counties. In many cases, Atrium Health provides the only access to certain outpatient and physician specialty care for those in the community in need of financial assistance, as well as serving uninsured patients who are not eligible for financial assistance discounts, Medicaid, or other governmental funding. More detailed information about Atrium Health's net patient service revenue is presented in notes 1 and 6 of the notes to basic financial statements.

Due to high levels of uninsured and underinsured patients, certain Atrium Health services that are essential to the community are often operated at a deficit. In 1993, the federal government, in conjunction with pharmaceutical companies, began a program to provide lower cost pricing for pharmaceutical purchases by safety-net healthcare facilities with large numbers of Medicaid and low-income Medicare patients. Identified as the 340B program, Congress' objective with the program was to stretch scarce Federal resources as far as possible, reaching more eligible patients and providing more comprehensive services. Carolinas Medical Center ("CMC") was an original safety-net hospital in the program and since then, five other Atrium Health hospitals in the Charlotte service area, and three Atrium Health hospitals in the Georgia service area, have qualified for participation in the program. Those nine hospitals received a combined estimated value in excess of $252 million in cost savings during 2020

(Continued)

thereby allowing opportunities for Atrium Health to enhance services for uninsured, underinsured, low-income Medicare and Medicaid patients in the community such as: operating Atrium Health Community Clinics, in which staff interpreters, dieticians, social workers, nurses and physicians provide free or nominally priced care for the most vulnerable in our community; providing dedicated pharmacists within these Community Clinics who offer medication assistance with education and treatment plans and operate clinic pharmacies where prescriptions are filled for free or at a nominal price; operating in partnership with Cabarrus Health Alliance, an obstetrics clinic for pregnant women without insurance; providing behavioral health services through multiple outlets including outreach and educational programs to the community, a call line available 24 hours a day at no charge to the client, quality services to patients across Atrium Health's multiple healthcare treatment locations; and numerous other community health improvement programs and community building activities as discussed below.

Atrium Health supports and subsidizes medical education and research, which benefits not only Atrium Health and the patients it serves, but the entire healthcare provider community. In the Charlotte market, CMC is the sponsoring institution for 43 training programs with 361 residents and fellows. In 2020, approximately 41% of the 121 residents and fellows that completed the program stayed in the Carolinas. Atrium Health continues to provide clinical education for medical students completing their third and fourth years of medical school. The Family Medicine Residency program, Union Track, trains physicians to provide full-scope primary care to all communities in small towns or rural settings. This program, which currently trains nine residents, is embedded in a local physician practice, and is designed as an "apprenticeship model" in which the residents learn by practicing side-by-side with private practice physicians. Atrium Health Cabarrus sponsors the Cabarrus Family Medicine Residency Program and a primary care sports medicine fellowship. These two programs, accredited by the Accreditation Council for Graduate Medical Education, train 24 family medicine residents, and one sports medicine fellow each year. Since its inception in 1996, the Cabarrus Family Medicine Residency Program has graduated 168 family medicine residents, with 73% staying in the Carolinas to practice. Many graduates have stayed with Atrium Health offering a variety of specialties, while others left to care for patients at Federally Qualified Health Centers, free clinics, or providing care internationally through global missions. Some graduates work in rural, suburban and urban settings. In the Georgia market, Navicent Health System partners with Mercer University School of Medicine to support residency programs in Family Medicine, Internal Medicine, Pediatrics, Surgery, and Obstetrics/Gynecology as well as five fellowship programs in Hospice Medicine/Palliative Care, Geriatrics, Infectious Diseases, Surgical Critical Care, and Micrographic Surgery/Dermatological Oncology. 119 residents and fellows are currently participating in these programs.

Atrium Health operates several non-physician education programs designed to meet workforce and community needs. Through two of its acute care facilities, Atrium Health owns, operates, and subsidizes two colleges that offer nursing and allied health programs culminating in certificates, diplomas and degrees at the associate, baccalaureate, and master's degree levels. Carolinas College of Health Sciences, affiliated with CMC, is in Mecklenburg County, while Cabarrus College of Health Sciences, affiliated with Atrium Health Cabarrus, is in Cabarrus County. Both colleges are regionally accredited institutions of higher education and maintain programmatic accreditation for most clinical programs. Additionally, CMC, in partnership with the University of North Carolina at Charlotte, offers a master's degree nurse anesthesia program and an adult gerontology acute care nurse practitioner program. In 2020, 1,487 students were collectively enrolled in programs such as Nursing, Nurse Anesthesia, Surgical Technology, Pharmacy Technology, Clinical Laboratory Sciences, Interdisciplinary Health Studies, Radiation Therapy, Radiologic Sciences, Medical Assistant, and Occupational Therapy. With 462 graduates in 2020 alone, Atrium Health is one of the top producing nursing and allied health entities in North Carolina. Equally important, 92% of those graduates accepted positions in the Carolinas in their field of training providing a valuable workforce resource to alleviate projected clinical personnel shortages. 20 Atrium Health facilities also have affiliation agreements with a number of colleges and universities for clinical training of student and graduate nurses, respiratory therapists, physical therapists, occupational therapists, vocational therapists, speech therapists, medical records technicians, dieticians, pharmacists, social workers and administrators.

Carolinas Medical Center is the site of one of North Carolina's nine Area Health Education Centers. As such, it provides continuing medical education programs in medicine, dentistry, pharmacology, and a variety of other areas of allied health.

The ability to develop and advance medical discovery is a critical component to Atrium Health's giving back to the community locally, nationally, and globally. As scientific technologies and medical breakthroughs advance, more patients experience enriched, longer lasting quality of life standards. The Division of Therapeutic Research and Development cultivates patient-centered projects that are clinically relevant and fundamentally important to improving healthcare quality and effectiveness. Sponsored programs throughout Atrium Health, encompassing more than 319 investigators, more than 5,884 patients in clinical trials and 1,277 active research studies and programs, are focused on the development of new treatments, therapies, diagnostics, or devices as well as conducting population-based research, developing innovative care delivery models, and analyzing healthcare economics. Atrium Health's research programs and initiatives leverage the scope and scale of the organization to provide patients with leading-edge treatments and therapies as well as attract nationally respected physicians to the community.

Atrium Health and its team members together are "improving Health, elevating Hope and advancing Healing – for all" by active involvement with, or contributing to, various organizations that seek to improve the overall health and well-being of the community in priority areas such as education, food insecurity, and poverty. This work is further described in, but not limited to, the details that follow.

- In 2020, Atrium Health teammates supported numerous nonprofit organizations by volunteering over 29,000 workhours in service projects including but not limited to:
  - helping over 120 students in the following programs: Heart Math Tutors, Helps Tutors, Big Brothers Big Sisters "Beyond School Walls" and School tools Supply Drive – Stanly;
  - packing 1,500 holiday meal kits and distributing gifts to 3,200 low-income individuals through the Holiday Cheer project;
  - putting together 1,297 backpacks for low-income families and distributing fresh, healthy produce, meats and other perishable goods to over 7,700 children and adult; and
  - assisting NC Med Assist with the distribution of over-the-counter medications, medical aids and pediatric items to nearly 7,000 families in eight counties.

- In addition to their time, Atrium Health teammates continue to give generously to charitable organizations and other community-based entities. In the 2020 Atrium Health Gives campaign, teammates contributed over $4.11 million (not included in note 1 of the notes to basic financial statements) in support of United Way in 12 counties, Arts+Culture, Children's Miracle Network (Hospitals), Atrium Health Foundation, and Atrium Health Caregiver Heroes Fund.
- Atrium Health donated over $1.8 million in medical equipment, computer equipment and materials to international nonprofit organizations to help people in need.
- $2.825 million was provided in community benefit sponsorships to local community partners such as the American Cancer Society, American Heart Association, NC Med Assist, and Second Harvest Food Bank of Metrolina.

To further improve the physical, mental and spiritual health of our communities in 2020, Atrium Health:

- engaged 75 high school students interested in careers in health care from four counties through Health Career Club components including monthly meetings, SAT Prep Strategy Workshops, Super Science Saturdays, and Health Careers 101 classroom presentations;
- enrolled 30 college applicants in Charlotte AHEC Scholars, a 2-year educational program that included a travel expense subsidy;
- continued its focus on Faith Community Health Ministry impacting the health and wellness of individuals through congregation and community with 34,164 community member encounters in the form of medication reviews, group exercise, health education, screenings and addressment of access to care concerns;
- worked with 19 Charlotte schools and 3,160 students to prevent childhood obesity through certified athletic trainers specializing in prevention, evaluation, treatment, and rehabilitation of injuries as well as overall health and wellness;
- engaged 3,629 4th graders in Stanly county through the" Passport to Health" health and wellness program;
- educated over 1,210 community members by health professionals on a variety of topics including diabetes risk reduction, advanced care planning, heart health, women's services, and more;
- continued to participate in Kids Eat Free programs helping to distribute 61,356 free meals to low-income children throughout the summer;
- partnered with Loaves and Fishes to provide food to 1,600 people across Mecklenburg County;
- served behavioral health needs with 185,733 encounters through Atrium Heath's Behavioral Health Community Clinic, Behavioral Health Crisis Line and CMS Mental Health Program;
- made 1,752 electronic referrals to Community Resource Hub partners through our Community Resource Hub, a web-based e-referral tool to help community members self-navigate community programs and resources;
- had 181,232 service occurrences and virtual visits in the areas of pediatrics, family/internal medicine and obstetrics and gynecology through our Community Clinics;

- provided 11,074 primary and specialty care service occurrences to uninsured residents of Mecklenburg County through the Physicians Reach Out program in partnership with Care Ring;
- provided registered dieticians and registered nurses reaching 1,947 Path to Wellness participants with nutrition consults, cooking classes, lunch and learns, and other programming in partnership with the Rowan-Cabarrus YMCA;
- provided 390 free blood pressure and blood sugar checks to community members at various locations;
- continued the Healthy Together program, an evidence-based childhood obesity prevention and education program, reaching 45 schools and 23,233 students across 5 counties and educated 9,304 community members;
- held 72 classes and trained 1,241 community members in the Mental Health First Aid program on how to identify, understand, and respond to signs of mental illness and substance abuse disorders; and
- partnered with various Charlotte community organizations to identify 13 participants for the White House endorsed, Health Career Pathways promoting economic mobility through increasing access to career paths in healthcare.

Our mission of "Improving Health, Elevating Hope and Advancing Healing—for All" was especially important in 2020 given the COVID-19 pandemic and its impact to all communities served by Atrium Health. In response to the pandemic, Atrium Health:

- distributed over 2 million masks as part of the Million Mask Initiative, at various locations including early voting sites and The Salvation Army. Approximately 450,000 of these masks were distributed specifically to vulnerable populations and rural communities,
- maintained and answered over 450,000 calls on Atrium Health's COVID-19 Information Line,
- screened and tested over 72,000 community members at various COVID-19 screening and testing sites which included a mobile, roving unit designed to target specifically identified health disparity gap communities, and
- provided community paramedicine services, in partnership with the Mecklenburg County Department of Public Health, to over 340 patients who were housed at a COVID-19 motel due to their inability to quarantine or safely social distance because of living conditions or homelessness.

Additional detail regarding Atrium Health's financial commitment to the community (21.6% of the Primary Enterprise's operating expenses in 2020) is presented in note 1 of the notes to basic financial statements.

Finance Contact

Atrium Health's basic financial statements are designed to present users with a general overview of Atrium Health's finances and to demonstrate Atrium Health's accountability. If you have any questions about the report or need additional financial information, please contact the Group Vice President of Finance, Atrium Health, 1000 Blythe Boulevard, Charlotte, NC 28203.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Balance Sheet

December 31, 2020

(Dollars in thousands)

	2020	
Assets and Deferred Outflows of Resources	**Primary Enterprise**	**Component Units**
Current assets:		
Cash and cash equivalents	$ 906,263	$ 5,828
Short-term investments	—	11,541
Patient accounts receivable – net	949,421	1,198
Other accounts receivable	100,374	18,841
Assets limited as to use – investments	47,327	—
Inventories	141,061	—
Prepaid expenses	93,640	403
Total current assets	2,238,086	37,811
Capital assets	8,466,963	24,468
Accumulated depreciation	(4,334,631)	(12,127)
Total capital assets – net	4,132,332	12,341
Other noncurrent assets:		
Assets limited as to use:		
Investments designated for capital improvements	6,636,228	—
Other long-term investments	73,989	329,497
Other assets limited as to use – investments	181,085	—
Other assets	275,226	33,364
Total other noncurrent assets	7,166,528	362,861
Total assets	13,536,946	413,013
Deferred outflows of resources	464,512	—
Total assets and deferred outflows of resources	$ 14,001,458	$ 413,013
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable	$ 385,765	$ 61
Salaries and benefits payable	571,666	37
Other liabilities and accruals	690,630	4,614
Estimated third-party payer settlements	285,857	—
Current portion of long-term debt	600,116	408
Total current liabilities	2,534,034	5,120
Long-term debt – less current portion	2,048,376	5,517
Interest rate swap liability	328,481	—
Pension liability	398,523	—
Other liabilities	771,846	3,181
Total liabilities	6,081,260	13,818
Commitments and contingencies (notes 1, 2, 5 and 10)		
Deferred inflows of resources	39,114	—
Net position:		
Net investment in capital assets	1,471,247	6,416
Restricted – by donor	76,861	382,788
Unrestricted	6,332,976	9,991
Total net position	7,881,084	399,195
Total liabilities, deferred inflows of resources and net position	$ 14,001,458	$ 413,013

See accompanying notes to basic financial statements.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Statement of Revenues, Expenses and Changes in Net Position

Year ended December 31, 2020

(Dollars in thousands)

	2020	
	Primary Enterprise	**Component Units**
Net patient service revenue	$ 6,520,536	$ 4,583
Other revenue	770,428	28,794
Total revenue	7,290,964	33,377
Operating expenses:		
Personnel costs	4,402,343	4,627
Supplies	1,524,408	982
Purchased services	602,437	98
Other expenses	566,584	36,793
Depreciation and amortization	363,167	759
Total operating expenses	7,458,939	43,259
Operating loss	(167,975)	(9,882)
Nonoperating (loss) income:		
Interest expense	(81,315)	(223)
Interest and dividend income	69,188	2,328
Net change in the fair value of investments	688,050	39,871
Stimulus grants	305,526	—
WFBH academic endowment and enrichment funds	(220,000)	—
Other – net	(22,133)	41
Total nonoperating income – net	739,316	42,017
Revenue over expenses before contributions	571,341	32,135
Capital contributions	19,419	1,325
Other contributions	(5,594)	(1,653)
Increase in net position	585,166	31,807
Net position:		
Beginning of year	7,295,918	367,388
End of year	$ 7,881,084	$ 399,195

See accompanying notes to basic financial statements.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Statement of Cash Flows

Year ended December 31, 2020

(Dollars in thousands)

	2020	
	Primary Enterprise	**Component Units**
Cash flows from operating activities:		
Receipts from third-party payers and patients	$ 6,973,850	$ 4,344
Payments to suppliers	(2,712,314)	(4,311)
Payments to employees	(4,319,163)	(516)
Other receipts (payments) – net	746,152	(9,796)
Net cash provided by (used in) operating activities	688,525	(10,279)
Noncapital financing activities		
Proceeds from the issuance of commercial paper	425,000	—
Retirements of commercial paper	(175,000)	—
Stimulus grants	343,991	—
Other activities	(25,830)	—
Net cash provided by noncapital financing activities	568,161	—
Cash flows from capital and related financing activities:		
Purchase of capital assets	(665,767)	(180)
Donated funds designated for building and equipment purchases	18,461	1,325
Principal payments, refunding and retirements on short- and long-term debt	(63,986)	(409)
Interest payments on short- and long-term debt	(94,895)	(223)
Other contributions (distributions)	301	(452)
Net cash (used in) provided by capital and related financing activities	(805,886)	61
Cash flows from investing activities:		
Withdrawal from investments limited as to use	101,157	(9)
Contributions to investments limited as to use	(125,972)	—
Investment earnings	4,371	8,767
Purchase of investments	(27,897)	—
Net cash (used in) provided by investing activities	(48,341)	8,758
Net increase (decrease) in cash and cash equivalents	402,459	(1,460)
Cash and cash equivalents:		
Beginning of year	503,804	7,288
End of year	$ 906,263	$ 5,828
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	$ (167,975)	$ (9,882)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	363,167	759
Increase in patient accounts receivable – net	(36,446)	(239)
Increase in inventories and other current assets	(54,569)	(2,888)
Increase in other assets affecting operating activities	(177,199)	(50)
Increase (decrease) in accounts payable and other current liabilities	353,097	(21)
Increase in other liabilities affecting operating activities	371,487	2,042
Increase in estimated third party payer settlements	36,963	—
Net cash provided by (used in) operating activities	$ 688,525	$ (10,279)

See accompanying notes to basic financial statements.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Statement of Fiduciary Net Position – Pension Trust Funds

December 31, 2020

(Dollars in thousands)

Assets		
Cash and cash equivalents	$	31,427
Investments at fair value:		
Fixed income:		
U.S. government treasuries and agencies		17,902
Corporate bonds		22,632
Fixed income – other		113,830
Total fixed income		154,364
Equity:		
Domestic equities		386,711
International equities		158,961
Global equities		243,501
Total equity		789,173
Global asset allocation funds		35,641
Real asset funds		41,841
Investments at NAV:		
Fixed income – other		50,745
Global asset allocation funds		86,346
Long/short fixed income		91,902
Multi-strategy hedge funds		5,949
Private equity funds		75,127
Global equity funds		79,181
Total investments at NAV		389,250
Total investments		1,410,269
Total assets	$	1,441,696
Liabilities		
Accounts payable and other liabilities		—
Total liabilities		—
Net position restricted for pension plans	$	1,441,696

See accompanying notes to basic financial statements.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Statement of Changes in Fiduciary Net Position – Pension Trust Funds

December 31, 2020

(Dollars in thousands)

Additions:		
Employer contributions	$	41,741
Investment income:		
Net appreciation in fair value of investments		159,066
Interest and dividends		11,104
		170,170
Less investment expense		(2,045)
Net investment income		168,125
Total additions		209,866
Deductions:		
Benefit payments		(163,915)
Administrative expense		(2,628)
Total deductions		(166,543)
Net increase in fiduciary net position		43,323
Fiduciary net position restricted for pension plans:		
Beginning of year		1,398,373
End of year	$	1,441,696

See accompanying notes to basic financial statements.

(1) Significant Accounting Policies

(a) Organization, Basis of Presentation, and Discrete Component Units

Atrium Health is one of the nation's leading and most innovative healthcare organizations, providing a full spectrum of healthcare and wellness programs in the Southeast region. Its diverse network of care locations includes academic medical centers, hospitals, freestanding emergency departments, physician practices, surgical and rehabilitation centers, home health agencies, nursing homes and behavioral health centers, as well as hospice and palliative care services. Atrium Health works to enhance the overall health and wellbeing of its communities through high quality patient care, education and research programs, and numerous collaborative partnerships. Atrium Health was organized in 1943 under the North Carolina Hospital Authorities Act. It is a public body and a body corporate and politic and, therefore, has been determined by the Internal Revenue Service to be exempt from federal and state income taxes. Atrium Health is headquartered in Charlotte, North Carolina.

For financial reporting purposes, Atrium Health is divided into the "Primary Enterprise", "Discrete Component Units," and "Fiduciary Activities." The Primary Enterprise consists of The Charlotte-Mecklenburg Hospital Authority (CMHA, d/b/a Atrium Health) and all of its controlled affiliates. Discrete Component Units include Central Georgia PET, LLC, a joint venture which operates an outpatient radiology imaging center, and Cowles Clinic Realty, LLC, a real estate joint venture which holds and leases medical office property, both of which are legally separate entities for which Atrium Health is financially accountable. The Atrium Health Foundation, Inc. (the Foundation), which raises and holds economic resources for the direct benefit of Atrium Health, is also a Discrete Component Unit. The Foundation operates to raise funds to enhance, promote and support medical services, scientific education and research. It solicits contributions for Atrium Health entities, and, in the absence of donor restrictions, its Board of Directors has discretionary control over the amounts to be distributed. Net capital and operating contributions to Atrium Health from the Foundation included in the statement of revenues, expenses and changes in net position were $36,121 for the year ended December 31, 2020. Discrete Component Units are reported on a basis consistent with Atrium Health's calendar year and are discretely presented. Transactions between Atrium Health and the Discrete Component Units resulting in intercompany receivables, payables, revenues and expenses are not eliminated.

In February 2020, Atrium Health transferred the assets of its five skilled nursing facilities to AHSNF, Inc. (AHSNF) a North Carolina nonprofit corporation, pursuant to Section 131E-8 of the North Carolina General Statutes. Atrium Health appoints and employs all members of the AHSNF board of directors, manages the day-to-day operations of AHSNF, and operates AHSNF as an integrated component of its healthcare delivery system. As a result of these factors and others, AHSNF is a Component Unit of Atrium Health and its financial position and results are blended with those of the Primary Enterprise. ANSNF is a member of the Obligated Group (see Combined Group below).

In October 2020, Atrium Health and Wake Forest Baptist Health (WFBH), including the Wake Forest University School of Medicine, became part of a single enterprise (the Enterprise or the Atrium Health Enterprise) pursuant to a Health System Integration Agreement and related agreements. WFBH is an integrated clinical, research and academic enterprise located in the Winston-Salem, North Carolina region operated by Wake Forest University Baptist Medical Center, a North Carolina nonprofit corporation (WFBMC), which is a joint operating company that was established by Wake Forest University, a North Carolina nonprofit corporation (WFU), and North Carolina Baptist Hospital, a North Carolina nonprofit corporation (NCBH). Wake Forest University Health Sciences (WFUHS) is a wholly-owned affiliate of Wake Forest University that owns all of the assets of and operates Wake Forest University School of Medicine and is part of WFBH.

Both Atrium Health and WFBH (the Enterprise participants) have maintained their separate legal existence and continue to own their assets. Each Enterprise participant retains all power, authorities, rights, and remedies necessary or appropriate to allow it to comply with its pre-existing debt instruments and any new debt instruments. Subject to the exercise of certain reserved powers and carrying out of certain responsibilities by the Atrium Health Board of Commissioners and WFBH Board of Directors, governance for the Enterprise will be provided by an Enterprise board of directors (the “Enterprise Board of Directors”) of a newly formed North Carolina nonprofit corporation named Atrium Health, Inc. (AHI). Although Atrium Health will designate a majority of the members of the Enterprise Board of Directors, Atrium Health does not have the ability to impose its will on AHI, as all significant decisions regarding operations and management of AHI reside with the Enterprise Board of Directors. Further, Atrium Health is neither legally entitled to AHI’s resources nor obligated to support it financially. Because Atrium Health is not financially accountable for AHI or any WFBH entity, neither AHI nor WFBH is included in the Atrium Health basic financial statements. More information about related commitments made by the Enterprise is included in note 10.

In November 2019, Atrium Health signed a Letter of Intent to combine with Floyd Health System (Floyd), a Georgia nonprofit corporation headquartered in Rome, Georgia, with the goal of bringing enhanced capabilities and new investments in skills and talent, facilities and technology to the communities served by Floyd. As of the date of issuance, an agreement had not been signed.

Certain healthcare facilities in the Carolinas (the Managed Affiliates) are managed by Atrium Health or its affiliates pursuant to management agreements; however, only the management and contracted services fees earned by Atrium Health, not the financial position or results of operation of those facilities, are reflected in the financial statements of Atrium Health.

(b) The Combined Group

Atrium Health’s Second Amended and Restated Bond Order authorizes the creation of a Combined Group, which consists of the Obligated Group and Designated Affiliates (there are no Designated Affiliates at this time). Only the Combined Group has a direct or indirect obligation to pay amounts due on bonds issued by CMHA. As of December 31, 2020, the members of the Combined Group were substantially all of the members of the Primary Enterprise, with the exception of Atrium Health Navicent (Navicent), and the Foundation. There are some affiliates of the Primary Enterprise, including Navicent, which are not part of the Combined Group. The affiliates that are part of the Primary Enterprise, but not part of the Combined Group, made up approximately 12.6% of the total revenue and approximately 13.5% of the total assets of the Primary Enterprise for the year ended December 31, 2020. Supplemental financial information for the Combined Group as of and for the year ended December 31, 2020 is presented as Other Financial Information following the notes to basic financial statements.

(c) Recently Adopted Governmental Accounting Standards

In 2020, Atrium Health adopted Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which extended the effective dates of certain accounting and financial reporting provisions in Statements that were first effective for reporting periods beginning after June 15, 2018. With the adoption of this Statement, Atrium Health elected to defer implementation of GASB Statements No. 87 *(Leases)* and No. 89 (*Accounting for Interest Cost Incurred before the End of a Construction Period*) until the years ended December 31, 2022 and December 31, 2021, respectively.

(d) Basis of Accounting

The basic financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the GASB.

(e) Effects of COVID-19 Pandemic on Operations

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which spread throughout the United States and world. In response to the pandemic, in late March 2020 Atrium Health began postponing or canceling non-essential patient care services, including elective surgeries, in order to comply with public health guidelines and to create hospital capacity in anticipation of a surge of COVID-19 patients. Additionally, patient-directed visits to physicians, urgent cares, and emergency rooms also declined with the implementation of local and state “stay at home” orders. Atrium Health continued to make financial commitments to ensure the safety of its patients and the well-being of its teammates, which increased the cost of all patient care. In May, Atrium Health began expanding its patient care services again, but given the on-going pandemic’s impact on consumer confidence and subsequent increases in COVID cases late in the year, Atrium Health experienced significant revenue declines in 2020.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided funding to the Department of Health and Human Services (DHHS) Public Health and Social Services Emergency Fund (Relief Fund), which provided funds to qualifying healthcare providers treating COVID-19 patients to replace lost revenues or reimburse for COVID-19-related costs. Atrium Health received $343,991 and recorded approximately $305,526 of revenues from the Relief Fund within nonoperating income in fiscal year 2020 to replace lost revenues attributable to COVID-19. The unrecognized funds received were recorded as deferred revenue in other liabilities on the balance sheet. These Relief Fund payments are not subject to repayment, provided Atrium Health is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used to replace lost revenue attributable to COVID-19 or to reimburse for COVID-19 related costs. In April 2021, Atrium Health received an additional $165,622 of Relief Fund proceeds. The amount of Provider Relief Funds recognized as revenue may change as more information becomes available, including additional guidance from DHHS. The Health Resources and Services Administration (HRSA) COVID-19 Uninsured Program also provided funds for claim reimbursements related to COVID-19 testing and treatment of the uninsured patients. Atrium recorded $19,306 of funds from this program at the patient level within net patient service revenue. In addition to the CARES Act, the Families First Coronavirus Relief Act (FFCRA), provided additional federal matching funds to each state to help with expected funding shortfalls arising from COVID-19. This temporary boost in federal matching funds had the effect of increasing Medicaid supplemental payments by approximately $14,000 in 2020 and is expected to continue while the Public Health Emergency remains in effect. The CARES Act also suspended the 2% across-the board reduction to all Medicare payments (known as sequestration) from May 1, 2020 through December 31, 2020. On April 14, 2021, the President signed H.R. 1868 further delaying these payment reductions through December 31, 2021. The impact of the suspension of sequestration for fiscal year 2020 was approximately $24,000.

Additionally, beginning in April 2020, DHHS Centers for Medicare and Medicaid Services (CMS) provided $437,846 of Medicare advance payments to Atrium Health. These funds must be repaid to CMS beginning in April 2021 via a recoupment process by which future Medicare payments are reduced by 25% for 11 months and then 50% thereafter. Repayment is expected to carry into 2022. At December 31, 2020, the Atrium Health balance sheet included Medicare advance payments of $289,085 in other liabilities and accruals and $148,751 in other liabilities (long-term).

The CARES Act also enabled employers such as Atrium Health to defer the payment of employer Social Security taxes between March 27 and December 31, 2020 and to spread repayment of that employment tax liability with 50% payable by December 31, 2021 and the remaining 50% payable by December 31, 2022. At December 31, 2020, Atrium Health recorded a total employment tax liability of $90,498 of which $45,249 is due by December 31, 2021 and the remainder due by December 31, 2022.

The COVID-19 pandemic continues to evolve; the ultimate impact to future financial and operating results cannot be estimated at the time of issuance.

(f) Cash Equivalents

For purposes of the balance sheet and statement of cash flows, Atrium Health considers all investments purchased with a maturity of three months or less and which are not limited as to use to be cash equivalents.

(g) Patient Accounts Receivable – Net

Patient accounts receivable is recorded net of allowances for uncollectible accounts of approximately $609,000 at December 31, 2020. Net patient revenue is shown net of provision for uncollectible accounts of approximately $752,000 for the year ended December 31, 2020.

(h) Other Accounts Receivable

Other accounts receivable consists primarily of amounts due from Managed Affiliates, other affiliates, federal and state governments and other nonpatient receivables from external parties.

(i) Capital Assets

Property, plant and equipment are stated at cost. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Routine maintenance, repairs and replacements are charged to expense when incurred. Depreciation is determined using the straight-line method over the estimated useful lives of the depreciable assets.

Property classification	Estimated lives (years)
Land improvements	5–25
Buildings	5–40
Equipment	3–15

Atrium Health evaluates long-lived assets regularly for impairment. If circumstances suggest that assets may be impaired, an assessment of recoverability is performed prior to any write-down of assets. An impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount. No material impairment charges to long-lived assets were recorded for the fiscal year ended December 31, 2020.

(j) Cost of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the costs of acquiring these assets.

(k) Other Assets Limited as to Use – Investments

Other assets limited as to use include amounts intended for future expenditures of Atrium Health, amounts Atrium Health holds as custodian and investments held in a revocable trust for the payment of contingencies not covered by insurance. Such investments are carried at fair value.

(l) Other Assets

Other assets consist of teammate benefit plan assets (carried at fair value) not subject to GASB Statements No. 68 and 84 and investments in certain healthcare-related businesses accounted for using the cost or equity method.

(m) Deferred Outflows of Resources

Deferred outflows of resources consist of the unamortized amounts related to long-term debt refunding transactions, the aggregate change in fair value of swaps that are effective hedges, benefit plan differences between expected and actual investment earnings, benefit plan differences between expected and actual experience related to demographic factors, benefit plan assumption changes, and the excess cost of net position related to the acquisition of health-related businesses. The balance of the deferred outflows of resources at December 31, 2020 is composed of the following:

(Dollars in thousands)

Refunding of debt	$	183,605
Aggregate change in fair value of swaps		132,283
Deferred outflows of resources related to Atrium Health DB Plan (note 8)		116,833
Deferred outflows of resources related to Navicent Health DB Plan (note 8)		8,781
Excess cost of net position acquired		23,010
	$	464,512

(n) Other Liabilities and Accruals

Other liabilities and accruals consist primarily of the current portion of benefit and incentive plan liabilities, current interest payable on long-term debt and other current accruals.

(o) Other Liabilities (Long-Term)

Other liabilities consist primarily of the long-term portions of self-insurance and benefit plan and incentive plan liabilities, a long-term liability payable to Union County (see note 10) and unearned rent. The provision for self-insurance claims includes estimates of the ultimate costs for both reported claims and claims incurred, but not reported.

(p) Deferred Inflows of Resources

Deferred inflows of resources consist of the gain related to a 2008 sale-leaseback transaction, which is being amortized over the terms of the related leases, benefit plan differences between expected and actual experience related to demographic factors, and benefit plan assumption changes.

Sale-leaseback gain	$	13,329
Deferred inflows of resources related to Atrium Health DB Plan (note 8)		24,744
Deferred inflows of resources related to Navicent Health DB Plan (note 8)		1,041
	$	39,114

(q) Net Position

The financial statements present net position which is categorized as net investment in capital assets, restricted – by donor, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of assets generated from revenues that have third-party limitations on their use. Unrestricted net position has no third-party restrictions on use. When both restricted and unrestricted resources are available for use, generally it is Atrium Health's policy to use restricted resources first and then unrestricted resources when they are needed.

(r) Operating Revenues and Expenses

For purposes of financial reporting, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as operating revenues and expenses; otherwise, they are reported as nonoperating income and losses.

(s) Financial Assistance and Community Benefit Costs

Atrium Health, under its financial assistance and hardship programs, provides care without charge or at discounted rates to certain uninsured patients as well as any patient, regardless of insurance coverage, who experiences financial hardship. Key elements used to determine eligibility for financial assistance include a patient's demonstrated inability to pay based on family size and household income relative to federal income poverty guidelines. Patients potentially eligible for other governmental programs, such as Medicaid, must pursue those options by fully cooperating in the eligibility process before receiving financial assistance from Atrium Health. Atrium Health's cost of care (estimated using applicable cost to charge ratios) extended to uninsured patients qualifying for financial assistance was $260,909 for the year ended December 31, 2020.

In addition to providing financial assistance to uninsured patients and in furtherance of its mission, Atrium Health provides a broad range of benefits and services, including medical education and research opportunities, to the community spanning the geographic region within which Atrium Health operates. These community benefits can be measured and categorized as follows:

Unpaid Cost of Medicare and Medicaid Services – Represents the net unreimbursed cost, estimated using the applicable cost to charge ratios, of services provided to patients who qualify for federal and/or state government healthcare benefits.

Community Benefit Programs – Includes the unreimbursed cost of various medical education programs, and costs of various research programs, nonbilled medical services, in-kind donations and other services that meet a community need, but do not pay for themselves and would not be provided if based solely on financial considerations.

Cost of care extended to uninsured and underinsured patients who do not qualify for financial assistance, estimated using applicable cost to charge ratios.

(Dollars in thousands)

The total estimated cost of financial assistance and the aforementioned programs and services that benefit the community is as follows for the year ended December 31:

Cost of financial assistance to uninsured patients	$	260,909
Unpaid cost of Medicare and Medicaid services		950,538
Community benefit programs		131,116
Cost of care extended to uninsured and underinsured patients who do not qualify for financial assistance		289,079
	$	1,631,642
Percentage of the Primary Enterprise's operating expenses, including interest expense		21.6 %

(t) Capital Contributions and Grants

Funds donated to acquire property, plant and equipment are considered donations of capital and are included as a component of capital assets and the net investment in capital assets portion of net position.

(u) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to makes 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 revenue and expenses during the reporting period. Atrium Health considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements, including the following: recognition of net patient service revenue; valuation of accounts receivable, including contractual allowances and provisions for bad debts; reserves for losses and expenses related to teammate healthcare, professional liabilities, workers' compensation and general liabilities; valuation of pension and other retirement obligations; estimated third-party payer settlements; and recognition of stimulus grant revenues. Actual results could differ from those estimates.

(v) Future Accounting and Reporting Requirements

In 2017, the GASB issued Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. 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. The requirements of this Statement are required to be adopted no later than the year ended December 31, 2022. The adoption of this Statement will require Atrium Health to record a lease liability measured at the present value of payments expected to be made during the lease term and a comparable lease asset, adjusted for certain other costs and payments. Atrium Health has not yet determined the lease liability and asset amount.

In 2019, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which provides updated accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost was incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of the related capital asset. The provisions of this Statement are required to be adopted no later than the year ended December 31, 2021. The adoption of this Statement will cause interest expense that is currently capitalized as part of the constructed cost of capital assets to be expensed in the period incurred (see note 4).

In 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which requires disclosure of general information about conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. The requirements of this Statement are required to be adopted no later than the year ended December 31, 2022. Atrium Health has not yet determined the impact of this Statement on the basic financial statements.

In 2020, the GASB issued Statement No. 92, *Omnibus 2020*, which addresses a variety of practice issues related to the application of certain GASB Statements. Those issues include leases, postemployment benefits, fiduciary activities, asset retirement obligations, fair value measurement, and derivative instruments. The requirements of this Statement are required to be adopted no later than the year ended December 31, 2022, with the exception of select provisions, which are effective immediately. Atrium Health has not yet determined the impact of this Statement on the basic financial statements, but the provisions that have been immediately adopted had no material impact on the basic financial statements.

In 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, which addresses accounting and financial reporting implications that result from the replacement of a London Interbank Offered Rate (LIBOR). The requirements of this Statement are required to be adopted no later than the year ended December 31, 2022. Atrium Health has not yet determined the impact of this Statement on the basic financial statements.

In 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which addresses the proper accounting and financial reporting of public-private, public-public partnership and availability payment arrangements. The requirements of this Statement are required to be adopted no later than the year ended December 31, 2023. Atrium Health has not yet determined the impact of this Statement on the basic financial statements.

In 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which addresses the proper classification, measurement, and financial disclosure of subscription-based information technology arrangements (SBITAs). The requirements of this Statement are required to be adopted no later than the year ended December 31, 2023. Atrium Health has not yet determined the impact of this Statement on the basic financial statements.

In 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, which addresses 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 of a governing board, the scope of fiduciary component units that need to be included in fiduciary fund financial statements, and accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation

(Continued)

plans (Section 457 plans). The exemption of primary governments being allowed to claim they are financially accountable for employee benefit plans if there is no governing board and the limitation of the applicability in the financial burden criterion (paragraph 7 of Statement 84) to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts are to be adopted immediately. All other requirements of this Statement are required to be adopted no later than the year ended December 31, 2022. Atrium Health has not yet determined the impact of this Statement on the basic financial statements, but the provisions that have been immediately adopted had no material impact on the basic financial statements.

(w) Business Combinations and Certain Other Affiliations

Atrium Health accounts for the acquisition of healthcare-related businesses in accordance with GASB Statement No. 69. Any excess of purchase price over the net position acquired is recorded as a deferred outflow of resources and is attributed to future periods in a systematic manner based upon professional standards. Any purchase price in excess of net position acquired prior to January 1, 2013 is being amortized over periods that do not exceed 25 years. The results of operations of these acquired entities are included in Atrium Health's results of operations from the dates of acquisition.

(2) Cash, Investments and Other Financial Instruments

(a) Cash and Cash Equivalents

As of December 31, 2020, Atrium Health had cash and cash equivalents of $906,263 which includes amounts held at Navicent. A portion of the cash and cash equivalents were invested with the North Carolina Capital Management Trust's Government Portfolio, which has a rating of AAAm from S&P Global Ratings and Aaa-mf from Moody's Investors Service, Inc.

For cash and cash equivalents, with the exception of cash and cash equivalents held at Navicent, Atrium Health follows North Carolina General Statute 159-30, whereby all deposits of Atrium Health are held in depositories that are either insured or covered under statewide single financial institution collateral pools (the Pooling Method). Collateral is maintained for all the depositories' governmental units in the state. The North Carolina State Treasurer monitors the 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 noninterest-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 Atrium Health. Because of the inability to measure the exact amount of collateral pledged for Atrium Health under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, each Pooling Method Depository is subject to financial stability standards and oversight by the State Treasurer of North Carolina.

As of December 31, 2020, Navicent had uncollateralized cash and cash equivalents of $150,450 which consisted of cash on hand, deposits with banks and investments in highly liquid debt instruments with maturities of three months or less when purchased, excluding assets limited as to use.

(b) Investments Designated for Capital Improvements and Other Assets Limited as to Use

Atrium Health may, for funds not required for immediate disbursement, make investments that are permissible for trustees, executors, and other fiduciaries under North Carolina and Georgia laws. Funds that are not needed for immediate operating needs and that have been designated by the governing boards for capital improvements, along with other trusteed assets, are invested in short term investments, fixed income securities, equity securities and limited partnerships. Investments included in the portfolio are reflected at fair value at the balance sheet date, as noted in the table below, with gains and losses reflected in nonoperating income (loss) in the accompanying statement of revenues, expenses and changes in net position.

Atrium Health operates a regional integrated healthcare system, which has significant capital needs arising from both changes in medical technology and a growing demand for healthcare services. At December 31, 2020, the fair value of investments designated for capital improvements of $6,636,228 is substantially less than the historical cost of property, plant and equipment of $8,466,963.

(Dollars in thousands)

Atrium Health's investments designated for capital improvements and other assets limited as to use (Other long-term investments and Assets limited as to use – current and noncurrent), based on fair value as of December 31, 2020, and organized by investment type to provide an indication of the level of investment and deposit risks assumed, are as follows:

	Ratings by nationally recognized agency	Effective duration in years	Atrium Health designated for capital improvements	Atrium Health other assets limited as to use	Navicent designated for capital improvements	Navicent other assets limited as to use
Short term investments			$ 118,449	$ 17,245	$ 14,814	$ 3,299
Fixed income:						
U.S. government treasuries and agencies	AAA	4.93	17,688	362	1,900	—
	AA	7.54	167,778	4,349	18,024	—
	BBB	11.41	115	—	12	—
Mortgage pass-throughs	AAA	4.45	20,126	1,299	2,162	—
	AA	3.42	72,648	2,475	7,804	—
Collateralized mortgage obligations	AAA	2.52	603	—	65	—
Corporate bonds	AAA	15.55	1,796	21	193	—
	AA	12.50	8,019	203	862	—
	A	0.01	135,964	4,037	14,606	53,494
	BBB	4.72	125,573	3,750	13,490	—
	BB	3.30	685	—	74	—
Municipal bonds	AAA	8.71	5,918	143	636	—
	AA	6.95	13,235	476	1,422	—
	A	4.87	4,714	69	506	—
	BBB	6.08	399	43	43	—
Asset-backed securities	AAA	2.66	16,023	646	1,721	—
	AA	3.38	6,491	103	697	—
Fixed income - funds	N/A	3.01	1,004,084	22,978	107,866	—
Long/short fixed income	N/A	N/A	384,993	—	41,359	—
Total fixed income (weighted-average duration)		3.83	1,986,852	40,954	213,442	53,494
Equity:						
Domestic equities			1,322,793	40,142	142,104	—
International equities			844,629	26,934	90,736	—
Global equities			1,034,046	23,064	111,085	26,410
Total equity			3,201,468	90,140	343,926	26,410
Global asset allocation funds			401,515	12,216	43,134	—
Real assets funds			231,114	7,524	24,828	—
Multi-strategy hedge funds			22	1,923	15,291	—
Private equity funds			11,600	49,196	29,774	—
Total reported value			$ 5,951,020	$ 219,198	$ 685,209	$ 83,203

The investments designated as capital improvements of $6,636,228 includes $685,208 of Navicent funds, $639,304 of which is invested alongside Atrium Health funds in a coordinated strategy under the terms of an Investment Coordination Agreement (ICA) between Atrium Health and Navicent in which Navicent retains beneficial ownership of its funds. Navicent funds invested under the ICA represent approximately 9.70% of the combined portfolio of $6,590,324. Navicent's funds also include $45,904 of investments separately held by Navicent.

(c) Custodial Credit Risk

Custodial credit risk is the risk that Atrium Health will not be able to recover the value of its bank deposits, which are exposed to custodial credit risk if they are uninsured and uncollateralized. As of December 31, 2020, all of Atrium Health's bank deposits were either insured by federal depository insurance or collateralized by the Pooling Method. From time to time Navicent deposits at banks exceed the federal deposit insurance corporation insurance limit. By policy, the amount of credit exposure to any one institution is limited.

Fixed income investments and equity securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of Atrium Health and are held by either the counterparty or the counterparty's trust department or agent, but not in Atrium Health's name. As of December 31, 2020, all of Atrium Health's fixed income investments and equity securities are held by Atrium Health's or Navicent's custodial bank in Atrium Health's or Navicent's name and are, therefore, not exposed to custodial credit risk.

(d) Credit Risk

With respect to fixed income investments, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations as required by the fixed income security. Atrium Health's investment policy requires that the overall average credit quality of the non-core fixed income portfolios must be maintained at AA or higher, and the overall average credit quality of the core fixed income portfolios must be maintained at A or higher. As of December 31, 2020, Atrium Health's fixed income portfolio met these overall average requirements. The quality ratings of Atrium Health's investments in fixed income securities (excluding long/short fixed income), as determined by nationally recognized statistical rating organizations, are disclosed in the preceding tables.

(e) Concentration of Credit Risk

Credit concentration risk results from not adequately diversifying investments. Per Atrium Health's investment policy, equity and fixed income restrictions include, (1) no more than 7% of any investment manager's equity portfolio may be invested in securities of any one issuing corporation, and (2) fixed income investments in any single issuer (excluding obligations of the U.S. government and its agencies) may not exceed 5% of any investment manager's portfolio market value at the time of purchase. Although exceptions to these policy restrictions are at times granted to investment managers, at no time may an investment in any one corporation exceed 5% of that corporation's outstanding shares while fixed income investments in any single issuer (excluding obligations of the U.S. government and its agencies) may not exceed 5% of the total issue at the time of purchase. At December 31, 2020, no investment in any one corporation or single issuer exceeded allowable thresholds.

(f) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of a fixed income investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Atrium Health monitors the interest rate risk inherent in its fixed income portfolio by measuring the effective duration in years, which measures the expected change in value of a fixed income security or portfolio for a given change in interest rates.

As a means of limiting interest rate risk, Atrium Health's investment policy (excluding long/short fixed income) limits the effective duration in years of the core fixed income portfolio to a range of 75% to 125% of the duration of its benchmark (Bloomberg Barclay's U.S. Aggregate Bond Index) and limits the effective duration in years of the non-core fixed income portfolio to a range of 0% to 150% of the duration of its benchmark (Barclays U.S. Capital Government/Credit Bond Index) at all times.

As noted in the December 31, 2020 table above, the effective duration in years of Atrium Health's total core and non-core fixed income portfolios was 3.83 years while the Bloomberg Barclays U.S. Aggregate Bond Index's effective duration for core fixed income was 8.3 years and Barclay's Capital U.S. Government/Credit Bond Index for non-core fixed income was 2.88 years.

Atrium Health's fixed income investments also include asset-backed securities that are sensitive to interest rate fluctuations due to embedded prepayment options.

(g) Foreign Currency Risk

Foreign currency risk is the chance that changes in exchange rates will adversely affect the fair value of investments and deposits. Atrium Health's investment policy limits foreign currency investments to international and global managers who can utilize such investments for currency hedging purposes only.

At December 31, 2020, Atrium Health had $669,597 of exposure to foreign currency risk in the form of short term investments of $1,275, mutual funds of $138,861 (including approximately 96% in the British Pound and approximately 4% in the Canadian Dollar) and common stock in foreign currencies of $529,461 (including approximately 33% in the Euro, approximately 23% in the British Pound, approximately 16% in the Japanese Yen, and the remaining 28% spread over other common stock in foreign currencies, none of which exceed 10%).

The deposit and investment risks for Atrium Health's Discrete Component Units and Fiduciary Activities are not significantly different than those of the Primary Enterprise.

(Continued)

(3) Fair Value Measurements

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy that requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the three levels of inputs used to measure fair value on a recurring basis:

Level 1 – Level 1 inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that are available as of the measurement date.

Level 2 – Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Level 3 inputs are unobservable inputs that reflect Atrium Health management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Level 3 assets include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, or for which the determination of fair value requires significant management judgment or estimation.

Investments that do not have a readily determinable fair value are reported using net asset value (NAV) as a "practical expedient" as outlined in GASB 72.

Although Atrium Health management believes the fair value accounting estimates reflected in its financial statements are reasonable, there can be no assurances that Atrium Health could ultimately realize these values.

(Dollars in thousands)

The fair value hierarchy classification of Atrium Health's assets measured at fair value as of December 31, 2020 is summarized in the table below:

					Fair value at reporting date using	
	Atrium Health Designated for capital improvements	Atrium Health Other assets limited as to use	Navicent Designated for capital improvements	Navicent Other assets limited as to use	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Investments by fair value level:						
Short term investments	$ 118,449	$ 17,245	$ 14,814	$ 3,299	$ 153,807	$ —
Fixed income:						
U.S. government treasuries and agencies	185,581	4,711	19,936	—	—	210,228
Mortgage pass-throughs	92,774	3,774	9,966	—	—	106,514
Collateralized mortgage obligations	603	—	65	—	—	668
Corporate bonds	272,037	8,011	29,225	53,494	—	362,767
Municipal bonds	24,266	731	2,607	—	—	27,604
Asset-backed securities	22,514	749	2,418	—	—	25,681
Fixed income – mutual funds	644,471	17,743	69,234	—	731,448	—
Total fixed income	1,242,246	35,719	133,451	53,494	731,448	733,462
Equity:						
Domestic equities	1,322,793	40,142	142,104	—	1,505,039	—
International equities	844,629	26,934	90,736	—	962,299	—
Global equities	616,478	14,390	66,227	26,410	723,505	—
Total equity	2,783,900	81,466	299,067	26,410	3,190,843	—
Real asset funds	231,114	7,524	24,828	—	263,466	—
Total investments by fair value level	4,375,709	141,954	472,160	83,203	$ 4,339,564	$ 733,462

(Dollars in thousands)

									Fair value at reporting date using	
		Atrium Health Designated for capital improvements		Atrium Health Other assets limited as to use		Navicent Designated for capital improvements		Navicent Other assets limited as to use	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Investments measured at NAV:										
Fixed income – other funds	$	359,613	$	5,235	$	38,632	$	—		
Global asset allocation funds		401,515		12,216		43,134		—		
Long/short fixed income		384,993		—		41,359		—		
Multi-strategy hedge funds		22		1,923		15,291		—		
Private equity funds		11,600		49,196		29,774		—		
Global equities		417,568		8,674		44,858				
Total investments measured at NAV		1,575,311		77,244		213,048		—		
Total investments measured at fair value	$	5,951,020	$	219,198	$	685,209	$	83,203		

Fixed income and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Atrium Health accounts for these investments through the use of quoted market prices for those investments with readily determinable fair values. Fixed income and equity securities classified in Level 2 of the fair value hierarchy are valued using quoted market prices for similar securities, values provided by the external investment managers, and pricing services of multiple vendors utilized by Atrium Health's investment custodian to price the same assets. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices, benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others. Atrium Health management reviews the valuations received from third parties.

(Dollars in thousands)

The table below discloses the unfunded commitments, redemption frequency and redemption notice period for investments measured at net asset value as of December 31, 2020:

Designated for Capital Improvements and Other Assets Limited as to Use – Combined

	2020	Unfunded commitments as of December 31, 2020	Redemption frequency	Redemption notice period
Fixed income – other	$ 403,480	$ —	Monthly	15 days
Global asset allocation funds	456,865	—	Daily	2 days
Long/short fixed income	426,352	—	Quarterly	45–90 days
Multi-strategy hedge funds	17,236	—	n/a	n/a
Private equity funds	90,570	14,207	n/a	n/a
Global equities	471,100	—	Monthly	14 days
Total	$ 1,865,603	$ 14,207		

Fixed income – Other investments offer a flexible approach which allows for investments into multiple types of investment grade securities, emerging markets debt, global bonds, and/or other fixed income sectors. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Global asset allocation funds investments offer diversified asset class exposure and can be segmented among several categories, asset classes, sectors, and countries. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Long/short fixed income limited partnership investments are hedge fund strategies that invest both long and short primarily in fixed income. Fund managers of each hedge fund strategy have the ability to shift investments among sectors, duration, yield, and from a net long position to a net short position. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Multi-strategy hedge fund limited partnership investments are hedge fund strategies that invest both long and short primarily in relative value opportunities and special situations across equity, fixed income, and real estate. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Private equity fund of funds partnerships are strategies that invest primarily in domestic and international public and private companies. Fund managers of each strategy have the ability to shift investments among geographies, sectors, industries, and the stage in the company's life cycle. The fair values of the investments in this type have been determined using the NAV per share of Atrium Health's ownership interest in partners' capital. Investments of this type do not allow for redemptions. Instead, investments in the strategies are returned through partnership distributions that generally coincide with liquidations of the underlying assets of the funds. It is estimated that the current liquidation period for these investments was five to ten years at December 31, 2020.

*Global equities fund*s investments offer diversified global exposure through a portfolio investing in global equities, primarily those listed or traded on stock exchanges in developed countries and emerging markets worldwide. The fair values of the investments in this type have been determined using the NAV per share of the investments.

The fair values of Atrium Health's interest rate swaps (see note 5) were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. The spot rates used for discounting are further adjusted for the credit (nonpayment) risk associated with the party that is a net debtor as of the measurement date. The swap valuations are considered Level 2 liabilities and were valued at $328,481 at December 31, 2020.

(Dollars in thousands)

The Atrium Health Foundation's Investments

The Foundation's investments at December 31, 2020 are as follows:

	2020	Fair value at reporting date using: Quoted prices in active markets for identical assets (Level 1)	Fair value at reporting date using: Significant other observable inputs (Level 2)
Short term investments	$ 18,524	$ 18,524	$ —
Fixed income			
U.S. government treasuries and agencies	5,490	—	5,490
Corporate bonds	7,349	—	7,349
Fixed income-Other	15,771	15,771	—
Domestic equities	80,108	80,108	—
International equities	51,263	51,263	—
Global equities	34,764	34,764	—
Real asset funds	13,126	13,126	—
Total by fair value level	226,395	$ 213,556	$ 12,839
Investments measured at NAV:			
Fixed income – other	15,768		
Global asset allocation funds	25,568		
Long/short fixed income	29,016		
Multi-strategy hedge funds	4		
Global equity funds	23,011		
Private equity funds	21,276		
Total assets measured at NAV	114,643		
Total assets measured at fair value	$ 341,038		

(Dollars in thousands)

(4) Capital Assets

Capital assets activity for the year ended December 31, 2020, was as follows:

	Beginning balance	Additions	Transfers	Retirements	Ending balance
Depreciable capital assets:					
Land improvements	$ 128,000	$ 44	$ 172	$ (26)	$ 128,190
Buildings	4,268,503	14,226	157,914	(5,976)	4,434,667
Equipment	2,776,806	24,387	163,424	(71,861)	2,892,756
Depreciable capital assets – gross	7,173,309	38,657	321,510	(77,863)	7,455,613
Accumulated depreciation	(4,048,626)	(361,718)	—	75,713	(4,334,631)
Depreciable capital assets – net	3,124,683	(323,061)	321,510	(2,150)	3,120,982
Nondepreciable capital assets:					
Land	259,443	225	52,430	(48)	312,050
Construction in progress	411,822	661,418	(373,940)	—	699,300
Net capital assets	$ 3,795,948	$ 338,582	$ —	$ (2,198)	$ 4,132,332

Net capitalized interest expense of $10,860 for the year ended December 31, 2020, was included in the cost of projects. The cost of capital expenditures included in accounts payable was $54,204 as of December 31, 2020.

(Dollars in thousands)

(5) Long-Term Debt

For disclosures related to Long-term debt, Atrium Health refers to instruments and activity of the Charlotte-Mecklenburg Hospital Authority (d/b/a Atrium Health), its Combined Group and Bond Order. Navicent refers to instruments and activity of Macon-Bibb Hospital Authority, Navicent, its Obligated Group and Master Trust Indenture. Long-term debt, including related issuance premiums and unamortized gains on debt-related derivative instrument agreements, consists of the following as of December 31, 2020:

Atrium Health:		
Series 2005 B, C, and D Variable Rate Refunding Revenue Bonds, maturing 2021 through 2026, bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2020 was 1.03%)	$	38,505
Series 2007 B Variable Rate Refunding Revenue Bonds, maturing 2021 through 2038, bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2020 was 0.39%)		78,575
Series 2007 C Variable Rate Refunding Revenue Bonds, maturing 2027 through 2037, bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2020 was 0.39%)		87,635
Series 2007 D Variable Rate Revenue Bonds, maturing 2041 through 2043, bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2020 was 1.17%)		67,140
Series 2007 E Variable Rate Revenue Bonds, maturing 2041 through 2044, bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2020 was 0.41%)		77,220
Series 2007 F Variable Rate Revenue Bonds, maturing 2030 through 2042, bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2020 was 1.17%)		57,055
Series 2007 G Variable Rate Revenue Bonds, maturing 2032 through 2041, bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2020 was 1.03%)		111,170
Series 2007 H Variable Rate Revenue Bonds, maturing 2027 through 2045, bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2020 was 0.80%)		166,050

(Dollars in thousands)

Atrium Health (continued):

Series 2011 A Revenue Bonds, maturing 2021 through 2042 bearing interest at 4.5% to 5.25%	$	126,800
Series 2012 A Revenue and Refunding Revenue Bonds, maturing 2021 through 2043 bearing interest at 3.0% to 5.0%		144,325
Series 2013 A Revenue and Refunding Revenue Bonds, maturing 2021 through 2039 bearing interest at 3.0% to 5.0%		111,765
Series 2015 A Taxable Refunding Revenue Bonds, maturing 2021 through 2024 bearing interest at 2.64%		6,220
Series 2015 B Taxable Commercial Paper Revenue Bonds (weighted average interest rate for the year ended December 31, 2020 was 1.10%)		250,000
Series 2016 A Refunding Revenue Bonds, maturing 2021 through 2047 bearing interest at 3.0% to 5.0%		340,255
Series 2018 A Refunding Revenue Bonds, maturing 2023 through 2039 bearing interest at 4.0% to 5.0%		149,760
Series 2018 B Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at 5.0% through the initial long-term rate period ending February 28, 2022		50,000
Series 2018 C Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at 5.0% through the initial long-term rate period ending February 28, 2023		50,000
Series 2018 D Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at variable rates plus 0.60% through the initial index floating rate period ending November 30, 2023, which are adjusted weekly (weighted average rate for the year ended December 31, 2020 was 1.16%)		50,000
Series 2018 E Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at variable rates plus 0.45% through the initial index floating rate period ending November 30, 2021, which are adjusted weekly (weighted average rate for the year ended December 31, 2020 was 1.01%)		50,000
Series 2018 F Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2020 was 0.59%)		100,000
Series 2018 G Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2020 was 0.40%)		50,000

(Dollars in thousands)

Atrium Health (continued):		
Series 2018 H Variable Rate Revenue Bonds, maturing 2040 through 2048 bearing interest at variable rates which are adjusted daily (weighted average rate for the year ended December 31, 2020 was 0.40%)	$	50,000
Other long-term debt		61,702
		2,274,177
Commercial paper and current portion		(595,056)
		1,679,121
Net unamortized premiums		81,768
Unamortized gains on debt-related derivative agreements		1,957
		1,762,846
Navicent Health:		
Series 2017 A Revenue Anticipation Certificates, maturing 2042 through 2045 bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2020 was 0.90%)		40,000
Series 2017 B Revenue Anticipation Certificates, maturing 2021 through 2042 bearing interest at variable rates which are adjusted weekly (weighted average rate for the year ended December 31, 2020 was 0.90%)		190,590
Taxable Variable Term Loan, maturing 2038 through 2048 bearing interest at variable rates which are adjusted weekly (weighted average rate for the year eneded December 31, 2020 was 1.23%)		60,000
		290,590
Current portion		(5,060)
		285,530
Combined Total	$	2,048,376

(Dollars in thousands)

A summary of changes in long-term debt during 2020 is as follows:

	Beginning balance	Additions	Retirements	Ending balance
Atrium Health:				
Fixed rate revenue bonds	$ 916,875	$ —	$ (43,970)	$ 872,905
Variable rate revenue bonds	644,815	—	(1,385)	643,430
Commercial paper revenue bonds	—	425,000	(175,000)	250,000
Direct placement revenue bonds	456,625	—	(10,485)	446,140
Notes from direct borrowings	64,078	—	(2,376)	61,702
	2,082,393	425,000	(233,216)	2,274,177
Navicent:				
Direct placement revenue anticipation certificates	235,410	—	(4,820)	230,590
Note from direct borrowings	60,000	—	—	60,000
	295,410	—	(4,820)	290,590
Combined total	$ 2,377,803	$ 425,000	$ (238,036)	$ 2,564,767

Debt service requirements for long-term debt in future years, excluding commercial paper but including the impact of other long-term debt (note payable to a financial services company, note payable to Cleveland County and note payable to a financial institution) and interest rate swap transactions discussed later in this note, are shown in the table below. Debt service requirements, as reflected in the table, assume current interest rates on unhedged variable rate debt while net swap payments, are projected using the December 31, 2020 relationship between the Securities Information and Financial Markets Association (SIFMA) Municipal Swap Index and the one-month London InterBank Offered Rate (LIBOR) of approximately 63%, which is equal to the interest projected using the 63% average relationship between SIFMA and LIBOR over the past 10 years. Regulators in the United Kingdom have called for LIBOR to be abandoned by June 30, 2023. Modifications to LIBOR or the replacement of LIBOR with an alternative reference rate such as the Secured Overnight Financing Rate could produce different results than the current average relationship between SIFMA and LIBOR.

(Dollars in thousands)

	Fixed Rate and Variable Rate Revenue Bonds		Notes from Direct Borrowings and Direct Placements		Total	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2021	$ 17,480	$ 56,370	$ 15,415	$ 23,484	$ 32,895	$ 79,854
2022	32,525	54,665	9,418	23,324	41,943	77,989
2023	27,565	51,526	17,179	22,722	44,744	74,248
2024	33,755	49,030	18,035	22,070	51,790	71,100
2025	35,455	47,322	17,280	21,405	52,735	68,727
2026–2030	209,930	207,365	91,067	98,851	300,997	306,216
2031–2035	273,660	150,386	107,912	85,916	381,572	236,302
2036–2040	271,805	83,659	207,211	64,270	479,016	147,929
2041–2045	291,545	35,537	267,715	14,507	559,260	50,044
2046–2050	322,615	2,648	47,200	711	369,815	3,359
	$ 1,516,335	$ 738,508	$ 798,432	$ 377,260	$ 2,314,767	$ 1,115,768

Atrium Health's Revenue Bonds (other than the Series 2015 A and Series 2015 B Revenue Bonds which are taxable) are tax-exempt and are secured on a parity basis by and payable from Atrium Health's revenues as defined in its bond order, the money and securities held in certain funds and accounts created by the applicable bond agreements and held by the bond trustee, and in the case of the Combined Group, amounts payable by the other members of the Combined Group under their respective Member Guaranty Agreement or Member Security Agreement. The tax-exempt fixed rate revenue bonds are redeemable at the option of Atrium Health at par value upon the expiration of the 10-year no call period subsequent to their respective issuance date. The Series 2018 D and Series 2018 E index floating rate bonds are redeemable at the option of Atrium Health at par value one year prior to their index floating rate purchase dates of December 1, 2023 and December 1, 2021, respectively.

Navicent's tax-exempt Revenue Anticipation Certificates and taxable Variable Term Loan are secured on a parity basis by and payable from Navicent's revenues as defined in its Master Trust Indenture, the money and securities held in certain funds and accounts created by the applicable bond agreements and held by the bond trustee. The Series 2017 A and Series 2017 B Certificates and taxable Variable Term Loan are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount of each Bond to be redeemed plus accrued interest to the date fixed for redemption. The Variable Term Loan is also subject to mandatory prepayment in whole, without penalty, on January 28, 2022.

There are various financial covenants and restrictions contained in Atrium Health's Bond Order, Series Resolutions, liquidity facilities, direct pay letter of credit and continuing covenants agreements for direct placements and Navicent's Master Trust Indenture and continuing covenant and credit agreement for direct placements and term loan, including maintenance of a defined minimum level of annual long-term debt service coverage. As of December 31, 2020, Atrium Health and Navicent were in compliance with these financial covenants.

Atrium Health's parity obligation revenue bonds totaling $1,962,475 contain terms related to significant events of default with finance-related consequences. The principal of and accrued interest on all parity obligations may be accelerated if certain events of default under the Bond Order or the individual Series Resolutions occur, including: (i) failure to pay the principal of or interest on parity obligations when due and payable; (ii) failure to comply with any of the covenants, agreements, conditions or provisions of the Bond Order or any Series Resolution for a period of 30 days after receipt by Atrium Health of a written notice from the Trustee specifying such default and requesting it be corrected; or (iii) any member of the Combined Group becomes insolvent, or the subject of insolvency proceedings, is unable or admits in writing its inability to pay its debts as they mature, makes a general assignment for the benefit of creditors to an authorized agent to liquidate any substantial amount of property or files a petition or other pleading seeking reorganization, composition, readjustment or liquidation of assets or requesting similar relief or applies to a court for the appointment of a receiver for any of its assets**.**

With respect to Atrium Health's parity obligation variable rate revenue bonds totaling $643,430 certain agreements contain terms related to significant termination events with finance-related consequences. For revenue bonds totaling $266,210 that are supported by liquidity facilities, if certain events occur (event of insolvency, payment default, contest of validity, invalidity and ratings downgrade below Baa3 and or BBB-), the financial institution's obligation to purchase tendered bonds of a series may be terminated immediately and without prior written notice to the owners of the bonds of that series or the Trustee. Atrium Health will then be obligated to pay the purchase price of any bonds of a series tendered for purchase after an immediate termination of the liquidity facility for that series. In the event funds are not otherwise available on a purchase date for that series, Atrium Health will have 90 days in which to arrange for the purchase of the tendered bonds. Atrium Health's failure to arrange for purchase of the tendered bonds by the end of that 90-day period is an event of default under the Series Resolution for the applicable series. For revenue bonds totaling $77,220 that are supported by a direct pay letter of credit, the related reimbursement agreement sets forth a number of events of default (including but not limited to failure to pay amounts due under the reimbursement agreement, failure to perform any covenant, restriction or agreement contained in the reimbursement agreement, ratings downgrade below A3 and A-, an involuntary case or other proceeding commenced against Atrium Health seeking liquidation, reorganization or other relief with respect to bankruptcy or insolvency). If an event of default under the reimbursement agreement occurs and is continuing, the financial institution may: (i) terminate the letter of credit on a date at least 40 days after giving written notice to the Trustee that an event of default has occurred and is continuing, which will result in a mandatory purchase date; and (ii) declare all amounts due under the reimbursement agreement and all interest accrued thereon (other than payments of principal and redemption price and interest on bonds purchased with money furnished by the financial institution pursuant to the letter of credit) to be immediately due and payable.

With respect to Atrium Health's parity obligation direct placement revenue bonds totaling $446,140, the continuing covenants agreements contain terms related to significant events of default with finance-related consequences. The principal of and accrued interest on such parity obligations may be accelerated and immediately due if certain events of default under the continuing covenants agreements occur as follows: (i) failure to pay the principal of or interest on parity obligations when due or failure to purchase the parity obligations from the financial institution on the purchase date; (ii) an event of default as defined in the Bond Order or Series Resolutions occurs and is continuing; (iii) default in the payment of any material debt when due; (iv) the credit ratings of Atrium Health are withdrawn or reduced below Baa3 and BBB-; (iv) commencement of a voluntary case of other proceeding seeking liquidation, reorganization, arrangement, adjustment, winding-up, dissolution, composition or similar relief with respect to its debts; or (v) a representation or warranty proves to have been untrue or incomplete in any material respect**.** Other events of default such as the failure to observe or perform any covenant, restriction or agreement contained in the continuing covenants agreements for 30 days after receipt of written notice from the financial institutions do not allow the acceleration of parity obligations prior to a period of 180 days after notice is given by the financial institutions.

Navicent's parity obligation revenue anticipation certificates and taxable variable term loan totaling $290,590 contain terms related to significant events of default with finance-related consequences. The principal of and accrued interest on all parity obligations may be accelerated if certain events of default under the Navicent Master Trust Indenture occur, including: (i) failure to make due and punctual payment of principal and interest on parity obligations; (ii) income available for debt service is less than 1.00 times annual debt service for any two consecutive years; (iii) failure to observe or perform any covenants or agreement under the Master Trust Indenture for a period of 60 days after receipt by Navicent of a written notice from the Master Trustee requiring the failure to be remedied; (iv) default in the payment of other indebtedness whose grace, notice and / or cure period for such payments has expired; (v) a court decree or order for relief in an involuntary case under applicable federal / state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, or the winding up or liquidation of its affairs; (vi) commencement of a voluntary case under any applicable federal / state bankruptcy, insolvency or other similar law or consent to an order for relief in an involuntary case under such law; or (vii) an event of default under the Lease and Transfer Agreement with the Macon-Bibb County Hospital Authority.

With respect to Navicent's direct placement revenue anticipation certificates and note from direct borrowings totaling $290,590, the continuing covenant and credit agreement contains terms related to significant events of default with finance-related consequences. The principal of and accrued interest on such parity obligations may be accelerated and due within 7 days if certain events of default under the continuing covenant and credit agreement occurs including but not limited to the following: (i) failure to pay the principal of or interest on parity obligations when due or failure to purchase the parity obligations from the financial institution on the purchase date; (ii) default on parity debt and senior debt; (iii) invalidity of the obligations or pledge of gross revenues; (iv) an event of insolvency; or (v) termination of the Agreement and Member Substitution with Atrium Health. Other events of default such as the failure to perform any term, covenant, condition or provision contained in the continuing covenant and credit agreement for 30 days or more do not allow the acceleration of the parity obligations prior to a period of 30 days after notice is given by the financial institution.

There are no subjective acceleration clauses included in the debt agreements of Atrium Health and Navicent.

In December 2005, Atrium Health issued Series 2005 B, C and D Variable Rate Refunding Revenue Bonds which, together with $2,855 of Atrium Health funds, currently refunded $96,760 of Series 1996 A Revenue Bonds. Interest on the Series 2005 B, C and D Variable Rate Refunding Revenue Bonds is payable monthly in arrears and principal is payable on January 15 of each year. In February 2011, Atrium Health utilized a mandatory tender process to substitute new direct pay letters of credit on these bonds. As a result of this mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance. In December 2016, Atrium Health utilized a mandatory tender process to convert Series 2005 B, C and D to direct placements. As a result of this mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance.

In August 2007, Atrium Health issued Series 2007 B and C Variable Rate Refunding Revenue Bonds, which advance refunded all $71,015 of the outstanding Series 2003 A Revenue Bonds and all $100,000 of the outstanding Series 2005 A Revenue Bonds. Interest on the Series 2007 B and C Variable Rate Refunding Revenue Bonds is payable monthly in arrears and principal is payable on January 15 of each year. In May 2017, Atrium Health utilized a mandatory tender process to convert Series 2007 C from the weekly interest rate mode to the daily interest rate mode. As a result of this mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance.

In September 2007, Atrium Health issued Series 2007 D, E and F Variable Rate Revenue Bonds insured by Financial Security Assurance, Inc., now known as Assured Guaranty Municipal Corp. (AGMC). Interest on the Series 2007 D, E and F Variable Rate Revenue Bonds is payable monthly in arrears and principal is payable on January 15 of each year. In May 2013, Atrium Health utilized a mandatory tender process to convert Series 2007 D and F to direct purchase bonds and to substitute a new direct pay letter of credit on Series 2007 E. As a result of this mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance. In November 2016, Atrium Health utilized a mandatory tender process to change the holder of the Series 2007 D direct placement. As a result of this mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance. In May 2017, Atrium Health utilized a mandatory tender process to convert Series 2007 E from the weekly interest rate mode to the daily interest rate mode. As a result of this mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance.

Also in September 2007, Atrium Health issued Series 2007 G Variable Rate Revenue Bonds insured by AGMC and Series 2007 H Variable Rate Revenue Bonds. The proceeds of the Series 2007 H Variable Rate Revenue Bonds were used to repay $159,930 of outstanding revenue bonds issued by the North Carolina Medical Care Commission (NCMCC) for the benefit of CHS NorthEast. Interest on the Series 2007 G Variable Rate Revenue Bonds and the Series 2007 H Variable Rate Revenue Bonds is payable monthly in arrears. Principal is payable on January 15 of each year. In May 2013, Atrium Health utilized a mandatory tender process to convert Series 2007 G to direct purchase bonds. As a result of this mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance. In November 2016, Atrium Health utilized a mandatory tender process to convert Series 2007 H to a direct placement. As a result of this mandatory tender process, these bonds were deemed extinguished and the remarketed bonds were treated as a new issuance.

In May 2011, Atrium Health issued Series 2011 A Revenue Bonds. Interest on the Series 2011 A Revenue Bonds is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.

In May 2012, Atrium Health issued Series 2012 A Revenue and Refunding Revenue Bonds which currently refunded all $88,535 of the outstanding Series 2001 A Revenue Bonds and $32,185 of outstanding revenue bonds issued by the NCMCC for the benefit of CHS Union. The Series 2012 A Revenue and Refunding Revenue Bonds also included $50,000 to finance a small portion of Atrium Health's capital plan. Interest on the Series 2012 A Revenue Bonds is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.

In May 2013, Atrium Health issued Series 2013 A Revenue and Refunding Revenue Bonds which advance refunded $4,815 of the outstanding Series 2009 A Refunding Revenue Bonds and all $73,250 of outstanding revenue bonds issued by the NCMCC for the benefit of CHS Cleveland. The Series 2013 A Revenue and Refunding Revenue Bonds also included $50,000 to finance a small portion of Atrium Health's capital plan. Interest on the Series 2013 A Revenue Bonds is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.

In January 2015, Atrium Health issued Series 2015 A Taxable Refunding Revenue Bonds which, together with funds held by CHS Stanly in Debt Service Reserve Funds, currently refunded all $16,030 of outstanding Series 1996 and Series 1999 Revenue Bonds issued by the NCMCC for the benefit of CHS Stanly. The Series 2015 A Revenue Bonds were directly placed with a financial institution and will be held through their maturity on January 15, 2024, but Atrium Health may prepay the bonds at any time without penalty or premium except for any cost of prepayment (based upon U.S. Treasury obligations) that applies. Interest on the Series 2015 A Revenue Bonds is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.

In October 2015, Atrium Health established a taxable commercial paper program providing for the issuance of up to $200,000 in aggregate taxable commercial paper revenue bonds. In November 2018, the issuance limit was increased to $400,000. The bonds issued under the commercial paper program currently carry short-term credit ratings of A-1+ from S&P Global Ratings and P-1 from Moody's Investors Service. Proceeds from the sale of commercial paper are used to pay for additional healthcare facilities or the costs of operating healthcare facilities, including general operating costs, routine capital expenditures and the acquisition and installation of healthcare equipment. Atrium Health has established a self-liquidity program that will be used to repurchase any commercial paper that is not remarketed. Commercial paper may be issued with maturity dates from one to 270 days from the date of issuance. While management may elect to continuously roll over all or portions of the commercial paper, the principal amount of all commercial paper must be repaid by October 2055. At December 31, 2020, commercial paper totaling $250,000, with a weighted average maturity and interest rate of 44 days and 0.16%, respectively, was outstanding and included within current portion of debt. In addition, in early 2021, Atrium Health repaid $50,000 of commercial paper under the program.

In November 2016, Atrium Health issued Series 2016 A Refunding Revenue Bonds which currently refunded $121,240 of the outstanding Series 2007 A Revenue and Refunding Revenue Bonds and advance refunded $300,255 of the outstanding Series 2008 A Refunding Revenue Bonds. Interest on the Series 2016 A Refunding Revenue Bonds is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.

In November 2018, Atrium Health issued Series 2018 A Refunding Revenue Bonds which currently refunded $178,425 of the outstanding Series 2009 A Refunding Revenue Bonds. Interest on the Series 2018 A Refunding Revenue Bonds is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year.

Also in November 2018, Atrium Health issued Series 2018 B and 2018 C Variable Rate Revenue Bonds. Interest on the Series 2018 B and 2018 C Variable Rate Revenue Bonds is payable semiannually on January 15 and July 15 of each year and principal is payable on January 15 of each year. These bonds are subject to mandatory tender for purchase on March 1, 2022 and March 1, 2023, respectively, following the end of their initial long-term rate periods.

Also in November 2018, Atrium Health issued Series 2018 D and 2018 E Variable Rate Revenue Bonds. Interest on the Series 2018 D and 2018 E Variable Rate Revenue Bonds is payable monthly in arrears and principal is payable on January 15 of each year. These bonds are subject to mandatory tender for purchase on December 1, 2023 and December 1, 2021, respectively, following the end of their initial index floating rate periods.

Also in November 2018, Atrium Health issued Series 2018 F Variable Rate Revenue Bonds. Interest on the Series 2018 F Variable Rate Revenue Bonds is payable monthly in arrears and principal is payable on January 15 of each year. Atrium Health has established a self-liquidity program that will be used to repurchase any Series 2018 F Variable Rate Bonds that are not remarketed.

In December 2018, Atrium Health issued Series 2018 G and 2018 H Variable Rate Revenue Bonds. Interest on the Series 2018 G and 2018 H Variable Rate Revenue Bonds is payable monthly in arrears and principal is payable on January 15 of each year.

In December 2017, the Macon-Bibb County Hospital Authority issued Series 2017 A and Series 2017 B Revenue Anticipation Certificates, the proceeds of which were loaned to The Medical Center of Central Georgia, Inc. to refund various series of Macon-Bibb County Hospital Authority Revenue Anticipation Certificates and to finance and reimburse capital expenditures. Interest on the Series 2017 A and 2017 B Certificates is payable monthly in arrears and principal is payable on August 1 of each year. The Series 2017 A and Series 2017 B certificates were initially directly placed with a financial institution with holding periods that expire on December 31, 2027 and December 31, 2019, respectively. In December 2019, Navicent utilized a mandatory tender process to change the holder of the Series 2017 A and Series 2017 B certificates to another financial institution. As a result of this mandatory tender process, these certificates were deemed extinguished and the remarketed certificates were treated as a new issuance with holding periods that expire on January 29, 2021. On January 29, 2021, the holding periods were extended to January 28, 2022.

In December 2017, The Medical Center of Georgia, Inc. entered into a taxable Variable Term Loan with a financial institution, the proceeds of which were used to pay off the remaining balances of taxable loans executed in 2012 and 2017. Interest on the Variable Term Loan is payable monthly in arrears and principal is payable on August 1 of each year. The Variable Term Loan was initially directly placed with a financial institution with a holding period that expires on December 31, 2027. In December 2019, Navicent changed the holder of the Variable Term Loan to another financial institution. As a result, the Variable Term Loan was deemed extinguished and new Variable Term Loan was treated as a new issuance with a holding period that expires on January 29, 2021. On January 29, 2021, the holding period was extended to January 28, 2022.

(Dollars in thousands)

In the event bondholders elect to tender any or all of the Series 2007 B, C, and E Revenue Bonds or Series 2018 G and H Revenue Bonds for purchase and the bonds cannot be remarketed, liquidity facilities and a direct pay letter of credit provided by two financial institutions are utilized to purchase the unremarketed bonds. Bonds held by the liquidity facility and letter of credit providers generally require payment of a higher rate of interest. The terms of these liquidity facilities and direct pay letter of credit are described in the table below.

Series	Facility type	Expiration year	Repayment period
2007 B	Liquidity facility	2021	7 year
2007 C	Liquidity facility	2021	7 year
2007 E	Direct pay letter of credit	2025	5 year
2018 G	Liquidity facility	2024	3 year
2018 H	Liquidity facility	2024	3 year

Atrium Health's Series 2005 B, C and D Variable Rate Refunding Revenue Bonds and Series 2007 D, F, G and H Revenue Bonds have been purchased by three financial institutions with holding periods noted in the table below that expire prior to the maturity of the respective bonds.

Series	Facility type	Expiration year
2005 B, C, and D	Direct placement	2026
2007 D	Direct placement	2023
2007 F	Direct placement	2023
2007 G	Direct placement	2026
2007 H	Direct placement	2022

Atrium Health's Series 2018 B, C, D and E Variable Rate Revenue Bonds are subject to mandatory tender for purchase at the end of the initial holding periods noted in the table below that expire prior to the maturity of the respective bonds.

Series	Facility type	Expiration year
2018 B	Long-term rate period bonds	2022
2018 C	Long-term rate period bonds	2023
2018 D	Index floating rate period bonds	2023
2018 E	Index floating rate period bonds	2021

(Dollars in thousands)

Navicent's Series 2017 A and Series 2017 B Revenue Anticipation Certificates have been purchased by one financial institution with holding periods noted in the table below that expire prior to the maturity of the respective obligations.

Series	Facility type	Expiration year
2017 A	Direct placement	2022
2017 B	Direct placement	2022

For the Atrium Health Primary Enterprise, interest expense, exclusive of amounts capitalized, was $81,315 for the year ended December 31, 2020. Interest paid to bond holders and other lenders totaled $94,895 for the year ended December 31, 2020.

In October 2014, Atrium Health became the sole member of Pineville LTACH/Rehab Hospital, LLC (the LLC), which owns and leases a facility to Atrium Health. Previously, the LLC was a joint venture between Atrium Health and an unaffiliated entity. The facility was constructed with the proceeds from a $30,101 loan to the LLC from a financial services company that is payable beginning September 2013 through August 2038 at an interest rate of 3.84%. The loan, which was not issued under Atrium Health's Bond Order, is secured by a leasehold deed of trust and assignment of facility leases and rents. The balance of $24,019 at December 31, 2020 is included in other long-term debt.

In March 2013, Atrium Health entered into an Amended and Restated Interlocal Agreement with Cleveland County, North Carolina for the purpose of more fully integrating CHS Cleveland with Atrium Health and enhancing Atrium Health's ability to provide services to the residents of Cleveland County. Atrium Health's payment to Cleveland County included an unsecured, noninterest bearing note in the original amount of $77,000 payable through 2038 which is recorded as long-term debt at its net present value of $37,683 at December 31, 2020.

In connection with the reorganization of its skilled nursing facility service line into a newly created North Carolina nonprofit corporation, Atrium Health cash defeased/redeemed principal amounts of its Series 2005 B, Series 2007 B, Series 2007 G, Series 2011 A, Series 2012 A, Series 2013 A, Series 2016 A and Series 2018 A bonds aggregating $20,955 in February 2020 and partially terminated notional amounts of its Series 2007 G floating-to-fixed interest rate swaps totaling $2,655 in December 2020.

Atrium Health Interest Rate Swaps

Atrium Health has adopted an Interest Rate Exchange Agreement Policy (the Policy) that governs its use of derivative instrument agreements and restricts the use of such agreements to achieving desired interest cost savings, hedging interest rate risk in financing transactions, adjusting the mix of variable and fixed rate debt exposure to appropriate levels, providing flexibility to meet financial objectives not available under then-existing market conditions and improving cash flows. The Policy does not allow Atrium Health to speculate using derivative instrument agreements.

In January 2006, Atrium Health entered into an uninsured floating-to-fixed interest rate swap agreement on its Series 2005 B, C and D Variable Rate Refunding Revenue Bonds.

(Dollars in thousands)

In August 2007, Atrium Health entered into four floating-to-fixed interest rate swaps under separate agreements insured by Ambac Assurance Corporation (Ambac) with two counterparties, in connection with its Series 2007 B and C Variable Rate Refunding Revenue Bonds, with an aggregate initial notional amount of $177,835. These swaps were entered into in conjunction with the refunding of the Series 2003 A and 2005 A Revenue Bonds.

In September 2007, Atrium Health entered into five AGMC-insured floating-to-fixed interest rate swaps under separate agreements with three counterparties, in connection with its Series 2007 D, E and F Variable Rate Revenue Bonds, with an aggregate initial notional amount of $201,415.

Also in September 2007, Atrium Health entered into two Ambac and two AGMC-insured floating-to-fixed interest rate swaps under separate agreements with two counterparties, in connection with its Series 2007 G and H Variable Rate Revenue Bonds, with an aggregate initial notional amount of $279,875.

In January 2019, Atrium Health entered into a forward starting interest rate swap with a notional value of $126,010 in connection with the planned synthetic fixed rate refunding of its Series 2011 A Bonds that are callable on January 15, 2021. The related refunding revenue bonds are expected to be issued in 2021.

The significant terms and features of the above transactions as of and for the year ended December 31, 2020, are summarized in the below table. The notional amounts of the swaps effectively match the principal amounts of the associated debt. The swaps contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled or anticipated reductions in the associated bonds.

Associated bonds	2005 B, C, and D	2007 B	2007 C
Notional amount	$ 38,675	$ 78,910	$ 87,635
Swap type	Floating-to-fixed	Floating-to-fixed	Floating-to-fixed
Origination date	January 15, 2006	August 28, 2007	August 28, 2007
Final bond maturity	January 15, 2026	January 15, 2038	January 15, 2037
Atrium Health pays	5.52 %	4.36 %	4.38 %
Atrium Health receives	75% of LIBOR	SIFMA	SIFMA
Fair value at December 31, 2020	$ (6,121)	$ (32,583)	$ (34,490)
Change in fair value during the year	318	(4,580)	(4,911)

(Dollars in thousands)

Associated bonds	2007 D	2007 E	2007 F
Notional amount	$ 67,140	$ 77,220	$ 57,055
Swap type	Floating-to-fixed	Floating-to-fixed	Floating-to-fixed
Origination date	September 19, 2007	September 19, 2007	September 19, 2007
Final bond maturity	January 15, 2043	January 15, 2044	January 15, 2042
Atrium Health pays	3.88 %	3.89 %	3.89 %
Atrium Health receives	62.97% of LIBOR plus 0.29%	62.97% of LIBOR plus 0.29%	62.97% of LIBOR plus 0.29%
Fair value at December 31, 2020	$ (34,139)	$ (40,036)	$ (28,032)
Change in fair value during the year	(5,254)	(6,149)	(4,283)

Associated bonds	2007 G	2007 H	Future Bonds
Notional amount	$ 111,170	$ 166,050	$ 126,010
Swap type	Floating-to-fixed	Floating-to-fixed	Floating-to-fixed
Origination date	September 19, 2007	September 19, 2007	January 15, 2021
Final bond maturity	January 15, 2041	January 15, 2045	January 15, 2042
Atrium Health pays	3.90 %	3.88 %	1.97 %
Atrium Health receives	62.97% of LIBOR plus 0.29%	62.97% of LIBOR if LIBOR is equal to or greater than 3.5%; 77.5% of LIBOR if LIBOR is less than 3.5%	70% of LIBOR
Fair value at December 31, 2020	$ (50,715)	$ (71,491)	$ (19,276)
Change in fair value during the year	(7,100)	(12,949)	(9,486)

The swaps' aggregate negative fair value of $316,883, as of December 31, 2020, is reported as a long-term liability on the balance sheet. Certain of the mandatory tender processes discussed above resulted in the termination of the related hedging relationships. Although hedging relationships have been subsequently re-established, the swaps are considered off-market swaps because the fixed rates of the swaps differed from the market rates for similar swaps at the time the hedging relationship was re-established. The negative fair value of the off-market swaps are being amortized using straight-line amortization. As of December 31, 2020, Atrium Health has determined that its 15 interest rate swaps are effective hedging derivative instruments. Because the swaps are effective hedges, aggregate changes in their fair value, including $54,394 for the year

(Continued)

ended December 31, 2020, are deferred and are reported on the balance sheet as a deferred outflow of resources. See note 3 for further discussion of the measurement techniques and inputs utilized in the measurement of the swaps' fair value. For the year ended December 31, 2020, the swaps produced annual net cash outflows of approximately $23,968. Cash flows associated with the swaps are treated as interest expense.

As of December 31, 2020, all swaps had a negative fair value. The negative fair value may be countered by a reduction in total interest payments required under Atrium Health's associated variable rate revenue bonds, creating a lower synthetic interest rate. Because the coupons on the variable rate revenue bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases.

As of December 31, 2020, Atrium Health was not exposed to credit risk because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, Atrium Health would be exposed to credit risk in the amount of the swaps' fair value.

Atrium Health's 15 interest rate swaps are executed under seven swap agreements with various counterparties. Seven swaps, approximating 48% of the notional amount of swaps outstanding, are provided by one counterparty that was rated A+ and Aa2 by S&P Global Ratings and Moody's Investors Service, respectively, as of December 31, 2020. Five additional swaps, approximating 40% of the outstanding notional value, are provided by another counterparty rated A+ and Aa2. The remaining two swaps and the forward starting swap are provided by a third counterparty rated A+ and Aa3 as of December 31, 2020.

In the event Atrium Health's credit ratings, as determined by S&P Global Ratings and Moody's Investors Service, fall below a level of A+ or A1, respectively, and the three uninsured swap agreements associated with Series 2005 B, C and D bonds and Series 2007 B, C and H bonds (with one counterparty) and with Series 2007 B and C bonds (with a different counterparty) each has a negative fair value of $25,000 or more, then Atrium Health must post collateral on these swap agreements equal to the amount of fair value in excess of $25,000. As of December 31, 2020, the fair values of these swap agreements were ($6,121), ($69,279), and ($33,537). No collateral was required to be posted by Atrium Health for these swap agreements.

In the event Atrium Health's credit ratings, as determined by S&P Global Ratings and Moody's Investors Service, fall below a level of A+ or A1, respectively, and the uninsured swap agreement associated with Series 2007 H bonds has a negative fair value of $50,000 or more, then Atrium Health must post collateral on this swap agreement equal to the amount of fair value in excess of $50,000. As of December 31, 2020, the fair value of this swap agreement was ($35,749). No collateral was required to be posted by Atrium Health for this swap agreement.

With respect to the AGMC-insured swap agreement associated with Series 2007 E, F and G bonds, should the financial strength ratings of AGMC, as determined by S&P Global Ratings and Moody's Investors Service, fall below A– or A3, respectively, upon the request of the counterparty, Atrium Health, at its option, must either procure replacement swap insurance policies from counterparties rated at least AAA by S&P Global Ratings and Aaa by Moody's Investors Service, respectively, or agree to post collateral on those swap agreements equal to the amount of negative fair value in excess of $25,000 if Atrium Health's credit ratings, as determined by S&P Global Ratings and Moody's Investors Services, fall below a level of A+ or A1, respectively. As of December 31, 2020, the fair value of this swap agreement was ($59,389). No collateral was required to be posted by Atrium Health for this swap agreement given AGMC's ratings of AA and A2.

With respect to the AGMC-insured swap agreement associated with Series 2007 D, E, F and G bonds, should the financial strength ratings of AGMC, as determined by S&P Global Ratings and Moody's Investors Service, fall below A– or A3, respectively, upon the request of the counterparty Atrium Health, at its option, must either procure replacement swap insurance policies from counterparties rated at least AAA by S&P Global Ratings and Aaa by Moody's Investors Service, respectively, or agree to post collateral on this swap agreement equal to the amount of negative fair value in excess of $50,000 if Atrium Health's credit ratings, as determined by S&P Global Ratings and Moody's Investors Service, fall below a level of A+ or A1, respectively. As of December 31, 2020, the fair value of this insured swap agreement was ($93,533). No collateral was required to be posted by Atrium Health for this swap agreement given AGMC's ratings of AA and A2.

In the event Atrium Health's credit ratings, as determined by S&P Global Ratings and Moody's Investors Service, fall below a level of A+ or A1, respectively, and the uninsured forward starting swap agreement expected to be associated with the refunding of the Series 2011 A bonds has a negative fair value of $55,000 or more, then Atrium Health must post collateral on this swap agreement equal to the amount of fair value in excess of $55,000. As of December 31, 2020, the fair value of this swap agreement was ($19,276). No collateral was required to be posted by Atrium Health for this swap agreement.

Atrium Health's Series 2007 B, C and E bonds bear interest at a rate that is equivalent to the SIFMA rate while the Series 2005 B, C and D bonds and Series 2007 D, F, G and H bonds bear interest at LIBOR plus a spread. For those swaps on the SIFMA-based variable rate revenue bonds for which it receives a variable rate based on LIBOR, Atrium Health is exposed to basis risk depending upon the relationship between SIFMA and LIBOR. If that relationship changes, the effective synthetic rate on the SIFMA-based variable rate revenue bonds may be higher than the intended synthetic rate. As of December 31, 2020, the SIFMA rate was 0.09% and LIBOR was 0.14%, resulting in a SIFMA to LIBOR relationship of approximately 63%.

Atrium Health or the counterparty may terminate any of the swaps if either party fails to perform under the terms of the agreement. If any of the swaps are terminated, the associated variable rate revenue bonds would no longer carry synthetic interest rates. Also, if the swap has a negative fair value at the time of termination, Atrium Health would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at the time of termination, Atrium Health would be entitled to a payment equal to the swap's fair value from the counterparty terminating the swap.

Navicent Interest Rate Swaps

In October, 2001, Central Georgia Senior Health, Inc. entered into an uninsured floating-to-fixed interest rate swap agreement on its Series 2000 Revenue Anticipation Certificates, with an initial notional amount of $23,000. Although the Series 2000 Certificates were refinanced in 2015 and 2017, the interest rate swap agreement remains in place and is used to create synthetic fixed rate debt on a portion of the Series 2017 B Revenue Anticipation Certificates.

In August 2005, The Medical Center of Central Georgia, Inc. entered into an Ambac-insured floating-to-fixed interest rate swap agreement on its Series 2005 Revenue Anticipation Certificates, with an initial notional amount of $52,000. Although the Series 2005 Certificates were refinanced in 2009, the insured interest rate swap agreement remains in place and is used to create synthetic fixed rate debt on a portion of the Series 2017 B Revenue Anticipation Certificates.

(Dollars in thousands)

The significant terms and features of the above transactions, which were amended in April 2018, as of and for the year ended December 31, 2020, are summarized in the below table. The notional amounts of the swaps neither effectively match the principal amounts of the associated debt nor contain scheduled reductions to outstanding notional amounts that follow scheduled or anticipated reductions in the associated debt.

Associated certificates	2017 B	2017 B
Notional amount	$ 6,956	$ 50,167
Swap type	Floating-to-fixed	Floating-to-fixed
Origination date	October 1, 2001	August 1, 2005
Final swap maturity	September 1, 2021	May 1, 2021
Navicent Health pays	4.12 %	3.21 %
Navicent Health receives	67% of LIBOR	67% of LIBOR
Fair value at December 31, 2020	$ (166)	$ (11,432)
Change in fair value during the year	200	(1,958)

The swaps' aggregate negative fair value of ($11,598), as of December 31, 2020, is reported as a long-term liability on the balance sheet. As of December 31, 2020, Navicent has determined that its interest rate swaps are not effective hedging derivative instruments, resulting in changes in their fair value, including ($1,758) for the year ended December 31, 2020, reported in nonoperating (loss) income. See note 3 for further discussion of the measurement techniques and inputs utilized in the measurement of the swaps' fair value. For the year ended December 31, 2020, the swaps produced annual net cash outflows of approximately $1,729. Cash flows associated with the swaps are treated as interest expense.

As of December 31, 2020, these swaps had a negative fair value. The negative fair value may be countered by a reduction in total interest payments required under Navicent's associated variable rate revenue anticipation certificates, creating a lower synthetic interest rate. Because the coupons on the variable rate revenue anticipation certificates adjust to changing interest rates, the revenue anticipation certificates do not have corresponding fair value increases.

As of December 31, 2020, Navicent was not exposed to credit risk because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, Navicent would be exposed to credit risk in the amount of the swaps' fair value. Navicent's two interest rate swaps are executed under one swap agreement with a counterparty that was rated A and A2 by S&P Global Ratings and Moody's Investors Service, respectively, as of December 31, 2020.

In the event the swap agreement has a negative fair value of $15,000 or more, then Navicent must post collateral on the swap agreement equal to the amount of fair value in excess of $15,000. As of December 31, 2020, the fair value of this swap agreement was ($11,598). No collateral was required to be posted by Navicent for this swap agreement.

(Dollars in thousands)

Navicent or the counterparty may terminate either of the swaps if either party fails to perform under the terms of the agreements. If any of the swaps are terminated, the associated variable rate revenue anticipation certificates would no longer carry synthetic interest rates. Also, if the swaps have a negative fair value at the time of termination, Navicent would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swaps have a positive fair value at the time of termination, Navicent would be entitled to a payment equal to the swap's fair value from the counterparty terminating the swap.

Debt service requirements of Atrium Health's outstanding hedged variable rate revenue bonds and related net swap payments and Navicent Health's outstanding revenue anticipation certificates with a synthetic fixed rate and related net swap payments, assuming current SIFMA and LIBOR interest rates and the SIFMA to LIBOR relationship remain the same, as of December 31, 2020, were as follows:

	Variable rate bonds and revenue anticipation certificates		Interest rate	
	Principal	Interest	swap – net	Total
2021	$ 15,265	$ 4,233	$ 27,774	$ 47,272
2022	625	3,424	25,905	29,954
2023	9,155	3,367	25,449	37,971
2024	7,785	3,307	25,025	36,117
2025	8,245	3,243	24,580	36,068
2026–2030	56,830	15,409	115,526	187,765
2031–2035	118,585	13,979	98,255	230,819
2036–2040	200,030	11,098	64,664	275,792
2041–2045	271,890	2,317	15,805	290,012
2046–2050	—	—	—	—
	$ 688,410	$ 60,377	$ 422,983	$ 1,171,770

In May 2020, Atrium Health secured liquidity in the aggregate amount of $500,000 from five financial institutions in the form of LIBOR-based taxable revolving bank lines of credit to support the negative cash impact of COVID-19 (collectively, the "Line of Credit"). The Line of Credit is secured on a parity basis by and payable from Atrium Health's revenues as defined in its bond order and in the case of the Combined Group, amounts payable by the other members of the Combined Group under their respective Member Guaranty Agreement or Member Security Agreement or Member Security Agreement. The term of the Line of Credit is 364 days and it will not be extended. There are no amounts outstanding as of December 31, 2020.

(6) Net Patient Service Revenue

Net patient service revenue is recorded when patient services are performed at the estimated net realizable amounts from patients, third-party payers and others for services rendered. The use of estimates is very common for health systems, since, with increasing frequency, even noncost-based governmental programs have become subject to retrospective adjustments. Often such adjustments are not known for a considerable period of time after the related services are rendered. The lengthy period of time between rendering services and reaching final settlement, compounded further by the complexities and ambiguities of governmental reimbursement regulations and the frequency of changes in payer guidelines, makes it difficult to estimate the net patient service revenue associated with these programs.

(Dollars in thousands)

Under the Medicare and Medicaid programs, Atrium Health is entitled to reimbursements for certain patient charges at rates determined by federal and state governments. Differences between established billing rates and reimbursements from these programs are recorded as contractual adjustments to arrive at net patient service revenue. Final determination of amounts due from Medicare and Medicaid programs is subject to review by these programs. Changes resulting from final determination are reflected as changes in estimates, generally in the year of determination. In the opinion of management, adequate provision has been made for adjustments, if any, that may result from such reviews. Net patient service revenue decreased approximately $19,100 for the year ended December 31, 2020, due to additional allowances for matters subject to final settlements, audits and reviews.

Net patient service revenue consisted of the following for the year ended December 31, 2020:

Gross patient charges at established rates, net of contractual adjustments – including charges forgone for patients qualifying for financial assistance	$	8,631,632
Adjustments for uninsured and underinsured patients both qualifying and not qualifying for financial assistance		(2,111,096)
Net patient service revenue	$	6,520,536

The sources of Atrium Health's gross patient revenue by type of payer, expressed as a percentage of total gross patient revenue, consisted of the following for the years ended December 31, 2020:

Medicare	41.6 %
Commercial	31.7
Medicaid	16.1
Direct from patient/other	10.6
	100.0 %

Medicare

Hospital inpatient and outpatient services for Medicare patients, with limited exceptions, are based on a prospective reimbursement methodology referred to as the Prospective Payment System ("PPS") for inpatients, and Ambulatory Payment Classifications ("APCs") for outpatients. Under PPS, a hospital is reimbursed for inpatients at predetermined rates for an episode of care based on diagnosis-related groups ("DRGs") that are further adjusted for severity. Under APCs, payment is based on the classification of services into categories with similar expected costs. Teaching hospitals receive payments for training physicians (graduate medical education or "GME") and other medical professionals (allied health payments). GME payments are in two different forms. Direct medical education ("DME") payments support the direct costs of training, while indirect medical education ("IME") payments support the higher infrastructure costs that teaching hospitals incur relating to training physicians, and higher patient acuity. Hospitals that serve a disproportionate share of low-income patients (Uninsured patients, Medicaid eligible patients and Medicare patients eligible to receive supplemental Social Security income), receive additional payments (disproportionate share or "DSH" payments).

(Dollars in thousands)

For services and items reimbursed at cost, hospitals are paid using a tentative rate with final settlement determined after submission of an annual cost report and subsequent audit by the Medicare Administrative Contractor ("MAC "). The period of time between when patient services are rendered, and the final settlement for these payments is typically several years. Medicare claims may also be subject to an independent post-payment review in subsequent periods.

Medicaid

Atrium Health receives Medicaid supplemental payments commonly referred to as Disproportionate Share ("DSH") and Upper Payment Limit ("UPL") payments that are intended to offset a portion of the cost incurred for delivering care to Medicaid and Uninsured patients. Atrium Health provides a portion of the state contribution needed to draw down the federal match needed to make these payments. The state share consists of multiple sources including Certified Public Expenditures ("CPE's"), Intergovernmental Transfers ("IGT's"), and state legislated assessment payments. Atrium Health reports assessments and receipts within other expenses and net patient service revenue, respectively, in the accompanying statement of revenues, expenses, and changes in net position. The following is a summary of the funds received and assessments paid under these programs for the year ended December 31, 2020:

Net funds recognized	$	323,850
Less assessments paid		(47,711)
Net amounts recognized	$	276,139

(7) Other Revenue

Other revenue is composed of the following amounts for the year ended December 31, 2020:

Medical education and research grants and contracts	$	78,612
Reimbursed services provided to affiliates		132,097
Pharmacy sales		322,042
Rental and other revenue		237,677
	$	770,428

(8) Benefit Plans

Defined Contribution Plans

Retirement benefits for both Atrium Health and Navicent are provided to teammates using both defined contribution plans and defined benefit plans.

(Dollars in thousands)

Both Atrium Health and Navicent offer several defined contribution plans with the largest plan for Atrium Health being a Section 401(k) defined contribution plan (the Atrium Health DC Plan) and the largest plan for Navicent being a Section 403(b) defined contribution plan (the Navicent DC Plan). These plans cover all full-time teammates of Atrium Health and Navicent and are funded by voluntary teammate contributions and certain matching contributions by Atrium Health and Navicent to their respective plans. Defined contribution plan assets are not recorded in Atrium Health's balance sheet but are held in participant-directed individual accounts and were $4,013,472 for the Atrium Health DC Plans and $451,728 for the Navicent DC Plan at December 31, 2020. Total matching contribution expense for the Atrium Health DC Plan was $179,628 and $10,629 for the Navicent DC Plan for the year ended December 31, 2020.

Atrium Health Defined Benefit Plans

Atrium Health maintains two single employer defined benefit plans (the Atrium Health DB Plan, which is the largest plan, and the Navicent DB Plan). Effective June 30, 2020, the assets and liabilities of The Pension Plan for the Employees of Cleveland County Healthcare System (the Cleveland DB Plan) and Stanly Health Services, Inc. Employees' Pension Plan (the Stanly DB Plan) were merged into the Atrium Health DB Plan. Late in 2013, Atrium Health undertook certain steps to modernize its retirement benefits by closing the Atrium Health DB Plan to teammates hired after January 1, 2014. The Atrium Health DB Plan was frozen for all teammates effective January 1, 2018, after which no additional benefits accrue under the Atrium Health DB Plan. The Navicent DB Plan is discussed in further detail below.

Atrium Health DB Plan Description and Benefits Provided – The Atrium Health DB Plan provides pension benefits to all Atrium Health teammates hired before January 1, 2014 and who have attained five or more years of service. These benefits are based on years of service and the teammates' compensation. Effective January 1, 2009, the Atrium Health DB Plan became a cash balance plan and a small group of teammates meeting specified employment, age, and service criteria were grandfathered and accrued benefits under the Atrium Health pre-cash balance formula. The Board of Commissioners of Atrium Health (the Board) or an authorized committee of the Board has the authority to amend benefit provisions.

The actuarial valuation establishing the net pension liability for the purposes of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was based on the Atrium Health DB Plan membership data as of January 1, 2020 and rolled forward to the measurement date of July 1, 2020. The Atrium Health DB Plan participant data as of July 1, 2020 is as follows:

	2020
Retirees and beneficiaries receiving benefits	2,747
Previously employed plan members entitled to but not yet receiving benefits	7,447
Employed plan members	17,955
Total	28,149

Contributions to the Atrium Health DB Plan – Annual contributions to the Atrium Health DB Plan are based upon actuarial calculations. Beginning in 2015, the Atrium Health DB Plan utilizes the entry age normal method to determine annual contributions. There are no teammate contributions to the Atrium Health DB Plan.

(Dollars in thousands)

Atrium Health's funding policy is to contribute such actuarially determined amounts as are necessary to provide assets sufficient to meet the benefits to be paid to Atrium Health DB Plan participants. In addition, with the freezing of the Atrium Health DB Plan, Atrium Health has periodically made contributions to the Atrium Health DB Plan in addition to the annual actuarially determined amounts in an effort to reduce the unfunded actuarially accrued liability in a systematic manner. Atrium Health's contribution rate for the year ended December 31, 2020 equaled 2.2% of covered payroll. This contribution rate was determined based on a measurement date of January 1, 2020, with the merger of the Cleveland DB Plan and the Stanly DB Plan into the Atrium Health DB Plan effective June 30, 2020 treated as having occurred on January 1, 2020.

Atrium Health DB Plan Actuarial Assumptions – The total Atrium Health DB Plan pension liability based on the July 1, 2020 measurement date was determined using the following actuarial assumptions:

	2020
Inflation rate	2.5 %
Investment rate of return (net of investment expenses, including inflation)	7.5 %
Lump sum interest rate	5.0 %

Actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study that is conducted every four years, most recently in 2020. Mortality rates were based on the Pri-2012 table (creditability adjustment factor of 95%) with MP-2019 Generational Projections. This change in mortality assumption as well as other assumption changes related to termination rates, retirement rates, benefit commencement age and form of payment resulted in a net increase in the total pension liability of $21,608. The long-term investment rate of return on pension assets was determined using a combination of benchmark return information and a building-block method in which best-estimated expected real rates of return are developed for each major asset class. These expected real rates of return are weighted by the target asset allocation percentage to produce an overall expected real rate of return which is then increased by expected inflation to produce a long-term investment rate of return on pension assets of 7.5%.

(Dollars in thousands)

The target allocation, expected nominal return (which includes inflation) and the best estimates of geometric or compounded real rates of return (which are net of inflation) for each major asset class were established as of July 1, 2019, the beginning of the measurement period, and are summarized in the following table:

Asset class	Target allocation	Expected nominal return	Expected real rate of return
Fixed income	17.2 %	2.2 - 3.5%	(0.6) - 0.8%
Long/short fixed income	10.0	5.9	3.0
Domestic equities	23.5	6.9 – 7.3	4.0 – 4.4
International equities	16.0	7.3	4.4
Global equities	21.8	7.3 - 7.8	4.4 - 4.8
Private equity funds	7.5	8.3	5.3
Real asset funds	4.0	5.5 - 7.3	2.6 - 4.4
Total target allocation	100.0 %		

Rate of return – For the Atrium Health Plan fiscal year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 1.6%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Atrium Health DB Plan Discount rate – The discount rate used to measure the total Atrium Health DB Plan pension liability as of July 1, 2020 was 7.5%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in amounts equal to the actuarially determined contributions. Based on those assumptions, the Atrium Health DB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive teammates. Therefore, the long-term expected rate of return on pension assets of 7.5% was applied to all periods of projected benefit payments to determine the total pension liability.

(Dollars in thousands)

Changes in the Atrium Health DB Plan Net Pension Liability

Changes in the Atrium Health DB Plan net pension liability for the year ended December 31, 2020, are as follows:

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at December 31, 2019 (based on July 1, 2019 measurement date)	$ 1,262,496	$ 909,519	$ 352,977
Cleveland DB Plan	84,814	74,200	10,614
SHS DB Plan	45,642	56,416	(10,774)
Merged plan balances at December 31, 2019	1,392,952	1,040,135	352,817
Changes for the fiscal year:			
Service cost	—	—	—
Interest cost	99,367	—	99,367
Plan amendments	7,538	—	7,538
Differences between expected and actual experiences	15,058	—	15,058
Changes in assumptions	21,607	—	21,607
Contributions - employer	—	37,378	(37,378)
Investment gains and other, net		13,096	(13,096)
Benefit payments	(122,465)	(122,465)	—
Administrative expense	—	(80)	80
Net changes	21,105	(72,071)	93,176
Atrium Health DB Plan balance at December 31, 2020	1,414,057	968,064	445,993
Navicent Health DB Plan	279,236	326,706	(47,470)
Combined balances at December 31, 2020 (based on July 1, 2020 measurement date)	$ 1,693,293	$ 1,294,770	$ 398,523

Sensitivity of the Atrium Health DB Plan net pension liability to changes in the discount rate – The following table presents the net Atrium Health DB Plan pension liability as of July 1, 2020 calculated using the discount rate of 7.5% and alternatively, as required by GASB 68, what the net pension liability would be under different scenarios assuming it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%):

	1% Decrease 6.50%	Current rate 7.50%	1% Increase 8.50%
Net pension liability at July 1, 2020	$ 537,958	$ 445,993	$ 365,223

Atrium Health DB Plan Investments – Policies pertaining to the allocation of investments within the Atrium Health DB Plan are established and may be amended by the Investment Oversight Committee (IOC) of Atrium Health's Board. It is the policy of the IOC to invest pension assets in a wide range of permitted securities that maintain a balance between current income needs and the growth of principal for the future.

Atrium Health, as plan sponsor, has fiduciary responsibility for the Atrium Health DB Plan assets on behalf of the plan participants and beneficiaries.

The Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The methods for determining fair value are consistent with Atrium Health's valuation techniques and presentation as detailed in note 3.

(Dollars in thousands)

Atrium Health DB Plan assets were invested as follows as of July 1, 2020:

	Defined benefit plan assets	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Short term investments	$ 30,959	$ 30,959	$ —
Fixed income:			
U.S. government treasuries and agencies	9,380	—	9,380
Corporate bonds	21,455	—	21,455
Fixed income – other	70,286	70,286	—
Total fixed income	101,121	70,286	30,835
Equity:			
Domestic equities	272,452	272,452	—
International equities	157,712	157,712	—
Global equities	114,967	114,967	—
Total equity	545,131	545,131	—
Global asset allocation funds	32,111	32,111	—
Real asset funds	38,631	38,631	—
Total investments by fair value level	747,953	$ 717,118	$ 30,835
Investments measured at NAV:			
Fixed income – other	39,015		
Global asset allocation funds	30,945		
Long/short fixed income	39,565		
Global equity funds	51,864		
Multi-strategy hedge funds	13		
Private equity funds	52,681		
Total investments measured at NAV	214,083		
Total investments measured at fair value	$ 962,036		

(Dollars in thousands)

The table below discloses the unfunded commitments, redemption frequency and redemption notice period for investments measured at net asset value as of July 1, 2020:

	Defined benefit plan assets			
	2020	**Unfunded commitments as of July 1 2020**	**Redemption frequency**	**Redemption notice period**
Fixed income-other	$ 39,015	$ —	Monthly	15 days
Global asset allocation funds	30,945	—	Daily	2 days
Long/short fixed income	39,565	—	Quarterly	45–90 days
Global equity funds	51,864	—	Monthly	14 days
Multi-strategy hedge funds	13	—	N/A	N/A
Private equity funds	52,681	14,725	N/A	N/A
Total	$ 214,083	$ 14,725		

The Plan's presentation of asset segments is consistent with Atrium Health's presentation as detailed in note 3.

Pension expense and deferred outflows of resources and deferred inflows of resources related to the Atrium Health DB Plan – For the year ended December 31, 2020, Atrium Health recognized pension expense of $67,215 for the Atrium Health DB Plan. At December 31, 2020, Atrium Health reported deferred outflows and inflows of resources as follows based on July 1, 2020 measurement date:

	Deferred outflows of resources	**Deferred inflows of resources**
Difference between expected and actual experience related to demographic factors	$ 33,024	$ (20,437)
Assumption changes	27,778	(4,307)
Difference between expected and actual investment earnings	56,031	—
Total	$ 116,833	$ (24,744)

(Dollars in thousands)

Amounts reported above as deferred outflows of resources and deferred inflows of resources related to the Atrium Health DB Plan at December 31, 2020 will be recognized in pension expense for the year ended December 31, as follows:

	Amount
2021	12,319
2022	27,082
2023	28,849
2024	22,227
2025	1,612
Thereafter	—
	$ 92,089

Navicent Defined Benefit Plan

Navicent Defined Benefit plan (the Navicent DB Plan) provides pension benefits to all Navicent teammates hired before December 31, 2007 who have attained more than five years of service. Effective January 1, 2008, Plan participants under the age of 40 no longer accrue benefits under the Navicent DB Plan. As of December 31, 2013, the Navicent DB Plan was frozen for all teammates such that additional benefits no longer accrue after that date.

The actuarial valuation establishing the net pension liability for the purposes of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was based on the Navicent DB Plan membership data as of January 1, 2020 and rolled forward to the measurement date of July 1, 2020. The Navicent DB Plan participant data as of July 1, 2020 is as follows:

	2020
Retirees and beneficiaries receiving benefits	1,176
Previously employed plan members entitled to but not yet receiving benefits	1,413
Employed plan members	1,566
Total	4,155

Contributions to the Navicent DB Plan – Annual contributions to the Navicent DB Plan are based upon actuarial calculations and the Navicent DB Plan utilizes the entry age normal method to determine annual contributions. There are no teammate contributions to the Navicent DB Plan.

(Continued)

(Dollars in thousands)

Navicent's funding policy is to contribute such actuarially determined amounts as are necessary to provide assets sufficient to meet the benefits to be paid to Navicent DB Plan participants, in addition to meeting the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974 (ERISA). With the freezing of the Navicent DB Plan, Navicent has made contributions to the Navicent DB Plan in addition to the ERISA minimum required contribution in an effort to reduce the unfunded actuarially accrued liability. In 2020, Navicent elected to contribute $4,363, which exceeded the ERISA minimum required contribution by $228. Navicent's contribution rate for the year ended December 31, 2020 equaled 3.7% of covered payroll. These contribution rates are determined based on a measurement date of January 1, 2020.

Navicent DB Plan Actuarial Assumptions – The total Navicent DB Plan pension liability (asset) on the July 1, 2020 measurement date was determined using the following actuarial assumptions:

	2020
Inflation rate	2.5 %
Investment rate of return (net of investment expenses, including inflation)	7.5

Actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study that is conducted every five years, most recently in 2016. The actuarial assumptions with regard to mortality rates and the long-term investment rate of return on pension assets used in the July 1, 2020 valuation for the Navicent DB Plan are consistent with the actuarial assumptions used in the valuation of the Atrium DB Plan except there is no credibility adjustment to the Navicent DB Plan's mortality rate assumption.

The target allocation, expected nominal return (which includes inflation) and the best estimates of geometric or compounded real rates of return (which are net of inflation) for each major asset class were established as of July 1, 2019, the beginning of the measurement period, and are summarized in the following table:

Asset class	Target allocation	Expected nominal return	Expected real rate of return
Fixed income	22.0 %	2.2 - 3.5%	(0.6) - 0.8%
Long/short fixed income	7.5	5.9	3.0
Domestic equities	25.0	6.9 – 7.3	4.0 – 4.4
International equities	16.0	7.3	4.4
Global equities	22.0	7.3 - 7.8	4.4 - 4.8
Private equity funds	7.5	8.3	5.3
Total target allocation	100.0 %		

(Dollars in thousands)

Rate of return – As of June 30, 2020, the money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was (0.5)%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Navicent DB Plan Discount rate – The discount rate used to measure the total Navicent DB Plan pension liability (asset) as of July 1, 2020 was 7.5% and is consistent with the Atrium DB Plan. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in amounts equal to the actuarially determined contributions. Based on those assumptions, the Navicent DB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive teammates. Therefore, the long-term expected rate of return on pension assets of 7.5% was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Navicent DB Plan Net Pension Liability (Asset) – Changes in the Navicent DB Plan net pension liability (asset) for the year ended December 31, 2020, are as follows:

	Increase (decrease)		
	Total pension liability (a)	**Plan fiduciary net position (b)**	**Net pension liability (asset) (a) – (b)**
Balances at December 31, 2019 (based on July 1, 2019 measurement date)	$ 275,098	$ 341,831	$ (66,733)
Changes for the fiscal year:			
Service cost	—	—	—
Interest cost	20,004	—	20,004
Differences between expected and actual experience	2,382	—	2,382
Changes of assumptions	(1,507)	—	(1,507)
Contributions – employer	—	4,363	(4,363)
Investment gains and other, net	—	9	(9)
Benefit payments	(16,741)	(16,741)	—
Administrative expense	—	(2,756)	2,756
Net changes	4,138	(15,125)	19,263
Balances at December 31, 2020 (based on July 1, 2020 measurement date)	$ 279,236	$ 326,706	$ (47,470)

(Dollars in thousands)

Sensitivity of the Navicent DB Plan net pension liability(asset) to changes in the discount rate – The following table presents the net Navicent DB Plan pension liability (asset) as of July 1, 2020, calculated using the discount rate of 7.5% and alternatively, as required by GASB 68, what the net pension liability (asset) would be under different scenarios assuming it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%):

		1% Decrease 6.50%	Current rate 7.50%	1% Increase 8.50%
Net pension (asset) at July 1, 2020	$	(17,957)	(47,470)	(72,429)

Navicent DB Plan Investments – Policies pertaining to the allocation of investments within the Navicent DB Plan are established and may be amended by the Finance Committee of Navicent's Board of Directors. It is the policy of the Finance Committee to invest pension assets in a wide range of permitted securities that maintain a balance between current income needs and the growth of principal for the future.

Navicent, as plan sponsor, has fiduciary responsibility for the Navicent DB Plan assets on behalf of the plan participants and beneficiaries.

The Navicent DB Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The methods for determining fair value are consistent with Atrium Health's valuation techniques and presentation as detailed in note 3.

(Dollars in thousands)

Navicent DB Plan assets were invested as follows as of July 1, 2020:

	Defined benefit plan assets	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Short term investments	$ 89,381	$ 89,381	$ —
Fixed income:			
U.S. government treasuries and agencies	8	—	8
Corporate bonds	—	—	—
Asset-backed securities	—	—	—
Fixed income – other	47,774	47,774	—
Total fixed income	47,782	47,774	8
Equity:			
Domestic equities	78,754	78,754	—
International equities	51,313	51,313	—
Global equities	—	—	—
Total equity	130,067	130,067	—
Global asset allocation funds	32,638	32,638	—
Total investments by fair value level	299,868	$ 299,860	$ 8
Investments measured at NAV:			
Multi-strategy hedge funds	10,455		
Private equity funds	16,383		
Total investments measured at NAV	26,838		
Total investments measured at fair value	$ 326,706		

(Dollars in thousands)

The table below discloses the unfunded commitments, redemption frequency and redemption notice period for investments measured at net asset value as of July 1, 2020:

	Defined benefit plan assets			
	2020	Unfunded commitments as of July 1, 2020	Redemption frequency	Redemption notice period
Multi-strategy hedge funds	$ 10,455	$ —	N/A	N/A
Private equity funds	16,383	11,358	N/A	N/A
Total	$ 26,838	$ 11,358		

The Navicent DB Plan's presentation of asset segments is consistent with Atrium Health's presentation as detailed in note 3.

Pension expense and deferred inflows of resources related to the Navicent DB Plan – For the year ended December 31, 2020, Navicent recognized pension income of $1,026 for the Navicent DB Plan. At December 31, 2020, Navicent reported net deferred inflows of resources of $7,740 based on July 1, 2020 measurement date resulting primarily from the net difference between projected and actual earnings on pension plan investments.

Amounts reported as net deferred inflows of resources related to the Navicent DB Plan at December 31, 2020 will be recognized as a reduction of pension expense for the years ended December 31, as follows:

	Amount
2021	$ 998
2022	998
2023	779
2024	4,965
Thereafter	—
	$ 7,740

Other Benefit Plans

Navicent also sponsors an unfunded postretirement health and dental plan which has a liability of $26,486 as December 31, 2020 (based on July 1, 2020 measurement date).

(Dollars in thousands)

(9) Fiduciary Pension Trust Funds

The Atrium Health DB Plan and the Navicent DB plan are considered fiduciary pension trust funds. The following fiduciary fund information is provided as of December 31, 2020, the fiscal year end for these two plans, in addition to information previously provided for these two plans as of July 1, 2020 regarding plan administration, membership, benefit terms, contributions, investment policy and actuarial assumptions. This information is presented as required by GASB Statement No. 67, *Financial Reporting for Pension Plans*, as no separate financial statements for these plans are issued.

Atrium Health DB Plan net pension liability as of plan fiscal year end

The Atrium Health plan fiscal year end is December 31. The components of the net pension liability of the Atrium Health DB Plan on December 31, 2020 were as follows:

Total pension liability	$	1,392,537
Plan fiduciary net position		1,072,871
Atrium Health net pension liability	$	319,666
Plan fiduciary net position as a percentage of total pension liability		77.0 %

Sensitivity of the Atrium Health DB Plan net pension liability to changes in the discount rate – The following table presents the Atrium Health DB Plan net pension liability as of December 31, 2020 calculated using the discount rate of 7.5% and alternatively, what the net pension liability would be under different scenarios assuming it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%):

		1% Decrease 6.50%		Current rate 7.50%		1% Increase 8.50%
Atrium Health net pension liability at December 31, 2020	$	406,386	$	319,666	$	243,277

Atrium Health DB Plan Investments

The Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The methods for determining fair value are consistent with Atrium Health's valuation techniques and presentation as detailed in note 3.

(Continued)

(Dollars in thousands)

Atrium Health DB Plan assets were invested as follows as of December 31, 2020:

	Defined benefit plan assets	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Short term investments	$ 27,814	$ 27,814	$ —
Fixed income:			
U.S. government treasuries and agencies	17,902	—	17,902
Corporate bonds	22,632	—	22,632
Fixed income – other	52,862	52,862	—
Total fixed income	93,396	52,862	40,534
Equity:			
Domestic equities	316,802	316,802	—
International equities	98,005	98,005	—
Global equities	180,036	180,036	—
Total equity	594,843	594,843	—
Real asset funds	41,841	41,841	—
Total investments by fair value level	757,894	$ 717,360	$ 40,534
Investments measured at NAV:			
Fixed income – other	50,745		
Global asset allocation funds	86,346		
Long/short fixed income	38,896		
Multi-strategy hedge funds	12		
Private equity funds	59,797		
Global equity funds	79,181		
Total investments measured at NAV	314,977		
Total investments measured at fair value	$ 1,072,871		

(Dollars in thousands)

The table below discloses the unfunded commitments, redemption frequency, and redemption notice period for investments measure at net asset value as of December 31, 2020:

	Defined benefit plan assets			
	2020	**Unfunded commitments as of December 31, 2020**	**Redemption Frequency**	**Redemption notice period**
Fixed income-other	$ 50,745	$ —	Monthly	15 days
Global asset allocation funds	86,346	—	Daily	2 days
Long/short fixed income	38,896	—	Quarterly	45–90 days
Multi-strategy hedge funds	12	—	N/A	N/A
Private equity funds	59,797	13,911	N/A	N/A
Global equity funds	79,181	—	Monthly	14 days
Total	$ 314,977	$ 13,911		

Navicent DB Plan net pension asset as of plan fiscal year end

The Navicent plan fiscal year end is December 31. The components of the net pension asset of the Navicent DB Plan on December 31, 2020 were as follows:

Total pension liability	$ 277,256
Plan fiduciary net position	368,825
Navicent net pension asset	$ (91,569)
Plan fiduciary net position as a percentage of total pension liability	133.0 %

Sensitivity of the Navicent DB Plan net pension asset to changes in the discount rate – The following table presents the net Navicent DB Plan pension asset as of December 31, 2020 calculated using the discount rate of 7.5% and alternatively, what the net pension asset would be under different scenarios assuming it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%):

	1% Decrease 6.50%	**Current rate 7.50%**	**1% Increase 8.50%**
Navicent net pension asset at December 31, 2020	$ (62,697)	$ (91,569)	$ (116,069)

(Dollars in thousands)

Navicent DB Plan Investments

The Navicent DB Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The methods for determining fair value are consistent with Atrium Health's valuation techniques and presentation as detailed in note 3.

Navicent DB Plan assets were invested as follows as of December 31, 2020:

	Defined benefit plan assets	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Short term investments	$ 3,613	$ 3,613	$ —
Fixed income:			
U.S. government treasuries and agencies	—	—	—
Corporate bonds	—	—	—
Asset-backed securities	—	—	—
Fixed income – other	60,968	60,968	—
Total fixed income	60,968	60,968	—
Equity:			
Domestic equities	122,915	122,915	—
International equities	60,956	60,956	—
Global equities	63,465	63,465	—
Total equity	247,336	247,336	—
Global asset allocation funds	35,641	35,641	—
Total investments by fair value level	347,558	$ 347,558	$ —
Investments measured at NAV:			
Multi-strategy hedge funds	5,937		
Private equity funds	15,330		
Total investments measured at NAV	21,267		
Total investments measured at fair value	$ 368,825		

(Dollars in thousands)

The table below discloses the unfunded commitments, redemption frequency, and redemption notice period for investments measured at net asset value as of December 31, 2020:

	Defined benefit plan assets			
	2020	Unfunded commitments as of December 31, 2020	Redemption frequency	Redemption notice period
Multi-strategy hedge funds	$ 5,937	$ —	N/A	N/A
Private equity funds	15,330	10,833	N/A	N/A
Total	$ 21,267	$ 10,833		

(10) Commitments and Contingencies

Compliance and Accounting

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Atrium Health is subject to legal proceedings and claims that arise in the course of providing healthcare services. Atrium Health, excluding Navicent, has instituted a limited self-insurance program for professional liability and general liability claims. Self-insurance is limited to $10 million per occurrence, with no aggregate limit for the year end December 31, 2020. General liability and professional liability are also covered by umbrella liability insurance policies. In management's opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for asserted and unasserted claims not covered by the policy and any other uninsured liability.

Navicent is currently insured for commercial general liability on an occurrence basis and professional liability on a claims-made basis by Centra Professional Indemnity (SPC), Ltd. or CPI, a wholly owned subsidiary of Navicent, and excess coverage by commercial insurance carriers through CPI. The excess coverage limits are $40 million for 2020. The coverage for professional liability is limited to claims incurred and reported during its term. Actuarially determined funding is provided for losses.

CPI also insures Navicent on an occurrence basis for workers' compensation insurance, which has a limit of $500 per occurrence, with no aggregate limit per year and insures equipment maintenance and repairs with limits of liability of $2,500 per claim and annual aggregate.

Litigation Cases

In June 2016, the federal government and the State of North Carolina filed a civil antitrust lawsuit against Atrium Health alleging that Atrium Health violated Section 1 of the Sherman Act by imposing steering restrictions in negotiated agreements with four insurance companies in the Charlotte, North Carolina area (the "2016 lawsuit"). In November 2018, Atrium Health reached a settlement with the government plaintiffs that includes no financial penalty or fine and does not include any admission of wrongdoing. The settlement enjoins Atrium Health from seeking or enforcing certain limited managed care contract terms, but it does not require the payment of any monetary amount. The federal court entered the final order resolving this case on April 24, 2019. In September 2016, an individual filed a proposed class action lawsuit in state court making similar allegations against Atrium Health, asserting state law claims for restraint of trade and monopolization. This lawsuit sought treble damages for an unspecified amount, but no class was ever certified. On February 27, 2019, the North Carolina Business Court (1) granted Atrium Health's motion to dismiss the state law claim for restraint of trade under Chapter 75; (2) granted Atrium Health's motion to dismiss the monopolization claim to the extent it is based on Chapter 75 of the North Carolina General Statutes; and (3) denied Atrium Health's motion to dismiss state law monopolization claim to the extent it is brought under the anti-monopoly clause of Article 1, Section 34 of the North Carolina Constitution. Both parties appealed. On December 18, 2020, the N.C. Supreme Court issued its opinion, affirming the dismissal of the Plaintiffs' claims under Chapter 75 and reversing the failure to dismiss the claim under the Anti-Monopoly Clause. On January 7, 2021, the Supreme Court's Mandate was transmitted. CMHA views the Supreme Court's Opinion as having wholly resolved and ending the case. Plaintiffs had until January 22, 2021 to file a Petition for Rehearing requesting that the Supreme Court revisit or amend its judgment to permit an opportunity to amend or to provide for a dismissal without prejudice. Plaintiffs never filed such a Petition for Rehearing. On February 9, 2021, Plaintiffs filed a Motion for Relief in the N.C. Business Court under Rule 60(b)(6) seeking to (1) modify the Business Court's Order enforcing the Supreme Court's mandate and hold that the dismissal was without prejudice, (2) alternatively to set aside the Business Court's Order enforcing the Supreme Court's Mandate, and (3) leave to amend the Complaint for a fourth time. On February 18, 2021, the Plaintiffs filed a Notice of Appeal from the Business Court's Order enforcing the Supreme Court's Mandate. That same day, the Business Court held that it did not have jurisdiction to consider the Plaintiffs' Rule 60 Motion in light of their Notice of Appeal. The Notice of Appeal remains pending. Atrium Health maintains that this case is over and will continue to defend itself.

In February 2018, another individual filed a separate federal lawsuit on behalf of an additional proposed class of plaintiffs. This second lawsuit makes similar allegations as the 2016 lawsuit and seeks treble damages for an unspecified amount. On March 4, 2019, the District Court dismissed all claims for money damages under the provisions of the Local Government Antitrust Immunity Act of 1984 because of CMHA's status as special function unit of government under North Carolina law. The District Court dismissed the remaining claims on October 8, 2019. Plaintiffs appealed. On March 23, 2021, the Fourth Circuit issued a decision in favor of Atrium Health. To date, Plaintiffs have not filed an appeal to the U.S. Supreme Court, but could do so.

The ultimate resolutions of these lawsuits could have a material adverse effect on Atrium Health's condition (financial or otherwise) or operations. It is impossible to estimate the likelihood of an unfavorable outcome or the risk of exposure facing Atrium Health.

(Dollars in thousands)

Future Obligations

Obligations under noncancelable operating leases with remaining terms of more than one year, principally real estate leases for medical office space, as of December 31, 2020, were as follows:

2021	$	87,612
2022		77,536
2023		66,540
2024		44,343
2025		36,885
2026–2030		136,515
2031–2035		104,530
2036–2040		3,373
2041– Thereafter		9,281
	$	566,615

Atrium Health has entered into contracts for various construction and capital projects, for which remaining commitments totaled approximately $319,184 at December 31, 2020.

Effective January 1, 2012, under the terms of a Lease Agreement between Atrium Health and Union County, Atrium Health leases hospital real estate from, and makes annual lease payments to, Union County. The initial term of the Lease Agreement remains in effect until December 31, 2061, unless earlier terminated, extended or renewed in accordance with the provisions of the Lease Agreement. Upon the expiration of the initial term, unless certain events of default exist, Atrium Health has the option to extend and renew the Lease Agreement for an initial renewal term of 25 years. During the term of the Lease Agreement, Union County has the right to require Atrium Health to purchase the hospital real estate at a stated price determined in accordance with the Lease Agreement. If Union County elects to require Atrium Health to purchase the hospital real estate, Atrium Health will have no further obligations under the Lease Agreement. As of December 31, 2020, the purchase price as stated in the Lease Agreement was $127,807. The present value of Atrium Health's obligation for the annual lease payments, discounted using an effective interest rate of 4.34%, was $121,062 as of December 31, 2020, and is recorded on the balance sheet as a long-term liability. The liability and related interest are payable in annual installments of approximately $6,000 per year through 2061.

Additionally, as part of the Lease Agreement between Atrium Health and Union County, Atrium Health has committed to reinvest in healthcare related facilities and operations in Union County. As measured in 15-year increments commencing January 1, 2012, Atrium Health has committed to spending in Union County no less than 75% of the capital spending ratio of Atrium Health as a whole (defined as capital investments divided by net operating revenues) but limited to 75% of the operating income of the Union Healthcare Enterprise as defined in the Lease Agreement. Management believes Atrium Health has reinvested in excess of the commitment levels for the first eight years of the 15-year period.

In connection with an Agreement and Member Substitution between Atrium Health and Atrium Health Navicent, Atrium Health has committed to make capital, strategic and other expenditures in its Central and Southern Georgia market totaling at least $1 billion over a period of 10 years beginning in 2019.

In connection with the Health System Integration Agreement and related agreements between Atrium Health and Wake Forest Baptist Health (see Note 1), the Atrium Health Enterprise, which includes both WFBH and Atrium Health, has committed to approximately $3.4 billion in planned investments into the Winston-Salem, North Carolina area over 10 years beginning in October 2020. The Enterprise has agreed to invest approximately $2.8 billion to improve facilities and fund critical investments across the communities served by WFBH. With WFBH and the Wake Forest University School of Medicine forming the academic core of the Enterprise, the Enterprise also has agreed to invest nearly $600 million to advance the academic mission of Wake Forest Baptist Health and further elevate its national reputation, including a new $150,000 academic endowment established at closing to fund additional education and research growth and a $70,000 Academic Enrichment Fund ($10,000 annually for seven years) to accelerate academic initiatives. Atrium Health and the Enterprise have committed to establish the academic endowment fund and to fund the Academic Enrichment Fund from non-WFBH funds and, as a result, Atrium Health recorded nonoperating expense of $220,000 as of December 31, 2020, of which $160,000 is included in other liabilities and accruals and $60,000 in included in other liabilities on the balance sheet.

REQUIRED SUPPLEMENTARY INFORMATION

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Schedule of Changes in Net Pension Liability and Related Ratios – Atrium Health Defined Benefit Plan (unaudited)

(Dollars in thousands)

	December 31					
	2020	**2019**	**2018**	**2017**	**2016**	**2015**
Total pension liability:						
Service cost	$ —	$ —	$ —	$ 46,519	$ 53,214	$ 55,197
Interest cost	99,367	91,210	96,417	100,609	95,929	93,442
Plan amendments	7,538	—	—	—	—	—
Differences between expected and actual experiences	15,058	25,325	(14,720)	(23,718)	7,092	(4,091)
Changes of assumptions	21,607	5,138	(2,402)	(5,217)	20,252	—
Benefit payments	(122,465)	(150,638)	(146,796)	(108,339)	(106,420)	(112,417)
Net change in total pension liability	21,105	(28,965)	(67,501)	9,854	70,067	32,131
Total pension liability – beginning	1,392,952	1,291,461	1,358,962	1,349,108	1,279,041	1,246,910
Total pension liability – ending (a)	1,414,057	1,262,496	1,291,461	1,358,962	1,349,108	1,279,041
Plan fiduciary net position:						
Contributions – employer	37,378	37,473	78,526	124,181	132,884	92,405
Investment gains and other, net	13,096	31,478	76,644	118,972	(36,909)	20,481
Benefit payments	(122,465)	(150,638)	(146,796)	(108,339)	(106,420)	(112,417)
Administrative expense	(80)	(162)	(312)	(217)	(364)	(696)
Net change in plan fiduciary net position	(72,071)	(81,849)	8,062	134,597	(10,809)	(227)
Plan fiduciary net position – beginning	1,040,135	991,368	983,306	848,709	859,518	859,745
Plan fiduciary net position – ending (b)	968,064	909,519	991,368	983,306	848,709	859,518
Net pension liability – ending (a) – (b)	$ 445,993	$ 352,977	$ 300,093	$ 375,656	$ 500,399	$ 419,523
Plan fiduciary net position as a percentage of the total pension liability	68.5 %	72.0 %	76.8 %	72.4 %	62.9 %	67.2 %
Covered-employee payroll	$ 1,688,456	$ 1,642,381	$ 1,804,814	$ 1,796,876	$ 1,959,073	$ 1,995,117
Net pension liability as a percentage of covered-employee payroll	26.4 %	21.5 %	16.6 %	20.9 %	25.5 %	21.0 %

Note to schedule:
- Measurement date is July 1 of each fiscal year presented.
- The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.
- Effective June 30, 2020, the Cleveland and Stanly DB Plans were merged with the Atrium DB Plan which increased the beginning total pension liability by approximately $130 million and the beginning plan fiduciary net position by approximately $131 million.

See accompanying independent auditors' report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Schedule of Pension Contributions – Atrium Health Defined Benefit Plan (unaudited)

(Dollars in thousands)

December 31	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	$ 37,378	$ 37,378	$ —	$ 1,688,456	2.2 %
2019	37,473	37,473	—	1,642,381	2.3 %
2018	36,326	78,526	(42,200)	1,804,814	4.4 %
2017	81,981	124,181	(42,200)	1,796,876	6.9 %
2016	90,684	132,884	(42,200)	1,959,073	6.8 %
2015	92,405	92,405	—	1,995,117	4.6 %

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 rate for 2020:

Actuarial cost method	Entry age normal with 20-year as level percent of pay, closed
Asset valuation method	5-year smoothed market
Cash balance interest credits	5.00%
Salary increases	Not applicable after 12/31/2017 due to benefit accrual freeze.
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement rates	Age-graded rates from 55 to 70
Mortality	PRI-2012 sex-distinct mortality tables projected generationally with Scale MP-2019. Prior to 1/1/2020, RP-2014 with generational projection using scale MP-2018

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Schedule of Pension Plan Investment Returns – Atrium Health Defined Benefit Plan (unaudited)

(Dollars in thousands)

Atrium Health Defined Benefit Plan measurement date	Annual money-weighted rate of return net of investment expenses
July 1, 2020	1.6 %
July 1, 2019	3.8 %
July 1, 2018	8.0 %
July 1, 2017	15.0 %
July 1, 2016	(4.8)%
July 1, 2015	2.4 %

Notes to schedule:

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Schedule of Changes in Net Pension Liability and Related Ratios – Navicent Health Defined Benefit Plan (unaudited)

(Dollars in thousands)

	December 31, 2020	December 31, 2019
Total pension liability:		
Service cost	$ —	$ —
Interest cost	20,004	10,087
Differences between expected and actual experiences	2,382	—
Changes of assumptions	(1,507)	—
Benefit payments	(16,741)	(7,941)
Net change in total pension liability	4,138	2,146
Total pension liability – beginning	275,098	272,952
Total pension liability – ending (a)	279,236	275,098
Plan fiduciary net position:		
Contributions – employer	4,363	10,952
Investment gains and other, net	9	32,493
Benefit payments	(16,741)	(7,941)
Administrative expense	(2,756)	(151)
Net change in plan fiduciary net position	(15,125)	35,353
Plan fiduciary net position – beginning	341,831	306,478
Plan fiduciary net position – ending (b)	326,706	341,831
Net pension asset – ending (a) – (b)	$ (47,470)	$ (66,733)
Plan fiduciary net position as a percentage of the total pension liability	117.0 %	124.3 %
Covered-employee payroll	$ 118,953	$ 138,664
Net pension asset as a percentage of covered-employee payroll	(39.9)%	(48.1)%

Note to schedule:

Measurement date is July 1 of each fiscal year presented.

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Schedule of Pension Contributions – Navicent Health Defined Benefit Plan (unaudited)

(Dollars in thousands)

December 31	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	$ 4,135	$ 4,363	$ (228)	$ 118,953	3.7 %
2019	4,723	10,952	(6,229)	138,664	7.9 %

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 rate for 2020:

Actuarial cost method	Traditional unit credit
Asset valuation method	2-year smoothed market
Salary increases	Not applicable after 12/31/2013 due to benefit accrual freeze.
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement rates	Age-graded rates from 55 to 70
Mortality	PRI-2012 sex-distinct mortality tables projected generationally with Scale MP-2019. Prior to 1/1/2020, RP-2014 with generational projection using scale MP-2018.

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Schedule of Pension Plan Investment Returns – Navicent Health Defined Benefit Plan (unaudited)

(Dollars in thousands)

Navicent Health Defined Benefit Plan measurement date	Annual money-weighted rate of return net of investment expenses
July 1, 2020	(0.5)%
July 1, 2019	5.4 %

Notes to schedule:

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Schedule of Changes in Net Pension Liability and Related Ratios – Atrium Health Defined Benefit Plan (unaudited)

(Dollars in thousands)

	December 31, 2020	December 31, 2019
Total pension liability:		
Service cost	$ —	$ —
Interest cost	99,191	100,484
Changes of benefit terms	7,811	—
Differences between expected and actual experiences	14,140	—
Changes of assumptions	28,432	—
Benefit payments	(144,489)	(122,428)
Net change in total pension liability	5,085	(21,944)
Total pension liability – beginning	1,387,452	1,409,396
Total pension liability – ending (a)	1,392,537	1,387,452
Plan fiduciary net position:		
Contributions – employer	37,378	38,561
Investment gains and other, net	131,318	173,814
Benefit payments	(144,489)	(122,428)
Administrative expense	(121)	(121)
Net change in plan fiduciary net position	24,086	89,826
Plan fiduciary net position – beginning	1,048,785	958,959
Plan fiduciary net position – ending (b)	1,072,871	1,048,785
Net pension liability – ending (a) – (b)	$ 319,666	$ 338,667
Plan fiduciary net position as a percentage of the total pension liability	77.0 %	75.6 %
Covered-employee payroll	$ 1,688,456	$ 1,741,304
Net pension liability as a percentage of covered-employee payroll	18.9 %	19.5 %

Note to schedule:
Measurement date is December 31, 2020.
The December 31, 2019 information reflects the merger of the CCHS and SHS DB plans into the Atrium DB plan effective June 30, 2020.
The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors' report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Schedule of Pension Contributions – Atrium Health Defined Benefit Plan (unaudited)

(Dollars in thousands)

December 31	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	$ 37,378	$ 37,378	$ —	$ 1,688,456	2.2 %
2019	37,473	38,561	(1,088)	1,741,304	2.2 %

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 rate for 2020:

Actuarial cost method	Entry age normal with 20-year as level percent of pay, closed
Asset valuation method	5-year smoothed market
Cash balance interest credits	5.00%
Salary increases	Not applicable after 12/31/2017 due to benefit accrual freeze.
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement rates	Age-graded rates from 55 to 70
Mortality	PRI-2012 sex-distinct mortality tables projected generationally with Scale MP-2019. Prior to 1/1/2020, RP-2014 with generational projection using scale MP-2018

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors’ report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Schedule of Pension Plan Investment Returns - Atrium Health Defined Benefit Plan (unaudited)

(Dollars in thousands)

Atrium Health Defined Benefit Plan measurement date	**Annual money-weighted rate of return net of investment expenses**
December 31, 2020	14.0 %
December 31, 2019	19.0 %

Notes to schedule:

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors’ report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Schedule of Changes in Net Pension Liability and Related Ratios - Navicent Health Defined Benefit Plan (unaudited)

(Dollars in thousands)

		December 31, 2020	December 31, 2019
Total pension liability:			
Service cost	$	—	—
Interest cost		20,084	19,866
Differences between expected and actual experiences		854	—
Changes of assumptions		(904)	—
Benefit payments		(19,426)	(16,170)
Net change in total pension liability		608	3,696
Total pension liability – beginning		276,648	272,952
Total pension liability – ending (a)		277,256	276,648
Plan fiduciary net position:			
Contributions – employer		4,363	11,100
Investment gains and other, net		36,807	51,045
Benefit payments		(19,426)	(16,170)
Administrative expense		(2,507)	(2,865)
Net change in plan fiduciary net position		19,237	43,110
Plan fiduciary net position – beginning		349,588	306,478
Plan fiduciary net position – ending (b)		368,825	349,588
Net pension asset – ending (a) – (b)	$	(91,569)	(72,940)
Plan fiduciary net position as a percentage of the total pension liability		133.0 %	126.4 %
Covered-employee payroll	$	112,865	138,664
Net pension asset as a percentage of covered-employee payroll		(81.1)%	(52.6)%

Note to schedule:
Measurement date is December 31, 2020.
The schedule is intended to show information for 10 years. Additional years will be presented as the informatior becomes available.

See accompanying independent auditors’ report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Schedule of Pension Contributions – Navicent Health Defined Benefit Plan (unaudited)

(Dollars in thousands)

December 31	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	$ 4,135	$ 4,363	$ (228)	$ 112,865	3.9 %
2019	4,723	11,100	(6,377)	138,664	8.0 %

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 rate for 2020:

Actuarial cost method	Traditional unit credit
Asset valuation method	2-year smoothed market
Salary increases	Not applicable after 12/31/2013 due to benefit accrual freeze.
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement rates	Age-graded rates from 55 to 70
Mortality	PRI-2012 sex-distinct mortality tables projected generationally with Scale MP-2019. Prior to 1/1/2020, RP-2014 with generational projection using scale MP-2018.

The schedule is intended to show information for 10 years. Additional years will be presented as the informatior becomes available.

See accompanying independent auditors’ report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Schedule of Pension Plan Investment Returns - Navicent Health Defined Benefit Plan (unaudited)

(Dollars in thousands)

Navicent Health Defined Benefit Plan measurement date	Annual money-weighted rate of return net of investment expenses
December 31, 2020	11.2 %
December 31, 2019	17.0 %

Notes to schedule:

The schedules are intended to show information for 10 years. Additional years will be presented as the information becomes available.

See accompanying independent auditors’ report.

OTHER FINANCIAL INFORMATION

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Combining Balance Sheet – Atrium Health Combined Group

December 31, 2020

(Dollars in thousands)

Assets and Deferred Outflows of Resources	Primary Enterprise	Atrium Health Foundation	Eliminations	Subtotal	Exclude Navicent Health, Inc.	Exclude Non-Obligated Group Affiliates	Exclude Consolidating Eliminations	Total Combined Group
	2020							
Current assets:								
Cash and cash equivalents	$ 906,263	$ 4,114	$ —	$ 910,377	$ 150,450	$ 6,115	$ —	$ 753,812
Short-term investments	—	11,541	—	11,541	—	—	—	11,541
Patient accounts receivable – net	949,421	—	—	949,421	172,847	1,090	—	775,484
Other accounts receivable	100,374	18,841	(629)	118,586	10,794	19,714	—	88,078
Assets limited as to use – investments	47,327	—	—	47,327	—	—	—	47,327
Inventories	141,061	—	—	141,061	21,860	3	—	119,198
Prepaid expenses	93,640	403	—	94,043	14,149	128	—	79,766
Total current assets	2,238,086	34,899	(629)	2,272,356	370,100	27,050	—	1,875,206
Capital assets	8,466,963	11,816	—	8,478,779	1,288,636	41,027	—	7,149,116
Accumulated depreciation	(4,334,631)	(7,447)	—	(4,342,078)	(801,220)	(11,418)	—	(3,529,440)
Total capital assets – net	4,132,332	4,369	—	4,136,701	487,416	29,609	—	3,619,676
Other noncurrent assets:								
Assets limited as to use:								
Investments designated for capital improvements	6,636,228	—	—	6,636,228	685,208	—	—	5,951,020
Other long-term investments	73,989	329,497	—	403,486	—	72,816	—	330,670
Other assets limited as to use – investments	181,085	—	—	181,085	83,203	—	—	97,882
Other assets	275,226	33,309	(6,127)	302,408	91,318	(4,350)	(17,991)	233,431
Total other noncurrent assets	7,166,528	362,806	(6,127)	7,523,207	859,729	68,466	(17,991)	6,613,003
Total assets	13,536,946	402,074	(6,756)	13,932,264	1,717,245	125,125	(17,991)	12,107,885
Deferred outflows of resources	464,512	—	—	464,512	22,265	—	—	442,247
Total assets and deferred outflows of resources	$ 14,001,458	$ 402,074	$ (6,756)	$ 14,396,776	$ 1,739,510	$ 125,125	$ (17,991)	$ 12,550,132

(Continued)

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Combining Balance Sheet – Atrium Health Combined Group

December 31, 2020

(Dollars in thousands)

	2020							
Liabilities, Deferred Inflows of Resources and Net Position	**Primary Enterprise**	**Atrium Health Foundation**	**Eliminations**	**Subtotal**	**Exclude Navicent Health, Inc.**	**Exclude Non-Obligated Group Affiliates**	**Exclude Consolidating Eliminations**	**Total Combined Group**
Current liabilities:								
Accounts payable	$ 385,765	$ 27	$ (4,000)	$ 381,792	$ 41,399	4,064	—	$ 336,329
Salaries and benefits payable	571,666	—	—	571,666	46,083	400	—	525,183
Other liabilities and accruals	690,630	4,554	(629)	694,555	61,703	1,064	—	631,788
Estimated third-party payer settlements	285,857	—	—	285,857	(1,826)	—	—	287,683
Current portion of long-term debt	600,116	—	—	600,116	5,060	1,835	—	593,221
Total current liabilities	2,534,034	4,581	(4,629)	2,533,986	152,419	7,363	—	2,374,204
Long-term debt – less current portion	2,048,376	—	—	2,048,376	285,530	22,184	—	1,740,662
Interest rate swap liability	328,481	—	—	328,481	11,598	—	—	316,883
Pension liability	398,523	—	—	398,523	(47,470)	—	—	445,993
Other liabilities	771,846	3,181	(2,127)	772,900	160,504	—	—	612,396
Total liabilities	6,081,260	7,762	(6,756)	6,082,266	562,581	29,547	—	5,490,138
Commitments and contingencies								
Deferred inflows of resources	39,114	—	—	39,114	1,041	—	—	38,073
Net position:								
Net investment in capital assets	1,471,247	4,369	—	1,475,616	185,229	5,590	—	1,284,797
Restricted – by donor	76,861	382,788	—	459,649	40,285	36,576	—	382,788
Unrestricted	6,332,976	7,155	—	6,340,131	950,374	53,412	(17,991)	5,354,336
Total net position	7,881,084	394,312	—	8,275,396	1,175,888	95,578	(17,991)	7,021,921
Total liabilities, deferred inflows of resources and net position	$ 14,001,458	$ 402,074	$ (6,756)	$ 14,396,776	$ 1,739,510	$ 125,125	$ (17,991)	$ 12,550,132

The Total Combined Group column presented above represents the Combined Group, which consists of the Obligated Group and its Designated Affiliates, as such terms are defined in Section 101 of the Charlotte-Mecklenburg Hospital Authority's Second Amended and Restated Bond Order adopted as of September 9, 1997, as amended. Because none of the members of the Obligated Group have Designated Affiliates at this time, the only members of the Combined Group are the members of the Obligated Group.

See accompanying independent auditors' report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Combining Schedule of Revenues, Expenses and Changes in Net Position – Atrium Health Combined Group

Year ended December 31, 2020

(Dollars in thousands)

	2020							
	Primary Enterprise	**Atrium Health Foundation**	**Elims**	**Subtotal**	**Exclude Navicent Health, Inc.**	**Exclude Non-Obligated Group Affiliates**	**Exclude Consolidating Eliminations**	**Total Combined Group**
Net patient service revenue	$ 6,520,536	$ —	$ —	$ 6,520,536	$ 805,234	$ 4,837	$ —	$ 5,710,465
Other revenue	770,428	27,841	(37,652)	760,617	41,733	23,762	(6,023)	701,145
Total revenue	7,290,964	27,841	(37,652)	7,281,153	846,967	28,599	(6,023)	6,411,610
Operating expenses:								
Personnel costs	4,402,343	4,111	—	4,406,454	522,475	10,236	—	3,873,743
Supplies	1,524,408	—	—	1,524,408	182,825	549	—	1,341,034
Purchased services	602,437	—	—	602,437	76,884	89	—	525,464
Other expenses	566,584	35,726	(33,652)	568,658	94,246	8,981	(6,023)	471,454
Depreciation and amortization	363,167	266	—	363,433	42,079	2,444	—	318,910
Total operating expenses	7,458,939	40,103	(33,652)	7,465,390	918,509	22,299	(6,023)	6,530,605
Operating (loss) income	(167,975)	(12,262)	(4,000)	(184,237)	(71,542)	6,300	—	(118,995)
Nonoperating (loss) income:								
Interest expense	(81,315)	—	—	(81,315)	(4,688)	(941)	—	(75,686)
Interest and dividend income	69,188	2,324	—	71,512	8,708	(796)	—	63,600
Net change in the fair value of investments	688,050	39,871	—	727,921	68,159	25,367	—	634,395
Stimulus grants	305,526	—	—	305,526	51,724	164	—	253,638
WFBH academic endowment and enrichment funds	(220,000)	—	—	(220,000)	—	—	—	(220,000)
Other – net	(22,133)	—	4,000	(18,133)	(17,144)	85	—	(1,074)
Total nonoperating income – net	739,316	42,195	4,000	785,511	106,759	23,879	—	654,873
Revenue over expenses before contributions	571,341	29,933	—	601,274	35,217	30,179	—	535,878
Capital contributions	19,419	1,325	—	20,744	9,422	(1,546)	—	12,868
Other contributions	(5,594)	449	—	(5,145)	16,737	—	—	(21,882)
Increase in net position	585,166	31,707	—	616,873	61,376	28,633	—	526,864
Net position:								
Beginning of year	7,295,918	362,605	—	7,658,523	1,114,512	66,945	(17,991)	6,495,057
End of year	$ 7,881,084	$ 394,312	$ —	$ 8,275,396	$ 1,175,888	$ 95,578	$ (17,991)	$ 7,021,921

The Total Combined Group column presented above represents the Combined Group, which consists of the Obligated Group and its Designated Affiliates, as such terms are defined in Section 101 of the Charlotte-Mecklenburg Hospital Authority's Second Amended and Restated Bond Order adopted as of September 9, 1997, as amended. Because none of the members of the Obligated Group have Designated Affiliates at this time, the only members of the Combined Group are the members of the Obligated Group.

See accompanying independent auditors' report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY

(d/b/a Atrium Health)

Combining Schedule of Cash Flows – Atrium Health Combined Group

Year ended December 31, 2020

(Dollars in thousands)

	2020							
	Primary Enterprise	Atrium Health Foundation	Eliminations	Subtotal	Exclude Navicent Health, Inc.	Exclude Non-Obligated Group Affiliates	Exclude Consolidating Eliminations	Total Combined Group
Cash flows from operating activities:								
Receipts from third-party payers and patients	$ 6,973,850	$ —	$ —	$ 6,973,850	$ 873,626	$ 6,476	$ —	$ 6,093,748
Payments to suppliers	(2,712,314)	(3,231)	—	(2,715,545)	(354,179)	(15,724)	—	(2,345,642)
Payments to employees	(4,319,163)	—	—	(4,319,163)	(520,191)	(10,917)	—	(3,788,055)
Other receipts (payments) – net	746,152	(9,680)	(4,000)	732,472	52,996	19,830	—	659,646
Net cash provided by (used in) operating activities	688,525	(12,911)	(4,000)	671,614	52,252	(335)	—	619,697
Noncapital financing activities								
Proceeds from the issuance of commercial paper	425,000	—	—	425,000	—	—	—	425,000
Retirements of commercial paper	(175,000)	—	—	(175,000)	—	—	—	(175,000)
Stimulus funds	343,991	—	—	343,991	63,867	164	—	279,960
Other activities	(25,830)	—	4,000	(21,830)	(8,550)	—	—	(13,280)
Net cash provided by noncapital financing activities	568,161	—	4,000	572,161	55,317	164	—	516,680
Cash flows from capital and related financing activities:								
Purchase of capital assets	(665,767)	(142)	—	(665,909)	(30,725)	(655)	—	(634,529)
Donated funds designated for building and equipment purchases	18,461	1,325	—	19,786	9,140	(1,546)	—	12,192
Principal payments, refunding and retirements on short- and long-term debt	(63,986)	—	—	(63,986)	(4,820)	(933)	—	(58,233)
Interest payments on short- and long-term debt	(94,895)	—	—	(94,895)	(4,688)	(941)	—	(89,266)
Proceeds from issuance of long-term debt	—	—	—	—	—	—	—	—
Other contributions	301	1,619	—	1,920	17,036	—	—	(15,116)
Net cash (used in) provided by capital and related financing activities	(805,886)	2,802	—	(803,084)	(14,057)	(4,075)	—	(784,952)
Cash flows from investing activities:								
Withdrawal from investments limited as to use	101,157	(9)	—	101,148	101,122	35	—	(9)
Contribution to investments limited as to use	(125,972)	—	—	(125,972)	(77,630)	(102)	—	(48,240)
Investment earnings	4,371	8,767	—	13,138	(1,197)	3,926	—	10,409
Purchase of investments	(27,897)	—		(27,897)	(27,897)	—	—	—
Net cash (used in) provided by investing activities	(48,341)	8,758	—	(39,583)	(5,602)	3,859	—	(37,840)
Net increase (decrease) in cash and cash equivalents	402,459	(1,351)	—	401,108	87,910	(387)	—	313,585
Cash and cash equivalents:								
Beginning of year	503,804	5,465	—	509,269	62,540	6,502	—	440,227
End of year	$ 906,263	$ 4,114	$ —	$ 910,377	$ 150,450	$ 6,115	$ —	$ 753,812
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities:								
Operating (loss) income	$ (167,975)	$ (12,262)	$ (4,000)	$ (184,237)	$ (71,542)	$ 6,300	$ —	$ (118,995)
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:								
Depreciation and amortization	363,167	266	—	363,433	42,079	2,444	—	318,910
(Increase) decrease in patient accounts receivable – net	(36,446)	—	—	(36,446)	(17,523)	1,639	—	(20,562)
(Increase) decrease in inventories and other current assets	(54,569)	(2,904)	(5,449)	(62,922)	8,445	(11,808)	—	(59,559)
(Increase) decrease in other assets affecting operating activities	(177,199)	(53)	—	(177,252)	(11,585)	862	—	(166,529)
Increase in accounts payable and other current liabilities	353,097	—	5,449	358,546	67,560	413	—	290,573
Increase (decrease) in other liabilities affecting operating activities	371,487	2,042	—	373,529	30,156	(185)	—	343,558
Increase in estimated third party payer settlements	36,963	—	—	36,963	4,662	—	—	32,301
Net cash provided by (used in) operating activities	$ 688,525	$ (12,911)	$ (4,000)	$ 671,614	$ 52,252	$ (335)	$ —	$ 619,697

The Total Combined Group column presented above represents the Combined Group, which consists of the Obligated Group and its Designated Affiliates, as such terms are defined in Section 101 of the Charlotte-Mecklenburg Hospital Authority's Second Amended and Restated Bond Order adopted as c September 9, 1997, as amended. Because none of the members of the Obligated Group have Designated Affiliates at this time, the only members of the Combined Group are the members of the Obligated Group.

See accompanying independent auditors' report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Combining Balance Sheet – Navicent Health

December 31, 2020

(Dollars in thousands)

	2020			
Assets and Deferred Outflows of Resources	**Carlyle Place**	**All Other Navicent**	**Elims**	**Total Navicent Health, Inc.**
Current assets:				
Cash and cash equivalents	$ 366	$ 150,084	$ —	$ 150,450
Short-term investments	—	—	—	—
Patient accounts receivable – net	103	172,744	—	172,847
Other accounts receivable	120	11,318	(644)	10,794
Assets limited as to use – investments	—	—	—	—
Inventories	26	21,834	—	21,860
Prepaid expenses	—	14,149	—	14,149
Total current assets	615	370,129	(644)	370,100
Capital assets	76,545	1,212,091	—	1,288,636
Accumulated depreciation	(47,085)	(754,135)	—	(801,220)
Total capital assets – net	29,460	457,956	—	487,416
Other noncurrent assets:				
Assets limited as to use:				
Investments designated for capital improvements	97,776	587,432	—	685,208
Other long-term investments	—	—	—	—
Other assets limited as to use – investments	2,089	81,114	—	83,203
Other assets	—	109,053	(17,735)	91,318
Total other noncurrent assets	99,865	777,599	(17,735)	859,729
Total assets	129,940	1,605,684	(18,379)	1,717,245
Deferred outflows of resources	169	22,096	—	22,265
Total assets and deferred outflows of resources	$ 130,109	$ 1,627,780	$ (18,379)	$ 1,739,510
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:				
Accounts payable	$ 3,363	$ 38,036	$ —	$ 41,399
Salaries and benefits payable	759	45,324	—	46,083
Other liabilities and accruals	261	62,086	(644)	61,703
Estimated third-party payer settlements	99	(1,925)	—	(1,826)
Current portion of long-term debt	902	4,158	—	5,060
Total current liabilities	5,384	147,679	(644)	152,419
Long-term debt – less current portion	33,057	252,473	—	285,530
Interest rate swap liability	166	11,432	—	11,598
Pension liability	—	(47,470)	—	(47,470)
Other liabilities	37,388	123,116	—	160,504
Total liabilities	75,995	487,230	(644)	562,581
Commitments and contingencies				
Deferred inflows of resources	—	1,041	—	1,041
Net position:				
Net investment in capital assets	(4,665)	189,894	—	185,229
Restricted – by donor	4,319	35,966	—	40,285
Unrestricted	54,460	913,649	(17,735)	950,374
Total net position	54,114	1,139,509	(17,735)	1,175,888
Total liabilities, deferred inflows of resources and net position	$ 130,109	$ 1,627,780	$ (18,379)	$ 1,739,510

See accompanying independent auditors' report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Combining Schedule of Revenues, Expenses and Changes in Net Position – Navicent Health

Year ended December 31, 2020

(Dollars in thousands)

	2020			
	Carlyle Place	**All Other Navicent**	**Elims**	**Total Navicent Health, Inc.**
Net patient service revenue	$ 2,516	$ 802,718	$ —	$ 805,234
Other revenue	13,693	43,823	(15,783)	41,733
Total revenue	16,209	846,541	(15,783)	846,967
Operating expenses:				
Personnel costs	8,938	515,288	(1,751)	522,475
Supplies	1,535	181,290	—	182,825
Purchased services	646	77,880	(1,642)	76,884
Other expenses	2,221	104,243	(12,218)	94,246
Depreciation and amortization	2,444	39,635	—	42,079
Total operating expenses	15,784	918,336	(15,611)	918,509
Operating income (loss)	425	(71,795)	(172)	(71,542)
Nonoperating (loss) income:				
Interest expense	(766)	(4,094)	172	(4,688)
Interest and dividend income	929	7,779	—	8,708
Net change in the fair value of investments	9,115	59,044	—	68,159
Stimulus grants	457	51,267	—	51,724
Other – net	200	(17,344)	—	(17,144)
Total nonoperating income – net	9,935	96,652	172	106,759
Revenue over expenses before contributions	10,360	24,857	—	35,217
Capital contributions	—	9,422	—	9,422
Other contributions	—	16,737	—	16,737
Increase in net position	10,360	51,016	—	61,376
Net position:				
Beginning of year	43,754	1,070,758	—	1,114,512
End of year	$ 54,114	$ 1,121,774	$ —	$ 1,175,888

See accompanying independent auditors' report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Combining Schedule of Cash Flows – Navicent Health

Year ended December 31, 2020

(Dollars in thousands)

	2020			
	Carlyle Place	**All Other Navicent**	**Elims**	**Total Navicent Health, Inc.**
Cash flows from operating activities:				
Receipts from third-party payers and patients	$ 2,708	870,918	$ —	$ 873,626
Payments to suppliers	(6,691)	(347,488)	—	(354,179)
Payments to employees	(8,822)	(511,369)	—	(520,191)
Other receipts – net	12,429	40,567	—	52,996
Net cash provided by operating activities	(376)	52,628	—	52,252
Noncapital financing activities				
Proceeds from the issuance of commercial paper	—	—	—	—
Retirements of commercial paper	—	—	—	—
Stimulus Funds	457	63,410	—	63,867
Other activities	—	(8,550)	—	(8,550)
Net cash provided by noncapital financing activities	457	54,860	—	55,317
Cash flows from capital and related financing activities:				
Purchase of capital assets	(1,745)	(28,980)	—	(30,725)
Donated funds designated for building and equipment purchases	—	9,140	—	9,140
Principal payments, refunding and retirements on short- and long-term debt	(859)	(3,961)	—	(4,820)
Interest payments on short- and long-term debt	(766)	(3,922)	—	(4,688)
Proceeds from issuance of long-term debt	—	—	—	—
Other contributions	—	17,036	—	17,036
Net cash used in capital and related financing activities	(3,370)	(10,687)	—	(14,057)
Cash flows from investing activities:				
Withdrawal from investments limited as to use	3,891	97,231	—	101,122
Contribution to investments limited as to use	(4,294)	(73,336)	—	(77,630)
Investment earnings	3,724	(4,921)	—	(1,197)
Purchase of investments	—	(27,897)	—	(27,897)
Net cash used in investing activities	3,321	(8,923)	—	(5,602)
Net increase in cash and cash equivalents	32	87,878	—	87,910
Cash and cash equivalents:				
Beginning of year	334	62,206	—	62,540
End of year	$ 366	$ 150,084	$ —	$ 150,450
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 425	(71,795)	$ (172)	$ (71,542)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	2,444	39,635	—	42,079
Decrease in patient accounts receivable – net	92	(17,615)	—	(17,523)
Decrease (increase) in inventories and other current assets	463	7,982	—	8,445
Decrease (increase) in other assets affecting operating activities	29	(11,614)	—	(11,585)
Increase (decrease) in accounts payable and other current liabilities	(2,164)	69,552	172	67,560
Increase (decrease) in other liabilities affecting operating activities	(1,765)	31,921	—	30,156
Increase in estimated third party payer settlements	100	4,562	—	4,662
Net cash provided by operating activities	$ (376)	$ 52,628	$ —	$ 52,252

See accompanying independent auditors' report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Combining Balance Sheet – Discrete Component Units

December 31, 2020

(Dollars in thousands)

	2020			
Assets and Deferred Outflows of Resources	**Atrium Health Foundation**	**Cowles Clinic Realty, LLC**	**Central Georgia PET, LLC**	**Total Component Units**
Current assets:				
Cash and cash equivalents	$ 4,114	$ 159	$ 1,555	$ 5,828
Short-term investments	11,541	—	—	11,541
Patient accounts receivable – net	—	—	1,198	1,198
Other accounts receivable	18,841	—	—	18,841
Assets limited as to use – investments	—	—	—	—
Inventories	—	—	—	—
Prepaid expenses	403	—	—	403
Total current assets	34,899	159	2,753	37,811
Capital assets	11,816	8,280	4,372	24,468
Accumulated depreciation	(7,447)	(773)	(3,907)	(12,127)
Total capital assets – net	4,369	7,507	465	12,341
Other noncurrent assets:				
Assets limited as to use:				
Investments designated for capital improvements	—	—	—	—
Other long-term investments	329,497	—	—	329,497
Other assets limited as to use – investments	—	—	—	—
Other assets	33,309	55	—	33,364
Total other noncurrent assets	362,806	55	—	362,861
Total assets	402,074	7,721	3,218	413,013
Deferred outflows of resources	—	—	—	—
Total assets and deferred outflows of resources	$ 402,074	$ 7,721	$ 3,218	$ 413,013
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:				
Accounts payable	$ 27	$ —	$ 34	$ 61
Salaries and benefits payable	—	—	37	37
Other liabilities and accruals	4,554	25	35	4,614
Estimated third-party payer settlements	—	—	—	—
Current portion of long-term debt	—	168	240	408
Total current liabilities	4,581	193	346	5,120
Long-term debt – less current portion	—	4,876	641	5,517
Interest rate swap liability	—	—	—	—
Pension liability	—	—	—	—
Other liabilities	3,181	—	—	3,181
Total liabilities	7,762	5,069	987	13,818
Commitments and contingencies				
Deferred inflows of resources	—	—	—	—
Net position:				
Net investment in capital assets	4,369	2,463	(416)	6,416
Restricted – by donor	382,788	—	—	382,788
Unrestricted	7,155	189	2,647	9,991
Total net position	394,312	2,652	2,231	399,195
Total liabilities, deferred inflows of resources and net position	$ 402,074	$ 7,721	$ 3,218	$ 413,013

See accompanying independent auditors' report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Combining Schedule of Revenues, Expenses and Changes in Net Position – Discrete Component Units

Year ended December 31, 2020

(Dollars in thousands)

	2020			
	Atrium Health Foundation	**Cowles Clinic Realty, LLC**	**Central Georgia PET, LLC**	**Total Component Units**
Net patient service revenue	$ —	$ —	$ 4,583	$ 4,583
Other revenue	27,841	953	—	28,794
Total revenue	27,841	953	4,583	33,377
Operating expenses:				
Personnel costs	4,111	14	502	4,627
Supplies	—	5	977	982
Purchased services	—	65	33	98
Other expenses	35,726	218	849	36,793
Depreciation and amortization	266	185	308	759
Total operating expenses	40,103	487	2,669	43,259
Operating (loss) income	(12,262)	466	1,914	(9,882)
Nonoperating income:				
Interest expense	—	(186)	(37)	(223)
Interest and dividend income	2,324	—	4	2,328
Net change in the fair value of investments	39,871	—	—	39,871
Stimulus grants	—	—		—
Commitment to academic endowment and enrichment funds	—	—	—	—
Other – net	—	—	41	41
Total nonoperating income (loss) – net	42,195	(186)	8	42,017
Revenue over expenses before contributions	29,933	280	1,922	32,135
Capital contributions	1,325	—	—	1,325
Other contributions	449	(220)	(1,882)	(1,653)
Increase in net position	31,707	60	40	31,807
Net position:				
Beginning of year	362,605	2,592	2,191	367,388
End of year	$ 394,312	$ 2,652	$ 2,231	$ 399,195

See accompanying independent auditors' report.

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY
(d/b/a Atrium Health)

Combining Schedule of Cash Flows – Discrete Component Units

Year ended December 31, 2020

(Dollars in thousands)

	2020			
	Atrium Health Foundation	**Cowles Clinic Realty, LLC**	**Central Georgia PET, LLC**	**Total Component Units**
Cash flows from operating activities:				
Receipts from third-party payers and patients	$ —	$ —	$ 4,344	$ 4,344
Payments to suppliers	(3,231)	(70)	(1,010)	(4,311)
Payments to employees	—	(14)	(502)	(516)
Other receipts – net	(9,680)	749	(865)	(9,796)
Net cash (used in) provided by operating activities	(12,911)	665	1,967	(10,279)
Noncapital financing activities				
Proceeds from the issuance of commercial paper	—	—	—	—
Retirements of commercial paper	—	—	—	—
Stimulus grants	—	—	—	—
Other activities	—	—	—	—
Net cash used in noncapital financing activities	—	—	—	—
Cash flows from capital and related financing activities:				
Purchase of capital assets	(142)	(38)	—	(180)
Donated funds designated for building and equipment purchases	1,325	—	—	1,325
Principal payments, refunding and retirements on short – and long-term debt	—	(156)	(253)	(409)
Interest payments on short- and long-term debt	—	(186)	(37)	(223)
Proceeds from issuance of long-term debt	—	—	—	—
Other contributions (distributions)	1,619	(233)	(1,838)	(452)
Net cash provided by (used in) capital and related financing activities	2,802	(613)	(2,128)	61
Cash flows from investing activities:				
Withdrawal from investments limited as to use	(9)	—	—	(9)
Contribution to investments limited as to use	—	—	—	—
Investment earnings	8,767	—	—	8,767
Purchase of investments	—	—	—	—
Net cash provided by investing activities	8,758	—	—	8,758
Net (decrease) increase in cash and cash equivalents	(1,351)	52	(161)	(1,460)
Cash and cash equivalents:				
Beginning of year	5,465	107	1,716	7,288
End of year	$ 4,114	$ 159	$ 1,555	$ 5,828
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities:				
Operating (loss) income	$ (12,262)	$ 466	$ 1,914	$ (9,882)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:				
Depreciation and amortization	266	185	308	759
Increase in patient accounts receivable – net	—	—	(239)	(239)
(Increase) decrease in inventories and other current assets	(2,904)	—	16	(2,888)
(Increase) decrease in other assets affecting operating activities	(53)	3	—	(50)
Increase (decrease) in accounts payable and other current liabilities	—	11	(32)	(21)
Increase in other liabilities affecting operating activities	2,042	—	—	2,042
Increase (decrease) in estimated third party payer settlements	—	—	—	—
Net cash (used in) provided by operating activities	$ (12,911)	$ 665	$ 1,967	$ (10,279)

See accompanying independent auditors' report.