Greenville Health System

Financial Statements
as of and for the Year Ended
September 30, 2017 and
Independent Auditors' Report

DIXON HUGHES GOODMAN LLP

GREENVILLE HEALTH SYSTEM

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DIXON HUGHES GOODMAN LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Greenville Health System
Greenville, South Carolina

We have audited the accompanying financial statements of the Greenville Health System ("GHA"), which comprise the statement of net position as of September 30, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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 GHA'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GHA as of September 30, 2017, and the results of its operations and changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, effective October 1, 2016, GHA undertook a corporate restructuring and executed a lease and transfer agreement with Upstate Affiliate Organization ("UAO"), a related party, whereby UAO agreed to lease substantially all of the assets, liabilities, and operations of GHA for an initial period of forty years. Our opinion is not modified with respect to this matter.

DIXON HUGHES GOODMAN LLP

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Dixon Hughes Goodman LLP

Greenville, South Carolina
December 18, 2017

The financial statements include the accounts and transactions of the Greenville Health System. Hereinafter, the Greenville Health System will be referred to as Greenville Health Authority ("GHA"). GHA was established by The General Assembly of South Carolina in 1947 to meet the medical and health care needs of the citizens of Greenville County.

In 2016, GHA determined that it could more effectively provide for the needs of the community and fulfill its statutory obligations by contracting with a newly formed, not-for-profit entity named Upstate Affiliate Organization ("UAO"). The UAO was created to be part of a larger system in which the system parent would be a newly created not-for-profit corporation named the Strategic Coordinating Organization ("SCO"). SCO is the member of UAO and provides strategic direction and financial oversight to the UAO. The UAO and GHA entered into a lease and contribution agreement effective October 1, 2016 under which UAO assumed substantially all of operations, assets and liabilities of GHA and agreed to operate the facilities thereof as a community healthcare provider and to perform and abide by all covenants, agreements, and restrictions thereof for an initial period of forty years with three, twenty-year renewal options. GHA also licensed the right to use the name Greenville Health System to the UAO and as of that date, the UAO began doing business as Greenville Health System and is herein after referred to as GHS. In connection with this transaction, GHS, GHS Partners in Health, Inc., the Endowment Fund of the Greenville Hospital System, Inc., the Greenville Health Corporation and Affiliates, MyHealth First Network, the Care Coordination Institute, and the Auxiliary of Greenville Hospital System became part of the system controlled by the SCO. As a result, these organizations are excluded from GHA's reporting entity subsequent to the restructuring.

Due to the nature of the restructuring, the lease and contribution agreement was accounted for as a transaction between entities under common control, whereby GHA transferred its net assets at their carrying values as of the beginning of the year.

Although GHS assumed the liabilities of GHA, GHA remains a member of the Obligated Group for payment of the long-term debt; therefore, the long-term debt is included on GHA's statement of net position. GHS is responsible for the timely payment of principal, interest and any other obligation owed on the long-term debt. Therefore, GHA has included a receivable from GHS of approximately $618,073,000 for principal and accrued interest associated with the long-term debt.

The lease and contribution agreement established an $80,000,000 community fund, Healthy Greenville 2036, to support health-related community initiatives. GHS will pay GHA $4,000,000 a year for 20 years to establish this fund. In fiscal year 2017, GHA recognized contribution revenue of $80,000,000 net of a $25,242,000 discount to adjust the present value of the contribution fund. $4,000,000 was paid to the GHA in October 2016, and as of September 30, 2017, GHA has recorded a receivable totaling approximately $50,758,000 representing the present value of the remaining payments due for the community fund. During fiscal year 2017, GHA awarded nine grants in the amount of approximately $12,000,000 with one to five year payouts. A total of approximately $2,992,000 was distributed in fiscal year 2017.

The lease and contribution agreement required that GHA retain an amount of cash not to exceed $1,000,000 to be used for expenses related to the lease and contribution agreement and any related transactions. At least annually, GHS will replenish the amount to $1,000,000. GHA did not utilize those funds in fiscal year 2017, and the balance in the account as of September 30, 2017 is $1,000,000.

GHA will continue to collect on patient accounts considered as bad debt that existed prior to October 1, 2016. Payments will be received from normal collection efforts and through the South Carolina Setoff Debt Collection Program. GHA will retain those funds and will continue to make the intergovernmental transfers to the State of South Carolina for GHS' match payments for the Supplemental Teaching Physician Payment Program.

Operations of the Program of All-Inclusive Care for the Elderly ("PACE") remained with GHA until July 2017. During this time, GHS agreed to subsidize any losses related to the PACE program. GHA will also continue to operate the GHS police department that was created by the General Assembly of the State of South Carolina, and GHS will subsidize GHA for services provided.

Overview of the Financial Statements

The Financial Statements consist of two parts: Management's Discussion and Analysis (this section) and the Required Basic Financial Statements. The Required Basic Financial Statements also include notes that explain in more detail some of the information in the financial statements.

Required Basic Financial Statements

GHA uses accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The statement of net position includes all of GHA's assets, deferred outflows of resources, and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to GHA creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities.

All of the current year's revenues and expenses are accounted for on the statement of revenues, expenses and changes in net position. This financial statement measures the performance of GHA's operations over the past year.

The final required statement is the statement of cash flows. The primary purpose of this statement is to provide information about GHA's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, noncapital financing, and capital and related financing activities and information concerning sources and uses of cash.

Requests for Information

This financial report is designed to provide a general overview of GHA's finances for all those with an interest in GHA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to GHA.

GREENVILLE HEALTH SYSTEM
(REFERRED TO AS GREENVILLE HEALTH AUTHORITY)

STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2017
(In thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	$	40,224
Other current assets		4,001
Receivable from GHS, current portion		23,515
Total current assets		67,740
ASSETS WITH LIMITED USE — DONOR RESTRICTED		1,016
OTHER ASSETS		46,758
RECEIVABLE FROM GHS, LESS CURRENT PORTION		594,558
Total assets		710,072
DEFERRED OUTFLOWS OF RESOURCES:		
Loss on refunding of debt, net		4,144
Total deferred outflows of resources		4,144
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	714,216
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accrued liabilities	$	5,743
Due to affiliates		25,850
Estimated third-party settlements		15,806
Current portion of long-term debt		18,159
Total current liabilities		65,558
LONG-TERM DEBT — Less current portion		594,558
OTHER LONG-TERM LIABILITIES		10
Total liabilities		660,126
NET POSITION:		
Unrestricted		53,074
Restricted for specific operating purposes		1,016
Total net position		54,090
TOTAL LIABILITIES AND NET POSITION	$	714,216

See notes to financial statements.

GREENVILLE HEALTH SYSTEM

(REFERRED TO AS GREENVILLE HEALTH AUTHORITY)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2017 (In thousands)

REVENUES:	
Recoveries of accounts previously deemed uncollectible	$ 30,212
Total operating revenues	30,212
EXPENSES:	
Salaries, wages, benefits, and contracted labor	1,176
Supplies and other costs	453
Depreciation	229
Amortization	630
Total operating expenses	2,488
OPERATING INCOME	27,724
NON-OPERATING ACTIVITIES:	
Investment income — net	244
Transactions with Strategic Coordinating Organization and Subsidiaries, net	(31,811)
Contribution from GHS, Healthy Greenville 2036	54,758
Total non-operating activities	23,191
EXCESS OF REVENUES OVER EXPENSES	50,915
TRANSFER OF NET POSITION TO STRATEGIC COORDINATING ORGANIZATION AND SUBSIDIARIES	(1,147,409)
CHANGE IN NET POSITION	(1,096,494)
NET POSITION — Beginning of year	1,150,584
NET POSITION — End of year	$ 54,090

See notes to financial statements.

GREENVILLE HEALTH SYSTEM
(REFERRED TO AS GREENVILLE HEALTH AUTHORITY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(In thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from recovery of bad debt	$ 28,988
Cash payments to affiliated entities, net	(4,865)
Net cash provided by operating activities	24,123
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer to GHS & Affiliates under lease agreement	(161,703)
Contribution to Healthy Greenville 2036 community fund from GHS	4,000
Reimbursement from Strategic Coordinating Organization & Subsidiaries	594
Net cash used in noncapital financing activities	(157,109)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income realized	244
Payments for Healthy Greenville 2036	(2,992)
Net cash used in investing activities	(2,748)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(135,734)
CASH AND CASH EQUIVALENTS:	
Beginning of year	176,974
End of year	$ 41,240
RECONCILIATION OF CASH AND CASH EQUIVALENTS:	
Cash and cash equivalents in current assets	$ 40,224
Cash and cash equivalents in assets limited with use	1,016
	$ 41,240
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 27,724
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	229
Amortization	630
Changes in operating assets and liabilities:	
Other assets	(71)
Other liabilities	(4,389)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 24,123
SUPPLEMENTAL CASH FLOW INFORMATION:	
Noncash financing activities — principal payments of long term debt paid by GHS	$ 17,804

See notes to financial statements.

1. REPORTING ENTITY

The financial statements include the accounts and transactions of the Greenville Health System. Hereinafter, the Greenville Health System will be referred to as Greenville Health Authority ("GHA"). GHA was established by The General Assembly of South Carolina in 1947 to meet the medical and health care needs of the citizens of Greenville County.

In 2016, GHA determined that it could more effectively provide for the needs of the community and fulfill its statutory obligations by contracting with a newly formed, not-for-profit entity named Upstate Affiliate Organization ("UAO"). The UAO was created to be part of a larger system in which the system parent would be a newly created not-for-profit corporation named the Strategic Coordinating Organization ("SCO"). SCO is the member of UAO and provides strategic direction and financial oversight to the UAO. The UAO and GHA entered into a lease and contribution agreement effective October 1, 2016 under which UAO assumed substantially all of operations, assets and liabilities of GHA and agreed to operate the facilities thereof as a community healthcare provider and to perform and abide by all covenants, agreements, and restrictions thereof for an initial period of forty years with three, twenty-year renewal options. GHA also licensed the right to use the name Greenville Health System to the UAO and as of that date, the UAO began doing business as Greenville Health System and is herein after referred to as GHS. In connection with this transaction, GHS, GHS Partners in Health, Inc., the Endowment Fund of the Greenville Hospital System, Inc., the Greenville Health Corporation and Affiliates, MyHealth First Network, the Care Coordination Institute and the Auxiliary of Greenville Hospital System became part of the system controlled by the SCO. As a result, these organizations are excluded from GHA's reporting entity subsequent to the restructuring.

Due to the nature of the restructuring, the lease and contribution agreement was accounted for as a transaction between entities under common control, whereby GHA transferred its net assets at their carrying values as of the beginning of the year.

2. SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards and Methods — GHA follows Governmental Accounting Standards Board ("GASB") pronouncements. The proprietary fund method of accounting is used whereby revenues and expenses are recognized on the accrual basis.

Use of Estimates — The preparation of GHA's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and assumptions.

Net Position — GHA classifies its net position for accounting and reporting purposes as unrestricted or restricted as follows:

Unrestricted — Resources of GHA that bear no external restrictions as to use or purpose. These resources include amounts generated from operations and undesignated gifts.

Restricted— Resources that are designated as to use by donors, grantors, or certain GHA programs.

Operating Revenues and Expenses — GHA's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues include payments received on patient accounts considered as bad debt that existed prior to October 1, 2016. Operating expenses include expenses to operate the PACE program through July 2017 as well as the GHA police department for the year ended September 30, 2017.

Non-Operating Activities — Non-operating activities include investment income, net contribution revenue recognized related to the establishment of a community fund, and contribution expense to GHS primarily related to bad debt recoveries.

The lease and contribution agreement established an $80,000,000 community fund, Healthy Greenville 2036, to support health-related community initiatives. GHS will pay GHA $4,000,000 a year for twenty years to establish this fund. In fiscal year 2017, GHA recognized contribution revenue of $80,000,000 net of a $25,242,000 discount to adjust the present value of the community fund.

Cash and Cash Equivalents — Cash and cash equivalents include investments in highly liquid instruments with a maturity of three months or less.

Bank deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") under applicable limits. Bank deposits in excess of the FDIC limit are collateralized with U.S. Treasury or agency securities held by the pledging financial institution in GHA's name, or by agency letter of credit.

Assets with Limited Use — These assets represent funds paid from GHS to GHA for Healthy Greenville 2036 that have not yet been awarded to an external organization by GHA. Assets with limited use consist of cash and cash equivalents.

GHA's investment in the South Carolina Local Government Investment Pool ("LGIP") is included within assets with limited use. The fair value of the LGIP fund approximates carrying value, which equates to the cash invested plus interest earned.

Other Assets — Other assets include a receivable from GHS that represents the present value of the remaining payments due for the community fund. At September 30, 2017, $4,000,000 of the receivable is included in other current assets and the remaining $46,758,000 is included in other assets on the statement of net position.

Amortization — In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the difference between the reacquisition price and the net carrying amount of the refunded bonds is deferred and amortized as a component of interest expense over the shorter of the remaining scheduled life of old or new debt, or the repayment period under the respective liquidity facility, if applicable. The unamortized value of the deferred amount is reported as a deferred outflow of resources.

Capital Assets — Capital assets are stated at cost or, if contributed, at fair value at date of contribution. It is GHA's policy not to capitalize any capital asset that costs less than $5,000. Depreciation is provided over the estimated useful life of each class of depreciable asset (ranging from 3 to 80 years) and is computed using the straight-line method. Routine maintenance, repairs, and replacements are charged to expenses. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized.

When properties are retired or otherwise disposed of, the cost of the assets and related allowances for depreciation are removed from the accounts, and any resulting gain or loss is recognized in the statement of revenues, expenses and changes in net position as a component of operating activities.

GHA evaluates capital assets for impairment when events or changes in circumstances denote the presence of impairment indicators. GHA determined that there was no impairment of capital assets as of or during the year ended September 30, 2017.

Operations of the Program of All-Inclusive Care for the Elderly ("PACE") remained with GHA until July 2017. Therefore, depreciation expense on the statement of revenues, expenses, and changes in net position includes depreciation on capital assets associated with the PACE program during the period from October 2016 through July 2017.

Estimated Third-Party Settlements — Estimated third-party settlements include intergovernmental transfers to the State of South Carolina for GHS' match payments for the Supplemental Teaching Physician Payment Program.

Income Taxes — GHA is exempt from federal income tax as an organization described in Section 115 and Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Subsequent Events — GHA evaluated subsequent events through December 18, 2017, the date at which the financial statements were issued. No subsequent events requiring recognition in or disclosure to the financial statements as of September 30, 2017 were identified by management.

3. ACCRUED LIABILITIES

Accrued liabilities as of September 30, 2017 are summarized as follows (in thousands):

Accrued liabilities:		
Salaries and benefits	$	339
Accrued interest		5,356
Other		48
Total	$	5,743

4. LONG-TERM DEBT

Long-term debt as of September 30, 2017 consists of the following (in thousands):

Hospital Refunding Revenue Bonds — Series 2015 — with monthly interest at 70% of LIBOR plus an applicable spread ranging from 55 to 100 basis points (1.42% at September 30, 2017), maturing in 2044, subject to mandatory tender by the bank May 1, 2022	$ 68,360
Hospital Refunding Revenue Bonds — Series 2014A — 2.27% fixed rate interest, maturing 2025	35,060
Hospital Revenue Bonds — Series 2014B:	
Serial bonds, 3.625% to 5.00% fixed rate interest, maturing 2024 to 2034	41,450
Term bonds, 4.00% fixed rate interest, maturing 2039	5,710
Term bonds, 5.00% fixed rate interest, maturing 2039	10,615
Term bonds, 4.00% fixed rate interest, maturing 2044	27,405
Series 2013A Promissory Note, with monthly interest at the one-month LIBOR plus an applicable spread ranging from .95% to 1.35% (2.18% at September 30, 2017), maturing 2023	8,637
Series 2013B Promissory Note, with monthly interest at the one-month LIBOR plus an applicable spread ranging from 1.00% to 1.40% (2.23% at September 30, 2017), maturing 2023	3,354
Hospital Facilities Revenue Bonds — Series 2012 — Serial bonds, 3.00% to 5.00% fixed rate interest, maturing 2021 to 2031	92,900
General Obligation Refunding Bonds — Series 2012 — 2.00% to 4.00% fixed rate interest, maturing 2013 to 2022	3,235
Hospital Revenue Bonds — Series 2008A — Serial Bonds, 3.00% to 5.25% fixed rate interest, maturing 2011 to 2023	33,960
Hospital Revenue Bonds — Series 2008B — Variable Rate Demand Bonds, variable rate interest, maturing 2021 to 2033	60,595
Hospital Revenue Bonds — Series 2008C — Direct Bank Loan, 2.3086% fixed rate interest until initial bank put date of October 1, 2022, maturing 2021 to 2033	60,645
Hospital Revenue Bonds — Series 2008D — Direct Bank Loan, variable interest based on 70% of LIBOR plus an applicable spread ranging from 45 to 90 basis points (1.32% at September 30, 2017), maturing 2011 to 2044, subject to mandatory tender on October 1, 2021	52,840
Hospital Revenue Bonds — Series 2008E — Direct Bank Loan, variable interest based on 70% of LIBOR plus an applicable spread ranging from 45 to 90 basis points (1.32% at September 30, 2017), maturing 2011 to 2035, subject to mandatory tender on October 1, 2021	78,865
Hospital Facilities Revenue Bonds — Series 1990 — Term bonds, 6.00% fixed rate interest, maturing 2020	15,675
	599,306
Plus unamortized debt premium and discount	13,411
	612,717
Less current portion	18,159
	$ 594,558

Members of the Obligated Group for long-term debt include SCO, GHS, GHA, and GHS Partners in Health, Inc.

Series 2008

The Hospital Revenue Bonds, Series 2008B, are variable rate demand bonds and bear interest at variable rates set through a weekly remarketing process. Interest on the bonds is payable monthly in arrears, at rates ranging from 0.55% to 0.90% (plus letter of credit fees and remarketing costs) during the year ended September 30, 2017 (.83% at September 30, 2017). In accordance with each Bond Indenture, the Obligated Group may convert the interest rate on any series to a daily interest rate, long-term interest rate, or bond interest term rate.

In April 2011, the Obligated Group entered into an irrevocable, direct pay letter of credit and reimbursement agreement (the "Series 2008B Credit Facility") with U.S. Bank National Association ("U.S. Bank") for a term of five years to provide credit and liquidity support for the Series 2008B bonds. The Series 2008B Credit Facility was amended, and the term was extended until April 2020. The bonds are payable from the Series 2008B Credit Facility issued by U.S. Bank. During the term of the Series 2008B Credit Facility, the Bond Trustee will draw money under the Series 2008B Credit Facility to pay, when due, all principal and interest due on the bonds. The Obligated Group reimburses U.S. Bank for these payments monthly in arrears on the first business day of each month. In the event that any bonds are tendered for purchase and cannot be remarketed, the Series 2008B Credit Facility provides that U.S. Bank will provide liquidity advances equal to the outstanding principal and interest payable on the respective series of bonds.

Under the Series 2008B Credit Facility, any liquidity advance not repaid on the date U.S. Bank pays such liquidity drawing shall be converted to a three-year term loan payable in twelve equal quarterly installments commencing on the first quarterly payment date following the 367th day following the liquidity drawing. The Series 2008B Credit Facility requires payment of higher interest rates on liquidity advances and term loans; however, the Obligated Group may prepay liquidity advances and term loans at any time without penalty. The term loan interest rate is Prime Rate based, but will not exceed the Prime Rate plus 2% (or, in the event of default, Prime Rate plus 3%) or the maximum rate permitted by law nor will it be less than the interest accruing on any Series 2008B bond. Letter of credit fees range from 45 to 100 basis points based on the Obligated Group's credit ratings.

In the event the Series 2008B Credit Facility is not extended or replaced prior to expiration, the respective Bond Indenture requires mandatory tender of the bonds on the fifth business day preceding such expiration.

Other

For Series 2008, 2012 General Obligation, Series 2013A, and Series 2014A bonds, in accordance with GASB Statement No. 65, the difference between the reacquisition price and the net carrying amount of the old debt is being deferred and amortized as a component of interest expense over the shorter of the remaining scheduled life of the old or new debt or the repayment period under the respective liquidity facility, if applicable. The unamortized value of the deferred amount is reported as a deferred outflow of resources.

All of the outstanding bonds and promissory notes are secured by the Obligated Group's pledge of gross revenues. A Trust Agreement names a bank as Trustee to receive, transfer, and disburse all monies related to the bonds and promissory notes except for Series 2013A and Series 2013B which are payable directly to the lenders.

Under the terms of the Master Trust Indenture dated March 1, 1996, as amended and supplemented by various supplemental indentures governing outstanding bonds and the Credit Facilities, the Obligated Group is required to maintain certain financial ratios, maintain minimum credit ratings, and limit future borrowings. In addition, the covenants impose limitations on the selling, leasing, or conveying substantial properties, security interest, pledge, or lien against any assets without the permission of the lenders.

Future principal maturities and corresponding interest payments, excluding unamortized debt premiums and discounts, under the Obligated Group's long-term debt are as follows (in thousands):

Years Ending September 30	**Principal Payments**	**Interest Payments**	**Total Debt Service**
2018	$ 18,159	$ 18,197	$ 36,356
2019	19,119	18,086	37,205
2020	19,824	17,680	37,504
2021	20,109	16,873	36,982
2022	20,979	16,170	37,149
2023–2027	112,059	69,359	181,418
2028–2032	136,725	46,309	183,034
2033–2037	125,290	24,802	150,092
2038–2042	87,990	11,674	99,664
2043–2044	39,052	1,195	40,247
Total	$ 599,306	$ 240,345	$ 839,651

Activity related to long-term debt is summarized for the year ended September 30, 2017 as follows (in thousands):

Beginning balance	$ 631,628
Deconsolidation of Oncolix	(113)
Discount/premium amortization	(994)
Principal payments	(17,804)
Ending balance	$ 612,717

5. COMMITMENTS AND CONTINGENCIES

Litigation — In the ordinary course of its business as conducted prior to October 1, 2016, GHA is named as a defendant in certain litigation primarily arising out of its provision of health care services, employment related matters or contractual disputes. Management believes that the sovereign immunity limits applicable to GHA and professional and general liability insurance coverage provide adequate protection for this litigation.

GHA, SCO, and GHS are parties to an action pending in State court in Greenville, South Carolina, alleging that the GHA Board of Trustees breached their fiduciary duties and acted improperly under state law by voting for and implementing the transaction which was effective October 1, 2016 in which the assets were leased, and operations transferred by GHA, to GHS, and strategic direction provided by the SCO. On two previous occasions the State Supreme Court refused to take original jurisdiction of legal actions involving similar issues and also refused to enjoin GHA from proceeding. Management believes that the actions taken by GHA and its governing body were consistent with its authority under its enabling legislation and state law. The litigation is in an early stage, and discovery is underway.

GHA is also party to litigation with the Sales and Use Division of the South Carolina Department of Revenue ("Department") in which the Department alleges that GHA did not qualify as a tax exempt entity for purposes of determining whether sales and use taxes payable with respect to certain of its purchases and sales, and those by GHS Partners in Health, Inc. This litigation is pending before the Administrative Law Court. Management continues to believe that the position of the Department is without merit and in any event will not be binding on GHS going forward.

Guarantee — The SCO, GHS, and GHA entered into a credit support agreement to guarantee the 5-year, $16 million of South Carolina Jobs-Economic Development Revenue Bonds issued on behalf of New Horizon Family Health Services ("New Horizon"), a separate legal entity located within Greenville County. The bond proceeds were loaned to New Horizon for the purpose of constructing a new facility. The terms of the agreement were amended in November 2017 and principal payments are due in four installments per year with the final balance due in November 2022. In the event of a payment default by New Horizon, the SCO, GHS, and GHA will be required to make that payment. In the event there is a major default by New Horizon, the SCO, GHS, and GHA will be required to purchase the outstanding balance of the bonds, which was $14,183,000 at September 30, 2017. As part of the amendment in November 2017, in the event of payment default by New Horizon, the SCO, GHS, and GHA have a mortgage lien on the property of New Horizon.

6. RELATED-PARTY TRANSACTIONS

SCO and Subsidiaries — During the year ended September 30, 2017, SCO and Subsidiaries paid $4,000,000 to GHA to establish a community fund for Healthy Greenville 2036 and approximately $594,000 to reimburse GHA for retirement plan payments that GHA made on behalf of SCO and Subsidiaries.

At September 30, 2017, GHA had a payable to SCO and Subsidiaries of approximately $25,850,000 primarily related to monies received by GHA for patient charges incurred prior to October 1, 2016.

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