

O.C.G.A. § 31-7-22(b)(2)(F) Response Regarding Bonded Indebtedness and Outstanding Loans

Please note that O.C.G.A. § 31-7-22(b)(2)(F) requires each nonprofit hospital in Georgia to post a “[l]isting of any bonded indebtedness, outstanding loans, and bond defaults, whether or not in forbearance; and any bond disclosure sites of the hospital.”

Based on a reasonable interpretation, there are nine relevant hospitals¹ within the Emory Healthcare system for purposes of disclosures under O.C.G.A. § 31-7-22: Emory University Hospital,² Emory University Hospital Midtown, Emory University Orthopaedics & Spine Hospital, Emory University Hospital Smyrna, Emory Saint Joseph’s Hospital, Emory Johns Creek Hospital, Emory Decatur Hospital, Emory Hillandale Hospital, and Emory Long Term Acute Care.

Currently, bonded indebtedness is held either by Emory University or Emory/Saint Joseph’s, Inc.³ Bond revenue may be used in part for hospital-related projects, depending on a variety of factors and to the extent consistent with the issuance of the particular bond series. However, there are no separate bonds for individual hospitals. A listing of bonds held by Emory University and bonds held by Emory/Saint Joseph’s, Inc. as of the fiscal year 2018 financials, as well as a brief description of material long-term indebtedness and lines of credit as of the fiscal year 2018 financials, appears in the Emory University Consolidated Financial Statements for FY 18, excerpted below.⁴ There are presently no bond defaults. (For more information regarding bonds, feel free to visit the Municipal Securities Rulemaking Board’s “EMMA” website: <https://emma.msrb.org/>. Please note that this website is not maintained by, sponsored by, or affiliated with Emory University or Emory Healthcare.)

Long-term debt obligations related to a hospital are, for internal purposes, consolidated into an allocation for that hospital as it relates to the overall central Emory enterprise.

Last Updated: October 1, 2019

¹ Based on a reasonable interpretation, this excludes Emory Rehabilitation Hospital as not being subject to O.C.G.A. § 31-7-22.

² Emory University Hospital includes, without limitation, Emory University Hospital at Wesley Woods.

³ Emory/Saint Joseph’s, Inc. is a joint venture.

⁴ Please note that the bonded indebtedness held by Emory/Saint Joseph’s, Inc. was paid off during FY 19.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

(11) Bonds and Notes Payable

Bonds and notes payable, including unamortized premiums, discounts, and issuance costs, consisted of the following at August 31 (dollars in thousands):

	Average interest rate	Final maturity	Outstanding principal	
			2018	2017
TAX-EXEMPT FIXED-RATE REVENUE BONDS:				
2016 Series A	4.62%	October 1, 2046	\$ 130,030	\$ 130,030
2016 Series B	4.17	October 1, 2043	212,620	221,710
2013 Series A	4.95	October 1, 2043	186,800	191,415
2011 Series A	4.95	September 1, 2041	121,500	121,500
2009 Series B ⁽¹⁾	4.79	September 1, 2035	195,470	200,530
2009 Series C	4.93	September 1, 2039	93,555	95,060
Total tax-exempt fixed-rate revenue bonds			939,975	960,245
TAX-EXEMPT VARIABLE-RATE REVENUE BONDS:				
2013 Series B ⁽²⁾	1.57	October 1, 2039	135,100	135,100
2013 Series C ⁽²⁾	1.83	October 1, 2039	57,865	57,865
2007 Series A	2.00	November 15, 2028	9,740	9,770
2005 Series B	1.17	September 1, 2035	250,000	250,000
2005 Series C	1.16	September 1, 2036	124,150	124,150
Total tax-exempt variable-rate revenue bonds			576,855	576,885
TAXABLE FIXED-RATE REVENUE BONDS:				
2009 Series A	5.63	September 1, 2019	250,000	250,000
1994 Series C	8.00	October 1, 2024	4,610	5,080
Series 1991	8.85	April 1, 2022	186	243
Total taxable fixed-rate revenue bonds			254,796	255,323
TAXABLE VARIABLE-RATE REVENUE BONDS:				
1999 Series B	1.58	November 1, 2029	8,610	9,085
1995 Series B	1.58	November 1, 2025	1,940	2,115
1994 Series B	1.63	October 1, 2024	7,200	7,970
Total taxable variable-rate revenue bonds			17,750	19,170
COMMERCIAL PAPER:				
2010 Program 1 - Tax-exempt	0.89	August 1, 2050	—	2,834
2008 Program 1 - Taxable	1.73	April 1, 2047	104,344	108,394
Total commercial paper			104,344	111,228
Other long-term debt	Various		10	379
Unamortized bond premiums			76,575	80,642
Unamortized bond discounts			(2,003)	(2,325)
Bond issuance cost			(8,405)	(9,093)
TOTAL BONDS AND NOTES PAYABLE			\$ 1,959,897	\$ 1,992,454

(1) Included in the 2009 Series Bonds is a medium-term maturity of \$43.0 million due on September 1, 2019 at an average interest rate of 4.68%.

(2) Series 2013B and 2013C bonds are floating rate notes and interest rates are based on a spread to one month LIBOR and The Securities Industry and Financial Markets Association Index (SIFMA), respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2018 AND 2017

The University incurred interest expense of \$77.1 million and \$81.5 million in 2018 and 2017, respectively, net of capitalized interest of \$4.1 million and \$0.8 million in 2018 and 2017, respectively. During 2018 and 2017, the average interest rate on University tax-exempt and taxable variable rate demand bonds was 1.16% and 1.58%, respectively. Related indices for this period were 1.21% for tax-exempt debt (SIFMA) and 1.69% for taxable debt (LIBOR).

During 2017, the University refunded its 2008C and 2005A Series Bonds totaling \$147.2 million with proceeds from the University's issuance of 2016B Series Bonds. The University incurred an accounting loss of \$8.7 million on the refunding of the extinguishment of the 2008C and 2005A Series Bonds, which is included in the nonoperating activities in the accompanying 2017 consolidated statement of activities.

At August 31, 2018, the aggregate annual maturities of bonds and notes payable for the next five years and thereafter are as follows (in thousands):

PAYABLE IN FISCAL YEAR:	
2019	21,873
2020	302,418
2021	18,614
2022	13,461
2023	13,365
Thereafter	1,523,999
	1,893,730
Unamortized net premium	74,572
Unamortized net bond issuance cost	(8,405)
	\$ 1,959,897

In 2010, the University established a \$400.0 million tax-exempt Commercial Paper program. The primary purpose of the program is to meet interim financing needs related to capital projects. As of August 31, 2018 or 2017, the University had no outstanding balances under this program.

The University has a standby credit facility to enable the University to purchase tendered variable rate debt in the event of a failed remarketing. Currently, it has one diversified facility totaling \$150.0 million that is committed for this sole purpose and cannot be used for operating needs of the University. There were no draws against this line of credit in 2018 or 2017.

Emory University's healthcare system, Emory Healthcare, entered into an affiliation agreement with one of its payors effective June 11, 2018. This affiliation agreement includes, among other provisions, a \$100.0 million line of credit to Emory University, which can be utilized for any purpose that advances the charitable mission of Emory Healthcare. There is no outstanding balance on this line of credit as of August 31, 2018.

Emory University has an additional \$75.0 million line of credit unrelated to this Emory Healthcare affiliation agreement for which

there is also no outstanding balance as of August 31, 2018.

The University has two letters of credit with a commercial bank totaling \$1.4 million. There were no outstanding balances as of August 31, 2018 or 2017.

The terms of the University's long-term debt provide for certain financial and nonfinancial covenants, including provisions as to the use of the proceeds, limits as to arbitrage and bond issuance costs, and various other administrative requirements.

(12) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of the following as of August 31 (in thousands):

	2018	2017
Appreciation on endowments restricted until appropriated	\$ 2,640,672	\$ 2,517,580
Term endowments	124,910	124,910
Contributions receivable, time and purpose restricted	372,500	48,447
Restricted for capital projects and other donor purposes	70,013	24,518
Annuity and life income agreements	8,576	7,141
	\$ 3,216,671	\$ 2,722,596

Permanently restricted net assets include endowment funds subject to UPMIFA (note 7) as well as perpetual trusts and endowments held by others. Permanently restricted net assets consist of the following as of August 31 (in thousands):

	2018	2017
Donor-restricted endowments	\$ 923,950	\$ 881,625
Interests in perpetual funds held by others	1,271,786	1,244,906
Contributions receivable, restricted for endowment	23,627	31,961
Annuity and life income agreements	2,071	2,081
Split-interest trusts	3,245	3,268
	\$ 2,224,679	\$ 2,163,841

Generally, the donors of these restricted gifts permit the University to use all or part of the income earned and net appreciation on related investments for general or specific purposes, such as scholarships, faculty salaries, or other operational and administrative support.

(13) Retirement and Deferred Compensation Plans

The University has a defined-contribution plan under Internal Revenue Code (IRC) Section 403(b) covering certain employees and teaching staff. The University contributes an amount equal to 6% of each eligible employee's compensation to the plan as well as a supplemental contribution of 3% based on a 1.5 to 1 match of employee contributions of up to 2% of compensation. Emory Healthcare sponsors a retirement plan, covering most full time employees, under which annuities are purchased with contributions by Emory Healthcare